

West Lothian Council

Annual Accounts

Year ended 31 March 2016



westlothian.gov.uk



West Lothian
Council

CONTENTS

Accounts of West Lothian Council for the year ended 31 March 2016, 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

	Page
Statutory Accounts	
Independent Auditor's Report	1
Assurance Statements	
Management Commentary by the Head of Finance and Property Services	2
Introduction to the Annual Accounts	6
Statement of Responsibilities	Statement 1
Annual Governance Statement	Statement 2
Remuneration Report	Statement 3
Principal Financial Statements	
Movement in Reserves Statement	Statement 4
Comprehensive Income and Expenditure Statement	Statement 5
Balance Sheet	Statement 6
Cash Flow Statement	Statement 7
Notes to the Annual Accounts	Statement 8
General Accounting Policies and Assumptions	
Accounting Policies	Note 1
Accounting Standards Issued, Not Adopted	Note 2
Critical Judgements in Applying Accounting Policies	Note 3
Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	Note 4
Notes to Movement in Reserves Statement	
Adjustments between Accounting Basis and Funding Basis under Regulations	Note 5
Other Comprehensive Income and Expenditure	Note 6
Transfers to or (from) Other Statutory Reserves	Note 7
Notes to Comprehensive Income and Expenditure Statement	
Other Operating Expenditure	Note 8
Financing and Investment Income and Expenditure	Note 9
Taxation and Non-Specific Grant Income	Note 10
Notes to Balance Sheet	
Property, Plant and Equipment	Note 11
Financial Instruments	Note 12
Long Term Debtors	Note 13
Inventories	Note 14
Short Term Debtors	Note 15
Short Term Creditors	Note 16
Provisions	Note 17
Long Term Creditors	Note 18
Pensions	Note 19
Usable Reserves	Note 20
Unusable Reserves	Note 21

Annual Accounts (Continued)		
Notes to the Annual Accounts	Statement 8	Page
Notes to Cash Flow Statement		
Operating Activities	Note 22	45
Investing Activities	Note 23	46
Financing Activities	Note 24	46
Cash and Cash Equivalents	Note 25	46
Other Notes		
Agency Services	Note 26	46
West Lothian Community Health and Care Partnership (WLCHCP) / West Lothian Integration joint Board (IJB)	Note 27	46
Trading Operations	Note 28	47
External Audit Costs	Note 29	47
Contingent Liabilities	Note 30	48
Post Reporting Period Events	Note 31	48
Grant Income	Note 32	48
General Fund Balance	Note 33	49
Leasing and PPP Payments	Note 34	49
Related Parties	Note 35	50
Amounts Reported for Resource Allocation Decisions	Note 36	52
Supplementary Financial Statements		
Housing Revenue Account - Income and Expenditure Statement	Statement 9	54
Movement on the HRA Statement	Statement 10	55
Council Tax Income Account	Statement 11	56
Non-Domestic Rate Income Account	Statement 12	57
Loans Fund Revenue Account	Statement 13	58
Trusts and Mortifications	Statement 14	59
Common Good Account	Statement 15	60
Group Financial Statements		
Group Movement in Reserves Statement	Statement 16	61
Group Comprehensive Income and Expenditure Statement	Statement 17	62
Group Balance Sheet	Statement 18	63
Group Cash Flow Statement	Statement 19	64
Notes to the Group Accounts	Statement 20	65

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 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the council only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Account, the Non-Domestic Rates Account, the Common Good Fund, the Loans Fund Revenue Account, the Trusts and Mortifications 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 2015/16 (the 2015/16 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 Property Services and auditor

As explained more fully in the Statement of Responsibilities, the Head of Finance and Property Services 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 council and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance and Property Services; and the overall presentation of the financial statements. 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 2015/16 Code of the state of the affairs of the council and its group as at 31 March 2016 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 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.

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 2016 in respect of their significant trading operation, Economic Development Properties.

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

David McConnell, MA, CPFA
Assistant Director
Audit Scotland
4th Floor South Suite
The Athenaeum Building
8 Nelson Mandela Place
GLASGOW
G2 1BT

MANAGEMENT COMMENTARY

by Donald Forrest, Head of Finance and Property Services

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 6,810 (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, and eight Heads of Service including the Section 95 Officer (Head of Finance and Property Services). Details of salaries and pensions for these senior officers can be found in the remuneration report on pages 11 to 16.

WEST LOTHIAN

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

West Lothian is proud of its school estate which is one of the best in Scotland in terms of condition and suitability, and has, over a number of years, invested considerable sums to ensure school pupils have the best possible environment to learn and develop. Within the current general services capital programme for 2016/17 and 2017/18, there are a number of significant planned improvements, projects and other investment which will sustain and improve the condition, suitability, sufficiency, accessibility and sustainability of our school estate. The construction of a new West Calder High School through a design, build, finance and maintain (DBFM) contract will provide one of the most modern learning environments of any secondary school in Scotland and will also provide the community of West Calder with local access to facilities including a swimming pool, sports and leisure accommodation. The building will be fully operational from August 2018.

West Lothian Council is committed to delivering 1,000 new council houses, which is the most significant local authority new build programme in Scotland, and which will provide new council homes for rent.

A community benefits clause within 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.

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

The Public Bodies (Joint Working) (Scotland) Act 2014 was passed by the Scottish Parliament on 25 February 2014 and established the framework for the integration of health and social care in Scotland. In line with this, a health and social care partnership in the form of the West Lothian Integration Joint Board (IJB) has been set up in West Lothian. The new arrangements require the delegation of relevant functions and resources by the council and NHS Lothian to the West Lothian IJB. This is effective from 1 April 2016. The level of resources associated with council functions delegated to the IJB in 2016/17 is £66.685 million.

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

West Lothian has three fantastic country parks, Almondell and Calderwood, Beecraigs and Polkemmet; the area boosts 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 Property Services

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 ensured that the council could 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. Full delivery of budget reduction measures in 2013/14 to 2015/16 has maintained balanced revenue budgets over this period. The council agreed revenue budgets for 2016/17 and 2017/18, including budget reduction measures of £20.955 million, at its meeting of 23 February 2016.

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 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 ten years, to ensure challenge and performance focus are embedded in the council culture. External scrutiny is also used to improve service performance and challenge practice against the best in class in the public, private and third sectors. The 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 to the public, explaining how efficiently we deliver services. There are different ways to determine the efficiency of a service and the council uses a range of indicators. This includes indicators measuring the unit cost of services and indicators measuring productivity. This information is used to increase efficiency and also to compare the cost and efficiency of our services with other similar services.

Benchmarking is an improvement process that allows West Lothian Council to compare our performance with similar organisations, such as other local Scottish authorities. Benchmarking 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 2015/16

Revenue Budget – General Service 2015/16

Net expenditure on General Services is met from government grants and council tax. In 2015/16 government grants accounted for 81.6% (81.7% 2014/15) of the council's external funding with the remaining 18.4% (18.3% 2014/15) from council tax. The in-year collection rate for council tax in 2015/16 was 95.0% (94.9% 2014/15).

MANAGEMENT COMMENTARY
by Donald Forrest, Head of Finance and Property Services

**Revenue Budget – General Service 2015/16
(Continued)**

In 2015/16 the council incurred net expenditure of £410.584 million against a budget of £412.718 million, utilising 99.5% of available budget.

The General Fund recorded a net deficit for the year of £0.260 million. This was made up of the following:-

- a net service underspend of £2.134 million
- a net overspend of £0.009 million in non-service expenditure
- an over recovery of council tax and community charge income of £0.009 million
- a net spend of £2.394 million in relation to General Fund committed balances

The net deficit of £0.260 million decreases the General Fund balance to £19.047 million at 31 March 2016. Existing commitments against the balance are £16.977 million, including a Modernisation Fund of £4.372 million and time limited projects of £4.750 million. Thus leaving an uncommitted balance of £2.070 million (£2 million 2014/15) or 0.5% of budgeted net expenditure which is £0.070 million above the council's target minimum uncommitted General Fund balance of £2 million.

The council holds a provision of £0.431 million to meet the remaining liabilities arising from equal pay claims. West Lothian is currently in discussions with claimants' representatives to establish settlement terms. To date £1.019 million has been paid to claimants and their representatives and during 2015/16 £0.811 million (£0.013 million 2014/15) was paid. The remaining balance in the equal pay provision is deemed sufficient to cover any further payments which may be required.

