

West Lothian Council

Statement of Accounts

Year ended 31 March 2012



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West Lothian
Council

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Accounts of West Lothian Council for the year ended 31 March 2012, 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.

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INDEPENDENT AUDITOR'S REPORT

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

I certify that I have audited the financial statements of West Lothian Council and its group for the year ended 31 March 2012 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash-Flow Statements, the council only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Income Account, the Loans Fund Revenue Account, the Charitable Trust Funds, the Common Good Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 2011/12 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Head of Finance and Estates and auditor

As explained more fully in the Statement of Responsibilities, the Head of Finance and Estates is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance and Estates; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2011/12 Code of the state of the affairs of West Lothian Council and its group as at 31 March 2012 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2011/12 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:


- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement does not comply with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

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

Failure to achieve a prescribed financial objective

Whilst it has not been necessary to qualify my opinion in respect of the following matter I am required to report it to you.

Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to conduct their significant trading operations so that income is not less than expenditure over each three year period. The authority failed to comply with this statutory requirement for the three year period ending 31 March 2012 in respect of their significant trading operation, Economic Development Properties.



24 September 2012

David McConnell, MA, CPFA
Assistant Director of Audit
Audit Scotland
7th Floor, Plaza Tower
East Kilbride G74 1LW

FOREWORD TO THE STATEMENT OF ACCOUNTS

By Donald Forrest, Head of Finance and Estates

1. INTRODUCTION

The statement of accounts presents the financial position of the Council for the year to 31 March 2012.

2. THE FINANCIAL STATEMENTS

The Council's Accounts for the year 2011/12 are set out in Statements 4 to 20 on Pages 16 to 64. The Statement of Accounts provides a true and fair view of the financial transactions of the Council during the year ended 31 March 2012. These statements are supported by Statement 1 which sets out the respective responsibilities of the authority and the Head of Finance and Estates for the accounts; Statement 8 Note 1 which outlines the Council's accounting policies and Statement 2 which reports on the Annual Governance of the Council.

The Statement of Accounts has been prepared under the 2011 Code of Practice based on International Financial Reporting Standards (IFRS) which replaced the accounts previously prepared under UK Generally Accepted Accounting Practice (GAAP).

The Balance Sheet (Statement 6) and the Movement in Reserves (Statement 4) include restated balances at 1 April 2010 and 31 March 2011 in relation to Heritage Assets.

The format of the Financial Statements includes:-

- Movement in Reserves Statement (Statement 4) – this shows the movement in the year on different reserves held by the Council. These reserves are categorised into usable i.e. available to fund services and unusable accounting reserves.
- Comprehensive Income and Expenditure Statement (Statement 5) – this is a summary of the resources generated and consumed by the Council in the year.
- Balance Sheet (Statement 6) - this brings together all the assets and liabilities of the Council. It is a statement of the resources of the Council and the means by which they have been financed.
- Cash Flow Statement (Statement 7) - this summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital activities.

These are followed by Statement 8 the Notes to the Financial Statements and Supplementary Financial Statements (Statements 9 to 20), which include the Housing Revenue Account (HRA), Council Tax and Non-Domestic Rate Income Accounts and the Group Accounts.

3. REVENUE BUDGET – GENERAL SERVICES

The General Fund recorded a net surplus for the year of £3.465 million. This was made up of the following :-

- a net service underspend of £9.152 million
- a net overspend of £0.157 million in non service expenditure
- an over recovery of council tax and community charge income of £0.109 million
- £2.5 million transferred from earmarked general fund reserves to fund the capital programme
- Net expenditure of £3.139 million incurred in the year against the Staffing Change Fund

The net surplus of £3.465 million increases the General Fund balance to £19.574 million at 31 March 2012. Existing commitments against the balance are £16.285 million, including a staffing change fund of £4.673 million and time limited projects of £7.754 million, leaving an uncommitted balance of £3.289 million, which remains at a prudent level above the Council's target minimum uncommitted General Fund balance of £2.5 million.

In 2005/06 and 2006/07 an exceptional item totalling £8.192 million was provided for the estimated costs of equal pay compensation payments. During 2011/12, the Council made further payments of £0.473 million bringing the total equal pay payments made to date to £7.837 million. The remaining balance in the equal pay provision of £0.355 million is deemed sufficient to cover any further payments which may be required. As a result, the Council has not provided for any further equal pay compensation payments in the financial statements for 2011/12.

Following approval of the Chief Executive's report on the contingency strategy by the Council Executive on 23 February 2010, the Head of Finance and Estates was instructed to undertake a review to identify the potential for one off savings to assist in funding potential termination costs for staff. The review explored all possible sources of finance for a staffing change fund and a £10 million Staffing Change Fund was approved by the Council Executive on 29 June 2010.

Use of the fund is managed by application from Heads of Service and approved by the Head of Finance and Estates.

Included in exceptional items is £2.883 million net expenditure in relation to the cost of employee exit packages paid to 84 staff during 2011/12 as part of the Council's Contingency Strategy to achieve budget reductions (Statement 8 Note 9). In addition to the £2.883 million a one-off cost of £0.786 million was charged to the Staffing Change Fund which relates to compensation payments made to staff as part of the introduction of the Green Transport Strategy.

FOREWORD TO THE STATEMENT OF ACCOUNTS

By Donald Forrest, Head of Finance and Estates

During the normal fixed assets revaluation cycle, the schools, day centres, care homes and community centres were reduced in value due to current economic conditions. As a result £64.459 million has been charged to the Comprehensive Income and Expenditure Account. The revaluation charge has no impact on the General Fund Balance carried forward.

There was a fire at Whitburn Swimming Pool on 23 July 2011. Impairment of £3.580 million has been charged to the Comprehensive Income and Expenditure Account as a result.

4. REVENUE BUDGET - HOUSING

Statement 9 the HRA – Income and Expenditure Account includes depreciation and impairment on housing assets. The deficit for the year is £6.861 million. Statement 10 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 £6.861 million.

The overall position was breakeven for the year, which maintains the HRA balance carried forward at £0.926 million.

5. CAPITAL BUDGET 2011/12

Under the provisions of the CIPFA Prudential Code for Capital Finance in Local Authorities, Councils can decide locally on capital investment strategy. This is 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. Capital expenditure of £77.325 million was incurred in 2011/12. This expenditure was split between two distinct blocks with £38.460 million spent on the Housing Programme and £38.865 million on the General Services Programme.

6. ACQUISITION OF MAJOR ASSETS

Bathgate Partnership Centre was completed during the year.

PPP Contracts are assessed under IFRS which looks at aspects of control of an asset, such as specifying services and the price paid for these services. The net value of all PPP assets in the balance sheet at 31 March 2012 is £114.245 million.

7. SIGNIFICANT TRADING OPERATIONS

The Local Government in Scotland Act 2003 introduced new requirements to maintain and disclose significant trading operations. Consequently, a trading account has been prepared for the only significant trading operation, Economic Development Properties, in accordance with guidance issued by CIPFA/LASAAC. Note 30 provides further details.

8. CAPITAL FUNDING AND BORROWING

Of the total capital expenditure of £77.325 million, £30.785 million was funded by asset sales and contributions from third parties / funds, £14.737 million was raised from revenue contributions to capital, and the remaining £31.803 million was funded by borrowing. Total internal capital debt outstanding at 31 March 2012 was £470.832 million.

The outstanding liabilities on the PPP contracts, referred to in Section 6 above, are £75.609 million of which £2.242 million is shown under current liabilities and £73.367 million under long term liabilities. Details of the annual costs of these contracts are shown in Note 36.

9. PENSION RESERVE AND IAS 19

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 in the balance sheet has resulted in a Pension Reserve debit balance of £135.689 million at 31 March 2012 (£120.127 million 31 March 2011).

The increase in the deficit during the year is mainly due to deterioration in the discount rate assumptions used at 31 March 2011 compared to the less favourable position at 31 March 2012. Investment returns have also been less than favourable with an actual investment return of 0% to 5%, whilst the expected asset return was estimated at 6% to 7%.

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 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 employers' pension contribution rate.

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 Police, Fire and 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 does not have any subsidiary companies but the following are deemed to be associates under group accounts guidance: West Lothian Leisure Ltd, the Lothian and Borders Police and Fire Boards and the Lothian Valuation Board. In addition the Council has a 50% holding in West Lothian Recycling Ltd. Full details of the group accounts are on pages 58 to 64.

FOREWORD TO THE STATEMENT OF ACCOUNTS

By Donald Forrest, Head of Finance and Estates

11. FUTURE DEVELOPMENTS

At the council meeting on 11 January 2012, it was agreed that preparatory work should be undertaken on integrating future financial strategy with the corporate planning process, with a strong focus on outcomes. Within the current economic environment faced by local government, Audit Scotland and the Chartered Institute of Public Finance and Accountancy (CIPFA) have emphasised the importance of robust medium term financial planning as best practice for the challenges ahead.

West Lothian Council has received draft confirmation of grant funding from the Scottish Government for the next two years. While these draft figures show a small increase year on year due to West Lothian's increasing population, there are a number of significant funding pressures that create an increased demand for public services, and the additional funding is not sufficient to meet expenditure pressures. Some of the additional costs the council needs to cover within constrained resources are:

- Demographic related expenditure increases required to provide additional council services to a growing West Lothian population.
- Inflationary pressures relating to the purchase of external supplies and services
- Additional costs associated with meeting new legislative requirements
- Ongoing revenue consequences of capital investment
- Continuing requirement to support the early years and early intervention and older people change funds

Given the likely expenditure pressures, and the draft grant funding provided by the Scottish Government, the potential budget gap faced by the council could be in the region of £34 million for the five year period 2013/14 to 2017/18. To help address this gap, the council already has approved efficiency measures for 2013/14 of £5.8 million, however further efficiencies of around £28 million will be required. Although the council faces these severe financial pressures, investment in delivering council services will still be large with the projected revenue budget in 2017/18 being over £400 million.

At a meeting of the Partnership and Resources Policy Development and Scrutiny Panel on 21 September 2012 a paper setting out proposals for consideration on a public consultation that will support the development of a robust strategy for the council within a challenging financial environment was considered.

The aim of the proposed public consultation is to plan and develop an approach that would encourage a high level of participation from trade unions, employees, the local community, partners and stakeholders and will help determine the priorities for the council and how resources should be allocated.

The report will be referred to the Council Executive meeting on 9 October 2012 for consideration.

12. AUDIT

The Accounts have been audited and the Independent Auditor's Report is on Page 1.

13. ACKNOWLEDGEMENTS

The control of budgets to maximise the effectiveness of limited resources could not take place without the support of colleagues and staff throughout the Council and this is gratefully acknowledged.

I would also like to express my appreciation to staff in Finance and Estates for their high level of commitment and performance during the year.

14. FURTHER INFORMATION

Further information on the Accounts or on the Council's general finances can be obtained from Finance and Estates Services, West Lothian Civic Centre, Howden South Road, Livingston, EH54 6FF.

THE AUTHORITY'S RESPONSIBILITIES

The authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance and Estates;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the statement of accounts at a meeting held within two months of receipt of the audit certificate.

THE HEAD OF FINANCE'S RESPONSIBILITIES

The Head of Finance and Estates is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

In preparing this statement of accounts the Head of Finance and Estates has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Head of Finance and Estates has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- submitted the unaudited statement of accounts to the authority and the Controller of Audit by 30 June.

The Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2012.



Donald Forrest CPFA
Head of Finance and Estates
24 September 2012

This statement assures stakeholders on the adequacy of corporate governance arrangements within West Lothian Council.

Scope of responsibility

West Lothian Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. Furthermore, sound governance arrangements are essential in fulfilling the statutory duty to secure Best Value.

In discharging this accountability, elected members and senior officers are responsible for stewardship of resources and governance of the Council's affairs. To this end, the Council has in place a Code of Corporate Governance, as well as management and reporting arrangements to ensure the Code is adhered to. In June 2010, the Council adopted a revised code based on the CIPFA/SOLACE framework – Delivering Good Governance in Local Government.

The code is built around six governance principles:

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

A copy of the code is on the Council website at:-

http://www.westlothian.gov.uk/Council_and_government/690/CorpGovernance

or can be obtained from West Lothian Civic Centre, Howden South Road, Livingston, West Lothian, EH54 6FF.

The purpose of the governance framework

The governance framework comprises the systems, the processes, culture and values by which the Council is directed and controlled and the activities through which it is accountable to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The governance framework has been in place at West Lothian Council for the year ended 31 March 2012 and up to the date of approval of the Statement of Accounts.

The Code of Corporate Governance is supported by evidence of compliance which is reviewed on an annual basis and is available for inspection.

The system of internal control is a significant part of the governance framework and is based on an ongoing process designed to identify and prioritise risks to the achievement of West Lothian Councils policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, Audit and Governance Committee scrutiny and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council.

Key elements include:-

- Comprehensive budgeting systems and monitoring arrangements
- Scrutiny of periodic and annual financial and operational performance reports
- Performance management information
- Documented internal control framework relating to financial processes, procedures and regulations
- Project management disciplines

The Audit and Risk Management Unit is an independent appraisal function established by the Council to examine and evaluate systems of financial and non-financial control. The Audit and Risk Management Unit operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. An annual audit plan is prepared based on an assessment of risk. Internal audit reports are issued in the name of the Audit and Risk Manager who has the right, when deemed necessary, of direct access to the Chief Executive. The Council has established an Audit and Governance Committee which monitors the independence and effectiveness of internal audit, and the Audit and Risk Manager prepares an annual report to the Committee which provides an independent opinion on the adequacy and effectiveness of the Council's system of internal control. Assurance is based on the findings of internal and external audit and the corporate governance framework referred to above.

Review of effectiveness

The Chief Legal Officer reports annually to the Council Executive on compliance with the Code of Corporate Governance and chairs a working group that is responsible for overseeing the operation of corporate governance in practice. In order to increase awareness of the need for good governance arrangements across the Council, governance "Champions" have been identified by each Head of Service and have been trained to monitor compliance with the Code within their service areas. A scoring system and Covalent are used to monitor progress against each of the requirements of the Code. The annual report for 2011/12 is available on request.

Each item in the Code is assessed across three aspects – approach, deployment and review. Based on the evidence gathered, the Corporate Governance Working Group has established that the governance requirements of the Code were substantially met in 2011/12. The Audit and Risk Manager independently reviews the adequacy, effectiveness and extent of compliance with the Code. An internal audit of the council's anti-fraud and corruption arrangements in 2011/12 concluded that control was effective. In addition, a further internal audit covered compliance with section 1.3 of the code in relation to value for money and performance. The internal audit concluded that the overall level of compliance was satisfactory.

As well as ensuring there are proper systems and procedures in place, the working group also focuses on enhancing the quality of these systems and procedures and verifying their deployment throughout the Council. The evidence in the annual report for 2011/12 indicates arrangements for corporate governance have operated well.

On the basis of reports by the Chief Legal Officer and the Audit and Risk Manager, governance arrangements are operating satisfactorily within West Lothian Council and the requirements of the local Code of Corporate Governance continue to be substantially met. Effective governance arrangements will remain a key priority for the Council in future, including continuous review and improvement of governance arrangements.

West Lothian Council's financial management arrangements conform to the requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010).

Significant governance issues

Audit Scotland in their overview report on local government in Scotland 2011 reported that the current financial context and the changing political context emphasise the importance of sound governance and accountability. Following the council elections in May 2012, the immediate focus will be to establish effective working relationships within councils and with local partners and to provide strong leadership and direction which will drive improvements in services, resulting in better outcomes for people and communities.

The following activities will be pursued by the working group in 2012/13 to ensure governance requirements are given appropriate attention:

- Improving areas of compliance with the Governance Code
- Streamlining the Code to assist with maintaining awareness of its requirements across the Council
- Better awareness of governance issues through improved training and access to the key governance policies and procedures on the Council's intranet and website
- Amending the Council's governance policies and procedures to reflect the provisions of the Bribery Act 2010 which introduced corporate liability for failing to prevent bribery, and preparation of appropriate guidance for services

The Council will take steps in 2012/13 to address the above matters to further enhance our governance arrangements. Their implementation and operation will be monitored as part of the next annual review.



