

# West Lothian Council

## Annual Accounts

Year ended 31 March 2015

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Accounts of West Lothian Council for the year ended 31 March 2015, prepared pursuant to Section 105 of the Local Government (Scotland) Act 1973 and in accordance with the terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

## Annual Accounts

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# INDEPENDENT AUDITOR'S REPORT

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

I certify that I have audited the financial statements of West Lothian Council and its group for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash-Flow Statements, the authority-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, the Non-Domestic Rate Income Account, the Loans Fund Revenue Account, the Charitable Trusts, the Common Good Account 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 2014/15 (the 2014/15 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 circumstances of the authority and its group 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 Annual Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 2014/15 Code of the state of the affairs of the group and of the local authority as at 31 March 2015 and of the income and expenditure of the group and the body 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 2014/15 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

## 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 2014; and
- the information given in the Management Commentary 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:

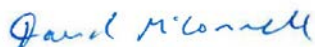
- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement has not been prepared in accordance 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 2015 in respect of their significant trading operation, Economic Development Properties.



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29 September 2015

## MANAGEMENT COMMENTARY

### by Donald Forrest, Head of Finance and Estates

#### THE COUNCIL

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

West Lothian Council provides a diverse range of essential services, such as education, social services, housing, environmental health, planning, economic development, highways and transport, to over 175,000 people both within and outwith West Lothian. The quality and effectiveness of these services relies on the commitment, dedication and ability of our 6,901 (Full Time Equivalent) employees, who on a daily basis make a difference to the lives of our customers.

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

The elected members meet every six weeks at meetings of full council. Below the full council there is a structure of other bodies which are designed to make decisions and set council policy in an efficient and transparent way.

The Council's Management Team consists of the Chief Executive, three Depute Chief Executives, nine Heads of Services including the Section 95 Officer (Head of Finance and Estates). Details of salaries and pensions for these senior officers can be found in the remuneration report on pages 11 to 16.

#### WEST LOTHIAN

With a growing younger population and older population, West Lothian is fairly unique in Scotland.

West Lothian is proud of its school estate which is one of the best in terms of condition and suitability in Scotland, and has, over a number of years, invested considerable sums to ensure school pupils have the best possible environment to learn and develop. Within the current general services capital programme 2015/16 to 2017/18 there are a number of significant planned improvements, projects and other investment which will sustain and improve the condition, suitability, sufficiency, accessibility and sustainability of our school estate. The largest of these is the construction of a new West Calder High School with a total school construction cost of approximately £30m with another £5.5m being invested in supporting infrastructure. The new school will not only provide the most modern learning environment of any secondary school in Scotland it will also provide the community of West Calder with local access to facilities including a swimming pool, sports and leisure accommodation. The project is due for completion by March 2018.

West Lothian Council is committed to delivering 1,000 new council houses, one of the most significant local authority new build programmes to provide new council homes for rent.

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

The council is also committed to its older population with a new supported living unit being opened and more than 4,000 people using telecare services. The Home Safety Service supports older and vulnerable people to stay safely in their own homes for longer.

West Lothian Council is committed to partnership working as a key to improving the quality of life for local people. The council has an active Community Planning Partnership. Seamless working is at the heart of the council's ethos and this can clearly be demonstrated by the successful Community Health and Care Partnership, which will be replaced by the West Lothian Integrated Joint Board (IJB) in October 2015. In addition, there is the West Lothian Community Safety Unit partnership with Police Scotland.

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

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

#### STRATEGY AND BUSINESS MODEL

The council's Corporate Plan sets the strategic priorities for West Lothian Council from 2013 to 2017. These priorities provide the focus for all services, as the council works to deliver better outcomes for West Lothian.

The council's overall aim is to improve the quality of life for people in West Lothian. The Corporate Plan contains eight priorities that aim to make a lasting and sustainable impact on the local area and improve the lives of residents in West Lothian.

The priorities are:

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

## MANAGEMENT COMMENTARY

### by Donald Forrest, Head of Finance and Estates

#### STRATEGY AND BUSINESS MODEL (Continued)

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

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

#### FINANCIAL STRATEGY

The council agreed a five year financial strategy covering the period 2013/14 to 2017/18 on 29 January 2013. This strategic approach ensures that the council can respond to the magnitude of the challenge in delivering essential services whilst financial resources are constrained, and is in line with the best practice approach highlighted by Audit Scotland.

#### PERFORMANCE MANAGEMENT

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

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

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

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

and on comparative performance:

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

The council has a rigorous programme of self-assessment – using a European Foundation for Quality Management (EFQM) based approach, which has been in place for over 10 years, to ensure challenge and performance focus are embedded in the council culture. External scrutiny is also used to improve service performance and challenge practice against the best in class in the public, private and third sectors. The Customer Service Excellence (CSE) standard has been held corporately since 2008 and compliance is re-assessed annually. The council has been an Investor in People (IIP) organisation since 2001 and achieved IIP Gold status in 2014.

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

#### Customer satisfaction with the service:

We consult with customers on the services and the quality of the service that they receive from the council. This information that customers provide is used to identify ways to improve our services.

Measurable indicators of customer satisfaction are also tracked and monitored from surveys with customers, demonstrating if we are providing high quality customer-focused services to customers. The council holds Investor in People status across the organisation and every team is involved in service improvement and Customer Service Excellence.

#### How we perform against Service Standards:

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

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

#### The efficiency of the service:

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

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

#### The impact of the service:

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

#### FINANCIAL PERFORMANCE 2014/15

##### Revenue Budget – General Service 2014/15

Net expenditure on General Services is met from Government Grants and Council Tax. In 2014/15 Government Grants accounted for 81.7% (81.4% 2013/14) of the Council's external funding with the remaining 18.3% (18.6% 2013/14) from Council Tax.

In 2014/15 the Council incurred net expenditure of £386.383 million against a budget of £389.665 million, utilising 99.2% of available budget.



## MANAGEMENT COMMENTARY

### by Donald Forrest, Head of Finance and Estates

#### Revenue Budget – General Service 2014/15 (Continued)

The General Fund recorded a net deficit for the year of £3.264 million. This was made up of the following:-

- a net service underspend of £3.282 million
- a net overspend of £0.021 million in non-service expenditure
- an over recovery of council tax and community charge income of £0.021 million
- a net spend of £6.546 million in relation to General Fund committed balances

The net deficit of £3.264 million decreases the General Fund balance to £19.307 million at 31 March 2015. Existing commitments against the balance are £17.307 million, including a Modernisation Fund of £4.372 million and time limited projects of £5.414 million. Thus leaving an uncommitted balance of £2 million (£2 million 2013/14) or 0.5% of budgeted net expenditure which is in line with the Council's target minimum uncommitted General Fund balance.

The Council holds a provision of £1.242 million to meet the liability arising from the equal pay claims following the outcome of litigation involving Dumfries and Galloway Council. West Lothian is currently in discussions with claimants' representatives to establish settlement terms. During 2014/15 £0.013 million (£0.213 million 2013/14) was paid to claimants. The remaining balance in the equal pay provision is deemed sufficient to cover any further payments which may be required.

On 29 June 2010 a Modernisation Fund was agreed to assist in funding potential termination costs for staff. Use of the fund is managed by application from Heads of Service and approved by the Head of Finance and Estates. To date £13.997 million has been paid from the Modernisation Fund. As at 31 March 2015, the balance of the Modernisation Fund is £4.372 million.

Included in the Comprehensive Income and Expenditure Statement is £0.513 million of expenditure in relation to the cost of employee exit packages paid to 16 staff during 2014/15 as part of the Council's strategy to balance the budget.

The in-year collection rate for Council Tax in 2014/15 was 94.9% (94.4% 2013/14).

During the normal fixed assets revaluation cycle, hostels, theatres, museums and sports centres were reduced in value due to current economic conditions. As a result £9.141 million has been charged to the Comprehensive Income and Expenditure Account. The revaluation charge has no impact on the General Fund Balance carried forward.

#### Revenue Budget – Housing 2014/15

Statement 9 the HRA – Income and Expenditure Statement includes depreciation and impairment on housing assets. The deficit for the year is £10.931 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 £10.931 million.

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

#### Capital Budget 2014/15

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

Based on approved indicators, the Council was able to demonstrate the affordability of capital plans. The capital financing requirement for 2014/15 was £595.673 million, £436.076 million for general services and £159.597 million for Housing Revenue Account. External debt levels were £561.365 million during 2014/15. The ratio of financing costs to net revenue stream for General Fund and HRA were 7% and 24% respectively.

Capital expenditure of £68.197 million was incurred in 2014/15. This expenditure was split between two distinct blocks with £27.276 million spent on the Housing Programme and £40.921 million on the General Services Programme.

The 2014/15 General Services Capital Programme had a budget of £40.246 million and the final outturn for 2014/15 was £40.921 million. The variance of expenditure compared to budget for the year was £0.675 million due to accelerated spend on projects from future years.

The HRA Capital Programme had a budget of £36.858 million and actual expenditure of £27.276 million resulting in a net variance of £9.582 million. This was largely due to slippage on the New Build 1,000 houses and on Blackburn Homeless Persons Unit.

#### Acquisition of Major Assets

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 2015 is £107.646 million.

#### 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 28 provides further details.

#### Capital Funding and Borrowing

Of the total capital expenditure of £68.197 million, £35.374 million was funded by asset sales and contributions from third parties / funds, £13.055 million was raised from revenue contributions to capital, and the remaining £19.768 million was funded by borrowing. Total internal capital debt outstanding at 31 March 2015 was £493.679 million.

The outstanding liabilities on the PPP contracts, referred to in Acquisition of Major Assets above, are £69.860 million of which £2.199 million is shown under current liabilities and £67.661 million under long term liabilities. Details of the annual costs of these contracts are shown in note 34.

## MANAGEMENT COMMENTARY

### by Donald Forrest, Head of Finance and Estates

#### **Pension Reserve and IAS19**

The pensions accounting standard IAS 19 is fully adopted in the accounts and details are available in Statement 8 note 1 on accounting policies. The requirement to recognise the Council's share of the net liabilities of the Lothian Pension Fund in the balance sheet has resulted in a Pension Reserve debit balance of £272.204 million at 31 March 2015 (£195.595 million 31 March 2014).

The deficit has increased due to a reduction in the net discount rate. This outweighed the positive asset return achieved over this period. The negative reserve does not impact on the Council's available resources.

The figures presented in the actuary's valuation are prepared only for the purposes of 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.

#### **Group Accounts**

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

The Council does not have any subsidiary companies but West Lothian Leisure Ltd and the Lothian Valuation Board are deemed to be associates under group accounts guidance. In addition the Council has a 50% holding in West Lothian Recycling Ltd. Full details of the group accounts are on pages 60 to 65.

#### **THE FUTURE - RISKS AND DEVELOPMENTS**

West Lothian Council approved the 2015/16 to 2017/18 revenue budget, including budget reduction measures of £29.544 million, on 29 January 2015. Whilst the three year budget provided the council with a balanced position over 2015/16 to 2017/18, it was highlighted in the budget report that there were a number of key risks and uncertainties which could impact on the budget including pay, funding assumptions and demand led areas of service provision.

The Council Executive agreed on 19 February 2015 that it would confirm its intention to the Scottish Government to deliver a commitment to maintain both teacher numbers and the teacher / pupil ratio in 2015/16. As outlined to Council Executive, this requires an additional 42 FTE teachers to be employed in 2015/16, at a total cost of £1.68 million. Failure to deliver the Scottish Government commitment will result in £1.604 million of current revenue funding being deducted from the council's 2015/16 Scottish Government grant settlement and will also mean the council will not receive its share of an additional £10 million funding for teacher numbers, estimated to be £0.382 million.

The Scottish Government announcement on teacher numbers is for 2015/16. If the commitment is retained for 2016/17 and 2017/18, on current pupil and teacher number projections, this will require the council to employ an additional 12 FTE teachers in 2016/17 and 3 FTE teachers in 2017/18, at a total cost of £0.6 million.

On 25 August 2015, the Council Executive agreed an additional £3.981 million of budget reduction measures for 2015/16 to 2017/18 which were required as a result of the above costs of meeting the teachers number commitment, and additional costs for pay and unfunded employers' contributions for the Teachers Superannuation Scheme. This means that total budget reduction measures of £33.525 million are required to be delivered by the council over the next three years to ensure balanced budgets are in place.

At present, there are no confirmed budget allocations for local government beyond 2015/16 and longer term funding allocations are therefore subject to considerable uncertainty. The UK Chancellor of the Exchequer has however outlined plans for a further £30 billion of spending cuts for the UK for 2015/16 to 2017/18, including £12 billion from welfare spending and £13 billion from government departments. This includes £3 billion of spending cuts for the UK in 2015/16, which will result in cuts of £100 million for Scotland. At present, the implications for councils' budgets for 2015/16, or future years, are not clear.

It is anticipated that the outlook for public spending will be confirmed by the Chancellor in the UK Spending Review which will be announced on 25 November 2015. The Scottish Budget and Local Government Finance Settlement will be announced in December 2015 or January 2016 and will provide information on the grant for each individual local authority.

Whilst the council awaits the outcome of these announcements, it is reasonable at this stage to assume that a continued tightening of the overall fiscal position will lead to a ongoing constraint on the council's budgets. The Council will continue to take a proactive approach to developing its medium term financial strategy in line with best practice.

The Public Bodies (Joint Working) (Scotland) Act 2014 requires that new arrangements be put in place for the delivery of integrated health and social care functions. In line with this, a Health and Social Care Partnership, in the form of an Integrated Joint Board (IJB) has replaced the previous partnership arrangements in place in West Lothian. The council and NHS Lothian are working towards putting in place arrangements to take forward health and social care integration and membership of the IJB has been agreed and Board meetings scheduled.



## MANAGEMENT COMMENTARY

### by Donald Forrest, Head of Finance and Estates

#### THE FUTURE - RISKS AND DEVELOPMENTS (Continued)

An Integration Scheme setting out the formal agreement between NHS Lothian and the Council on a range of matters prescribed in the Act has been approved by the Scottish Government, and the West Lothian IJB will be legally established from 21 September 2015. The new arrangements will involve delegation to the IJB by the council and NHS Lothian of relevant functions and budget resources. The delegation of functions and resources is planned to take place from 1 April 2016 and it is anticipated that budget resources associated with functions delegated to the IJB will total approximately £200 million. The IJB will have a strategic role to plan for the delivery of future health and social care services and continue to build on the current successful joint working arrangements in place within West Lothian. A Strategic Plan is being prepared by the IJB which will be a key element in informing future integrated service delivery plans to be operationally delivered by the council and NHS Lothian. The council will monitor the progress of the IJB and identify and mitigate any risks arising.



**Donald Forrest CPFA**  
**Head of Finance and Estates**



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



**Councillor John McGinty**  
**Leader of the Council**

**29 September 2015**

#### FOREWORD TO THE ANNUAL ACCOUNTS

##### 1. INTRODUCTION

The annual accounts present the financial position of the Council for the year to 31 March 2015.

##### 2. THE FINANCIAL STATEMENTS

The Council's Accounts for the year 2014/15 are set out in Statements 4 to 20 on pages 17 to 65. The Annual Accounts provide a true and fair view of the financial transactions of the Council during the year ended 31 March 2015.

The 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 Annual Accounts has been prepared under the 2014 Code of Practice based on International Financial Reporting Standards (IFRS).

The format of the Financial Statements includes:-

- Remuneration Report (Statement 3) – this provides information on the remuneration and pension benefits for senior officers, senior councillors and councillors with responsibility as convenors / vice-convenors of Joint Boards.
- 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 Annual Accounts 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. AUDIT

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

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

The authority is required to:

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

I confirm that these Annual Accounts were approved for signature by West Lothian Council at its meeting on 29 September 2015.

**Signed on behalf of West Lothian Council**



**Councillor John McGinty**  
**Leader of the Council**  
**29 September 2015**

**THE HEAD OF FINANCE'S RESPONSIBILITIES**

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

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

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

The Head of Finance and Estates has also:

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

I certify that the financial statements give a true and fair view of the financial position of the local authority (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2015.



**Donald Forrest CPFA**  
**Head of Finance and Estates**  
**29 September 2015**

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 based on a Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) framework, as well as management and reporting arrangements to ensure the Code is adhered to.