In 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 Property Services. To date £13.997 million has been paid from the Modernisation Fund. As at 31 March 2016, the balance of the Modernisation Fund is £4.372 million.

Included in the Comprehensive Income and Expenditure Statement is £1.096 million of expenditure in relation to the cost of employee exit packages paid to 46 staff during 2015/16 as part of the council's strategy to balance the budget.

During the normal fixed assets revaluation cycle, council dwellings, industrial and business units, shops, offices, play and picnic areas were reduced in value due to current economic conditions. As a result, £81.767 million was charged to the Comprehensive Income and Expenditure Account. £59.672 million of this relates to the downward revaluation of the council housing stock, £4.477 million to Economic Development Properties and the remaining £17.618 million relates to revaluations of other land and buildings and community assets. The revaluation charge has no impact on the General Fund Balance carried forward.

Revenue Budget – Housing 2015/16

Statement 9 the HRA – Income and Expenditure Statement includes depreciation and impairment on housing assets. The deficit for the year is £64.873 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 £64.873 million. The overall position was breakeven for the year, which maintains the HRA balance carried forward at £0.926 million.

Capital Budget 2015/16

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 2015/16 was £624.099 million, £440.806 million for general services and £183.293 million for Housing Revenue Account. External debt levels were £600.149 million during 2015/16. The ratio of financing costs to net revenue stream for General Fund and HRA were 6.7% and 25.3% respectively.

Capital expenditure of £95.802 million was incurred in 2015/16. This expenditure was split between two distinct blocks with £34.893 million spent on the Housing Programme and £60.909 million on the General Services Programme.

The 2015/16 General Services Capital Programme had a budget of £49.882 million and the final outturn for 2015/16 was £60.909 million. The variance of expenditure compared to budget for the year was £11.027 million due to accelerated spend on major projects from future years.

The HRA Capital Programme had a budget of £36.491 million and actual expenditure of £34.893 million resulting in a net variance of £1.598 million. This was largely due to slippage on the New Build 1,000 houses. Blackburn Homeless Persons Unit was completed during 2015/16.

Acquisition of Major Assets

PPP Contracts are assessed under International Financial Reporting Standards (IFRS) which looks at aspects of control of an asset, such as specifying services and the price paid for these services. The net value of all PPP assets in the balance sheet at 31 March 2016 is £105.354 million.

Significant Trading Operations

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

MANAGEMENT COMMENTARY
by Donald Forrest, Head of Finance and Property Services

Significant Trading Operations (Continued)

During 2015/16 the STO failed to breakeven resulting in an in-year deficit of £4.255 million. In the three years to 31 March 2016 the trading account sustained a statutory aggregate loss of £4.395 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 £4.477 million in 2015/16 on assets from the Economic Development Property Portfolio. Note 28 provides further details.

Capital Funding and Borrowing

Of the total capital expenditure of £95.802 million, £42.866 million was funded by asset sales and contributions from third parties / funds, £10.783 million was raised from revenue contributions to capital, and the remaining £42.153 million was funded by borrowing. Total internal capital debt outstanding at 31 March 2016 was £533.737 million.

The outstanding liabilities on the PPP contracts, referred to in Acquisition of Major Assets above, are £67.661 million of which £2.197 million is shown under current liabilities and £65.464 million under long term liabilities. Details of the annual costs of these contracts are shown in note 34.

The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 have now been made and in the future this will affect:

- The borrowing of money by the local authority
- The purposes for which borrowing can be incurred
- The statutory changes to the General Fund / HRA for borrowing, and
- The governance of borrowing by an authority.

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 £176.148 million at 31 March 2016 (£272.204 million 31 March 2015).

The deficit has increased due to a reduction in the net discount rate, the positive impact of which has outweighed the lower than expected 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 joint venture relationships with a 50% holding in West Lothian Recycling Ltd and a joint venture in relation to the health and social care partnership in the form of the West Lothian Integration Joint Board (IJB). Full details of the group accounts are on pages 61 to 67.

THE FUTURE - RISKS AND DEVELOPMENTS

West Lothian Council approved its revenue budget for 2016/17 and 2017/18 at the council meeting of 23 February 2016. Delivery of budget reduction measures totalling £20.955 million over these two years will ensure the council maintains a balanced budget position. The budget report highlighted a number of key risks and uncertainties which could impact on the budget including pay and demand led areas of service provision. The report also highlighted the risk of Scottish Government revenue funding being reduced if the council fails to maintain the pupil teacher ratio or does not deliver the living wage for external social care staff from 1 October 2016.

At present, there are no confirmed budget allocations for local government beyond 2016/17 and longer term funding is subject to considerable uncertainty. The UK Chancellor of the Exchequer outlined UK government department spending levels up to 2019/20 in the March 2016 budget statement, however a department efficiency review, set to report in 2018, is to identify an additional £3.5 billion of savings for 2019/20. In addition £4.4 billion of further savings is required following the abolishment of planned changes to personal independence payments. Department expenditure limits for Scotland have been adjusted in 2016/17 to reflect the devolution of stamp duty and landfill tax from 1 April 2015 and the creation of the Scottish Rate of Income Tax from 1 April 2016, as set out in the Scotland Act 2016.

The Scottish Government will determine the distribution of revised departmental spending figures from the Budget 2016, including the implications of the Scotland Act 2016, in late 2016. At present, the implications for councils' budgets for 2018/19, or future years, are not clear.

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 an 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 to ensure budgets are balanced, priority outcomes are met and performance is maintained or improved.

Integration of Health and Social Care is the Scottish Government's programme of reform to improve services for people who use adult health and social care services. It aims to ensure that health and social care provision across Scotland is joined up and seamless. An Integration Joint Board (IJB) has been established and this will be responsible for overseeing the planning and delivery of relevant health and social care services. A Strategic Plan has been developed which describes how services will be delivered to adults who use health and social care services.

MANAGEMENT COMMENTARY
by Donald Forrest, Head of Finance and Property Services

Donald Forrest CPFA
Head of Finance and Property Services

Graham Hope
Chief Executive

Councillor John McGinty
Leader of the Council

27 September 2016

INTRODUCTION TO THE ANNUAL ACCOUNTS

1. INTRODUCTION

The annual accounts present the financial position of the council for the year to 31 March 2016.

2. THE FINANCIAL STATEMENTS

The Council's Accounts for the year 2015/16 are set out in Statements 4 to 20 on pages 17 to 67. The Annual Accounts provide a true and fair view of the financial transactions of the Council during the year ended 31 March 2016.

The statements are supported by Statement 1 which sets out the respective responsibilities of the authority and the Head of Finance and Property Services 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 2015 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 Property Services;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003);
- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by West Lothian Council at its meeting on 27 September 2016.

Signed on behalf of West Lothian Council

Councillor John McGinty
Leader of the Council
27 September 2016

THE HEAD OF FINANCE'S RESPONSIBILITIES

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

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

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

The Head of Finance and Property Services has also:

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

I certify that the financial statements give a true and fair view of the financial position of the local authority (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2016.

Donald Forrest CPFA
Head of Finance and Property Services
27 September 2016

ANNUAL GOVERNANCE STATEMENT**STATEMENT 2**

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 the 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://www.westlothian.gov.uk/article/4077/Governance>

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 2016 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.

The system of internal financial control is designed to provide assurance on the effectiveness and efficiency of operations and on the reliability of financial reporting. It is based on a framework, which includes: financial regulations, a system of management supervision, delegation and accountability, supported by regular management information, administrative procedures, segregation of duties, and is subject to audit and governance committee scrutiny. Development and maintenance of the system is undertaken by managers within the council.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK (CONTINUED)

Key elements include:

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

The Audit, Risk and Counter Fraud Unit includes internal audit which is an independent appraisal function that 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, Risk and Counter Fraud 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, Risk and Counter Fraud 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

In 2015 the responsibilities previously discharged by the Chief Legal Officer were reviewed. The statutory officer post of Monitoring Officer was transferred to the Head of Corporate Services, and other duties in relation to corporate governance were allocated to a new post of Governance Manager. The division of those functions strengthens the council's approach to corporate governance by separating the duties of the statutory role of Monitoring Officer from the wider corporate requirements of good governance which extend beyond legislative compliance.