Graham Hope
Chief Executive

24 September 2012



Councillor John McGinty
Leader of the Council

REMUNERATION REPORT**STATEMENT 3****1. INTRODUCTION**

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

All information disclosed in the tables at paragraphs 2.3, 2.4, 3.2, 3.3, 3.4, 4.2, 4.3 and 4.4 in this Remuneration Report will be audited by Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent 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) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Provost, Senior Councillors or Councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

When determining the level of remuneration for councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2011/12 the salary for the Leader of West Lothian Council was £32,470. The Regulations permit the council to remunerate one Provost and set out the maximum salary that may be paid to the Provost. For 2011/12 the salary of the Provost of West Lothian Council was £24,353. The Council's Scheme of Elected Members Remuneration, Allowances and Reimbursement of Expenses 2011/12 sets the level of payment in accordance with the regulations at the national maximum.

The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the council for remuneration of all of its Senior Councillors shall not exceed £284,116. 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 2011/12 (2010/11) West Lothian Council had 11 senior councillors and the remuneration paid to these councillors totalled £267,883 (£267,329). 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 22 March 2011 and is available at www.westlothian.gov.uk.

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

In addition to the Senior Councillors of the Council the Regulations also set out the remuneration payable to councillors with the responsibility of a convener or a vice-convener of a Joint Board such as a Police Joint Board. The Regulations require the remuneration to be paid by the Council of which the convener or vice-convener (as the case may be) is a member. The Council is also required to pay any pension contributions arising from the convener or vice-convener being a member of the Local Government Pension Scheme.

The Council is reimbursed by the Joint Board for any additional remuneration paid to the Councillor from being a convener or vice-convener of a Joint Board. In 2011/12 Councillor E Glass was vice-convener of Lothian and Borders Fire and Rescue Board and Councillor J Muir was vice-convener of Lothian and Borders Police Board.

The amount recharged to Lothian and Borders Fire and Rescue by West Lothian Council in respect of Senior Councillor Glass in 2011/12 was £4,105 (2010/11 £4,038). The amount recharged to Lothian and Borders Police in respect of Councillor Muir in 2011/12 was £14,933 (2010/11 £14,399).

REMUNERATION REPORT**STATEMENT 3****2.3 Council Leader, Provost and Senior Councillors Remuneration**

The following table provides details of the remuneration paid to the Council's Senior Councillors during 2011/12:-

Name	Post Title	Total Remuneration 2011/12 £	Total Remuneration 2010/11 £
F Anderson	Executive Post - Services for the Community (Depute Leader)	24,353	24,353
J Cochrane	Chair Licensing Board and Licensing Committee	24,353	24,353
C John	Chair of Performance Committee and Audit Committee	24,353	23,799
W Boyle	Executive Post - Voluntary Organisations	24,353	24,353
M Day	Executive Post - Development and Transport	24,353	24,353
R De Bold	Executive Post - Environment	24,353	24,353
J Dickson	Depute Provost / Chair Development Control Committee	24,353	24,353
E Glass	Executive Post - Health and Care; Lothian and Borders Fire and Rescue	27,396	28,391
I Hutton	Executive Post - Social Policy	24,353	24,353
P Johnston	Leader of Council, Executive Post - Policy and Resources	32,470	32,470
T Kerr	Provost (Civic Leader)	24,353	24,353
A Miller	Executive Post - Education	24,353	24,353
J Walker	Executive Post - Culture and Leisure	24,353	24,353
J Muir	Lothian and Borders Police Board	27,396	30,633
Total		355,145	358,823

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

Remuneration paid to Councillors Glass and Muir includes payments from Lothian and Borders Fire and Rescue and Police as detailed in Note 2.2.

2.4 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	2011/12 £'000	2010/11 £'000
Salaries	602	618
Allowances	23	24
Expenses	38	43
Total	663	685

The annual return of Councillors' salaries and expenses for 2011/12 is available for any member of the public to view at all Council Information Services Offices and Libraries during normal working hours and is also available on the council's website at <http://www.westlothian.gov.uk/media/downloadoc/1799465/remunerationexpenses>.

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/144 sets the amount of salary for the Chief Executive of West Lothian Council for the period 2008 to 2011. No further pay award circulars have been received since Circular CO/144.

The salaries of the Depute Chief Executives are based on the nearest point on the national spinal column for Chief Officers which equates to 85 per cent of the Chief Executive's salary in three bandings. Heads of Service are paid across two pay grades of three bandings. These pay grades are based on the nearest point on the national spinal column for Chief Officers which equates to one pay band of 65 per cent and one of 70 per cent of the Chief Executives salary. Placing in the salary bands 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.

REMUNERATION REPORT

STATEMENT 3

3.2 Senior Employees Remuneration

The senior employees included in the table include 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 2011/12.

Name and Post Title	Full Year Equivalent Salary £	Salary, Fees and Allowances £	Compen ² for loss of employment [Comp Added Yrs]£	Total Remun 2011/12 £	Total Remun 2010/11 £
A Linkston³ Chief Executive until 8 October 2010	-	-	-	-	74,380
G Hope⁴ Depute Chief Executive until 30 September 2010 Chief Executive from 1 October 2010	-	140,227	-	140,227	119,675
J Forrest¹ Depute Chief Executive	78,745	39,372	-	39,372	Restated 39,128
J Hill Head of Operational Services until 30 September 2010 Depute Chief Executive from 1 October 2010	-	108,703	-	108,703	95,138
G Ford Depute Chief Executive until 31 August 2011	111,525	47,085	[1,806] 5,418	52,503	112,308
M Niven Head of Schools with Education Support until 31 July 2011, Depute Chief Executive from 1 August 2011	104,664	100,698	-	100,698	91,701
J Dickson Director of Development and Environmental Services until 6 August 2010	-	-	-	-	116,093
A Logan Head of Finance until 31 July 2010	-	-	-	-	44,815
D Forrest Head of Finance and Estates from 1 August 2010	-	89,190	-	89,190	58,316
J Jack Head of Operational Services from 1 December 2010	-	82,645	-	82,645	26,868
M Rankine Head of Education (Quality Assurance)	-	91,534	-	91,534	91,957
A Durnian Head of Education (Quality Assurance) acting position from 3 August 2011 to 30 September 2011	87,474	13,945	-	13,945	-
E Cook Head of Education (Planning and Resources) from 1 October 2011	87,474	43,737	-	43,737	-
G Struthers Head of Corporate Services Acting Depute Chief Executive from 1 May 2011 to 31 October 2011	-	84,661 9,693	- -	84,661 9,693	84,045 -
S Field Head of Planning and Economic Development	-	84,661	-	84,661	84,828
A Gee Head of Housing Construction and Building Services	-	84,661	-	84,661	84,828
A Shaw Head of Area Services	-	84,661	-	84,661	84,831
A Aird Head of Customer Services until 31 July 2010	-	-	-	-	88,555
D Forsyth Head of Property Services until 2 October 2010	-	-	-	-	94,995
A Quigley Head of Social Policy until 11 September 2010	-	-	-	-	40,638
J Scott Head of Social Policy from 13 September 2010	-	89,806	-	89,806	48,871
Total		1,195,279	5,418	1,200,697	1,481,970

1. The Depute Chief Executive/Director of West Lothian CHCP J Forrest is remunerated by the National Health Service (NHS) with West Lothian contributing 50% of his total cost of employment. The total remuneration paid by the Council in 2011/12 (2010/11) was £39,372 (£39,128) with the total cost of employment paid to NHS being £49,008 (£48,761). The figures for 2010/11 have been restated to reflect the remuneration paid rather than total cost for J Forrest.
2. Compensation for loss of employment is payable under the terms of the Council's voluntary severance scheme as detailed in Explanatory Foreword Note 3.
3. Remuneration for A Linkston includes £7,425 for returning officer duties in 2010/11.
4. Remuneration for G Hope includes £12,400 for returning officer duties in 2011/12. No remuneration was paid in 2010/11.
5. Figures noted in [brackets] relate to annual compensation payments in respect of added years.

REMUNERATION REPORT**STATEMENT 3****3.3 Employee Information by Pay Band**

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

Remuneration Bands	Number of Employees	
	2011/12	2010/11
£50,000 - £54,999	86	93
£55,000 - £59,999	30	65
£60,000 - £64,999	19	25
£65,000 - £69,999	5	24
£70,000 - £74,999	3	8
£75,000 - £79,999	3	14
£80,000 - £84,999	5	5
£85,000 - £89,999	2	3
£90,000 - £94,999	2	2
£95,000 - £99,999	-	1
£100,000 - £104,999	1	-
£105,000 - £109,999	1	3
£110,000 - £114,999	-	1
£115,000 - £119,999	-	1
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	1	-
Total	158	245

The number of employees, whose remuneration in the year was £50,000 or above, increased in 2010/11 by 85 employees. This was due to voluntary severance payments being made to 78 employees during that year. The reduction of 87 in 2011/12 is largely due to the removal of the previous year's employees who accepted 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:-

Exit package cost band	Number of employee exit packages agreed		Total cost of employee exit packages in each band	
	2011/12	2010/11	2011/12 £'000	2010/11 £'000
£0 - £20,000	40	207	258	1,738
£20,001 - £40,000	13	98	427	2,888
£40,001 - £60,000	17	36	872	1,736
£60,001 - £80,000	6	33	409	2,281
£80,001 - £100,000	1	6	80	529
£100,001 - £150,000	7	5	837	680
Total	84	385	2,883	9,852

There were no compulsory redundancies in 2010/11 and 2011/12.

REMUNERATION REPORT

STATEMENT 3

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 increased 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 this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. The scheme's normal retirement age for both councillors and employees is 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 tiers and members contribution rates for 2011/12 remain at the 2010/11 rates, (due to negative increase in the cost of living index for 2011/12) and are as follows:

	Range 2011/12	Range 2010/11	Contribution rate 2011/12	Contribution rate 2010/11
Whole time pay				
On earnings up to and including	£18,500	£18,000	5.5%	5.5%
On earnings above	£18,500 and up to £22,600	£18,000 and up to £22,000	7.25%	7.25%
On earnings above	£22,600 and up to £30,900	£22,000 and up to £30,000	8.5%	8.5%
On earnings above	£30,900 and up to £41,200	£30,000 and up to £40,000	9.5%	9.5%
On earnings above	£41,200	£40,000	12%	12%

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 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.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

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.

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 2012 are shown in the table below, together with the contribution made by the Council to each Senior Councillor's pension during the year.

		In-year pension contributions		Accrued pension benefits			
		For year to 31 March 2012	For year to 31 March 2011	As at 31 March 2012		Difference from 31 March 2011	
Name	Post Title	£	£	Pension £'000	Lump Sum £'000	Pension £'000	Lump Sum £'000
F Anderson	Executive Post - Services for the Community	4,968	4,846	2	2	1	-
C John	Chair of Performance and Audit Committee	4,968	4,736	2	1	-	-
W Boyle	Executive Post - Voluntary Organisations	4,968	4,846	2	2	-	-
M Day	Executive Post - Development and Transport	4,968	4,846	2	2	-	-
R De Bold	Executive Post - Environment	4,968	4,846	2	2	-	-
J Dickson	Chair Development Control Committee	4,968	4,846	2	2	1	-
E Glass	Executive Post - Health and Care	5,589	5,452	2	2	1	-
I Hutton	Executive Post - Social Policy	4,968	4,846	2	2	-	-
P Johnston	Leader of Council, Executive Post - Policy and Resources	6,624	6,462	3	2	1	-
T Kerr	Provost (Civic Leader)	4,968	4,846	2	2	-	-
A Miller	Executive Post - Education	4,968	4,846	2	2	-	-
J Walker	Executive Post - Culture and Leisure	4,968	4,846	2	2	-	-
J Muir	Lothian and Borders Police Board	5,589	5,452	2	2	1	-
Total		67,482	65,716	27	25	5	-

All senior Councillors shown in the tables above 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.

Senior Councillor J Cochrane is not a member of the LGPS. All Councillors under 75 years of age are eligible for participation in the LGPS.

4.3 Pension Benefits Senior Employees - Scottish Public Pensions Agency (SPPA)

The senior employees shown in the table below are members of the SPPA. 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.

The Scottish Teachers' Superannuation Scheme (STSS) is a contributory scheme administered by the SPPA on behalf of the Scottish Ministers. It is a defined benefit final salary scheme and the members' contribution rate for 2011/12 remains at the 2010/11 rate of 6.4% of annual salary.

		In-year pension contributions		Accrued pension benefits			
		For year to 31 March 2012	For year to 31 March 2011	As at 31 March 2012		Difference from 31 March 2011	
Name	Post Title	£	£	Pension £'000	Lump Sum £'000	Pension £'000	Lump Sum £'000
G Ford	Depute Chief Executive (retired)	6,924	16,617	-	-	-	-
M Rankine	Head of Education (Quality Assurance)	13,547	13,585	43	130	1	4
E Cook	Head of Education (Planning & Resources)	9,962	11,235	18	53	1	4
Total		30,433	41,437	61	183	2	8

REMUNERATION REPORT

STATEMENT 3

4.4 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 2012 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.

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

		In-year pension contributions		Accrued pension benefits			
		For year to 31 March 2012	Restated For year to 31 March 2011	As at 31 March 2012		Difference from 31 March 2011	
Name	Post Title	£	£	Pension £'000	Lump Sum £'000	Pension £'000	Lump Sum £'000
A Linkston	Chief Executive (Retired)	-	14,863	-	-	-	-
G Hope	Chief Executive	28,606	21,652	41	104	8	16
J Dickson	Director of Development and Environmental Services (Retired)	-	38,191	-	-	-	-
J Hill	Depute Chief Executive	22,050	16,317	52	139	14	34
A Logan	Head of Finance (Retired)	-	139,520	-	-	-	-
D Forrest	Head of Finance and Estates	18,195	12,330	26	66	9	20
J Jack	Head of Operational Services	16,734	12,330	27	70	7	17
M Niven	Depute Chief Executive	20,417	17,651	44	117	7	14
A Durnian	Head of Education (Quality Assurance)	14,598	13,639	35	95	3	4
G Struthers	Head of Corporate Services	19,248	15,981	28	69	6	10
S Field	Head of Planning and Economic Development	17,145	16,317	34	88	3	2
A Gee	Head of Housing Construction and Building Services	17,145	16,317	33	88	2	3
A Shaw	Head of Area Services	17,145	16,317	39	106	2	3
A Aird	Head of Customer Services (Severance)	-	145,809	-	-	-	-
D Forsyth	Head of Property Services (Retired)	-	14,005	-	-	-	-
A Quigley	Head of Social Policy	-	8,129	-	-	-	-
J Scott	Head of Social Policy	18,195	15,173	20	52	6	5
E Cook	Head of Education (Planning and Resources)	1,487	-	-	-	-	-
Total		210,965	534,541	379	994	67	128



Graham Hope
Chief Executive
24 September 2012



Councillor John McGinty
Leader of the Council

MOVEMENT IN RESERVES STATEMENT**STATEMENT 4****PURPOSE**

This statement shows the movement in the year on the different reserves held by the authority categorised into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' accounting reserves. The deficit on the provision of services shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account (HRA) for council tax setting and dwellings rent setting purposes. The net increase/decrease before transfers to Other Statutory Reserves line shows the statutory General Fund and HRA surplus or deficit for the year before any discretionary transfers to or from Other Statutory Reserves undertaken by the Council.