The code is built around six governance principles:

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

A copy of the code's standards is on the council website at:

<http://webwest1.app.westlothian.gov.uk/serviceplan/DataSources/CorporateGovernance/WLCCCodeofGov.pdf>

or can be obtained from the Chief Executive's Office, West Lothian Civic Centre, Howden South Road, Livingston, West Lothian, EH54 6FF.

### **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework comprises the systems, processes, culture and values by which the council is directed and controlled and the activities through which it is accountable to, engages with and leads the 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 2015 and up to the date of approval of the Annual 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 risks to the achievement of the council's objectives, to evaluate the likelihood of those risks occurring and to consider the potential impact of the risks and to manage them effectively. Internal controls cannot eliminate all risk of failure to achieve objectives and can only provide reasonable and not absolute assurance.

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

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:

- A comprehensive budgeting and monitoring framework;
- Scrutiny of periodic and annual financial and operational performance reports;
- Performance management information;
- A documented internal control framework relating to financial processes, procedures and regulations;
- Project management disciplines.

The Audit, Risk and Counter Fraud Unit includes internal audit which is an independent appraisal function which examines and evaluates systems of financial and non-financial control. Internal audit operates in accordance with the Public Sector Internal Audit Standards. 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. An Audit and Governance Committee 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 overall adequacy and effectiveness of the council's framework of governance, risk management and control.

**REVIEW OF EFFECTIVENESS**

The Chief Legal Officer reports annually to the Council Executive on compliance with the Code of Corporate Governance.

The Chief Solicitor chairs a working group that is responsible for overseeing the operation of corporate governance in practice. In 2013/14 a Governance and Risk Board was established to further strengthen governance arrangements. Within each service area, Governance Champions have been trained to monitor compliance with the Code. The council's performance system, Covalent, along with a scoring methodology, are used to monitor progress against each of the requirements of the Code. The annual report for 2014/15 is available on request.

The Audit and Risk Manager independently reviews the adequacy, effectiveness and extent of compliance with the Code and conducts an annual review of agreed elements of the Code. In addition, the Local Authority Accounts (Scotland) Regulations 2014 require the council to conduct, at least once in each financial year, a review of the effectiveness of its system of internal control. Based on the audit work undertaken during 2014/15, including a review of the system of internal control, the Audit and Risk Manager concluded that the council's framework of governance, risk and control is sound.

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 2014/15 indicates arrangements for corporate governance have operated well.

An area of weakness identified in the Code for the previous two years has been in relation to guidance on working in partnership, and compliance with that guidance. Improvements have been made by the development of training materials, the delivery of training to officers most often engaged in partnership working, and the recording of partnership arrangements through management plans.

On the basis of reports by the Chief Legal Officer and the Audit and Risk Manager, it can be concluded that 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 review and improvement as appropriate.

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, as part of their 2013/14 annual report on the audit of West Lothian Council, reviewed the governance and accountability arrangements in place in the council. Their report to the council on 14 October 2014 stated 'based on our observations and audit work our overall conclusion is that the governance arrangements in West Lothian Council are operating effectively'.

The Corporate Governance Working Group considered the annual statements of compliance made by the relevant responsible officer on a number of issues, as well as assessment results on each element of the Code. It concluded that the governance standards of the Code were substantially met in 2014/15. In 2015/16, the Corporate Governance Working Group will pursue the following activities to ensure governance requirements are given appropriate attention:

- A review of the low amber and other scores for 2014/15 to identify appropriate standards where evidence of compliance can be improved further;
- The streamlining of the Code and the scoring system;
- The completion of the work on guidance on working with outside bodies, especially Arm's Length External Organisations, including ongoing review of the council's partnership working guidance;
- Training of the Governance Champions in relation to any redesign or streamlining of the Code and refresher sessions in relation to areas of weakness identified from this year's scoring;
- Collecting the most important governance documents into a single intranet/internet section, with a view to making these documents more accessible and user-friendly.

It can be concluded that evidence of compliance with the standards of the council's Code of Corporate Governance indicates that the standards were substantially met in 2014/15. The council will continue to take steps in 2015/16 to further improve compliance with the Code.



**Graham Hope**  
Chief Executive

**29 September 2015**



**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 and 4.3 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.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2014/15 the salary for the Leader of West Lothian Council was £33,123. The Regulations permit the council to remunerate one Provost and set out the maximum salary that may be paid to the Provost. For 2014/15 the salary of the Provost of West Lothian Council was £24,842. The Council's Scheme of Elected Members Remuneration, Allowances and Reimbursement of Expenses 2014/15 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 £289,816. 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 2014/15 (2013/14) West Lothian Council had 11 senior councillors and the basic salary paid to these councillors totalled £273,262 (£270,556). 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 18 March 2014 and is available at <http://coins.westlothian.gov.uk/coins/submissiondocuments.asp?submissionid=22108>

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

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

In 2014/15 (2013/14) the amount recharged to Lothian Valuation Joint Board in respect of Councillor B Robertson was £3,075 (£3,045) in respect of a vice-convener position.

**2.3 Total Councillors Remuneration**

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

Type of Remuneration	2014/15 £'000	2013/14 £'000
Salaries	659	656
Allowances	14	14
Expenses	30	27
<b>Total</b>	<b>703</b>	<b>697</b>

The annual return of Councillors' salaries and expenses for 2014/15 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://coins.westlothian.gov.uk/coins/submissiondocuments.asp?submissionid=26975>



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

The following table provides details of the remuneration paid to the Council's Senior Councillors and remuneration paid to councillors with the responsibility of a convenor or vice-convenor of a Joint Board during 2014/15:-

<b>Name</b>	<b>Post Title</b>	<b>Total Remuneration 2014/15 £</b>	<b>Total Remuneration 2013/14 £</b>
<b>Council Leader, Provost and Senior Councillors</b>			
T Kerr	Provost (Civic Leader)	24,842	24,596
A Boyle	Chair Licensing Board and Licensing Committee	24,842	24,596
H Cartmill	Chair of Audit and Governance Committee	24,842	24,596
T Conn	Executive Post – Environmental	24,842	24,596
A Davidson	Chair Development Management Committee	24,842	24,596
J Dixon	Executive Post – Voluntary Organisations	24,842	24,596
L Fitzpatrick	Executive Post – Education	24,842	24,596
D King	Executive Post – Culture and Leisure (Depute Provost)	24,842	24,596
D Logue	Executive Post – Social Policy	24,842	24,596
J McGinty	Leader of Council	33,123	32,795
A McMillan	Executive Post – Health and Care	24,842	24,596
C Muldoon	Executive Post – Development and Transport (Depute Leader)	24,842	24,596
G Paul	Executive Post – Services for the Community	24,842	24,596
B Robertson	Lothian and Borders Joint Valuation	19,635	19,441
<b>Total</b>		<b>350,862</b>	<b>347,388</b>

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

The amount recharged to Lothian Valuation Joint Board in 2014/15 was £3,075 in respect of Councillor B Robertson (2013/14 £3,045).

**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/146 sets the amount of salary for the Chief Executive of West Lothian Council for the period 2013 to 2015.

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

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

The Depute Chief Executive/Director of West Lothian CHCP is a joint appointment and the terms and conditions, including pay for the post, are set by NHS Lothian, who employ the post holder directly.

# REMUNERATION REPORT

# STATEMENT 3

## 3.2 Senior Employees Remuneration

The senior employees included in the table 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 2014/15 or 2013/14.

Name and Post Title	Full Year Equivalent Salary £	Total Remuneration 2014/15 <sup>7</sup> £	Total Remuneration 2013/14 £
<b>G Hope</b> <sup>1</sup> Chief Executive	-	141,324	129,102
<b>J Forrest</b> <sup>2</sup> Depute Chief Executive	90,435	45,217	45,217
<b>J Hill</b> <sup>3</sup> Depute Chief Executive	111,525	-	9,293
<b>M Niven</b> Depute Chief Executive	-	113,766	112,641
<b>R G Struthers</b> <sup>4</sup> Depute Chief Executive	-	110,259	103,975
<b>D Forrest</b> Head of Finance and Estates	-	92,745	91,827
<b>J Jack</b> Head of Operational Services	-	85,734	84,885
<b>E Cook</b> Head of Education (Quality Assurance)	-	92,745	91,827
<b>S Field</b> Head of Area Services	-	85,734	84,885
<b>A Shaw</b> Head of Housing, Construction and Building Services	-	85,734	84,885
<b>J Scott</b> Head of Social Policy	-	95,420	91,827
<b>C McCorrison</b> Head of Planning and Economic Development	-	85,734	83,038
<b>J Whitelaw</b> <sup>5</sup> Head of Corporate Services	-	83,967	79,875
<b>J Cameron</b> <sup>6</sup> Head of Schools with Education Support	-	91,008	87,723
<b>Total</b>		<b>1,209,387</b>	<b>1,181,000</b>

1. Remuneration for G Hope includes £10,932 for Returning Officer duties in 2014/15.
2. 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 pension contribution paid by WLC in relation to J Forrest in 2014/15 (2013/14) is £6,104 (£6,104).
3. Depute Chief Executive until 30 April 2013.
4. Appointed to Depute Chief Executive from 1 May 2013. Previous post Head of Corporate Services until 30 April 2013.
5. Appointed to Acting Head of Corporate Services from 1 May 2013, appointment made permanent 26 June 2014.
6. Appointed to Head of Schools with Education Support from 15 April 2013.
7. There were no compensation payments for loss of employment or annual compensation payments in 2014/15.

**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	
	2014/15	2013/14
£50,000 - £54,999	74	87
£55,000 - £59,999	57	36
£60,000 - £64,999	14	11
£65,000 - £69,999	-	6
£70,000 - £74,999	6	2
£75,000 - £79,999	5	6
£80,000 - £84,999	1	4
£85,000 - £89,999	4	1
£90,000 - £94,999	4	3
£95,000 - £99,999	1	-
£100,000 - £104,999	1	2
£105,000 - £109,999	-	-
£110,000 - £114,999	2	1
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	1
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	1	-
<b>Total</b>	<b>170</b>	<b>160</b>

**3.4 Employee Exit Packages**

The number of employee exit packages with total cost per band is set out in the table below. There were no compulsory redundancies in 2013/14 or 2014/15.

Exit package cost band	Number of employee exit packages agreed		Total cost of employee exit packages in each band	
	2014/15	2013/14	2014/15 £'000	2013/14 £'000
£0 - £20,000	6	19	55	229
£20,001 - £40,000	5	10	137	295
£40,001 - £60,000	3	7	146	332
£60,001 - £80,000	1	0	71	0
£80,001 - £100,000	-	1	-	82
£100,001 - £150,000	1	3	104	372
<b>Total</b>	<b>16</b>	<b>40</b>	<b>513</b>	<b>1,310</b>

**4. PENSIONS****4.1 Local Government Pension Scheme Details (LGPS)**

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

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is 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.

# REMUNERATION REPORT

# STATEMENT 3

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

The members contribution rates for 2014/15 remain at the 2013/14 rates, however the tiers have changed as detailed in the following table.

Whole time pay	Range 2014/15	Range 2013/14	Contribution rate 2014/15	Contribution rate 2013/14
On earnings up to and including	£20,335	£19,800	5.5%	5.5%
On earnings above	£20,335 and up to £24,853	£19,800 and up to £24,200	7.25%	7.25%
On earnings above	£24,853 and up to £34,096	£24,200 and up to £33,200	8.5%	8.5%
On earnings above	£34,096 and up to £45,393	£33,200 and up to £44,200	9.5%	9.5%
On earnings above	£45,393	£44,200	12.0%	12.0%

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

The 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 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> 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.

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

The pension entitlements of Senior Councillors for the year to 31 March 2015 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 2015	For year to 31 March 2014	As at 31 March 2015		Difference from 31 March 2014	
Name	Post Title	£	£	Pension £'000	Lump Sum £'000	Pension £'000	Lump Sum £'000
T Kerr	Provost (Civic Leader)	5,068	5,017	3	2	-	-
A Boyle	Chair Licensing Board and Licensing Committee	5,068	5,017	1	-	-	-
H Cartmill	Chair of Audit and Governance Committee	5,068	5,017	1	-	-	-
T Conn	Executive Post – Environmental	5,068	5,017	3	1	1	-
L Fitzpatrick	Executive Post – Education	5,068	5,017	3	1	1	-
D King	Executive Post – Culture and Leisure (Depute Provost)	5,068	5,017	3	1	1	-
D Logue	Executive Post – Social Policy	5,068	5,017	2	1	-	-
A McMillan	Executive Post – Health and Care	5,068	5,017	1	-	-	-
C Muldoon	Executive Post – Development and Transport (Depute Leader)	5,068	5,017	3	1	1	-
G Paul	Executive Post – Services for the Community	5,068	5,017	3	1	1	-
B Robertson	Lothian and Borders Joint Valuation	4,006	3,965	1	-	-	-
<b>Total</b>		<b>54,686</b>	<b>54,135</b>	<b>24</b>	<b>8</b>	<b>5</b>	<b>-</b>

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.

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

# REMUNERATION REPORT

# STATEMENT 3

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

The pension entitlements of Senior Employees who are members of the LGPS for the year to 31 March 2015 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 2015	For year to 31 March 2014	As at 31 March 2015		Difference from 31 March 2014	
Name	Post Title	£	£	Pension £'000	Lump Sum £'000	Pension £'000	Lump Sum £'000
G Hope	Chief Executive	28,890	26,336	49	106	3	1
J Hill <sup>1</sup>	Depute Chief Executive	-	1,895	-	-	(55)	(143)
M Niven	Depute Chief Executive	23,208	22,978	56	133	3	2
R G Struthers <sup>2</sup>	Depute Chief Executive	22,492	21,211	38	81	4	5
D Forrest	Head of Finance and Estates	18,920	18,732	32	69	2	1
J Jack	Head of Operational Services	17,490	17,316	33	73	2	1
E Cook	Head of Education (Quality Assurance)	18,920	18,732	41	-	2	-
S Field	Head of Area Services	17,490	17,316	39	90	2	1
A Shaw	Head of Housing, Construction and Building Services	17,490	17,316	45	108	3	1
J Scott	Head of Social Policy	18,920	18,732	28	57	2	1
C McCorriston	Head of Planning and Economic Development	17,490	16,939	33	73	3	3
J Whitelaw <sup>3</sup>	Head of Corporate Services	17,129	16,294	21	39	2	2
J Cameron <sup>4</sup>	Head of Schools with Education Support	18,566	17,209	58	-	5	-
<b>Total</b>		<b>237,005</b>	<b>231,006</b>	<b>473</b>	<b>829</b>	<b>(22)</b>	<b>(125)</b>

1. Depute Chief Executive until 30 April 2013.

2. Appointed to Depute Chief Executive from 1 May 2013. Previous post Head of Corporate Services until 30 April 2013.

3. Appointed to Acting Head of Corporate Services from 1 May 2013, appointment made permanent 26 June 2014.

4. Appointed to Head of Schools with Education Support from 15 April 2013.



**Graham Hope**  
Chief Executive

**29 September 2015**



**Councillor John McGinty**  
Leader of the Council

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

<b>PURPOSE</b>	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.
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**MOVEMENT IN RESERVES STATEMENT  
AS AT 31 MARCH 2015**