The Governance Manager will in future report to Council Executive on the Code of Corporate Governance which will incorporate the Statements of Compliance prepared through the Monitoring Officer and signed by relevant members of the Corporate Management Team to deal with compliance, with legislation and the council's most significant corporate policies. As has been the case since 2013, that annual report will then be referred from there to the Audit and Governance Committee for detailed scrutiny.

Since the start of 2016, the Governance Manager has also taken over from the Chief Solicitor as the Chair of the Working Group that is responsible for overseeing the operation of corporate governance in practice. The Group includes Governance Champions from service areas as members. The role of the Corporate Governance Working Group complements the Risk Management Working Group which is chaired by the Audit, Risk and Counter Fraud Manager and comprises Risk Champions from across service areas.

Both Working Groups report to the Governance and Risk Board. The Governance Manager, the Monitoring Officer, the Chief Solicitor (who is Depute Monitoring Officer) and the Audit, Risk and Counter Fraud Manager are all members of that Board, which also has members from across all service areas. Established in 2013/14, the Board has played a significant role in the oversight of corporate governance matters, including audit and risk.

The Code of Corporate Governance is maintained on the council's performance system, Covalent, with a settled scoring methodology applied and used to measure compliance and monitor progress against each of the requirements of the Code. The annual report will be published when it is reported to committee. The annual report includes information about compliance through RAG analysis and a list of scores against all of the Code's standards. The Audit, Risk and Counter Fraud Manager independently reviews the adequacy, effectiveness and extent of compliance with the Code and conducts an annual review of agreed elements of the Code. As well as ensuring there are proper systems and procedures in place, the working group also focuses on the quality of these systems and procedures and verifying their deployment throughout the council. Areas of concern and improvement will be identified in the annual report to Council Executive and Audit and Governance Committee.

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 2015/16, including a review of the system of internal control, the Audit, Risk and Counter Fraud Manager has concluded that the council's framework of governance, risk and control is sound.

REVIEW OF EFFECTIVENESS (CONTINUED)

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 2015/16 indicates arrangements for corporate governance have operated well.

In 2014/15, two areas of concern highlighted were in relation to formal reviews of significant governance documents and in relation to elected members' training:-

Through the Partnership and Resources Policy Development and Scrutiny Panel (PDSP) in December 2015, a review was commenced of Standing Orders for the Regulation of Meetings, the Scheme of Administration, the Multi-member Ward Protocols for Officers and for Members, and role descriptions of elected members. Reports have to be brought back to the PDSP after the summer recess in 2016. That work is on schedule to be completed as planned.

A role in relation to members' training has been given to the Governance Manager, who has worked in conjunction with the Head of Corporate Services in relation to improvements in the training opportunities offered to and taken by elected members. Discussions have taken place with the Improvement Service about sharing training resources developed by them, and to making training materials available in ways other than traditional training arrangements. Further work is planned to continue to address that concern, in particular in relation to induction arrangements for new councillors following the local government elections in May 2017.

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 2014/15 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 29 September 2015 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. The publication of those signed statements, and the associated transparency and openness, are significant and valuable elements in giving assurance to the council in relation to governance matters.

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 2015/16. The council will continue to take steps in 2016/17 to further improve awareness of and compliance with the Code.

Graham Hope
Chief Executive
27 September 2016

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 2015/16 the salary for the Leader of West Lothian Council was £33,454. The Regulations permit the council to remunerate one Provost and set out the maximum salary that may be paid to the Provost. For 2015/16 the salary of the Provost of West Lothian Council was £25,090. The council's Scheme of Elected Members Remuneration, Allowances and Reimbursement of Expenses 2015/16 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 £292,716. 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 2015/16 (2014/15) West Lothian Council had 11 senior councillors and the basic salary paid to these councillors totalled £275,990 (£273,262). 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 24 March 2015 and is available at <http://coins.westlothian.gov.uk/coins/submissiondocuments.asp?submissionid=26348>

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

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

In 2015/16 (2014/15) the amount recharged to Lothian Valuation Joint Board in respect of Councillor B Robertson was £3,106 (£3,075) in respect of a vice-convenor position.

2.3 Total Councillors Remuneration

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

Type of Remuneration	2015/16 £'000	2014/15 £'000
Salaries	666	659
Allowances	11	14
Expenses	28	30
Total	705	703

The annual return of Councillors' salaries and expenses for 2015/16 is available for any member of the public to view at all Council Information Services Offices and Libraries during normal working hours and is also available on the council's website at <http://www.westlothian.gov.uk/article/1956/Councillors-and-Wards>

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

The following table provides details of the remuneration paid to the Council's Senior Councillors and remuneration paid to councillors with the responsibility of a convenor or vice-convenor of a Joint Board during 2015/16:-

Name	Post Title	Total Remuneration 2015/16 £	Total Remuneration 2014/15 £
Council Leader, Provost and Senior Councillors			
T Kerr	Provost (Civic Leader)	25,090	24,842
A Boyle	Chair Licensing Board and Licensing Committee	25,090	24,842
H Cartmill	Chair of Audit and Governance Committee	25,090	24,842
T Conn	Executive Post – Environment	25,090	24,842
A Davidson	Chair Development Management Committee	25,090	24,842
J Dixon	Executive Post – Voluntary Organisations	25,090	24,842
L Fitzpatrick	Executive Post – Education	25,090	24,842
D King	Executive Post – Culture and Leisure (Depute Provost)	25,090	24,842
D Logue	Executive Post – Social Policy	25,090	24,842
J McGinty	Leader of Council	33,454	33,123
A McMillan	Executive Post – Health and Care	25,090	24,842
C Muldoon	Executive Post – Development and Transport (Depute Leader)	25,090	24,842
G Paul	Executive Post – Services for the Community	25,090	24,842
B Robertson	Lothian and Borders Joint Valuation	19,832	19,635
Total		354,366	350,862

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 2015/16 was £3,106 in respect of Councillor B Robertson (2014/15 £3,075).

3. SENIOR EMPLOYEES**3.1 Remuneration Policy**

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

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

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

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

REMUNERATION REPORT**STATEMENT 3****3.2 Senior Employees Remuneration**

The senior employees included in the table 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 2015/16 or 2014/15.

Name and Post Title	Full Year Equivalent Salary £	Total Remuneration 2015/16 ⁹ £	Total Remuneration 2014/15 £
G Hope¹ Chief Executive	-	141,821	141,324
J Forrest² Depute Chief Executive / Chief Officer West Lothian Integration Joint Board	94,475	47,237	45,217
R G Struthers Depute Chief Executive	-	115,472	110,259
M Niven³ Depute Chief Executive (Retired)	113,766	46,951	113,766
E Cook⁴ Depute Chief Executive	108,369	103,059	92,745
D Forrest Head of Finance and Property Services	-	94,136	92,745
J Jack Head of Operational Services	-	87,020	85,734
S Field Head of Area Services	-	87,020	85,734
A Shaw Head of Housing, Customer and Building Services	-	87,020	85,734
J Scott⁵ Head of Social Policy (Retired)	-	-	95,420
C McCorriston Head of Planning, Economic Development and Regeneration	-	87,020	85,734
J Whitelaw⁶ Head of Corporate Services	-	87,020	83,967
J Cameron Head of Education (Quality Assurance)	-	94,136	91,008
D McMaster⁷ Head of Education (Development)	90,573	84,322	-
J Kellock⁸ Head of Social Policy	-	90,573	-
Total		1,252,807	1,209,387

1. Remuneration for G Hope includes £9,473 for Returning Officer duties in 2015/16.
2. The Depute Chief Executive/Chief Officer West Lothian Integration Joint Board, J Forrest, is remunerated by the National Health Service (NHS) with West Lothian contributing 50% of his total cost of employment. The total pension contribution paid by WLC in relation to J Forrest in 2015/16 (2014/15) is £7,417 (£6,104).
3. Depute Chief Executive until 13 September 2015.
4. Appointed to Depute Chief Executive from 17 August 2015. Previous post Head of Education (Quality Assurance) until 16 August 2015.
5. Head of Social Policy until 31 March 2015.
6. Appointed to Head of Corporate Services from 26 June 2014.
7. Appointed to Head of Education (Development) from 1 October 2015.
8. Appointed to Head of Social Policy from 1 April 2015.
9. There were no compensation payments for loss of employment or annual compensation payments in 2015/16.