**MOVEMENT IN RESERVES STATEMENT
AS AT 31 MARCH 2012**

	Note	General Fund £'000	HRA £'000	Revenue Statutory Funds £'000	Capital Statutory Funds £'000	Total Usable Reserves £'000	Restated Unusable Reserves £'000	Restated Total Council Reserves £'000
Balance at 1 April 2010		10,146	926	10,114	58,850	80,036	781,692	861,728
Movement in Reserves during 2010/11								
Surplus (Deficit) on the provision of services		22,648	(150,801)	-	-	(128,153)	-	(128,153)
Other comprehensive income and expenditure	7	-	-	-	-	-	66,525	66,525
Total comprehensive income and expenditure		22,648	(150,801)	-	-	(128,153)	66,525	(61,628)
Adjustments between accounting basis and funding basis under regulations	6	(16,762)	150,801	-	383	134,422	(134,422)	-
Net increase (decrease) before transfers to other statutory reserves		5,886	-	-	383	6,269	(67,897)	(61,628)
Transfers to / (from) other statutory reserves	8	77	-	(1,401)	1,324	-	-	-
Increase (decrease) in year		5,963	-	(1,401)	1,707	6,269	(67,897)	(61,628)
Balance at 31 March 2011		16,109	926	8,713	60,557	86,305	713,795	800,100
Movement in Reserves during 2011/12								
Surplus (Deficit) on the provision of services		(44,144)	(6,861)	-	-	(51,005)	-	(51,005)
Other comprehensive income and expenditure	7	-	-	-	-	-	7,757	7,757
Total comprehensive income and expenditure		(44,144)	(6,861)	-	-	(51,005)	7,757	(43,248)
Adjustments between accounting basis and funding basis under regulations	6	58,681	6,861	-	(2,383)	63,159	(63,159)	-
Net increase (decrease) before transfers to other statutory reserves		14,537	-	-	(2,383)	12,154	(55,402)	(43,248)
Transfers (to) / from other statutory reserves	8	(11,072)	-	1,138	9,934	-	-	-
Increase (decrease) in year		3,465	-	1,138	7,551	12,154	(55,402)	(43,248)
Balance at 31 March 2012		19,574	926	9,851	68,108	98,459	658,393	756,852

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

This 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012**

	Note	2011/12			2010/11		
		Gross Expend £'000	Gross Income £'000	Net Expend £'000	Gross Expend £'000	Gross Income £'000	Net Expend £'000
Education Services		242,309	7,405	234,904	186,108	8,050	178,058
Housing		92,330	85,146	7,184	88,843	79,009	9,834
Cultural and Related Services		31,837	4,986	26,851	34,037	5,874	28,163
Environmental Services		30,118	9,587	20,531	30,009	8,997	21,012
Fire Services		6,300	-	6,300	6,615	-	6,615
Roads and Transport Services		24,917	5,576	19,341	28,019	2,951	25,068
Police Services		14,419	638	13,781	13,781	596	13,185
Planning and Development Services		13,931	7,441	6,490	22,992	10,047	12,945
Social Work		103,638	22,399	81,239	104,607	21,557	83,050
Joint Valuation Board		1,151	-	1,151	1,172	45	1,127
Central Services		5,337	5,238	99	6,132	5,522	610
Corporate and Democratic Core		4,767	64	4,703	6,572	62	6,510
Non-Distributed Costs		1,402	-	1,402	(68,358)	-	(68,358)
Net Cost of General Fund Services		572,456	148,480	423,976	460,529	142,710	317,819
Housing Revenue Account		44,523	41,175	3,348	185,600	39,490	146,110
Exceptional Items	9	3,669	-	3,669	9,852	76	9,776
Net Cost of Services		620,648	189,655	430,993	655,981	182,276	473,705
Other Operating Expenditure	10	(91)	-	(91)	9,216	-	9,216
Finance and Investment Income and Expenditure	11	28,237	8,623	19,614	40,852	7,933	32,919
Taxation and Non-Specific Grant Income	12	-	399,511	(399,511)	-	387,687	(387,687)
(Surplus) or Deficit on Provision of Services		648,794	597,789	51,005	706,049	577,896	128,153
Surplus on revaluation of property, plant and equipment				(27,514)			(25,104)
(Surplus) / Deficit on revaluation of available for sale financial assets				(28)			(139)
Actuarial (gains) / losses on pension assets and liabilities				19,785			(41,282)
Other Comprehensive Income and Expenditure				(7,757)			(66,525)
Total Comprehensive Income and Expenditure				43,248			61,628

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. The first category of reserves are usable 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 absorb the differences between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure.

		As at 31 March 2012 £'000	Restated As at 31 March 2011 £'000	Restated As at 1 April 2010 £'000
LONG TERM ASSETS	Note			
Property, Plant and Equipment	13			
- Council Dwelling		419,146	398,562	537,736
- Other Land and Buildings		696,797	746,103	715,956
- Vehicles, Plant, Furniture and Equipment		16,898	16,281	16,645
- Infrastructure Assets		178,745	167,510	152,382
- Community Assets		1,605	1,624	1,624
- Assets under construction		4,412	10,496	35,533
- Surplus Assets, not yet held for disposal		33,514	31,675	56,428
- Heritage Assets	13.10	677	470	470
Long Term Investments	14.1	1,351,794	1,372,721	1,516,774
Long Term Debtors	15	192	17,664	25
		2,116	2,422	19
TOTAL LONG TERM ASSETS		1,354,102	1,392,807	1,516,818
CURRENT ASSETS				
Short Term Investments	14	96,899	83,604	55,000
Inventories	16	1,694	1,171	797
Short Term Debtors	17	29,359	25,471	25,288
Cash and Cash Equivalents	27	22,010	37,045	42,422
TOTAL CURRENT ASSETS		149,962	147,291	123,507
CURRENT LIABILITIES				
Short Term Borrowing	14	(90,412)	(41,679)	(6,353)
Short Term Creditors	18	(64,869)	(73,438)	(66,926)
Provisions	19	(729)	(848)	(1,418)
TOTAL CURRENT LIABILITIES		(156,010)	(115,965)	(74,697)
NET CURRENT ASSETS (LIABILITIES)		(6,048)	31,326	48,810
TOTAL ASSETS LESS CURRENT LIABILITIES		1,348,054	1,424,133	1,565,628
LONG TERM LIABILITIES				
Long Term Creditors	20	(1,726)	(2,134)	(2,412)
Long Term Borrowing	14	(380,420)	(426,163)	(399,624)
Defined Benefit Scheme Liability	21	(135,689)	(120,127)	(228,340)
Other Long Term Liabilities	20	(73,367)	(75,609)	(73,524)
TOTAL LONG TERM LIABILITIES		(591,202)	(624,033)	(703,900)
TOTAL NET ASSETS		756,852	800,100	861,728
Financed by:				
USABLE RESERVES				
General Fund Balance	35	19,574	16,109	10,146
HRA Balance		926	926	926
Capital Fund	22.2	68,108	60,557	58,850
Insurance Fund	22.1	9,851	8,648	10,050
Repair and Renewal Fund	22.1	-	65	64
TOTAL USABLE RESERVES		98,459	86,305	80,036
UNUSABLE RESERVES	23	658,393	713,795	781,692
TOTAL RESERVES		756,852	800,100	861,728

The unaudited accounts were issued on 21 June 2012 and the audited accounts were authorised for issue on 24 September 2012.

Donald Forrest

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 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	2011/12 £'000	2010/11 £'000
Net surplus (deficit) on the provision of services		(51,005)	(128,153)
Adjust net surplus or deficit on the provision of services for non cash movements		108,662	180,127
Net cash flows from Operating Activities	24	57,657	51,974
Net cash flows from Investing Activities	25	(75,237)	(112,500)
Net cash flows from Financing Activities	26	2,545	55,149
Net increase (decrease) in cash and cash equivalents		(15,035)	(5,377)
Cash and cash equivalents at the beginning of the reporting period		37,045	42,422
Cash and cash equivalents at the end of the reporting period	27	22,010	37,045

1. ACCOUNTING POLICIES**General**

The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985. 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 2011/12 (Code) and the Service Reporting Code of Practice 2011/12 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounts for 2010/11 have been restated to account for Heritage assets and the differences between the previous audited accounts and the restated accounts are detailed in Note 5 to the accounts. In addition the Balance Sheet (Statement 6) and the Movement in Reserves (Statement 4) includes restated balances at 1 April 2010.

These changes are of a technical accounting nature and as a result there has been no change in the usable financial reserves of the Council.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of property, plant and equipment.

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.

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.

Property, plant and equipment have been included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use - apart from Vehicles, Plant, Furniture and Equipment, and Infrastructure Assets which are shown at depreciated historical cost. 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 at the lower of net current replacement cost or net realisable 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 using a Beacon Principle in accordance with the Royal Institution of Chartered Surveyors (RICS) Guidance.

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

Property, Plant and Equipment - Capital Receipts

Receipts arising from the sale of property, plant and equipment are credited to the capital receipts reserve 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 - 50 years
- Plant and equipment (Other)	10 - 25 years
- Plant and equipment (Books)	3 - 10 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. Originally the significance threshold was set at £100,000 on assets with a value in excess of £1 million. During 2011/12 the Primary Schools, Secondary Schools, OAP Care Homes, Day Centres and Community Centres were re-valued. In total, they were collectively deemed to be significant in terms of their overall asset value and as such depreciation was charged on a componentised basis for all properties revalued as part of those groups regardless of the value of the asset.

The current policy of quinquennial revaluation will remain. However, in line with the requirements of the Code, only assets which were acquired, enhanced or revalued in 2011/12 had their useful lives updated, thereby achieving progressive compliance over 5 years.

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

Property, Plant and Equipment - Revaluation

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

- 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 FINANCIAL STATEMENTS

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Property, Plant and Equipment - Impairment

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

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

Property, Plant and Equipment - Charges to Revenue

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

Heritage Assets

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

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

Artworks & Sculptures

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

There have been no acquisitions, donations or disposals during the previous 5 years. However several Council owned additions to the Heritage Asset portfolio have been identified during the financial year 2011/12.

Civic Regalia

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

These are reported in the balance sheet at insurance value which is based on market value. Following the full valuation of civic regalia in 2012, further formal valuations will be commissioned where it is considered that there could potentially be a material change in the value of the assets held. In the absence of such circumstances a formal revaluation will be carried out on a 5 yearly basis.

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

Archives

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

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

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

Archaeology

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

The council does not make any purchases of archaeological items.

Memorials, Monuments and Public Art

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

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

Heritage Assets - General

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

Improvement Grants

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

Government Grants

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.

Redemption of Debt

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

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

Investments

Long-term investments, held in Lothian Buses, have been shown in the Balance Sheet at fair value, based on the current share price multiplied by the Council's share holding. Changes in fair value are balanced by an entry in the Available-for-sale Financial Instrument Reserve and the gain is recognised in the Comprehensive Income and Expenditure Account.

Other long-term investments, which are investments over 1 year and short-term investments, which are investments over three months, have been measured at cost.

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 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in values.

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

Exceptional Items

When income and expenses are material their nature and amount is disclosed on the Comprehensive Income and Expenditure Statement and in notes to the accounts.

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.

Financial Liabilities

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

Reserves

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

General Fund - to ensure that sufficient funds are held in reserve to deal with the financial consequences of uncertain future events the Council has agreed that the uncommitted General Fund Balance will be a minimum of £2.5 million.

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

Repair and Renewal Fund - established to provide for infrastructure investment.

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 2012 was £68.0 million.

Capital Receipts Reserve - the capital receipts reserve represents the balance of available receipts carried forward to fund future capital expenditure.

Revaluation Reserve

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

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.

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT 8

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 2 - Inventories.

The use of average cost rather than lower of cost and net realisable value is a departure from the Code but is not considered material.

External interest Payable and Loans fund Interest

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

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

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

Central Support Services

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

- a) Administration Buildings - The number of employees based at each building.
- b) Central Telephone Service - Based on number of extensions.
- c) Central Postal and Messenger Services - Based on actual usage.

Central Support Services allocated to the HRA is a fixed amount agreed at the start of the financial year.

Corporate and Democratic Core

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

Finance Leases

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

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

Employee Benefits

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

Public Private Partnership (PPP)

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

The PPP contract signed in August 2007 for construction and operation of two new secondary schools completed in 2009/10 has been included in property assets additions for that year, with a corresponding liability within current and deferred liabilities.

Operating Leases

Current annual operating lease rentals have been charged to revenue.

Non Domestic Rates (NDR)

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

Pension Costs

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

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

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

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

The IAS 19 actuarial valuation involves the actuary reviewing the most recent triennial actuarial valuation, updating it to reflect current conditions at the balance sheet date and apportioning assets and liabilities amongst employers. Assets are valued at fair value, principally bid value for investments. Liabilities are valued using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The 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:

Current Service Cost - the increase in the present value of liabilities expected to arise from employee service in the current period.

Past Service Costs - the increase in liabilities arising from decisions to improve retirement benefits in the current period but which are related to employee service in prior periods.

Curtailments and Settlements - events that change the pension liabilities but are not covered by the actuarial assumptions.

Interest Cost - the expected increase during the year in the present value of liabilities because the benefits are one year closer to settlement.

Expected Return on Assets - a measure of the expected average rate of return on the investment assets held by the scheme in the year.

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 Financial Statements. Details of the liabilities are shown in note 32.

Provisions

Provisions are made where an event has taken place that gives the Council a Legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the obligation. Provisions are charged as an expense to the appropriate service revenue account in the CIES in the year the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and appropriate adjustments made to the level of provision. Details of the provisions are shown in note 19.

Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, retrospectively, on the basis of emissions. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances and is measured at the best estimate of the expenditure required to meet the obligation, at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

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).

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT 8

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

International Financial Reporting Standard (IFRS) 7 Financial Instruments: Disclosures (transfers of financial assets) will be adopted in the 2012/13 code.

The Council will be required to provide disclosures specified in IFRS7 for all transferred financial assets that are not derecognised and for any continuing involvement in a transferred assets, existing at the reporting date.

It is estimated that this will have no impact on the Council's financial statements for 2012/13.

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 statement of accounts are:

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

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

The Statement of Accounts contains 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 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

**PROVISIONS
Equal Pay**

Uncertainties: The Council has a remaining provision of £0.355 million for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Authority or that precedents set by other authorities in the settlement of claims will be applicable.

Effect if actual results differ from assumptions: An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £35,000 to the provision required.

Carbon Reduction Commitment

Uncertainties: The Council has made a provision of £0.374 million for the estimated liability of allowances required at 31 March 2012 to meet the cost of the Carbon Reduction Commitment.

Effect if actual results differ from assumptions: A variance from the estimated energy consumption as at 31 March of 10% would have the effect of adding £37,000 to the provision required for 2011/12.

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 2012	Approx % increase to Employer Obligation	Approx monetary amount £'000
0.5% decrease in Real Discount Rate	10%	62,018
1 year increase in member life expectancy	3%	19,521
0.5% increase in the Salary Increase Rate	3%	17,330
0.5% increase in the Pension rate	7%	44,199

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT 8

5. HERITAGE ASSETS

Balance Sheet

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets.

The Council's accounting policy for recognition and measurement of heritage assets are set out in the accounting policies (Statement 8, Note1).

In applying the new policy, the Council has identified that £0.470 million for the recognition of heritage assets that were not previously recognised in the Balance Sheet, this increase is also recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:-

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation of £0.470 million. The Revaluation Reserve has increased by £0.470 million.
- The restated 1 April 2010 and 31 March 2011 Balance Sheet is provided on page 18.

The adjustments that have been made to the Balance Sheets over the version published in the 2010/11 Statement of Accounts are as follows:-

	IFRS Audited Accounts £'000	Heritage Assets £'000	Revised Comparatives £'000
Balance Sheet at 1 April 2010			
Property, Plant and Equipment - Heritage Assets	-	470	470
Total Property, Plant and Equipment	1,516,304	470	1,516,774
TOTAL LONG TERM ASSETS	1,516,348	470	1,516,818
TOTAL ASSETS LESS CURRENT LIABILITIES	1,565,158	470	1,565,628
TOTAL NET ASSETS	861,258	470	861,728
Financed By:			
UNUSABLE RESERVES	781,222	470	781,692
TOTAL RESERVES	861,258	470	861,728
	IFRS Audited Accounts £'000	Heritage Assets £'000	Revised Comparatives £'000
Balance Sheet at 31 March 2011			
Property, Plant and Equipment - Heritage Assets	-	470	470
Total Property, Plant and Equipment	1,372,251	470	1,372,721
TOTAL LONG TERM ASSETS	1,392,337	470	1,392,807
TOTAL ASSETS LESS CURRENT LIABILITIES	1,423,663	470	1,424,133
TOTAL NET ASSETS	799,630	470	800,100
Financed By:			
UNUSABLE RESERVES	713,325	470	713,795
TOTAL RESERVES	799,630	470	800,100

Comprehensive Income and Expenditure Statement

There has been no restatement of the Comprehensive Income and Expenditure Statement.

