

# West Lothian Council

## Annual Accounts

Year ended 31 March 2020 (unaudited)



West Lothian  
Council

# CONTENTS

Accounts of West Lothian Council for the year ended 31 March 2020, 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

<b>Statutory Accounts</b>		<b>Page</b>
Audit Arrangements		1
<b>Assurance Statements</b>		
Management Commentary		4
Statement of Responsibilities	Statement 1	18
Annual Governance Statement	Statement 2	19
Remuneration Report	Statement 3	31
<b>Principal Financial Statements</b>		
Comprehensive Income and Expenditure Statement	Statement 4	39
Movement in Reserves Statement	Statement 5	40
Balance Sheet	Statement 6	41
Cash Flow Statement	Statement 7	42
<b>Notes to the Annual Accounts</b>	<b>Statement 8</b>	
<b>General Accounting Policies and Assumptions</b>		
Accounting Policies	Note 1	43
Accounting Standards Issued, Not Adopted	Note 2	48
Critical Judgements in Applying Accounting Policies	Note 3	48
Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	Note 4	49
<b>Expenditure and Funding Analysis</b>		
Expenditure and Funding Analysis	Note 5	51
Note to Expenditure and Funding Analysis	Note 6	52
Expenditure and Income Analysed by Segment and Nature	Note 7	53
<b>Notes to Comprehensive Income and Expenditure Statement</b>		
Service Income and Expenditure Statement including Internal Recharges	Note 8	55
Other Operating Expenditure	Note 9	55
Financing and Investment Income and Expenditure	Note 10	55
Taxation and Non-Specific Grant Income	Note 11	55
<b>Notes to Movement in Reserves Statement</b>		
Transfers to or (from) Other Statutory Reserves	Note 12	55
Adjustments between Accounting Basis and Funding Basis under Regulations	Note 13	56
<b>Notes to Balance Sheet</b>		
Property, Plant and Equipment	Note 14	57
Financial Instruments	Note 15	61
Short Term Debtors	Note 16	66

## Annual Accounts (Continued)

Notes to the Annual Accounts	Statement 8	Page
<b>Notes to the Balance Sheet (Continued)</b>		
Short Term Creditors	Note 17	66
Provisions	Note 18	66
Long Term Creditors	Note 19	67
Pensions	Note 20	67
Usable Reserves	Note 21	70
Unusable Reserves	Note 22	71
<b>Notes to Cash Flow Statement</b>		
Operating Activities	Note 23	72
Investing Activities	Note 24	73
Financing Activities	Note 25	73
Cash and Cash Equivalents	Note 26	73
Reconciliation of Liabilities arising from Financing Activities	Note 27	73
<b>Other Notes</b>		
Contingent Liabilities	Note 28	73
Trading Operations	Note 29	74
Agency Services	Note 30	75
External Audit Costs	Note 31	75
Post Reporting Period Events	Note 32	76
Grant Income	Note 33	78
General Fund Balance	Note 34	79
Leasing, PPP and DBFM Payments	Note 35	80
Related Parties	Note 36	81
<b>Supplementary Financial Statements</b>		
Housing Revenue Account (HRA) - Income and Expenditure Statement	Statement 9	83
Movement on the HRA Statement	Statement 10	84
Council Tax Income Account	Statement 11	85
Non-Domestic Rate Income Account	Statement 12	86
Trusts and Mortifications	Statement 13	87
Common Good Account	Statement 14	88
<b>Group Financial Statements</b>		
Group Comprehensive Income and Expenditure Statement	Statement 15	89
Group Movement in Reserves Statement	Statement 16	90
Group Balance Sheet	Statement 17	91
Group Cash Flow Statement	Statement 18	92
<b>Notes to the Group Accounts</b>	Statement 19	93
<b>Assessment of the Impact of Covid-19 Pandemic</b>	Appendix A	96-99

## AUDIT ARRANGEMENTS

### Audit Arrangements

Under arrangements approved by the Accounts Commission for Local Authority Accounts in Scotland, the auditor with responsibility for the audit of the accounts of West Lothian Council for the year ended 31 March 2020 is:-

Stephen Reid, CPFA, CA  
Partner  
Ernst & Young LLP  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

### Statement

The audit of the Council's Accounts for 2019/20 is yet to be undertaken, i.e. the figures are subject to audit.

The unaudited accounts will be presented to the Audit Committee on 22 June 2020.

The certified Accounts will be presented to the Council for approval in September 2020 following completion of the audit.

**AUDIT ARRANGEMENTS**

**AUDIT ARRANGEMENTS**

## MANAGEMENT COMMENTARY

### 1. Introduction

The Management Commentary outlines the key messages of the council's planning and performance for the year 2019/20 and how this has supported the delivery of the council's corporate priorities. The commentary also looks forward outlining future work and ongoing developments. In addition, key risks and uncertainties are set out that will need to be managed to best meet the needs of the West Lothian population going forward. A key aspect of this is the emergence of Covid-19 in the first quarter of 2020 which is having a significant impact on the delivery of council services.

### 2. The Council

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

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

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

The quality and effectiveness of these services relies on the commitment, dedication and ability of the council's 6,726 (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 182,000, which accounts for 3.3% of the total population of Scotland.

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

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 203,000 by 2041. While West Lothian has one of the fastest growing and youngest populations in Scotland it is also forecast to have the highest population growth in the over 75 age group in Scotland (120% increase by 2041). Growth in the population of West Lothian will mean more demand for all services including waste collection, schools and support for older and vulnerable people in our communities.

The 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 ten year capital investment programme approved in February 2018, and subsequently updated in February 2019 and 2020, supports the delivery of essential council services and will invest over £191 million in maintaining and improving the school estate over the period 2020/21 to 2027/28.

During 2019/20, the first phase of works to reconfigure and extend Ogilvie Additional Support Needs school was completed as part of the planned investment of a further £19.8 million in additional supports needs schools from 2020/21 onwards. Land remediation and preparation works have also been progressed this year in relation to the delivery of new Denominational and Non-Denominational secondary schools and a new primary school in Winchburgh. The Winchburgh Core Development Area will represent the largest single education expansion investment undertaken by the council.

The council is committed to a plan for 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 Housing Supply Programme amounted to £12.6 million in 2019/20. There were 314 new build council house completions during the financial year across West Lothian, with the largest of the new build projects, Kirkhill in Broxburn, completing the remaining 71 houses on the site and concluding the project.

## MANAGEMENT COMMENTARY

The new build sites at Drumshoreland in Pumpherston, the former Vion development in Broxburn, and Deans South and Almondvale Stadium in Livingston have all completed during 2019/20, with only one handover remaining to complete the site at Wester Inch in Bathgate. Construction works are progressing across a range of locations, with further handovers expected in Livingston, Bathgate and West Calder in 2020/21. A total of 35 houses were purchased through the Open Market Acquisition Scheme, with Scottish Government grant funding continuing to be available to support the scheme. In addition, a further two houses were procured through mortgage to rent.

The Housing Capital Programme includes planned expenditure to support both the new build programme and continued investment in housing infrastructure to ensure that homes are suitable for 21st century living.

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

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 2019/20 was £69.4 million (2018/19 £63.8 million).

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

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

### 3. Corporate Strategy

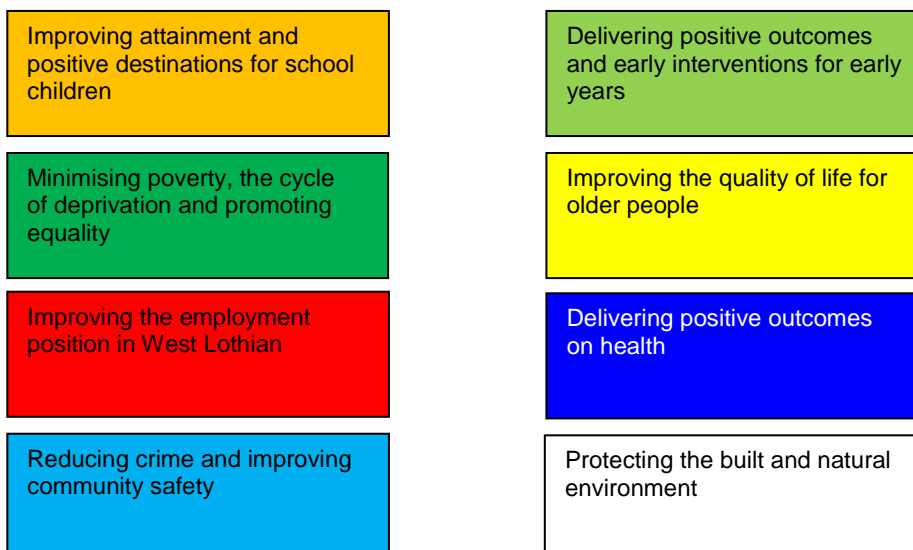
The Corporate Plan sets West Lothian Council's strategic direction and identifies our priorities for the period to 2022/23. These priorities are the focus for all council services, as the council, its partners and local communities work together to deliver better services for West Lothian.

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

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

[https://www.westlothian.gov.uk/media/19574/West-Lothian-Council-Corporate-Plan-2018---2023/pdf/West\\_Lothian\\_Council\\_Corporate\\_Plan\\_2018-2023.pdf](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. This reflects the public consultation exercise (Transforming Your Council) undertaken in autumn 2017. The TYC consultation focused on three key areas – taxation, priorities and areas for budget savings. The consultation received over 45,000 comments that helped shape and inform the corporate and financial plans. Feedback received showed strong support for the council's eight priorities shown below:





## MANAGEMENT COMMENTARY

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

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

The council produces a Factfile on an annual basis which provides an essential guide to the council's performance in relation to the eight priorities. The most recent publication can be found on the council's website: <https://www.westlothian.gov.uk/article/43519/Annual-Report-Factfile->

#### 4. Budget Strategy and Budget Setting

Covid-19 implications will be a key consideration for the council in the ongoing review and update of the currently approved budget plans for future years. In line with the council's integrated approach to corporate and financial planning, the 2020/21 budgets for general services revenue, the general services capital programme, along with the 2020/21 treasury management plan, were approved by full Council on 28 February 2020. The housing revenue account (HRA), and the housing capital programme were approved by full council on 18 February 2020.

Approval of the medium term revenue financial plan for the period 2020/21 to 2022/23 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 supported by detailed plans covering a minimum of three years. The budget plans included the allocation of £7.8 million of one off resources over the three year period for investment in priority areas including supporting voluntary organisations, climate change and job creation. Budget savings of £31.7 million were also agreed by Council, as part of a balanced three year budget. The approved savings cover all service areas and include saving measures such as service redesign, integration and modernisation, channel shift and digital transformation, income and concessions, partnership working, revised delivery models and service standards, empowering communities and reducing facilities, revised assessment and eligibility for care and a revised scheme of devolved school management. Officers continue to monitor announcements and other information to review and refine currently agreed budget assumptions.

The annual general services and housing revenue budgets form part of the council's integrated approach to financial strategy, corporate planning, delivery of outcomes and performance monitoring. The activity budget links the council's activities, resources and outcomes and is a core element of the council's financial strategy and annual management plans. The 2020/21 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 long term general services capital programme supports the delivery of the council's eight Corporate Plan priorities. The programme also takes into consideration comments received during budget consultations where there was support for the effective and efficient management of our assets and reducing energy use. It is important that resources are prioritised on an ongoing basis to ensure investment has the maximum impact on the core assets necessary to sustain existing service delivery. A five year housing capital strategy and ten year general services capital investment strategy was approved by Council on 13 February 2018, along with the Corporate Asset Management Strategy on 19 March 2019. These financial investment plans were updated on 28 February 2020.

The Prudential Code requires councils to approve, on an annual basis, a defined set of prudential indicators, covering both general fund and housing capital investment, at the same council meeting that approves the revenue budget for the forthcoming year.

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

The CIPFA Financial Management Code was published in October 2019 and reported to the council's Partnership and Resources Policy Development and Scrutiny Panel on 7 February 2020. It is intended by CIPFA that this will have the same scope as the CIPFA Prudential Code. The code is designed to support good practice in financial management and assist in demonstrating the local authority's financial sustainability. There is a requirement of full compliance with the code by financial year 2021/22.

## MANAGEMENT COMMENTARY

Since the council's budget plans were approved in February 2020, the Covid-19 pandemic has become a very significant operational and financial challenge for local government. As well as directly dealing with the impact of the virus and protecting communities, councils must continue to deliver a wide range of services which are all being impacted by the current situation.

While the full financial implications resulting from Covid-19 remain uncertain, they will be significant. Taking account of this, COSLA and all 32 local authorities in Scotland have been working together to capture the financial implications resulting from Covid-19. This will be an ongoing process across the council's revenue and capital plans to ensure that a clear understanding is obtained over time of the financial implications and these can be considered as part of ongoing work to update financial planning assumptions.

The council has a Corporate Transformation Programme Team (CTPT) in place to support the implementation of the council's corporate and financial plans through ensuring delivery of service changes and budget saving measures. The team report to a Depute Chief Executive and are focused on facilitating transformational change throughout the council, whilst working with enabler services to ensure the council continues to have a balanced budget over the medium to long term. The CTPT provides and builds internal council capacity to support ongoing modernisation reflecting the challenges facing local government. The performance of the team is assessed through the successful completion of saving projects and the implementation of agreed budget saving measures.

The CTPT have helped support the development, approval and implementation of a number of significant and complex projects during 2019/20. A key aspect of the CTPT will become the continued research and feasibility of future transformation opportunities and initiatives taking account of the implications of Covid-19, and potential transformation suggestions for the period beyond 2022/23. They will undertake scanning and benchmarking exercises to identify potential opportunities for change in areas such as, but not limited to, charging, commercial management, volunteers and effective and efficient use of assets.

### 5. Performance Overview

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

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

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

<https://www.westlothian.gov.uk/article/33035/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). The results of the WLAM process are reported to the Performance Committee and the results of the VSE are reported to the Education (Quality Assurance) Committee. The papers and agendas for these committees are available on the council's COINS system.

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 2019/20. 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 2019/20. 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.

## MANAGEMENT COMMENTARY

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

- **Customer satisfaction with the service:**

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

- **How we perform against service standards:**

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

- **The efficiency of the service:**

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

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

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

- **The impact of the service:**

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

In 2019/20 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 performance service processes and waiting times in customer services. We will target reductions in the cost of providing a range of services through transformation and digitisation activities.

## MANAGEMENT COMMENTARY

### 6. 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.

#### 6.1 Financial Ratios

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

Council Tax	2019/20	2018/19	Notes on Ratios
In-year collection rate	96.6%	96.4%	This shows the % of council tax collected during the financial year that relates to bills issued for that year. It does not include collection of funding relating to previous financial years.
Target for year	96.5%	96.3%	
Council tax income as a percentage of overall funding	20.5%	20.3%	This shows the proportion of total funding that is derived from council tax. The percentage increased in 2019/20 as a result of the Budget strategy to increase council tax by 3% in real terms (4.79% in cash terms) for 2019/20, including increased council tax from additional house completions in year.
<b>Debt and Borrowing – Prudence</b>			
Capital Financing Requirement (£'000)	722,266	722,712	The capital financing requirement represents the underlying need to borrow to fund expenditure on assets. The council continues to invest in its assets, and in particular building new council houses. The council's borrowing requirement decreased slightly in 2019/20 as only the Housing Capital Programme used borrowing as a source of funding. In 2019/20, General Services had a nil borrowing advance whilst still making an annual statutory repayment of debt.
<b>Debt and Borrowing – Affordability</b>			
Financing costs to net revenue stream – General Fund	6.4%	7.1%	These ratios show the proportion of total revenue funding that is used to meet financing costs. The ratios exclude any voluntary repayments of debt made during the year. For General Fund the percentage decreased as the revenue budget continued to grow, mainly as a result of increased ring fenced Scottish Government, whilst debt servicing costs largely remained static. This means that annual debt servicing costs became a lower percentage of the total revenue stream. For HRA the percentage decreased to reflect the largely static debt servicing costs and increased rental income. These percentages are deemed to be affordable as outlined in the 2019/20 treasury plan and approved indicators.
Financing costs to net revenue stream – HRA	27.0%	29.5%	

## MANAGEMENT COMMENTARY

### 6.2 Financial Outturn

Net expenditure on General Services is met from government grants and council tax. In 2019/20 government grants accounted for 79.5% (79.7% 2018/19) of the council's external funding with the remaining 20.5% (20.3% 2018/19) from council tax. The in-year collection rate for council tax in 2019/20 was 96.6% (96.4% 2018/19).

In 2019/20 the council incurred net expenditure of £500.6 million (£511.5 million 2018/19) against a budget of £504.2 million (£512.1 million 2018/19), utilising 99.3% (99.9% 2018/19) of available budget.

The Expenditure and Funding Analysis (EFA), Note 5 on page 51, shows how the annual net expenditure is used, how it is funded from resources and how expenditure is allocated for decision making purposes between the council's services.

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

As shown in the EFA, the General Fund recorded a net surplus for the year of £2.2 million. This was made up as follows:-

<b>Service Expenditure</b>	<b>2019/20 Budget £'000</b>	<b>2019/20 Actual £'000</b>	<b>Variance £'000</b>
<b>Education, Planning, Economic Development and Regeneration</b>			
Schools, Education Support	240,976	239,588	(1,388)
Planning, Economic Development and Regeneration	5,538	5,118	(420)
<b>Corporate, Operational and Housing</b>			
Operational Services	72,887	74,053	1,166
Housing, Customer and Building	9,507	9,670	163
Corporate Services	16,229	16,209	(20)
<b>Social Policy</b>			
IJB – Adult and Elderly Services	69,438	69,438	-
Non- IJB – Children's Services	34,539	33,638	(901)
<b>Chief Executive, Finance and Property</b>	42,964	42,204	(760)
<b>Joint Boards</b>	1,154	1,154	-
<b>NET SERVICE EXPENDITURE</b>	<b>493,232</b>	<b>491,072</b>	<b>(2,160)</b>
<b>Non-Service Expenditure</b>			
Pensions, NDR Relief and Benefit Payments	10,924	9,577	(1,347)
<b>TOTAL EXPENDITURE</b>	<b>504,156</b>	<b>500,649</b>	<b>(3,507)</b>
<b>FUNDING</b>			
Scottish Government Grant	(321,078)	(321,078)	-
Council Tax	(82,608)	(82,830)	(222)
<b>TOTAL FUNDING</b>	<b>(403,686)</b>	<b>(403,908)</b>	<b>(222)</b>
<b>NET OUTTURN POSITION</b>	<b>100,470</b>	<b>96,741</b>	<b>(3,729)</b>
Expenditure Funded from Committed General Fund Balance	(100,470)	(98,947)	1,523
<b>Surplus for the year</b>	<b>-</b>	<b>(2,206)</b>	<b>(2,206)</b>

The 2019/20 net budget underspend was £3.7 million. This was largely due to one-off underspends in Social Policy and Education, partially offset by recurring pressures within Operational Services and Housing, Customer and Building Services. In addition, there was an underspend in non-service expenditure mainly due to savings in treasury and there was higher than budgeted income from Council Tax.

## MANAGEMENT COMMENTARY

The main areas of variance in 2019/20 were as follows:

- Social Policy had a one-off underspend of £0.9 million largely due to reduced costs in Foster and Kinship Care and External Placements for Children. The underspend in these areas reflects accelerated progress towards achieving approved 2020/21 savings.
- Underspend by £1.4 million within Education following a review of budget model assumptions for 2019/20. This reflected that the budget model agreed in February 2019 included a number of elements of funding and costs within the Education budget which were still subject to agreement and confirmation at Scottish level at the time the budget was approved, in particular the increase in employers' superannuation costs, demographic projections and the final teachers' pay award.
- Operational Services overspent by around £1.2 million mainly due to higher than budgeted staffing costs from overtime as a result of sickness absence levels in both Facilities Management and Recycling and waste services.
- Additional costs from homelessness and homelessness transport as a result of ongoing demand for temporary accommodation contributed to the overspend in Housing, Customer & Building Services. Management action continues to be implemented to reduce expenditure in line with recurring budget.
- School transport contracts were within budget, taking account of one-off resources provided to mitigate the pressure. Management action progresses to reduce expenditure on an ongoing basis.
- One off windfall of £0.5 million from the appeals process for Non Domestic Rates (NDR) and the Business Rates Incentivisation Scheme.
- Treasury savings of £0.9 million were generated from the reprofiling of the loans fund principal, this was partially offset by £0.3 million for winter maintenance during 2019/20, with the remaining £0.6 million retained in the General Fund Balance for projects and investment agreed by West Lothian Council on 28 February 2020.
- There was an over recovery in council tax income largely due to the outcome of a comprehensive review of the level of exemptions and discounts in place.

Areas with recurring pressures and key demand led areas of the budget will continue to be closely monitored during 2020/21. Overspend risks will be highlighted as part of the established monitoring process to ensure action is taken to mitigate pressures. In addition, as reported to Council Executive on 26 May 2020, there is currently an estimated revenue pressure resulting from the impact of Covid-19 of approximately £6.9 million in 2020/21, even after the anticipated additional funding is accounted for. This pressure will increase when the cost of school's plans for a return in August 2020 are established. It was agreed that officers should continue to monitor the financial impact of the current pandemic and continue to engage with Scottish Government and COSLA around further government funding for the council to fund the significant additional costs being incurred by the council. In light of this, officers are recommending to Council Executive that the uncommitted General Fund balance of £3 million is retained.

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

	<b>Outturn Report</b>	<b>Depreciation</b>	<b>Pensions</b>	<b>Employee Statutory Adjustment</b>	<b>EFA Column 1 Note 5</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Cost of Services</b>	500,649	(107,920)	(24,852)	(691)	367,186
Other Income and Expenditure	(502,855)	107,920	24,852	691	(369,392)
<b>Surplus on Provision of Services</b>	<b>(2,206)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,206)</b>

The net surplus of £2.2 million increases the General Fund balance to £19.9 million at 31 March 2020. Existing commitments against the balance are £16.9 million, including a Modernisation Fund of £1.5 million, developer contributions from HRA of £5.1 million and time limited projects of £1.1 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 34 on page 79. The uncommitted balance of £3 million, or 0.6% of budgeted net expenditure, is £1 million above the council's target minimum uncommitted General Fund balance of £2 million.

The council has a provision of £0.4 million for the settlement of claims for back pay arising from equal pay claims. As the council's equal pay claims are largely settled, the remaining provision is considered sufficient to meet the requirements of any final claims.

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 £18.6 million has been paid from the Modernisation Fund. As at 31 March 2020, the balance of the Modernisation Fund is £1.5 million (£0.6 million as at 31 March 2019).

## MANAGEMENT COMMENTARY

Included in the Comprehensive Income and Expenditure Statement is £0.5 million (£3.5 million 2018/19) of expenditure in relation to the cost of agreed employee exit packages payable to 21 staff (100 staff during 2018/19) as part of the council's strategy to balance the budget.

During the normal fixed assets revaluation cycle, garage sites and lockups, cemetery buildings, hostels, libraries, visitor centres, village halls, grazing land, clubhouses, muster rooms, sports centres and swimming pools were revalued. As a result, £39.9 million was charged to the Comprehensive Income and Expenditure Account, of which, £39.3 million relates to impairment on council dwellings. The revaluation charge has no impact on the General Fund Balance carried forward.

### 6.3 Revenue Budget – Housing 2019/20

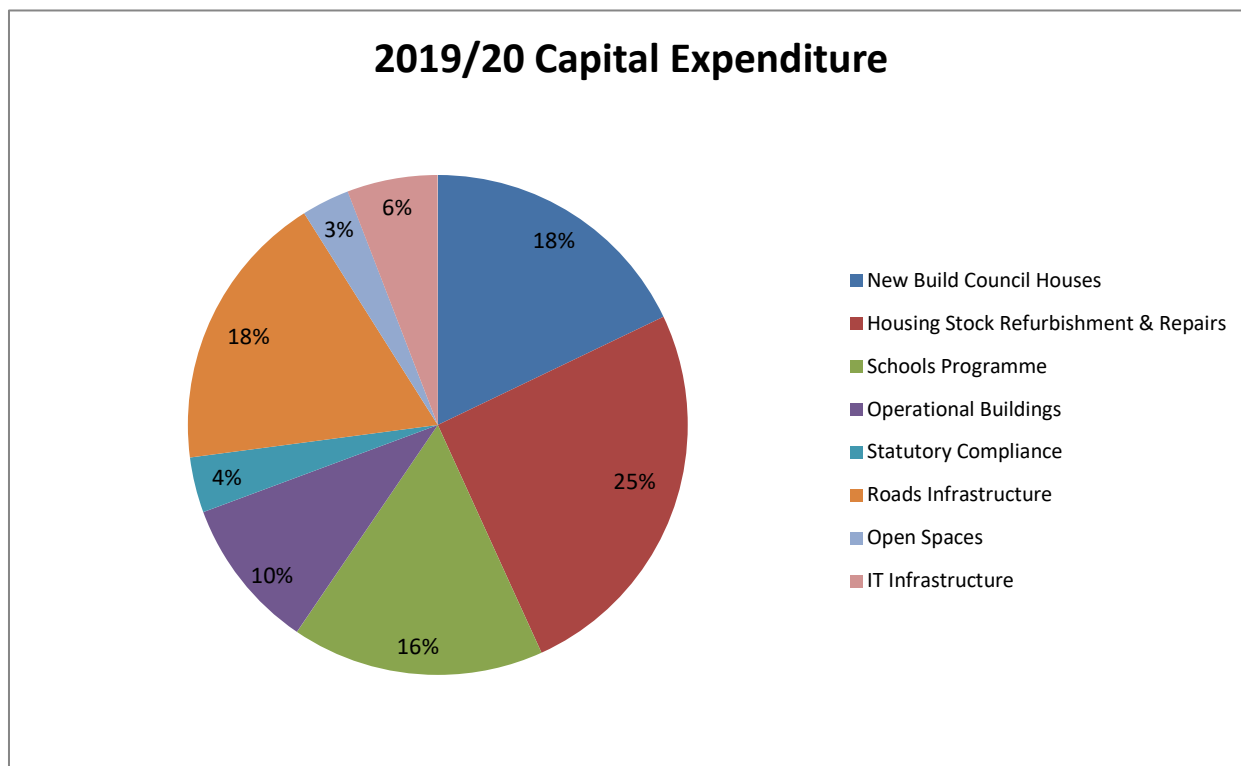
Statement 9 (page 83) the HRA – Income and Expenditure Statement includes depreciation and impairment on housing assets. The deficit for the year is £43.2 million (£44 million 2018/19). Statement 10 (page 84) the Statement of Movement on the HRA Balance adjusts this deficit as a result of amounts which are required by statute to be debited or credited to the HRA Balance for the year, the net credit for these items is £43.2 million (£44 million 2018/19). The overall position was breakeven for the year, which maintains the HRA balance carried forward at £0.9 million (£0.9 million 2018/19).

### 6.4 Capital Budget 2019/20

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 2019/20 was £722.3 million (£722.7 million 2018/19), £474.6 million (£486.5 million 2018/19) for general services and £247.7 million (£236.2 million 2018/19) for Housing Revenue Account. External debt levels were £706.7 million during 2019/20 (£710.4 million 2018/19).