	Note	General Fund £'000	HRA £'000	Revenue Statutory Funds £'000	Capital Statutory Funds £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 1 April 2013</b>		<b>25,212</b>	<b>926</b>	<b>12,269</b>	<b>74,338</b>	<b>112,745</b>	<b>588,313</b>	<b>701,058</b>
<b>Movement in Reserves during 2013/14</b>								
Surplus (Deficit) on the provision of services		(36,002)	(8,748)	-	-	(44,750)	-	(44,750)
Other comprehensive income and expenditure	6	-	-	-	-	-	2,477	2,477
Total comprehensive income and expenditure		(36,002)	(8,748)	-	-	(44,750)	2,477	(42,273)
Adjustments between accounting basis and funding basis under regulations	5	40,229	8,748	-	(2,274)	46,703	(46,703)	-
Net increase (decrease) before transfers to other statutory reserves		4,227	-	-	(2,274)	1,953	(44,226)	(42,273)
Transfers to / (from) other statutory reserves	7	(6,868)	-	(76)	6,944	-	-	-
<b>Increase (decrease) in year</b>		<b>(2,641)</b>	<b>-</b>	<b>(76)</b>	<b>4,670</b>	<b>1,953</b>	<b>(44,226)</b>	<b>(42,273)</b>
<b>Balance at 31 March 2014</b>		<b>22,571</b>	<b>926</b>	<b>12,193</b>	<b>79,008</b>	<b>114,698</b>	<b>544,087</b>	<b>658,785</b>
<b>Movement in Reserves during 2014/15</b>								
Surplus (Deficit) on the provision of services		(18,394)	(10,931)	-	-	(29,325)	-	(29,325)
Other comprehensive income and expenditure	6	-	-	-	-	-	(26,807)	(26,807)
Total comprehensive income and expenditure		(18,394)	(10,931)	-	-	(29,325)	(26,807)	(56,132)
Adjustments between accounting basis and funding basis under regulations	5	26,784	10,931	-	(4,520)	33,195	(33,195)	-
Net increase (decrease) before transfers to other statutory reserves		8,390	-	-	(4,520)	3,870	(60,002)	(56,132)
Transfers (to) / from other statutory reserves	7	(11,654)	-	1,377	10,277	-	-	-
<b>Increase (decrease) in year</b>		<b>(3,264)</b>	<b>-</b>	<b>1,377</b>	<b>5,757</b>	<b>3,870</b>	<b>(60,002)</b>	<b>(56,132)</b>
<b>Balance at 31 March 2015</b>		<b>19,307</b>	<b>926</b>	<b>13,570</b>	<b>84,765</b>	<b>118,568</b>	<b>484,085</b>	<b>602,653</b>



**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 2015**

	Note	2014/15			2013/14		
		Gross Expend £'000	Gross Income £'000	Net Expend £'000	Gross Expend £'000	Gross Income £'000	Net Expend £'000
Education Services		200,360	7,382	192,978	209,569	7,461	202,108
Housing		72,305	58,767	13,538	69,398	58,055	11,343
Cultural and Related Services		31,720	3,554	28,166	34,229	3,573	30,656
Environmental Services		24,647	2,964	21,683	23,798	2,730	21,068
Roads and Transport Services		22,166	1,494	20,672	21,666	1,557	20,109
Planning and Development Services		18,437	10,292	8,145	18,044	9,812	8,232
Social Work		109,399	21,047	88,352	103,955	20,792	83,163
Joint Valuation Board		1,143	-	1,143	1,143	-	1,143
Central Services		12,224	8,569	3,655	12,180	8,995	3,185
Corporate and Democratic Core		5,942	88	5,854	5,639	73	5,566
Non-Distributed Costs		185	-	185	590	-	590
<b>Net Cost of General Fund Services</b>		<b>498,528</b>	<b>114,157</b>	<b>384,371</b>	<b>500,211</b>	<b>113,048</b>	<b>387,163</b>
Housing Revenue Account		47,518	43,000	4,518	44,786	41,303	3,483
<b>Net Cost of Services</b>		<b>546,046</b>	<b>157,157</b>	<b>388,889</b>	<b>544,997</b>	<b>154,351</b>	<b>390,646</b>
Other Operating Expenditure	8	(298)	-	(298)	(1,373)	-	(1,373)
Finance and Investment Income and Expenditure	9	66,673	33,915	32,758	64,635	34,623	30,012
Taxation and Non-Specific Grant Income	10	-	392,024	(392,024)	-	374,535	(374,535)
<b>(Surplus) or Deficit on Provision of Services</b>		<b>612,421</b>	<b>583,096</b>	<b>29,325</b>	<b>608,259</b>	<b>563,509</b>	<b>44,750</b>
<b>Items that will not be reclassified to the (surplus) / Deficit on the Provision of Services</b>							
(Surplus) / Deficit on revaluation of property, plant and equipment				(35,463)			(22,902)
Actuarial (gains) / losses on pension assets and liabilities				62,260			20,488
<b>Items that may be reclassified to the (Surplus) / Deficit on the Provision of Services</b>				26,797			(2,414)
(Surplus) / Deficit on revaluation of available for sale financial assets				10			(63)
<b>Other Comprehensive Income and Expenditure</b>				<b>26,807</b>			<b>(2,477)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>56,132</b>			<b>42,273</b>

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

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. 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.

		<b>As at 31 March 2015 £'000</b>	<b>As at 31 March 2014 £'000</b>
<b>LONG TERM ASSETS</b>	<b>Note</b>		
<b>Property, Plant and Equipment</b>	11		
- Council Dwelling		463,180	452,983
- Other Land and Buildings		655,048	649,695
- Vehicles, Plant, Furniture and Equipment		18,646	16,443
- Infrastructure Assets		199,148	193,843
- Community Assets		529	592
- Assets under construction		10,534	6,266
- Surplus Assets, not yet held for disposal		23,062	25,526
- Heritage Assets	11.10	677	677
Long Term Investments	12.1	1,370,824	1,346,025
Long Term Debtors	13	213	223
		53	1,594
<b>TOTAL LONG TERM ASSETS</b>		<b>1,371,090</b>	<b>1,347,842</b>
<b>CURRENT ASSETS</b>			
Short Term Investments	12	90,462	85,436
Inventories	14	968	1,452
Short Term Debtors	15	26,726	30,952
Cash and Cash Equivalents	25	25,241	31,419
Intangible Assets	11.12	636	-
<b>TOTAL CURRENT ASSETS</b>		<b>144,033</b>	<b>149,259</b>
<b>CURRENT LIABILITIES</b>			
Short Term Borrowing	12	(89,883)	(105,698)
Short Term Creditors	16	(76,642)	(70,061)
Provisions	17	(1,242)	(1,620)
<b>TOTAL CURRENT LIABILITIES</b>		<b>(167,767)</b>	<b>(177,379)</b>
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<b>(23,734)</b>	<b>(28,120)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,347,356</b>	<b>1,319,722</b>
<b>LONG TERM LIABILITIES</b>			
Long Term Creditors	18	(1,042)	(1,580)
Long Term Borrowing	12	(403,796)	(393,902)
Defined Benefit Scheme Liability	19	(272,204)	(195,595)
Other Long Term Liabilities	18	(67,661)	(69,860)
<b>TOTAL LONG TERM LIABILITIES</b>		<b>(744,703)</b>	<b>(660,937)</b>
<b>TOTAL NET ASSETS</b>		<b>602,653</b>	<b>658,785</b>
<b>Financed by:</b>			
<b>USABLE RESERVES</b>			
General Fund Balance	33	19,307	22,571
HRA Balance		926	926
Capital Fund	20.2	84,765	79,008
Insurance Fund	20.1	13,570	12,193
<b>TOTAL USABLE RESERVES</b>		<b>118,568</b>	<b>114,698</b>
<b>UNUSABLE RESERVES</b>	21	<b>484,085</b>	<b>544,087</b>
<b>TOTAL RESERVES</b>		<b>602,653</b>	<b>658,785</b>

The unaudited accounts were considered by the Audit and Governance Committee on 23 June 2015 and the audited accounts were authorised for issue on 29 September 2015.

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	2014/15 £'000	2013/14 £'000
Net Surplus or (Deficit) on the provision of services		(29,325)	(44,750)
Adjust net surplus or deficit on the provision of services for non-cash movements	22	98,576	94,374
Net cash flows from Operating Activities		69,251	49,624
Net cash flows from Investing Activities	23	(69,194)	(50,927)
Net cash flows from Financing Activities	24	(6,235)	20,742
Net increase (decrease) in cash and cash equivalents		(6,178)	19,439
Cash and cash equivalents at the beginning of the reporting period		31,419	11,980
Cash and cash equivalents at the end of the reporting period	25	25,241	31,419

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

**1. ACCOUNTING POLICIES****General**

The Council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 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 2014/15 (The Code) and the Service Reporting Code of Practice 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of 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 2014/15, all properties subject to material change in valuation, hostels, theatres, museums and sports centres were revalued. In total, they were collectively deemed to be significant in terms of their overall asset value and as such depreciation was charged on a componentised basis for all properties revalued as part of those groups regardless of the value of the asset.

The current policy of quinquennial revaluation will remain. However, in line with the requirements of the Code, only assets which were acquired, enhanced or revalued in 2014/15 had their useful lives updated, thereby achieving progressive compliance over 5 years.

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

**Property, Plant and Equipment - Revaluation**

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

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

**Property, Plant and Equipment - Impairment**

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

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

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

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

**Heritage Assets**

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

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

**Artworks & Sculptures**

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

There have been no acquisitions, donations or disposals during the previous 5 years. No Council owned additions to the Heritage Asset portfolio have been identified during the financial year 2014/15.

**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 quinquennial basis.

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

**Archives**

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

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

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

**Archaeology**

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

The council does not make any purchases of archaeological items.

**Memorials, Monuments and Public Art**

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

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

**Heritage Assets - General**

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

**Improvement Grants**

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

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

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.

**Prior Period Adjustments**

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

There have been no prior period adjustments during 2014/15.

**Financial Liabilities**

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

**Reserves**

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

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

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

**Capital Fund** - established to ensure that, following the introduction of the CIPFA Prudential Code for Capital Finance in Local Authorities in April 2004, borrowing decisions and capital programme management are based on Best Value considerations. General Fund treasury management balances in any given year will normally be transferred to or from the Capital Fund. The balance in the Capital Fund at 31 March 2015 was £84.765 million.

**Revaluation Reserve**

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

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

**Inventories**

Stocks and stores held by the Council are recorded at average cost, with the exception of deer and Highland Cows which have been valued at net realisable value. The valuation is in accordance with IAS 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.



## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

**External Interest Payable and Loans Fund Interest**

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

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

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

**Central Support Services**

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

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

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

**Corporate and Democratic Core**

In accordance with CIPFA Guidance the costs of corporate and democratic core and of non-distributed costs have not been allocated to 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.

**Operating Leases**

Current annual operating lease rentals have been charged to revenue.

**Non Domestic Rates (NDR)**

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

**Pension Costs**

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

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

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

**Pension Costs (Continued)**

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:

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

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

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

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

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

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

**Contingent Liabilities**

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in the Notes to the Annual Accounts. Details of the liabilities are shown in note 30.

**Provisions**

Provisions are made where an event has taken place that gives the Council a Legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the obligation. Provisions are charged as an expense to the appropriate service revenue account in the Comprehensive Income and Expenditure Statement in the year the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and appropriate adjustments made to the level of provision. Details of the provisions are shown in note 17.

**Carbon Reduction Commitment Scheme**

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

**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 ANNUAL ACCOUNTS

## STATEMENT 8

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

For 2014/15 the following accounting policy changes require to be reported as issued but not yet adopted by the code.

IFRS13 Fair Value Measurement (May 2011);  
Annual Improvements to IFRSs (2011-2013 Cycle)  
IFRIC21 Levies

There is no impact of these changes on the accounts covering the 2014/15 financial year

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

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

- **PPP** - The Council is deemed to control the services provided under the agreement for the provision of educational establishments in accordance with IFRC12. The Council controls the services provided under the scheme and ownership of the schools will pass to the Council at the end of the contract. The schools are therefore recognised on the Council's balance sheet.
- **Associates** - The valuation joint board is included within the group accounts under the wider definition of an "associate" although the Council holds less than 20% of voting rights that is normally presumed to confer significant influence. This is in view of the funding arrangements in place.
- **Investment Properties** - All property, plant and equipment is used on the delivery of services or as part of the Council's strategy for economic regeneration.

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

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

The items in the Authority's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

**PROVISIONS****Equal Pay**

**Uncertainties:** The Council has a remaining provision of £1.242 million for the settlement of claims for back pay arising from equal pay claims following the outcome of recent litigation involving Dumfries and Galloway Council. With regard to West Lothian Council's position, discussions are taking place with the claimants' representatives to establish settlement terms. The value of the total liability has been estimated at £1.450 million based on the number of claims received and an average settlement amount, of which £0.013 million has been paid in 2014/15 (£0.213 million 2013/14). 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 £0.124 million to the provision required.

**INTANGIBLE ASSETS****Carbon Reduction Commitment (CRC) Phase 2**

**Uncertainties:** The Council has a current liability of £0.622 million for the estimated CRC allowances required at 31 March 2015 to meet the cost of the Carbon Reduction Commitment. The Council purchased £0.636 million CRC allowances in a forecast sale in April 2014 for the purpose of settling 2014/15 CRC responsibilities.

**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 £62,200 to the allowance required for 2014/15.

**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 2015	Approx % increase to Employer Obligation	Approx monetary amount £'000
0.5% decrease in Real Discount Rate	10%	105,645
1 year increase in member life expectancy	3%	30,231
0.5% increase in the Salary Increase Rate	4%	39,391
0.5% increase in the Pension rate	6%	63,436

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

5. MOVEMENT IN RESERVES STATEMENT - ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS - 2013/14	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	60,344	19,626	-	-	79,970	(79,970)	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(15,834)	-	-	-	(15,834)	15,834	-
Net loss (gain) on sale of non-current assets	(1,051)	(322)	-	-	(1,373)	1,373	-
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	(419)	-	-	-	(419)	419	-
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under pension scheme regulations	10,372	231	-	-	10,603	(10,603)	-
Statutory provision for repayment of debt	(8,472)	(3,105)	-	-	(11,577)	11,577	-
Statutory charge for lifecycle capital (PFI)	(208)	-	-	-	(208)	208	-
Capital expenditure charged to the General Fund and HRA	(5,419)	(7,682)	-	-	(13,101)	13,101	-
Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)	916	-	-	-	916	(916)	-
Capital receipts transferred to the Capital Fund	-	-	-	(2,274)	(2,274)	2,274	-
	<b>40,229</b>	<b>8,748</b>	<b>-</b>	<b>(2,274)</b>	<b>46,703</b>	<b>(46,703)</b>	<b>-</b>
ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS - 2014/15	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	50,607	24,066	-	-	74,673	(74,673)	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(24,360)	-	-	-	(24,360)	24,360	-
Net loss (gain) on sale of non-current assets	257	(555)	-	-	(298)	298	-
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	(424)	-	-	-	(424)	424	-
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	14,096	253	-	-	14,349	(14,349)	-
Statutory provision for repayment of debt	(9,105)	(3,455)	-	-	(12,560)	12,560	-
Statutory charge for lifecycle capital (PFI)	(218)	-	-	-	(218)	218	-
Capital expenditure charged to the General Fund and HRA	(3,677)	(9,378)	-	-	(13,055)	13,055	-
Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)	(392)	-	-	-	(392)	392	-
Capital receipts transferred to the Capital Fund	-	-	-	(4,520)	(4,520)	4,520	-
	<b>26,784</b>	<b>10,931</b>	<b>-</b>	<b>(4,520)</b>	<b>33,195</b>	<b>(33,195)</b>	<b>-</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

6. MOVEMENT IN RESERVES STATEMENT - OTHER COMPREHENSIVE INCOME AND EXPENDITURE - 2013/14	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	-	-	-	-	-	22,902	22,902
Available-for-sale Financial Instruments Reserve - gain arising on revaluation of available-for-sale financial assets	-	-	-	-	-	63	63
Pension Reserve - actuarial losses on pension assets and liabilities	-	-	-	-	-	(20,488)	(20,488)
	-	-	-	-	-	2,477	2,477
OTHER COMPREHENSIVE INCOME AND EXPENDITURE - 2014/15	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	-	-	-	-	-	35,463	35,463
Available-for-sale Financial Instruments Reserve - loss arising on revaluation of available-for-sale financial assets	-	-	-	-	-	(10)	(10)
Pension Reserve - actuarial losses on pension assets and liabilities	-	-	-	-	-	(62,260)	(62,260)
	-	-	-	-	-	(26,807)	(26,807)
7. MOVEMENT IN RESERVES STATEMENT - TRANSFERS TO OR (FROM) OTHER STATUTORY RESERVES - 2013/14	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	76	-	(76)	-	-	-	-
Transfer (to) / from Capital Fund / Capital Receipts Reserve	(6,944)	-	-	6,944	-	-	-
	(6,868)	-	(76)	6,944	-	-	-
TRANSFERS TO OR (FROM) OTHER STATUTORY RESERVES - 2014/15							
Transfer (to) / from Insurance Fund / Capital Receipts Reserve	(1,377)	-	1,377	-	-	-	-
Transfer (to) / from Capital Fund / Capital Receipts Reserve	(10,277)	-	-	10,277	-	-	-
	(11,654)	-	1,377	10,277	-	-	-