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	
	2015/16	2014/15
£50,000 - £54,999	99	74
£55,000 - £59,999	49	57
£60,000 - £64,999	19	14
£65,000 - £69,999	2	-
£70,000 - £74,999	7	6
£75,000 - £79,999	3	5
£80,000 - £84,999	1	1
£85,000 - £89,999	5	4
£90,000 - £94,999	3	4
£95,000 - £99,999	-	1
£100,000 - £104,999	1	1
£105,000 - £109,999	-	-
£110,000 - £114,999	-	2
£115,000 - £119,999	1	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	1	1
Total	191	170

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 2014/15 or 2015/16.

Exit package cost band	Number of employee exit packages agreed		Total cost of employee exit packages in each band	
	2015/16	2014/15	2015/16 £'000	2014/15 £'000
£0 - £20,000	27	6	256	55
£20,001 - £40,000	12	5	333	137
£40,001 - £60,000	4	3	190	146
£60,001 - £80,000	1	1	65	71
£80,001 - £100,000	1	-	100	-
£100,001 - £150,000	1	1	152	104
Total	46	16	1,096	513

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

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

REMUNERATION REPORT**STATEMENT 3****4.1 Local Government Pension Scheme Details (LGPS) (Continued)**

The members contribution rates for 2015/16 remain the same as the 2013/14 and 2014/15 rates, however the tiers have changed as detailed in the following table.

Whole time pay	Range 2015/16	Range 2014/15	Contribution rate 2015/16	Contribution rate 2014/15
On earnings up to and including	£20,500	£20,335	5.5%	5.5%
On earnings above	£20,500 and up to £25,000	£20,335 and up to £24,853	7.25%	7.25%
On earnings above	£25,000 and up to £34,400	£24,853 and up to £34,096	8.5%	8.5%
On earnings above	£34,400 and up to £45,800	£34,096 and up to £45,393	9.5%	9.5%
On earnings above	£45,800	£45,393	12.0%	12.0%

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

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

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

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

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

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

The pension entitlements of Senior Councillors for the year to 31 March 2016 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 2016	For year to 31 March 2015	As at 31 March 2016		Difference from 31 March 2015	
Name	Post Title	£	£	Pension £'000	Lump Sum £'000	Pension £'000	Lump Sum £'000
T Kerr	Provost (Civic Leader)	5,145	5,068	5	3	2	1
A Boyle	Chair Licensing Board and Licensing Committee	5,118	5,068	2	-	1	-
H Cartmill	Chair of Audit and Governance Committee	5,118	5,068	2	-	1	-
T Conn	Executive Post – Environment	5,118	5,068	4	2	1	1
L Fitzpatrick	Executive Post – Education	5,118	5,068	4	2	1	1
D King	Executive Post – Culture and Leisure (Depute Provost)	5,185	5,068	4	2	1	1
D Logue	Executive Post – Social Policy	5,118	5,068	4	2	2	1
A McMillan	Executive Post – Health and Care	5,118	5,068	2	-	1	-
C Muldoon	Executive Post – Development and Transport (Depute Leader)	5,118	5,068	4	2	1	1
G Paul	Executive Post – Services for the Community	5,237	5,068	4	2	1	1
B Robertson	Lothian and Borders Joint Valuation	4,046	4,006	2	-	1	-
Total		55,439	54,686	37	15	13	7

REMUNERATION REPORT**STATEMENT 3****4.2 Pension Benefits Senior Councillors - Local Government Pension Scheme (LGPS) (Continued)**

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

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

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

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

The pension entitlements of Senior Employees who are members of the LGPS for the year to 31 March 2016 are shown in the table below, together with the contribution made by the council to each Senior Employee's pension during the year.

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

Name	Post Title	In-year pension contributions		Accrued pension benefits			
		For year to 31 March 2016	For year to 31 March 2015	As at 31 March 2016		Difference from 31 March 2015	
		£	£	Pension £'000	Lump Sum £'000	Pension £'000	Lump Sum £'000
G Hope	Chief Executive	28,933	28,890	53	107	4	1
R G Struthers	Depute Chief Executive	23,556	22,492	41	85	3	4
M Niven ¹	Depute Chief Executive (Retired)	9,578	23,208	-	-	(56)	(133)
E Cook ²	Depute Chief Executive	21,024	18,920	47	-	6	-
D Forrest	Head of Finance and Property Services	19,204	18,920	35	70	3	1
J Jack	Head of Operational Services	17,752	17,490	35	74	2	1
S Field	Head of Area Services	17,752	17,490	41	91	2	1
A Shaw	Head of Housing, Customer and Building Services	17,752	17,490	47	110	2	2
J Scott ³	Head of Social Policy (Retired)	-	18,920	-	-	(28)	(57)
C McCorriston	Head of Planning, Economic Development and Regeneration	17,752	17,490	35	74	2	1
J Whitelaw ⁴	Head of Corporate Services	17,752	17,129	24	40	3	1
J Cameron	Head of Education (Quality Assurance)	18,827	18,566	63	-	5	-
D McMaster ⁵	Head of Education (Development)	9,213	-	22	65	-	-
J Kellock ⁶	Head of Social Policy	18,477	-	25	43	-	-
Total		237,572	237,005	468	759	(52)	(178)

1. Depute Chief Executive until 13 September 2015.
2. Appointed to Depute Chief Executive from 17 August 2015. Previous post Head of Education (Quality Assurance) until 16 August 2015.
3. Head of Social Policy until 31 March 2015
4. Appointed to Head of Corporate Services from 26 June 2014.
5. Appointed to Head of Education (Development) from 1 October 2015.
6. Appointed to Head of Social Policy from 1 April 2015.

Graham Hope
Chief Executive

Councillor John McGinty
Leader of the Council

MOVEMENT IN RESERVES STATEMENT**STATEMENT 4**

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

**MOVEMENT IN RESERVES STATEMENT
AS AT 31 March 2016**

	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
Balance at 1 April 2014		22,571	926	12,193	79,008	114,698	544,087	658,785
Movement in Reserves during 2014/15								
Surplus (Deficit) on the provision of services	6	(18,394)	(10,931)	-	-	(29,325)	-	(29,325)
Other comprehensive income and expenditure		-	-	-	-	-	(26,807)	(26,807)
Total comprehensive income and expenditure	5	(18,394)	(10,931)	-	-	(29,325)	(26,807)	(56,132)
Adjustments between accounting basis and funding basis under regulations		26,784	10,931	-	(4,520)	33,195	(33,195)	-
Net increase (decrease) before transfers to other statutory reserves	7	8,390	-	-	(4,520)	3,870	(60,002)	(56,132)
Transfers to / (from) other statutory reserves		(11,654)	-	1,377	10,277	-	-	-
Increase (decrease) in year		(3,264)	-	1,377	5,757	3,870	(60,002)	(56,132)
Balance at 31 March 2015		19,307	926	13,570	84,765	118,568	484,085	602,653
Movement in Reserves during 2015/16								
Surplus (Deficit) on the provision of services	6	(28,758)	(64,873)	-	-	(93,631)	-	(93,631)
Other comprehensive income and expenditure		-	-	-	-	-	122,228	122,228
Total comprehensive income and expenditure	5	(28,758)	(64,873)	-	-	(93,631)	122,228	28,597
Adjustments between accounting basis and funding basis under regulations		38,723	64,873	-	(6,631)	96,965	(96,965)	-
Net increase (decrease) before transfers to other statutory reserves	7	9,965	-	-	(6,631)	3,334	25,263	28,597
Transfers (to) / from other statutory reserves		(10,225)	-	145	10,080	-	-	-
Increase (decrease) in year		(260)	-	145	3,449	3,334	25,263	28,597
Balance at 31 March 2016		19,047	926	13,715	88,214	121,902	509,348	631,250