Movement in Reserves Statement

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is as follows:-

	IFRS Audited Accounts £'000	Heritage Assets £'000	Revised Comparatives £'000
Movement in Total Reserves Balance at 1 April 2010	861,258	470	861,728
Movement in Total Reserves Balance at 31 March 2011	799,630	470	800,100
Unusable Reserves Balance 1 April 2010	781,222	470	781,692
Unusable Reserves Balance at 31 March 2011	713,325	470	713,795

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT 8

6. MOVEMENT IN RESERVES STATEMENT - ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS - 2010/11	General Fund £'000	HRA £'000	Revenue Statutory Funds £'000	Capital Statutory Funds £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Depreciation and impairment of non-current assets	63,958	160,232	-	-	224,190	(224,190)	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(12,442)	-	-	-	(12,442)	12,442	-
Net loss (gain) on sale of non-current assets	6,255	2,961	-	-	9,216	(9,216)	-
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	(16)	-	-	-	(16)	16	-
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	(64,797)	(2,134)	-	-	(66,931)	66,931	-
Statutory provision for repayment of debt	(7,358)	(2,093)	-	-	(9,451)	9,451	-
Statutory charge for lifecycle capital (PFI)	(89)	-	-	-	(89)	89	-
Capital expenditure charged to the General Fund and HRA	(2,388)	(8,165)	-	-	(10,553)	10,553	-
Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)	115	-	-	-	115	(115)	-
Capital receipts transferred to the Capital Fund	-	-	-	383	383	(383)	-
	(16,762)	150,801	-	383	134,422	(134,422)	-
ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS - 2011/12	General Fund £'000	HRA £'000	Revenue Statutory Funds £'000	Capital Statutory Funds £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Depreciation and impairment of non-current assets	105,495	18,000	-	-	123,495	(123,495)	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(25,635)	-	-	-	(25,635)	25,635	-
Net loss (gain) on sale of non-current assets	494	(585)	-	-	(91)	91	-
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	(102)	-	-	-	(102)	102	-
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	(4,224)	1	-	-	(4,223)	4,223	-
Statutory provision for repayment of debt	(8,142)	(2,284)	-	-	(10,426)	10,426	-
Statutory charge for lifecycle capital (PFI)	(40)	-	-	-	(40)	40	-
Capital expenditure charged to the General Fund and HRA	(6,466)	(8,271)	-	-	(14,737)	14,737	-
Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)	(2,699)	-	-	-	(2,699)	2,699	-
Capital receipts transferred to the Capital Fund	-	-	-	(2,383)	(2,383)	2,383	-
	58,681	6,861	-	(2,383)	63,159	(63,159)	-

NOTES TO THE FINANCIAL STATEMENTS

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7. MOVEMENT IN RESERVES STATEMENT - OTHER COMPREHENSIVE INCOME AND EXPENDITURE - 2010/11	General Fund £'000	HRA £'000	Revenue Statutory Funds £'000	Capital Statutory Funds £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Revaluation Reserve - unrealised gains on revaluation of fixed assets	-	-	-	-	-	25,104	25,104
Available-for-sale Financial Instruments Reserve - loss arising on revaluation of available-for-sale financial assets	-	-	-	-	-	139	139
Pension Reserve - actuarial losses on pension assets and liabilities	-	-	-	-	-	41,282	41,282
	-	-	-	-	-	66,525	66,525
OTHER COMPREHENSIVE INCOME AND EXPENDITURE - 2011/12	General Fund £'000	HRA £'000	Revenue Statutory Funds £'000	Capital Statutory Funds £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Revaluation Reserve - unrealised gains on revaluation of fixed assets	-	-	-	-	-	27,514	27,514
Available-for-sale Financial Instruments Reserve - gain arising on revaluation of available-for-sale financial assets	-	-	-	-	-	28	28
Pension Reserve - actuarial losses on pension assets and liabilities	-	-	-	-	-	(19,785)	(19,785)
	-	-	-	-	-	7,757	7,757
8. MOVEMENT IN RESERVES STATEMENT - TRANSFERS TO OR (FROM) OTHER STATUTORY RESERVES - 2010/11	General Fund £'000	HRA £'000	Revenue Statutory Funds £'000	Capital Statutory Funds £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Transfer (to) / from Insurance Fund	1,402	-	(1,402)	-	-	-	-
Transfer (to) / from Repair and Renewal Fund	(1)	-	1	-	-	-	-
Transfer (to) / from Capital Fund / Capital Receipts Reserve	(1,324)	-	-	1,324	-	-	-
	77	-	(1,401)	1,324	-	-	-
TRANSFERS TO OR FROM OTHER STATUTORY RESERVES - 2011/12							
Transfer (to) / from Insurance Fund / Capital Receipts Reserve	(1,203)	-	1,203	-	-	-	-
Transfer (to) / from Repair and Renewal Fund	(1)	-	(65)	66	-	-	-
Transfer (to) / from Capital Fund / Capital Receipts Reserve	(9,868)	-	-	9,868	-	-	-
	(11,072)	-	1,138	9,934	-	-	-

NOTES TO THE FINANCIAL STATEMENTS**STATEMENT 8****9. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
- EXCEPTIONAL ITEMS**

Staffing Change Fund Voluntary Severance

2011/12 £'000	2010/11 £'000
3,669	9,776
3,669	9,776

The Council allowed voluntary severance to the contracts of a number of employees in 2011/12 incurring costs of £2.883 million. The number of exit packages and total cost per band is shown in paragraph 3.4 of the Remuneration Statement. A contingent liability in respect of anticipated use of the voluntary severance scheme in 2012/13 is detailed in Note 32.

Of this total £1.343 million was payable to Lothian Pension Fund in the form of strain on the Fund and lump sum costs. The remaining £1.540 million was payable to 65 staff who received a voluntary severance payment as part of the Council's Contingency Strategy put in place to achieve budget reductions.

In addition to the £2.883 million there was an additional one-off cost of £0.786 million charged to the Staffing Change Fund. This related to Green Travel compensation payments made to staff in lieu of their essential car user allowance following the move from own car to Pool Car use.

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

(Gain) / Loss on disposal of non current assets

2011/12 £'000	2010/11 £'000
(91)	9,216
(91)	9,216

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

Interest payable and similar charges

Pensions interest cost and expected return on pensions assets

Interest receivable and similar income

(Surplus) / Deficit on trading operations

2011/12 £'000	2010/11 £'000
25,930	25,230
(1,360)	1,244
(3,893)	(3,186)
(1,063)	9,631
19,614	32,919

**12. 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

2011/12 £'000	2010/11 £'000
68,435	67,999
69,386	67,830
236,055	239,416
25,635	12,442
399,511	387,687

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT 8

13. PROPERTY, PLANT AND EQUIPMENT

13.1 Movements in 2010/11
(Restated for Heritage Assets)

	Council Dwellings £'000	Other Land and Buildings £'000	Restated Vehicles, Plant, Furniture and Equipment £'000	Infra- structure Assets £'000
Cost or Valuation				
At 1 April 2010	637,901	792,841	47,963	168,895
Additions	19,912	26,422	4,762	14,922
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	(12,276)	-	-
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(242,979)	(36,212)	-	-
Derecognition - disposals	(6,895)	(505)	(20,268)	-
Other movements in cost or valuation	5,787	52,108	-	4,573
At 31 March 2011	413,726	822,378	32,457	188,390
Accumulated Depreciation and Impairment				
At 1 April 2010	100,165	76,885	31,318	16,513
Depreciation charge	15,737	22,363	5,126	4,367
Depreciation written out to the Revaluation Reserve	-	(19,702)	-	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	(100,151)	(15,749)	-	-
Derecognition - disposals	(587)	(71)	(20,268)	-
Other movements in depreciation and impairment	-	12,549	-	-
At 31 March 2011	15,164	76,275	16,176	20,880
Net Book Value				
At 31 March 2011	398,562	746,103	16,281	167,510
At 31 March 2010	537,736	715,956	16,645	152,382
	Restated Heritage¹/ Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Restated Total Property, Plant and Equipment £'000
Cost or Valuation				
At 1 April 2010	2,142	35,533	69,105	1,754,380
Additions	-	8,308	-	74,326
Revaluation increase / (decreases) recognised in the Revaluation Reserve	-	-	8,976	(3,300)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,413)	-	(6,021)	(292,625)
Derecognition - disposals	-	-	(10,695)	(38,363)
Other movements in cost or valuation	7,413	(33,345)	(29,690)	6,846
At 31 March 2011	2,142	10,496	31,675	1,501,264
Accumulated Depreciation and Impairment				
At 1 April 2010	48	-	12,677	237,606
Depreciation charge	-	-	-	47,593
Depreciation written out to the Revaluation Reserve	-	-	-	(19,702)
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	(128)	(116,028)
Derecognition - disposals	-	-	-	(20,926)
Other movements in depreciation and impairment	-	-	(12,549)	-
At 31 March 2011	48	-	-	128,543
Net Book Value				
At 31 March 2011	2,094	10,496	31,675	1,372,721
At 31 March 2010	2,094	35,533	56,428	1,516,774

Note 1 Full details of the carrying value of Heritage Assets are included in note 13.10 Heritage Assets.

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT 8

13.1 Movements in 2011/12				
	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra- structure Assets £'000
Cost or Valuation				
At 1 April 2011	413,726	822,378	32,457	188,390
Additions	38,374	15,445	5,883	14,646
Revaluation increase / (decreases) recognised in the Revaluation Reserve	-	(5,273)	-	-
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(78,791)	-	-
Derecognition - disposals	(1,687)	(927)	(841)	-
Other movements in cost or valuation	-	(1,420)	162	1,452
At 31 March 2012	450,413	751,412	37,661	204,488
Accumulated Depreciation and Impairment				
At 1 April 2011	15,164	76,275	16,176	20,880
Depreciation charge	16,167	33,255	5,428	4,863
Depreciation written out to the Revaluation Reserve	-	(33,198)	-	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	(19,603)	-	-
Derecognition - disposals	(64)	(246)	(841)	-
Other movements in depreciation and impairment	-	(1,868)	-	-
At 31 March 2012	31,267	54,615	20,763	25,743
Net Book Value				
At 31 March 2012	419,146	696,797	16,898	178,745
At 31 March 2011	398,562	746,103	16,281	167,510
	Heritage¹/ Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation				
At 1 April 2011	2,142	10,496	31,675	1,501,264
Additions	-	3,017	-	77,365
Revaluation increase / (decreases) recognised in the Revaluation Reserve	159	-	(219)	(5,333)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the provision of Services	-	-	(6,863)	(85,654)
Derecognition - disposals	-	-	(5)	(3,460)
Other movements in cost or valuation	(19)	(9,101)	8,926	-
At 31 March 2012	2,282	4,412	33,514	1,484,182
Accumulated Depreciation and Impairment				
At 1 April 2011	48	-	-	128,543
Depreciation charge	-	-	-	59,713
Depreciation written out to the Revaluation Reserve	(48)	-	(276)	(33,522)
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	(1,592)	(21,195)
Derecognition - disposals	-	-	-	(1,151)
Other movements in depreciation and impairment	-	-	1,868	-
At 31 March 2012	-	-	-	132,388
Net Book Value				
At 31 March 2012	2,282	4,412	33,514	1,351,794
At 31 March 2011	2,094	10,496	31,675	1,372,721

Note 1 Full details of the carrying value of Heritage Assets are included in note 13.10 Heritage Assets.

Note 2 During 2011/12 £9.101 million of Assets under Construction were reclassified as operational and are now included in Other Land and Buildings.

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT 8

13.2 Information on assets held

Property, plant and equipment assets owned by the Council include the following:-

	Numbers as at 31 March 2012	Numbers as at 31 March 2011		Numbers as at 31 March 2012	Numbers as at 31 March 2011
Council Dwellings	12,906	12,923			
Operational Buildings			Operational Buildings (Cont)		
Cemetery Buildings	15	15	Offices	34	33
Cinema and Theatres	2	2	Old Peoples Homes	3	3
Clubhouses	12	14	Pavilions	51	51
Community Centres	35	44	Public Conveniences	4	6
Day Centres	12	19	Restaurants	4	4
Depots	18	18	Schools	72	81
Hostels	10	10	Shops	103	103
Industrial/Factory Premises	189	189	Small Business Units	74	74
Libraries	10	10	Sports Centres	5	5
Lock Up Garages	158	158	Stores	32	32
Museum, Visitor Centres	6	6	Swimming Pools	4	5
Muster Rooms	1	1	Travelling Peoples Site	1	1
Non Stock Houses	32	36	Village Halls	15	15
OAP Pavilions	3	3			
Operational Equipment					
Vehicles/Trailers	73	89			
Community Assets					
Open Spaces	147	147			
Children's Play Areas	142	142			

Surplus Assets comprises mainly development land which will be sold on a phased basis over the coming years and the proceeds will be used to help fund the Council's capital programme over that period.

13.3 Property, Plant and Equipment - PPP Schools

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

	2011/12 £'000	2010/11 £'000
Value as at 1 April	120,637	116,111
Additions	40	4,526
Value as at 31 March	120,677	120,637
Aggregate Depreciation		
Value as at 1 April	4,066	1,791
Charge for year	2,366	2,275
Value as at 31 March	6,432	4,066
Net Book Value		
As at 31 March	114,245	116,571

13.4 Financial Liabilities - PPP Schools

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

	2011/12 £'000	2010/11 £'000
As at 1 April	77,961	75,544
Additions	-	4,437
Principal repayments	(2,352)	(2,020)
As at 31 March	75,609	77,961
Split		
Short term Creditors	2,242	2,352
Long term Creditors	73,367	75,609
	75,609	77,961

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT 8

13.5 Sources of Finance for Capital Expenditure Additions in year

	2011/12 £'000	2010/11 £'000
Capital receipts from asset sales	5,084	4,185
Capital financed from current revenue	14,737	10,553
Capital grants received	22,017	9,103
Other capital contributions received	3,618	3,269
Borrowing from loans fund	31,803	39,881
Transfer from Repair and Renewal Fund	66	-
	77,325	66,991

13.6 Fixed Asset Valuation

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

Date of Valuation	Council Dwellings £'000	Other Land & Buildings £'000	Surplus Assets £'000	Total £'000
1 April 2005	-	42,292	-	42,292
1 April 2006	135,825	346,246	-	482,071
1 April 2007	-	30,641	10,299	40,940
1 April 2008	-	20,601	-	20,601
1 April 2009	-	67,565	770	68,335
1 April 2010	385,787	36,204	-	421,991
1 April 2011	-	371,087	1,845	372,932
Net historical cost alterations	(71,199)	(163,224)	20,600	(213,823)
Gross Valuation	450,413	751,412	33,514	1,235,339

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 2010, was carried out by D.M. Hall LLP, an external firm of chartered surveyors and included all Council Housing Stock.

Properties regarded by the Council as operational were valued on the 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 were separately identified 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 the basis of open market value.

For assets other than those valued at 1 April 2011 the Council considers that there is no permanent material change in value in 2011/12.

13.7 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 - 50 Years
Plant and Equipment (Other)	10 - 25 Years
Plant and Equipment (Books)	3 - 10 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 2011/12 (2010/11) was £59.713 million (£47.593 million).

13.8 Capital Commitments

At 31 March 2012 the Council has commitments on capital contracts of £32.515 million (£44.300 million 2010/11) for the Housing Programme and £3.322 million (£1.347 million 2010/11) for the Composite Programme.

The Housing commitment is a result of ongoing investment within phase 2 of the new council house build programme.

The increase for the Composite Programme is a consequence of several capital investment projects, such as education and roads projects, continuing into the new financial year.

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT 8

13.9 Finance Leases

Included within the analysis of fixed assets in 13.1 are the following assets acquired by finance leases, excluding PPP assets which are detailed in 13.3 :-

		2011/12 £'000	2010/11 £'000
Operational Buildings	- Gross Cost	2,388	2,388
	- Aggregate Depreciation	907	667
	- Depreciation for the year	240	240
Vehicles	- Gross Cost	1,121	2,377
	- Aggregate Depreciation	1,077	2,318
	- Depreciation for the year	15	189
Finance lease interest for the year		131	32
The future obligations (net of finance charges) under these finance leases are:-		2011/12 £'000	2010/11 £'000
2012/13	(2011/12)	237	239
2013/14 to 2016/17	(2012/13 to 2015/16)	873	990
2017/18 onwards	(2016/17 onwards)	409	529

13.10 Heritage Assets

Five-Year Summary of Transactions

For the period 2007/08 to 2010/11 there has been no acquisition, impairment or disposals of Heritage Assets. The carrying value has remained at £0.470 million for the period 2007/08 to 2010/11. Following the revaluation at 31 March 2012, the carrying value has increased to £0.677 million.