### 6.5 Capital Programme 2019/20



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

Capital Programme	2019/20			2018/19		
	Budget £'000	Actual £'000	Over/(Under) Spend £'000	Budget £'000	Actual £'000	Over/(Under) Spend £'000
General Services	33,389	39,956	6,567	29,431	28,723	(708)
Housing Revenue Account	36,398	30,393	(6,005)	42,019	40,447	(1,572)
<b>Total Capital Expenditure</b>	<b>69,787</b>	<b>70,349</b>	<b>562</b>	<b>71,450</b>	<b>69,170</b>	<b>(2,280)</b>

## MANAGEMENT COMMENTARY

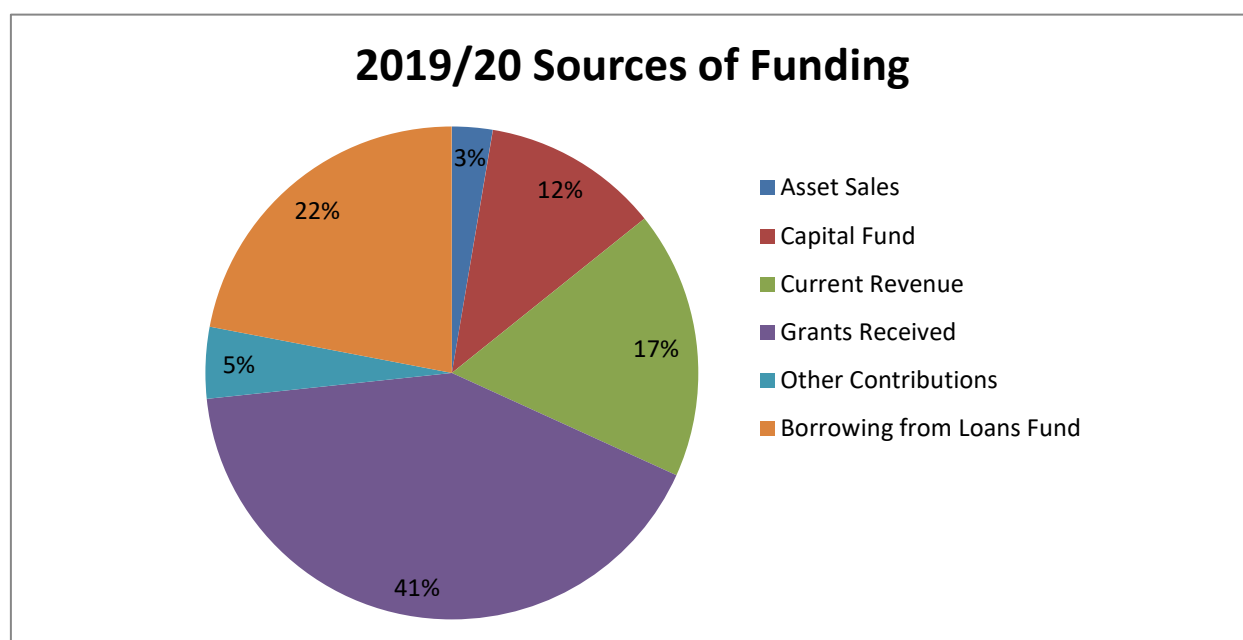
The 2019/20 General Services capital programme had a budget of £33.4 million and the final outturn for 2019/20 was £40 million. The variance of expenditure compared to budget for the year was £6.6 million due to accelerated spending on various projects across asset categories.

The HRA capital programme had a budget of £36.4 million and actual expenditure of £30.4 million resulting in a net variance of £6 million. This was mainly due to minor slippage on the New Build Programme.

The total council capital expenditure was funded as follows:-

Sources of Funding	2019/20 £000	2018/19 £000
Asset sales and contributions from third parties / funds	42,535	31,131
Revenue contributions to capital	12,343	9,108
Borrowing	15,471	28,931
<b>Total Funding</b>	<b>70,349</b>	<b>69,170</b>

Total debt outstanding at 31 March 2020 (2019) was £623.1 million (£623.4 million). The details of the debt outstanding are shown in note 15.3.



### 6.6 PPP and DBFM Contracts

As part of the funding arrangements for the delivery of the New West Calder High School, the council entered into a Design, Build, Finance and Maintain Agreement (DBFM), supported by the Scottish Government Schools for the Future programme. The project financially closed in December 2016, with construction completion and handover occurring on the 29 June 2018.

The PPP and DBFM contracts are assessed under International Financial Reporting Standards (IFRS) which looks at aspects of control of an asset, such as specifying services and the price paid for these services. The net value of all PPP and DBFM assets in the balance sheet at 31 March 2020 is £133.9 million (£150 million as at 31 March 2019).

The outstanding liabilities on the PPP and DBFM contracts are £85.9 million (£89.2 million 2018/19) of which £3.6 million (£3.2 million 2018/19) is shown under current liabilities and £82.3 million (£86 million 2018/19) under long term liabilities.

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



## MANAGEMENT COMMENTARY

### 6.7 Significant Trading Operations (STO)

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

During 2019/20 the STO achieved an in-year surplus of £1.5 million (£0.8 million 2018/19).

In the three years to 31 March 2020 the trading account sustained a statutory aggregate surplus of £0.3 million, therefore achieving the statutory financial requirement to breakeven over a three year period.

Note 29 provides further detail.

### 6.8 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 £234.1 million at 31 March 2020 (£279.7 million at 31 March 2019).

The deficit has reduced mainly as a result of a combination of the investment returns being significantly lower than expected, particularly in the last two months of the accounting period due to Covid-19, which has served to worsen the balance sheet position. The effect of which has been at least partly offset by a higher net discount rate which serves to reduce the value placed on the obligations. Corporate bond yields are at a level similar to that of 31 March 2019; however inflation expectations are significantly lower.

There are also two main issues which have adversely impacted on the Local Government Pension Scheme obligations:

- McCloud judgement - judges brought a claim of indirect age discrimination in relation to the 2015 Pension Scheme transitional provisions.
- Guaranteed Minimum Pension (GMP) – the equalisation impact is shown as a past service cost for employers.

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.

### 6.9 Other Reserves

The following table details the usable reserves held by the council for the five year period 2015/16 to 2019/20.

<b>Fund</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Committed General Fund	23,539	23,187	21,805	15,290	16,875
Uncommitted General Fund	2,070	2,075	2,101	2,373	2,994
HRA Fund	926	926	926	926	926
Capital Fund	88,214	65,527	58,963	61,713	57,917
Insurance Fund	13,715	11,835	10,125	10,391	9,317
<b>Total</b>	<b>128,464</b>	<b>103,550</b>	<b>93,920</b>	<b>90,693</b>	<b>88,029</b>

The reduction in the Capital Fund of £3.8 million from 2018/19 is a result of the planned usage of the fund to supplement the capital programme. The 2019/20 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 £40 million as outlined in section 6.5 of this commentary.

Following an actuarial review of the Insurance Fund, West Lothian Council, at its meeting on 24 September 2019, agreed that the identified surplus of £1.4 million within the fund would be considered as part of the budget strategy for 2020/21 to 2022/23. The one-off use of the Insurance Fund £1.4 million was approved to provide resources and considered as part of the budget strategy report to Council on 28 February 2020.

## MANAGEMENT COMMENTARY

As part of the annual revenue budget setting process, the Head of Finance and Property Services assesses and reflects on the appropriateness of the unallocated general fund balance. The review is undertaken each year, and for 2019/20, was considered in the revenue budget report to the Council on 19 February 2019. It was concluded that, in order to ensure that sufficient funds are held in reserve to deal with the financial consequences of uncertain future events, that the uncommitted balance be maintained at a minimum of £2 million. This level is assessed as appropriate as the council has an approved medium term financial strategy which is underpinned by clear financial planning arrangements, sound financial management and a number of other earmarked reserves.

Details of the committed General Fund balance are shown in note 34 on page 79.

### 6.10 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 94 and 95. For the purposes of consolidation and incorporation with the Group Accounts the council had one subsidiary company during 2019/20, West Lothian Leisure.

Covid-19 is resulting in a significant impact on West Lothian Leisure's service delivery and financial position. A report to Council Executive on 26 May set out the currently estimated implications and recommendations were approved to assist with West Lothian Leisure's cashflow and income position for 2020/21. The council continues to work in partnership with West Lothian Leisure to monitor the financial implications of Covid-19.

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).

West Lothian Recycling Ltd was wound up effective from 10 October 2019 and from 2020/21 will no longer form part of the Group Accounts.

In terms of West Lothian IJB substantial work has been undertaken to identify the service delivery and financial implications arising from Covid-19. This has been captured in Mobilisation plans submitted to the Scottish Government and through reporting to the Board and Council.

## 7. Risk and Uncertainty

At present, there are no confirmed Scottish Government budget allocations for local government beyond 2020/21. The uncertainty around the financial implications of Covid-19 will be a significant risk for local government and the wider economy going forward. Taking account of the Covid-19 pandemic, a Summer Budget Bill Revision was laid before the Scottish Parliament in May 2020 and sets out the detail of the budget measures taken by Scottish Ministers in response to Covid-19. The Scottish Government response to Covid-19 will be ongoing and any further budget changes will be detailed in the proposed Autumn and Spring Budget Revisions later in the financial year.

The council's approved 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, there are a number of risks, uncertainties and potential cost pressures that could impact on the council's ability to balance the revenue budget. In particular it is uncertain what proportion of the overall Scottish funding envelope will be allocated to local government, especially with an increasing risk in relation to the performance of the wider UK and Scottish economy. There are two fundamental areas of risk associated with the wider economy and resulting public sector funding:

- The Covid-19 pandemic has resulted in radical changes to council working practices and continues to present challenges to effective service delivery. The prospect of an economic downturn coupled with increased demands on council services will place increasing pressure on the council's ability to deliver a balanced budget. Additional risks have also been identified, for example in relation to impact on income collection (e.g. Council Tax, Planning income) and the council's ability to successfully deliver its Anti-Poverty Strategy. The implications of Covid-19 are being closely monitored with regular updates on the position and proposed actions reported to Council Executive.
- If the UK Government is not able to agree a trade deal with the European Union following EU exit there is a risk that this could exacerbate any economic downturn caused by the Covid-19 pandemic, further impacting on the council's ability to deliver a balanced budget, and causing further demand for welfare advice and a further increase in Scottish welfare fund and housing benefits payments.

## MANAGEMENT COMMENTARY

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

- More ring fencing of grant funding, constraining how local authorities allocate their resources to deliver local priorities.
- General Economic uncertainty, where economic growth is not in line with forecasts due to worldwide market conditions including the impact of Brexit, and how this can impact on public spending levels, especially as the overall Scottish funding envelope is now highly contingent on economic performance. A Brexit Working Group is in place and meets on a regular basis to consider latest developments and potential implications to the council.
- The council's ability to meet its statutory homeless duty and maintain spend on housing need within budget. One of the council's migrating measures relates to the new build housing programme and it is anticipated that there will be a significant number of secondary lets which will be allocated to homeless applicants.
- Increases to pay award, employers' National Insurance and pension contributions above the rates assumed in the council's financial plan. Although there is an agreed pay settlements for 2020/21, there is a risk associated with the pay costs for the final two years of the approved plan
- Increase in costs in demand led services is greater than financial planning assumptions. Continued and accelerated increases, greater than forecasts, will create additional pressures.
- Actual inflation being higher than assumed, in particular for areas where contract prices have still to be agreed.
- Actual pupil numbers exceeding forecasts, requiring more teachers to be employed.
- House building assumptions of 900 per year are not realised resulting in changes to council tax and school demographic assumptions.
- Policy changes by the UK or Scottish governments which restrict the council's flexibility to decide how to deliver services locally.
- Full delivery of approved budget reduction measures, although good progress has been made to date in implementing savings.

### 8. Future Work and Ongoing Developments

West Lothian Council approved an updated medium term financial plan for the period 2020/21 to 2022/23 at the Council meeting of 28 February 2020. In order to maintain a balanced budget for 2020/21 to 2022/23 the council is required to deliver total budget savings of £31.7 million.

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

Whilst the council has an approved medium term financial plan, the council continues to face unprecedented challenges, including the impact of Covid-19, in delivering essential services whilst resources are constrained. The 2020/21 to 2022/23 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 2020/21, 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.

## MANAGEMENT COMMENTARY

The council has made good progress in securing its ongoing financial sustainability through the approval of the corporate plan, the 2020/21 to 2022/23 revenue plan and the long term capital investment programme. The revenue plans provide a medium term framework for the continued delivery of balanced budgets however officers continue to undertake work on financial planning and delivery of savings. This will take account of funding and cost implications resulting from Covid-19.

Over recent months substantial work has been undertaken to identify the estimated additional costs of Covid-19. While there remains uncertainty around Covid-19 implications going forward, an update to Council Executive on 26 May forecast an additional net cost resulting of £6.9 million. This position will continue to be closely monitored during 2020/21 with further updates provided to Council Executive as part of the overall monitoring arrangements in place.

The nature of medium to long term financial planning means that identifying expenditure and funding growth for future years is challenging and uncertain under any circumstances and Covid-19 only increases uncertainty at this point in time. However, it is widely acknowledged by bodies such as Audit Scotland and CIPFA that a short term budgeting process is not conducive to achieving the aims consistent with planning to meet future service delivery demands and prioritising resources to achieve this and therefore the objective will be to further review and develop the medium term financial plan during 2020/21 to take account of the implications of Covid-19 and other key risks.

### **9. Assessment of the impact of Covid-19**

A detailed assessment of the Impact of the Covid-19 Pandemic on the council is included on pages 96 to 99 of the accounts (Appendix A). This is based on the assumption that the large scale lockdown restrictions remain in place until 30 June 2020. In addition, the Post Reporting Period Events note on page 76 considers events from 1 April 2020 to date.

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

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

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

**September 2020**

**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 September 2020.

**Signed on behalf of West Lothian Council**

**Councillor Lawrence Fitzpatrick**  
**Leader of the Council**  
**September 2020**

**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 2020.



**Donald Forrest CPFA**  
**Head of Finance and Property Services**  
**15 June 2020**

## 1. Executive Summary

- 1.1 The corporate governance framework comprises the systems, processes, culture and values by which the council is directed and controlled and engages with and is accountable to the West Lothian community. The council's governing bodies (full council and committees), individual councillors and members of staff must try to achieve its objectives while acting in the public interest at all times. That implies primary consideration of the benefits for society, which should result in positive outcomes for stakeholders.
- 1.2 The council, through all of its members, has overall responsibility for good governance arrangements. In practice, the council entrusts the delivery of those tasks to committees and to appropriate council officers but subject to scrutiny arrangements and receiving evidence-based assurance on the framework's effectiveness and completeness.
- 1.3 The council's Corporate Plan 2018/19 to 2022/23 cements the place of corporate governance as an "enabler". Along with risk management, financial planning and modernisation/improvement it is an essential back-office corporate service necessary to assist setting goals and priorities, monitoring achievement and reporting corporate priorities and outcomes. The Corporate Plan acknowledges the wide understanding that good governance promotes good decisions.
- 1.4 The conclusion and assurance in this statement is based on:-
  - the annual statutory review of the system of internal control by the Audit Risk & Counter Fraud Manager (6.4)
  - annual compliance statements and other reports produced by the Monitoring Officer in relation to significant council policies and procedures (7.6)
  - the newly-populated evidence-based Local Code of Corporate Governance (5.7)
  - the progress made on areas of governance concern (13.1)
- 1.5 Areas of concern where work is required have been identified (14) and the full impact of the Covid-19 pandemic is not yet known (15.12). However, the council and the West Lothian community can be assured that the council's corporate governance standards have been substantially met in 2019/20 (16.1).
- 1.6 The statement is presented in these sections:-
  1. Executive Summary
  2. Political structure and administration
  3. Management structure
  4. Decision-making and scrutiny arrangements
  5. Local Code of Corporate Governance
  6. System of internal control
  7. Annual compliance statements
  8. Audit Committee
  9. Governance & Risk Committee
  10. Other internal scrutiny arrangements
  11. Officer roles and activity
  12. External scrutiny
  13. Past and current governance issues
  14. Governance issues ahead
  15. Covid-19
  16. Conclusion and assurance

## 2. Political structure and administration

- 2.1 West Lothian Council is a council of nine electoral wards and 33 councillors. A casual vacancy arose on 3 April 2020. The by election is presently scheduled to take place on Thursday 1 October 2020. The current 32 councillors are made up of 12 SNP members, 12 Labour members, 7 Conservative members and 1 Independent member. The Provost and Leader of the Council were elected in May 2017 and remain in position. A minority Labour administration was established then and remains in place. The council's committee structure was re-established in June 2017 and has remained largely intact since then.
- 2.2 The leadership positions comprise the Provost, the Council Leader, eight Executive Councillors (portfolio holders in relation to council services) and chairs and vice-chairs of other committees. Senior councillor payments are agreed each year. The statutory annual report for 2019/20 on elected members' remuneration, allowances, expenses and training was reported to Council Executive on 26 May 2020.

### 3. Management structure

- 3.1 The council's services are managed through its Executive Management Team (Chief Executive, three Depute Chief Executives and the Head of Finance & Property Services). Those officers and seven Heads of Service form the Corporate Management Team. The Governance Manager attends Corporate Management team meetings. Each service has a Senior Management Team and managers and teams within its structure. The service management structure is shown below. The Depute Chief Executive responsible for the Health & Social Care Partnership retired and a permanent replacement was appointed with effect from 30 September 2019 after a successful cooperative appointment process amongst council, health board and the West Lothian Integration Joint Board. Two Heads of Service positions had been held by officers on an acting basis and were filled on a permanent basis during the year.

The service management structure is as follows.

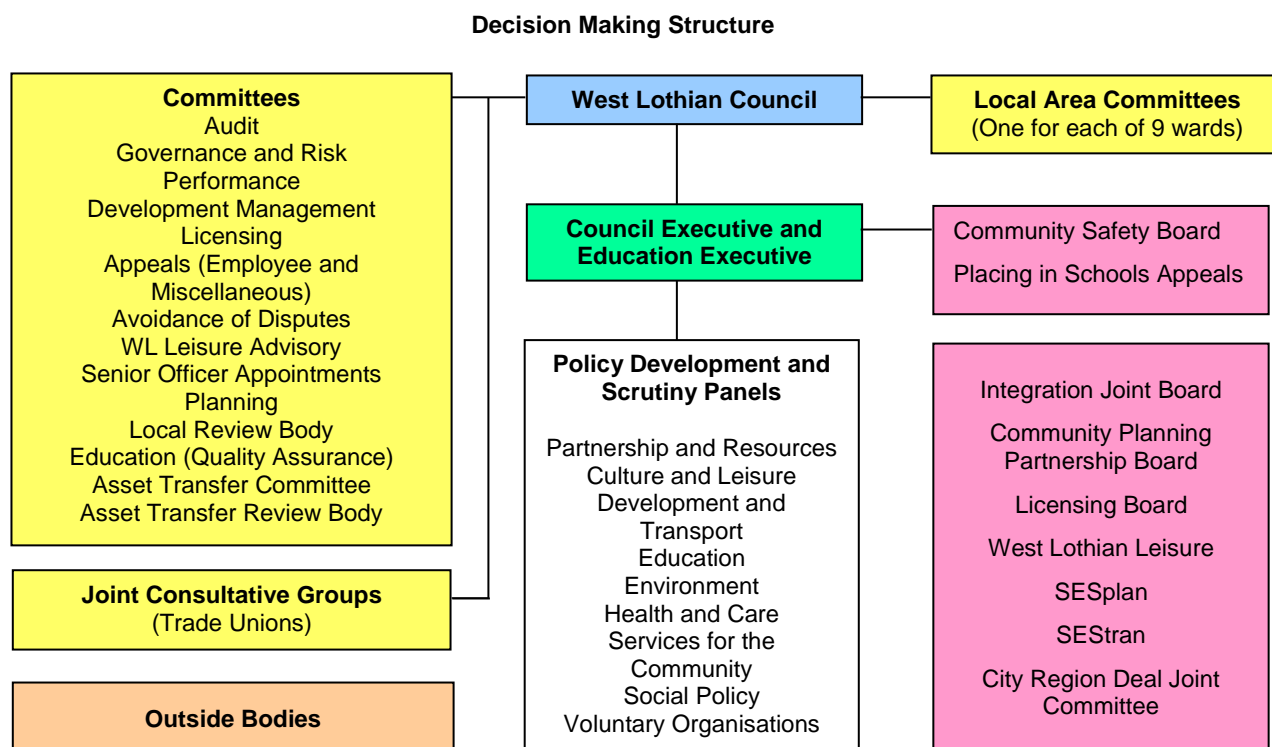


- 3.2 Internal cross-service working is enabled by a hierarchy, refreshed each year, of Executive Boards, Project Boards and Working Groups. They all have defined remits and membership.
- 3.3 The council in February 2018 established a Corporate Transformation Team, made up of senior council officers seconded from across its service areas and managed by a Depute Chief Executive. The team's contribution and structure were reviewed and in 2019/20 it was embedded in the council's management arrangements, with permanent appointments made, to help take forward the ongoing transformation of council services and delivery of budget reduction measures. It has been diverted temporarily in March 2020 to new tasks as the Covid-19 Resilience Team.

### 4. Decision-making and scrutiny arrangements

- 4.1 The council has a well-established framework of committees and working groups set out in the Scheme of Administration. Standing Orders for the Regulation of Meetings and the Scheme of Administration can only be changed at a meeting of full council. The committee structure is supported by a complementary Scheme of Delegations to Officers which sets out the responsibilities and decision-making powers delegated to officers. That too is part of Standing Orders and is updated every three months to reflect changes agreed by council and its committees.
- 4.2 A wide-ranging review of decision-making arrangements has been ongoing since February 2018 with members' involvement. It has led to a programme of improvements including more flexible arrangements for calling meetings to deal with regulatory and appeals business; a revised format for minutes of meetings; the right for community councils to send representatives to Local Area Committees; the streamlining of dealing with reports brought for information only; and the addition of a non-councillor member to the Governance & Risk Committee. Work remains on a small number of issues. That was delayed due to Covid-19 and is scheduled to be completed in late 2020.

- 4.3 The structure in place at the end of 2019/20 is shown below. It consists of two main policy and decision-making committees (Council Executive and Education Executive). Proposed policy changes are considered first at one of nine Policy Development & Scrutiny Panels (PDSPs). 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 & Risk Committee, Performance Committee, Education (Quality Assurance) Committee and the nine PDSPs. Full council meets every 8 weeks to deal with reserved matters and political debate and scrutiny.

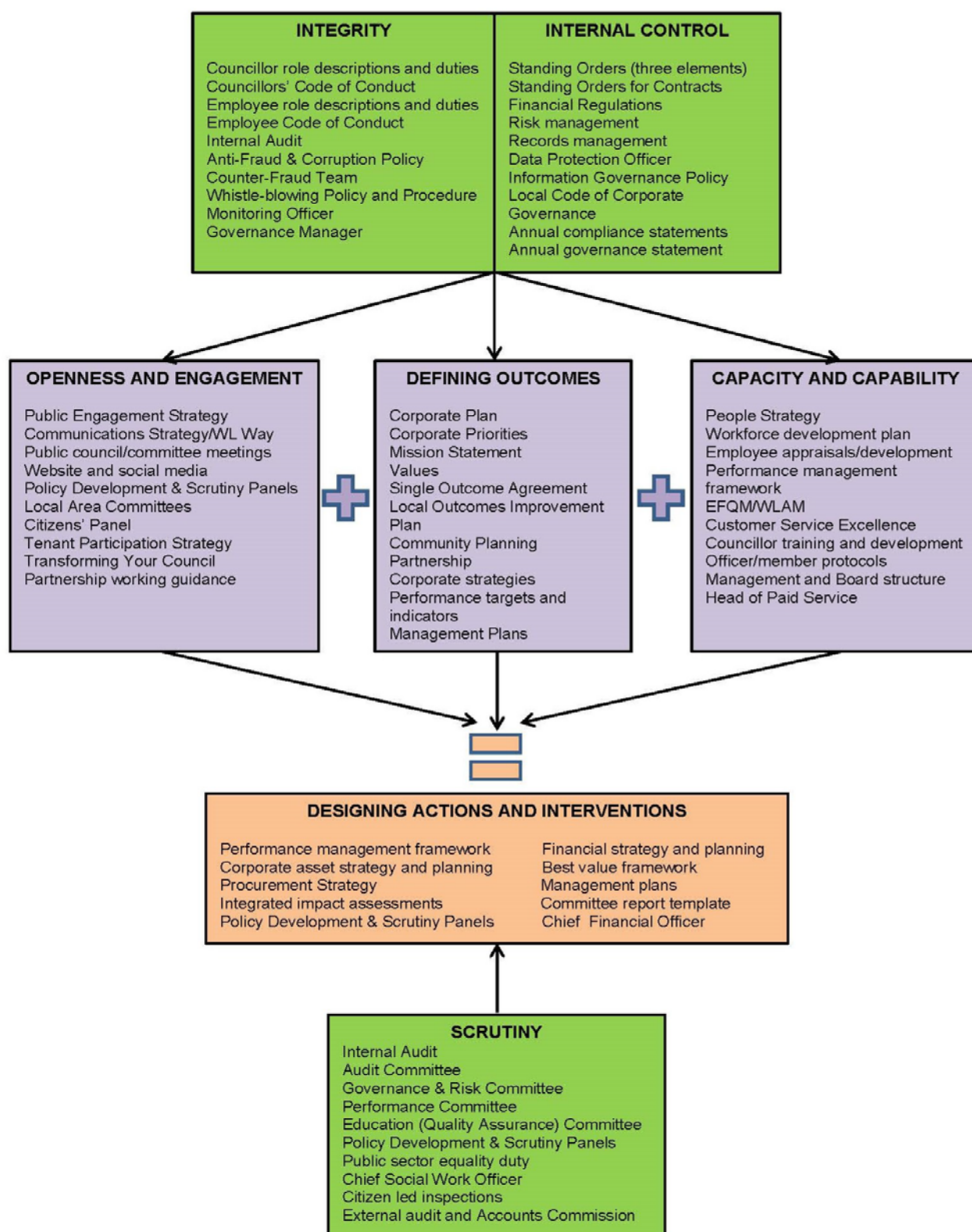


## 5. Local Code of Corporate Governance

- 5.1 The council's governance arrangements are monitored and reviewed and reported in accordance with statutory requirements and under a Framework and Guidance for Scotland called "Delivering Good Governance in Local Government", produced by CIPFA/SOLACE in 2016. The current Local Code of Corporate Governance was adopted in April 2018.
- 5.2 The Code adopts the seven over-arching principles from the Framework:-
- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
  - Ensuring openness and comprehensive stakeholder engagement
  - Defining outcomes in terms of sustainable economic, social, and environmental benefits
  - Determining the interventions necessary to optimise the achievement of the intended outcomes
  - Developing the entity's capacity, including the capability of its leadership and the individuals within it
  - Managing risks and performance through robust internal control and strong public financial management
  - Implementing good practices in transparency, reporting, and audit to deliver effective accountability
- 5.3 Each of those principles is broken down into sub-principles and then into a hierarchy of separate elements to allow a more focused approach to the evidence-based components of each. The following diagram shows the seven principles and their interaction and a list for each of them of the most significant sources of evidence used to establish corporate governance compliance each year.



## INTERACTION AMONGST CORPORATE GOVERNANCE PRINCIPLES



- 5.4 These sources of evidence and the product of scrutiny arrangements are used to assess compliance and performance over the year to determine whether the council exceeds, meets or fails to meet the required standards. Areas of concern are picked out, actions are identified and allocated, and progress is monitored through officer oversight and the Governance & Risk Committee.
- 5.5 The Code is used to inform the drafting and approval of the annual governance statement through the Governance & Risk Board and Governance & 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 examined again by Governance & Risk Committee, with any recommendations from officers and Council Executive. Agreed actions are monitored throughout the rest of the reporting year by officers and committee.

5.6 The fully-populated Code for 2018/19 was part of the annual report on corporate governance to Council Executive in September 2019. It was included in the ensuing report to Governance & Risk Committee in October 2019. The governance areas of concern were extracted for the committee's attention and progress reported to the committee later in the year.

5.7 Compliance in 2019/20 with the standards in the Code remains high. Under a red/amber/green assessment system there are no "red" scores. There are 208 assessed as "green", representing 81% of the total entries. Comparable figures from previous years under the same Code were 82% and 79%.

## **6. System of internal control**

6.1 A significant part of the governance framework is its system of internal control. It is designed and reviewed to identify risks to the achievement of the council's objectives; to evaluate the likelihood of those risks occurring; to consider the potential impact of the risks; and to manage them effectively. 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 are undertaken by managers within the council.

6.2 It includes financial regulations and a system of management supervision, delegation and accountability, supported by regular information, administrative procedures and segregation of duties. Its key elements include an internal control framework relating to financial processes, procedures and regulations; a comprehensive budgeting and monitoring framework; scrutiny of periodic and annual financial and operational performance reports; performance management information; and project management disciplines.

6.3 Reviewing and reporting to members on the effectiveness of the system of internal control is a statutory requirement carried out by the Audit, Risk & Counter Fraud Manager. Its consideration precedes and informs this statutory annual governance statement which in turn requires approval by the council through the Governance & Risk Committee and incorporation into the annual accounts and financial statements.

6.4 Following his review for 2019/20, reported to Governance & Risk Committee and Audit Committee on 23 June 2020, his conclusion and assurance to members are that the framework of governance, risk management and control is sound. Based on internal audit investigations and reports throughout the year he identified no areas where control was considered to be unsound. He has identified areas where improvements could be made and confirmed that recommendations will be followed up and reported when required. Those conclusions and assurances were accepted by committee.

## **7. Annual Compliance Statements**

7.1 The council's Monitoring Officer arranges the production of annual compliance statements which sit alongside the Code and also inform the drafting and approval of this annual governance statement. They deal with compliance with the law and with the council's most significant corporate policies and procedures. They are prepared after consultation with services and senior officers and take into account oversight by external bodies. They are signed by the responsible senior officer. They are designed to bring to the attention of elected members any incidents of non-compliance which are significant to the council's operations and which are not reported elsewhere in a systematic way. The compliance statements for 2018/19 were reported in full to Council Executive and then Governance & Risk Committee in September and October 2019 as part of the reporting on corporate governance arrangements.