NOTES TO THE ANNUAL ACCOUNTS		STATEMENT 8	
<b>8. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - OTHER OPERATING EXPENDITURE</b>		<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
	Gain on disposal of non-current assets	298	1,373
		<b>298</b>	<b>1,373</b>
<b>9. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - FINANCING AND INVESTMENT INCOME AND EXPENDITURE</b>		<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
	Interest payable and similar charges	27,058	26,736
	Pension – Interest Income on Plan Asset	(27,556)	(27,050)
	Pension – Increased cost on defined benefit obligation	36,082	34,513
	Interest receivable and similar income	(1,914)	(3,001)
	(Surplus) / Deficit on trading operations (note 28)	(912)	(1,186)
		<b>32,758</b>	<b>30,012</b>
<b>10. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - TAXATION AND NON-SPECIFIC GRANT INCOME</b>		<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
	Council tax income	59,336	58,237
	Non domestic rates distribution	88,513	81,347
	Non ring-fenced government grants	219,815	219,117
	Capital grants and contributions	24,360	15,834
		<b>392,024</b>	<b>374,535</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 11. PROPERTY, PLANT AND EQUIPMENT

## 11.1 Movements in 2013/14

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra- structure Assets £'000
<b>Cost or Valuation</b>				
<b>At 1 April 2013</b>	<b>488,072</b>	<b>737,268</b>	<b>42,991</b>	<b>217,132</b>
Additions	31,841	14,808	6,251	13,277
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,030	19,644	-	50
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	-	(13,828)	(30)	-
Derecognition - disposals	(1,469)	(379)	(1,002)	-
Other movements in cost or valuation	-	9,272	-	-
<b>At 31 March 2014</b>	<b>519,474</b>	<b>766,785</b>	<b>48,210</b>	<b>230,459</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2013</b>	<b>48,361</b>	<b>84,940</b>	<b>25,885</b>	<b>31,018</b>
Depreciation charge	18,278	34,823	6,908	5,598
Depreciation written out to the Revaluation Reserve	-	(2,020)	-	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	(541)	(24)	-
Derecognition - disposals	(148)	(44)	(1,002)	-
Other movements in depreciation and impairment	-	(68)	-	-
<b>At 31 March 2014</b>	<b>66,491</b>	<b>117,090</b>	<b>31,767</b>	<b>36,616</b>
<b>Net Book Value</b>				
<b>At 31 March 2014</b>	<b>452,983</b>	<b>649,695</b>	<b>16,443</b>	<b>193,843</b>
<b>At 31 March 2013</b>	<b>439,711</b>	<b>652,328</b>	<b>17,106</b>	<b>186,114</b>
	<b>Heritage<sup>1</sup>/ Community Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Surplus Assets £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>				
<b>At 1 April 2013</b>	<b>975</b>	<b>12,954</b>	<b>25,569</b>	<b>1,524,961</b>
Additions	-	3,733	-	69,910
Revaluation increase / (decreases) recognised in the Revaluation Reserve	283	-	803	21,810
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(877)	-	(261)	(14,996)
Derecognition - disposals	-	-	(846)	(3,696)
Other movements in cost or valuation	888	(10,421)	261	-
<b>At 31 March 2014</b>	<b>1,269</b>	<b>6,266</b>	<b>25,526</b>	<b>1,597,989</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2013</b>	-	-	-	<b>190,204</b>
Depreciation charge	-	-	-	65,607
Depreciation written out to the Revaluation Reserve	-	-	-	(2,020)
Depreciation written out to the Surplus / Deficit on the Provision of Services	(9)	-	(59)	(633)
Derecognition - disposals	-	-	-	(1,194)
Other movements in depreciation and impairment	9	-	59	-
<b>At 31 March 2014</b>	-	-	-	<b>251,964</b>
<b>Net Book Value</b>				
<b>At 31 March 2014</b>	<b>1,269</b>	<b>6,266</b>	<b>25,526</b>	<b>1,346,025</b>
<b>At 31 March 2013</b>	<b>975</b>	<b>12,954</b>	<b>25,569</b>	<b>1,334,757</b>

**Note 1** Full details of the carrying value of Heritage Assets are included in note 11.10 Heritage Assets.

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

11.1 Movements in 2014/15	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000
<b>Cost or Valuation</b>				
<b>At 1 April 2014</b>	<b>519,474</b>	<b>766,785</b>	<b>48,210</b>	<b>230,459</b>
Additions	27,276	14,632	8,326	10,913
Revaluation increase / (decreases) recognised in the Revaluation Reserve	(519)	17,068	-	-
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(1,701)	(12,616)	-	-
Derecognition - disposals	(2,430)	(368)	(184)	-
Other movements in cost or valuation	6,370	(2,112)	-	332
<b>At 31 March 2015</b>	<b>548,470</b>	<b>783,389</b>	<b>56,352</b>	<b>241,704</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2014</b>	<b>66,491</b>	<b>117,090</b>	<b>31,767</b>	<b>36,616</b>
Depreciation charge	19,116	34,778	6,122	5,940
Depreciation written out to the Revaluation Reserve	-	(16,988)	-	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	(614)	(5,554)	-	-
Derecognition - disposals	(317)	(4)	(183)	-
Other movements in depreciation and impairment	614	(981)	-	-
<b>At 31 March 2015</b>	<b>85,290</b>	<b>128,341</b>	<b>37,706</b>	<b>42,556</b>
<b>Net Book Value</b>				
<b>At 31 March 2015</b>	<b>463,180</b>	<b>655,048</b>	<b>18,646</b>	<b>199,148</b>
<b>At 31 March 2014</b>	<b>452,983</b>	<b>649,695</b>	<b>16,443</b>	<b>193,843</b>
	<b>Heritage<sup>1</sup>/ Community Assets £'000</b>	<b>Assets<sup>2</sup> Under Construction £'000</b>	<b>Surplus Assets £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>				
<b>At 1 April 2014</b>	<b>1,269</b>	<b>6,266</b>	<b>25,526</b>	<b>1,597,989</b>
Additions	-	7,530	-	68,677
Revaluation increase / (decreases) recognised in the Revaluation Reserve	5	-	2,064	18,618
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provision of Services	-	-	(1,359)	(15,676)
Derecognition - disposals	(5)	-	(1,904)	(4,891)
Other movements in cost or valuation	(63)	(3,262)	(1,265)	-
<b>At 31 March 2015</b>	<b>1,206</b>	<b>10,534</b>	<b>23,062</b>	<b>1,664,717</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2014</b>	-	-	-	<b>251,964</b>
Depreciation charge	-	-	-	65,956
Depreciation written out to the Revaluation Reserve	-	-	-	(16,988)
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	(367)	(6,535)
Derecognition - disposals	-	-	-	(504)
Other movements in depreciation and impairment	-	-	367	-
<b>At 31 March 2015</b>	-	-	-	<b>293,893</b>
<b>Net Book Value</b>				
<b>At 31 March 2015</b>	<b>1,206</b>	<b>10,534</b>	<b>23,062</b>	<b>1,370,824</b>
<b>At 31 March 2014</b>	<b>1,269</b>	<b>6,266</b>	<b>25,526</b>	<b>1,346,025</b>

**Note 1** Full details of the carrying value of Heritage Assets are included in note 11.10 Heritage Assets.

**Note 2** During 2014/15 £3.262 million of Assets under Construction were reclassified as operational and are now included in Other Land and Buildings.



## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 11.2 Information on assets held

Property, Plant and Equipment assets owned by the Council include the following:-

	Numbers as at 31 March 2015	Numbers as at 31 March 2014		Numbers as at 31 March 2015	Numbers as at 31 March 2014
<b>Council Dwellings</b>	<b>13,275</b>	<b>13,210</b>	<b>Operational Equipment</b> Vehicles / Trailers	67	68
<b>Operational Buildings</b>			<b>Operational Buildings (Cont)</b>		
Cemetery Buildings	15	15	Offices	33	32
Cinema and Theatres	2	2	Care Homes for Older People	2	3
Clubhouses	6	12	Pavilions	53	48
Community Centres	35	35	Public Conveniences	5	4
Day Centres	14	12	Restaurants	2	2
Depots	18	18	Schools	72	72
Hostels	9	8	Shops	104	106
Industrial / Factory Premises	189	189	Small Business Units	74	74
Libraries	7	9	Sports Centres	8	6
Lock Up Garages	135	158	Stores	33	33
Museums & Visitor Centres	5	6	Swimming Pools	2	5
Muster Rooms	-	1	Travelling Peoples Site	-	1
Non Stock Houses	32	32	Village Halls	11	16
OAP Pavilions	2	2			
<b>Community Assets</b>					
Open Spaces	154	155			
Children's Play Areas	142	142			

Surplus Assets comprise 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.

## 11.3 Property, Plant and Equipment - PPP Schools

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

Value as at 1 April  
Additions

Value as at 31 March

**Aggregate Depreciation**

Value as at 1 April  
Charge for year

Value as at 31 March

**Net Book Value**

As at 31 March

	2014/15 £'000	2013/14 £'000
Value as at 1 April	120,977	120,769
Additions	218	208
Value as at 31 March	<b>121,195</b>	<b>120,977</b>
<b>Aggregate Depreciation</b>		
Value as at 1 April	11,171	8,800
Charge for year	2,378	2,371
Value as at 31 March	<b>13,549</b>	<b>11,171</b>
<b>Net Book Value</b>		
As at 31 March	<b>107,646</b>	<b>109,806</b>

## 11.4 Financial Liabilities - PPP Schools

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

As at 1 April  
Principal repayments

As at 31 March

**Split**

Short term Creditors  
Long term Creditors

	2014/15 £'000	2013/14 £'000
As at 1 April	<b>71,638</b>	<b>73,367</b>
Principal repayments	(1,778)	(1,729)
As at 31 March	<b>69,860</b>	<b>71,638</b>
<b>Split</b>		
Short term Creditors	2,199	1,778
Long term Creditors	67,661	69,860
	<b>69,860</b>	<b>71,638</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 11.5 Capital Expenditure and Capital Financing

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

	2014/15		2013/14	
	£'000	£'000	£'000	£'000
<b>Opening Capital Financing Requirement</b>		<b>588,217</b>		<b>564,466</b>
<b>Capital Investment</b>				
Property, Plant and Equipment		<b>68,677</b>		<b>69,910</b>
		<b>656,894</b>		<b>634,376</b>
<b>Sources of Finance</b>				
Capital Receipts	(11,014)		(5,397)	
Government Grants	(20,700)		(12,620)	
Contributions from Other Bodies	(3,660)		(3,214)	
Capital Financed from Current Revenue	(13,055)		(13,101)	
Long Term Debtors	(15)		(42)	
Finance Lease Principal (incl. PPP)	(2,269)		(2,181)	
Loans Fund Principal	(10,509)	<b>(61,222)</b>	(9,604)	<b>(46,159)</b>
<b>Closing Capital Financing Requirement</b>		<b>595,672</b>		<b>588,217</b>
<b>Increase in Capital Financing Requirement</b>		<b>7,455</b>		<b>23,751</b>

## 11.6 Fixed Asset Valuation

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

<b>Date of Valuation</b>	<b>Council Dwellings £'000</b>	<b>Other Land &amp; Buildings £'000</b>	<b>Surplus Assets £'000</b>	<b>Total £'000</b>
1 April 2010	385,787	36,204	-	421,991
1 April 2011	-	371,087	1,845	372,932
1 April 2012	-	26,858	20,432	47,290
1 April 2013	1,030	43,863	887	45,780
1 April 2014	3,737	105,179	2,940	111,856
	390,554	583,191	26,104	999,849
Net historical cost alterations	157,916	200,198	(3,042)	355,072
<b>Gross Valuation</b>	<b>548,470</b>	<b>783,389</b>	<b>23,062</b>	<b>1,354,921</b>

Valuations of the above categories of assets were undertaken over a five year rolling programme by Chartered Surveyors of the Council's Property Services Unit, in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. The housing stock valuation at 1 April 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 2014 the Council considers that there is no permanent material change in value in 2014/15.

## 11.7 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 2014/15 was £65.956 million (£65.607 million 2013/14).

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 11.8 Capital Commitments

At 31 March 2015 the Council has commitments on capital contracts of £51.559 million (£5.120 million 2013/14) for the Housing Programme and £28.705 million (£24.319 million 2013/14) 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 in the Composite Programme is a consequence of several significant capital investment projects, in the new financial year, namely the refurbishment of primary schools and the development of a partnership centre and sheltered housing complex.

## 11.9 Finance Leases

Included within the analysis of fixed assets in note 11.1 are the following assets acquired by finance leases, excluding PPP assets which are detailed in note 11.3 :-

		2014/15 £'000	2013/14 £'000
Operational Buildings	- Gross Cost	1,157	2,388
	- Aggregate Depreciation	788	1,387
	- Depreciation for the year	209	240
Vehicles	- Gross Cost	344	191
	- Aggregate Depreciation	102	159
	- Depreciation for the year	52	6
Finance lease interest for the year		76	119
		2014/15 £'000	2013/14 £'000
The future obligations (net of finance charges) under these finance leases are:-			
2015/16	(2014/15)	241	251
2016/17 to 2019/20	(2015/16 to 2018/19)	421	625
2020/21 onwards	(2019/20 onwards)	52	163

## 11.10 Heritage Assets

## Five-Year Summary of Transactions

For the period 2007/08 to 2011/12 there was no acquisition, impairment or disposals of Heritage Assets. The carrying value remained at £0.470 million for the period. Following the revaluation at 31 March 2012, the carrying value 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
<b>1 April 2013</b>	<b>337</b>	<b>279</b>	<b>61</b>	<b>677</b>
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
<b>31 March 2014</b>	<b>337</b>	<b>279</b>	<b>61</b>	<b>677</b>
<b>1 April 2014</b>	<b>337</b>	<b>279</b>	<b>61</b>	<b>677</b>
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
<b>31 March 2015</b>	<b>337</b>	<b>279</b>	<b>61</b>	<b>677</b>

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

The Council's external valuer for its art work (Bonhams – Fine Art Auctioneers & Valuers) carried out a valuation of the full collection as at 31 March 2012. The valuations were based on market values. The collection has not suffered any downward revaluation during the 3 years since valuation and has not taken ownership of any donated assets. There have been no disposals during the year.

## 11.11 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.

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 11.11 Heritage Assets – Further Information (Continued)

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

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

**Artworks & Sculptures**

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

The most valuable assets are a full length portrait of John, Earl of Hopetoun, by Sir Henry Raeburn (1820) valued at £0.220 million, a full length portrait of Sir Alexander Hope by Sir John Watson Gordon (1835) valued at £0.030 million and a full length portrait of John Adrian Louis by Robert Brough (1904) valued at £0.030 million. 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 of the other items are on display in the council's libraries and museum.

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

**Archives**

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

**Archaeology**

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

**Memorials, Public Art and Monuments**

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

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

The Council's Public Art Strategy 2015 – 2019 is currently under development.

## 11.12 Intangible Assets

	Balance at 31 March 2014 £'000	Allowance In Year £'000	Allowances Discharged In Year £'000	Balance 31 March 2015 £'000
Carbon Reduction Commitment Allowance	-	636	-	636

The expenditure on Intangible Assets relates to Carbon Reduction Commitment (CRC) Allowances purchased in a forecast sale in April 2014 for the purpose of settling 2014/15 CRC liabilities during 2015/16.

It is anticipated that the allowances will meet the estimated CRC liability of £0.622 million arising from the council's energy consumption during 2014/15.

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 12. FINANCIAL INSTRUMENTS

## 12.1 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 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
<b>Investments and Lending</b>				
Loans, receivables and interest	-	-	90,462	85,436
Investments to cash equivalents	-	-	21,440	29,373
Long term investments	213	223	-	-
	<b>213</b>	<b>223</b>	<b>111,902</b>	<b>114,809</b>
<b>Borrowing</b>				
Financial liabilities at amortised cost	403,796	393,902	89,883	105,698
	<b>403,796</b>	<b>393,902</b>	<b>89,883</b>	<b>105,698</b>

## 12.2 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 2015 for PWLB vary from 2.27% to 10.625% 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:

**Lending**

Loans and receivables - Cash  
- Fixed Term Deposits

31 March 2015		31 March 2014	
Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
21,440	21,450	29,373	29,381
90,462	90,593	85,436	85,591
<b>111,902</b>	<b>112,043</b>	<b>114,809</b>	<b>114,972</b>

The fair value is more than the carrying amount because the Council's lending figure includes a number of loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date. The commitment to receive interest above current market rates increases the amount that the Council would receive if it agreed to early repayment of the loans. The fair value amount also includes accrued interest receivable on the loans of £0.462 million.