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 2016

	Note	2015/16			2014/15		
		Gross Expend £'000	Gross Income £'000	Net Expend £'000	Gross Expend £'000	Gross Income £'000	Net Expend £'000
Education Services		206,738	7,019	199,719	200,360	7,382	192,978
Housing		72,492	58,204	14,288	72,305	58,767	13,538
Cultural and Related Services		33,420	3,639	29,781	31,720	3,554	28,166
Environmental Services		28,403	3,031	25,372	24,647	2,964	21,683
Roads and Transport Services		22,349	1,603	20,746	22,166	1,494	20,672
Planning and Development Services		16,624	10,412	6,212	18,437	10,292	8,145
Social Work		118,530	21,526	97,004	109,399	21,047	88,352
Joint Valuation Board		1,145	-	1,145	1,143	-	1,143
Central Services		11,801	8,735	3,066	12,224	8,569	3,655
Corporate and Democratic Core		6,139	93	6,046	5,942	88	5,854
Non-Distributed Costs		266	-	266	185	-	185
Net Cost of General Fund Services		517,907	114,262	403,645	498,528	114,157	384,371
Housing Revenue Account		105,295	47,189	58,106	47,518	43,000	4,518
Net Cost of Services		623,202	161,451	461,751	546,046	157,157	388,889
Other Operating Expenditure	8	(1,877)	-	(1,877)	(298)	-	(298)
Finance and Investment Income and Expenditure	9	68,621	30,355	38,266	66,673	33,915	32,758
Taxation and Non-Specific Grant Income	10	-	404,509	(404,509)	-	392,024	(392,024)
(Surplus) or Deficit on Provision of Services		689,946	596,315	93,631	612,421	583,096	29,325
Items that will not be reclassified to the (surplus) / Deficit on the Provision of Services							
(Surplus) / Deficit on revaluation of property, plant and equipment				(7,875)			(35,463)
Actuarial (gains) / losses on pension assets and liabilities				(114,318)			62,260
Items that may be reclassified to the (Surplus) / Deficit on the Provision of Services				(122,193)			26,797
(Surplus) / Deficit on revaluation of available for sale financial assets				(35)			10
Other Comprehensive Income and Expenditure				(122,228)			26,807
Total Comprehensive Income and Expenditure				(28,597)			56,132

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.		
	Note	As at 31 March 2016 £'000	As at 31 March 2015 £'000
LONG TERM ASSETS			
Property, Plant and Equipment			
- Council Dwelling		419,966	463,180
- Other Land and Buildings		628,251	655,048
- Vehicles, Plant, Furniture and Equipment		18,729	18,646
- Infrastructure Assets		207,853	199,148
- Community Assets		570	529
- Assets under construction		27,614	10,534
- Surplus Assets, not yet held for disposal		23,062	23,062
- Heritage Assets		677	677
Long Term Investments	12.1	1,326,722	1,370,824
Long Term Debtors	13	249	213
		11	53
TOTAL LONG TERM ASSETS		1,326,982	1,371,090
CURRENT ASSETS			
Short Term Investments	12.1	100,466	90,462
Inventories	14	971	968
Short Term Debtors	15	35,979	26,726
Cash and Cash Equivalents	25	27,802	25,241
Intangible Assets	11.12	622	636
TOTAL CURRENT ASSETS		165,840	144,033
CURRENT LIABILITIES			
Short Term Borrowing	12.1	(100,066)	(89,883)
Short Term Creditors	16	(84,447)	(76,642)
Provisions	17	(431)	(1,242)
TOTAL CURRENT LIABILITIES		(184,944)	(167,767)
NET CURRENT ASSETS (LIABILITIES)		(19,104)	(23,734)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,307,878	1,347,356
LONG TERM LIABILITIES			
Long Term Creditors	18	(1,345)	(1,042)
Long Term Borrowing	12.1	(433,671)	(403,796)
Defined Benefit Scheme Liability	19	(176,148)	(272,204)
Other Long Term Liabilities	18	(65,464)	(67,661)
TOTAL LONG TERM LIABILITIES		(676,628)	(744,703)
TOTAL NET ASSETS		631,250	602,653
<i>Financed by:</i>			
USABLE RESERVES			
General Fund Balance	33	19,047	19,307
HRA Balance		926	926
Capital Fund	20.2	88,214	84,765
Insurance Fund	20.1	13,715	13,570
TOTAL USABLE RESERVES		121,902	118,568
UNUSABLE RESERVES	21	509,348	484,085
TOTAL RESERVES		631,250	602,653

The unaudited accounts were considered by the Audit and Governance Committee on 20 June 2016 and the audited accounts were authorised for issue on 27 September 2016.

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	2015/16 £'000	2014/15 £'000
Net Surplus or (Deficit) on the provision of services		(93,631)	(29,325)
Adjust net surplus or deficit on the provision of services for non-cash movements	22	160,413	98,576
Net cash flows from Operating Activities		66,782	69,251
Net cash flows from Investing Activities	23	(103,980)	(69,194)
Net cash flows from Financing Activities	24	39,759	(6,235)
Net increase (decrease) in cash and cash equivalents		2,561	(6,178)
Cash and cash equivalents at the beginning of the reporting period		25,241	31,419
Cash and cash equivalents at the end of the reporting period	25	27,802	25,241

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

1. ACCOUNTING POLICIES

General

The council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (The Code) and the Service Reporting Code of Practice 2015/16 (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 non-current assets and financial instruments.

Revenue Transactions

The Revenue Accounts of the council are maintained on an accruals basis in accordance with the Code of Practice. That is, sums due to or from the council during the year are included, whether or not the cash has actually been received or paid in the year. Provision has been made for possible bad or doubtful debts in both the General Fund Account and Housing Revenue Account.

Property, Plant and Equipment - Valuation

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

Operational Property, plant and equipment have been included in the balance sheet at 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 on a fair value basis using the valuation techniques for level 2 inputs, i.e. open market value.

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

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

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

Property, Plant and Equipment - Capital Receipts

Receipts arising from the sale of property, plant and equipment are credited to 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 - 60 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 2015/16, all properties subject to material change in valuation, industrial and business units, shops, offices, play and picnic arrears 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 2015/16 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 2015/16.

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.

Intangible Assets

All expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events are included on the Balance Sheet as Intangible assets.

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 (Level 2 on the fair value hierarchy), based on the current share price multiplied by the council's shareholding. Changes in fair value are balanced by an entry in the Available-for-sale Financial Instrument Reserve and the loss or gain is recognised in the Comprehensive Income and Expenditure Account.

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 2015/16.

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 2016 was £88.214 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 and Building Services are a fixed amount agreed at the start of the financial year.

Corporate and Democratic Core

In accordance with CIPFA Guidance the costs of corporate and democratic core and of non-distributed costs have not been allocated to 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 lessor 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 second year of its second phase, which ends on 31 March 2019. The council is required to purchase allowances prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances and is measured at the best estimate of the expenditure required to meet the obligation, at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the council is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

VAT

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

Fair Value Measurement

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

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

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

Level 3 – unobservable inputs for the asset or liability

NOTES TO THE ANNUAL ACCOUNTS**STATEMENT 8**

<p>2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED</p> <p>For 2015/16 the following accounting policy changes require to be reported as issued but not yet adopted by the code.</p> <ul style="list-style-type: none"> • Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions) • Annual Improvements to IFRSs 2010 – 2012 Cycle • Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations) • Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation) • Annual Improvements to IFRSs 2012 – 2014 Cycle • Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative) • The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis as a result of the Telling the Story review of the presentation of local authority financial statements. <p>There is no impact of these changes on the accounts covering the 2015/16 financial year</p> <p>In addition, the CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land. The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. The new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period. If the changes had been implemented in 2015/16, based on current estimates, the value of infrastructure assets would increase from £257 million to circa £2,445 million with an equivalent ten-fold increase in depreciation.</p>	<p>3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES</p> <p>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:</p> <ul style="list-style-type: none"> • 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.
--	---

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

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 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

PENSIONS LIABILITY

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

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

Sensitivities at 31 March 2016	Approx % increase to Employer Liability	Approx monetary amount £'000
0.5% decrease in Real Discount Rate	11%	100,407
1 year increase in member life expectancy	3%	28,450
0.5% increase in the Salary Increase Rate	4%	35,910
0.5% increase in the Pension rate	7%	62,402

FAIR VALUE MEASUREMENTS

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

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

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

Information about valuation techniques and inputs used in determining the fair value of these assets is set out in note 12.