7.2 Separate and stand-alone reporting is carried out annually on the Councillors' Code of Conduct, Freedom of Information and Data Protection, and on Covert Surveillance and Accessing Communications Data. It has been agreed that in 2020/21 and in future years the annual report on the Councillors' Code of Conduct should be reported to full council, to all members, rather than to a committee.

7.3 They cover the following areas of activity:-

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

- 7.4 The statements identify issues of concern and issues to be addressed going forward. The statement by the Monitoring Officer is particularly important since the Monitoring Officer is one for the four statutory officer posts charged with ensuring the council's compliance with its statutory duties and responsibilities and reporting on any breaches of the law which are significant to the operation of the council. Not all breaches are material to the council's operations or its finances (for example, complying with FOISA requests within the statutory timescales).
- 7.5 The Monitoring Officer consulted with the Heads of Service, the Governance Manager, the Chief Solicitor and the Audit, Risk and Counter Fraud Manager. She identified a number of instances where improvements to the council's compliance with legislation were required. She highlighted the most significant of those:-
- Failure to review the statutory planning scheme of delegations within the statutory timescale (now scheduled for reporting after meetings resume post- Covid-19)
  - Charging for the provision of planning pre-application advice without any statutory basis yet being in place (noting that the Scottish Government is to legislate to provide that missing statutory authority)
  - Failure to comply with the statutory duty to publish a register of council land for the purposes of community asset transfer (remedied in May 2020)
  - Omission to publish a statutory annual report on the council's duty of candour in relation to providing information where an unintended or unexpected incident appears to have caused harm or death
- 7.6 None of those breaches is considered to present significant risk to the continuing and effective delivery of council services and control. The Monitoring Officer's opinion is that there have been no material or significant breaches of the law by the council in 2019/20 which have or will have a material or significant impact on the operations or finances of the council. She has certified that the council is complying in all material respects with its legal requirements.
- 8. Audit Committee**
- 8.1 Audit Committee operates in compliance with the Public Sector Internal Audit Standards (PSIAS). It undertakes a corporate overview of the council's control environment, develops an anti-fraud culture to ensure the highest standards of probity and public accountability, and evaluates the arrangements in place for securing the economical, efficient and effective management of resources. It considers an annual review of the overall adequacy and effectiveness of the council's control framework. It monitors the independence and effectiveness of the Audit, Risk & Counter Fraud Unit. The organisational status and independence of internal audit is set out in the Internal Audit Charter. The Chair must be appointed from councillors who are not in the ruling administration political group. The majority of members are from outwith that group. The committee includes one non-councillor member recruited for a three-year tenure to bring a different perspective and expertise to the work of the committee. A fresh appointment was made in March 2020 although induction and participation were delayed by the Covid-19 emergency until June 2020.
- 8.2 The committee meets four times each year. It operates through an annual work plan approved by the committee. It carries out an annual self-assessment exercise to identify improvements that might be made. The outcome of internal audit and counter-fraud investigations judged to be significant are reported. Reports are presented and considered in public unless there is clear legal justification for excluding the public. They express an opinion as to whether control is sound, satisfactory or requires improvement. Risk actions arising from internal audit and other audit and inspection reports which remained outstanding were reported to the Governance and Risk Board during the year and to the Audit Committee in June 2019 and January 2020. The external audit annual report for 2018/19 noted the practice of following up outstanding recommendations and noted ongoing good progress in clearing recommendations in a timely manner, and mostly in line with agreed deadlines. There were no relevant actions due by 31 March 2019 which were still outstanding as at January 2020. Reports highlighting more significant areas of concern result in a follow-up reports to the committee as was the case notably in 2019/20 with control of the administration of medication in schools and in relation to dealing with data security breaches.
- 8.3 The committee also deals with reports from the council's external auditors. It receives the External Audit Annual Plan which informs the council of the work to be undertaken in the course of the year, the views of the external auditors on the work of Internal Audit and the extent of additional risk-based external scrutiny through the Local Area Network. The external auditor's annual report on the council's accounts and financial statements are referred to the Governance & Risk Committee and Audit Committee by council after it approves the audited accounts for signature. Any actions identified are noted and are followed up through periodic reporting to committee on progress or completion.
- 8.4 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.

**9. Governance & Risk Committee**

- 9.1 The committee takes a corporate overview of the council's corporate governance and risk management arrangements, develops a culture of good corporate governance and risk awareness, and reviews the council's strategy and systems for the management of risk. It considers reports from the Governance Manager and Audit, Risk & Counter Fraud Manager in relation to matters within its remit.
- 9.2 The committee meets at least four times each year. It operates through a work plan presented and updated at every meeting. The Chair of the committee must be drawn from members who are not in the ruling administration political group. The majority of members are from outwith that group. It carries out an annual self-assessment exercise to identify improvement that might be made. It has received reports from services on their risk management arrangements. It considers a report at every meeting on the council's high risks and on health and safety incident reporting and at every second meeting on strategic risks. It examines ad hoc risk and governance issues, such as cyber-security risks and Brexit. It considers risk reports from the council's external risk advisers. It is charged with approving the annual governance statement after considering the findings of the annual review of the system of internal control. It monitors progress against governance areas of concern.
- 9.3 In March 2020 its membership was formally expanded to include a non-councillor member to bring a different non-councillor perspective to the work of the committee. An appointment to that position was made at the same time although induction and participation were delayed by the Covid-19 emergency until June 2020.

**10. Other internal scrutiny arrangements**

- 10.1 The council deals with the remainder of its scrutiny function by members in three other places – Policy Development & Scrutiny Panels (PDSPs), Performance Committee and Education (Quality Assurance) Committee. The majority of members on all of these bodies are from outwith the ruling administration political group.
- 10.2 PDSPs are working groups of members and representatives from external community bodies. They consider quarterly performance reports from the service areas included in their remit. Members and external representatives are able to question officers on service performance and make recommendations to them about improvement actions. Members receive information on both service and financial performance measured against agreed indicators and outcomes. Their effectiveness has been improved during the year by the participation of representatives from the Joint Forum of Community Councils, newly-recognised as the umbrella organisation for community councils in West Lothian.
- 10.3 Performance Committee is established to consider the performance of service units against the council's performance appraisal system, the West Lothian Assessment Model (WLAM). Its Chair is an Independent councillor. It receives written reports presented at public committee meetings by senior service managers and can question them and make recommendations to them about improvement actions. The committee also scrutinises quarterly and annual reports on the council's complaints handling policy and performance. It oversees the Citizen Led Inspection Programme, the renewal of which has fallen behind schedule. It considers the results of the local authority benchmarking review carried out annually in conjunction with the Improvement Service.
- 10.4 The Education (Quality Assurance) Committee carries out a scrutiny role solely in relation internal and external schools assessment reports. Its Chair is an Independent councillor. The committee includes non-councillor members appointed by the council in relation to its education function. Representatives from the relevant school's Parent Council are invited to attend and take part in the committee's meetings. It provides a dedicated and specialised forum for scrutiny of performance and inspection results for schools and educational establishments.

**11. Officer roles and activity**

- 11.1 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, an independent appraisal function which examines and evaluates systems of financial and non-financial control. Internal audit operates in accordance with the "Public Sector Internal Audit Standards: Applying the IIA International Standards to the UK Public Sector" (PSIAS). The organisational status and independence of internal audit is also set out in the Internal Audit Charter. An annual audit plan is prepared based on an assessment of risk and is approved by the Audit Committee. Internal audit reports are issued to the committee in relation to the outcome of significant proactive and reactive reports. Reports are issued in the name of the Audit, Risk and Counter Fraud Manager. Financial Regulations state that the internal audit function is free from interference in determining the scope of internal auditing, performing work, and communicating results, and that the Audit, Risk and Counter Fraud Manager has the right of direct access to the Chair of the Audit Committee and the Chief Executive. An interim report is brought to committee during each year to advise of progress towards completion of the Plan. An Internal Audit and Counter Fraud Strategy 2018/19 to 2022/23 was approved in June 2018 as one of the corporate strategies supporting delivery of the Corporate Plan. An annual report on progress against agreed outcomes is made to Audit Committee each year.

- 11.2 Legislation requires the council to appoint a Chief Financial Officer. That role is to be performed conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). It sets out the requirement for the Chief Financial Officer to be professionally qualified and sets out the criteria for qualification. The council's Head of Finance & Property Services is the council's Chief Financial Officer. He operates in accordance with the council's Financial Regulations and Treasury Management Plan, and reports regularly to members on revenue and capital budgetary performance and compliance. The role is undertaken in accordance with the relevant statutory rules, guidance and standards. Treasury Management reports and capital asset management strategy reports are made to full council twice each year.
- 11.3 Risk Management is overseen by the Audit, Risk & Counter Fraud Manager. It is embedded at Executive and Corporate Management team level as well as in service management teams across the council. Management teams monitor, assess and mitigate risk as a matter of routine at their meetings. The process is managed through Pentana. A Risk Management Strategy 2018/19 to 2022/23 was approved in June 2018 as one of the corporate strategies supporting delivery of the Corporate Plan. A revised Risk Management Policy was considered through PDSP and governance & Risk Committee but its approval by Council Executive in March 2020 was delayed due to Covid-19. An annual report on progress against agreed outcomes is made to Governance & Risk Committee each year.
- 11.4 The council's counter fraud activities are managed by the Audit, Risk & 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. An Internal Audit and Counter Fraud Strategy 2018/19 to 2022/23 was approved in June 2018 as one of the corporate strategies supporting delivery of the Corporate Plan. An annual report on progress against agreed outcomes is made to Audit Committee each year.
- 11.5 Governance and risk management are supervised on the officer side of the council by the Governance & Risk Board. It is chaired by a Depute Chief Executive and its members include the Monitoring Officer, the Audit Risk & Counter Fraud Manager, the Governance Manager, the Chief Solicitor and senior managers from across the council's service areas. It receives reports from officer working groups on risk and corporate governance, and monitors corporate and high risks. Its recommendations are referred to the Corporate Management Team or committee as appropriate. In 2019/20 it assumed oversight of the Information Management Working Group after the introduction of the new Information Governance Policy. It considers the annual report on corporate governance and the compliance statements before they are presented to committee. It provides an effective control and conduit for risk and governance issues and matters of concern.
- 11.6 In addition to performance reporting to members, management teams 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.
- 11.7 As required by statute, the council has appointed a Chief Social Work Officer who has statutory professional responsibility for the oversight of specified social work functions. The Scheme of Delegations states that in relation to those statutory functions the Chief Social Work Officer's decisions are not subject to change by more senior officers, but are, subject to council or committee decisions, final and binding on the council. An annual report is made to members and to the Scottish Government. For the first time in 2019/20 the report was made to full council rather than to a committee.
- 12. External scrutiny**
- 12.1 The external auditors' annual report was considered at council in September 2019. It was referred on to Audit Committee (on the accounting and financial aspects) and Governance & Risk Committee (on its wider-scope audit work) for further scrutiny. The auditors' report identified two low-level actions to be taken in relation to loans fund accounting the need to implement IFRS16 through a prior impact assessment. IFRS16 concerns material operating leases. Completion will be covered in the 2019/20 audit. The report highlighted a concern in relation to financial sustainability based on a national assessment of risk to all councils. The council's own financial planning arrangements were described as an example of good practice.
- 12.2 The wider scope audit on Governance and Transparency reported on Audit Committee, risk management, EU withdrawal, openness and transparency, implementation of audit recommendations, National Fraud Initiative (NFI) and Following the Public Pound. In the Key Conclusions the auditors gave an overall "green" assessment of Governance and Transparency, stating that the key features of good governance at the council are in place and operating effectively.

- 12.3 The external auditors participate in the Local Area Network (LAN), comprising representatives from different scrutiny bodies such as Education Scotland and the Care Inspectorate. The purpose is to agree the council's local scrutiny plan (LSP). The 2018/19 LSP confirmed no scrutiny risks for 2018/19 and the auditors confirmed in September 2019 that the LAN has determined that no separate scrutiny plan for the council has been necessary since that plan was published.

### 13. Past and current governance issues

- 13.1 Issues of concern identified in previous years were aggregated and reported to Governance & Risk Committee in June and October 2019 for monitoring and scrutiny. After those reports to committee there remained a total of 12 issues identified for further work. A further progress report to committee in June 2020 assessed seven of those 12 items as having been completed. Work continues within services on some of them but the initial governance concerns have been addressed. Of the remaining five issues, no progress was made in relation to the review of the Councillors' Code of Conduct due to the Scottish Government and the Standards Commission not having started their formal and public consultation. That is now on hold due to Covid-19. The remaining four issues will be carried over to be added to the issues newly identified in this statement. The four issues were completion of the last elements of the review of decision-making arrangements; the updating of the committee report template; the strengthening of arrangements for recording interests of senior officers; and the scheduling and commencement of reviews to be completed by May 2022 of significant governance documents such as Standing Orders for Contracts and the Officer/Member Protocols. The current arrangements in these four areas are still considered to be fit for purpose and do not pose significant risks to the council. Nevertheless they have been identified as areas for improvement and so should be taken forward for completion as soon as reasonably practicable.
- 13.2 Internal Audit and Counter Fraud investigations identified a number of activities in which control was unsound or required improvement. Those were reported to committee with actions agreed and timetabled. Investigation reports were summarised in the Internal Audit and Counter Fraud Annual Reports and in the review of the system of internal control. Annual reports on progress and performance against the Internal Audit and Counter Fraud Strategy and Risk Management Strategy in 2018/19 were made in June 2019 to Audit Committee and Governance & Risk Committee respectively. No issues of concern were highlighted or identified. The issue during the year which caused committee the most concern was practice in the administration of medicine in school establishments. A follow-up report was instructed to be brought after improvement actions were taken and the issue was retained in the Internal Audit Annual Plan for further attention. Similarly, the committee instructed follow-up work in relation to information security breach procedures. The committee was most concerned about the effectiveness of the new electronic reporting process and compliance with reporting deadlines. A further report is due in the coming year. With initial concerns addressed the Internal Audit & Counter Fraud Manager confirmed that based on internal audit investigations and reports throughout the year he identified no areas where control was considered to be unsound.
- 13.3 Governance & Risk Committee continued its scrutiny of risk arrangements through standing reports on high risks, health and safety risks, strategic risks, cyber-security and Brexit-related risks. The external auditors were satisfied that arrangements to prepare for EU withdrawal at both the original 29 March date and in advance of 31 October 2019 were appropriate and informed by wider sector involvement.
- 13.4 The membership of Governance & Risk Committee was expanded to allow for a non-councillor appointment as has been the case for Audit Committee for several years. Appointments were made in March 2020 of a non-councillor member to each of Audit Committee and Governance & Risk Committee. Their induction and training was delayed by Covid-19 until June 2020.
- 13.5 The Risk Management Policy has been revised via PDSP and Governance & Risk Committee but its approval at Council Executive has been delayed due to Covid-19.
- 13.6 A variety of changes was made to Standing Orders and the Scheme of Administration as a result of the ongoing review of decision-making arrangements. Financial Regulations were reviewed and approved with revisions in August 2019.
- 13.7 A formal process was established for reporting on Directions issued to the council by the Integration Joint Board to assist in ensuring the council's duty to comply with them is discharged.
- 13.8 The triennial inspection by of the council's control of its investigatory powers was carried out and will be reported to members after the summer break. Recommendations for improvement were made but none were considered to represent any significant weakness.

13.9 In November 2019 a West Lothian councillor was suspended from attending council and committee meetings for three months by the Standards Commission for Scotland after a finding of breaches of the Councillors' Code of Conduct in relation to material posted on social media. Training for elected members on the use of social media and the relevance of the Code of Conduct was delivered during the year.

13.10 In relation to community empowerment the recently-established Joint Forum of Community Councils in West Lothian was formally recognised as the umbrella body for community councils. The Joint Forum has been able to send representatives to PDSP meetings to represent the interests of community councils as a whole. The council's policy on Community Choices was approved and implemented. The council progressed in its work in relation to the local governance review led jointly by the Scottish Government and COSLA.

#### **14. Governance issues ahead**

14.1 Issues of concern from this and previous statements will be carried forward and reported to committee when it approves this statement and later as part of the annual report to Council Executive on corporate governance. Progress will continue to be reported on an interim basis to Governance & Risk Committee.

14.2 The ongoing review of the council's decision-making arrangements should be concluded and reported.

14.3 Planning work and reporting on the UK's withdrawal from the European Union will resume once it becomes clear at the end of June 2020 if the transition period is to be extended and once the initial Covid-19 emergency has receded.

14.4 The further development and the implementation of community empowerment measures will be significant. Those will include supporting the proposed incorporation into domestic Scots law of the European Charter of Local Self-Government.

14.5 Actions arising from internal and external audit reports will continue to be monitored through Audit Committee and follow-up reports on previous areas of concern will be made as instructed.

14.6 Some of the documents which comprise the system of internal control require to be reviewed before the end of this administrative term. The scheduling of the reviews should be completed with a view to carrying out those reviews in a measured way before the local government elections in May 2022. In particular a complete revision of Standing Orders for Contracts should be undertaken to build last year's update and prepare for the changes flowing from the UK's withdrawal from the European Union. That has been started through the formation of a Working Group.

14.7 Some significant policies require to be reviewed, having slipped past their scheduled review dates, such as Anti-Fraud & Corruption Policy, Recruitment & Selection Policy, Whistleblowing Policy and Procedure and the programme of Citizen Led Inspections.

14.8 In light of financial pressures, the council's relationship with West Lothian Leisure will require to be kept under review. A full review of West Lothian Leisure's contribution to securing best value and the continuing effectiveness and fitness for purpose of the ALEO model requires to be carried out in 2020/21 and reported to Council Executive.

14.9 The momentum gathered in relation to members' training arrangements should be continued through the Officer Working Group and continuing engagement with members.

14.10 The issues brought out in the annual compliance statements should be concluded where still outstanding. Those include three of the four matters mentioned in the Monitoring Officer's statement. The late publication of the council's Land Register has been addressed and remedied in June 2020.

14.11 The Councillors' Code of Conduct is overdue for review through the Scottish Government and Parliament this year, and the council will participate in that process and plan for training and education on the revised Code and guidance.

14.12 The council's statutory Records Management Plan is to be updated and revised to reflect new statutory guidance.

- 14.13 The impact of the Covid-19 emergency will be assessed and arrangements made for a resumption of full service provision whether that entails a return to pre-Covid-19 arrangements or otherwise. The way in which the council reacted should be reviewed and reported, including its governance approach and issues of concern and for improvement.
- 15. COVID-19**
- 15.1 The most significant Covid-19 risks and Covid-19 related work occurred after the end of the reporting year. However, the council's planning for Covid-19 started in early March 2020 and, with recovery planning, will continue.
- 15.2 The preparation of the annual accounts and this statement has continued in accordance with the normal statutory timescales. Sufficient information has been available to inform this statement and it has not been considered that the assurances given in relation to corporate governance for 2019/20 require to be qualified or restricted as a result of Covid-19.
- 15.3 As stronger guidance and then statutory rules emerged from the UK and Scottish Governments and Parliaments about restrictions on movement, gatherings and business/premises operations a decision was taken on 25 March 2020 to cancel all council and committee meetings until 31 July 2020, with work to be carried out on introducing a platform to enable meetings to take place by remote access. This decision was made in the context of existing provisions in the council's Standing Orders conferring wide emergency powers on officers. No urgent or temporary changes were required to Standing Orders or the committee structure. A web-conferencing platform has been acquired and tested and introduced for council, committee and PDSP meetings. After providing training to members, a restricted calendar of meetings took place in June by remote access, including meetings of regulatory committees where public participation was required. It is intended to secure public access to meetings by webcasting them from the end of June. Recommendations will be made to committee on 23 June 2020 for a more extensive resumption of meetings after 1 August 2020, likely to be by remote participation again.
- 15.4 A detailed record has been kept of the use of those powers and relevant members were consulted where required. All such decisions and actions were reported to members and so to the public on 26 May 2020. Committee members have been kept informed throughout of decisions made in the name of committees. All members have had copies of the supporting reports made available to them. Members received frequent and regular email alerts from Corporate Communications covering significant developments and service changes. Members were guided on what they could disclose and discuss publicly and what had to be kept confidential. The council's website and its successful social media accounts were used to convey messages and advice to the public.
- 15.5 The council's reaction and emergency actions were coordinated through meetings of the Corporate Management Team. At the height of Covid-19 activity they were taking place twice each working day, latterly reducing to once per day, then three times each week and latterly twice per week. The Corporate Transformation Team was diverted into supporting services and management as the Covid Resilience Team.
- 15.6 Decisions about ceasing or restricting council services or closing premises were taken at Corporate Management Team meetings with as much planning as possible around prioritised services. The new initiatives required were coordinated there as well, such as the provision of child care services for vulnerable children and children of key workers, shielding, and administration of central government grants and funding.
- 15.7 Emergency coronavirus legislation allowed councils to choose to postpone compliance with statutory duties to publish annual and other reports concerning council functions and services. After careful consideration that power was not exercised. All statutory reporting due to take place during the emergency period will be carried out to normal timescales.
- 15.8 Similarly, the legislation allowed the temporary suspension of statutory duties to make hard copies of certain documents available for physical inspection and copying. That power was exercised in relation to eleven such duties, for example, making committee papers available for inspection, allowing access to planning application files. Those documents can and will be readily available by electronic means. The position will be reviewed in September 2020.
- 15.9 In accordance with guidance and then regulations, working from home was arranged where feasible, requiring urgent investment in IT and modification of HR policies and procedures. Part of the urgent move to home-working was the speedy adoption of video call and conference platforms. The IT annual compliance statement acknowledges shortcomings in applying risk and privacy impact assessment procedures and confirms those have been addressed.



- 15.10 The estimated financial impact of Covid-19 on the council was first reported to committee on 26 May 2020, which was an early stage in assessing the financial cost to the council. Ongoing costs and consequences will be incorporated into the quarterly budget monitoring reports to PDSP and committee and in the regular horizon-scanning reports to PDSP. A further Covid-19 specific finance report is to be brought to committee after the summer recess.
- 15.11 One significant development in governance terms was the establishment of the Scottish Government-mandated multi-disciplinary Care Home Clinical and Care Professional Oversight Team to coordinate and oversee arrangements in care homes to contain and tackle the coronavirus. The Depute Chief Executive for the Health & Social Care Partnership has responsibilities as a member of the Team along with the council's Chief Social Work Officer. With those responsibilities goes accountability and arrangements will be required to ensure the council is sighted on its role.
- 15.12 The short-term and long-term impacts for services and any longer-term changes will be assessed and reported as meetings are restored and business returns to a degree of normality. As is good practice after reacting to any form of business continuity event Council Executive on 26 May instructed a debrief to be conducted of the council's reaction to the emergency and that will include consideration of the decision-making and other governance arrangements during the emergency. Part of that will be a comparison with other councils' arrangements to pick up on examples of better and more effective practice elsewhere. On 22 June 2020 Governance & Risk Committee considered an initial report on the risks and governance aspects of the emergency. Other committees and PDSPs will have their own roles to play in assessing the consequences of Covid-19 on the council and the West Lothian public, and in the recovery phase.
- 16. Conclusion and assurance**
- 16.1 Although there are areas where improvement can be made, 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 2019/20.

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

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

**September 2020**

## 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 2019/20 the salary for the Leader of West Lothian Council was £34,944 (£33,992 2018/19). The Regulations permit the council to remunerate one Provost and set out the maximum salary that may be paid to the Provost. For 2019/20 the salary of the Provost of West Lothian Council was £26,208 (£25,494 2018/19). The council's Scheme of Elected Members Remuneration, Allowances and Reimbursement of Expenses 2019/20 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 2019/20 shall not exceed £305,747 (£297,420 2018/19). 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 2019/20 (2018/19) West Lothian Council had 12 (12) senior councillors and the basic salary paid to these councillors totalled £305,747 (£297,420 2018/19). 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 26 March 2019 and is available at: <https://coins.westlothian.gov.uk/coins/submissiondocuments.asp?submissionid=41950>

### 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 2019/20 the amount recharged to Lothian Valuation Joint Board for Councillor A McGuire, in respect of a vice-convenor position was £3,189 (£3,189 2018/19).

### 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	2019/20 £'000	2018/19 £'000
Salaries	699	680
Allowances	14	11
Expenses	31	32
<b>Total</b>	<b>744</b>	<b>723</b>

The annual return of Councillors' salaries and expenses for 2019/20 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 <https://www.westlothian.gov.uk/media/3865/Elected-Members-Remuneration-Expenses/pdf/2018-2019-PublicationOfElectedMembersRemuneration.pdf>

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

The following table provides details of the remuneration paid to the Council's Senior Councillors and remuneration paid to councillors with the responsibility of a convenor or vice-convenor of a Joint Board during 2019/20:-

<b>Name</b>	<b>Post Title</b>	<b>Total Remuneration 2019/20 £</b>	<b>Total Remuneration 2018/19 £</b>
<b>Council Leader, Provost and Senior Councillor payments</b>			
L Fitzpatrick	Leader of the Council	34,944	33,992
T Kerr	Provost (Civic Leader)	26,208	25,494
H Cartmill	Executive Post - Health and Social Care	25,479	24,785
T Conn	Executive Post - Environment	25,479	24,785
D King	Executive Post - Culture and Leisure (Depute Provost)	25,479	24,785
C Muldoon	Executive Post - Development and Transport	25,479	24,785
C Horne	Chair of Audit Committee	25,479	24,785
D Timson	Chair of Governance and Risk Committee	25,479	24,785
K Sullivan	Executive Post - Voluntary Organisations (Depute Leader)	25,479	24,785
CJ Kennedy	Chair of Development Management Committee	25,479	24,785
A Doran	Executive Post - Social Policy	25,479	24,785
D Dodds	Executive Post - Education	25,479	24,785
G Paul	Executive Post - Services for the Community	25,479	24,785
A McGuire <sup>1</sup>	Lothian Valuation Joint Board	20,659	20,183
P Heggie	Chair of Licensing Committee	25,479	24,785
<b>Total</b>		<b>387,559</b>	<b>377,089</b>

1. West Lothian appointee on Lothian Valuation Joint Board. The amount recharged to Lothian Valuation Joint Board in 2019/20 was £3,189 (£3,189 2018/19) in respect of Councillor A McGuire.

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

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

**3. SENIOR EMPLOYEES****3.1 Remuneration Policy**

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish Local Authorities. Circular CO/150 sets the amount of salary for the Chief Executive of West Lothian Council for the period 2019/20.

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. J Forrest was formally appointed as Chief Officer on 16 February 2016 until his retirement on 29 September 2019. A Short was appointed as Chief Officer on 30 September 2019. The Depute Chief Executive / Chief Officer West Lothian Integration Joint Board is a joint appointment and the terms and conditions, including pay for the post, are set by NHS Lothian, who employ the post holder directly.

# REMUNERATION REPORT

# STATEMENT 3

## 3.2 Senior Employees Remuneration

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

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

The full year equivalent salary has been provided for senior employees who have been in post for part year during 2019/20.

Name and Post Title	Full Year Equivalent Salary £	Total Remuneration 2019/20 £	Total Remuneration 2018/19 £
<b>G Hope<sup>1</sup></b> Chief Executive	-	140,706	138,605
<b>J Forrest<sup>2</sup></b> Depute Chief Executive / Chief Officer West Lothian Integration Joint Board (until 29 September 2019)	107,180	28,505	53,590
<b>AShort<sup>3</sup></b> Depute Chief Executive / Chief Officer West Lothian Integration Joint Board (from 30 September 2019)	96,126	24,429	-
<b>R G Struthers</b> Depute Chief Executive	-	122,975	119,393
<b>E Cook</b> Depute Chief Executive	-	122,975	119,393
<b>D Forrest</b> Head of Finance and Property Services	-	100,557	97,628
<b>J Jack</b> Head of Operational Services	-	93,080	90,369
<b>A Shaw</b> Head of Housing, Customer and Building Services (until 2 December 2018)	90,369	-	69,229
<b>A M Carr</b> Head of Housing, Customer and Building Services (from 3 December 2018)	-	90,886	74,361
<b>C McCorriston</b> Head of Planning, Economic Development and Regeneration	-	93,080	90,369
<b>J Whitelaw</b> Head of Corporate Services	-	93,080	90,369
<b>J Cameron</b> Head of Education (Learning, Policy and Resources)	-	100,557	97,628
<b>D McMaster</b> Head of Education (Curriculum, Quality Improvement and Performance)	-	100,557	97,628
<b>J Kellock</b> Head of Social Policy (until 31 August 2018)	97,628	-	40,012
<b>J MacPherson</b> Head of Social Policy (from 27 August 2018)	-	96,622	79,338
<b>Subsidiary</b> <b>R Strang<sup>4</sup></b> Chief Executive, West Lothian Leisure Ltd (until 30 September 2019)	-	135,799	84,110
<b>T P J Dent<sup>5</sup></b> Chief Executive, West Lothian Leisure Ltd (from 1 October 2019)	81,399	42,236	-
<b>Total</b>		<b>1,386,044</b>	<b>1,342,022</b>

1. Remuneration includes returning officer payment of £3,173 in 2019/20 (2018/19 £1,997).

2. The Depute Chief Executive/Chief Officer West Lothian Integration Joint Board, J Forrest, was 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 2019/20 (2018/19) is £2,005 (£7,985). J Forrest retired on 29 September 2019.