**Borrowing**

Financial liabilities - PWLB  
- LOBO's and Temporary borrowing

31 March 2015		31 March 2014	
Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
424,901	553,503	424,869	481,455
68,778	88,097	74,731	76,801
<b>493,679</b>	<b>641,600</b>	<b>499,600</b>	<b>558,256</b>

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 12.3 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 2015 £'000	Historical experience of non- payment adjusted for market conditions at 31 March 2015 %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks and building societies	111,902	0%	0
Customers (council tax and other income)	35,097	2.25%	790

The Council does not generally allow credit for customers, however, £31.703 million of the £35.097 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	1,459
Three to six months	756
Six months to one year	4,720
More than one year	24,768
	<b>31,703</b>

The Council has provided £21.294 million against possible bad debts at 31 March 2015.

**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 2015 £'000	31 March 2014 £'000
Less than one year	89,883	105,698
Between one and two years	35,125	30,107
Between two and five years	70,030	85,155
More than five years	298,641	278,640
	<b>493,679</b>	<b>499,600</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

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

**Market risk**

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

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

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

- It is the policy of the Council to limit its exposure to variable rate borrowing to a maximum of 35% of total borrowing. At 31 March 2015 the council had no debt subject to variable rates.
- During periods of falling rates and where it is economically advantageous to do so, the Council will consider the repayment and restructuring of fixed interest rate debt.
- The Council takes daily advice from its specialist treasury adviser and actively monitors changes in interest rates to inform decisions on the lending of surplus funds, new borrowings and restructuring of existing borrowings.

To illustrate the impact of changes in interest rates upon the Council, the following table shows the financial effect if rates had been 1% higher for the financial year 2014/15, with all other variables held constant.

**Impact on tax-payer and rent-payers****£'000**

Increase in interest payable on variable rate borrowings

-

Increase in interest receivable on variable rate lending

(2,608)

**Net effect on Income and Expenditure Account****(2,608)**

Housing Revenue Account's Share

**(772)****Price Risk**

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

**Foreign Exchange Risk**

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

**13. LONG TERM DEBTORS****Loan Advances**

Small Business Loans  
Sale of West Lothian House  
Sale of Calderwood Land

**Balance at  
1 April 2014  
£'000**

**Advances  
£'000**

**Repayments  
£'000**

**Balance at  
31 March 2015  
£'000**

11	-	-	11
1,500	-	(1,500)	-
83	-	(41)	42
<b>1,594</b>	<b>-</b>	<b>(1,541)</b>	<b>53</b>

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

**14. INVENTORIES**

Building Maintenance  
Transport  
Printing  
Canteens  
Roads and Grounds Maintenance  
Countryside Deer / Highland Cows

**2014/15  
£'000**

**2013/14  
£'000**

175	363
144	139
8	9
117	98
460	797
64	46
<b>968</b>	<b>1,452</b>

**15. SHORT TERM DEBTORS**

Central Government Bodies  
Other Local Authorities  
NHS Bodies  
Public Corporations and Trading Funds  
Other Entities and Individuals

**2014/15  
£'000**

**2013/14  
£'000**

7,351	9,156
407	624
275	156
38	1,142
18,655	19,874
<b>26,726</b>	<b>30,952</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

16. SHORT TERM CREDITORS			2014/15 £'000	2013/14 £'000
Central Government Bodies			9,011	8,297
Other Local Authorities			2,537	2,705
NHS Bodies			438	656
Public Corporations and Trading Funds			84	177
Other Entities and Individuals			64,572	58,226
			<b>76,642</b>	<b>70,061</b>

17. PROVISIONS	Balance at 31 Mar 2014 £'000	Provision in Year £'000	Payments in year £'000	Balance at 31 Mar 2015 £'000
Included are the following provisions:-				
Equal pay settlements	1,255	-	(13)	1,242
Carbon Reduction Commitment – Phase 1	365	-	(365)	-
	<b>1,620</b>	<b>-</b>	<b>(378)</b>	<b>1,242</b>

**Equal Pay Provision**  
The Council created an Equal Pay Provision in 2013/14 to meet the liability arising from the equal pay claims following the outcome of recent litigation involving Dumfries and Galloway Council. West Lothian is currently in discussions with claimants' representatives to establish settlement terms. During 2014/15 £0.013 million was paid from the provision, leaving a remaining provision of £1.242 million to meet future claims.

**Carbon Reduction Commitment (CRC) – Phase 1**  
The Council participated in the CRC Energy Efficiency Scheme Phase 1 and was required to purchase and surrender allowances, retrospectively, on the basis of carbon emissions. Phase 1 of the scheme is now complete and no further provision is required. The provision of £0.365 million for the 2013/14 liability was fully utilised during 2014/15.

18. LONG TERM CREDITORS	Sum Outstanding 2014/15 £'000	Sum Outstanding 2013/14 £'000
Finance Leases - outstanding principal	473	788
Open Space Agreements	325	340
Economic Development Business Gateway	244	452
	<b>1,042</b>	<b>1,580</b>

OTHER LONG TERM LIABILITIES		
PPP1 Schools	14,783	15,819
PPP3 Schools	52,878	54,041
	<b>67,661</b>	<b>69,860</b>

**19. PENSION SCHEMES**

**19.1 Pension Schemes**  
As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make payments and to disclose them at the time that employees earn their future entitlement.  
As explained in Statement 8 note 1 of the Accounting Policies the Council participates in two post-employment schemes:

- Local Government Pension Scheme**  
The Local Government Pension Scheme (Lothian Pension Fund) is administered by City of Edinburgh Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 2008. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.
- Teachers' Pension Scheme**  
The Teachers' Pension Scheme is administered by the Scottish Public Pensions Agency, an Executive Agency of the Scottish Government. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. However, as the Scheme is not able to identify each Council's share of the underlying liabilities with sufficient reliability for accounting purposes, the pension costs are accounted for as if it were a defined contribution scheme.

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

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

In 2014/15 (2013/14) the Council paid an employer's contribution of £10.585 million (£10.429 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 2014/15 (2013/14) these amounted to £0.460 million (£0.459 million) representing 0.4% (0.4%) of pensionable pay.

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



## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 19.2 Transactions Relating to Post-Employment Benefits

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

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

Current Service cost  
Past Service Costs

**Financing and Investment Income and Expenditure**

Net Interest Expense

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

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

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

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

Other experience

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

2014/15		2013/14	
£'000	£'000	£'000	£'000
28,369	28,554	24,740	25,330
185		590	
	8,526		7,463
	37,080		32,793
(64,807)		(8,854)	
36,751		-	
102,156		30,897	
(11,840)	62,260	(1,555)	20,488
	99,340		53,281

**Movement in Reserves Statement**

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

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

Employer's contributions payable to the scheme

Contributions in respect of unfunded benefits

2014/15		2013/14	
£'000	£'000	£'000	£'000
	(76,609)		(31,091)
	(20,616)		(20,133)
	(2,115)		(2,057)
	(22,731)		(22,190)

The amount charged to taxation for the Lothian Pension Fund Scheme in 2014/15 (2013/14) was £19.246 million (£19.298 million).

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

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

Fair Value of Assets

Present Value of Funded Liabilities

Share of net liabilities

Present value of unfunded liabilities

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

31 March 2015 £'000	31 March 2014 £'000
735,494	639,482
(975,483)	(804,130)
(239,989)	(164,648)
(32,215)	(30,947)
(272,204)	(195,595)

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

Opening fair value of assets at 1 April

Interest income on plan assets

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

Employer's contributions payable to the scheme

Contributions by scheme participants

Benefits paid

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

31 March 2015 £'000	31 March 2014 £'000
639,482	598,717
27,556	27,050
64,807	8,854
20,616	20,133
6,296	6,063
(23,263)	(21,335)
735,494	639,482

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

Opening Balance at 1 April

Current Service costs

Interest cost

Contributions by scheme participants

Remeasurement gain / (loss):

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

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

- Other experience

Past service costs

Benefits paid

Unfunded benefits paid

**Closing balance of liabilities at 31 March**

31 March 2015 £'000	31 March 2014 £'000
(835,077)	(763,221)
(28,369)	(24,740)
(36,082)	(34,513)
(6,296)	(6,063)
(36,751)	-
(102,156)	(30,897)
11,840	1,555
(185)	(590)
23,263	21,335
2,115	2,057
(1,007,698)	(835,077)

## NOTES TO THE ANNUAL ACCOUNTS

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## 19.6 Lothian Pension Fund Assets by Category

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

**Equity Securities:**

	2014/15		2013/14	
	£'000	%	£'000	%
*Consumer	103,155	14%	96,907	15%
*Manufacturing	86,514	12%	87,291	14%
*Energy and Utilities	73,489	10%	71,159	11%
*Financial Institutions	60,597	8%	44,543	7%
*Health and Care	50,117	7%	43,629	7%
*Information Technology	45,998	6%	41,600	7%
*Other	32,941	4%	28,255	5%

**Private Equity:**

*All	-	-	5,211	1%
All	85,284	12%	72,363	11%

**Investment funds and unit trusts:**

*Equities	7,980	1%	6,636	1%
Equities	-	-	2,376	1%
*Commodities	2,350	-	-	-
Commodities	-	-	2,173	-
*Infrastructure	4,423	1%	-	-
*Other	2,377	-	-	-
Other	2,628	1%	2,079	-

**Equity**

**557,853 76% 504,222 80%**

**Debt Securities:**

*Corporate Bonds A (investment grade)	-	-	20,673	3%
*Corporate Bonds (non-investment grade)	-	-	3,109	-
*UK Government	42,588	6%	21,763	3%
*Other	18,138	2%	546	-

**Investment funds and unit trusts:**

Bonds	-	-	2,731	-
*Bonds	2113	-	-	-

**Derivatives:**

Inflation	-	-	-	-
Interest rate	-	-	-	-
Foreign exchange	1,128	-	-	-
*Other	-	-	67	-

**Bonds**

**63,967 8% 48,889 6%**

**Real Estate:**

UK Property	48,108	7%	44,555	7%
Overseas Property	7,458	1%	5,181	1%

**Property**

**55,566 8% 49,736 8%**

**Cash and cash equivalents**

*All	58,108	8%	36,635	6%
------	--------	----	--------	----

**Cash and cash equivalents**

**58,108 8% 36,635 6%**

**735,494 100% 639,482 100%**

Assets marked with an asterisk (\*) have quoted prices in active markets and equate to £592.016 million (2013/14 £508.024 million) with prices not quoted in active markets totalling £143.478 million (2013/14 £131.458 million).

## 19.7 Basis for Estimating Assets and Liabilities

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

**Mortality Assumptions**

Life expectancy is based on the Fund's Vita Curves analysis (with improvements in line with the CMI2012 model) used in the formal funding valuation as at 31 March 2014. Based on these assumptions, the average future life expectancies at age 65 are summarised on page 42.

## NOTES TO THE ANNUAL ACCOUNTS

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

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

2014/15 Years	2013/14 Years
22.1	20.4
23.7	22.8
24.2	22.6
26.3	25.4

**Financial Assumptions**

Rate of inflation	2.4%	2.8%
Rate of increase in salaries	4.3%	5.1%
Increase in Pensions	2.4%	2.8%
Rate for discounting scheme liabilities	3.2%	4.3%

2014/15 %	2013/14 %
2.4%	2.8%
4.3%	5.1%
2.4%	2.8%
3.2%	4.3%

## 19.8 Sensitivity Analysis

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

0.5% decrease in Real Discount Rate	10%	105,645
1 year increase in member life expectancy	3%	30,231
0.5% increase in the Salary Increase Rate	4%	39,391
0.5% increase in the Pension Increase Rate	6%	63,436

Approximate % Increase to Employer Obligation	Approximate Monetary Amount £'000
10%	105,645
3%	30,231
4%	39,391
6%	63,436

## 19.9 Projected Pension Cost for period to 31 March 2016

The deficit has increased due to a reduction in the net discount rate. This outweighed the positive asset return achieved over this period.

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 45% (30% 2013/14).

The projected pension expense for next year has also risen due to lower discount rate net of inflation, leading to a higher current service cost. The following table sets out the projected amount to be charged to operating profit for the year to 31 March 2016, based on assumptions as at 31 March 2015:-

31 March 2016			
Assets £'000	Obligations £'000	Net £'000	% of pay
Current service cost	(31,817)	(31,817)	(31.3%)
Past service cost including curtailments	-	-	-
Effect of settlements	-	-	-
<b>Total Service Cost</b>	<b>(31,817)</b>	<b>(31,817)</b>	<b>(31.3%)</b>
Interest income on plan assets	-	23,521	23.2%
Interest cost on defined benefit obligation	(32,374)	(32,374)	(31.9%)
<b>Total Net Interest Cost</b>	<b>(32,374)</b>	<b>(8,853)</b>	<b>(8.7%)</b>
<b>Total included in Profit or Loss</b>	<b>(64,191)</b>	<b>(40,670)</b>	<b>(40.0%)</b>

The estimated Employer's contributions for the year to 31 March 2016 will be approximately £20.710 million.

## 19.10 Impact on Council's Cash Flow

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

The estimated Employer's contributions for the year to 31 March 2016 will be approximately £20.710 million. Employer contributions have been set at 20.0% for 2015/16 (16.9% 2014/15).

## 20. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 5, 6 and 7.

## 20.1 Revenue Statutory Funds

<b>Insurance Fund</b>
Balance at 1 April
Appropriation
Balance at 31 March

2014/15 £'000	2013/14 £'000
12,193	12,269
1,377	(76)
<b>13,570</b>	<b>12,193</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

20.2 Capital Fund	2014/15 £'000	2013/14 £'000
Balance at 1 April	79,008	74,338
Transfer (to) / from Capital Adjustment Account	(4,520)	(2,274)
Appropriation	10,277	6,944
Balance at 31 March	<b>84,765</b>	<b>79,008</b>

**21. UNUSABLE RESERVES**

	2014/15 £'000	2013/14 £'000
Revaluation Reserve	147,840	119,815
Available for Sale Financial Instruments Reserve	189	199
Capital Adjustment Account	627,363	639,587
Financial Instruments Adjustment Account	(10,104)	(10,528)
Pensions Reserve	(272,204)	(195,595)
Accumulated Absences Account	(8,999)	(9,391)
<b>Total Unusable Reserves</b>	<b>484,085</b>	<b>544,087</b>

**21.1 Revaluation Reserve**

	2014/15 £'000	2013/14 £'000
Balance at 1 April	119,815	102,797
Unrealised gains / (losses) on revaluation of fixed assets	35,463	22,902
Less: Depreciation on revaluations	(7,438)	(5,884)
Balance at 31 March	<b>147,840</b>	<b>119,815</b>

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

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

	2014/15 £'000	2013/14 £'000
Balance at 1 April	199	136
Revaluation of long-term investments at fair value	(10)	63
Balance at 31 March	<b>189</b>	<b>199</b>

**21.3 Capital Adjustment Account**

	2014/15 £'000	2013/14 £'000
Balance at 1 April	639,587	669,306
Depreciation and impairment	(74,673)	(79,970)
Government grants written off	24,360	15,834
Loans fund principal repayments	12,560	11,577
Capital financed from current revenue (General Fund)	3,895	5,627
Capital financed from current revenue (HRA)	9,378	7,682
Gain/ (Loss) on disposal of non-current assets	298	1,373
Revaluation Reserve - Depreciation on revaluations	7,438	5,884
Transfer of Capital Receipts to Capital Fund	4,520	2,274
Balance at 31 March	<b>627,363</b>	<b>639,587</b>