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

NOTES TO THE ANNUAL ACCOUNTS							STATEMENT 8
5. MOVEMENT IN RESERVES STATEMENT - 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	-
ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS - 2015/16	Capital receipts transferred to the Capital Fund	-	-	(4,520)	(4,520)	4,520	-
	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	67,799	77,215	-	145,014	(145,014)	-
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(31,418)	-	-	(31,418)	31,418	-
	Net loss (gain) on sale of non-current assets	(1,106)	(771)	-	(1,877)	1,877	-
	Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(422)	-	-	(422)	422	-
	Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under pension scheme regulations	17,992	270	-	18,262	(18,262)	-
	Statutory provision for repayment of debt	(9,962)	(3,806)	-	(13,768)	13,768	-
	Statutory charge for lifecycle capital (PFI)	(93)	-	-	(93)	93	-
	Capital expenditure charged to the General Fund and HRA	(2,748)	(8,035)	-	(10,783)	10,783	-
ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS - 2015/16	Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)	(1,319)	-	-	(1,319)	1,319	-
	Capital receipts transferred to the Capital Fund	-	-	(6,631)	(6,631)	6,631	-
		38,723	64,873	-	(6,631)	96,965	(96,965)

NOTES TO THE ANNUAL ACCOUNTS							STATEMENT 8	
6. MOVEMENT IN RESERVES STATEMENT - 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	
	-	-	-	-	-	35,463	35,463	
Revaluation Reserve - unrealised gains on revaluation of fixed assets	-	-	-	-	-	(10)	(10)	
Available-for-sale Financial Instruments Reserve - loss arising on revaluation of available-for-sale financial assets	-	-	-	-	-	(62,260)	(62,260)	
Pension Reserve - actuarial losses on pension assets and liabilities	-	-	-	-	-	(26,807)	(26,807)	
OTHER COMPREHENSIVE INCOME AND EXPENDITURE - 2015/16								
7. MOVEMENT IN RESERVES STATEMENT - TRANSFERS TO OR (FROM) OTHER STATUTORY RESERVES - 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	-	-	-	-	-	7,875	7,875	
Available-for-sale Financial Instruments Reserve - gain arising on revaluation of available-for-sale financial assets	-	-	-	-	-	35	35	
Pension Reserve - actuarial losses on pension assets and liabilities	-	-	-	-	-	114,318	114,318	
	-	-	-	-	-	122,228	122,228	
TRANSFERS TO OR (FROM) OTHER STATUTORY RESERVES - 2015/16								
7. MOVEMENT IN RESERVES STATEMENT - TRANSFERS TO OR (FROM) OTHER STATUTORY RESERVES - 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	
Transfer (to) / from Insurance Fund	(1,377)	-	1,377	-	-	-	-	
Transfer (to) / from Capital Fund / Capital Receipts Reserve	(10,277)	-	-	10,277	-	-	-	
	(11,654)	-	1,377	10,277	-	-	-	
Transfer (to) / from Insurance Fund / Capital Receipts Reserve	(145)	-	145	-	-	-	-	
Transfer (to) / from Capital Fund / Capital Receipts Reserve	(10,080)	-	-	10,080	-	-	-	
	(10,225)	-	145	10,080	-	-	-	

NOTES TO THE ANNUAL ACCOUNTS**STATEMENT 8**

8. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - OTHER OPERATING EXPENDITURE	2015/16 £'000	2014/15 £'000
Gain on disposal of non-current assets	1,877	298
	1,877	298
9. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - FINANCING AND INVESTMENT INCOME AND EXPENDITURE	2015/16 £'000	2014/15 £'000
Interest payable and similar charges	27,333	27,058
Pension – Interest Income on Plan Asset	(23,542)	(27,556)
Pension – Interest cost on defined benefit obligation	32,402	36,082
Interest receivable and similar income	(2,095)	(1,914)
(Surplus) / Deficit on trading operations (note 28)	4,168	(912)
	38,266	32,758
10. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - TAXATION AND NON-SPECIFIC GRANT INCOME	2015/16 £'000	2014/15 £'000
Council tax income	60,937	59,336
Non domestic rates distribution	94,216	88,513
Non ring-fenced government grants	217,938	219,815
Capital grants and contributions	31,418	24,360
	404,509	392,024

NOTES TO THE ANNUAL ACCOUNTS**STATEMENT 8****11. PROPERTY, PLANT AND EQUIPMENT****11.1 Movements in 2014/15**

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000
Cost or Valuation				
At 1 April 2014	519,474	766,785	48,210	230,459
Additions	27,276	14,632	8,326	10,913
Revaluation increases / (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
At 31 March 2015	548,470	783,389	56,352	241,704
Accumulated Depreciation and Impairment				
At 1 April 2014	66,491	117,090	31,767	36,616
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)	-	-
At 31 March 2015	85,290	128,341	37,706	42,556
Net Book Value				
At 31 March 2015	463,180	655,048	18,646	199,148
At 31 March 2014	452,983	649,695	16,443	193,843
	Heritage¹/ Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation				
At 1 April 2014	1,269	6,266	25,526	1,597,989
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)	-
At 31 March 2015	1,206	10,534	23,062	1,664,717
Accumulated Depreciation and Impairment				
At 1 April 2014	-	-	-	251,964
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	-
At 31 March 2015	-	-	-	293,893
Net Book Value				
At 31 March 2015	1,206	10,534	23,062	1,370,824
At 31 March 2014	1,269	6,266	25,526	1,346,025

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 2015/16	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000
Cost or Valuation				
At 1 April 2015	548,470	783,389	56,352	241,704
Additions	34,893	17,825	7,175	14,573
Revaluation increase / (decreases) recognised in the Revaluation Reserve	175	(2,104)	-	-
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(144,962)	(27,649)	-	-
Derecognition - disposals	(3,293)	(8)	(513)	-
Other movements in cost or valuation	-	3,475	-	360
At 31 March 2016	435,283	774,928	63,014	256,637
Accumulated Depreciation and Impairment				
At 1 April 2015	85,290	128,341	37,706	42,556
Depreciation charge	15,831	34,095	7,093	6,228
Depreciation written out to the Revaluation Reserve	-	(9,572)	-	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	(85,290)	(5,722)	-	-
Derecognition - disposals	(514)	-	(514)	-
Other movements in depreciation and impairment	-	(465)	-	-
At 31 March 2016	15,317	146,677	44,285	48,784
Net Book Value				
At 31 March 2016	419,966	628,251	18,729	207,853
At 31 March 2015	463,180	655,048	18,646	199,148
Cost or Valuation				
At 1 April 2015	1,206	10,534	23,062	1,664,717
Additions	-	21,429	-	95,895
Revaluation increase / (decreases) recognised in the Revaluation Reserve	281	-	(364)	(2,012)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provision of Services	(168)	-	-	(172,779)
Derecognition - disposals	(72)	-	(150)	(4,036)
Other movements in cost or valuation	-	(4,349)	514	-
At 31 March 2016	1,247	27,614	23,062	1,581,785
Accumulated Depreciation and Impairment				
At 1 April 2015	-	-	-	293,893
Depreciation charge	-	-	-	63,247
Depreciation written out to the Revaluation Reserve	-	-	(465)	(10,037)
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	-	(91,012)
Derecognition – disposals	-	-	-	(1,028)
Other movements in depreciation and impairment	-	-	465	-
At 31 March 2016	-	-	-	255,063
Net Book Value				
At 31 March 2016	1,247	27,614	23,062	1,326,722
At 31 March 2015	1,206	10,534	23,062	1,370,824

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

Note 2 During 2015/16 £4.349 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 2016	Numbers as at 31 March 2015	Operational Equipment Vehicles / Trailers	Numbers as at 31 March 2016	Numbers as at 31 March 2015
Council Dwellings	13,234	13,275		45	67
Operational Buildings			Operational Buildings (Cont)		
Cemetery Buildings	15	15	Offices	37	33
Cinema and Theatres	2	2	Care Homes for Older People	2	2
Clubhouses	7	6	Pavilions	50	53
Community Centres	35	35	Public Conveniences	5	5
Day Centres	15	14	Restaurants	2	2
Depots	18	18	Schools	72	72
Hostels	9	9	Shops	105	104
Industrial / Factory Premises	179	189	Small Business Units	106	74
Libraries	7	7	Sports Centres	8	8
Lock Up Garages	135	135	Stores	31	33
Museums & Visitor Centres	5	5	Swimming Pools	2	2
Muster Rooms	-	-	Travelling Peoples Site	-	-
Non Stock Houses	2	32	Village Halls	11	11
OAP Pavilions	2	2			
Community Assets					
Open Spaces	748	154			
Children's Play Areas	76	142			

As part of the revaluation of miscellaneous land in 2015/16, a number of assets were re-categorised as open space land and as a result now fall under the category of Community Assets.