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

3. A Short was appointed Depute Chief Executive/Chief Officer West Lothian Integration Joint Board on 30 September 2019 and is remunerated by the National Health Service (NHS) with West Lothian contributing 50% of his total cost of employment. The total pension contribution paid by WLC in relation to A Short in 2019/20 is £5,236.
4. The previous Chief Executive of WLL, Robin Strang, retired at the end of September 2019. During 2019/20 WLL paid an amount of £85,792 as an additional payment to the Chief Executive on his retirement. The payment was authorised by the WLL Board in line with the established governance structures in place at WLL. This payment has not been included in the exit packages summary table 3.4.
5. The current Chief Executive of West Lothian Leisure Ltd from 1 October 2019, T P J Dent, is remunerated by the council's subsidiary company, West Lothian Leisure Ltd.
6. There were no compensation payments for loss of employment or annual compensation payments in 2019/20 or 2018/19 for West Lothian Council.

**3.3 Employee Information by Pay Band**

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

Remuneration Bands	Number of Employees	
	2019/20	2018/19
£50,000 - £54,999	105	96
£55,000 - £59,999	150	72
£60,000 - £64,999	77	29
£65,000 - £69,999	26	16
£70,000 - £74,999	20	11
£75,000 - £79,999	1	3
£80,000 - £84,999	4	6
£85,000 - £89,999	3	-
£90,000 - £94,999	9	3
£95,000 - £99,999	1	3
£100,000 - £104,999	3	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	2
£120,000 - £124,999	2	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	1
£140,000 - £144,999	1	-
<b>Total</b>	<b>402</b>	<b>242</b>

The number of officers whose remuneration, including benefits were £50,000 or more in the year increased by 160 in 2019/20, of which 140 were teachers and 20 were other officers. The increases were largely due to backdated pay awards, which predominantly affected teaching staff. Other reasons included the nationally agreed 2019/20 pay awards, incremental salary progression and voluntary severance.

**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 2018/19 or 2019/20.

Exit package Cost Range	Number of employee exit packages agreed		Total cost of employee exit packages in each band	
	2019/20	2018/19	2019/20 £'000	2018/19 £'000
£0 - £20,000	13	42	154	498
£20,001 - £40,000	4	26	118	663
£40,001 - £60,000	1	12	40	593
£60,001 - £80,000	1	8	66	537
£80,001 - £100,000	2	8	171	719
£100,001 - £150,000	-	4	-	487
<b>Total</b>	<b>21</b>	<b>100</b>	<b>549</b>	<b>3,497</b>

#### 4. PENSIONS

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

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

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

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

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

The members contribution rates for 2019/20 remain at the 2018/19 rates, however the ranges have changed as follows:

Whole time pay	Range 2019/20	Range 2018/19	Contribution rate 2019/20	Contribution rate 2018/19
On earnings up to and including	£21,800	£21,300	5.5%	5.5%
On earnings above	£21,801 and up to £26,700	£21,300 and up to £26,100	7.25%	7.25%
On earnings above	£26,701 and up to £36,600	£26,100 and up to £35,700	8.5%	8.5%
On earnings above	£36,601 and up to £48,800	£35,700 and up to £47,600	9.5%	9.5%
On earnings above	£48,801	£47,600	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.

# REMUNERATION REPORT

# STATEMENT 3

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

The pension entitlements of Senior Councillors for the year to 31 March 2020 are shown in the table below, together with the contribution made by the council to each Senior Councillor's pension during the year.

Name	Post Title	In-year pension contributions		Accrued pension benefits			
		For year to 31 March 2020	For year to 31 March 2019	As at 31 March 2020		Difference from 31 March 2019	
		£	£	Pension £'000	Lump Sum £'000	Pension £'000	Lump Sum £'000
Council Leader, Provost and Senior Councillor contributions							
L Fitzpatrick	Leader of the Council	7,478	7,106	7	2	1	-
T Kerr	Provost (Civic Leader)	5,609	5,510	6	2	-	-
H Cartmill	Executive Post - Health and Social Care	5,452	5,180	4	-	1	-
T Conn	Executive Post - Environment	5,452	5,180	6	2	1	-
C Muldoon	Executive Post - Development and Transport	5,452	5,180	6	2	1	-
C Horne <sup>1</sup>	Chair of Audit Committee	5,452	5,180	2	-	2	-
D Timson <sup>1</sup>	Chair of Governance and Risk Committee	5,452	5,180	2	-	2	-
K Sullivan <sup>1</sup>	Executive Post - Voluntary Organisations (Depute Leader)	5,452	5,180	2	-	2	-
CJ Kennedy <sup>1</sup>	Chair of Development Management Committee	5,452	5,180	2	-	2	-
A Doran <sup>1</sup>	Executive Post - Social Policy	5,452	5,180	2	-	2	-
D Dodds	Executive Post - Education	5,452	5,180	3	-	1	-
P Heggie	Chair of Licensing Committee	5,452	5,180	2	-	2	-
Total		67,607	64,416	44	8	17	-

1. Member was not entitled to pension benefits prior to this year

All senior Councillors, under the age of 75, shown in the tables are members of the LGPS.

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

Councillors A McGuire, D King and G Paul are not members of the LGPS. All Councillors under 75 years of age are eligible for participation in the LGPS.

# REMUNERATION REPORT

# STATEMENT 3

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

The pension entitlements of Senior Employees who are members of the LGPS for the year to 31 March 2020 are shown in the table below, together with the contribution made by the council to each Senior Employee's pension during the year.

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

Name	Post Title	In-year pension contributions		Accrued pension benefits			
		For year to 31 March 2020	For year to 31 March 2019	As at 31 March 2020		Difference from 31 March 2019	
		£	£	Pension £'000	Lump Sum £'000	Pension £'000	Lump Sum £'000
G Hope <sup>1</sup>	Chief Executive	30,790	28,968	68	114	5	3
R G Struthers	Depute Chief Executive	26,317	24,953	55	90	4	2
E Cook	Depute Chief Executive	26,317	24,953	66	-	4	-
D Forrest	Head of Finance and Property Services	21,519	20,404	45	74	3	2
J Jack	Head of Operational Services	19,919	18,887	45	79	3	2
A Shaw	Head of Housing, Customer and Building Services (until 2 December 2018)	-	13,915	-	-	-	-
AM Carr	Head of Housing, Customer and Building Services (from 3 December 2018)	19,450	15,541	47	90	9	16
C McCorriston	Head of Planning, Economic Development and Regeneration	19,919	18,887	45	79	3	2
J Whitelaw	Head of Corporate Services	19,919	18,887	33	43	2	1
J Cameron	Head of Education (Learning, Policy and Resources)	21,519	20,404	75	-	4	-
D McMaster	Head of Education (Curriculum, Quality Improvement and Performance)	21,519	20,404	60	-	4	-
J Kellock	Head of Social Policy (until 31 August 2018)	-	8,362	-	-	-	-
J MacPherson	Head of Social Policy (from 27 August 2018)	20,677	16,582	47	87	9	15
<b>Total</b>		<b>247,865</b>	<b>251,147</b>	<b>586</b>	<b>656</b>	<b>50</b>	<b>43</b>

1. Chief Executive in-year contributions total includes pension benefits for Returning Officer duties.



#### 4.4 Facility Time Report 2018/19 and 2019/20

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

The information for 2018/19 is summarised in the following table:

		Non-Teacher	Teacher
Number of employees who were relevant union officials during 2019/20		37	15
Number of FTE employees who were relevant union officials during 2019/20		36.74	15
Percentage of time spent on facility time	0%	9%	3%
	1% - 50%	24%	11%
	51% - 99%	3%	1%
	100%	1%	-
Percentage of pay bill spend on facility time	Total cost facility time	£197,758	£68,305
	Total pay bill	£126,221,162	£136,983,192
	Percentage of total pay bill on facility time	0.16%	0.05%
Paid trade union activities		4.75%	6.2%

Full details are available at <https://www.westlothian.gov.uk/article/33241/Trade-Unions>

An update for 2019/20 will be presented in the audited accounts to be approved by Council in September 2020.

**Graham Hope**  
**Chief Executive**  
 September 2020

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

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT****STATEMENT 4**

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

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2019/20			2018/19		
		Gross Expend £'000	Gross Income £'000	Net Expend £'000	Gross Expend £'000	Gross Income £'000	Net Expend £'000
Schools, Education Support		263,816	19,532	244,284	251,469	14,514	236,955
Planning, Economic Development and Regeneration		11,820	5,657	6,163	13,259	5,163	8,096
Operational Services		83,785	8,118	75,667	87,853	8,763	79,090
Housing, Customer and Building Services		21,352	6,127	15,225	20,794	6,042	14,752
Corporate Services		1,899	599	1,300	2,246	1,068	1,178
Social Policy – IJB, Adult and Elderly Services		166,548	97,110	69,438	154,501	90,668	63,833
Social Policy – non-IJB Children's Services		41,927	4,730	37,197	41,196	4,271	36,925
Chief Executive, Finance and Property		44,275	4,802	39,473	45,253	5,258	39,995
Joint Boards		1,159	5	1,154	1,128	-	1,128
Other Services		49,350	49,382	(32)	73,573	54,125	19,448
<b>Net Cost of General Fund Services</b>		<b>685,931</b>	<b>196,062</b>	<b>489,869</b>	<b>691,272</b>	<b>189,872</b>	<b>501,400</b>
Housing Revenue Account		85,606	52,536	33,070	83,682	49,381	34,301
<b>Net Cost of Services</b>		<b>771,537</b>	<b>248,598</b>	<b>522,939</b>	<b>774,954</b>	<b>239,253</b>	<b>535,701</b>
Other Operating Expenditure	9	(1,377)	-	(1,377)	(2,252)	-	(2,252)
Finance and Investment Income and Expenditure	10	66,138	32,273	33,865	65,291	32,131	33,160
Taxation and Non-Specific Grant Income	11	-	426,640	(426,640)	-	402,956	(402,956)
<b>Deficit on Provision of Services</b>	5	<b>836,298</b>	<b>707,511</b>	<b>128,787</b>	<b>837,993</b>	<b>674,340</b>	<b>163,653</b>
<b>Items that will not be reclassified to the Deficit on the Provision of Services</b>							
Surplus on revaluation of property, plant and equipment				(26,152)			(32,059)
Remeasurement of the net defined benefit liability / (asset)				(77,458)			34,403
<b>Items that may be reclassified to the Deficit on the Provision of Services</b>				<b>(103,610)</b>			<b>2,344</b>
(Surplus) / Deficit from investments in equity instruments designated at fair value through other comprehensive income				(24)			17
<b>Other Comprehensive Income and Expenditure</b>				<b>(103,634)</b>			<b>2,361</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>25,153</b>			<b>166,014</b>

**MOVEMENT IN RESERVES STATEMENT****STATEMENT 5****PURPOSE**

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the 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 2020**

	Note	General Fund £'000	Housing Revenue Account £'000	Capital Fund £'000	Insurance Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 1 April 2018</b>		<b>23,906</b>	<b>926</b>	<b>58,963</b>	<b>10,125</b>	<b>93,920</b>	<b>833,244</b>	<b>927,164</b>
<b>Movement in Reserves during 2018/19</b>								
Total comprehensive income and expenditure		(119,605)	(44,048)	-	-	(163,653)	(2,361)	(166,014)
Adjustments between accounting basis and funding basis under regulations	13	118,391	44,048	(2,013)	-	160,426	(160,426)	-
Net increase (decrease) before transfers to other statutory funds		(1,214)	-	(2,013)	-	(3,227)	(162,787)	(166,014)
Transfers to / (from) other statutory funds	12	(5,029)	-	4,763	266	-	-	-
<b>Increase (decrease) in year</b>		<b>(6,243)</b>	<b>-</b>	<b>2,750</b>	<b>266</b>	<b>(3,227)</b>	<b>(162,787)</b>	<b>(166,014)</b>
<b>Balance at 31 March 2019</b>		<b>17,663</b>	<b>926</b>	<b>61,713</b>	<b>10,391</b>	<b>90,693</b>	<b>670,457</b>	<b>761,150</b>
<b>General Fund analysed over:</b>								
Amounts Earmarked	34	<b>15,290</b>						
Amounts Uncommitted		<b>2,373</b>						
<b>Total General Fund Balance at 31 March 2019</b>		<b>17,663</b>						
<b>Movement in Reserves during 2019/20</b>								
Total comprehensive income and expenditure		(85,583)	(43,204)	-	-	(128,787)	103,634	(25,153)
Adjustments between accounting basis and funding basis under regulations	13	91,073	43,204	(8,154)	-	126,123	(126,123)	-
Net increase (decrease) before transfers to other statutory funds		5,490	-	(8,154)	-	(2,664)	(22,489)	(25,153)
Transfers (to) / from other statutory funds	12	(3,284)	-	4,358	(1,074)	-	-	-
<b>Increase (decrease) in year</b>		<b>2,206</b>	<b>-</b>	<b>(3,796)</b>	<b>(1,074)</b>	<b>(2,664)</b>	<b>(22,489)</b>	<b>(25,153)</b>
<b>Balance at 31 March 2020</b>		<b>19,869</b>	<b>926</b>	<b>57,917</b>	<b>9,317</b>	<b>88,029</b>	<b>647,968</b>	<b>735,997</b>
<b>General Fund analysed over:</b>								
Amounts Earmarked	34	<b>16,875</b>						
Amounts Uncommitted		<b>2,994</b>						
<b>Total General Fund Balance at 31 March 2020</b>		<b>19,869</b>						

**BALANCE SHEET****STATEMENT 6****PURPOSE**

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

		<b>As at 31 March 2020 £'000</b>	<b>As at 31 March 2019 £'000</b>
<b>LONG TERM ASSETS</b>	<b>Note</b>		
<b>Property, Plant and Equipment</b>			
- Council Dwelling		383,804	378,305
- Other Land and Buildings		950,019	1,005,036
- Vehicles, Plant, Furniture and Equipment		12,500	14,367
- Infrastructure Assets		238,718	231,995
- Community Assets		567	657
- Assets under construction		13,895	37,403
- Surplus Assets, not yet held for disposal		22,672	22,709
	14.1	1,622,175	1,690,472
Heritage Assets		779	779
Long Term Investments	15.1	574	553
<b>TOTAL LONG TERM ASSETS</b>		<b>1,623,528</b>	<b>1,691,804</b>
<b>CURRENT ASSETS</b>			
Short Term Investments	15.1	91,479	92,401
Inventories		1,346	1,505
Short Term Debtors	16	37,182	33,932
Cash and Cash Equivalents	26	18,016	26,086
Intangible Assets		-	461
<b>TOTAL CURRENT ASSETS</b>		<b>148,023</b>	<b>154,385</b>
<b>CURRENT LIABILITIES</b>			
Short Term Borrowing	15.1	(84,415)	(99,733)
Short Term Creditors	17	(65,303)	(72,788)
Provisions	18	(387)	(953)
Capital Grant Receipts in Advance	33	(30,126)	(21,855)
<b>TOTAL CURRENT LIABILITIES</b>		<b>(180,231)</b>	<b>(195,329)</b>
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<b>(32,208)</b>	<b>(40,944)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,591,320</b>	<b>1,650,860</b>
<b>LONG TERM LIABILITIES</b>			
Long Term Creditors	19	(335)	(476)
Long Term Borrowing	15.1	(538,641)	(523,641)
Defined Benefit Scheme Liability	20.3	(234,074)	(279,676)
Other Long Term Liabilities	19	(82,273)	(85,917)
<b>TOTAL LONG TERM LIABILITIES</b>		<b>(855,323)</b>	<b>(889,710)</b>
<b>TOTAL NET ASSETS</b>		<b>735,997</b>	<b>761,150</b>
<b>Financed by:</b>			
<b>USABLE RESERVES</b>			
General Fund Balance	34	19,869	17,663
Housing Revenue Fund Balance		926	926
Capital Fund	21.2	57,917	61,713
Insurance Fund	21.1	9,317	10,391
<b>TOTAL USABLE RESERVES</b>		<b>88,029</b>	<b>90,693</b>
<b>UNUSABLE RESERVES</b>	22	<b>647,968</b>	<b>670,457</b>
<b>TOTAL RESERVES</b>		<b>735,997</b>	<b>761,150</b>

DONALD FORREST CPFA, Head of Finance and Property Services

15 June 2020

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	2019/20 £'000	2018/19 £'000
Net Deficit on the provision of services			(128,787)	(163,653)
Adjustments to net deficit on the provision of services for non-cash movements		23	192,759	232,011
Net cash flows from Operating Activities			63,972	68,358
Net cash flows from Investing Activities		24	(68,349)	(134,218)
Net cash flows from Financing Activities		25	(3,693)	60,999
Net (decrease) / increase in cash and cash equivalents			(8,070)	(4,861)
Cash and cash equivalents at the beginning of the reporting period			26,086	30,947
Cash and cash equivalents at the end of the reporting period		26	18,016	26,086

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

**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 2019/20 (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.

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

**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 are 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.

During 2019/20, all properties subject to material change in valuation; garage sites and lockups, cemetery buildings, hostels, libraries, visitor centres, village halls, grazing land, clubhouses, muster rooms, sports centres and swimming pools 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 2019/20 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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

### Property, Plant and Equipment - Impairment

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

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

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

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

### Heritage Assets

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

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

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

There have been no acquisitions, donations, disposals, or council owned additions to the Heritage Asset portfolio during the financial year 2019/20.

The council's external valuer for its heritage assets (Bonhams – Fine Art Auctioneers and Valuers) carried out a valuation of the full collection as at 31 March 2017. These insurance valuations are updated on a quinquennial basis.

### Improvement Grants

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

### Government Grants and Contributions

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

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 2018/19, the capital payments were attributed to specific assets and repaid over 40 years. For 2019/20 the Treasury Management Plan approved the proposal to adopt a repayment period of 35 years.

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

### Cash and Cash Equivalents

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

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

### Prior Period Adjustments

Prior Period Adjustments arise as a result of a change in accounting policy. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts. There have been no prior period adjustments in 2019/20.

For 2018/19, there has been a reclassification adjustment of prior period comparative balances for consistency with 2019/20 balances following re-assessment of appropriateness of disclosure category.

## FINANCIAL INSTRUMENTS

### Financial Liabilities

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

### Borrowing

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

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

### Creditors

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

### Financial Assets Investments

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

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

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

### Financial Assets Measured at Amortised Cost

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

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

### Debtors

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

### Expected Credit Loss Model

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

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

### Fair Value Measurement

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

Level 1 – quoted prices in active markets for identical assets or liabilities that the 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.

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

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

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

The council holds no assets under this classification.



## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

**Financial Assets Measured at Fair through other comprehensive income (FVOCI)**

The Council holds an equity investment in Lothian Buses Limited. The investment is held for strategic purposes. Under IFRS9 the council designates that this investment be classified as being measured at Fair Value through Other Comprehensive Income. Any gain or loss on this investment will be held in the Financial Instrument Revaluation Reserve. The investment in Lothian Buses Limited has been shown in the Balance Sheet at fair value (Level 2 on the fair value hierarchy), based on the current share price multiplied by the council's shareholding.

**External Interest Payable and Loans Fund Interest**

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

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

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

**Reserves**

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

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

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

**Capital Fund** – established to ensure that, following the introduction of the CIPFA Prudential Code for Capital Finance in Local Authorities in April 2004, borrowing decisions and capital programme management are based on Best Value considerations. General Fund treasury management balances in any given year will normally be transferred to or from the Capital Fund. The balance in the Capital Fund at 31 March 2020 was £57.917 million.

**Revaluation Reserve**

The Revaluation Reserve represents the net increase in the value of fixed assets as a result of these being shown in the Balance Sheet at revalued amounts rather than historical cost.

**Financial Instrument Revaluation Reserve (FIRR)**

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

**Capital Adjustment Account**

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

**Inventories**

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

**Central Support Services**

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

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

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

**Revenue from Contracts with Customers**

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

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

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

### Finance Leases

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

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

### Employee Benefits

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

### Termination Benefits

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

### Public Private Partnership (PPP)

#### Design, Build, Finance and Maintain (DBFM)

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

### Operating Leases

Current annual operating lease rentals have been charged to revenue.

### Non-Domestic Rates (NDR)

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

### Pension Costs

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

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

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

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

The IAS 19 actuarial valuation involves the actuary reviewing the most recent triennial actuarial valuation, updating it to reflect current conditions at the balance sheet date and apportioning assets and liabilities amongst employers. Assets are valued at fair value, principally bid value for investments. Liabilities are valued using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The 2019/20 discount rate was 2.3% (2.4% 2018/19). The inclusion of attributable scheme assets and liabilities in the balance sheet represents an authority's commitment to increase contributions to make up any shortfall, or its ability to benefit, via reduced contributions, from a surplus in the scheme.

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

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

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

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

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

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

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

#### Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in the Notes to the Annual Accounts. Details of the liabilities are shown in note 28.

#### Provisions

Provisions are made where an event has taken place that gives the council a Legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the obligation. Provisions are charged as an expense to the appropriate service revenue account in the Comprehensive Income and Expenditure Statement in the year the council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and appropriate adjustments made to the level of provision. Details of the provisions are detailed in note 18.

#### Carbon Reduction Commitment Scheme

The council was required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, which ended on 31 March 2019. The allowances under the CRC Scheme were accounted for as current intangible assets in 2018/19. The Scheme has been replaced in 2019/20 by an uplift in the rate of the Climate Change Levy (CCL) included in VAT billing for energy consumption. The council's balance of allowances as at 31 March 2019 was purchased by other local councils during 2019/20.

#### 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).

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

For 2019/20 the following accounting policy changes require to be reported as issued but not yet adopted by the code.

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

There is no impact of these changes on the accounts covering the 2019/20 financial year.

#### IFRS 16 Leases

In light of the Covid-19 pandemic, the Financial Regulatory Advisory Board (FRAB) agreed on the 20th March 2020 to defer IFRS 16 Leases for a further 12 months until closedown of accounts 2021/22.

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

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

In preparation for implementation, the council has made significant progress in identifying lease type agreements and has engaged with Link Asset Services for the provision of a lease asset register. The council will adopt IFRS16 with effect from 1 April 2021. The implementation and compliance with IFRS16 is recognised as potentially significant for most leases.

## 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- PPP / DBFM - 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.

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

- **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.
- **Uncertainty in relation to the impact of the Covid-19 pandemic** on the council's income streams and the impact of increased operating costs. In particular in relation to funding from Scottish Government to meet the additional costs arising from Covid-19.

#### 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

##### PROVISIONS

**Uncertainties:** There is a varying degree of estimation uncertainty around all provisions accounted for in the financial statements due to the nature of when they are accounted for and the valuation of provisions at a point in time. At 31 March 2020 we do not consider there to be any provisions with estimation uncertainty that could materially impact the financial statements.

##### 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 2020	Approx % increase to Employer Liability	Approx monetary amount £'000
0.5% decrease in Real Discount Rate	11%	133,811
0.5% increase in the Salary Increase Rate	2%	24,918
0.5% increase in the Pension rate	9%	106,579

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 15.

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

##### DEBTORS

**Uncertainties:** At 31 March 2020, the authority had a balance of debtors of £37.182 million. A review of balances suggested that an allowance for doubtful debts of £22.875 million was appropriate. However, in the current economic climate and taking into account the impact of Covid-19 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 £3.718 million to be set aside as an allowance.

## ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### VALUATION OF PROPERTY

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

The Covid-19 outbreak is a global pandemic that has affected most of, if not all parts of the global community. It is a fast-changing, fluid situation with government recommendations and requirements being reviewed and updated on an ongoing basis. Many business sectors have been forced to close as part of government restrictions to reduce the spread of the virus, the full effects of which on the respective property markets and the wider economy are yet to be fully understood, assessed or quantified.

Currently, there is insufficient empirical data available to make an informed and evidence-based decision on whether or not there has been a significant impact on the current asset valuations. Occupancy levels, rental figures, land values and BCIS costs and indices will all require to be monitored and reviewed going forward to assess the full impact of the Covid-19 outbreak on asset valuations.

In light of the foregoing, it is considered appropriate to include the following RICS approved "Material Valuation Uncertainty" statement and to confirm that the Head of Finance and Property Services has agreed that an impairment review will be undertaken as at 1 October 2020 (or such later date as may be necessary to ensure sufficient market data is available) to make that exercise professionally competent.

#### Material Valuation Uncertainty Statement

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a Global Pandemic on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that you keep the valuation of these properties under frequent review.

**Effect if actual results differ from assumptions:** If the value of all council property, plant and equipment assets were to reduce by 1% overall, the value on the balance sheet would be a reduction of £16.221 million.

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 5. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on Page 39.