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

21.4 Financial Instruments Adjustment Account	2014/15 £'000	2013/14 £'000
Balance at 1 April	(10,528)	(10,947)
Appropriations (to) from Movements on Reserve Statement	424	419
Balance at 31 March	<b>(10,104)</b>	<b>(10,528)</b>
The Financial Instruments Adjustment Account is an accounting reserve arising from the re-measurement of financial instruments. It is a balancing account to allow for differences in statutory requirements and proper accounting practices for the Council's lending and borrowing. The balance at 31 March 2014 represents:		
	2014/15 £'000	2013/14 £'000
Deferred Premiums less Discounts from Debt Rescheduling	(7,457)	(7,851)
Market LOBO loans restated - balance sheet value	(63,227)	(63,257)
- Deduct: actual loans outstanding	60,580	60,580
	<b>(10,104)</b>	<b>(10,528)</b>
21.5 Pension Fund Reserve		
The pension reserve mirrors the net pensions liability detailed in 19.3. The movements in the year are summarised as follows:		
Balance at 1 April	(195,595)	(164,504)
Net surplus for year	(14,349)	(10,603)
Actuarial Gains (Losses) in Pension Plan	(62,260)	(20,488)
Balance at 31 March	<b>(272,204)</b>	<b>(195,595)</b>
21.6 Accumulated Absences Account		
	2014/15 £'000	2013/14 £'000
Balance at 1 April	(9,391)	(8,475)
Annual leave and flexitime accrual - previous year	9,391	8,475
Annual leave, maternity and flexitime accrual - current year	(8,999)	(9,391)
Statutory adjustment for the year	392	(916)
Balance at 31 March	<b>(8,999)</b>	<b>(9,391)</b>
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.		
22. CASH FLOW STATEMENT - OPERATING ACTIVITIES	2014/15 £'000	2013/14 £'000
The following amounts are included in the net cash flows from Operating Activities:-		
Interest paid	23,717	20,930
Interest element of finance lease rental payments including PPP contracts	4,154	4,292
Interest received	(2,665)	(2,715)
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:-		
Depreciation	65,956	65,607
Impairment and downward revaluations	8,717	14,363
Amortisation	(30)	(26)
Increase/decrease in creditors	5,836	3,603
Increase/decrease in debtors	4,422	1,623
Increase/decrease in Short Term Intangible Assets	(636)	-
Increase/decrease in inventories	484	(102)
Movement in pension liability	14,349	10,603
Gain / (Loss) on disposal of non-current assets	(298)	(1,373)
Other non-cash items	(224)	76
	<b>98,576</b>	<b>94,374</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

23. CASH FLOW STATEMENT - INVESTING ACTIVITIES	2014/15 £'000	2013/14 £'000
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	(70,166) - 5,972 (5,000)	(71,791) (83) 5,947 15,000
Net cash flows from Investing Activities	(69,194)	(50,927)
24. CASH FLOW STATEMENT - FINANCING ACTIVITIES	2014/15 £'000	2013/14 £'000
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	45,000 (325) (50,910)	78,600 (244) (57,614)
Net cash flows from Financing Activities	(6,235)	20,742
25. CASH AND CASH EQUIVALENTS	2014/15 £'000	2013/14 £'000
Cash held by officers Bank current accounts Short term deposits	131 3,670 21,440	131 1,915 29,373
Total Cash and Cash Equivalents	25,241	31,419
26. AGENCY SERVICES	2014/15 £'000	2013/14 £'000
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:-		
<b>Expenditure</b>		
Local Bus Services	60	56
Residential Schools and other Social Work payments	912	780
Special School Placements	300	295
Other	1,438	985
Non Domestic Rates	83,116	82,153
	85,826	84,269
<b>Income</b>		
Scottish Water Collection Services	553	430
Social Work Services	1,878	1,830
Local Bus Services	235	246
Special School Placements	441	411
Non Domestic Rates	83,713	78,990
	86,820	81,907
27. WEST LOTHIAN COMMUNITY HEALTH AND CARE PARTNERSHIP (WLCHCP)		
The West Lothian Community Health and Care Partnership (WLCHCP) was established in April 2005 in accordance with the National Health Service Reform (Scotland) Act 2004. During 2014/15 WLCHCP managed a substantial range of West Lothian Council's social care and community health services.		
Of the Partnership's gross budget of £169.7 million (£167 million for 2013/14), West Lothian Council contributed £77.1 million (£74.7 million 2013/14). In 2014/15 the final outturn for Council services was £77.4 million (£74.8 million 2013/14), a £0.3 million overspend (£0.1 million overspend 2013/14).		
The Public Bodies (Joint Working) (Scotland) Act 2014 requires new arrangements to be put in place for the delivery of integrated health and social care functions.		
In line with this, a Health and Social Care Partnership, in the form of an Integrated Joint Board (IJB) will replace the previous partnership arrangements in place in West Lothian. The council and NHS Lothian are working towards putting in place arrangements to take forward health and social care integration and a Shadow IJB has been established.		
An Integration Scheme setting out the formal agreement between the NHS Board and Council on a range of matters prescribed in the Act has been submitted to the Scottish Government, and upon approval the IJB may be formed. The new arrangements will involve delegation to the IJB by the council and NHS Lothian of relevant functions and budget resources. The IJB will have a strategic role, with the responsibility for operational delivery of these services remaining with the council and NHS Lothian.		

## NOTES TO THE ANNUAL ACCOUNTS

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**28. TRADING OPERATIONS**

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

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

	2014/15 £'000	2013/14 £'000
Turnover	4,445	4,572
Expenditure	3,533	3,386
Surplus (Deficit) for year	912	1,186
Budget Surplus (Deficit) for year	779	1,142

Included in turnover is internal income of £433,840 (£349,380 2013/14).

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
2012/13	(4,870)	757	(5,627)
2013/14	1,186	772	414
2014/15	912	813	99
	<b>(2,772)</b>	<b>2,342</b>	<b>(5,114)</b>

In the three years to 31 March 2015 the trading account sustained a statutory aggregate loss of £5.114 million, therefore not achieving the statutory financial requirement to breakeven over the three year period. This was as a result of a charge for impairment of £6.382 million in 2012/13 on assets from the Economic Development Property Portfolio. The financial position excluding the 2012/13 impairment charge would have resulted in the following surplus.

	2014/15 £'000	2013/14 £'000	2012/13 £'000
Turnover	4,445	4,572	4,528
Expenditure	3,533	3,386	3,016
Surplus for year	912	1,186	1,512
Budget Surplus for year	779	1,142	1,144

	Surplus £'000	Loan Interest £'000	Net Surplus (Deficit) £'000
2012/13	1,512	757	755
2013/14	1,186	772	414
2014/15	912	813	99
	<b>3,610</b>	<b>2,342</b>	<b>1,268</b>

Excluding impairment charges incurred during 2012/13, in the three years to 31 March 2015 the trading account made a statutory aggregate surplus of £1.268 million, therefore meeting the statutory financial requirement to breakeven over the three year period.

**29. EXTERNAL AUDIT COSTS**

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

	2014/15 £'000	2013/14 £'000
Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice.	331	328
	<b>331</b>	<b>328</b>

## NOTES TO THE ANNUAL ACCOUNTS

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**30. CONTINGENT LIABILITIES****Modernisation Fund**

The Council operates a voluntary severance scheme financed from the Modernisation Fund - which is an earmarked balance in the General Fund. The balance of the fund is £4.372 million (note 33). 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.

**West Lothian Recycling**

The Council, under the terms of the Shareholder's Agreement with its partner Tarmac, has guaranteed to meet any loan from Tarmac to its related company, West Lothian Recycling Ltd. up to a maximum of £96,500, plus 50% of the related financing costs. There were no loans during 2014/15.

**Equal Pay Provision**

Whilst the council has made appropriate provision, as detailed in note 17, 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.

**Municipal Mutual – Scheme of Arrangement**

The Municipal Mutual Scheme of Arrangement was triggered in November 2012. The scheme administrator announced that the initial levy rate was 15% of claims paid since 1993. The Council paid an initial payment of £0.117 million in respect of West Lothian District Council and Livingston Development Corporation liability. An additional payment of £0.020 million was made in respect of the Council's share of Lothian Regional Council liability.

The Council recognises that further levies will be imposed and therefore acknowledges a potential future liability.

**Holiday Pay Liability**

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

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

**31. POST REPORTING PERIOD 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 annual accounts on 23 June 2015 and the audited accounts were authorised for issue on 29 September 2015. Events after the balance sheet date have been considered up to 29 September 2015.

**32. GRANT INCOME**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15.

	2014/15 £'000	2013/14 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Capital Grants and Contributions		
- General Capital Grant	19,426	10,766
- Other Scottish Government Grant	1,274	1,854
- Developers Contributions	1,674	1,420
- Other Capital Contributions	1,986	1,794
<b>Total Capital Grants and Contributions</b>	<b>24,360</b>	<b>15,834</b>
Revenue Support Grant	219,815	219,117
Distribution from Non Domestic Rate Pool	88,513	81,347
Council Tax Benefits Grant	-	(31)
<b>Total Grants credited to Taxation and Non Specific Grant Income</b>	<b>332,688</b>	<b>316,267</b>
<b>Credited to Services</b>		
Housing Benefits Grant	54,726	54,398
Administration of Benefits Grant	960	1,265
Education Maintenance Allowance	801	884
European Grants	2,536	2,385
Private Sector Housing Grant	732	732
Community Led Regeneration	2,012	2,141
Criminal Justice Grant	2,374	2,264
Other Grants	4,398	4,315
Contribution from - SEEL	-	(73)
- Local Authorities	1,186	1,147
- NHS	7,079	7,406
<b>Total Grants credited to Services</b>	<b>76,804</b>	<b>76,864</b>



## NOTES TO THE ANNUAL ACCOUNTS

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**33. GENERAL FUND BALANCE**

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

	2014/15 £'000	2013/14 £'000
General Fund Balance at 31 March	19,307	22,571
Less: Earmarked Balances -		
Education - Delegated Schemes	1,053	1,101
Energy Efficiency Fund	358	415
Weather Emergency Fund	1,000	1,000
Modernisation Fund	4,372	4,371
Senior Peoples Challenge Fund	88	192
Scottish Government Grant	4,812	2,895
Scottish Welfare Fund	-	74
Time Limited Projects	5,414	10,237
Demand Responsive Transport	50	126
War Memorial Fund	50	50
Local Plan	110	110
	17,307	20,571
Uncommitted General Fund Balance at 31 March	2,000	2,000

In accordance with both the School Boards Delegation and Devolved School Management schemes, a net credit balance of £1.053 million (£1.101 million 2013/14) 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 2015/16 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.

**34. LEASING AND PPP PAYMENTS****Leases**

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

	2014/15 £'000	2013/14 £'000
Plant and Vehicles	3,573	3,550
Property	568	449
	4,141	3,999

Assets acquired under finance leases have been capitalised and are detailed in note 11.

**Operating Leases**

The future cash payments required under operating leases are:-

	2014/15 £'000	2013/14 £'000
2015/16 (2014/15) - Land and Buildings	572	453
- Other Operating Leases	2,794	3,478
2016/17 to 2019/20 (2015/16 to 2018/19) - Land and Buildings	717	831
- Other Operating Leases	4,900	6,986
2020/21 onwards (2019/20 onwards) - Land and Buildings	1,619	1,747

The cumulative value of leases where the Council is a lessor is £5.113 million for 698 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.

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

**LEASING AND PPP PAYMENTS (CONTINUED)****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:-

	<b>Principal £'000</b>	<b>Interest £'000</b>	<b>Lifecycle Capital Costs £'000</b>	<b>Operating Costs £'000</b>	<b>2014/15 Total £'000</b>	<b>2013/14 Total £'000</b>
Within one year	2,199	3,958	93	5,696	11,946	11,697
2 to 5 years	9,558	14,328	704	25,797	50,387	49,334
6 to 10 years	12,411	14,651	1,641	40,584	69,287	67,835
11 to 15 years	13,912	10,984	2,724	49,424	77,044	75,425
16 to 20 years	17,552	5,879	642	44,153	68,226	73,997
21 to 25 years	14,228	1,755	-	32,260	48,243	54,136
26 to 30 years	-	-	-	-	-	4,406
	<b>69,860</b>	<b>51,555</b>	<b>5,804</b>	<b>197,914</b>	<b>325,133</b>	<b>336,830</b>

**35. 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 32 on amounts reported to decision makers. Grant receipts outstanding at 31 March 2015 are detailed on page 50.

**Councillors**

Members of the Council have direct control over the Council's financial and operating policies. The total of Councillors Remuneration allowances paid in 2014/15 are shown in the Remuneration Report note 2.3 on page 11. There are no related party transactions with members of the Council.

**Officers**

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

**RELATED PARTIES (CONTINUED)**

During the year, the Council entered into a number of transactions with related parties which include Central Government, Other Local Authorities, Police 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**

Lothian and Borders Police  
Joint Valuation Board  
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

**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.

<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
51,582	51,785
10,585	10,429
19,246	19,298
1,396	932
-	(977)
1,143	1,143
59	34
1,980	2,082
703	697
2,938	2,930
70	72
<b>89,702</b>	<b>88,425</b>
1,186	1,147
27	18
2,374	2,264
<b>3,587</b>	<b>3,429</b>
(1,019)	859
(2,113)	(2,081)
-	910
12	269
<b>(3,120)</b>	<b>(43)</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

**36. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS - 2013/14**

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.

	<b>Total Income £'000</b>	<b>Employee Expenses £'000</b>	<b>Other Service Expenses £'000</b>	<b>Depreciation £'000</b>	<b>Total Expenditure £'000</b>	<b>Net Expenditure £'000</b>
<b>2013/14</b>						
Schools with Education Support	(3,627)	113,089	17,596	33,665	164,350	160,723
Area Services (including Arts, Sports and Outdoor Education)	(6,221)	15,150	7,569	6,807	29,526	23,305
Planning and Economic Development Services	(6,659)	4,704	3,369	603	8,676	2,017
Operational Services	(17,609)	34,918	38,080	12,152	85,150	67,541
Housing, Construction and Building Services	(34,434)	20,563	15,758	30	36,351	1,917
Corporate Services	(1,492)	8,254	4,229	4,757	17,240	15,748
WLCHCP & Social Policy	(20,013)	40,081	65,688	734	106,503	86,490
Chief Executive, Finance and Estates	(11,113)	7,991	24,702	7,055	39,748	28,635
Joint Boards	-	-	238	-	238	238
Other Services						
- Non Service Expenditure	(59,016)	726	28,657	-	29,383	(29,633)
Time-Limited Projects	(37)	3,693	697	8	4,398	4,361
HRA	(41,303)	4,080	21,153	16,070	41,303	-
<b>Total</b>	<b>(201,524)</b>	<b>253,249</b>	<b>227,736</b>	<b>81,881</b>	<b>562,866</b>	<b>361,342</b>

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

	<b>£'000</b>
Net Expenditure in the Service Analysis	<b>361,342</b>
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	<b>29,304</b>
<b>Net Cost of Services</b>	<b>390,646</b>

**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.

	<b>Service Analysis £'000</b>	<b>Not included in Net Cost of Services £'000</b>	<b>Allocation of Support Services £'000</b>	<b>Net Cost of Services £'000</b>	<b>Corporate Amounts* £'000</b>	<b>Total £'000</b>
Fees, charges and other service income	(201,524)	41,253	5,920	(154,351)	(4,572)	(158,923)
Interest and investment income	-	-	-	-	(30,051)	(30,051)
Government grants and contributions	-	-	-	-	(15,834)	(15,834)
Income from council tax	-	-	-	-	(358,701)	(358,701)
<b>Total Income</b>	<b>(201,524)</b>	<b>41,253</b>	<b>5,920</b>	<b>(154,351)</b>	<b>(409,158)</b>	<b>(563,509)</b>
Employee expenses	253,249	(20,061)	(15,154)	218,034	57	218,091
Other service expenses	227,736	11,177	(9,203)	229,710	984	230,694
Support Service recharges	-	174	26,147	26,321	1,080	27,401
Depreciation, amortisation and impairment	81,881	(3,239)	(7,710)	70,932	1,265	72,197
Interest Payments	-	-	-	-	61,249	61,249
(Gain) or Loss on Disposal of Non-Current Assets	-	-	-	-	(1,373)	(1,373)
<b>Total Expenditure</b>	<b>562,866</b>	<b>(11,949)</b>	<b>(5,920)</b>	<b>544,997</b>	<b>63,262</b>	<b>608,259</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>361,342</b>	<b>29,304</b>	<b>-</b>	<b>390,646</b>	<b>(345,896)</b>	<b>44,750</b>

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

**36. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS - 2014/15**

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.