Details as follows:-

Reconciliation of carrying value of Heritage Assets held

Cost or Valuation

	Artworks and Sculpture £'000	Civic Regalia £'000	Other Assets £'000	Total Assets £'000
1 April 2010	298	138	34	470
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
31 March 2011	298	138	34	470
1 April 2011	298	138	34	470
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	39	141	27	207
31 March 2012	337	279	61	677

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

The Council's external valuer for its art work (Bonhams – Fine Art Auctioneers & Valuers) carried out a valuation of the full collection as at 31 March 2012. The valuations were based on market values. The collection has not suffered any downward revaluation during the five years since valuation and has not taken ownership of any donated assets. There have been no disposals during the Five Year period.

13.11 Heritage Assets – Further Information

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

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

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

A full copy of the museum Policy can be viewed at <http://www.westlothian.gov.uk/sitecontent/documentlist/1846926/museumspolicy>

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT 8

13.11 Heritage Assets – Further Information (Continued)

Artworks & Sculptures

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

The most valuable assets are a full length portrait of John, Earl of Hopetoun, by Sir Henry Raeburn (1820) valued at £0.220 million, a full length portrait of Sir Alexander Hope by Sir John Watson Gordon (1835) valued at £0.030 million and a full length portrait of John Adrian Louis by Robert Brough (1904) valued at £0.030 million. The majority of artworks and Sculptures are on display in Operational Buildings and Arts Facilities throughout West Lothian, the remainder are in storage but remain accessible on request.

Civic Regalia

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

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

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

Archives

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

Archaeology

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

Memorials, Public Art and Monuments

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

It is unlikely that the authority would procure such assets but is more likely to refurbish or enhance existing assets. In this respect, the cost of those works will be capitalised at cost. The Council's Public Art Strategy can be accessed at http://www.westlothian.gov.uk/media/download/1799441/2195888/public_art_strategy_west_lothian.

13.12 Impairment Losses

On Saturday 23 July 2011, Whitburn Swimming Pool, which is leased to West Lothian Leisure, was destroyed by fire. The building consisted of an original pool area and an extension area which housed the fitness suite.

The pool area was razed to the ground with one exception, part of the viewing gallery and surrounding area remains. The fitness suite was smoke and structurally damaged. The insurer has assessed the full building damage as one hundred percent loss.

After a comprehensive tendering process contractors were appointed to deliver the reinstatement of Whitburn Pool and fitness suite. Site works commenced early 2012 with a projected completion date of early 2013. At this time the project is running to schedule and within budget.

As a result the Council has recognised an impairment loss in relation to the Leisure Pool of £3.580million which has been charged to the Cultural and Related Services line in the Comprehensive Income and Expenditure Account.

An adjustment for Whitburn Swimming Pool in the Council's Asset Register was actioned transferring the Swimming Pool to Development Land in recognition of the fact that the building no longer exists and only the site remains.

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT 8

14. FINANCIAL INSTRUMENTS

14.1 Types of Financial Instrument

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

	Long-term		Current	
	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'000	Restated 31 March 2011 £'000
Investments and Lending				
Loans, receivables and interest	-	-	96,899	83,604
Investments to cash equivalents	-	-	21,435	32,770
Long term investments	192	17,664		-
	192	17,664	118,334	116,374
Borrowing				
Financial liabilities at amortised cost	380,420	426,163	90,412	41,679
	380,420	426,163	90,412	41,679

The 31 March 2011 Current Borrowing figure has been re-stated to include interest of £6.124 million during 2010/11, similarly the Investment figures have been restated to include £1.104 million

14.2 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 2012 for PWLB vary from 1.23% to 10.63% depending on the maturity profile of the loans and for other loans 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 taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	31 March 2012		Restated 31 March 2011	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Lending				
Loans and receivables - Cash	21,435	21,672	32,770	32,859
- Fixed Term Deposits	96,899	97,156	101,104	101,337
	118,334	118,828	133,874	134,196

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 £1.899 million.

	31 March 2012		31 March 2011	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Borrowing				
Financial liabilities - PWLB	390,968	452,492	397,297	421,655
- LOBO's and Temporary borrowing	79,864	83,284	64,421	74,526
	470,832	535,776	461,718	496,181

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.

NOTES TO THE FINANCIAL STATEMENTS

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14.3 Nature and Extent of Risks arising from Financial Instruments

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

Credit Risk

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

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

	Amount at 31 March 2012 £'000	Historical experience of non- payment adjusted for market conditions at 31 March 2012 %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks and building societies	118,334	0%	0
Customers (council tax and other income)	38,897	2.25%	875

The Council does not generally allow credit for customers, however, £36.7 million of the £38.9 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£'000
Less than three months	1,019
Three to six months	587
Six months to one year	5,700
More than one year	29,439
	36,745

The Council has provided £27,684,000 against possible bad debts at 31 March 2012.

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 2012 £'000	31 March 2011 £'000
Less than one year	90,412	35,555
Between one and two years	29,124	20,026
Between two and five years	100,124	79,016
More than five years	251,172	327,121
	470,832	461,718

NOTES TO THE FINANCIAL STATEMENTS

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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 limit its exposure to variable rate borrowing to a maximum of 35% of total borrowing. At 31 March 2012 0.20% of total debt was 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 2011/12, 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

10

(5,446)

(5,436)**(1,109)****Price Risk**

The Council has 25,000 ordinary shares in Lothian Buses Plc. While the value of the shares held is not significant, there still is a risk arising from the movement in the price of Lothian Bus shares.

Foreign Exchange Risk

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

15. LONG TERM DEBTORS**Loan Advances**

Former Council Houses

Small Business Loans

Sale of West Lothian House

**Balance at
1 April 2011
£'000**

**Expend.
£'000**

**Repayments
£'000**

**Balance at
31 March 2012
£'000**

2

-

(1)

1

20

-

(5)

15

2,400

-

(300)

2,100

2,422**-****(306)****2,116**

Soft Loans are defined as those where concessions are offered to borrowers such as long repayment terms, below-market rate of interest etc. The two schemes detailed in the note above, Former Council Houses and Small Business Loans, are categorised as soft loans.

16. INVENTORIES

Building Maintenance

Transport

Printing

Canteens

Roads and Grounds Maintenance

Countryside Deer / Highland Cows

**2011/12
£'000**

**2010/11
£'000**

292

315

170

122

9

7

88

94

1,094

589

41

44

1,694**1,171****17. SHORT TERM DEBTORS**

Central Government Bodies

Other Local Authorities

NHS Bodies

Public Corporations and Trading Funds

Other Entities and Individuals

**2011/12
£'000**

**2010/11
£'000**

12,217

5,786

418

325

252

543

48

7

16,424

18,810

29,359**25,471**

NOTES TO THE FINANCIAL STATEMENTS

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18. SHORT TERM CREDITORS

	2011/12 £'000	2010/11 £'000
Central Government Bodies	8,705	8,960
Other Local Authorities	2,425	4,855
NHS Bodies	195	452
Public Corporations and Trading Funds	1,236	894
Other Entities and Individuals	52,308	58,277
	64,869	73,438

19. PROVISIONS

Included are the following provisions:-

	Balance at 31 Mar 2011 £'000	Provision in Year £'000	Payments in year £'000	Balance at 31 Mar 2012 £'000
Equal pay settlements	828	-	473	355
Teachers maternity pay	20	-	20	-
Carbon Reduction Commitment	-	374	-	374
	848	374	493	729

It is anticipated that further equal pay settlements will be made in 2012/13 and charged to the provision.

As a result of the European Court ruling, teachers on maternity leave were entitled to additional paid holiday leave. The ruling was effective from 1 October 2008 and the provision covered the remaining costs still to be incurred in respect 2008/09 and 2009/10. The remaining liabilities have been discharged during 2011/12.

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme and is required to purchase and surrender allowances, retrospectively, on the basis of carbon emissions. The provision represents the liability measured at the best estimate as at 31 March 2012 for the year 2011/12.

20. LONG TERM CREDITORS

	Sum Outstanding 2011/12 £'000	Sum Outstanding 2010/11 £'000
Finance Leases - outstanding principal	1,282	1,519
Open Space Agreements	400	507
Building Services Retentions	44	108
	1,726	2,134
OTHER LONG TERM LIABILITIES		
PPP1 Schools	16,964	17,853
PPP3 Schools	56,403	57,756
	73,367	75,609

21. PENSIONS**21.1 Pension Costs****Teachers**

In 2011/12 (2010/11) the Council paid an employer's contribution of £10.398 million (£10.606 million) at the prescribed rate of 14.9% (14.9%) 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 2011/12 (2010/11) these amounted to £0.452 million (£0.453 million) representing 0.6% (0.6%) of pensionable pay.

Local Government Superannuation (Scotland) Scheme

The Lothian Pension Fund provides members with defined benefits related to pay and service. The amounts charged to revenue under IAS 19 are as follows:-

	2011/12		2010/11	
	£'000	% of Payroll	£'000	% of Payroll
Net Cost of Services				
Current Service Cost	17,418	29.1%	23,049	22.7%
Past Service Costs	100	0.2%	(69,318)	(68.2%)
Curtailments and Settlements	1,302	2.2%	960	0.9%
Financing and Investment Income and Expenditure				
Expected Return on Employer Assets	(35,978)	(60.0%)	(35,062)	(34.5%)
Interest on Pension Scheme Liabilities	34,618	57.7%	36,306	35.7%
	17,460	29.2%	(44,065)	(43.4%)

The amount charged to taxation for the Lothian Pension Fund Scheme in 2011/12 (2010/11) was £21.607 million (£22.010 million).

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT 8

21.2 Pension Assets and Liabilities

In accordance with IAS 19 the Council is required to disclose information on defined benefit pension schemes. As explained in Statement 8 Note 1 on the Accounting Policies the Council participates in two formal schemes, the Local Government Superannuation Scheme (which is administered by the City of Edinburgh Council as the Lothian Pension Fund) and the Teachers' Scheme. HM Treasury is responsible for the Teachers Scheme which is treated under IAS 19 as a defined contribution scheme, as it does not allow the identification of liabilities consistently and reliably between participant authorities. The following information relates to the Lothian Pension Fund. In addition the Council has liabilities for discretionary pension payments outside the main schemes.

The Council's share of pension assets and liabilities is as follows:-

Share of assets in Lothian Pension Fund

Present Value of Share of Lothian Pension Fund liabilities

Share of net liabilities in Lothian Pension Fund

Present value of unfunded liabilities for discretionary pensions

Net pension liabilities and pension reserve

31 March 2012 £'000	31 March 2011 £'000
515,011	511,361
(619,248)	(592,256)
(104,237)	(80,895)
(31,452)	(39,232)
(135,689)	(120,127)

Assets are valued at fair value, principally bid value for investments, and consist of:

	Long Term Rate of Return at 31 March		Share of Fund at 31 March 2012		Share of Fund at 31 March 2011	
	2012 % per	2011 Annum	%	£'000	%	£'000
Equity investments	6.2%	7.5%	79%	406,859	79%	403,975
Bonds	4.0%	4.9%	8%	41,201	8%	40,909
Property	4.4%	5.5%	11%	56,651	10%	51,136
Cash	3.5%	4.6%	2%	10,300	3%	15,341
			100%	515,011	100%	511,361

Liabilities are valued on an actuarial basis using the projected unit 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 2011 and updated for the following years by Hymans Robertson, the independent actuaries to the Lothian Pension Fund. The main assumptions used in the calculations for both the Lothian Pension Fund and discretionary payments are:

- rate of inflation/increase in pensions
- rate of increase in salaries
- expected return on assets
- rate for discounting scheme liabilities

31 March 2012	31 March 2011
2.5%	2.8%
4.8%	5.1%
5.8%	7.0%
4.8%	5.5%

Mortality Assumptions

Life expectancy is based on the PMA92 / PFA92 mortality tables published by the Institute of Actuaries. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	20.4 years	22.8 years
Future Pensioners	22.6 years	25.4 years

The movement in the net pension liability for the year to 31 March is as follows:

Net (liability) / asset brought forward**Scheme Liabilities**

Opening balance at 1 April

Current service cost

Interest cost (unwinding of discount)

Contributions by scheme participants

Benefits paid

Past service cost

Settlements and curtailments

Actuarial Gains / Losses

Closing balance of liabilities at 31 March**Scheme Assets**

Opening balance at 1 April

Expected return on assets

Employer contributions

Contributions by scheme participants

Benefits paid

Actuarial Gains / Losses

Closing balance of scheme assets at 31 March**Net Funded Pension Balance**

	2011/12 £'000	2010/11 £'000
Net (liability) / asset brought forward	(120,127)	(228,340)
Scheme Liabilities		
Opening balance at 1 April	(631,488)	(704,290)
Current service cost	(17,418)	(23,049)
Interest cost (unwinding of discount)	(34,618)	(36,306)
Contributions by scheme participants	(5,754)	(6,266)
Benefits paid	21,995	20,150
Past service cost	(100)	69,318
Settlements and curtailments	(1,302)	(960)
Actuarial Gains / Losses	17,985	49,915
Closing balance of liabilities at 31 March	(650,700)	(631,488)
Scheme Assets		
Opening balance at 1 April	511,361	475,950
Expected return on assets	35,978	35,062
Employer contributions	21,683	22,866
Contributions by scheme participants	5,754	6,266
Benefits paid	(21,995)	(20,150)
Actuarial Gains / Losses	(37,770)	(8,633)
Closing balance of scheme assets at 31 March	515,011	511,361
Net Funded Pension Balance	(135,689)	(120,127)

NOTES TO THE FINANCIAL STATEMENTS

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The increase in the deficit during the year is mainly due to a determination in the discount rate assumptions used at 31 March 2011 compared to the less favourable position at 31 March 2012.

Investment returns have also been less than favourable with an actual investment return of 0% - 5%, whilst the expected return was estimated at 6% - 7%.

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

The net pensions liability does not impact on the Council's available reserves but the requirement to recognise the net pensions liability in the balance sheet has decreased the reported net worth of the Council by 18% (15% 2010/11).

The following table sets out the projected amount to be charged to operating profit for the year to 31 March 2013, based on assumptions as at 31 March 2012:-

	31 March 2013	
	£'000	% of pay
Projected Current Service Cost	18,014	20.1%
Interest on Obligation	31,232	34.9%
Expected Return on Plan Assets	(29,938)	(33.4%)
	19,308	21.6%

The estimated Employer's contributions for the year to 31 March 2013 will be approximately £18.377 million.

21.3 History of Gains and Losses

	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000
Scheme History					
Present value of obligation	(650,700)	(631,488)	(704,290)	(432,201)	(467,071)
Fair value of assets	515,011	511,361	475,950	346,123	436,568
Surplus / (Deficit) in the scheme	(135,689)	(120,127)	(228,340)	(86,078)	(30,503)

	2011/12 %	2010/11 %	2009/10 %	2008/09 %	2007/08 %
Scheme History					
Experience adjustments on plan liabilities	3.9	(2.5)	(0.3)	6.0	(0.3)
Experience adjustments on plan assets	(7.3)	(1.7)	20.6	(37.1)	(10.1)

In 2011/12 (2010/11) the cumulative actuarial loss recognised in Other Comprehensive Income and Expenditure was £173.345 million (£146.791 million)

22. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 6, 7 and 8.

22.1 Revenue Statutory Funds

Insurance Fund

Balance at 1 April
Appropriation

Balance at 31 March

Repair and Renewal Fund

Balance at 1 April
Transfer to Capital Fund
Appropriation

Balance at 31 March

Revenue Statutory Funds

	2011/12 £'000	2010/11 £'000
	8,648	10,050
	1,203	(1,402)
	9,851	8,648
	65	64
	(66)	-
	1	1
	-	65
	9,851	8,713

NOTES TO THE FINANCIAL STATEMENTS

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22.2 Capital Fund	2011/12 £'000	2010/11 £'000
Balance at 1 April	60,557	58,850
Transfer (to) / from Capital Adjustment Account	(2,383)	383
Transfer from Repair and Renewal Fund	66	-
Appropriation	9,868	1,324
Balance at 31 March	68,108	60,557

23. UNUSABLE RESERVES

Revaluation Reserve
Available for Sale Financial Instruments Reserve
Capital Adjustment Account
Financial Instruments Adjustment Account
Pensions Reserve
Accumulated Absences Account

Total Unusable Reserves

2011/12 £'000	Restated 2010/11 £'000
114,930	98,146
167	139
697,995	757,448
(11,358)	(11,460)
(135,689)	(120,127)
(7,652)	(10,351)
658,393	713,795

23.1 Revaluation Reserve

Balance at 1 April
Unrealised gains on revaluation of fixed assets
Less: Depreciation on revaluations
Adjustment on disposals

Balance at 31 March

2011/12 £'000	Restated 2010/11 £'000
98,146	75,976
27,514	25,104
(5,044)	(2,934)
(5,686)	-
114,930	98,146

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.