EXPENDITURE AND FUNDING ANALYSIS  
FOR THE YEAR ENDED 31 MARCH 2020

	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
<b>2018/19</b>			
Schools, Education Support	145,032	91,923	236,955
Planning, Economic Development and Regeneration	5,019	3,077	8,096
Operational Services	61,956	17,134	79,090
Housing, Customer and Building Services	6,229	8,523	14,752
Corporate Services	11,122	(9,944)	1,178
Social Policy – IJB, Adult and Elderly Services	63,833	-	63,833
Social Policy – non-IJB, Children's Services	27,155	9,770	36,925
Chief Executive, Finance and Property	23,503	16,492	39,995
Joint Boards	1,128	-	1,128
Other Services	11,116	8,332	19,448
<b>Net Cost of General Fund Services</b>	<b>356,093</b>	<b>145,307</b>	<b>501,400</b>
Housing Revenue Account	-	34,301	34,301
<b>Net Cost of Services</b>	<b>356,093</b>	<b>179,608</b>	<b>535,701</b>
Other Income and Expenditure	(349,850)	(22,198)	(372,048)
<b>Deficit</b>	<b>6,243</b>	<b>157,410</b>	<b>163,653</b>
	<b>General Fund</b>	<b>HRA Fund</b>	<b>Total</b>
<b>Opening General Fund and HRA Balance</b>	<b>(23,906)</b>	<b>(926)</b>	<b>(24,832)</b>
Net decrease before transfers to other statutory reserves	1,214	-	1,214
Transfers to other statutory reserves	5,029	-	5,029
<b>Closing General Fund and HRA Balance as at 31 March</b>	<b>(17,663)</b>	<b>(926)</b>	<b>(18,589)</b>
<b>2019/20</b>			
Schools, Education Support	154,448	89,836	244,284
Planning, Economic Development and Regeneration	3,550	2,613	6,163
Operational Services	58,405	17,262	75,667
Housing, Customer and Building Services	5,791	9,434	15,225
Corporate Services	11,681	(10,381)	1,300
Social Policy – IJB, Adult and Elderly Services	69,438	-	69,438
Social Policy – non-IJB, Children's Services	26,471	10,726	37,197
Chief Executive, Finance and Property	24,922	14,551	39,473
Joint Boards	1,154	-	1,154
Other Services	11,326	(11,358)	(32)
<b>Net Cost of General Fund Services</b>	<b>367,186</b>	<b>122,683</b>	<b>489,869</b>
Housing Revenue Account	-	33,070	33,070
<b>Net Cost of Services</b>	<b>367,186</b>	<b>155,753</b>	<b>522,939</b>
Other Income and Expenditure	(369,392)	(24,760)	(394,152)
<b>Surplus</b>	<b>(2,206)</b>	<b>130,993</b>	<b>128,787</b>
	<b>General Fund</b>	<b>HRA Fund</b>	<b>Total</b>
<b>Opening General Fund and HRA Balance</b>	<b>(17,663)</b>	<b>(926)</b>	<b>(18,589)</b>
Net increase before transfers to other statutory reserves	(5,490)	-	(5,490)
Transfers to other statutory reserves	3,284	-	3,284
<b>Closing General Fund and HRA Balance as at 31 March</b>	<b>(19,869)</b>	<b>(926)</b>	<b>(20,795)</b>

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 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
<b>Adjustments between Funding and Accounting Basis 2018/19</b>				
Schools, Education Support	77,818	4,217	9,888	91,923
Planning, Economic Development and Regeneration	580	669	1,828	3,077
Operational Services	10,277	4,226	2,631	17,134
Housing, Customer and Building Services	3	2,880	5,640	8,523
Corporate Services	5,833	1,256	(17,033)	(9,944)
Social Policy – non-IJB, Children's Services	(316)	5,090	4,996	9,770
Chief Executive, Finance and Property	19,025	1,374	(3,907)	16,492
Other Services	(144)	17,205	(8,729)	8,332
<b>Net Cost of General Fund Services</b>	<b>113,076</b>	<b>36,917</b>	<b>(4,686)</b>	<b>145,307</b>
Housing Revenue Account	48,477	-	(14,176)	34,301
<b>Net Cost of Services</b>	<b>161,553</b>	<b>36,917</b>	<b>(18,862)</b>	<b>179,608</b>
Other income and expenditure from the Expenditure and Funding Analysis	(45,405)	5,943	17,264	(22,198)
<b>Difference between General Fund deficit and Comprehensive Income and Expenditure Statement deficit on the Provision of Services</b>	<b>116,148</b>	<b>42,860</b>	<b>(1,598)</b>	<b>157,410</b>
<b>Adjustments between Funding and Accounting Basis 2019/20</b>				
Schools, Education Support	77,917	6,142	5,777	89,836
Planning, Economic Development and Regeneration	625	875	1,113	2,613
Operational Services	9,585	5,465	2,212	17,262
Housing, Customer and Building Services	(74)	3,850	5,658	9,434
Corporate Services	2,925	1,578	(14,884)	(10,381)
Social Policy – non-IJB, Children's Services	(780)	6,901	4,605	10,726
Chief Executive, Finance and Property	15,171	1,790	(2,410)	14,551
Other Services	(280)	(1,749)	(9,329)	(11,358)
<b>Net Cost of General Fund Services</b>	<b>105,089</b>	<b>24,852</b>	<b>(7,258)</b>	<b>122,683</b>
Housing Revenue Account	46,870	-	(13,800)	33,070
<b>Net Cost of Services</b>	<b>151,959</b>	<b>24,852</b>	<b>(21,058)</b>	<b>155,753</b>
Other income and expenditure from the Expenditure and Funding Analysis	(49,802)	7,004	18,038	(24,760)
<b>Difference between General Fund deficit and Comprehensive Income and Expenditure Statement deficit on the Provision of Services</b>	<b>102,157</b>	<b>31,856</b>	<b>(3,020)</b>	<b>130,993</b>

### 6.1. Adjustments for Capital Purposes

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

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

### 6.2. Net Change for the Pensions Adjustments

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

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 6.3 Other Differences

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

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

## 7. EXPENDITURE AND INCOME ANALYSIED BY SEGMENT AND NATURE

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

	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
<b>2018/19</b>							
<b>Expenditure</b>							
Employee Expenses	141,324	6,151	37,009	11,996	2,759	29,542	18,717
Other Services Expenses	25,256	4,571	36,365	3,173	388	124,623	17,810
Support Services	6,253	1,956	3,997	5,619	(6,734)	-	4,905
Depreciation, Amortisation, Impairment	78,636	581	10,482	6	5,833	336	(236)
Interest Payments	-	-	-	-	-	-	-
Gain on the disposal of non-current assets	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>251,469</b>	<b>13,259</b>	<b>87,853</b>	<b>20,794</b>	<b>2,246</b>	<b>154,501</b>	<b>41,196</b>
<b>Income</b>							
Fees, Charges and Other Service Income	6,560	5,163	8,763	6,042	1,068	90,668	1,377
Interest and Investment Income	-	-	-	-	-	-	-
Income from Council Tax	-	-	-	-	-	-	-
Government Grants and Contributions	7,954	-	-	-	-	-	2,894
<b>Total Income</b>	<b>14,514</b>	<b>5,163</b>	<b>8,763</b>	<b>6,042</b>	<b>1,068</b>	<b>90,668</b>	<b>4,271</b>
<b>Deficit on Provision of Services</b>	<b>236,955</b>	<b>8,096</b>	<b>79,090</b>	<b>14,752</b>	<b>1,178</b>	<b>63,833</b>	<b>36,925</b>
	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
<b>Expenditure</b>							
Employee Expenses	6,005	-	19,125	4,404	277,032	57	277,089
Other Services Expenses	20,740	1,128	53,870	23,168	311,092	949	312,041
Support Services	1,238	-	578	-	17,812	1,032	18,844
Depreciation, Amortisation, Impairment	17,270	-	-	56,110	169,018	1,762	170,780
Interest Payments	-	-	-	-	-	61,491	61,491
Gain on the disposal of non-current assets	-	-	-	-	-	(2,252)	(2,252)
<b>Total Expenditure</b>	<b>45,253</b>	<b>1,128</b>	<b>73,573</b>	<b>83,682</b>	<b>774,954</b>	<b>63,039</b>	<b>837,993</b>
<b>Income</b>							
Fees, Charges and Other Service Income	5,258	-	54,125	49,381	228,405	4,564	232,969
Interest and Investment Income	-	-	-	-	-	27,567	27,567
Income from Council Tax	-	-	-	-	-	68,886	68,886
Government Grants and Contributions	-	-	-	-	10,848	334,070	344,918
<b>Total Income</b>	<b>5,258</b>	<b>-</b>	<b>54,125</b>	<b>49,381</b>	<b>239,253</b>	<b>435,087</b>	<b>674,340</b>
<b>Deficit on Provision of Services</b>	<b>39,995</b>	<b>1,128</b>	<b>19,448</b>	<b>34,301</b>	<b>535,701</b>	<b>(372,048)</b>	<b>163,653</b>



## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 7. EXPENDITURE AND INCOME ANALYSED BY SEGMENT AND NATURE (CONTINUED)

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

2019/20	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
<b>Expenditure</b>							
Employee Expenses	153,608	6,127	36,206	13,003	2,763	33,629	19,862
Other Services Expenses	26,242	3,660	33,465	2,712	386	132,084	18,271
Support Services	5,373	1,355	4,030	5,633	(4,174)	-	4,484
Depreciation, Amortisation, Impairment	78,593	678	10,084	4	2,924	835	(690)
Interest Payments	-	-	-	-	-	-	-
Gain on the disposal of non-current assets	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>263,816</b>	<b>11,820</b>	<b>83,785</b>	<b>21,352</b>	<b>1,899</b>	<b>166,548</b>	<b>41,927</b>
<b>Income</b>							
Fees, Charges and Other Service Income	6,386	5,657	8,118	6,127	599	97,110	1,798
Interest and Investment Income	-	-	-	-	-	-	-
Income from Council Tax	-	-	-	-	-	-	-
Government Grants and Contributions	13,146	-	-	-	-	-	2,932
<b>Total Income</b>	<b>19,532</b>	<b>5,657</b>	<b>8,118</b>	<b>6,127</b>	<b>599</b>	<b>97,110</b>	<b>4,730</b>
<b>Deficit on Provision of Services</b>	<b>244,284</b>	<b>6,163</b>	<b>75,667</b>	<b>15,225</b>	<b>1,300</b>	<b>69,438</b>	<b>37,197</b>

	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
<b>Expenditure</b>							
Employee Expenses	5,315	-	136	4,465	275,114	56	275,170
Other Services Expenses	21,002	1,159	49,048	24,520	312,549	908	313,457
Support Services	3,457	-	166	-	20,324	1,174	21,498
Depreciation, Amortisation, Impairment	14,501	-	-	56,621	163,550	990	164,540
Interest Payments	-	-	-	-	-	63,010	63,010
Gain on the disposal of non-current assets	-	-	-	-	-	(1,377)	(1,377)
<b>Total Expenditure</b>	<b>44,275</b>	<b>1,159</b>	<b>49,350</b>	<b>85,606</b>	<b>771,537</b>	<b>64,761</b>	<b>836,298</b>
<b>Income</b>							
Fees, Charges and Other Service Income	4,802	5	49,382	52,536	232,520	4,674	237,194
Interest and Investment Income	-	-	-	-	-	27,599	27,599
Income from Council Tax	-	-	-	-	-	73,055	73,055
Government Grants and Contributions	-	-	-	-	16,078	353,585	369,663
<b>Total Income</b>	<b>4,802</b>	<b>5</b>	<b>49,382</b>	<b>52,536</b>	<b>248,598</b>	<b>458,913</b>	<b>707,511</b>
<b>Deficit on Provision of Services</b>	<b>39,473</b>	<b>1,154</b>	<b>(32)</b>	<b>33,070</b>	<b>522,939</b>	<b>(394,152)</b>	<b>128,787</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

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

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

	2019/20			2018/19		
	Gross Expend £'000	Gross Income £'000	Net Expend £'000	Gross Expend £'000	Gross Income £'000	Net Expend £'000
Schools, Education Support	263,816	19,532	244,284	251,469	14,514	236,955
Planning, Economic Development and Regeneration	11,860	5,697	6,163	13,298	5,202	8,096
Operational Services	89,698	14,031	75,667	94,855	15,765	79,090
Housing, Customer and Building Services	50,302	35,077	15,225	48,063	33,311	14,752
Corporate Services	20,154	18,854	1,300	23,571	22,393	1,178
Social Policy – IJB, Adult and Elderly Services	166,548	97,110	69,438	154,501	90,668	63,833
Social Policy – non-IJB Children's Services	41,927	4,730	37,197	41,196	4,271	36,925
Chief Executive, Finance and Property	67,915	28,442	39,473	65,501	25,506	39,995
Joint Boards	1,159	5	1,154	1,128	-	1,128
Other Services	49,350	49,382	(32)	73,573	54,125	19,448
<b>Cost of General Fund Services</b>	<b>762,729</b>	<b>272,860</b>	<b>489,869</b>	<b>767,155</b>	<b>265,755</b>	<b>501,400</b>
HRA	85,606	52,536	33,070	83,682	49,381	34,301
<b>Net Cost of Services</b>	<b>848,335</b>	<b>325,396</b>	<b>522,939</b>	<b>850,837</b>	<b>315,136</b>	<b>535,701</b>

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

Gain on disposal of non-current assets

2019/20 £'000	2018/19 £'000
1,377	2,252

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

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

2019/20 £'000	2018/19 £'000
30,564	29,594
7,004	5,943
(2,157)	(1,613)
(1,546)	(764)
<b>33,865</b>	<b>33,160</b>

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

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

2019/20 £'000	2018/19 £'000
73,055	68,886
85,327	79,333
235,751	228,874
32,507	25,863
<b>426,640</b>	<b>402,956</b>

**12. MOVEMENT IN RESERVES STATEMENT - TRANSFERS TO OR (FROM) OTHER STATUTORY RESERVES - 2018/19**

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

**TRANSFERS TO OR (FROM) OTHER STATUTORY RESERVES - 2019/20**

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

General Fund £'000	HRA £'000	Capital Fund £'000	Insurance Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
(266)	-	-	266	-	-	-
(4,763)	-	4,763	-	-	-	-
<b>(5,029)</b>	<b>-</b>	<b>4,763</b>	<b>266</b>	<b>-</b>	<b>-</b>	<b>-</b>
1,074	-	-	(1,074)	-	-	-
(4,358)	-	4,358	-	-	-	-
<b>(3,284)</b>	<b>-</b>	<b>4,358</b>	<b>(1,074)</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

13. MOVEMENT IN RESERVES STATEMENT - ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS							
	General Fund £'000	HRA £'000	Capital Fund £'000	Insurance Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
<b>2018/19</b>							
Depreciation and impairment of non-current assets	114,570	56,210	-	-	170,780	(170,780)	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(25,863)	-	-	-	(25,863)	25,863	-
Gain on disposal of non-current assets	(2,117)	(135)	-	-	(2,252)	2,252	-
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	(427)	-	-	-	(427)	427	-
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	42,177	683	-	-	42,860	(42,860)	-
Statutory provision for repayment of debt	(12,204)	(5,086)	-	-	(17,290)	17,290	-
Statutory charge for lifecycle capital (PFI)	(119)	-	-	-	(119)	119	-
Capital expenditure charged to the General Fund and HRA	(1,475)	(7,633)	-	-	(9,108)	9,108	-
Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)	3,849	9	-	-	3,858	(3,858)	-
Capital receipts transferred to the Capital Fund	-	-	(2,013)	-	(2,013)	2,013	-
	<b>118,391</b>	<b>44,048</b>	<b>(2,013)</b>	<b>-</b>	<b>160,426</b>	<b>(160,426)</b>	<b>-</b>
<b>2019/20</b>							
Depreciation and impairment of non-current assets	107,828	56,712	-	-	164,540	(164,540)	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(32,507)	-	-	-	(32,507)	32,507	-
Gain on disposal of non-current assets	(1,377)	-	-	-	(1,377)	1,377	-
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	(427)	-	-	-	(427)	427	-
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	31,667	189	-	-	31,856	(31,856)	-
Statutory provision for repayment of debt	(11,958)	(3,959)	-	-	(15,917)	15,917	-
Statutory charge for lifecycle capital (PFI)	(239)	-	-	-	(239)	239	-
Capital expenditure charged to the General Fund and HRA	(2,593)	(9,750)	-	-	(12,343)	12,343	-
Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)	679	12	-	-	691	(691)	-
Capital receipts transferred to the Capital Fund	-	-	(8,154)	-	(8,154)	8,154	-
	<b>91,073</b>	<b>43,204</b>	<b>(8,154)</b>	<b>-</b>	<b>126,123</b>	<b>(126,123)</b>	<b>-</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 14. PROPERTY, PLANT AND EQUIPMENT

## 14.1 Movements in 2018/19

## Cost or Valuation

## At 1 April 2018

Additions	27,225	39,166	4,458	11,816
Revaluation increases / (decreases) recognised in the Revaluation Reserve	69	16,371	-	-
Revaluation increases / (decreases) recognised in the Deficit on the Provision of Services	(38,553)	(6,841)	-	-
Derecognition - disposals	(919)	(1,170)	(105)	-
Other movements in cost or valuation	32,087	(2,538)	-	8,416

## At 31 March 2019

## Accumulated Depreciation and Impairment

## At 1 April 2018

Depreciation charge	16,559	93,262	7,831	7,242
Depreciation written out to the Revaluation Reserve	-	(16,317)	-	-
Depreciation written out to the Deficit on the Provision of Services	-	(605)	-	-
Derecognition - disposals	-	(146)	(105)	-
Other movements in depreciation and impairment	-	(1,955)	-	-

## At 31 March 2019

## Net Book Value At 31 March 2019

## At 31 March 2018

## Cost or Valuation

## At 1 April 2018

Additions	-	15,718	-	98,383
Revaluation increase / (decreases) recognised in the Revaluation Reserve	66	-	(1,602)	14,904
Revaluation increases / (decreases) recognised in the Deficit on the Provision of Services	-	-	(121)	(45,515)
Derecognition - disposals	-	-	(1,153)	(3,347)
Other movements in cost or valuation	-	(44,356)	6,391	-

## At 31 March 2019

## Accumulated Depreciation and Impairment

## At 1 April 2018

Depreciation charge	-	-	976	125,870
Depreciation written out to the Revaluation Reserve	-	-	(2,931)	(19,248)
Depreciation written out to the Deficit on the Provision of Services	-	-	-	(605)
Derecognition - disposals	-	-	-	(251)
Other movements in depreciation and impairment	-	-	1,955	-

## At 31 March 2019

## Net Book Value At 31 March 2019

## At 31 March 2018

Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000
422,484	1,216,431	77,909	281,267
27,225	39,166	4,458	11,816
69	16,371	-	-
(38,553)	(6,841)	-	-
(919)	(1,170)	(105)	-
32,087	(2,538)	-	8,416
442,393	1,261,419	82,262	301,499
47,529	182,144	60,169	62,262
16,559	93,262	7,831	7,242
-	(16,317)	-	-
-	(605)	-	-
-	(146)	(105)	-
-	(1,955)	-	-
64,088	256,383	67,895	69,504
378,305	1,005,036	14,367	231,995
374,955	1,034,287	17,740	219,005
Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
591	66,041	19,194	2,083,917
-	15,718	-	98,383
66	-	(1,602)	14,904
-	-	(121)	(45,515)
-	-	(1,153)	(3,347)
-	(44,356)	6,391	-
657	37,403	22,709	2,148,342
-	-	-	352,104
-	-	976	125,870
-	-	(2,931)	(19,248)
-	-	-	(605)
-	-	-	(251)
-	-	1,955	-
-	-	-	457,870
657	37,403	22,709	1,690,472
591	66,041	19,194	1,731,813

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

14.1 Movements in 2019/20	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra-structure Assets £'000
<b>Cost or Valuation</b>				
<b>At 1 April 2019</b>	<b>442,393</b>	<b>1,261,419</b>	<b>82,262</b>	<b>301,499</b>
Additions	27,960	13,216	4,867	14,601
Revaluation increase / (decreases) recognised in the Revaluation Reserve	170	2,059	-	-
Revaluation increases / (decreases) recognised in the Deficit on the Provision of Services	(39,260)	(284)	(28,760)	(140)
Derecognition - disposals	-	(2,061)	(282)	-
Other movements in cost or valuation	32,671	749	-	-
<b>At 31 March 2020</b>	<b>463,934</b>	<b>1,275,098</b>	<b>58,087</b>	<b>315,960</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2019</b>	<b>64,088</b>	<b>256,383</b>	<b>67,895</b>	<b>69,504</b>
Depreciation charge	16,042	94,295	6,582	7,758
Depreciation written out to the Revaluation Reserve	-	(25,266)	-	-
Depreciation written out to the Deficit on the Provision of Services	-	(109)	(28,608)	(20)
Derecognition - disposals	-	(213)	(282)	-
Other movements in depreciation and impairment	-	(11)	-	-
<b>At 31 March 2020</b>	<b>80,130</b>	<b>325,079</b>	<b>45,587</b>	<b>77,242</b>
<b>Net Book Value At 31 March 2020</b>	<b>383,804</b>	<b>950,019</b>	<b>12,500</b>	<b>238,718</b>
<b>At 31 March 2019</b>	<b>378,305</b>	<b>1,005,036</b>	<b>14,367</b>	<b>231,995</b>
	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
<b>Cost or Valuation</b>				
<b>At 1 April 2019</b>	<b>657</b>	<b>37,403</b>	<b>22,709</b>	<b>2,148,342</b>
Additions	-	9,944	-	70,588
Revaluation increase / (decreases) recognised in the Revaluation Reserve	8	-	223	2,460
Revaluation increases / (decreases) recognised in the Deficit on the provision of Services	(90)	-	(77)	(68,611)
Derecognition - disposals	(8)	-	(215)	(2,566)
Other movements in cost or valuation	-	(33,452)	32	-
<b>At 31 March 2020</b>	<b>567</b>	<b>13,895</b>	<b>22,672</b>	<b>2,150,213</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2019</b>	-	-	-	<b>457,870</b>
Depreciation charge	-	-	-	124,677
Depreciation written out to the Revaluation Reserve	-	-	-	(25,266)
Depreciation written out to the Deficit on the Provision of Services	-	-	(11)	(28,748)
Derecognition – disposals	-	-	-	(495)
Other movements in depreciation and impairment	-	-	11	-
<b>At 31 March 2020</b>	-	-	-	<b>528,038</b>
<b>Net Book Value At 31 March 2020</b>	<b>567</b>	<b>13,895</b>	<b>22,672</b>	<b>1,622,175</b>
<b>At 31 March 2019</b>	<b>657</b>	<b>37,403</b>	<b>22,709</b>	<b>1,690,472</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 14.2 Property, Plant and Equipment - PPP and DBFM Schools

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

	2019/20 £'000	2018/19 £'000
Value as at 1 April	197,266	164,251
Additions	239	33,015
Value as at 31 March	<b>197,505</b>	<b>197,266</b>
<b>Aggregate Depreciation</b>		
Value as at 1 April	47,266	31,212
Charge for year	16,336	16,054
Value as at 31 March	<b>63,602</b>	<b>47,266</b>
<b>Net Book Value</b>		
As at 31 March	<b>133,903</b>	<b>150,000</b>

## 14.3 Financial Liabilities - PPP and DBFM Schools

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

	2019/20 £'000	2018/19 £'000
As at 1 April	<b>89,216</b>	<b>63,072</b>
Additions	-	29,094
Principal repayments	(3,299)	(2,950)
As at 31 March	<b>85,917</b>	<b>89,216</b>
<b>Split</b>		
Short term Creditors	3,644	3,299
Long term Creditors	82,273	85,917
	<b>85,917</b>	<b>89,216</b>

## 14.4 Capital Expenditure and Capital Financing

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

	2019/20		2018/19	
	£'000	£'000	£'000	£'000
<b>Opening Capital Financing Requirement</b>		<b>722,712</b>		<b>681,977</b>
<b>Capital Investment</b>				
Property, Plant and Equipment		70,588		98,383
		<b>793,300</b>		<b>780,360</b>
<b>Sources of Finance</b>				
Capital Receipts	(10,028)		(5,268)	
Government Grants	(29,211)		(22,665)	
Contributions from Other Bodies	(3,296)		(3,198)	
Capital Financed from Current Revenue	(12,343)		(9,108)	
Finance Lease Principal (incl. PPP)	(3,648)		(3,179)	
Loans Fund Principal	(12,508)	<b>(71,034)</b>	(14,230)	<b>(57,648)</b>
<b>Closing Capital Financing Requirement</b>		<b>722,266</b>		<b>722,712</b>
<b>Increase / (Decrease) in Capital Financing Requirement</b>		<b>(446)</b>		<b>40,735</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 14.5 Fixed Asset Valuation

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

Date of Valuation	Council Dwellings £'000	Other Land and Buildings £'000	Surplus Assets £'000	Total £'000
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
1 April 2018	69	161,891	4,519	166,479
1 April 2019	400	125,930	641	126,971
	336,273	1,303,201	24,061	1,663,535
Net historical cost alterations	127,661	360,406	(1,389)	486,678
<b>Gross Valuation</b>	<b>463,934</b>	<b>1,663,607</b>	<b>22,672</b>	<b>2,150,213</b>

Valuations of the above categories of assets were undertaken over a five year rolling programme by Chartered Surveyors of the council's Property Services Unit, in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. The housing stock valuation at 1 April 2015, was carried out by D.M. Hall LLP, an external firm of chartered surveyors and included all Council Housing Stock. The housing stock valuation, due to be undertaken at 1 April 2020, has been delayed as a result of Covid-19 lockdown measures. However the council's Corporate Estates Manager has indicated that, in his professional opinion, there has been no material change in valuation.

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 2019 the council considers that there is no permanent material change in value in 2019/20.

## 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 2019/20 was £124.677 million (£125.870 million 2018/19).

## 14.7 Capital Commitments

At 31 March 2020 the council has commitments on capital contracts of £5.056 million (£5.301 million 2018/19) for the Housing Programme and £5.136 million (£4.498 million 2018/19) for the Composite Programme.

The Housing commitment of £5.056 million is a result of ongoing investment in the new council house build programme to deliver the commitment of 3,000 new homes for West Lothian by 2022.

The committed expenditure in the Composite Programme is a consequence of several significant capital investment projects namely Whitburn Partnership Centre (£2.805 million), Livingston North Partnership Centre (£0.534 million), Whitburn to Armadale Cycleway (£0.576 million), the refurbishment of various properties (£0.446 million) and roads infrastructure maintenance projects (£0.775 million).

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 15. FINANCIAL INSTRUMENTS

## 15.1 Types of Financial Instruments

The carrying amounts of financial assets and liabilities presented in the Balance Sheet relate to the following measurement categories.

	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
<b>Financial Assets Amortised Cost</b>								
Investments	297	300	-	-	91,479	92,401	-	-
Debtors	-	-	-	-	-	-	7,715	13,242
Cash and Cash Equivalent	-	-	-	-	18,016	26,086	-	-
<b>Assets Held at FVOCI</b>								
Equity	277	253	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>574</b>	<b>553</b>	<b>-</b>	<b>-</b>	<b>109,495</b>	<b>118,487</b>	<b>7,715</b>	<b>13,242</b>
Non-Financial Assets	-	-	-	-	-	-	29,467	20,690
<b>Total</b>	<b>574</b>	<b>553</b>	<b>-</b>	<b>-</b>	<b>109,495</b>	<b>118,487</b>	<b>37,182</b>	<b>33,932</b>

	Non-Current				Current			
	Borrowing		Other Liabilities		Borrowing		Other Liabilities	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
<b>Financial Liabilities Amortised Cost</b>								
Borrowing	(538,641)	(523,641)	-	-	(84,415)	(99,733)	-	-
Creditors	-	-	-	-	-	-	(7,851)	(9,426)
PFI and Financial Lease Liabilities	-	-	(82,273)	(85,917)	-	-	(3,680)	(3,342)
<b>Total Financial Liabilities</b>	<b>(538,641)</b>	<b>(523,641)</b>	<b>(82,273)</b>	<b>(85,917)</b>	<b>(84,415)</b>	<b>(99,733)</b>	<b>(11,531)</b>	<b>(12,768)</b>
Non-Financial Liabilities	-	-	-	-	-	-	-	-
Pensions Assets and Liabilities recognised in the Balance Sheet	-	-	(234,074)	(279,676)	-	-	-	-
Short-term Creditors	-	-	-	-	-	-	(53,772)	(59,953)
<b>Total</b>	<b>(538,641)</b>	<b>(523,641)</b>	<b>(316,347)</b>	<b>(365,593)</b>	<b>(84,415)</b>	<b>(99,733)</b>	<b>(65,303)</b>	<b>(72,721)</b>

## Investments in equity instruments designated at fair value through other comprehensive income

The council designates the following equity as fair value through other comprehensive income:-

	25,000 Nominal Shares @ £1 £'000	Fair Value £'000	Change in Fair Value during 2019/20 £'000	Dividends £'000
<b>Lothian Buses</b>	25	276	24	-



## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 15.1 Types of Financial Instruments (Continued)

The council holds 25,000 ordinary shares in Lothian Buses, representing 0.4% of the company's capital. The core purpose of Lothian Buses Limited is to deliver a high quality, integrated and socially inclusive transport service with a long term vision to be an integral part of the future success of Edinburgh and the Lothians.

As the asset is not held for trading or income generation, but as a longer term policy initiative the equity has been designated as fair value through comprehensive income.

The shares in this company are not traded in an active market and therefore the fair value of £0.276 million (£0.253 million 2018/19) is based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on the current calculated share price of £11.06 multiplied by the council's shareholding. The council has no current intention to dispose of the shareholding. No dividend was paid in 2019/20 as a result of circumstances arising from Covid-19.

**Items of income, expense, gains and losses**

The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments are made up as follows:-

	2019/20 Other Comprehensive Income and Expenditure £'000	2018/19 Other Comprehensive Income and Expenditure £'000
<b>Gain / Loss on:</b>		
Amortised Costs	-	-
<b>Interest Expense</b>		
Amortised Cost	25,652	24,734
PFI and finance lease liabilities	4,912	4,860
<b>Total Interest Expense</b>	<b>30,564</b>	<b>29,594</b>
<b>Interest Income</b>		
Amortised Cost	(2,157)	(1,613)
<b>Total</b>	<b>28,407</b>	<b>27,981</b>

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

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

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

- Interest rates at 31 March 2020 for PWLB vary from 1.48% to 8.25% depending on the maturity profile of the loans and for other market loans (LOBO's) from 3.75% to 4.85% again based on the maturity profile of the loans.
- No early repayments or impairment are recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is assumed to be the invoiced or billed amount.

For both assets and liabilities the valuation basis adopted by Link Asset Services uses level 2 Inputs i.e. inputs other than quoted prices that are observable for the financial asset / liability. The accounting policy for the Fair Value Measurement is included in Statement 8 note 1 on page 45.

The fair values are calculated as follows:

	31 March 2020		31 March 2019	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
<b>Financial Assets</b>				
<b>Loans and receivables – Bonds</b>				
The bond valuation is made by the prevailing benchmark rates	297	739	300	662
<b>Loans and receivables - Cash</b>				
The loans and receivables valuation is made by the prevailing benchmark rates	16,730	16,751	24,985	24,998
<b>Loans and receivables - Fixed Term Deposits</b>				
The fixed term deposit valuation is made by comparison of the fixed term investment with a comparable investment with the same / similar lender for the remaining period of the deposit	91,479	91,441	92,401	92,379
	<b>108,506</b>	<b>108,931</b>	<b>117,686</b>	<b>118,039</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

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

The fair value is more than the carrying amount because the council's lending figure includes a number of loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date. The commitment to receive interest above current market rates increases the amount that the council would receive if it agreed to early repayment of the loans. The fair value amount also includes accrued interest receivable on the loans of £0.479 million.