	<b>Total Income £'000</b>	<b>Employee Expenses £'000</b>	<b>Other Service Expenses £'000</b>	<b>Depreciation £'000</b>	<b>Total Expenditure £'000</b>	<b>Net Expenditure £'000</b>
<b>2014/15</b>						
Schools with Education Support	(4,349)	113,397	18,849	25,013	157,259	152,910
Area Services (including Arts, Sports and Outdoor Education)	(6,066)	13,115	6,227	9,497	28,839	22,773
Planning and Economic Development Services	(6,929)	4,643	3,698	746	9,087	2,158
Operational Services	(16,707)	35,953	38,585	7,091	81,629	64,922
Housing, Construction and Building Services	(30,771)	20,694	12,338	151	33,183	2,412
Corporate Services	(1,326)	8,501	4,643	4,234	17,378	16,052
WLCHCP & Social Policy	(20,280)	41,497	67,637	1,013	110,147	89,867
Chief Executive, Finance and Estates	(11,532)	8,558	26,905	5,892	41,355	29,823
Joint Boards	-	-	1,212	-	1,212	1,212
Other Services						
- Non Service Expenditure	(59,377)	230	43,691	-	43,921	(15,456)
Time-Limited Projects	(6)	3,428	832	-	4,260	4,254
HRA	(43,000)	4,194	19,346	19,460	43,000	-
<b>Total</b>	<b>(200,343)</b>	<b>254,210</b>	<b>243,963</b>	<b>73,097</b>	<b>571,270</b>	<b>370,927</b>

**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

£'000

370,927

-

-

17,962

388,889

**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.

	<b>Service Analysis £'000</b>	<b>Not included in Net Cost of Services £'000</b>	<b>Allocation of Support Services £'000</b>	<b>Net Cost of Services £'000</b>	<b>Corporate Amounts* £'000</b>	<b>Total £'000</b>
Fees, charges and other service income	(200,343)	36,807	6,379	(157,157)	(4,445)	(161,602)
Interest and investment income	-	-	-	-	(29,470)	(29,470)
Government grants and contributions	-	-	-	-	(332,688)	(332,688)
Income from council tax	-	-	-	-	(59,336)	(59,336)
<b>Total Income</b>	<b>(200,343)</b>	<b>36,807</b>	<b>6,379</b>	<b>(157,157)</b>	<b>(425,939)</b>	<b>(583,096)</b>
Employee expenses	254,210	(19,580)	(15,923)	218,707	57	218,764
Other service expenses	243,963	370	(9,733)	234,600	851	235,451
Support Service recharges	-	381	26,769	27,150	1,081	28,231
Depreciation, amortisation and impairment	73,097	(16)	(7,492)	65,589	1,544	67,133
Interest Payments	-	-	-	-	63,140	63,140
(Gain) or Loss on Disposal of Non-Current Assets	-	-	-	-	(298)	(298)
<b>Total Expenditure</b>	<b>571,270</b>	<b>(18,845)</b>	<b>(6,379)</b>	<b>546,046</b>	<b>66,375</b>	<b>612,421</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>370,927</b>	<b>17,962</b>	<b>-</b>	<b>388,889</b>	<b>(359,564)</b>	<b>29,325</b>

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

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

<b>PURPOSE</b>	The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.		
<b>INCOME</b>		<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
	Dwellings Rent (gross)	(41,951)	(40,276)
	Non-Dwellings Rent (gross)	(582)	(747)
	Other Income	(467)	(280)
	<b>TOTAL INCOME</b>	<b>(43,000)</b>	<b>(41,303)</b>
<b>EXPENDITURE</b>			
	Repairs and Maintenance	12,688	13,847
	Supervision and Management	8,126	8,242
	Depreciation and Revaluation of non-current assets	24,066	19,626
	Bad or Doubtful Debts	448	1,062
	Other Expenditure	2,190	2,009
	<b>TOTAL EXPENDITURE</b>	<b>47,518</b>	<b>44,786</b>
	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>4,518</b>	<b>3,483</b>
	HRA Services share of Corporate and Democratic Core (CDC)	88	73
	HRA share of Non Distributed Costs	6	17
	<b>Net Cost of HRA Services</b>	<b>4,612</b>	<b>3,573</b>
	<b>HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement</b>		
	(Profit) / Loss on sale of HRA assets	(555)	(322)
	Interest payable and similar charges	6,627	5,283
	Net interest on the net defined benefit liability	247	214
	<b>Deficit for the year on HRA Services</b>	<b>10,931</b>	<b>8,748</b>

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	2014/15 £'000	2013/14 £'000
	Balance on the HRA at the end of the previous year		(926)	(926)
	Deficit for the year on the HRA Income and Expenditure Statement		10,931	8,748
	Adjustments between accounting basis and funding basis under regulations	1	(10,931)	(8,748)
	(Increase) or decrease in year on the Housing Revenue Account		-	-
	Balance on the HRA at the end of the current year		(926)	(926)
NOTES	1. <b>Adjustments between accounting basis and funding basis under regulations</b>			
	Depreciation and Revaluation		(24,066)	(19,626)
	Profit / (Loss) on sale of HRA fixed assets		555	322
	Amount by which pension costs calculated in accordance with IAS 19 are different from contributions due to the Lothian Pension Fund		(253)	(231)
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>		(23,764)	(19,535)
	Loans fund principal		3,455	3,105
	Capital expenditure funded by HRA		9,378	7,682
	<b>Adjustments between accounting basis and funding basis under regulations</b>		(10,931)	(8,748)
	2. <b>Housing Stock</b>			
	The Council's stock at 1 April 2014 was 13,210 houses and at 31 March 2015 was 13,275 houses. As a result the Council was responsible for managing an average of 13,243 dwellings during 2014/15.		<b>2014/15 No of Houses</b>	<b>2013/14 No of Houses</b>
	Stock movements can be summarised as follows:-			
	Stock as at 1 April		13,210	13,048
	Additions		188	265
	Less Demolitions		(54)	(18)
	Less Stock restated		(6)	(45)
	Less Sales		(63)	(40)
	Stock as at 31 March		<b>13,275</b>	<b>13,210</b>
	Housing Stock Numbers by type are as follows:			
	1 Bed		2,281	2,262
	2 Bed		6,203	6,175
	3 Bed		4,195	4,183
	4 Bed		463	459
	More than 4 Bed		133	131
			<b>13,275</b>	<b>13,210</b>
	3. <b>Rent Arrears</b>			
	Current Tenant Gross Rent Arrears at 31 March		<b>2014/15 £1,256,618</b>	<b>2013/14 £1,319,531</b>
	4. <b>Bad Debts Provision</b>			
	A bad debts provision of £1,473,127 (£1,509,233 at 31 March 2014) has been made in respect of housing rent arrears and former tenants debt.			
	5. <b>Losses on Void Properties</b>			
	Losses on void properties at 31 March		<b>2014/15 £543,274</b>	<b>2013/14 £315,447</b>

## COUNCIL TAX INCOME ACCOUNT

## STATEMENT 11

PURPOSE	This statement shows the net income raised from Council Tax levied under the Local Government Finance Act 1992.																																																																																																																																																																
INCOME	Gross Council Tax levied and contributions in lieu <u>Less:</u> Discounts Provision for bad debts Council Tax Reduction Scheme Other deductions  Adjustments for previous years' Community Charge and Council Tax  <b>Transfers to General Fund</b>					2014/15 £'000			2013/14 £'000																																																																																																																																																								
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59,336		58,237																																																																																																																																																															
NOTES	1.	Calculation of the Council Tax base 2014/15																																																																																																																																																															
		<table><tr><td></td><th colspan="9">PROPERTY BANDS</th></tr><tr><td></td><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>17,773</td><td>24,644</td><td>9,826</td><td>7,856</td><td>9,143</td><td>5,397</td><td>2,516</td><td>180</td><td>77,335</td></tr><tr><td>Exemptions</td><td>(890)</td><td>(596)</td><td>(220)</td><td>(92)</td><td>(83)</td><td>(33)</td><td>(20)</td><td>(11)</td><td>(1,945)</td></tr><tr><td>Disabled Relief</td><td>174</td><td>(78)</td><td>(23)</td><td>22</td><td>(21)</td><td>(32)</td><td>(42)</td><td>-</td><td>-</td></tr><tr><td>Discounts (10%)</td><td>(11)</td><td>(12)</td><td>(7)</td><td>(5)</td><td>(5)</td><td>(2)</td><td>(2)</td><td>-</td><td>(44)</td></tr><tr><td>Discounts (25%)</td><td>(2,452)</td><td>(2,405)</td><td>(914)</td><td>(518)</td><td>(411)</td><td>(166)</td><td>(57)</td><td>(3)</td><td>(6,926)</td></tr><tr><td>Discounts (50%)</td><td>(73)</td><td>(96)</td><td>(54)</td><td>(29)</td><td>(26)</td><td>(9)</td><td>(7)</td><td>-</td><td>(294)</td></tr><tr><td>Council Tax Reduction Scheme</td><td>(5,142)</td><td>(4,584)</td><td>(1,136)</td><td>(440)</td><td>(220)</td><td>(80)</td><td>(16)</td><td>(1)</td><td>(11,619)</td></tr><tr><td>Effective Properties</td><td>9,379</td><td>16,873</td><td>7,472</td><td>6,794</td><td>8,377</td><td>5,075</td><td>2,372</td><td>165</td><td>56,507</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>6,250</td><td>13,123</td><td>6,642</td><td>6,794</td><td>10,239</td><td>7,331</td><td>3,954</td><td>330</td><td>54,663</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>(1,367)</td></tr><tr><td>COUNCIL TAX BASE</td><td colspan="8"></td><td>53,296</td></tr></table>											PROPERTY BANDS										A	B	C	D	E	F	G	H	Total	Properties	17,773	24,644	9,826	7,856	9,143	5,397	2,516	180	77,335	Exemptions	(890)	(596)	(220)	(92)	(83)	(33)	(20)	(11)	(1,945)	Disabled Relief	174	(78)	(23)	22	(21)	(32)	(42)	-	-	Discounts (10%)	(11)	(12)	(7)	(5)	(5)	(2)	(2)	-	(44)	Discounts (25%)	(2,452)	(2,405)	(914)	(518)	(411)	(166)	(57)	(3)	(6,926)	Discounts (50%)	(73)	(96)	(54)	(29)	(26)	(9)	(7)	-	(294)	Council Tax Reduction Scheme	(5,142)	(4,584)	(1,136)	(440)	(220)	(80)	(16)	(1)	(11,619)	Effective Properties	9,379	16,873	7,472	6,794	8,377	5,075	2,372	165	56,507	Ratio to Band D	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9		Band D Equivalents	6,250	13,123	6,642	6,794	10,239	7,331	3,954	330	54,663	Contributions in lieu									-	Level of non-payment provided for									(1,367)	COUNCIL TAX BASE									53,296
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COUNCIL TAX BASE									53,296																																																																																																																																																								
	2.	The level of Council Tax depends upon the value of the property. Certain prescribed dwellings are exempt and discounts are given to eligible taxpayers i.e. single occupants. A Council Tax Scheme Reduction is available to taxpayers on a low income. Other deductions include Disabled Relief.  A bad debt provision of 2.25% of the net income from council tax has been provided, this represents a collection level of 97.75%.																																																																																																																																																															
	3.	The Council Tax charge for each band is as follows:-																																																																																																																																																															
		<table><tr><th>Band</th><th>2014/15 Council Tax £</th><th>2013/14 Council Tax £</th></tr><tr><td>A</td><td>752.00</td><td>752.00</td></tr><tr><td>B</td><td>877.33</td><td>877.33</td></tr><tr><td>C</td><td>1,002.67</td><td>1,002.67</td></tr><tr><td>D</td><td>1,128.00</td><td>1,128.00</td></tr><tr><td>E</td><td>1,378.67</td><td>1,378.67</td></tr><tr><td>F</td><td>1,629.33</td><td>1,629.33</td></tr><tr><td>G</td><td>1,880.00</td><td>1,880.00</td></tr><tr><td>H</td><td>2,256.00</td><td>2,256.00</td></tr></table>										Band	2014/15 Council Tax £	2013/14 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																																																																																																																											
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## 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	Gross rates levied and contributions in lieu <u>Less</u> Reliefs and other deductions Provisions for bad and doubtful debts  Net non-domestic rate income  <b>Allocated:</b>  National non-domestic rate pool  Cost of Council rate relief	2014/15 £'000		2013/14 £'000															
		(18,436)  (2,000)	104,650	97,869															
			(20,436)	(15,943)	(1,880)														
				(17,823)															
		84,214	80,046																
		84,334  (120)  84,214	80,166  (120)  80,046																
		NOTES	1.	The amount distributed to West Lothian Council from the national non-domestic rate income pool in 2014/15 was £88.513 million (£81.347 million 2013/14).															
	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 47.1p per £ in 2014/15 (46.2p in 2013/14). The rate was 48.2p (47.1p in 2013/14) 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.  Properties used as shops which have a rateable value of greater than £300,000 and are licensed to sell alcohol and tobacco have been charged an additional rate of 13p in 2014/15 (13p 2013/14). The rate poundage for such premises for 2014/15 is 61.2p (60.1p 2013/14).																	
	3.	Rateable values at 1 April 2014		<table><tr><td></td><td>Number</td><td>Rateable Value £'000</td></tr><tr><td>Shops, Offices and other Commercial Subjects</td><td>2,866</td><td>96,431</td></tr><tr><td>Industrial Subjects</td><td>1,801</td><td>77,666</td></tr><tr><td>Miscellaneous (Schools etc.)</td><td>1,049</td><td>41,340</td></tr><tr><td><b>Total</b></td><td><b>5,716</b></td><td><b>215,437</b></td></tr></table>		Number	Rateable Value £'000	Shops, Offices and other Commercial Subjects	2,866	96,431	Industrial Subjects	1,801	77,666	Miscellaneous (Schools etc.)	1,049	41,340	<b>Total</b>	<b>5,716</b>	<b>215,437</b>
	Number	Rateable Value £'000																	
Shops, Offices and other Commercial Subjects	2,866	96,431																	
Industrial Subjects	1,801	77,666																	
Miscellaneous (Schools etc.)	1,049	41,340																	
<b>Total</b>	<b>5,716</b>	<b>215,437</b>																	
	4.	There is no retained income from the Business Rates Incentivisation Scheme for 2014/15.																	

LOANS FUND REVENUE ACCOUNT		STATEMENT 13	
PURPOSE	This statement shows the revenue transactions of the Loans Fund. The Loans Fund provides a central pool of finance for all Council expenditure.  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.		
EXPENDITURE		2014/15 £'000	2013/14 £'000
	Interest paid to External Lenders	21,598	20,345
	Interest paid on Internal Revenue Account Balances	1,043	1,820
	Losses on the Repurchase of Borrowing	394	394
	<b>Total Interest</b>	<b>23,035</b>	<b>22,559</b>
	Expenses of Borrowing	293	304
	<b>Total Expenditure</b>	<b>23,328</b>	<b>22,863</b>
INCOME	Interest Received from Investments	939	1,301
	Expenses charged to the Comprehensive Income and Expenditure Statement	293	304
		<b>1,232</b>	<b>1,605</b>
	Net Loans Fund interest charged to the Comprehensive Income and Expenditure Statement	<b>22,096</b>	<b>21,258</b>
	<b>Total Income</b>	<b>23,328</b>	<b>22,863</b>
NOTES	1.	The average rate of interest on borrowings from the Loans Fund was 4.2% (4.2% 2013/14).	
	2.	The rate for debt management expenses was 0.1% (0.1% 2013/14).	
	3.	The amount of internal debt outstanding at 31 March 2015 was £525.1 million or £2,981 per head of population compared with £515.8 million or £2,931 per head of population at 31 March 2014.	

39

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	2014/15 £'000	2013/14 £'000
	Beneficiaries	5	5
	Loans Fund and Dividend Interest	4	7
	For Year	(1)	2
	At 1 April	374	372
	At 31 March	373	374
	BALANCE SHEET		
	Current Assets		
	Investments	47	47
	Revenue Advances to Loans Fund	326	327
		373	374
	Current Liabilities	-	-
	TOTAL ASSETS	373	374
	Reserves		
	Capital Fund	158	159
	Revenue Fund	215	215
	TOTAL RESERVES	373	374
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 2014/15 is disbursed in 2015/16.	
	2.	The main fund balances where the Council is sole trustee at 31 March 2015 are:-	
		Capital £'000	Revenue £'000
	Irene Elizabeth Miller Trust	60	3
	West Lothian Trust for the Benefit of People with Disabilities	41	18
	Quarter Farm Trust	17	40
	James Wood Bequest	14	52
	Robert Turner of Armadale Trust	11	19
	3.	The Council also administers six other trusts, which have external and Council trustees. At 31 March 2015 the total assets of these trusts, valued at cost, was £0.214 million (£0.214 million at 31 March 2014).	