23.2 Available-for-Sale Financial Instruments Reserve

Balance at 1 April
Revaluation of long-term investments at fair value

Balance at 31 March

2011/12 £'000	2010/11 £'000
139	-
28	139
167	139

23.3 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
Adjustment on disposals
Transfer of Capital Receipts to Capital Fund

Balance at 31 March

2011/12 £'000	2010/11 £'000
757,448	955,768
(123,495)	(224,190)
25,635	12,442
10,426	9,451
6,506	2,477
8,271	8,165
91	(9,216)
5,044	2,934
5,686	-
2,383	(383)
697,995	757,448

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.

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STATEMENT 8

23.4 Financial Instruments Adjustment Account

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

Balance at 31 March

The Financial Instruments Adjustment Account is an accounting reserve arising from the re-measurement of financial instruments. It is a balancing account to allow for differences in statutory requirements and proper accounting practices for the Council's lending and borrowing. The balance at 31 March 2012 represents:

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

23.5 Pension Fund Reserve

The pension reserve mirrors the net pensions liability detailed in 21.2. The movements in the year are summarised as follows:

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

Balance at 31 March

23.6 Accumulated Absences Account

Balance at 1 April

Annual leave and flexitime accrual - previous year
Annual leave, maternity and flexitime accrual - current year

Statutory adjustment for the year

Balance at 31 March

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

24. CASH FLOW STATEMENT - OPERATING ACTIVITIES

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

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

25. CASH FLOW STATEMENT - INVESTING ACTIVITIES

Purchase of property, plant and equipment
Other payments for investing activities
Proceeds from the sale of property, plant and equipment
Net decrease (increase) in short term investments

Net cash flows from Investing Activities

26. CASH FLOW STATEMENT - FINANCING ACTIVITIES

Cash receipts of short and long term borrowing
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts
Repayments of short and long term borrowing

Other payments for financing activities

Net cash flows from Financing Activities

NOTES TO THE FINANCIAL STATEMENTS**STATEMENT 8**

27. CASH AND CASH EQUIVALENTS	2011/12 £'000	2010/11 £'000
Cash held by officers	130	172
Bank current accounts	445	4,103
Bank overnight investment accounts	1,435	4,770
Short term deposits	20,000	28,000
Total Cash and Cash Equivalents	22,010	37,045

28. AGENCY SERVICES

Agency agreements operate in certain services under which the Council undertakes work on behalf of another body for which it is reimbursed, or reimburses other bodies for undertaking work which is properly the function of the authority.

Expenditure/Income on agency agreements with other bodies is analysed as follows:-

Expenditure

Local Bus Services
Residential Schools and other Social Work payments
Special School Placements
Other
Non Domestic Rates

2011/12 £'000	2010/11 £'000
49	45
776	628
194	212
858	903
71,943	69,017
73,820	70,805
Income	
Scottish Water Collection Services	445
Social Work Services	1,423
Local Bus Services	177
Special School Placements	240
Other	36
Non Domestic Rates	68,535
76,009	70,856

29. WEST LoTHIAN COMMUNITY HEALTH AND CARE PARTNERSHIP (WLCHCP)

This body was established in April 2005 in accordance with the National Health Service Reform (Scotland) Act 2004. WLCHCP manages a substantial range of West Lothian Council's social care services and NHS Lothian's community health services for the West Lothian community.

The aims of the Partnership are to:

- improve health and wellbeing
- provide safer care and development of children
- improve quality of life for older people
- reduce life inequalities
- maximise resources
- reduce bureaucracy
- strengthen service delivery

Of the Partnership's gross budget of £164.2 million (£158.4 million for 2010/11), West Lothian Council contributed £72.0 million (£67.4 million 2010/11). In 2011/12 the final outturn for Council services was £70.3 million, a £1.7 million underspend.

30. TRADING OPERATIONS

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

Economic Development Properties have been identified as a significant trading operation. The Service involves the maintenance and letting of industrial units, office accommodation and shops. The portfolio contains around 450 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:-

	2011/12 £'000	2010/11 £'000
Turnover	4,730	4,747
Expenditure	3,667	14,378
Surplus (Deficit) for year	1,063	(9,631)
Budget Surplus (Deficit) for year	631	(9,735)

Included in turnover is internal income of £353,825 (£385,700 2010/11).

NOTES TO THE FINANCIAL STATEMENTS

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30. TRADING OPERATIONS (CONTINUED)

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

	Surplus £'000	Loan Interest £'000	Net Surplus (Deficit) £'000
2009/10 (UK GAAP)	1,264	333	931
2010/11 (IFRS)	(9,631)	676	(10,307)
2011/12 (IFRS)	1,063	713	350
	(7,304)	1,722	(9,026)

In the three years to 31 March 2012 the trading account sustained a statutory aggregate loss of £9.026m, therefore not achieving the statutory financial requirement to breakeven over the three year period. This was as a result of charges for impairment of £10.735m on assets from the Economic Development Property Portfolio during 2010/11. The financial position excluding the 2010/11 impairment charges would have resulted in the following surplus.

	2011/12 £'000	2010/11 £'000
Turnover	4,730	4,747
Expenditure	3,667	3,643
Surplus for year	1,063	1,104
Budget Surplus for year	631	1,000

	Surplus £'000	Loan Interest £'000	Net Surplus (Deficit) £'000
2009/10 (UK GAAP)	1,264	333	931
2010/11 (IFRS)	1,104	676	428
2011/12 (IFRS)	1,063	713	350
	3,431	1,722	1,709

Excluding impairment charges incurred during 2010/11, in the three years to 31 March 2012 the trading account made a statutory aggregate surplus of £1.709m, therefore meeting the statutory financial requirement to breakeven over the three year period when the exceptional cost of impairment is excluded from the calculation.

The figures for 2009/10 are based on UK Generally Accepted Accounting Practices in line with the legislative requirements for that year. The figures for 2010/11 and 2011/12 are based on International Financial Reporting Standards as specified in the Code of Practice on Local Authority Accounting. For this reason the figures quoted are not regarded as suitable for trend analysis.

31. EXTERNAL AUDIT COSTS

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

	2011/12 £'000	2010/11 £'000
Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice.	339	361
	339	361

32. CONTINGENT LIABILITIES

- The Council operates a voluntary severance scheme financed from the Staffing Change Fund (SCF) - which is an earmarked balance in the General Fund. The balance of the fund is £4.673m (note 35). The value of liability on the fund cannot be established as it is driven by employee request, subject to payback criteria and at the discretion of management.
- The Council has guaranteed a loan from its partner Tarmac to its related company, West Lothian Recycling Ltd. up to a maximum of £96,500, plus 50% of the related financing costs.
- Whilst the council has made appropriate provision, as detailed in note 19, for all known outstanding claims in respect of equal pay, the council recognises the potential for compensation claims in respect of cases not yet presented.

33. POST BALANCE SHEET EVENTS

The Head of Finance and Estates, Donald Forrest CPFA, being the officer responsible for the Council's financial affairs, authorised the issue of the unaudited statement of accounts on 21 June 2012 and the audited accounts were authorised for issue on 24 September 2012. Events after the balance sheet date have been considered up to 24 September 2012.

The Police and Fire Reform (Scotland) Act 2012 received royal assent on 7 August 2012. Responsibility for Police and Fire and Rescue Services will transfer from local government to new central government bodies from 1 April 2013. The full impact of the reform process is currently being assessed.

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT 8

34. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12.

	2011/12 £'000	2010/11 £'000
Credited to Taxation and Non Specific Grant Income		
Capital Grants and Contributions		
- General Capital Grant	12,559	8,769
- Other Scottish Government Grant	9,458	303
- Scottish Courts Contribution	-	75
- Developers Contributions	1,878	1,276
- National Heritage Memorial Fund	-	29
- Other Capital Contributions	1,740	1,990
Total Capital Grants and Contributions	25,635	12,442
Revenue Support Grant	236,055	239,416
Distribution from Non Domestic Rate Pool	69,386	67,830
Council Tax Benefits Grant	10,562	10,552
Total Grants credited to Taxation and Non Specific Grant Income	341,638	330,240
Credited to Services		
Housing Benefits Grant	53,469	51,164
Administration of Benefits Grant	1,488	1,545
Education Maintenance Allowance	742	755
European Grants	766	296
Private Sector Housing Grant	732	300
Fairer Scotland Fund	0	56
Criminal Justice Grant	1,701	1,484
Future Jobs Fund	336	867
Other Grants	3,314	5,108
Contribution from - SEEL	1,224	1,350
- Local Authorities	946	1,033
- NHS	6,360	6,496
Total Grants credited to Services	71,078	70,454

35. GENERAL FUND BALANCE

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

	2011/12 £'000	2010/11 £'000
General Fund Balance at 31 March	19,574	16,109
Less: Earmarked Balances -		
Education - Delegated Schemes	1,973	1,685
Energy Efficiency Fund	505	467
Development Plan Project Team	-	160
Staffing Change Fund	4,673	7,812
Older Peoples Forum	244	163
Capital Resources	-	2,500
Care Home Fees	110	-
Time Limited Projects	7,754	-
Renewable Strategy	786	-
Demand Responsive Transport	200	-
Business Gateway	20	-
St John's Hospital Heart Monitor	20	-
	16,285	12,787
Uncommitted General Fund Balance at 31 March	3,289	3,322

In accordance with both the School Boards Delegation and Devolved School Management schemes, a net credit balance of £1.973 million (£1.685 million 2010/11) 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 2012/13 budgetary provision. This sum, although held within the General Fund, must be spent on Education Services and is not available to the Council for general use.

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT 8

36. LEASING AND PPP PAYMENTS

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:-

	2011/12 £'000	2010/11 £'000
Plant and Vehicles	2,788	2,333
Windows and Doors	701	700
Property	455	1,132
	3,944	4,165

Assets acquired under finance leases have been capitalised and are detailed in Note 13.

Operating Leases

The future cash payments required under operating leases are:-

2012/13	(2011/12)	- Land and Buildings
		- Other Operating Leases
2013/14 to 2016/17	(2012/13 to 2015/16)	- Land and Buildings
		- Other Operating Leases
2017/18 onwards	(2016/17 onwards)	- Land and Buildings
		- Other Operating Leases

	2011/12 £'000	2010/11 £'000
	456	1,114
	3,468	2,969
	1,298	1,678
	6,818	5,049
	1,990	2,260
	293	107

The cumulative value of leases where the Council is a lessor is £4.623m for 841 units.

Education Service PPP1 Schools Project

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

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

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

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

Education Service PPP3 Schools Project

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

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

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

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

PPP Payments

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

	Principal £'000	Interest £'000	Lifecycle Capital Costs £'000	Operating Costs £'000	2011/12 Total £'000	2010/11 Total £'000
Within one year	2,242	4,310	93	4,570	11,215	10,972
2 to 5 years	7,903	16,010	688	22,696	47,297	46,310
6 to 10 years	11,744	16,715	1,321	35,244	65,024	63,664
11 to 15 years	12,311	13,221	2,212	44,544	72,288	70,771
16 to 20 years	17,720	9,263	1,810	51,602	80,395	78,702
21 to 25 years	15,528	4,004	198	36,684	56,414	62,365
26 to 30 years	8,161	593	-	18,111	26,865	37,686
	75,609	64,116	6,322	213,451	359,498	370,470

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT 8

37. RELATED PARTIES

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

Scottish Government

Scottish Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government Departments are set out in the subjective analysis in note 34 on amounts reported to decision makers. Grant receipts outstanding at 31 March 2012 are detailed below.

Councillors

Members of the Council have direct control over the Council's financial and operating policies. The total of Councillors Remuneration allowances paid in 2011/12 are shown in the Remuneration Report Note 2.4 on Page 10. There are no related party transactions with members of the Council.

Officers

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

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

EXPENDITURE**Government Payments**

PAYE and National Insurance
Superannuation – Teachers

Other Local Authority Payments

Superannuation
Other Payments

Other Related Party Payments

Police, Fire and Joint Valuation Boards
West Lothian Municipal Bank Ltd.
West Lothian Leisure Ltd.
Councillors Remuneration
Criminal Justice Authority
SESTRAN / SESPLAN

Other Related Party Income

Other Local Authority Receipts
West Lothian Municipal Bank Ltd.
Criminal Justice Authority
West Lothian Leisure Ltd. - Fees

BALANCE SHEET

The amounts due (to) or from related parties are detailed below:-

Government departments
Other local authorities

Related companies

- West Lothian Municipal Bank Ltd.
- West Lothian Leisure Ltd.

	2011/12 £'000	2010/11 £'000
	53,495	57,201
	10,398	10,606
	21,607	22,010
	904	1,235
	21,870	21,569
	34	36
	2,217	2,243
	663	685
	2,482	2,374
	66	74
	113,736	118,033
	946	1,033
	18	18
	2,156	1,940
	24	24
	3,144	3,015
	3,512	(8,754)
	(2,007)	(4,533)
	1,004	1,010
	16	376
	2,525	(11,901)

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT 8

38. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS - 2010/11

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Corporate Management Team on the basis of budget reports analysed across Service areas. The accounting policies for depreciation, impairment, IAS 19 pension costs, employee holiday pay accruals do not impact on the service budget reports as a service budget to the value of the actual costs is allocated to Services to ensure that these accounting policies do not impact on the service outturn for the year.

The services reported to management include central support services and these are reallocated as support services in the Comprehensive Income and Expenditure Statement. As a result these are included in the reconciliation to subjective analysis.

	Total Income £'000	Employee Expenses £'000	Other Service Expenses £'000	Depreciation £'000	Total Expenditure £'000	Net Expenditure £'000
2010/11						
Schools with Education Support	(4,112)	109,671	21,735	14,753	146,159	142,047
Area Services (including Arts, Sports and Outdoor Education)	(8,371)	17,338	9,739	11,213	38,290	29,919
Planning and Economic Development Services	(4,154)	4,966	2,982	4,344	12,292	8,138
Operational Services	(20,434)	33,324	41,920	8,645	83,889	63,455
Housing, Construction and Building Services	(30,608)	19,114	16,329	82	35,525	4,917
Corporate Services	(1,267)	8,148	4,374	2,860	15,382	14,115
WLCHCP & Social Policy	(16,869)	38,478	55,126	1,109	94,713	77,844
Chief Executive, Finance and Estates	(11,193)	7,896	18,968	23,210	50,074	38,881
Joint Boards	(641)	-	21,643	-	21,643	21,002
Other Services - Non Service Expenditure	(55,806)	(58,363)	83,021	-	24,658	(31,148)
HRA	(39,490)	4,098	21,332	14,060	39,490	-
Total	(192,945)	184,670	297,169	80,276	562,115	369,170

Reconciliation of Service Income and Expenditure to Cost of Services in Comprehensive Income and Expenditure Statement

Net Expenditure in the Service Analysis

Net expenditure of services and support services not included in the Analysis

Amounts in the Net Cost of Services not reported to management in the Analysis

Amounts included in the Service Analysis not included in the Net Cost of Services

Net Cost of Services

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the (Surplus) or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Account.

	Service Analysis £'000	Not included in Net Cost of Services £'000	Allocation of Support Services £'000	Net Cost of Services £'000	Corporate Amounts* £'000	Total £'000
Fees, charges and other service income	(192,945)	4,747	5,922	(182,276)	(4,747)	(187,023)
Interest and investment income	-	-	-	-	(3,186)	(3,186)
Government grants and contributions	-	-	-	-	(319,688)	(319,688)
Income from council tax	-	-	-	-	(67,999)	(67,999)
Total Income	(192,945)	4,747	5,922	(182,276)	(395,620)	(577,896)
Employee expenses	184,670	75	(15,311)	169,434	39	169,473
Other service expenses	297,169	(31,508)	(9,014)	256,647	1,646	258,293
Support Service recharges	-	(845)	32,424	31,579	845	32,424
Depreciation, amortisation and impairment	80,276	132,066	(14,021)	198,321	11,848	210,169
Interest Payments	-	-	-	-	26,474	26,474
(Gain) or Loss on Disposal of Non Current Assets	-	-	-	-	9,216	9,216
Total Expenditure	562,115	99,788	(5,922)	655,981	50,068	706,049
(Surplus) or Deficit on the Provision of Services	369,170	104,535	-	473,705	(345,552)	128,153

* Corporate Amounts are amounts reported below the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT 8

38. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS - 2011/12

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Corporate Management Team on the basis of budget reports analysed across Service areas. The accounting policies for depreciation, impairment, IAS 19 pension costs, employee holiday pay accruals do not impact on the service budget reports as a service budget to the value of the actual costs is allocated to Services to ensure that these accounting policies do not impact on the service outturn for the year.