**Financial Liabilities****Financial liabilities - PWLB**

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

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

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

31 March 2020		31 March 2019	
Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
554,420	708,328	549,678	740,618
68,636	98,441	73,696	107,483
<b>623,056</b>	<b>806,769</b>	<b>623,374</b>	<b>848,101</b>

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

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

The council's activities expose it to a variety of financial risks:-

- **Credit risk** - the possibility that other parties might fail to pay amounts due to the council.
- **Liquidity risk** - the possibility that the council might not have funds available to meet its commitments to make payments.
- **Re-financing risk** - the possibility that the council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market risk** - the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates and stock market movements.

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

**Credit Risk**

Credit risk arises from the short term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the council's customers.

This risk is minimised through the Treasury Management Plan which required that deposits are only placed with a limited number of high quality UK banks and building societies whose credit rating is independently assessed as sufficiently secure by the council's treasury adviser and to restrict lending to a prudent maximum amount of each institution.

The credit ratings of investments as at 31 March 2020 are:-

**Investments**

Money Market Funds  
Local Authorities, Public Bodies and Debt Management Office  
West Calder High School DBFM  
Bank of Scotland Plc – Main Banking Provider  
Goldman Sachs  
Santander UK Plc  
National Westminster Bank Plc  
Sumitomo Mitsui Banking Corporation  
Nationwide Building Society

**Total**

Credit Risk	Investment Value at 31 March 2020 £'000	%
AAA	4,730	5
AA	10,000	9
AA	297	-
A+	60,000	57
A+	7,000	6
A+	7,000	6
A+	5,000	5
A	7,000	6
A	7,000	6
<b>Total</b>	<b>108,027</b>	<b>100</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

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

The Treasury Management Plan, which is set annually and is monitored throughout the year, sets out the limits on both duration and maximum levels of deposits. These counterparties are chosen using credit rating data supplied by the council's treasury advisers. This is based on data from the three main credit rating agencies, overlaid by:-

- Credit watches and credit outlooks from credit rating agencies.
- Credit Default Swap spreads (i.e. insurance policies) to give early warning of likely changes in credit ratings.
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally; as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at 31 March 2020 that this was likely.

The Treasury Management Plan for 2019/20 was approved by Council on 19 February 2019 and is available on the council's website <https://coins.westlothian.gov.uk/coins/submissiondocuments.asp?submissionid=41436>

**Amounts Arising from Expected Credit Losses**

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited / credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. During 2019/20 the credit losses recognised related only to receivables (debtors) and was based on a lifetime basis.

	Amount at 31 March 2020 £'000	Historical experience of non- payment adjusted for market conditions at 31 March 2020 %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks and building societies	108,506	0%	-
Customers (other income)	44,158	2.25%	994

The council does not generally allow credit for customers, however, £30.992 million of the £44.158 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

	Debtors - Local Taxation £'000	Other Debtors £'000	Total £'000
Less than three months	-	1,974	1,974
Three to six months	-	1,194	1,194
Six months to one year	3,139	883	4,022
More than one year	22,837	965	23,802
	<b>25,976</b>	<b>5,016</b>	<b>30,992</b>

The council has provided £22.875 million against possible bad debts at 31 March 2020 (£21.834 million at 31 March 2019).

**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 2020 £'000	31 March 2019 £'000
Less than one year	84,415	99,733
Between one and two years	10,000	10,000
Between two and five years	-	10,000
Between six and ten years	10,874	23,373
More than ten years	517,767	480,268
	<b>623,056</b>	<b>623,374</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

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

**Refinancing and Maturity Risk**

The council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year in duration are the key parameter used to address this risk.

The council approved treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:-

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs

The council policy is to ensure that no more than 15% of loans are due to mature within any financial year, through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments. LOBO Loans are classified as maturing at the date of the next review but are unlikely to be repaid at that point.

**Market risk**

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

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

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

- It is the policy of the council to ensure its variable rate borrowing is limited to a maximum of 35% of total borrowing. At 31 March 2020 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 2019/20, with all other variables held constant.

**Impact on tax-payer and rent-payers**

Increase in interest payable on variable rate borrowings

Increase in interest receivable on variable rate lending

**Net effect on Income and Expenditure Account**

Housing Revenue Account's Share

£'000
-
(2,339)
<b>(2,339)</b>
<b>(889)</b>

**Price Risk**

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

**Foreign Exchange Risk**

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

16. SHORT TERM DEBTORS	2019/20		2018/19	
	£'000	£'000	£'000	£'000
Central Government Bodies		19,110		10,136
Other Local Authorities		697		1,134
NHS Bodies		27		1,100
Public Corporations and Trading Funds		515		1,376
Other Entities and Individuals				
• Council Tax Debtors	25,976		26,675	
• Provision for Council Tax Debtors	(19,391)		(18,911)	
• Trade Debtors	3,451		6,154	
• Provision for Trade Debtors	(3,484)		(2,923)	
• Other Entities and Individuals	10,281		9,191	
		16,833		20,186
<b>Total Short Term Debtors</b>		<b>37,182</b>		<b>33,932</b>
<b>Analysed as follows:-</b>				
			<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Trade Receivables			4,835	9,231
Prepayments			2,879	4,011
Other Receivables			13,185	11,867
			<b>20,899</b>	<b>25,109</b>
Debtors for Local Taxation			16,283	8,823
<b>Total Short Term Debtors</b>			<b>37,182</b>	<b>33,932</b>
<b>17. SHORT TERM CREDITORS</b>				
			<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Central Government Bodies			12,422	13,742
Other Local Authorities			3,042	3,756
NHS Bodies			82	485
Public Corporations and Trading Funds			456	442
Other Entities and Individuals			49,301	54,363
<b>Total Short Term Creditors</b>			<b>65,303</b>	<b>72,788</b>
<b>Analysed as follows:-</b>				
			<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Trade Payables			11,531	12,835
Other Payables			53,772	59,953
<b>Total Short Term Creditors</b>			<b>65,303</b>	<b>72,788</b>
<b>18. PROVISIONS</b>				
	<b>Balance at 31 March 2019 £'000</b>	<b>Reduction in Provision in Year £'000</b>	<b>Payments in year £'000</b>	<b>Balance at 31 March 2020 £'000</b>
Equal pay settlements	953	500	66	387
<p>The value of the total liability, for the settlement of claims for back pay arising from equal pay claims, was originally estimated at £1.8 million based on the number of claims received and an average settlement amount. As the council's equal pay claims are largely settled, the remaining provision was considered to be in excess of the amount required to meet the requirements of any final claims and outstanding liabilities.</p> <p>At the meeting of the Council Executive on 25 June 2019 it was agreed that that the estimated £0.5 million surplus in the Equal Pay provision should be used to provide essential funding for the Modernisation Fund.</p> <p>As at 31 March 2020, the council has a remaining provision of £0.387 million which is deemed sufficient to meet outstanding liabilities.</p>				

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

19. LONG TERM CREDITORS	Sum Outstanding 2019/20 £'000	Sum Outstanding 2018/19 £'000
Finance Leases - outstanding principal	25	60
Open Space Agreements	234	247
Economic Development Business Gateway	76	169
	<b>335</b>	<b>476</b>
<b>OTHER LONG TERM LIABILITIES</b>		
PPP1 Schools	9,719	10,869
PPP3 Schools	45,538	47,234
DBFM School	27,016	27,814
	<b>82,273</b>	<b>85,917</b>

## 20. PENSION SCHEMES

## 20.1 Pension Schemes

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

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

- **Local Government Pension Scheme**

The Local Government Pension Scheme (Lothian Pension Fund) is administered by City of Edinburgh council in accordance with the Local Government Pension Scheme (Scotland) Regulations 2018. This is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.

- **Teachers' Pension Scheme**

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

The principal risks to the 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 2019/20 the council paid an employer's contribution of £17.350 million (2018/19 £12.763 million) at the prescribed rate (17.2% to 31 August 2019 and 23% from 1 September 2019) (2018/19 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 2019/20 (2018/19) these amounted to £0.390 million (£0.399 million) representing 0.29% (0.34%) of pensionable pay.

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

#### Guaranteed Minimum Pension (GMP)

GMP was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females, however overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

The fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of West Lothian Council for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards. This increased liability has been reflected in the annual accounts as a past service cost. These numbers are approximate estimates based on employer data as at 31 March 2017 and will be revised at the upcoming valuation.

#### McCloud Judgement

When the LGPS benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. Following legal proceedings argued in the McCloud and Sargeant cases, the Court of Appeal found that the transitional provisions introduced in the judges and firefighters' pension schemes in 2015 gave rise to unlawful age discrimination. The UK Government requested leave to appeal this finding but this was refused by the Supreme Court on 27 June 2019. The UK Government has formally accepted the Court's decision and, recognising the implications for all public sector pension schemes, is engaging with relevant representatives to agree how the discrimination will be remedied.

The fund's actuary has adjusted GAD's estimate to better reflect the council's local assumptions, particularly withdrawal rates and salary increases. The estimated impact of the McCloud judgement is included in the 2019/20 financial statements as a past service cost. These numbers are high level estimates based on a combination of Scheme and Fund level calculations and therefore depend on various key assumptions which may or not be borne out in practice.

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 20.2 Transactions Relating to Post-Employment Benefits

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

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

Current Service cost

Past Service Costs

Effect of Settlements

**Financing and Investment Income and Expenditure**

Net Interest Expense

**Remeasurement of the net defined benefit liability comprising:**

Return on plan assets (excluding the amount included in the net interest expense)

Actuarial (gains) and losses arising on changes in demographic assumptions

Actuarial (gains) and losses arising on changes in financial assumptions

Other experience

**Total Post-employment Benefits Charged to Comprehensive Income and Expenditure Statement**

2019/20		2018/19	
£'000	£'000	£'000	£'000
53,140		45,755	
116		19,103	
-	53,256	-	64,858
	7,004		5,943
	60,260		70,801
69,649		(65,074)	
-		-	
(139,713)		99,419	
(7,394)	(77,458)	58	34,403
	(17,198)		105,204

**Movement in Reserves Statement**

Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with Code

**Actual Amount charged against the General Fund Balance of pensions in the year**

Employer's contributions payable to the scheme

Contributions in respect of unfunded benefits

2019/20		2018/19	
£'000	£'000	£'000	£'000
	45,602		(77,263)
(26,464)		(25,984)	
(1,940)		(1,957)	
	(28,404)		(27,941)

The amount charged to taxation for the Lothian Pension Fund Scheme in 2019/20 (2018/19) was £28.319 million (£26.440 million).

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

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

Fair Value of Assets

Present Value of Funded Liabilities

Share of net liabilities

Present value of unfunded liabilities

**Net pension liabilities arising from defined benefit obligation**

2019/20 £'000	2018/19 £'000
1,019,487	1,056,541
(1,225,806)	(1,305,729)
(206,319)	(249,188)
(27,755)	(30,488)
(234,074)	(279,676)

## 20.4 Reconciliation of the Movements in the Fair Value of Lothian Pension Fund Assets

Opening fair value of assets at 1 April

Interest income on plan assets

Remeasurement gain / (loss) - Return on plan assets (excluding the amount included in the net interest expense)

Employer's contributions payable to the scheme

Contributions by scheme participants

Benefits paid

Effect of settlements

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

2019/20 £'000	2018/19 £'000
1,056,541	958,412
25,442	25,954
(69,649)	65,074
26,464	25,984
7,425	7,088
(26,736)	(25,971)
-	-
1,019,487	1,056,541

## 20.5 Reconciliation of the Present Value of Lothian Pension Fund Liabilities

Opening Balance at 1 April

Current Service costs

Interest cost

Contributions by scheme participants

Remeasurement gain / (loss):

- Actuarial (gains) and losses arising on changes in demographic assumptions

- Actuarial (gains) and losses arising on changes in financial assumptions

- Other experience

Past service costs

Benefits paid

Unfunded benefits paid

Effect of settlements

**Closing balance of liabilities at 31 March**

2019/20 £'000	2018/19 £'000
(1,336,217)	(1,160,825)
(53,140)	(45,755)
(32,446)	(31,897)
(7,425)	(7,088)
-	-
139,713	(99,419)
7,394	(58)
(116)	(19,103)
26,736	25,971
1,940	1,957
-	-
(1,253,561)	(1,336,217)

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 20.6 Lothian Pension Fund Assets by Category

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

**Equity Securities:**

	2019/20		2018/19	
	£'000	%	£'000	%
*Consumer	97,165	10%	118,177	11%
*Manufacturing	147,035	14%	98,667	9%
*Energy and Utilities	65,024	6%	76,561	7%
*Financial Institutions	66,305	7%	87,491	8%
*Health and Care	70,549	7%	59,208	6%
*Information Technology	44,067	4%	36,009	3%
*Other	74,431	7%	131,970	13%

**Private Equity:**

*All	-	-	498	-
All	8,870	1%	10,635	1%

**Investment funds and unit trusts:**

*Equities	12,483	1%	-	-
Equities	-	-	10,615	1%
*Commodities	-	-	-	-
Commodities	-	-	-	-
*Infrastructure	-	-	16,067	2%
Infrastructure	143,343	14%	113,138	11%
*Other	-	-	1,676	-
Other	-	-	-	-

**Equity**

**729,272 71% 760,712 72%**

**Debt Securities:**

*Corporate Bonds A (investment grade)	17,075	2%	-	-
Corporate Bonds A (investment grade)	37,521	4%	-	-
Corporate Bonds (non-investment grade)	-	-	-	-
*UK Government	62,763	6%	116,039	11%
*Other	-	-	-	-

**Investment funds and unit trusts:**

*Bonds	4,376	-	-	-
Bonds	-	-	32,101	3%

**Derivatives:**

Inflation	-	-	-	-
Interest rate	-	-	-	-
*Foreign exchange	2,080	-	-	-
*Other	-	-	261	-

**Bonds**

**123,815 12% 148,401 14%**

**Real Estate:**

*UK Property	11,726	1%	-	-
UK Property	55,077	6%	68,024	6%
Overseas Property	898	-	-	-

**Property**

**67,701 7% 68,024 6%**

**Cash and cash equivalents**

*All	98,699	10%	79,404	8%
------	--------	-----	--------	----

**Cash and cash equivalents**

**98,699 10% 79,404 8%**

**1,019,487 100% 1,056,541 100%**

Assets marked with an asterisk (\*) have quoted prices in active markets and equate to £773.778 million (2018/19 £822.028 million) with prices not quoted in active markets totalling £245.709 million (2018/19 £234.513 million).

## 20.7 Basis for Estimating Assets and Liabilities

Liabilities are valued on an actuarial basis using the projected unit credit method which assesses the future liabilities of the fund discounted to their present value. The valuations are based on a valuation as of 31 March 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 70.

**Investment Returns**

The return on the Fund in market value terms for the period to 31 March 2020 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 1 April 2019 to 31 March 2020

**(4.2)%**



## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

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

<b>Current Pensioners</b>	- Males
	- Females
<b>Future Pensioners</b>	- Males
	- Females

2019/20 Years	2018/19 Years
21.7	21.7
24.3	24.3
24.7	24.7
27.5	27.5

**Financial Assumptions**

Rate of inflation	1.9%	2.5%
Rate of increase in salaries	3.5%	4.2%
Increase in Pensions	1.9%	2.5%
Rate for discounting scheme liabilities	2.3%	2.4%

2019/20 %	2018/19 %
1.9%	2.5%
3.5%	4.2%
1.9%	2.5%
2.3%	2.4%

## 20.8 Sensitivity Analysis

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

0.5% decrease in Real Discount Rate	11%	133,811
0.5% increase in the Salary Increase Rate	2%	24,918
0.5% increase in the Pension Increase Rate	9%	106,579

Approximate % Increase to Employer Obligation	Approximate Monetary Amount £'000
11%	133,811
2%	24,918
9%	106,579

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).

## 20.9 Projected Pension Cost for period to 31 March 2021

The deficit has reduced mainly as a result of a combination of the investment returns being significantly lower than expected, particularly in the last two months of the accounting period due to Covid-19, which has served to worsen the balance sheet position. The effect of which has been at least partly offset by a higher net discount rate which serves to reduce the value placed on the obligations. Corporate bond yields are at a level similar to that of 31 March 2019, however inflation expectations are significantly lower.

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 24% (27% 2018/19).

The following table sets out the projected amount to be charged to operating profit for the year to 31 March 2021, based on assumptions as at 31 March 2020:-

31 March 2021			
Assets £'000	Obligations £'000	Net £'000	% of pay
Current service cost	(44,477)	(44,477)	(36.9%)
Past service cost including curtailments	-	-	-
Effect of settlements	-	-	-
<b>Total Service Cost</b>	<b>(44,477)</b>	<b>(44,477)</b>	<b>(36.9%)</b>
Interest income on plan assets	-	23,504	19.5%
Interest cost on defined benefit obligation	(29,073)	(29,073)	(24.1%)
<b>Total Net Interest Cost</b>	<b>(29,073)</b>	<b>(5,569)</b>	<b>(4.6%)</b>
<b>Total included in Profit or Loss</b>	<b>(73,550)</b>	<b>(50,046)</b>	<b>(41.5%)</b>

The estimated Employer's contributions for the year to 31 March 2021 will be approximately £26.293 million.

## 20.10 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 2021 will be approximately £26.293 million. Employer contributions have been set at 21.5% for 2020/21 (21.0% 2019/20).

## 21. USABLE RESERVES

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement and Notes 12 and 13.

## 21.1 Revenue Statutory Funds

**Insurance Fund**

Balance at 1 April	10,391	10,125
Appropriation	(1,074)	266

Balance at 31 March

2019/20 £'000	2018/19 £'000
10,391	10,125
(1,074)	266
<b>9,317</b>	<b>10,391</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

21.2 Capital Fund	2019/20 £'000	2018/19 £'000
Balance at 1 April	61,713	58,963
Transfer (to) / from Capital Adjustment Account	(8,154)	(2,013)
Appropriation	4,358	4,763
Balance at 31 March	<b>57,917</b>	<b>61,713</b>

## 22. UNUSABLE RESERVES

Revaluation Reserve  
 Available for Sale Financial Instruments Reserve  
 Financial Instruments Revaluation Reserve  
 Capital Adjustment Account  
 Financial Instruments Adjustment Account  
 Pensions Reserve  
 Employee Statutory Adjustment Account

## Total Unusable Reserves

2019/20 £'000	2018/19 £'000
504,897	530,442
-	-
252	228
395,790	438,096
(7,976)	(8,403)
(234,074)	(279,676)
(10,921)	(10,230)
<b>647,968</b>	<b>670,457</b>

## 22.1 Revaluation Reserve

Balance at 1 April  
 Unrealised gains / (losses) on revaluation of fixed assets  
 Less: Depreciation on revaluations  
 Balance at 31 March

2019/20 £'000	2018/19 £'000
530,442	549,079
26,152	32,059
(51,697)	(50,696)
<b>504,897</b>	<b>530,442</b>

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

## 22.2 Financial Instruments Revaluation Reserve

Balance at 1 April  
 Transfer from available for Sale Financial Instruments Revaluation Reserve  
 Revaluation of long-term Investments at fair value  
 Balance at 31 March

2019/20 £'000	2018/19 £'000
228	-
-	245
24	(17)
<b>252</b>	<b>228</b>

## 22.3 Available-for-Sale Financial Instruments Reserve

Balance at 1 April  
 Revaluation of long term investments at fair value  
 Transfer to Financial Instruments Revaluation Reserve  
 Balance at 31 March

2019/20 £'000	2018/19 £'000
-	245
-	-
-	(245)
<b>-</b>	<b>-</b>

## 22.4 Capital Adjustment Account

Balance at 1 April  
 Depreciation and impairment  
 Government grants written off  
 Loans fund principal repayments  
 Capital financed from current revenue (General Fund)  
 Capital financed from current revenue (HRA)  
 Gain/ (Loss) on disposal of non-current assets  
 Revaluation Reserve - Depreciation on revaluations  
 Transfer of Capital Receipts to Capital Fund  
 Balance at 31 March

2019/20 £'000	2018/19 £'000
438,096	501,535
(164,540)	(170,780)
32,507	25,863
15,917	17,290
2,832	1,594
9,750	7,633
1,377	2,252
51,697	50,696
8,154	2,013
<b>395,790</b>	<b>438,096</b>

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

22.5 Financial Instruments Adjustment Account	2019/20 £'000	2018/19 £'000
Balance at 1 April	(8,403)	(8,830)
Appropriations (to) from Movements on Reserve Statement	427	427
Balance at 31 March	(7,976)	(8,403)
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 2020 represents:		
	2019/20 £'000	2018/19 £'000
Deferred Premiums less Discounts from Debt Rescheduling	(5,490)	(5,883)
Market LOBO loans restated - balance sheet value	(63,066)	(63,100)
- Deduct: actual loans outstanding	60,580	60,580
	(7,976)	(8,403)
22.6 Pension Fund Reserve		
The pension reserve mirrors the net pensions liability detailed in note 20.3. The movements in the year are summarised as follows:		
Balance at 1 April	(279,676)	(202,413)
Net surplus for year	(31,856)	(42,860)
Actuarial Gains (Losses) in Pension Plan	77,458	(34,403)
Balance at 31 March	(234,074)	(279,676)
22.7 Employee Statutory Adjustment Account		
	2019/20 £'000	2018/19 £'000
Balance at 1 April	(10,230)	(6,372)
Annual leave and maternity accrual - previous year	10,230	6,372
Annual leave and maternity leave accrual - current year	(10,921)	(10,230)
Statutory adjustment for the year	(691)	(3,858)
Balance at 31 March	(10,921)	(10,230)
The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave and maternity leave carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or (from) the Account.		
23. CASH FLOW STATEMENT - OPERATING ACTIVITIES	2019/20 £'000	2018/19 £'000
The following amounts are included in the net cash flows from Operating Activities:-		
Interest paid	24,590	24,098
Interest element of finance lease rental payments including PPP contracts	4,912	4,860
Interest received	(1,334)	(846)
The deficit on the provision of services has been adjusted for the following non-cash movements:-		
Depreciation	124,677	125,870
Impairment and downward revaluations	39,863	44,910
Amortisation	(34)	(34)
Increase/(decrease) in creditors	639	15,942
(Increase)/decrease in debtors	(3,380)	4,930
(Increase)/decrease in Short Term Intangible Assets	461	178
(Increase)/decrease in inventories	159	(460)
Movement in pension liability	31,856	42,860
Gain on disposal of non-current assets	(1,377)	(2,252)
Other non-cash items	(105)	67
	192,759	232,011

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

<b>24. CASH FLOW STATEMENT - INVESTING ACTIVITIES</b>  Purchase of property, plant and equipment Other payments for investing activities Proceeds from the sale of property, plant and equipment Net (increase) decrease in short term investments  Net cash flows from Investing Activities		<b>2019/20</b> <b>£'000</b>	<b>2018/19</b> <b>£'000</b>		
		(71,278)	(98,765)		
		-	-		
		1,926	2,849		
		1,003	(38,302)		
		<b>(68,349)</b>	<b>(134,218)</b>		
<b>25. CASH FLOW STATEMENT - FINANCING ACTIVITIES</b>  Cash receipts of short and long term borrowing Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts Repayments of short and long term borrowing  Net cash flows from Financing Activities		<b>2019/20</b> <b>£'000</b>	<b>2018/19</b> <b>£'000</b>		
		28,000	65,000		
		(3,409)	26,034		
		(28,284)	(30,035)		
		<b>(3,693)</b>	<b>60,999</b>		
<b>26. CASH FLOW STATEMENT - CASH AND CASH EQUIVALENTS</b>  Cash held by officers Bank current accounts Short term deposits  Total Cash and Cash Equivalents		<b>2019/20</b> <b>£'000</b>	<b>2018/19</b> <b>£'000</b>		
		154	139		
		1,132	962		
		16,730	24,985		
		<b>18,016</b>	<b>26,086</b>		
<b>27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES</b>  Long term borrowing Short term borrowings Finance Lease Liabilities On balance sheet PFI liabilities Total liabilities from financing activities    Long term borrowing Short term borrowings Finance Lease Liabilities On balance sheet PFI liabilities Total liabilities from financing activities	<b>1 April 2018</b> <b>£'000</b>	<b>Financing</b> <b>Cash Flows</b> <b>£'000</b>	<b>Non-Cash</b> <b>Changes</b> <b>£'000</b>	<b>31 March 2019</b> <b>£'000</b>	
	488,641	35,000	-	523,641	
	99,802	(35)	(34)	99,733	
	280	(110)	-	170	
	63,072	26,144	-	89,216	
	<b>651,795</b>	<b>60,999</b>	<b>(34)</b>	<b>712,760</b>	
	<b>1 April 2019</b> <b>£'000</b>	<b>Financing</b> <b>Cash Flows</b> <b>£'000</b>	<b>Non-Cash</b> <b>Changes</b> <b>£'000</b>	<b>31 March 2020</b> <b>£'000</b>	
	523,641	15,000	-	538,641	
	99,733	(15,284)	(34)	84,415	
	170	(110)	-	60	
	89,216	(3,299)	-	85,917	
	<b>712,760</b>	<b>(3,693)</b>	<b>(34)</b>	<b>709,033</b>	
	<b>28. CONTINGENT LIABILITIES</b>				
	<b>Municipal Mutual – Scheme of Arrangement</b>				
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 £0.199 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.					
<b>Abuse Claims</b>					
The council recognises the potential for compensation claims deriving from the Scottish Government's Limitation (Childhood Abuse) (Scotland) Bill which has removed the three-year time limit on claims of child abuse. Some claims may be more historic and relate to before the reorganisation to West Lothian Council in 1996. As at 31 March 2020, four claims have been received. However no claims have been brought that have progressed to a stage where a possible payment can be reliably estimated and accounted for in the financial statements. The council will consider the funding of future claims according to the nature and materiality of claims as they are brought in future years.					
<b>Holiday Pay Liability</b>					
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 which are currently sisted by the Employment Tribunal. At a meeting of Council Executive on 26 June 2018 a decision was taken to enter into discussions with the relevant trade unions regarding settlement of these cases. These discussions are currently in progress.					

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 29. TRADING OPERATIONS

The Local Government in Scotland Act 2003 introduced a specific performance requirement for each significant trading operation to breakeven over a three year rolling basis.

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

	2019/20 £'000	2018/19 £'000
Turnover	4,674	4,564
Expenditure	3,128	3,800
<b>Surplus for year</b>	<b>1,546</b>	<b>764</b>
<b>Budget Surplus for year</b>	<b>1,540</b>	<b>887</b>

Included in turnover is internal income of £0.215 million (£0.242 million 2018/19).

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 / (Deficit) £'000	Loan Interest £'000	Net Surplus / (Deficit) £'000
2017/18	(635)	481	(1,116)
2018/19	764	420	344
2019/20	1,546	426	1,120
<b>Surplus over three year period</b>	<b>1,675</b>	<b>1,327</b>	<b>348</b>

In the three years to 31 March 2020 the trading account achieved a statutory aggregate surplus of £0.348 million, therefore meeting the statutory financial requirement to breakeven over the three year period.

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 30. AGENCY SERVICES

**Expenditure****Local Bus Services**

Cross boundary bus services where other local authorities contract for the services and charge West Lothian for shared cross boundary agreements.

**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.

**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.

**Other**

Provision of other services – Speech Therapy, Additional Needs Support, New Business Start-up support, Children's Panel, Corporate Procurement etc.

**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.

**Total Expenditure****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.

**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.

**Local Bus Services**

Cross boundary bus services where West Lothian contract for the services and recharge other local authorities for shared cross boundary agreements.

**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.

**Business Gateway**

Agreement between City of Edinburgh Council and West Lothian Council for the provision of management services and for the delivery by WLC to or on behalf of CEC of various economic and business development and training programmes within the Edinburgh and Lothians area.

**Other**

Recovery of the cost of Housing Needs Officer at Addiewell Prison, recovery of the cost of provision of payroll, HR, IT & Telephony Service to the Improvement Service, recovery of the cost of payroll, HR, Corporate Communications/Media support, IT & Telephony Service to West Lothian College and recovery of the cost of provision of Corporate Communications/Media support to West Lothian Leisure.