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:-

2015/16 £'000	2014/15 £'000
121,195	120,977
93	218
121,288	121,195
13,549	11,171
2,385	2,378
15,934	13,549
105,354	107,646

11.4 Financial Liabilities - PPP Schools

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

2015/16 £'000	2014/15 £'000
69,860	71,638
(2,199)	(1,778)
67,661	69,860
2,197	2,199
65,464	67,661
67,661	69,860

As at 1 April
Principal repayments

As at 31 March

Split
Short term Creditors
Long term Creditors

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.

	2015/16 £'000	2014/15 £'000
Opening Capital Financing Requirement	595,672	588,217
Capital Investment		
Property, Plant and Equipment	95,895	68,677
	691,567	656,894
Sources of Finance		
Capital Receipts	(11,448)	(11,014)
Government Grants	(26,260)	(20,700)
Contributions from Other Bodies	(5,158)	(3,660)
Capital Financed from Current Revenue	(10,783)	(13,055)
Long Term Debtors	42	(15)
Finance Lease Principal (incl. PPP)	(2,533)	(2,269)
Loans Fund Principal	(11,328)	(10,509)
	(67,468)	(61,222)
Closing Capital Financing Requirement	624,099	595,672
Increase in Capital Financing Requirement	28,427	7,455

11.6 Fixed Asset Valuation

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

Date of Valuation	Council Dwellings £'000	Other Land & Buildings £'000	Surplus Assets £'000	Total £'000
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
1 April 2015	397,328	82,475	150	479,953
Net historical cost alterations	402,095 33,188	629,462 493,978	26,254 (3,192)	1,057,811 523,974
Gross Valuation	435,283	1,123,440	23,062	1,581,785

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

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

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

For assets other than those valued at 1 April 2015 the council considers that there is no permanent material change in value in 2015/16.

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 - 60 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 2015/16 was £63.247 million (£65.956 million 2014/15).

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

11.8 Capital Commitments

At 31 March 2016 the council has commitments on capital contracts of £79.890 million (£51.559 million 2014/15) for the Housing Programme and £35.443 million (£28.705 million 2014/15) for the Composite Programme.

The Housing commitment is a result of ongoing investment in 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 and building of primary schools, the development of a partnership centre, Whitehill Service Centre and a 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 :-

		2015/16 £'000	2014/15 £'000
Operational Buildings	- Gross Cost - Aggregate Depreciation - Depreciation for the year	1,157 945 157	1,157 788 209
Vehicles	- Gross Cost - Aggregate Depreciation - Depreciation for the year	344 140 38 24	344 102 52 76
Finance lease interest for the year			
	The future obligations (net of finance charges) under these finance leases are:-		
2016/17	(2015/16)	102	241
2017/18 to 2020/21	(2016/17 to 2019/20)	358	421
2021/22 onwards	(2020 onwards)	13	52

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
1 April 2014	337	279	61	677
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
31 March 2015	337	279	61	677
1 April 2015	337	279	61	677
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
31 March 2016	337	279	61	677

The council's collection of Civic Regalia, Artworks and Other miscellaneous Heritage Assets is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on a 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 4 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 details of the council's public artworks can be found at <http://www.westlothian.gov.uk/publicart>

11.12 Intangible Assets

	Balance of Allowances at 31 March 2015 £'000	Allowances Discharged In Year £'000	Purchase of Allowances In Year £'000	Balance of Allowances at 31 March 2016 £'000
Carbon Reduction Commitment Allowance	636	(624)	610	622

Carbon Reduction Commitment Allowance

The expenditure of £0.610 million on Intangible Assets relates to Carbon Reduction Commitment (CRC) Allowances purchased in a forecast sale in April 2015 for the purpose of settling 2015/16 CRC liabilities during 2016/17.

It is anticipated that the allowances will meet the estimated CRC liability of £0.588 million arising from the council's energy consumption during 2015/16.

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 2016 £'000	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000
Investments and Lending				
Loans, receivables and interest	-	-	100,466	90,462
Investments to cash equivalents	-	-	25,725	21,440
Long term investments	249	213	-	-
	249	213	126,191	111,902
Borrowing				
Financial liabilities at amortised cost	433,671	403,796	100,066	89,883
	433,671	403,796	100,066	89,883

Long Term Investments

The council has a shareholding in Lothian Buses Ltd, the shares in this company are not traded in an active market and therefore the fair value of £0.249 million has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on the current calculated share price multiplied by the council's shareholding.

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 2016 for PWLB vary from 2.78% 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 assumed to be the invoiced or billed amount.

For both lending and borrowing the valuation basis adopted in this report uses level 2 Inputs i.e. inputs other than quoted prices that are observable for the financial asset / liability. The accounting policy for the Fair Value Measurement is included in Statement 8 note 1 on page 25.

The fair values are calculated as follows:

	31 March 2016		31 March 2015	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Lending				
Loans and receivables - Cash	25,725	25,736	21,440	21,450
The loans and receivables valuation is made by the prevailing benchmark rates	100,466	100,735	90,462	90,593
Loans and receivables - Fixed Term Deposits	126,191	126,471	111,902	112,043

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 £0.466 million.

	31 March 2016		31 March 2015	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Borrowing				
Financial liabilities - PWLB	464,980	599,168	424,901	553,503
For loans from the PWLB, Capita Asset Services have provided fair value estimates using both redemption and new borrowing (certainty rate) discount rates.	68,757	89,920	68,778	88,097
Financial liabilities - LOBO's and Temporary borrowing	533,737	689,088	493,679	641,600

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

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

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

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

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 2016 £'000	Historical experience of non- payment adjusted for market conditions at 31 March 2016 %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks and building societies	126,191	0%	-
Customers (council tax and other income)	34,939	2.25%	786

The council does not generally allow credit for customers, however, £31.803 million of the £34.939 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	1,514
Three to six months	920
Six months to one year	4,275
More than one year	25,094
	31,803

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

Liquidity Risk

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

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

	31 March 2016 £'000	31 March 2015 £'000
Less than one year	100,066	89,883
Between one and two years	25,030	35,125
Between two and five years	55,000	70,030
More than five years	353,641	298,641
	533,737	493,679

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 ensure its variable rate borrowing is limited to a maximum of 35% of total borrowing. At 31 March 2016 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 2015/16, 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	(2,767)
Net effect on Income and Expenditure Account	(2,767)
Housing Revenue Account's Share	(871)

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	Balance at 1 April 2015 £'000	Advances £'000	Repayments £'000	Balance at 31 March 2016 £'000
Loan Advances				
Small Business Loans	11	-	-	11
Sale of Calderwood Land	42	-	(42)	-
	53	-	(42)	11

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	2015/16 £'000	2014/15 £'000
Building Maintenance	164	175
Transport	127	144
Printing	4	8
Canteens	104	117
Roads and Grounds Maintenance	504	460
Countryside Deer / Highland Cows	68	64
	971	968

15. SHORT TERM DEBTORS	2015/16 £'000	2014/15 £'000
Central Government Bodies	15,057	7,351
Other Local Authorities	458	407
NHS Bodies	204	275
Public Corporations and Trading Funds	1,122	38
Other Entities and Individuals	19,138	18,655
	35,979	26,726

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

16. SHORT TERM CREDITORS	2015/16	2014/15
	£'000	£'000
Central Government Bodies	8,389	9,011
Other Local Authorities	3,216	2,537
NHS Bodies	338	438
Public Corporations and Trading Funds	103	84
Other Entities and Individuals	72,401	64,572
	84,447	76,642

17. PROVISIONS	Balance at 31 Mar 2015 £'000	Provision in Year £'000	Payments in year £'000	Balance at 31 Mar 2016 £'000
Equal pay settlements	1,242	-	(811)	431

Equal Pay Provision

The council created an Equal Pay Provision in 2013/14 to meet the liability arising from the equal pay claims following the outcome of litigation involving Dumfries and Galloway Council. West Lothian is currently in discussions with claimants' representatives to establish settlement terms. During 2015/16 £0.811 million was paid from the provision, leaving a remaining provision of £0.431 million to meet future claims.