The services reported to management include central support services and these are reallocated as support services in the Comprehensive Income and Expenditure Statement. As a result these are included in the reconciliation to subjective analysis.

2011/12	Total Income £'000	Employee Expenses £'000	Other Service Expenses £'000	Depreciation £'000	Total Expenditure £'000	Net Expenditure £'000
Schools with Education Support	(4,115)	106,415	22,158	67,366	195,939	191,824
Area Services (including Arts, Sports and Outdoor Education)	(5,754)	13,691	7,472	21,379	42,542	36,788
Planning and Economic Development Services	(3,802)	4,359	2,993	369	7,721	3,919
Operational Services	(22,919)	32,148	42,507	7,696	82,351	59,432
Housing, Construction and Building Services	(33,495)	18,454	16,624	18	35,096	1,601
Corporate Services	(1,256)	7,015	3,875	3,551	14,441	13,185
WLCHCP & Social Policy	(17,817)	34,919	56,100	4,364	95,383	77,566
Chief Executive, Finance and Estates	(11,387)	7,319	19,214	3,897	30,430	19,043
Joint Boards	(638)	-	21,936	-	21,936	21,298
Other Services - Non Service Expenditure	(58,062)	5,079	(3,761)	2,500	3,818	(54,244)
HRA	(41,175)	3,444	23,143	14,588	41,175	-
Total	(200,420)	232,843	212,261	125,728	570,832	370,412

Reconciliation of Service Income and Expenditure to Cost of Services in Comprehensive Income and Expenditure Statement

	£'000
Net Expenditure in the Service Analysis	370,412
Net expenditure of services and support services not included in the Analysis	-
Amounts in the Net Cost of Services not reported to management in the Analysis	-
Amounts included in the Service Analysis not included in the Net Cost of Services	60,581
Net Cost of Services	430,993

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the (Surplus) or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Account.

	Service Analysis £'000	Not included in Net Cost of Services £'000	Allocation of Support Services £'000	Net Cost of Services £'000	Corporate Amounts* £'000	Total £'000
Fees, charges and other service income	(200,420)	4,730	6,035	(189,655)	(4,730)	(194,385)
Interest and investment income	-	-	-	-	(3,893)	(3,893)
Government grants and contributions	-	-	-	-	(331,076)	(331,076)
Income from council tax	-	-	-	-	(68,435)	(68,435)
Total Income	(200,420)	4,730	6,035	(189,655)	(408,134)	(597,789)
Employee expenses	232,843	(53)	(13,617)	219,173	53	219,226
Other service expenses	212,261	60,453	(9,253)	263,461	1,298	264,759
Support Service recharges	-	(703)	22,170	21,467	703	22,170
Depreciation, amortisation and impairment	125,728	(3,846)	(5,335)	116,547	1,613	118,160
Interest Payments	-	-	-	-	24,570	24,570
(Gain) or Loss on Disposal of Non Current Assets	-	-	-	-	(91)	(91)
Total Expenditure	570,832	55,851	(6,035)	620,648	28,146	648,794
(Surplus) or Deficit on the Provision of Services	370,412	60,581	-	430,993	(379,988)	51,005

* Corporate Amounts are amounts reported below the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

HRA – INCOME & EXPENDITURE STATEMENT**STATEMENT 9**

PURPOSE	The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.		
INCOME		2011/12 £'000	2010/11 £'000
	Dwellings Rent (gross)	(39,429)	(38,024)
	Non-Dwellings Rent (gross)	(823)	(910)
	Other Income	(923)	(556)
	TOTAL INCOME	(41,175)	(39,490)
EXPENDITURE	Repairs and Maintenance	15,144	13,286
	Supervision and Management	8,584	9,055
	Depreciation and Revaluation of non current assets	18,000	160,232
	Bad or Doubtful Debts	312	272
	Other Expenditure	2,483	2,755
	TOTAL EXPENDITURE	44,523	185,600
	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	3,348	146,110
	HRA Services share of Corporate and Democratic Core (CDC)	63	62
	HRA share of Non Distributed Costs	(40)	40
	Net Cost of HRA Services	3,371	146,212
	HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
	(Profit) / Loss on sale of HRA assets	(585)	2,961
	Interest payable and similar charges	4,033	3,802
	Pensions interest cost and expected return on pensions assets	42	(2,174)
	Deficit for the year on HRA Services	6,861	150,801

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.				
		Note	2011/12 £'000	2010/11 £'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		6,861	150,801	
	Adjustments between accounting basis and funding basis under regulations		(6,861)	(150,801)	
	(Increase) or decrease in year on the Housing Revenue Account		-	-	
Balance on the HRA at the end of the current year		(926)	(926)		
NOTES	1.	Adjustments between accounting basis and funding basis under regulations Depreciation and Revaluation Profit / (Loss) on sale of HRA fixed assets Capital Grants and Contributions Amount by which pension costs calculated in accordance with IAS 19 are different from contributions due to the Lothian Pension Fund Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year Loans fund principal Capital expenditure funded by HRA Adjustments between accounting basis and funding basis under regulations		 (18,000) 585 - (1) (17,416) 2,284 8,271 (6,861)	 (160,232) (2,961) - 2,134 (161,059) 2,093 8,165 (150,801)
	2.	Housing Stock The Council's stock at 1 April 2010 was 12,895 houses and at 31 March 2011 was 12,923 houses. As a result the Council was responsible for managing an average of 12,909 dwellings during 2011/12. Stock movements can be summarised as follows:- Stock as at 1 April Additions Less Demolitions Less Stock restated Less Sales Stock as at 31 March Housing Stock Numbers by type are as follows: 1 Bed 2 Bed 3 Bed 4 Bed More than 4 Bed		2011/12 No of Houses 	

PURPOSE	This statement shows the net income raised from Council Tax levied under the Local Government Finance Act 1992.																																																																																																																																																					
INCOME		Gross Council Tax levied and contributions in lieu <u>Less:</u> Discounts Provision for bad debts Net cost of benefits Other deductions Adjustments for previous years' Community Charge and Council Tax Transfers to General Fund	2011/12 £'000		2010/11 £'000																																																																																																																																																	
				77,854	77,493																																																																																																																																																	
			(6,445)		(6,455)																																																																																																																																																	
			(1,563)		(1,556)																																																																																																																																																	
			(12)		64																																																																																																																																																	
			(2,151)		(2,150)																																																																																																																																																	
				(10,171)	(10,097)																																																																																																																																																	
	67,683	67,396																																																																																																																																																				
	752	603																																																																																																																																																				
	68,435	67,999																																																																																																																																																				
NOTES	1.	Calculation of the Council Tax base 2011/12																																																																																																																																																				
		<table><tr><td></td><th colspan="9">PROPERTY BANDS</th></tr><tr><th>A</th><th>B</th><th>C</th><th>D</th><th>E</th><th>F</th><th>G</th><th>H</th><th>Total</th></tr><tr><td>Properties</td><td>17,787</td><td>24,403</td><td>9,427</td><td>7,444</td><td>8,863</td><td>5,073</td><td>2,403</td><td>171</td><td>75,571</td></tr><tr><td>Exemptions</td><td>(804)</td><td>(583)</td><td>(190)</td><td>(84)</td><td>(78)</td><td>(41)</td><td>(19)</td><td>(12)</td><td>(1,811)</td></tr><tr><td>Disabled Relief</td><td>170</td><td>(75)</td><td>(10)</td><td>3</td><td>(8)</td><td>(43)</td><td>(36)</td><td>(1)</td><td>-</td></tr><tr><td>Discounts (10%)</td><td>(9)</td><td>(5)</td><td>(4)</td><td>(3)</td><td>(3)</td><td>(1)</td><td>(1)</td><td>-</td><td>(26)</td></tr><tr><td>Discounts (25%)</td><td>(2,485)</td><td>(2,390)</td><td>(864)</td><td>(492)</td><td>(386)</td><td>(155)</td><td>(57)</td><td>(3)</td><td>(6,832)</td></tr><tr><td>Discounts (50%)</td><td>(100)</td><td>(109)</td><td>(68)</td><td>(38)</td><td>(41)</td><td>(15)</td><td>(10)</td><td>-</td><td>(381)</td></tr><tr><td>Effective Properties</td><td>14,559</td><td>21,241</td><td>8,291</td><td>6,830</td><td>8,347</td><td>4,818</td><td>2,280</td><td>155</td><td>66,521</td></tr><tr><td>Ratio to Band D</td><td>6/9</td><td>7/9</td><td>8/9</td><td>1</td><td>11/9</td><td>13/9</td><td>15/9</td><td>18/9</td><td></td></tr><tr><td>Band D Equivalents</td><td>9,706</td><td>16,521</td><td>7,370</td><td>6,830</td><td>10,202</td><td>6,959</td><td>3,800</td><td>310</td><td>61,698</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>(1,542)</td></tr><tr><td>COUNCIL TAX BASE</td><td colspan="8"></td><td>60,156</td></tr></table>											PROPERTY BANDS									A	B	C	D	E	F	G	H	Total	Properties	17,787	24,403	9,427	7,444	8,863	5,073	2,403	171	75,571	Exemptions	(804)	(583)	(190)	(84)	(78)	(41)	(19)	(12)	(1,811)	Disabled Relief	170	(75)	(10)	3	(8)	(43)	(36)	(1)	-	Discounts (10%)	(9)	(5)	(4)	(3)	(3)	(1)	(1)	-	(26)	Discounts (25%)	(2,485)	(2,390)	(864)	(492)	(386)	(155)	(57)	(3)	(6,832)	Discounts (50%)	(100)	(109)	(68)	(38)	(41)	(15)	(10)	-	(381)	Effective Properties	14,559	21,241	8,291	6,830	8,347	4,818	2,280	155	66,521	Ratio to Band D	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9		Band D Equivalents	9,706	16,521	7,370	6,830	10,202	6,959	3,800	310	61,698	Contributions in lieu									-	Level of non-payment provided for									(1,542)	COUNCIL TAX BASE									60,156
			PROPERTY BANDS																																																																																																																																																			
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		Disabled Relief	170	(75)	(10)	3	(8)	(43)	(36)	(1)	-																																																																																																																																											
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		Discounts (25%)	(2,485)	(2,390)	(864)	(492)	(386)	(155)	(57)	(3)	(6,832)																																																																																																																																											
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		COUNCIL TAX BASE									60,156																																																																																																																																											
		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 Benefit Scheme 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		2011/12 Council Tax £			2010/11 Council Tax £																																																																																																																																														
A			752.00			752.00																																																																																																																																																
B			877.33			877.33																																																																																																																																																
C			1,002.67			1,002.67																																																																																																																																																
D			1,128.00			1,128.00																																																																																																																																																
E			1,378.67			1,378.67																																																																																																																																																
F			1,629.33			1,629.33																																																																																																																																																
G			1,880.00			1,880.00																																																																																																																																																
H			2,256.00			2,256.00																																																																																																																																																
4.																																																																																																																																																						
	Energy Efficiency discounts were applied during 2011/12 as per the Energy Efficiency Discount Scheme run by Energy Saving Scotland. The total discounts applied were £5,250, £5,175 has been collected from the contractors, with the balance accrued as a sundry debtor.																																																																																																																																																					

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		2011/12 £'000	2010/11 £'000
		Gross rates levied and contributions in lieu	92,081
		<u>Less</u>	86,204
		Reliefs and other deductions	(15,919)
		Payment of interest	(3)
		Provisions for bad and doubtful debts	(566)
			(16,488)
		Adjustments for years prior to introduction of national NDR pool	69,716
			-
		Net non-domestic rate income	69,716
NOTES	1.	The amount distributed to West Lothian Council from the national non-domestic rate income pool in 2011/12 was £69.386 million (£67.830 million 2010/11).	
		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 42.6p per £ in 2011/12 (40.7p in 2010/11). The rate was 43.3p (41.4p in 2010/11) for properties with a rateable value of more than £35,000. Properties with a rateable value of £18,000 or less are subject to a reduced charge.	
		3. Rateable values at 1 April 2011	
		Number	Rateable Value £'000
		Shops, Offices and other Commercial Subjects	89,766
		Industrial Subjects	77,735
		Miscellaneous (Schools etc.)	47,275
		Total	214,776

LOANS FUND REVENUE ACCOUNT		STATEMENT 13	
PURPOSE	<p>This statement shows the revenue transactions of the Loans Fund. The Loans Fund provides a central pool of finance for all Council expenditure.</p> <p>All external loans, borrowed to finance capital spending, are paid into the fund. Interest due on these borrowings and debt management expenses are allocated to this account. These costs are then charged annually to the Comprehensive Income and Expenditure Statement.</p>		
EXPENDITURE		2011/12 £'000	2010/11 £'000
	Interest paid to External Lenders	19,619	19,126
	Interest paid on Internal Revenue Account Balances	1,456	1,188
	Losses on the Repurchase of Borrowing	79	79
	Total Interest	21,154	20,393
	Expenses of Borrowing	286	294
	Total Expenditure	21,440	20,687
INCOME	Interest Received from Investments	2,505	2,048
	Expenses charged to the Comprehensive Income and Expenditure Statement	286	294
		2,791	2,342
	Net Loans Fund interest charged to the Comprehensive Income and Expenditure Statement	18,649	18,345
	Total Income	21,440	20,687
NOTES	1.	The average rate of interest on borrowings from the Loans Fund was 4.1% (4.3% 2010/11).	
	2.	The rate for debt management expenses was 0.1% (0.1% 2010/11).	
	3.	The amount of internal debt outstanding at 31 March 2012 was £464.1 million or £2,697 per head of population compared with £440.1 million or £2,573 per head of population at 31 March 2011.	

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CHARITABLE TRUSTS		STATEMENT 14	
PURPOSE	The Council acts as sole trustee for 39 Charitable 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	2011/12 £'000	2010/11 £'000
	Beneficiaries	3	7
	Loans Fund and Dividend Interest	6	6
	For Year	3	(1)
	At 1 April	364	365
	At 31 March	367	364
	BALANCE SHEET		
	Current Assets		
	Investments	47	47
	Revenue Advances to Loans Fund	320	317
		367	364
	Current Liabilities	-	-
	TOTAL ASSETS	367	364
	Reserves		
	Capital Fund	158	158
	Revenue Fund	209	206
	TOTAL RESERVES	367	364
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 2011/12 is disbursed in 2012/13.	
	2.	The main fund balances where the Council is sole trustee at 31 March 2012 are:-	
		Capital £'000	Revenue £'000
	Irene Elizabeth Miller Trust	60	3
	West Lothian Trust for the Benefit of People with Disabilities	41	17
	Quarter Farm Trust	17	40
	James Wood Bequest	14	50
	Robert Turner of Armadale Trust	11	19
	3.	The Council also administers six other trusts, which have external and Council trustees. At 31 March 2012 (2011) the total assets of these trusts, valued at cost, was £210,000 (£208,000).	

COMMON GOOD ACCOUNT

STATEMENT 15

PURPOSE

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

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

INCOME AND EXPENDITURE STATEMENT**2011/12**
£'000**2010/11**
£'000**Expenditure**

Donations

-

-

Income

Interest

1

-

Surplus/(Deficit)

1

-

At 1 April

12

12

At 31 March

13**12****BALANCE SHEET****Non Current Assets**

Heritable Property

1

1

Furnishings

4

4

5**5****Current Assets**

Revenue Advances to Loans Fund

17

16

TOTAL ASSETS**22****21****FINANCED BY:****Reserves**

Revenue Balance

13

12

Capital Reserve

9

9

TOTAL LOANS AND RESERVES**22****21**

NOTES

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

£'000

Furnishings

4

Heritable Property

1

5

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

3. Interest received in 2011/12 amounted to £350.

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

This statement shows the movement in the year on the different reserves held by the authority into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' accounting reserves. The deficit on the provision of services shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account (HRA) for council tax setting and dwellings rent setting purposes. The net increase/decrease before transfers to Other Statutory Reserves line shows the statutory General Fund and HRA surplus or deficit for the year before any discretionary transfers to or from Other Statutory Reserves undertaken by the Council.