**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.

**Total Income**

## 31. EXTERNAL AUDIT COSTS

The Accounts Commission for Scotland has appointed Ernst & Young LLP as the council's 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:-

	2019/20 £'000	2018/19 £'000
Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice.	326	320
Audit fee in respect of s106 Trust Funds	4	4
	<b>330</b>	<b>324</b>

## 32. POST REPORTING PERIOD EVENTS

The Head of Finance and Property Services, Donald Forrest CPFA, being the officer responsible for the council's financial affairs, authorised the issue of the unaudited annual accounts on 22 June 2020. Events after the balance sheet date have been considered up to this date.

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. Two types of events can be identified:

- **Adjusting events**  
Those that provide evidence of conditions that existed at the end of the reporting period which the Annual Accounts are adjusted to reflect.
- **Non Adjusting Events**  
Those that are indicative of conditions that arose after the reporting period and the Statements are not adjusted to reflect these events. Where a category of events would have a material effect, disclosure is made in the notes of the nature of events and their estimated financial effect.

As the balance sheet date was at the start of the Covid-19 lockdown period, there have been numerous developments in relation to the pandemic. These include, but are not limited to, suspension of some council services, closure of some buildings, consolidation of childcare provision for key workers into school hubs, expansion and continuation of free school meal and other food support, the majority of office based employees working from home, redeployment of employees to continue to support statutory service delivery that must continue to be delivered and payment of grants and support to those most in need in the community.

Reflecting on the events after the balance sheet, West Lothian Council has no post balance sheet adjustments. Expenditure incurred in response to the pandemic in 2019/20 is included in the accounts for the financial year. This net expenditure totalled £0.194 million and incorporated additional costs such as increased crisis care grants, early learning and childcare placements for key worker children, personal protective equipment for staff, overtime payments, commercial rent arrears and lost income.

All other events after 31 March 2020, such as notification of grant funding, introduction of business and self employed grants and changes to service delivery, all apply to the financial year 2020/21 and therefore no adjustments are required. Since 31 March 2020 the council has received confirmation of funding from the Scottish Government totalling £34.686 million all relating to the financial year 2020/21. This funding includes £23 million for small business grants, which is paid directly to businesses to support them during this time, £1.687 million hardship funding and £5.228 million as a share of the Barnett Consequentials for local government. In West Lothian all of the hardship and food funding received from the Scottish Government has been used to deliver additional expenditure on support packages to individuals, families, businesses and third sector partners.

With regard to financial instruments, the fair value was assessed in line with the requirements of IFRS 9 Financial Instruments and Expected Credit Loss. The timing of the valuation means that it included relevant conditions and assumptions arising from the pandemic. The council's approach to investments means that the council has minimal exposure to default risk. The priority is to secure the underlying value of the investment, therefore there should be no expected credit loss against the council's financial instruments.

Consideration has been given to the effects of the Covid-19 Pandemic on the council's property assets and their associated values. In order to take an informed view and to gauge the position of the wider valuation profession on this matter, consultation has taken place with colleagues from a wide range of Scottish local authorities, the District Valuers Office, the Association of Chief Estate Surveyors (ACES) and the Royal Institute of Chartered Surveyors (RICS). Many business sectors have been forced to close as part of government restrictions to reduce the spread of the virus, the full effects of which on the respective property markets and the wider economy are yet to be fully understood, assessed or quantified. Currently, there is insufficient empirical data available to make an informed and evidence-based decision on whether or not there has been a significant impact on the current asset valuations. Occupancy levels, rental figures, land values and BCIS costs and indices will all require to be monitored and reviewed going forward to assess the full impact of the Covid-19 outbreak on asset valuations.

The council continues to monitor and assess the financial impact of the Covid-19 response for 2020/21, including consideration of additional costs, lost income and savings. This information is included in the COSLA cost collection exercise which aims to quantify the overall financial impact of the pandemic on local government in Scotland. Currently it is anticipated that the additional net cost in 2020/21 is £13.742 million for the general fund revenue budget, with an underlying increase in costs of £5.125 million for the general services capital programme. After accounting for additional grant funding from the £155 million Barnett Consequentials and funding to assist with the health and social care response, there is an estimated revenue pressure of approximately £6.9 million for 2020/21. This figure will increase when the additional costs of schools returning in August 2020 are quantified. It has been assumed that the housing revenue account will continue to meet fixed costs where services such as building maintenance could not be delivered during the lockdown. A full breakdown of the estimated costs is included in the financial update to Council Executive considered on 26 May 2020.

In addition to known costs during the lockdown period, there is a high risk that further significant costs will continue to be incurred during financial year 2020/21. The identification of any emerging risks will inform discussions with the Scottish Government over funding. Officers will review and develop plans to allow services to be delivered in line with Government recommendations. The introduction of safety measures, such as social distancing, is likely to result in further costs. Areas where further expenditure could emerge include school transportation, social care provision and homelessness.

This is a high level estimate of the financial implications and as events continue to be fluid, it requires ongoing detailed review and monitoring. Officers continue to monitor the financial impact, including identification of potential options to manage the financial pressures. Further updates on the financial impact will be provided to the Council Executive. Officers also continue to engage with the Scottish Government and COSLA around further government funding to fund the significant additional costs being incurred by the council.

**32. POST REPORTING PERIOD EVENTS (CONTINUED)**

The major challenge over how to address any current in-year budget pressures will be a key priority for all councils, as will funding any additional Covid-19 related costs not covered by the Scottish Government. Should further funding not be forthcoming from the Scottish Government, the council will have to consider the potential use of balances to mitigate pressures. Longer term financial strategies will also require attention. The Scottish Government is currently establishing its recovery priorities, which will in turn impact on local government priorities. This must all be set against a backdrop of sustainable funding to allow local government to focus and play its key part in longer term recovery.

Although the council's committee schedule has been impacted by the pandemic, regular updates and reports, including recommendations for decisions regarding service delivery and the council's overall response, have been considered. Reports, and associated decisions, can be found on the council's COINS system. In summary all reports considered by the Council Executive or approved under Standing Order 31 are as follows:

**Council Executive 24 March 2020**

- Covid-19: Planning and Precautions – Report by Chief Executive
- Covid-19: Potential Financial Implications and Issues – Report by Head of Finance and Property Services
- Covid-19: Calendar of Meetings until 31 July 2020 – Report by Chief Executive

**Council Executive 26 May 2020**

- Covid-19: Use of Emergency Decision Making Powers – Report by Chief Executive
- Covid-19: Update on Financial Impact on the Council – Report by Head of Finance and Property Services
- Covid-19: Meeting Arrangements until 31 July 2020 – Report by Governance Manager

**Reports approved under Standing Order 31 since 24 March 2020**

- Covid-19: Potential Financial Implications and Issues – Report by Head of Finance and Property Services
- Covid-19: Calendar of Meetings until 31 July 2020 – Report by Chief Executive
- Covid-19: Delegation of Powers and Duties – Report by Governance Manager
- Covid-19: Hire Car Medical Assessments – Civic Government (Scotland) Act 1982 – Report by Head of Corporate Services
- Covid-19: Integration Scheme Review – Report by Depute Chief Executive (Health and Social Care Partnership)
- Covid-19: One Linlithgow Business Improvement District – Request for Resilience Funding Support – Report by Head of Planning, Economic Development and Regeneration
- Covid-19: Food Fund – Report by Depute Chief Executive
- Covid-19: West Lothian Leisure – Implications of Covid-19 – Report by Head of Finance and Property Services
- Covid-19: Enterprising Bathgate BID Request for Resilience Fund Support – Report by Head of Planning, Economic Development and Regeneration
- Covid-19: Public Inspection of Documents – Suspension of Duties – Report by Governance Manager



## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

**33. GRANT INCOME**

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20.

	2019/20 £'000	2018/19 £'000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
Capital Grants and Contributions		
- General Capital Grant	21,715	18,394
- Other Scottish Government Grant	7,496	4,271
- Developers Contributions	2,610	2,083
- Other Capital Contributions	686	1,115
<b>Total Capital Grants and Contributions</b>	<b>32,507</b>	<b>25,863</b>
Revenue Support Grant	235,751	228,874
Distribution from Non-Domestic Rate Pool	85,327	79,333
<b>Total Grants credited to Taxation and Non-Specific Grant Income</b>	<b>353,585</b>	<b>334,070</b>
<b>Credited to Services</b>		
<b>Ring Fenced Grants</b>		
Criminal Justice Grant	2,932	2,894
Pupil Equity Funding	5,191	5,161
Early Learning Childcare	7,947	2,785
Gaelic	8	8
	<b>16,078</b>	<b>10,848</b>
<b>Other Grants</b>		
Housing Benefits Grant	44,221	49,486
Administration of Benefits Grant	604	667
DWP Discretionary Housing Payment	672	547
Integration Joint Board	10,133	10,190
Education Maintenance Allowance	652	688
Schools for the Future Programme	1,959	1,408
European Grants	1,250	2,072
Private Sector Housing Grant	732	732
Home Energy Efficiency Programme for Scotland	874	998
Other Grants	4,575	4,270
Contribution from Local Authorities	757	857
Contribution from NHS	11,298	7,157
<b>Total Grants credited to Services</b>	<b>93,805</b>	<b>89,920</b>
<b>Capital Grants Received in Advance</b>		
The council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the developer. The balances are as follows:-		
	2019/20 £'000	2018/19 £'000
Developer Contributions	30,126	21,855

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 34. GENERAL FUND BALANCE

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

	Balance at 1 April 2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance at 1 April 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance at 31 March 2020 £'000
<b>General Fund Balance</b>	<b>23,906</b>			<b>17,663</b>			<b>19,869</b>
<b>Movement in Earmarked Reserves</b>							
Balances held by schools under a scheme of delegation	850	(4)	-	846	-	105	951
Energy Efficiency Fund	313	-	-	313	(313)	-	-
Modernisation Fund	3,156	(2,570)	-	586	(829)	1,781	1,538
Government Grants	6,046	(396)	-	5,650	(417)	-	5,233
Time Limited Projects	2,330	(1,259)	101	1,172	(666)	556	1,062
War Memorial Fund	44	(44)	-	-	-	-	-
Developer Contribution Fund	6,414	(558)	-	5,856	(749)	-	5,107
Local Bus Provision	-	-	100	100	(100)	-	-
Anti-Poverty Fund Strategy (including Period Poverty)	285	(142)	160	303	-	-	303
West Lothian Leisure Ltd.	1,200	(1,200)	-	-	-	-	-
General Revenue Grant 2018/19	1,167	(1,167)	-	-	-	-	-
Voluntary Organisations Fund	-	-	-	-	(137)	200	63
Committed Funds from Loans Fund Review	-	-	-	-	(582)	2,736	2,154
Lifetime Alcohol Licensing Fund	-	-	464	464	-	-	464
<b>Total Earmarked Reserves</b>	<b>21,805</b>	<b>(7,340)</b>	<b>825</b>	<b>15,290</b>	<b>(3,793)</b>	<b>5,378</b>	<b>16,875</b>
<b>Uncommitted General Fund Balance</b>	<b>2,101</b>			<b>2,373</b>			<b>2,994</b>

In accordance with both the School Boards Delegation and Devolved School Management schemes, a net credit balance of £0.951 million (£0.846 million 2018/19) 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 2020/21 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.

**35. LEASING, PPP AND DBFM PAYMENTS****Leases**

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

	2019/20 £'000	2018/19 £'000
Plant and Vehicles	2,256	2,662
Property	633	633
	<b>2,889</b>	<b>3,295</b>

Assets acquired under finance leases have been capitalised.

**Operating Leases**

The future cash payments required under operating leases are:-

	2019/20 £'000	2018/19 £'000
2020/21 (2019/20) - Land and Buildings	629	652
- Other Operating Leases	1,673	2,094
2021/22 to 2024/25 (2020/21 to 2023/24) - Land and Buildings	1,669	1,549
- Other Operating Leases	2,603	2,625
2025/26 onwards (2024/25 onwards) - Land and Buildings	7,569	7,009
- Other Operating Leases	27	95

The cumulative value of leases in 2019/20 where the council is a lessor is £5.449 million for 743 units (£5.482 million for 743 units 2018/19).

**Education Service PPP1 Schools Project**

PPP1 is a 31 year Public Private Partnership contract which was awarded in August 2001 for the construction, extension and refurbishment of existing facilities, for three high schools, three primary schools and two nursery schools in Bathgate, Broxburn, Whitburn and Linlithgow. The contractor is responsible for the ongoing maintenance and operation of school facilities, which requires the ongoing procurement of construction services, plant and equipment. Contract expiry date is 7 November 2032.

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

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

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

**Education Service PPP3 Schools Project**

PPP3 is a 31 year Public Private Partnership contract for the construction of new facilities, for two high schools in Livingston (Deans) and Armadale. The contractor is also responsible for the ongoing maintenance and operation of school facilities, which requires the ongoing procurement of construction services, plant and equipment. Contract expiry date is 16 August 2039.

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

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

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

**35. LEASING, PPP AND DBFM PAYMENTS (CONTINUED)****Education Service DBFM West Calder High School Project**

DBFM is a 25 year Design, Build, Finance and Maintain (DBFM) contract for the construction of a new high school in West Calder to replace the existing high school. The school was handed over to the council on 29 June 2018 and became operational on 20 August 2018. The DBFM contractor is responsible for the majority of the ongoing maintenance of the school facilities, which requires ongoing procurement of construction services, plant and equipment. The council operates the school facilities (janitorial, cleaning and security services) and is responsible for some elements of ongoing maintenance, such as grounds maintenance, kitchen equipment maintenance, replacement floor finishes and redecoration. The contract expiry date is 29 June 2043.

The Monthly Service Payment is subject to annual RPI indexation. The council has price risk on insurance premiums and both price and consumption risk for utilities. The council is entitled to receive a 30% share of any refinancing gain arising from a qualifying refinancing.

The council has rights to access the school facilities every day of the calendar year. The DBFM contract specifies standards for the services to be delivered by the DBFM contractor, payment deductions to be made if facilities become unavailable or performance falls below the required standards. The school facilities must achieve a specified standard when they are handed over to the council on the contract expiry date. Both parties have rights to terminate the contract, but compensation may be payable.

**PPP and DBFM Payments**

The future cash payments under two PPP schools and the DBFM school contracts are analysed as follows:-

Range	Principal £'000	Interest £'000	Lifecycle Capital Costs £'000	Operating Costs £'000	Schools for the Future Revenue Funding £'000	2019/20 Total £'000	2018/19 Total £'000
Within one year	3,644	4,706	185	7,437	(1,867)	14,105	13,811
2 to 5 years	13,170	17,049	1,456	35,301	(9,335)	57,641	56,393
6 to 10 years	19,319	16,755	2,724	52,397	(9,335)	81,860	80,137
11 to 15 years	22,602	10,129	642	49,558	(9,335)	73,596	79,251
16 to 20 years	20,733	4,576	-	38,269	(9,335)	54,243	60,004
21 to 25 years	6,449	693	-	3,243	(4,195)	6,190	11,850
<b>Total</b>	<b>85,917</b>	<b>53,908</b>	<b>5,007</b>	<b>186,205</b>	<b>(43,402)</b>	<b>287,635</b>	<b>301,446</b>

The Schools for the Future Programme, in order to ensure successful delivery of the DBFM Project at West Calder High School, has committed to provide revenue funding support for a period of 25 years commencing during 2018/19. The level of funding will total £46.677 million towards operating costs of the project.

**36. RELATED PARTIES**

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

**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 33.

**Councillors**

Members of the Council have direct control over the council's financial and operating policies. The total of Councillors Remuneration allowances paid in 2019/20 are shown in the Remuneration Report note 2.3 on page 31. There are no related party transactions with members of the council.

**Officers**

There are no related party transactions with officers of the council.

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 36. 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.

	2019/20 £'000	2018/19 £'000
<b>EXPENDITURE</b>		
<b>Government Payments</b>		
PAYE and National Insurance	62,813	57,422
Superannuation – Teachers	17,350	12,763
<b>Other Local Authority Payments</b>		
Superannuation	28,190	27,120
Other Payments	883	720
<b>Other Related Party Payments</b>		
Joint Valuation Board	1,132	1,096
West Lothian Integration Board	69,438	63,833
West Lothian Leisure Ltd.	3,419	4,195
Councillors Remuneration	740	724
Criminal Justice Authority	3,877	3,534
SESTRAN / SESPLAN	22	32
Scotland Excel	117	115
	<b>187,981</b>	<b>171,554</b>
<b>Other Related Party Income</b>		
Other Local Authority Receipts	757	857
Criminal Justice Authority	2,932	2,894
	<b>3,689</b>	<b>3,751</b>
<b>BALANCE SHEET</b>		
<b>The amounts due (to) or from related parties are detailed below:-</b>		
Government departments	6,688	(3,606)
Other local authorities	(2,345)	(2,622)
<b>Related companies</b>		
West Lothian Leisure Ltd.	1,730	1,829
	<b>6,073</b>	<b>(4,399)</b>

**HRA – INCOME AND EXPENDITURE STATEMENT****STATEMENT 9**

<b>PURPOSE</b>	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.		
<b>INCOME</b>		<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
	Dwellings Rent (gross)	(50,489)	(46,967)
	Non-Dwellings Rent (gross)	(575)	(563)
	Other Income	(1,472)	(1,851)
	<b>TOTAL INCOME</b>	<b>(52,536)</b>	<b>(49,381)</b>
<b>EXPENDITURE</b>	Repairs and Maintenance	15,999	14,471
	Supervision and Management	8,469	8,465
	Depreciation and Revaluation of non-current assets	56,712	56,210
	Bad or Doubtful Debts	1,228	1,283
	Other Expenditure	3,198	3,253
	<b>TOTAL EXPENDITURE</b>	<b>85,606</b>	<b>83,682</b>
	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>33,070</b>	<b>34,301</b>
	HRA Services share of Corporate and Democratic Core (CDC)	92	100
	HRA Share of Employee Statutory Adjustment	12	9
	HRA share of Non-Distributed Costs	3	521
	<b>Net Cost of HRA Services</b>	<b>33,177</b>	<b>34,931</b>
	<b>HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement</b>		
	Profit on disposal of HRA assets	0	(135)
	Interest payable and similar charges	9,841	9,090
	Net interest on the net defined benefit liability	186	162
	<b>Deficit for the year on HRA Services</b>	<b>43,204</b>	<b>44,048</b>

64

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	2019/20 £'000	2018/19 £'000		
	Balance on the HRA at the end of the previous year	1	(926)	(926)		
	Deficit for the year on the HRA Income and Expenditure Statement		43,204	44,048		
	Adjustments between accounting basis and funding basis under regulations		(43,204)	(44,048)		
	(Increase) or decrease in year on the Housing Revenue Account		-	-		
	Balance on the HRA at the end of the current year		(926)	(926)		
NOTES	1.	<b>Adjustments between accounting basis and funding basis under regulations</b>				
	Depreciation and Revaluation		(56,712)	(56,210)		
	Profit on disposal of HRA fixed assets		-	135		
	Share of Employee Statutory Adjustment		(12)	(9)		
	Amount by which pension costs calculated in accordance with IAS 19 are different from contributions due to the Lothian Pension Fund		(189)	(683)		
			(56,913)	(56,767)		
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>					
	Loans fund principal		3,959	5,086		
	Capital expenditure funded by HRA		9,750	7,633		
	<b>Adjustments between accounting basis and funding basis under regulations</b>		(43,204)	(44,048)		
	2.	<b>Housing Stock</b>				
	The council's stock at 1 April 2019 was 13,678 houses and at 31 March 2020 were 14,038 houses. As a result the council was responsible for managing an average of 13,858 dwellings during 2019/20.			<b>2019/20 No of Houses</b>	<b>2018/19 No of Houses</b>	
	Stock movements can be summarised as follows:-					
	Stock as at 1 April		13,678	13,244		
	Additions		351	434		
	Less Demolitions		-	-		
	Add Stock restated		9	-		
	Less Sales		-	-		
	Stock as at 31 March		14,038	13,678		
	Housing Stock Numbers by type are as follows:					
	1 Bed		2,672	2,547		
	2 Bed		6,590	6,442		
	3 Bed		4,151	4,083		
	4 Bed		482	467		
	More than 4 Bed		143	139		
			14,038	13,678		
	3.	<b>Rent Arrears at 31 March</b>		<b>2019/20 £'000</b>	<b>2018/19 £'000</b>	
Current Tenant		2,657	2,119			
Former Tenant		1,207	1,120			
4.	<b>Losses on Void Properties at 31 March</b>		<b>2019/20 £'000</b>	<b>2018/19 £'000</b>		
Losses on void properties		469	441			
5.	<b>Bad Debt Provision</b>		<b>2019/20 £'000</b>	<b>2018/19 £'000</b>		
Bad Debt Provision for housing rent arrears and former tenant's debt.		3,164	2,574			

## COUNCIL TAX INCOME ACCOUNT

## STATEMENT 11

PURPOSE	This statement shows the net income raised from Council Tax levied under the Local Government Finance Act 1992.																																																																																																																																																															
INCOME	Gross council tax levied and contributions in lieu Less: Discounts Provision for bad debts Council Tax Reduction Scheme Other deductions  Adjustments for previous years' Council Tax  Transfers to General Fund	2019/20 £'000							2018/19 £'000																																																																																																																																																							
		95,315							89,510																																																																																																																																																							
		(7,472)							(6,969)																																																																																																																																																							
		(1,919)							(1,805)																																																																																																																																																							
		(9,776)							(9,451)																																																																																																																																																							
		(2,781)							(2,292)																																																																																																																																																							
		(21,948)							(20,517)																																																																																																																																																							
		73,367							68,993																																																																																																																																																							
		(312)							(107)																																																																																																																																																							
		73,055							68,886																																																																																																																																																							
NOTES	1.	Calculation of the Council Tax base 2019/20																																																																																																																																																														
		<table><tr><td></td><td colspan="9">PROPERTY BANDS</td></tr><tr><td></td><td>A</td><td>B</td><td>C</td><td>D</td><td>E</td><td>F</td><td>G</td><td>H</td><td>Total</td></tr><tr><td>Properties</td><td>17,714</td><td>25,027</td><td>10,320</td><td>8,734</td><td>10,068</td><td>6,376</td><td>2,850</td><td>199</td><td>81,288</td></tr><tr><td>Exemptions</td><td>(927)</td><td>(787)</td><td>(289)</td><td>(139)</td><td>(80)</td><td>(49)</td><td>(13)</td><td>(13)</td><td>(2,297)</td></tr><tr><td>Disabled Relief</td><td>167</td><td>(76)</td><td>(9)</td><td>20</td><td>(24)</td><td>(35)</td><td>(41)</td><td>(2)</td><td>-</td></tr><tr><td>Discounts (25%)</td><td>(2,516)</td><td>(2,514)</td><td>(1,041)</td><td>(595)</td><td>(461)</td><td>(198)</td><td>(63)</td><td>(3)</td><td>(7,391)</td></tr><tr><td>Discounts (50%)</td><td>(53)</td><td>(63)</td><td>(38)</td><td>(25)</td><td>(17)</td><td>(10)</td><td>(5)</td><td>(1)</td><td>(212)</td></tr><tr><td>Empty Homes Premium</td><td>72</td><td>83</td><td>37</td><td>24</td><td>24</td><td>9</td><td>5</td><td>0</td><td>254</td></tr><tr><td>Council Tax Reduction Scheme</td><td>(4,587)</td><td>(4,134)</td><td>(1,166)</td><td>(482)</td><td>(261)</td><td>(78)</td><td>(25)</td><td>0</td><td>(10,733)</td></tr><tr><td>Effective Properties</td><td>9,870</td><td>17,536</td><td>7,814</td><td>7,537</td><td>9,249</td><td>6,015</td><td>2,708</td><td>180</td><td>60,909</td></tr><tr><td>Ratio to Band D</td><td>6/9</td><td>7/9</td><td>8/9</td><td>1</td><td>473/360</td><td>39/24</td><td>47/24</td><td>49/20</td><td></td></tr><tr><td>Band D Equivalents</td><td>6,577</td><td>13,639</td><td>6,946</td><td>7,537</td><td>12,152</td><td>9,775</td><td>5,303</td><td>441</td><td>62,370</td></tr><tr><td>Contributions in lieu</td><td colspan="8"></td><td>-</td></tr><tr><td>Level of non-payment provided for</td><td colspan="8"></td><td>1,559</td></tr><tr><td>COUNCIL TAX BASE</td><td colspan="8"></td><td>60,811</td></tr></table>										PROPERTY BANDS										A	B	C	D	E	F	G	H	Total	Properties	17,714	25,027	10,320	8,734	10,068	6,376	2,850	199	81,288	Exemptions	(927)	(787)	(289)	(139)	(80)	(49)	(13)	(13)	(2,297)	Disabled Relief	167	(76)	(9)	20	(24)	(35)	(41)	(2)	-	Discounts (25%)	(2,516)	(2,514)	(1,041)	(595)	(461)	(198)	(63)	(3)	(7,391)	Discounts (50%)	(53)	(63)	(38)	(25)	(17)	(10)	(5)	(1)	(212)	Empty Homes Premium	72	83	37	24	24	9	5	0	254	Council Tax Reduction Scheme	(4,587)	(4,134)	(1,166)	(482)	(261)	(78)	(25)	0	(10,733)	Effective Properties	9,870	17,536	7,814	7,537	9,249	6,015	2,708	180	60,909	Ratio to Band D	6/9	7/9	8/9	1	473/360	39/24	47/24	49/20		Band D Equivalents	6,577	13,639	6,946	7,537	12,152	9,775	5,303	441	62,370	Contributions in lieu									-	Level of non-payment provided for									1,559	COUNCIL TAX BASE									60,811
	PROPERTY BANDS																																																																																																																																																															
	A	B	C	D	E	F	G	H	Total																																																																																																																																																							
Properties	17,714	25,027	10,320	8,734	10,068	6,376	2,850	199	81,288																																																																																																																																																							
Exemptions	(927)	(787)	(289)	(139)	(80)	(49)	(13)	(13)	(2,297)																																																																																																																																																							
Disabled Relief	167	(76)	(9)	20	(24)	(35)	(41)	(2)	-																																																																																																																																																							
Discounts (25%)	(2,516)	(2,514)	(1,041)	(595)	(461)	(198)	(63)	(3)	(7,391)																																																																																																																																																							
Discounts (50%)	(53)	(63)	(38)	(25)	(17)	(10)	(5)	(1)	(212)																																																																																																																																																							
Empty Homes Premium	72	83	37	24	24	9	5	0	254																																																																																																																																																							
Council Tax Reduction Scheme	(4,587)	(4,134)	(1,166)	(482)	(261)	(78)	(25)	0	(10,733)																																																																																																																																																							
Effective Properties	9,870	17,536	7,814	7,537	9,249	6,015	2,708	180	60,909																																																																																																																																																							
Ratio to Band D	6/9	7/9	8/9	1	473/360	39/24	47/24	49/20																																																																																																																																																								
Band D Equivalents	6,577	13,639	6,946	7,537	12,152	9,775	5,303	441	62,370																																																																																																																																																							
Contributions in lieu									-																																																																																																																																																							
Level of non-payment provided for									1,559																																																																																																																																																							
COUNCIL TAX BASE									60,811																																																																																																																																																							
	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	2019/20 Council Tax £				2018/19 Council Tax £																																																																																																																																																									
		A	811.66				774.56																																																																																																																																																									
		B	946.94				903.65																																																																																																																																																									
		C	1,082.21				1,032.75																																																																																																																																																									
		D	1,217.49				1,161.84																																																																																																																																																									
		E	1,599.65				1,526.53																																																																																																																																																									
		F	1,978.42				1,887.99																																																																																																																																																									
		G	2,384.25				2,275.27																																																																																																																																																									
		H	2,982.85				2,846.51																																																																																																																																																									



## 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		2019/20 £'000		2018/19 £'000
	Gross rates levied and contributions in lieu		94,288	104,789
	<u>Less</u>			
	Reliefs and other deductions	(18,944)		(18,927)
	Provisions for bad and doubtful debts	(1,285)		(1,222)
			(20,229)	(20,149)
	<b>Net non-domestic rate income</b>		<b>74,059</b>	<b>84,640</b>
	<b>Allocated:</b>			
	National non-domestic rate pool		74,224	84,802
Cost of council rate relief		(165)	(162)	
		<b>74,059</b>	<b>84,640</b>	
NOTES	1.	The amount distributed to West Lothian Council from the national non-domestic rate income pool in 2019/20 was £85.327 million (£79.333 million 2018/19)		
	2.	Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Lothian area. The National non-domestic rate poundage is determined by the Scottish Government and was 49.0p per £ in 2019/20 (48p in 2018/19). The rate was 51.6p (50.6p in 2018/19) 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 2019		
			<b>Number</b>	<b>Rateable Value £'000</b>
	Shops, Offices and other Commercial Subjects	3,062	77,589	
	Industrial Subjects	1,764	80,701	
	Miscellaneous (Schools etc.)	1,696	54,479	
	<b>Total</b>	<b>6,522</b>	<b>212,769</b>	
	4.	In 2019/20 £0.144 million of income from the Business Rates Incentivisation Scheme was received in relation to 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.		
EXPENDITURE  INCOME  SURPLUS / (DEFICIT)	INCOME AND EXPENDITURE STATEMENT	2019/20 £'000	2018/19 £'000
	Beneficiaries	1	2
	Loans Fund and Dividend Interest	6	5
	For Year	5	3
	At 1 April	382	379
	At 31 March	387	382
	BALANCE SHEET		
	Current Assets		
	Investments	47	47
	Revenue Advances to Loans Fund	340	335
		387	382
	Current Liabilities	-	-
	TOTAL ASSETS	387	382
	Reserves		
	Capital Fund	165	165
	Revenue Fund	222	217
	TOTAL RESERVES	387	382
NOTES	1.	In order to preserve the capital value of Trust Funds, it is council policy to disburse only revenue income arising from them. This is done one year in arrears i.e. revenue income received during 2019/20 is disbursed in 2020/21.	
	2.	The main fund balances where the Council is sole trustee at 31 March 2020 are:-	
		Capital £'000	Revenue £'000
	Irene Elizabeth Miller Trust	60	8
	West Lothian Trust for the Benefit of People with Disabilities	41	15
	Quarter Farm Trust	17	40
	James Wood Bequest	14	55
	Robert Turner of Armadale Trust	11	19
	3.	The council also administered five other trusts in 2019/20, which have external and council trustees. At 31 March 2020 the total assets of these trusts, valued at cost, was £0.214 million (£0.213 million at 31 March 2019).	