## 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**2014/15  
£'0002013/14  
£'000**Expenditure**

Donations

-

-

**Income**

Interest

-

1

**Surplus / (Deficit)**

At 1 April

14

13

At 31 March

14

14

**BALANCE SHEET****Non-Current Assets**

Heritable Property

1

1

Furnishings

4

4

5

5

**Current Assets**

Revenue Advances to Loans Fund

18

18

**TOTAL ASSETS**

23

23

**FINANCED BY:****Reserves**

Revenue Balance

14

14

Capital Reserve

9

9

**TOTAL LOANS AND RESERVES**

23

23

## NOTES

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

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 2014/15 amounted to £150 (£273 2013/14).

**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 2015**

	<b>Group Note</b>	<b>*Single Entity Usable Reserves £'000</b>	<b>Single Entity Unusable Reserves £'000</b>	<b>Group Reserves £'000</b>	<b>Total Group Reserves £'000</b>
<b>Balance at 1 April 2013</b>		<b>112,745</b>	<b>588,313</b>	<b>(441,767)</b>	<b>259,291</b>
<b>Movement in Reserves during 2013/14</b>					
Surplus (Deficit) on the provision of services	<b>G3</b>	(44,750)	-	(319)	(45,069)
Other comprehensive income and expenditure		-	2,477	(363)	2,114
Total comprehensive income and expenditure		(44,750)	2,477	(682)	(42,955)
Removal of Police and Fire Unusable Reserves	<b>G2</b>	-	-	440,983	440,983
Adjustments between accounting basis and funding basis under regulations		46,703	(46,703)	-	-
Net increase (decrease) before transfers to other statutory reserves		1,953	(44,226)	440,301	398,028
Transfers to or from other statutory reserves		-	-	-	-
<b>Increase (decrease) in year</b>		<b>1,953</b>	<b>(44,226)</b>	<b>440,301</b>	<b>398,028</b>
<b>Balance at 31 March 2014</b>		<b>114,698</b>	<b>544,087</b>	<b>(1,466)</b>	<b>657,319</b>
<b>Movement in Reserves during 2014/15</b>					
Surplus (Deficit) on the provision of services	<b>G3</b>	(29,325)	-	(350)	(29,675)
Other comprehensive income and expenditure		-	(26,807)	(591)	(27,398)
Total comprehensive income and expenditure		(29,325)	(26,807)	(941)	(57,073)
Adjustments between accounting basis and funding basis under regulations		33,195	(33,195)	-	-
Net increase (decrease) before transfers to other statutory reserves		3,870	(60,002)	(941)	(57,073)
Transfers to or from other statutory reserves		-	-	-	-
<b>Increase (decrease) in year</b>		<b>3,870</b>	<b>(60,002)</b>	<b>(941)</b>	<b>(57,073)</b>
<b>Balance at 31 March 2015</b>		<b>118,568</b>	<b>484,085</b>	<b>(2,407)</b>	<b>600,246</b>

\*Statement 4 and notes 5, 6 and 7 to the Annual Accounts provide details of the Single Entity Reserves

# **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - 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 2015**

	Group Note	2014/15			2013/14		
		Gross Expend £'000	Gross Income £'000	Net Expend £'000	Gross Expend £'000	Gross Income £'000	Net Expend £'000
Education Services		200,360	7,382	192,978	209,569	7,461	202,108
Housing		72,305	58,767	13,538	69,398	58,055	11,343
Cultural and Related Services		31,720	3,554	28,166	34,229	3,573	30,656
Environmental Services		24,647	2,964	21,683	23,798	2,730	21,068
Roads and Transport Services		22,166	1,494	20,672	21,666	1,557	20,109
Planning and Development Service		18,437	10,292	8,145	18,044	9,812	8,232
Social Work		109,399	21,047	88,352	103,955	20,792	83,163
Joint Valuation Board		1,143	-	1,143	1,143	-	1,143
Central Services		12,224	8,569	3,655	12,180	8,995	3,185
Corporate and Democratic Core		5,942	88	5,854	5,639	73	5,566
Non-Distributed Costs		185	-	185	590	-	590
<b>Net Cost of General Fund Services</b>		<b>498,528</b>	<b>114,157</b>	<b>384,371</b>	<b>500,211</b>	<b>113,048</b>	<b>387,163</b>
Housing Revenue Account		47,518	43,000	4,518	44,786	41,303	3,483
<b>Net Cost of Services</b>		<b>546,046</b>	<b>157,157</b>	<b>388,889</b>	<b>544,997</b>	<b>154,351</b>	<b>390,646</b>
Other Operating Expenditure		(298)	-	(298)	(1,373)	-	(1,373)
Financing and Investment Income and Expenditure		67,022	34,199	32,823	64,967	34,902	30,065
Share of corporation tax of Joint Venture		-	-	-	10	-	10
Taxation and Non-Specific Grant Income		-	392,024	(392,024)	-	374,535	(374,535)
<b>(Surplus) or Deficit on Provision of Services</b>		<b>612,770</b>	<b>583,380</b>	<b>29,390</b>	<b>608,601</b>	<b>563,788</b>	<b>44,813</b>
Share of Operating Results of Associates and Joint Ventures		3,961	3,676	285	3,914	3,658	256
<b>(Surplus) or Deficit on Group</b>		<b>616,731</b>	<b>587,056</b>	<b>29,675</b>	<b>612,515</b>	<b>567,446</b>	<b>45,069</b>
<b>Items that will not be reclassified to the (Surplus) / Deficit on the Provision of Services</b>							
(Surplus) / Deficit on revaluation of property, plant and equipment				(35,463)			(22,902)
Actuarial (gains) / losses on pension assets and liabilities				62,260			20,488
(Gains) / Losses on Investments in Associates and Joint Ventures				591			363
<b>Items that may be reclassified to the Surplus / (Deficit) on the Provision of Services</b>				<b>27,388</b>			<b>(2,051)</b>
(Surplus) / Deficit on revaluation of available for sale financial assets				10			(63)
<b>Other Comprehensive Income and Expenditure</b>				<b>27,398</b>			<b>(2,114)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>57,073</b>			<b>42,955</b>

**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.

	<b>Group Note</b>	<b>As at 31 March 2015 £'000</b>	<b>As at 31 March 2014 £'000</b>
<b>LONG TERM ASSETS</b>			
<b>Property, Plant and Equipment</b>			
- Council Dwelling		463,180	452,983
- Other Land and Buildings		655,048	649,695
- Vehicles, Plant, Furniture and Equipment		18,646	16,443
- Infrastructure Assets		199,148	193,843
- Community Assets		529	592
- Assets under construction		10,534	6,266
- Surplus Assets, not yet held for disposal		23,062	25,526
- Heritage Assets		677	677
Long Term Investments		1,370,824	1,346,025
Long Term Debtors		213	223
		53	1,594
<b>TOTAL LONG TERM ASSETS</b>		<b>1,371,090</b>	<b>1,347,842</b>
<b>CURRENT ASSETS</b>			
Short Term Investments		90,462	85,436
Inventories		968	1,452
Short Term Debtors		26,726	30,952
Cash and Cash Equivalents		25,241	31,419
Intangible Assets		636	-
<b>TOTAL CURRENT ASSETS</b>		<b>144,033</b>	<b>149,259</b>
<b>CURRENT LIABILITIES</b>			
Short Term Borrowing		(89,883)	(105,698)
Short Term Creditors		(76,642)	(70,061)
Provisions		(1,242)	(1,620)
<b>TOTAL CURRENT LIABILITIES</b>		<b>(167,767)</b>	<b>(177,379)</b>
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<b>(23,734)</b>	<b>(28,120)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,347,356</b>	<b>1,319,722</b>
<b>LONG TERM LIABILITIES</b>			
Long Term Creditors		(1,042)	(1,580)
Long Term Borrowing		(403,796)	(393,902)
Defined Benefit Scheme Liability		(272,204)	(195,595)
Other Long Term Liabilities		(67,661)	(69,860)
Share of Net Liabilities of Associates and Joint Venture		(2,407)	(1,466)
<b>TOTAL LONG TERM LIABILITIES</b>	<b>G3</b>	<b>(747,110)</b>	<b>(662,403)</b>
<b>TOTAL NET ASSETS</b>		<b>600,246</b>	<b>657,319</b>
<b>Financed by:</b>			
<b>USABLE RESERVES</b>			
General Funds Balance		19,018	22,520
HRA Balance		926	926
Capital Fund		84,765	79,008
Insurance Fund		13,570	12,193
<b>TOTAL USABLE RESERVES</b>		<b>118,279</b>	<b>114,647</b>
<b>UNUSABLE RESERVES</b>		<b>481,967</b>	<b>542,672</b>
<b>TOTAL RESERVES</b>		<b>600,246</b>	<b>657,319</b>

The unaudited accounts were considered by the Audit and Governance Committee on 23 June 2015 and the audited accounts were authorised for issue on 29 September 2015.

**DONALD FORREST CPFA, Head of Finance and Estates**

**29 September 2015**

**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.

	<b>Group Note</b>	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
Net Surplus or (Deficit) on Group		<b>(29,675)</b>	<b>(45,069)</b>
Adjust net surplus or deficit on the provision of services for non-cash movements		98,926	94,693
Net cash flows from Operating Activities		69,251	49,624
Net cash flows from Investing Activities		(69,194)	(50,927)
Net cash flows from Financing Activities		(6,235)	20,742
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(6,178)</b>	<b>19,439</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>31,419</b>	<b>11,980</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>25,241</b>	<b>31,419</b>



## NOTES TO THE GROUP ACCOUNTS

## STATEMENT 20

## G1. ACCOUNTING POLICIES

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

## G2. REMOVAL OF LOTHIAN AND BORDERS POLICE AND FIRE UNUSABLE RESERVES

Lothian and Borders Police  
Lothian and Borders Fire and Rescue

2013/14  
Total  
£'000

377,673  
63,310  
**440,983**

## G3. COMBINING ENTITIES

The Council has a number of non-consolidation interests in other entities, full details of which are shown on page 65 of the Accounts. For the purposes of consolidation and incorporation within the Group Accounts the Council does not have any subsidiary companies. It exerts significant influence but not control over West Lothian Leisure Ltd and Lothian Valuation Joint Board, therefore these interests are deemed to be associates. The Council has a joint control and right to net assets in West Lothian Recycling Ltd, which is defined to be a joint venture.

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 - Valuation - basis - WLC funding to total funding

## Joint Venture

West Lothian Recycling Ltd. - basis - 50% of share capital

	2014/15	2013/14
	17.11%	19.03%
	18.69%	18.67%
	50%	50%

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

Council share of Associates and Joint Ventures		Valuation £'000	West Lothian Leisure £'000	West Lothian Recycling £'000	Total £'000
Total Assets	2014/15 2013/14	397 328	605 726	234 214	1,236 1,268
Total Liabilities and shareholders' equity	2014/15 2013/14	(2,515) (1,743)	(1,067) (906)	(61) (85)	(3,643) (2,734)
Net Assets / (Liabilities)	2014/15 2013/14	(2,118) (1,415)	(462) (180)	173 129	(2,407) (1,466)
Included in Surplus / (Deficit) in Group	2014/15 2013/14	(94) (75)	(302) (277)	46 33	(350) (319)

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

Council share of Associates and Joint Ventures		Valuation £'000	West Lothian Leisure £'000	West Lothian Recycling £'000	Total £'000
General Fund Balance	2014/15 2013/14	- -	(462) (180)	173 129	(289) (51)
Capital Fund	2014/15 2013/14	- -	- -	- -	- -
Capital Grants Unapplied A/C	2014/15 2013/14	- -	- -	- -	- -
Capital Receipts Reserve	2014/15 2013/14	- -	- -	- -	- -
Total Usable Reserves	2014/15 2013/14	- -	(462) (180)	173 129	(289) (51)

Council share of Associates and Joint Ventures		Valuation £'000	West Lothian Leisure £'000	West Lothian Recycling £'000	Total £'000
Unusable Reserves	2014/15 2013/14	(2,118) (1,415)	- -	- -	(2,118) (1,415)
Total Reserves	2014/15 2013/14	(2,118) (1,415)	(462) (180)	173 129	(2,407) (1,466)

The accounting period for the Associates is the 31 March 2015 while the Joint Venture is the 31 December 2014. There have not been any significant transactions or events between 31 December 2014 and 31 March 2015 and therefore no adjustment is required to the position of the joint venture. 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 58 and 59.

## G4. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the Associates and Joint Venture on the Group Balance Sheet as at 31 March 2015 (2014) is to reduce the net assets by £2.407 million (£1.466 million) representing the Council's share of net liabilities of these organisations. The net liabilities are attributable to the Lothian Valuation Joint Board which has significant pension liabilities under IAS 19 of £2.219 million (£1.507 million).

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

## NOTES TO THE GROUP ACCOUNTS

## STATEMENT 20

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

The 2014/15 (2013/14) share of Associates pension interest cost and expected return on pension assets is £0.065 million (£0.053 million). These figures are not included in the Group Comprehensive Income and Expenditure Account as they are part of the IAS 19 pension entries which are reversed out in arriving at the share of operating results of Associates for the year.

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

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

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

**6.1 West Lothian Municipal Bank Limited**

The company operated in Armadale as a Bank of Deposit, basically a savings bank, from 1964. Following a meeting of the directors of the bank on 6 May 2014 the decision was taken to close the West Lothian Municipal Bank, it closed officially on 17 October 2014.

Members of the Council were the sole shareholders and directors of the company, the company did not pay a dividend and the directors were not paid any remuneration. In addition the Council did not have a shareholding in the company.

The following details have been extracted from the final 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 October 2014 £'000	Audited 17 April 2013 £'000
16	946
26	1,029

**6.2 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 2015 (31 March 2014) show losses before and after tax of £22,000 (£21,686) with net assets of £468,000 (£470,418).

**6.3 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 2012/13.

The unaudited (audited) accounts for the period ended 31 March 2015 (31 March 2014) show losses before and after tax of £1,000 (£436) with net liabilities of £19,000 (£18,553).

**6.4 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 2015 (2014) show a profit before tax of £28,909 (£127 profit) and after tax of £23,141 (£102 profit) with net assets of £44,156 (£21,065).

**6.5 The West of Scotland Archaeology Service**

This body was set up in 1997 as a Joint Committee of local authorities in the area. It is currently funded by 11 local authorities and Historic Scotland for Specific Projects. Its primary purpose is to provide planning related archaeological advice to its members, permitting them to discharge their duties in respect of Scottish Executive planning guidance for the treatment of archaeological remains in the planning process. During the year, the Council made a contribution of £12,691 (£12,691 2013/14) representing 9.23% (9.23% 2013/14) of the Committee's estimated running costs for the year to 31 March 2015.

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

The Council is a member of SESTRAN, one of seven statutory regional transport partnerships set up under the Transport (Scotland) Act 2005. SESTRAN has a membership of 8 local authorities and they have a statutory duty to produce a Regional Transport Strategy Plan and provide the Council with capital grant for West Lothian projects within the plan. During the year, the Council made a contribution of £22,979 (£22,546 2013/14) and had a voting share of 12.5%.

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

The Council is a member of SESplan. SESplan is composed of 6 local authorities that have a statutory duty under Section 4 of the Planning (Scotland) Act 2006 to work together to prepare, and keep under review, a Strategic Development Plan (SDP) for the South East of Scotland. During the year, the Council made a contribution of £46,550 (£49,000 2013/14) to the running costs of SESplan, representing 17% (17% 2013/14) of the authority's running costs. The Council has a voting share of 17%.

**6.8 Scotland Excel**

Scotland Excel was launched in April 2008 to establish a centre of procurement expertise for the local government sector in Scotland. Its remit is to work collaboratively with the 32 local authority members and external suppliers to raise procurement standards, secure best value for customers and to improve the efficiency and effectiveness of public sector procurement in Scotland. During 2014/15, the Council made a contribution of £101,014 (£101,014 2013/14), 3.2% of Scotland Excel's funding.

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