**MOVEMENT IN RESERVES STATEMENT - GROUP
AS AT 31 MARCH 2012**

	Group Note	*Single Entity Usable Reserves £'000	Restated Single Entity Unusable Reserves £'000	Restated Group Reserves £'000	Restated Total Group Reserves £'000
Balance at 1 April 2010		80,036	781,692	(325,880)	535,848
Movement in Reserves during 2010/11					
Surplus (Deficit) on the provision of services	G2	(128,153)	-	21,589	(106,564)
Other comprehensive income and expenditure		-	66,525	15,048	81,573
Total comprehensive income and expenditure		(128,153)	66,525	36,637	(24,991)
Adjustments between accounting basis and funding basis under regulations		134,422	(134,422)	-	-
Net increase (decrease) before transfers to other statutory reserves		6,269	(67,897)	36,637	(24,991)
Transfers to or from other statutory reserves		-	-	-	-
Increase (decrease) in year		6,269	(67,897)	36,637	(24,991)
Balance at 31 March 2011		86,305	713,795	(289,243)	510,857
Movement in Reserves during 2011/12					
Surplus (Deficit) on the provision of services	G2	(51,005)	-	(17,601)	(68,606)
Other comprehensive income and expenditure		-	7,757	(61,737)	(53,980)
Total comprehensive income and expenditure		(51,005)	7,757	(79,338)	(122,586)
Adjustments between accounting basis and funding basis under regulations		63,159	(63,159)	-	-
Net increase (decrease) before transfers to other statutory reserves		12,154	(55,402)	(79,338)	(122,586)
Transfers to or from other statutory reserves		-	-	-	-
Increase (decrease) in year		12,154	(55,402)	(79,338)	(122,586)
Balance at 31 March 2012		98,459	658,393	(368,581)	388,271

*Statement 4 and Notes 6, 7 and 8 to the Financial Statements provide details of the Single Entity Reserves

COMPREHENSIVE INCOME & EXPENDITURE - GROUP

STATEMENT 17

PURPOSE

This 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in Reserves Statement.

**GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012**

	Group Note	2011/12			Restated 2010/11		
		Gross Expend £'000	Gross Income £'000	Net Expend £'000	Gross Expend £'000	Gross Income £'000	Net Expend £'000
Education Services		242,309	7,405	234,904	186,108	8,050	178,058
Housing		92,330	85,146	7,184	88,843	79,009	9,834
Cultural and Related Services		31,837	4,986	26,851	34,037	5,874	28,163
Environmental Services		30,118	9,587	20,531	30,009	8,997	21,012
Fire Services		6,300	-	6,300	6,615	-	6,615
Roads and Transport Services		24,917	5,576	19,341	28,019	2,951	25,068
Police Services		14,419	638	13,781	13,781	596	13,185
Planning and Development Service		13,931	7,441	6,490	22,992	10,047	12,945
Social Work		103,638	22,399	81,239	104,607	21,557	83,050
Joint Valuation Board		1,151	-	1,151	1,172	45	1,127
Central Services		5,337	5,238	99	6,132	5,522	610
Corporate and Democratic Core		4,767	64	4,703	6,572	62	6,510
Non-Distributed Costs		1,402	-	1,402	(68,358)	-	(68,358)
Net Cost of General Fund Services		572,456	148,480	423,976	460,529	142,710	317,819
Housing Revenue Account		44,523	41,175	3,348	185,600	39,490	146,110
Exceptional Items		3,669	-	3,669	9,852	76	9,776
Net Cost of Services		620,648	189,655	430,993	655,981	182,276	473,705
Other Operating Expenditure		(91)	6	(97)	9,216	7	9,209
Financing and Investment Income and Expenditure		28,562	8,748	19,814	41,169	8,059	33,110
Share of corporation tax of Joint Venture		11	-	11	15	-	15
Taxation and Non-Specific Grant Income		-	399,511	(399,511)	-	387,687	(387,687)
(Surplus) or Deficit on Provision of Services		649,130	597,920	51,210	706,381	578,029	128,352
Share of Operating Results of Associates and Joint Ventures		69,093	51,697	17,396	34,098	55,886	(21,788)
(Surplus) or Deficit on Group		718,223	649,617	68,606	740,479	633,915	106,564
Surplus on revaluation of property, plant and equipment				(27,514)			(25,104)
(Surplus) / Deficit on revaluation of available for sale financial assets				(28)			(139)
Actuarial (gains) / losses on pension assets and liabilities				19,785			(41,282)
(Gains) / Losses on Investments in Associates and Joint Ventures				61,737			(15,048)
Other Comprehensive Income and Expenditure				53,980			(81,573)
Total Comprehensive Income and Expenditure				122,586			24,991

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

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. The first category of reserves are usable 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 absorb the differences between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure.

	Group Note	As at 31 March 2012 £'000	Restated As at 31 March 2011 £'000	Restated As at 1 April 2010 £'000
LONG TERM ASSETS				
Property, Plant and Equipment				
- Council Dwelling		419,146	398,562	537,736
- Other Land and Buildings		696,797	746,103	715,956
- Vehicles, Plant, Furniture and Equipment		16,898	16,281	16,645
- Infrastructure Assets		178,745	167,510	152,382
- Community Assets		1,605	1,624	1,624
- Assets under construction		4,412	10,496	35,533
- Surplus Assets, not yet held for disposal		33,514	31,675	56,428
- Heritage Assets		677	470	470
		1,351,794	1,372,721	1,516,774
Long Term Investments		192	17,664	25
Long Term Debtors		2,116	2,422	19
TOTAL LONG TERM ASSETS		1,354,102	1,392,807	1,516,818
CURRENT ASSETS				
Short Term Investments		96,899	83,604	55,000
Inventories		1,694	1,171	797
Short Term Debtors		29,359	25,471	25,288
Cash and Cash Equivalents		22,010	37,045	42,422
TOTAL CURRENT ASSETS		149,962	147,291	123,507
CURRENT LIABILITIES				
Short Term Borrowing		(90,412)	(41,679)	(6,353)
Short Term Creditors		(64,869)	(73,438)	(66,926)
Provisions		(729)	(848)	(1,418)
TOTAL CURRENT LIABILITIES		(156,010)	(115,965)	(74,697)
NET CURRENT ASSETS (LIABILITIES)		(6,048)	31,326	48,810
TOTAL ASSETS LESS CURRENT LIABILITIES		1,348,054	1,424,133	1,565,628
LONG TERM LIABILITIES				
Long Term Creditors		(1,726)	(2,134)	(2,412)
Long Term Borrowing		(380,420)	(426,163)	(399,624)
Defined Benefit Scheme Liability		(135,689)	(120,127)	(228,340)
Other Long Term Liabilities		(73,367)	(75,609)	(73,524)
Share of Net Liabilities of Associates and Joint Venture		(368,581)	(289,243)	(325,880)
TOTAL LONG TERM LIABILITIES	G2	(959,783)	(913,276)	(1,029,780)
TOTAL NET ASSETS		388,271	510,857	535,848
Financed by:				
USABLE RESERVES				
General Funds Balance		21,597	18,843	12,451
HRA Balance		926	926	926
Capital Fund		68,129	60,572	58,850
Insurance Fund		9,851	8,648	10,050
Repair and Renewal Fund		-	65	64
Capital Receipts Reserve		-	34	-
Capital Grants Unapplied Account		74	76	13
TOTAL USABLE RESERVES		100,577	89,164	82,354
UNUSABLE RESERVES		287,694	421,693	453,494
TOTAL RESERVES		388,271	510,857	535,848

The unaudited accounts were issued on 21 June 2012 and the audited accounts were authorised for issue on 24 September 2012.

Donald Forrest

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

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

	Group Note	2011/12 £'000	Restated 2010/11 £'000
Net surplus (deficit) on Group		(68,606)	(106,564)
Adjust net surplus or deficit on the provision of services for non cash movements		126,263	158,538
Net cash flows from Operating Activities		57,657	51,974
Net cash flows from Investing Activities		(75,237)	(112,500)
Net cash flows from Financing Activities		2,545	55,149
Net increase (decrease) in cash and cash equivalents		(15,035)	(5,377)
Cash and cash equivalents at the beginning of the reporting period		37,045	42,422
Cash and cash equivalents at the end of the reporting period		22,010	37,045

NOTES TO THE GROUP ACCOUNTS

STATEMENT 20

G1. ACCOUNTING POLICIES

The group accounting policies are those specified for the single entity financial statements as detailed in Statement 8 Note 1.

G2. COMBINING ENTITIES

The Council has a number of related companies full details of which are shown on pages 63 and 64 of the Accounts. For the purposes of consolidation and incorporation within the Group Accounts the Council does not have any subsidiary companies but has significant influence over West Lothian Leisure Ltd, the Lothian and Borders Police and Fire Boards and the Lothian Valuation Joint Board. These interests are deemed to be Associates. The Council has a 50% joint venture in West Lothian Recycling Ltd.

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

Associates

West Lothian Leisure Ltd.	- basis - WLC funding to total income
Joint Boards - Police	- basis - WLC funding to total funding
- Fire	- basis - WLC funding to total funding
- Valuation	- basis - WLC funding to total funding

Joint Venture

West Lothian Recycling Ltd.	- basis - 50% of share capital
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	2011/12	2010/11
	22.14%	24.97%
	17.23%	15.71%
	15.91%	15.64%
	18.67%	18.39%
	50%	50%

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

Council share of Associates and Joint Ventures		Police £'000	Fire £'000	Valuation £'000	West Lothian Leisure £'000	West Lothian Recycling £'000	Total £'000
Total Assets	2011/12	22,397	8,822	296	761	293	32,569
	2010/11	20,732	9,090	279	1,000	328	31,429
Total Liabilities and shareholders equity	2011/12	(337,634)	(61,839)	(1,065)	(465)	(147)	(401,150)
	2010/11	(263,107)	(55,706)	(1,111)	(680)	(68)	(320,672)
Net Assets / (Liabilities)	2011/12	(315,237)	(53,017)	(769)	296	146	(368,581)
	2010/11	(242,375)	(46,616)	(832)	320	260	(289,243)
Included in Surplus / (Deficit) in Group	2011/12	(14,127)	(3,565)	43	12	36	(17,601)
	2010/11	17,206	3,177	627	536	43	21,589

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

Council share of Associates and Joint Ventures		Police £'000	Fire £'000	Valuation £'000	West Lothian Leisure £'000	West Lothian Recycling £'000	Total £'000
General Fund Balance	2011/12	1,268	313	-	296	146	2,023
	2010/11	1,663	491	-	320	260	2,734
	2009/10	1,697	608	-	(217)	217	2,305
Capital Fund	2011/12	-	21	-	-	-	21
	2010/11	-	15	-	-	-	15
	2009/10	-	-	-	-	-	-
Capital Grants	2011/12	34	40	-	-	-	74
Unapplied A/C	2010/11	31	45	-	-	-	76
	2009/10	-	13	-	-	-	13
Capital Receipts Reserve	2011/12	-	-	-	-	-	-
	2010/11	34	-	-	-	-	34
	2009/10	-	-	-	-	-	-
Total Usable Reserves	2011/12	1,302	374	-	296	146	2,118
	2010/11	1,728	551	-	320	260	2,859
	2009/10	1,697	621	-	(217)	217	2,318

Council share of Associates and Joint Ventures		Police £'000	Fire £'000	Valuation £'000	West Lothian Leisure £'000	West Lothian Recycling £'000	Total £'000
Unusable Reserves	2011/12	(316,539)	(53,391)	(769)	-	-	(370,699)
	2010/11	(244,103)	(47,167)	(832)	-	-	(292,102)
	2009/10	(267,329)	(58,794)	(2,075)	-	-	(328,198)
Total Reserves	2011/12	(315,237)	(53,017)	(769)	296	146	(368,581)
	2010/11	(242,375)	(46,616)	(832)	320	260	(289,243)
	2009/10	(265,632)	(58,173)	(2,075)	(217)	217	(325,880)

The accounting period for the Associates is the 31 March 2012 while the Joint Venture is the 31 December 2011. The associates and joint venture have been accounted for using the equity method.

The Charitable Trusts and Common Good Fund, which the Council manages, have not been included in the Group Accounts on the grounds of materiality. Full details of these accounts can be found in Statements 14 and 15 on pages 56 and 57.

NOTES TO THE GROUP ACCOUNTS

STATEMENT 20

G3. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the Associates and Joint Venture on the Group Balance Sheet as at 31 March 2012 (2011) is to reduce the net assets by £368.581 million (£289.243 million) representing the Council's share of net liabilities of these organisations. The net liabilities are attributable to the Joint Boards which have significant pension liabilities under IAS 19 of £389.821 million (£309.149 million) as the Police and Fire Officers pension schemes are unfunded and pension payments, net of officer's contributions, are met annually from revenue funding. The split of these pension liabilities is detailed below:

- Lothian and Borders Fire Board
- Lothian and Borders Police Board
- Lothian Valuation Joint Board

2011/12 £'000	2010/11 £'000
(59,889)	(53,489)
(329,091)	(254,747)
(841)	(913)
(389,821)	(309,149)

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

G4. GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

The 2011/12 (2010/11) share of Associates pension interest cost and expected return on pension assets is £17.988 million (£16.817 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.

G5. NON MATERIAL 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 they are not considered to be a material part of the Group.

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

5.1 West Lothian Municipal Bank Limited

The company has carried on business in Armadale as a Bank of Deposit, basically a savings bank, since 1964. Members of the Council are the sole shareholders and directors of the company. The company does not pay a dividend and the directors are not paid any remuneration. The Council does not have a shareholding in the company. The Council matches the expenses and interest incurred so that no profit or loss is made. The vast majority of the funds of the company are lent to the Council who guarantee to make good to a depositor any principal and interest due, should the company default in payment.

The following details have been extracted from the most recent accounts of the company which, where audited, have had no qualifications to the audit certificate.

Debtors - West Lothian Council
Creditors - due to Depositors

Unaudited 17 April 2012 £'000	17 April 2011 £'000
1,004	1,001
1,104	1,093

5.2 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 2012 (31 March 2011) show a loss (profit) before and after tax of £1,008 loss (£12,069) with net assets of £495,121 (£496,129).

5.3 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 2010/11.

The unaudited (audited) accounts for the period ended 31 March 2012 (31 March 2011) show a profit (loss) before and after tax of £1,871 (£4,687 loss) with net liabilities of £7,007 (£8,878).

5.4 West Lothian Housing Partnership Limited

The Partnership is a company limited by guarantee and was formally incorporated in 1998. In June 2001 the Partnership was registered as a charity with the Inland Revenue and achieved contractual registration with the Scottish Housing Regulator in November 2001. The company's main aim is to develop and operate new housing for rent.

The provision of finance and insurance support previously provided by the Council is now undertaken in-house by the Partnership. In addition, the Company's Constitution has been amended and approved to ensure all Board Members are appointed as independent members. There is no longer a requirement for five Council nominations forming part of the Board and no funding is provided by the Council.

5.5 Visit West Lothian Limited

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

The unaudited (audited) accounts for the year ended 31 March 2012 (2011) show a profit before tax of £13,858 (£227) and after tax of £11,086 (£227) with net assets of £26,118 (£15,032).

5.6 The West of Scotland Archaeology Service

This body was set up in 1997 as a Joint Committee of local authorities in the area. It is currently funded by 11 local authorities and Historic Scotland for Specific Projects. Its primary purpose is to provide planning related archaeological advice to its members, permitting them to discharge their duties in respect of Scottish Executive planning guidance for the treatment of archaeological remains in the planning process. During the year, the Council made a contributions of £12,691 (£15,287 2010/11) representing 8.6% of the Committee's estimated running costs for the year to 31 March 2012.

5.7 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 £25,562 (£34,034 2010/11) and had a voting share of 12.5%.

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

The Council is a member of SESplan. SESplan is composed of 6 local authorities that have a statutory duty under Section 4 of the Planning etc. (Scotland) Act 2006 to work together to prepare, and keep under review, a Strategic Development Plan (SDP) for the South East of Scotland. During the year, the Council made a contribution of £40,000 to the running costs of SESplan, representing 17% of the authority's running costs. The Council has a voting share of 17%.

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