## 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

2019/20  
£'0002018/19  
£'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:-

Furnishings

£'000

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 2019/20 amounted to £192 (£154 2018/19).

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

# **STATEMENT 15**

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

## **GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2020**

	Group Note	2019/20			2018/19		
		Gross Expend £'000	Gross Income £'000	Net Expend £'000	Gross Expend £'000	Gross Income £'000	Net Expend £'000
Schools, Education Support		259,944	19,532	240,412	246,931	14,514	232,417
Planning, Economic Development and Regeneration		11,820	5,657	6,163	13,259	5,163	8,096
Operational Services		83,785	8,118	75,667	87,853	8,668	79,185
Housing, Customer and Building Services		21,352	6,127	15,225	20,794	6,042	14,752
Corporate Services		1,899	599	1,300	2,246	1,068	1,178
Social Policy – IJB, Adult and Elderly Services		166,548	97,110	69,438	154,501	90,668	63,833
Social Policy – non-IJB, Children's Services		41,927	4,730	37,197	41,196	4,271	36,925
Chief Executive, Finance and Property		44,275	4,802	39,473	45,253	5,258	39,995
Joint Boards		1,159	5	1,154	1,128	-	1,128
Other Services		49,350	49,382	(32)	73,573	54,125	19,448
West Lothian Leisure Ltd.		13,810	9,173	4,637	14,488	9,241	5,247
<b>Net Cost of General Fund Services</b>		<b>695,869</b>	<b>205,235</b>	<b>490,634</b>	<b>701,222</b>	<b>199,018</b>	<b>502,204</b>
Housing Revenue Account		85,606	52,536	33,070	83,682	49,381	34,301
<b>Net Cost of Services</b>		<b>781,475</b>	<b>257,771</b>	<b>523,704</b>	<b>784,904</b>	<b>248,399</b>	<b>536,505</b>
Other Operating Expenditure		(1,377)	-	(1,377)	(2,252)	-	(2,252)
Financing and Investment Income and Expenditure		67,301	33,213	34,088	66,386	33,052	33,334
Share of corporation tax of Joint Venture		-	-	-	-	-	-
Taxation and Non-Specific Grant Income		-	426,640	(426,640)	-	402,956	(402,956)
<b>Deficit on Provision of Services</b>		<b>847,399</b>	<b>717,624</b>	<b>129,775</b>	<b>849,038</b>	<b>684,407</b>	<b>164,631</b>
Share of Operating Results of Associates and Joint Ventures		135,814	135,484	330	127,663	127,650	13
<b>Deficit on Group</b>		<b>983,213</b>	<b>853,108</b>	<b>130,105</b>	<b>976,701</b>	<b>812,057</b>	<b>164,644</b>
<b>Items that will not be reclassified to the Deficit on the Provision of Services</b>							
Surplus on revaluation of property, plant and equipment				(26,152)			(32,059)
Remeasurements of the net defined benefit liability / (asset)				(79,586)			35,414
(Gains) / Losses on Investments in Associates and Joint Ventures				(668)			381
<b>Items that may be reclassified to the Deficit on the Provision of Services</b>				<b>(106,406)</b>			<b>3,736</b>
(Surplus) / Deficit from investments in equity instruments designated at fair value through other comprehensive income				(24)			17
<b>Other Comprehensive Income and Expenditure</b>				<b>(106,430)</b>			<b>3,753</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>23,675</b>			<b>168,397</b>

**MOVEMENT IN RESERVES STATEMENT - GROUP****STATEMENT 16****PURPOSE**

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the 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 2020**

	Group Note	Single Entity Usable Reserves (Note 1) £'000	Single Entity Unusable Reserves (Note 1) £'000	Group Reserves (Note 2) £'000	Total Group Reserves £'000
<b>Balance at 1 April 2018</b>		<b>93,920</b>	<b>833,244</b>	<b>(5,470)</b>	<b>921,694</b>
<b>Movement in Reserves during 2018/19</b>					
Total comprehensive income and expenditure		(163,653)	(2,361)	(2,383)	(168,397)
Adjustments between accounting basis and funding basis under regulations		160,426	(160,426)	-	-
Net increase (decrease) before transfers to other statutory funds		(3,227)	(162,787)	(2,383)	(168,397)
Transfers to or from other statutory funds		-	-	-	-
<b>Increase (decrease) in year</b>		<b>(3,227)</b>	<b>(162,787)</b>	<b>(2,383)</b>	<b>(168,397)</b>
<b>Balance at 31 March 2019</b>	<b>G3</b>	<b>90,693</b>	<b>670,457</b>	<b>(7,853)</b>	<b>753,297</b>
<b>Movement in Reserves during 2019/20</b>					
Total comprehensive income and expenditure		(128,787)	103,634	1,478	(23,675)
Adjustments between accounting basis and funding basis under regulations		126,123	(126,123)	-	-
Net increase (decrease) before transfers to other statutory funds		(2,664)	(22,489)	1,478	(23,675)
Transfers to or from other statutory funds		-	-	-	-
<b>Increase (decrease) in year</b>		<b>(2,664)</b>	<b>(22,489)</b>	<b>1,478</b>	<b>(23,675)</b>
<b>Balance at 31 March 2020</b>	<b>G3</b>	<b>88,029</b>	<b>647,968</b>	<b>(6,375)</b>	<b>729,622</b>

1. Statement 5 and notes 12 and 13 to the Annual Accounts provide details of the Single Entity Reserves.
2. Note G3 to the Group Accounts provides details of the Combining Entities Reserves.

**BALANCE SHEET - GROUP****STATEMENT 17****PURPOSE**

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

	<b>Group Note</b>	<b>As at 31 March 2020 £'000</b>	<b>As at 31 March 2019 £'000</b>
<b>LONG TERM ASSETS</b>			
<b>Property, Plant and Equipment</b>			
- Council Dwelling		383,804	378,305
- Other Land and Buildings		950,019	1,005,036
- Vehicles, Plant, Furniture and Equipment		13,723	15,860
- Infrastructure Assets		238,718	231,995
- Community Assets		567	657
- Assets under construction		13,895	37,403
- Surplus Assets, not yet held for disposal		22,672	22,709
		1,623,398	1,691,965
Heritage Assets		779	779
Long Term Investments		574	553
<b>TOTAL LONG TERM ASSETS</b>		<b>1,624,751</b>	<b>1,693,297</b>
<b>CURRENT ASSETS</b>			
Short Term Investments		91,479	92,401
Inventories		1,368	1,532
Short Term Debtors		35,918	33,661
Cash and Cash Equivalents		19,682	27,220
Intangible Assets		-	461
<b>TOTAL CURRENT ASSETS</b>		<b>148,447</b>	<b>155,275</b>
<b>CURRENT LIABILITIES</b>			
Short Term Borrowing		(84,415)	(99,733)
Short Term Creditors		(66,404)	(74,279)
Provisions		(387)	(953)
Capital Grants Receipts in Advance		(30,126)	(21,855)
<b>TOTAL CURRENT LIABILITIES</b>		<b>(181,332)</b>	<b>(196,820)</b>
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<b>(32,885)</b>	<b>(41,545)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,591,866</b>	<b>1,651,752</b>
<b>LONG TERM LIABILITIES</b>			
Long Term Creditors		(335)	(476)
Long Term Borrowing		(538,846)	(524,092)
Defined Benefit Scheme Liability		(239,815)	(286,697)
Other Long Term Liabilities		(82,273)	(85,917)
Share of Net Liabilities of Associates and Joint Venture		(975)	(1,273)
<b>TOTAL LONG TERM LIABILITIES</b>		<b>(862,244)</b>	<b>(898,455)</b>
<b>TOTAL NET ASSETS</b>		<b>729,622</b>	<b>753,297</b>
<b>Financed by:</b>			
<b>USABLE RESERVES</b>			
General Funds Balance		20,411	18,444
Housing Revenue Fund Balance		926	926
Capital Fund		57,917	61,713
Insurance Fund		9,317	10,391
<b>TOTAL USABLE RESERVES</b>		<b>88,571</b>	<b>91,474</b>
<b>UNUSABLE RESERVES</b>		<b>641,051</b>	<b>661,823</b>
<b>TOTAL RESERVES</b>		<b>729,622</b>	<b>753,297</b>



DONALD FORREST CPFA, Head of Finance and Property Services

15 June 2020

**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.

	<b>Group Note</b>	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Net deficit on the provision of services of Group		<b>(130,105)</b>	<b>(164,644)</b>
Adjustments to deficit on the provision of services for non-cash movements		195,388	234,182
Net cash flows from Operating Activities		65,283	69,538
Net cash flows from Investing Activities		(68,860)	(134,857)
Net cash flows from Financing Activities		(3,961)	60,731
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(7,538)</b>	<b>(4,588)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>27,220</b>	<b>31,808</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>19,682</b>	<b>27,220</b>

## NOTES TO THE GROUP ACCOUNTS

## STATEMENT 19

**G1. ACCOUNTING POLICIES**

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

**G2. WEST LOTHIAN INTEGRATION JOINT BOARD**

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

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

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

The IJB is defined as a joint venture. The net expenditure of the IJB for 2019/20 is £67.438 million (2018/19 £63.833 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 2019/20 show the Balance Sheet with assets and reserves of the IJB of £0.063 million.

**G3. COMBINING ENTITIES**

The council has a number of non-consolidation interests in other entities, full details of which are shown on pages 94 and 95.

**West Lothian Leisure Ltd.** (WLL) is a company limited by guarantee, it was assessed that the council exerted significant influence and control and as such, West Lothian Leisure is treated as a subsidiary of the council for financial reporting, details as follows:

- The Chief Executive of WLL, from 1 October 2019, is T P J Dent.
- The previous Chief Executive of WLL, R Strang, retired at the end of September 2019. During 2019/20 WLL paid an amount of £85,792 as an additional payment to the Chief Executive on his retirement. The payment was authorised by the WLL Board in line with the established governance structures in place at WLL.
- Details of the remuneration of both the former and current Chief Executives of WLL are included in section 3.2 of the Remuneration Report on page 33.
- There were no Councillors of West Lothian Council remunerated by the body in 2019/20.
- There were no employees of WLL whose remuneration was £150,000 or more.

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

**Lothian Valuation Joint Board** is deemed to be an associate.

The council has joint control and right to net assets in **West Lothian Recycling Ltd** and **West Lothian Integration Joint Board**, which are both defined to be joint ventures. West Lothian Recycling Ltd has been wound up effective from 10 October 2019 and from 2020/21 will no longer form part of the Group Accounts.

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

		2019/20	2018/19
<b>Associates</b>			
Valuation Joint Board	- basis - WLC funding to total funding	18.86%	18.74%
<b>Joint Venture</b>			
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	Integration Joint Board £'000	Total £'000
Total Assets	2019/20 2018/19	376 426	1,647 2,383	- 77	32 240	2,055 3,126
Total Liabilities and shareholders' equity	2019/20 2018/19	(1,383) (1,871)	(7,047) (8,963)	- (145)	- -	(8,430) (10,979)
Net Assets / (Liabilities)	2019/20 2018/19	(1,007) (1,445)	(5,400) (6,580)	- (68)	32 240	(6,375) (7,853)
Included in Surplus / (Deficit) in Group	2019/20 2018/19	(177) (285)	(948) (804)	15 -	(208) 240	(1,318) (849)



## 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	Integration Joint Board £'000	Total £'000
General Fund Balance	2019/20	169	341	-	32	542
	2018/19	168	441	(68)	240	781
Capital Fund	2019/20	-	-	-	-	-
	2018/19	-	-	-	-	-
Capital Grants Unapplied A/C	2019/20	-	-	-	-	-
	2018/19	-	-	-	-	-
Capital Receipts Reserve	2019/20	-	-	-	-	-
	2018/19	-	-	-	-	-
Total Usable Reserves	2019/20	169	341	-	32	542
	2018/19	168	441	(68)	240	781
Unusable Reserves	2019/20	(1,176)	(5,741)	-	-	(6,917)
	2018/19	(1,613)	(7,021)	-	-	(8,634)
Total Reserves	2019/20	(1,007)	(5,400)	-	32	(6,375)
	2018/19	(1,445)	(6,580)	(68)	240	(7,853)

The accounting year for the Valuation Joint Board, West Lothian Leisure Ltd. and the West Lothian Integration Joint Board ends 31 March 2020, while West Lothian Recycling Ltd is the 10 October 2019. West Lothian Recycling Ltd has been wound up with effective from 10 October 2019 and from 2020/21 will no longer form part of the Group Accounts. 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 87 and 88.

**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 2020 (2019) is to reduce the net assets by £6.375 million (£7.853 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 £1.217 million (£1.665 million) and West Lothian Leisure Ltd. with pension liabilities of £5.741 million (£7.021 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 2019/20 (2018/19) share of Associates pension interest cost and expected return on pension assets is £0.041 million (£0.031 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 2020 (2019) show a profit before and after tax of £2,617 (£12,649) with net assets of £655,172 (£652,555).

**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 Directors of West Lothian Enterprise sought Council Executive approval for a strike-off, which was approved in January 2020. The formal application for strike-off was lodged with Companies House on 11 February 2020. All assets were transferred to WL Ventures Group.

**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 accounts for the year ended 31 March 2020 are not yet available as a result of circumstances surrounding Covid-19. The audited accounts for the year ended 31 March 2019 show a breakeven position before and after tax, with net assets of £29,192.

**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 10 local authorities and Historic Scotland for Specific Projects. Its primary purpose is to provide planning related archaeological advice to its members, permitting them to discharge their duties in respect of Scottish Executive planning guidance for the treatment of archaeological remains in the planning process. During the year, the council made a contribution of £12,691 (£12,691 2018/19) representing 7.12% (7.12% 2018/19) 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 £21,700 (£21,722 2018/19) and had a voting share of 12.5%.

**6.6 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 2019/20, no contributions were made to SESplan by its members. In 2018/19, the council made a contribution of £10,000 to the running costs of SESplan, representing 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 2019/20, the council made a contribution of £117,235 (£114,675 2018/19), 3.3% (3.3% 2018/19) of Scotland Excel's funding.

**6.8 Seemis Group LLP**

Seemis Group is the software provider of the standard management Information system within Scottish Education and works closely with its members and the strategic bodies responsible for education direction in Scotland. West Lothian's student data is processed and managed by Seemis software. Seemis supports local authorities and their associated schools in delivering their statutory and discretionary responsibilities. During 2019/20, the council made a contribution of £175,557 (£161,076 2018/19), 3.9% (3.9% 2018/19) of Seemis Group LLP's funding.

## CONSIDERATION

Reflecting the uncertain and unprecedented situation arising from the pandemic and associated lockdown, information on the initial impact on key aspects of the council is provided as follows. The working assumption used in this assessment is that large scale lockdown restrictions remain in place until the 30 June 2020. The following areas of impact were considered;

1. Provision of services
2. Council workforce
3. Supply chains
4. Reserves, financial performance and financial position
5. Cash flow management
6. Major risks to the authority
7. Plans for recovery

The Impact assessment should be read in conjunction with the Management Commentary on pages 4 to 17 of the annual accounts and the Events after the balance sheet date note on page 76.

## 1. PROVISION OF SERVICES

- Meetings of all of the bodies in the council's Scheme of Administration were cancelled on 24 March 2020, with immediate effect, until 31 July 2020, with arrangement for virtual or remote access meetings to be explored. Meetings of some bodies using that facility will resume before the end of June 2020.
- No new or additional powers were delegated to officers in light of meetings being cancelled. The council's Scheme of Delegations has longstanding delegated powers that officers can use where council or committee decisions are not possible.
- Corporate Management Team meetings (with extended attendance) have taken place with greater frequency to meet circumstances. They initially took place daily, but latterly three times per week and now weekly. Separate and more frequent Executive Management Team meetings have taken place to address the recovery phase, again with extended attendance.
- Truly urgent/emergency decisions have been made by the Chief Executive under a standing delegated authority, after discussion and consideration at Corporate Management Team meetings. There is no requirement for prior consultation with any members but in practice the Council Leader will be consulted or informed. Where urgent action has been required but with more lead-up time, decisions have been made under delegated authority to make decisions in the name of a committee. Those are based on a full committee report being prepared and prior consultation with the appropriate Executive Councillor or Chair and the Council Leader. Both of those powers are used sparingly and on the basis of urgency, not for convenience or expediency and not in areas of policy or political controversy.
- Regular press releases are issued by Corporate Communications, social media channels are extensively used and the council's website is kept updated with service information and Covid-19 advice.
- Changes to service provision have been required to ensure that the council follows and supports the restrictions which are necessary to suppress the spread of Covid-19 and ensure the safety the public and staff. This has included:
  - Closure of Day Centres, a Family Centre and changes to residential respite care for adults and older people. Special phone numbers and email addresses have been set up to ensure that anyone who needs help can contact the relevant professionals.
  - Closure of Council Information Service offices, Libraries (e-book/magazine lending service available) and Community Centres (except to support essential voluntary work e.g. food banks, or to facilitate other essential services e.g. blood donation sessions). Essential services (e.g. Advice Shop) are available via telephone/email. Crisis grants and emergency cash are still available.
  - Schools and nurseries are closed except for children of key workers and vulnerable children, and for provision of school meals at a number of locations. Learning at home is being supported with a wide range of learning experiences through a variety of contexts.
  - Civic Amenity sites closed to allow staff to deliver core waste kerbside collection services, where a full service is currently being maintained, but the sites reopened on 1 June 2020.
  - Car parks and visitor centres at country parks have been closed, as have play areas.
  - Grounds maintenance and Street Cleaning was suspended, work to protect key open space assets is being reinstated on a prioritised basis.
  - Registration - remote registration for deaths in place seven days a week. Registration for births and marriages suspended
  - Housing - essential repairs only being carried out.
  - All planning applications and payments are being requested to be made online
  - Taxi and Private Hire Car Drivers renewal applications must be lodged online
- It has been necessary to design and deliver new services and solutions at pace. including:
  - Hubs for childcare for keyworkers and vulnerable children,
  - A virtual support hub which works with provides support and assistance to vulnerable people in partnership with the third sector and others.
  - Working with partners in the third sector (consortium made of 26 third sector organisations) to ensure access to food for those facing hardship.
  - Assisting businesses to access the financial support available to them.

## 2. COUNCIL WORKFORCE

- There has been ongoing engagement with Trade Unions in developing and implementing HR policies which allowed staff to work safely and provide support to managers and their teams in these new ways of working. This has included local discussions on policies, guidance and communication with staff.
- Guidance and advice, and communication are standing items on the agenda of the Corporate Management Team which meets regularly.
- Ongoing engagement with partners through local and national forums to ensure that the council is aware of the latest national guidance from appropriate bodies, such as Health Protection Scotland, COSLA, and the Scottish Government.
- Guidance and advice to staff is available on areas such Working from Home, Use of Pool and Personal Vehicles, Wellbeing, Visits to Customers, and Frequently Asked Questions covering areas including Key Workers, Safety, Pay and Terms & Conditions, Leave Arrangements, Childcare, Working from Home, Agency Workers, Redeployment, and Absence. This is available on the council intranet site. All staff have been signposted to this via a global email (weekly update on what the council is doing). Managers have also been cascading this information and guidance to their teams via appropriate channels and have been provided with guidance on tools which can be used to safely communicate with their teams, including video conferencing and Whats App. Staff had been kept informed through a weekly newsletter, which has included advice on wellbeing and how to access the Employee Assistance Scheme.
- Staff have been reallocated within services to support the delivery of essential services, e.g. Grounds maintenance and street cleaning staff supported waste collection services
- Staff at Council Information Services Offices which have been closed have been supporting the Contact Centre, and also supporting the councils contact with the Shielded Group
- Staff from Economic Development and Regeneration, Performance and Improvement Service and others are supporting the council's response to supporting the Shielding Group.
- A redeployment process is now in place to allow any identified workforce pressures/gaps to be matched to potential staff available. Staff have been redeployed as required to support delivery of essential services, especially waste collections and supporting vulnerable people. A corporate process was put in place to facilitate redeployment where a service need had been identified.
- Departure from existing policy and procedure on redeployment of staff approved on 26 March.
- There has been a transformational shift to remote service delivery and remote working where it has been possible to do this. The council has been able to support remote working where the role allows remote working. Additional capacity was added in early March with over 1200 staff being supported to work from home.
- Relaxation of recruitment policy and procedure in relation to references and PVG checks during lockdown.
- Essential services which cannot be delivered remotely or through alternative channels had working arrangements reviewed and revised to allow them to be delivered safely for staff and clients.
- The impact of Covid-19 on absence levels (as both a result of sickness or a requirement to isolate) has been monitored. This has assisted in ensuring ongoing availability of sufficient staff for delivery of essential services. Even with a reduction in the number of infections in the community, as restrictions ease, this remains an area which could impact on the council, particularly as the Test and Protect program is rolled out.

## 3. SUPPLY CHAINS

- There is a log of emergency powers and actions taken in relation to contracts and procurement.
- Emergency procurement has been undertaken for items in short supply that were required urgently (e.g. soap, sanitisers, paper towels and toilet rolls) from any source.
- In early April negotiations with contractors over level of payment and provision of services during the emergency period, through individual Heads of Services and controlled by Head of Corporate Services under Contracts Standing Orders.
- A decision was taken to allow PPE and hygiene supplies to be procured from non-approved suppliers, and ordering was co-ordinated. There was ongoing engagement with partners in health and government in relation to PPE for health and social care staff.
- Work done on supply chain resilience in relation to leaving the EU without a deal had identified critical suppliers and mitigation measures.
- New ways of delivering services could impact on our demands from suppliers – this is being considered as part of recovery planning. An example is school transport, where social distancing means that current supplier provision would need to be increased substantially.
- Building suppliers/contractors going out of business and resultant delay to work on site which could lead to failure to deliver the capital programme of property investment.

#### 4. RESERVES, FINANCIAL PERFORMANCE AND FINANCIAL POSITION

- The council's minimum uncommitted general fund balance is £2 million.
- The uncommitted general fund balance at 31 March 2020 is £2.994 million, providing an opportunity to use some of the balance to support the pandemic response in 2020/21.
- Although the council's minimum uncommitted balance is low compared to other authorities, the council has a high level of committed reserves.
- HRA balance of £0.926 million. Should the overspend in 2020/21 be greater than this balance, options, including potential amendment to future year capital investment programmes, will have to be considered.
- No material changes in assets and liabilities identified at this stage. The position will continue to be reviewed at key points including once lockdown is lifted.
- Full financial updates to Council Executive (24 March and 26 May 2020).
- Continuing to liaise with Scottish Government and COSLA on ensuring sustainable funding.
- Forecast net pressure in 2020/21 of £6.9 million, although this high level assessment is subject to amendment especially after lockdown when service delivery will have to change to meet government and health and safety requirements.
- Net pressure includes the non delivery of some savings although the pressures arising from this source have been minimised due to West Lothian Council's proactive approach to financial planning. For future years the Corporate Transformation Programme Team are reviewing what impact the pandemic could have on delivery of the approved savings programme.
- Ongoing monitoring of the overall economic position to identify potential risks to public sector funding, service delivery requirements, such as increased employment support or homeless services, and reduced income.
- Delivery of national support, such as business grants and self employed support, has required the reprioritisation of work within some areas of the council. This has had an impact on some existing areas of service delivery.
- 2020/21 capital programmes have been phased to reflect works that can be undertaken within the current climate. Work is ongoing to assess what impact the pandemic may have on the affordability of some projects. Updates will continue to be provided to the Council Executive.
- Due to the strong investment balances position, the council's approach to treasury management remains the same – undertaking borrowing at the most beneficial rates rather than being driven by cash flow considerations.
- Confirmation from Scottish Government that some ring fenced grants can be utilised to support the Covid-19 response.

#### 5. CASH FLOW MANAGEMENT

- West Lothian Council has a high level of balances which has meant that it has not had any cash flow issues.
- Normally when investments mature they are reinvested for periods up to a year. During the pandemic maturing investments have been retained in highly liquid instruments, such as the overnight bank account or money market funds, to ensure that the funds are available.
- The council's cash flow is monitored weekly.
- Cash flow position supported by the accelerated payment of Scottish Government grant in April, May and June.
- Daily banking processes have not been impacted by the pandemic with no changes to treasury management controls.
- Increased number of payments being successfully managed by the treasury management team.

#### 6. MAJOR RISKS TO THE AUTHORITY

- Financial Resilience
  - A downturn in the economy could see falling income in respect of council tax, business rates, and housing benefit overpayment collection as well as additional cost pressures on service budgets.
  - The risk of additional costs incurred in responding to Covid-19 not being met by the Scottish Government.
  - West Lothian Leisure's ongoing financial position.
  - Adverse future financial settlements resulting in changes to funding or unanticipated cost pressures impacting on the council's approved financial plans to 2022/23.
- Workforce Planning and Protection
  - As the Test and Protect program is rolled out there is a risk that employees could be required to self-isolate which could impact on the ability to deliver services. This will be a higher risk if employees are unable to adequately socially distance at work, as that could mean a number of staff in the same service having to self-isolate for 14 days.

- Other Risks

- In the coming weeks the results of negotiations on leaving the EU could result in the potential for leaving the EU without a deal at the end of the year, and there is then the risk that this could coincide with another spike in Covid-19.
- Design of new approaches to service delivery, especially for schools and social care.
- Failure to deliver key services effectively within new regulations and health and safety requirements.

## 7. PLANS FOR RECOVERY

Covid-19 has had a significant impact on the council, and at a local national and global level. The council will continue to work with its partners to mitigate risk as Scotland progresses through the route map and focuses on recovery and renewal.

It is likely to be some time before a new normal prevails. A number of the new services established in the emergency response are likely to have to continue for some time. The council will also have to consider how to deliver services safely as society adjusts to living with Covid-19. The challenge of delivering these requirements is being addressed through a process to ensure a measured programme to address the risks that exist or emerge and build in flexibility and resilience.

Services have put in place recovery plans detailing the arrangement for being services back safely in line with the Scottish Government Route Map. This includes mapping service activity to the Scottish Government route map and developing individual recovery and renewal plans for external customer facing activity.

Recovery plans include:

- Key issues with service delivery (including additional resources in use or required)
- Identify the actions needed to restore full service provision (including whether possible/desirable under different circumstances)
- Timelines
- Staffing and Cost Implications
- Any Governance Issues
- Enabling services
- Opportunities for renewal (redesign of services to deliver a better service/more efficiently)

Plans focus on capturing key issues to be considered in the reintroduction of services whilst at the same time identifying opportunities for service design and renewal. Where service renewal is identified it includes considerations for changes both in 2020/21 and beyond.

This continues to be a complex and changing situation and the recovery arrangements which are being put in place will continue to be monitored and reviewed on an ongoing basis to ensure that they are fit for purpose.



### **Customers with special requirements**

---

Information is available in Braille, on tape, in large print  
and in community languages.  
Please contact the Interpretation and Translation Service on  
**01506 280 000.**

A loop system is also available in all offices  
for people who are hard of hearing.