18. LONG TERM CREDITORS	Sum Outstanding 2015/16 £'000	Sum Outstanding 2014/15 £'000
Finance Leases - outstanding principal	371	473
Open Space Agreements	288	325
Economic Development Business Gateway	686	244
	1,345	1,042
OTHER LONG TERM LIABILITIES		
PPP1 Schools	13,894	14,783
PPP3 Schools	51,570	52,878
	65,464	67,661

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 2015/16 the council paid an employer's contribution of £11.588 million (2014/15 £10.585 million) at the prescribed rate (14.9% to 30 August 2015 and 17.2% from 1 September) (2014/15 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 2015/16 (2014/15) these amounted to £0.378 million (£0.460 million) representing 0.3% (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

	2015/16	2014/15	
	£'000	£'000	£'000
Cost of Services			
Current Service cost	32,993	28,369	
Past Service Costs	266	185	28,554
Financing and Investment Income and Expenditure			
Net Interest Expense	33,259	8,860	8,526
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	(72,199)	(114,318)	99,340

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

	2015/16	2014/15	
	£'000	£'000	£'000
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	96,056		(76,609)
Actual Amount charged against the General Fund Balance of pensions in the year			
Employer's contributions payable to the scheme	(21,717)		(20,616)
Contributions in respect of unfunded benefits	(2,140)		(2,115)
	(23,857)		(22,731)

The amount charged to taxation for the Lothian Pension Fund Scheme in 2015/16 (2014/15) was £23.584 million (£19.246 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 2016 £'000	31 March 2015 £'000
Fair Value of Assets	772,175	735,494
Present Value of Funded Liabilities	(916,992)	(975,483)
Share of net liabilities	(144,817)	(239,989)
Present value of unfunded liabilities	(31,331)	(32,215)
Net pension liabilities arising from defined benefit obligation	(176,148)	(272,204)

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 2016 £'000	31 March 2015 £'000
Opening fair value of assets at 1 April	735,494	639,482
Interest income on plan assets	23,542	27,556
Remeasurement gain / (loss) - Return on plan assets (excluding the amount included in the net interest expense)	12,772	64,807
Employer's contributions payable to the scheme	21,717	20,616
Contributions by scheme participants	6,483	6,296
Benefits paid	(27,833)	(23,263)
Closing fair value of assets at 31 March	772,175	735,494

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 2016 £'000	31 March 2015 £'000
Opening Balance at 1 April	(1,007,698)	(835,077)
Current Service costs	(32,993)	(28,369)
Interest cost	(32,402)	(36,082)
Contributions by scheme participants	(6,483)	(6,296)
Remeasurement gain / (loss):		
- Actuarial (gains) and losses arising on changes in demographic assumptions	-	(36,751)
- Actuarial (gains) and losses arising on changes in financial assumptions	93,050	(102,156)
- Other experience	8,496	11,840
Past service costs	(266)	(185)
Benefits paid	27,833	23,263
Unfunded benefits paid	2,140	2,115
Closing balance of liabilities at 31 March	(948,323)	(1,007,698)

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

19.6 Lothian Pension Fund Assets by Category The asset values below are at bid value as required by IAS 19	2015/16		2014/15	
	£'000	%	£'000	%
Equity Securities:				
*Consumer	117,598	15%	103,155	14%
*Manufacturing	91,073	12%	86,514	12%
*Energy and Utilities	61,337	8%	73,489	10%
*Financial Institutions	65,402	8%	60,597	8%
*Health and Care	51,329	7%	50,117	7%
*Information Technology	46,263	6%	45,998	6%
*Other	44,198	6%	32,941	4%
Private Equity:				
*All	8,666	1%	-	-
All	25,103	3%	85,284	12%
Investment funds and unit trusts:				
*Equities	-	-	7,980	1%
Equities	-	-	-	-
*Commodities	2,142	-	2,350	-
Commodities	-	-	-	-
*Infrastructure	4,297	1%	4,423	1%
Infrastructure	47,061	6%	-	-
*Other	-	-	2,377	-
Other	18,500	2%	2,628	1%
Equity	582,969	75%	557,853	76%
Debt Securities:				
*Corporate Bonds A (investment grade)	-	-	-	-
*Corporate Bonds (non-investment grade)	-	-	-	-
*UK Government	49,690	6%	42,588	6%
*Other	19,534	3%	18,138	2%
Investment funds and unit trusts:				
Bonds	4,184	1%	-	-
*Bonds	2,072	-	2,113	-
Derivatives:				
Inflation	-	-	-	-
Interest rate	-	-	-	-
*Foreign exchange	(45)	-	1,128	-
*Other	-	-	-	-
Bonds	75,435	10%	63,967	8%
Real Estate:				
UK Property	66,051	9%	48,108	7%
Overseas Property	-	-	7,458	1%
Property	66,051	9%	55,566	8%
Cash and cash equivalents				
*All	47,720	6%	58,108	8%
Cash and cash equivalents	47,720	6%	58,108	8%
	772,175	100%	735,494	100%

Assets marked with an asterisk (*) have quoted prices in active markets and equate to £611.276 million (2014/15 £592.016 million) with prices not quoted in active markets totalling £160.899 million (2014/15 £143.478 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 43.

Investment Returns

The return on the Fund in market value terms for the period to 31 March 2016 is estimated based on actual fund returns as provided by the administering authority and index returns where necessary. Details are given below:

Actual Returns from 1 April 2015 to 31 December 2015	1.3%
--	------

Total Returns from 1 April 2015 to 31 March 2016	4.9%
--	------

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

19.7 Basis for Estimating Assets and Liabilities (Continued)

	2015/16 Years	2014/15 Years
Current Pensioners -		
Males	22.1	22.1
Females	23.7	23.7
Future Pensioners -		
Males	24.2	24.2
Females	26.3	26.3
Financial Assumptions		
Rate of inflation	2.2%	2.4%
Rate of increase in salaries	4.2%	4.3%
Increase in Pensions	2.2%	2.4%
Rate for discounting scheme liabilities	3.5%	3.2%

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
- 1 year increase in member life expectancy
- 0.5% increase in the Salary Increase Rate
- 0.5% increase in the Pension Increase Rate

Approximate % Increase to Employer Obligation	Approximate Monetary Amount £'000
11%	100,407
3%	28,450
4%	35,910
7%	62,402

19.9 Projected Pension Cost for period to 31 March 2017

The deficit has decreased due to an increase in the net discount rate over the period, the positive impact of which has outweighed the lower than expected asset returns.

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

The net pensions liability does not impact on the council's available reserves but the requirement to recognise the net pensions liability in the balance sheet has decreased the reported net worth of the council by 28% (45% 2014/15).

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 2017, based on assumptions as at 31 March 2016:-

31 March 2017				
	Assets £'000	Obligations £'000	Net £'000	% of pay
Current service cost	-	(28,306)	(28,306)	(26.8%)
Past service cost including curtailments	-	-	-	-
Effect of settlements	-	-	-	-
Total Service Cost	-	(28,306)	(28,306)	(26.8%)
Interest income on plan assets	27,067	-	27,067	25.7%
Interest cost on defined benefit obligation	-	(33,313)	(33,313)	(31.6%)
Total Net Interest Cost	27,067	(33,313)	(6,246)	(5.9%)
Total included in Profit or Loss	27,067	(61,619)	(34,552)	(32.7%)

The estimated Employer's contributions for the year to 31 March 2017 will be approximately £21.499 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 2017 will be approximately £21.499 million. Employer contributions have been set at 20.0% for 2016/17 (20.0% 2015/16).

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

Insurance Fund

Balance at 1 April
Appropriation

Balance at 31 March

	2015/16 £'000	2014/15 £'000
	13,570	12,193
	145	1,377
	13,715	13,570

NOTES TO THE ANNUAL ACCOUNTS**STATEMENT 8**

	2015/16 £'000	2014/15 £'000
20.2 Capital Fund		
Balance at 1 April	84,765	79,008
Transfer (to) / from Capital Adjustment Account	(6,631)	(4,520)
Appropriation	10,080	10,277
Balance at 31 March	88,214	84,765

21. UNUSABLE RESERVES

	2015/16 £'000	2014/15 £'000
Revaluation Reserve	148,128	147,840
Available for Sale Financial Instruments Reserve	224	189
Capital Adjustment Account	554,506	627,363
Financial Instruments Adjustment Account	(9,682)	(10,104)
Pensions Reserve	(176,148)	(272,204)
Accumulated Absences Account	(7,680)	(8,999)
Total Unusable Reserves	509,348	484,085

21.1 Revaluation Reserve

	2015/16 £'000	2014/15 £'000
Balance at 1 April	147,840	119,815
Unrealised gains / (losses) on revaluation of fixed assets	7,875	35,463
Less: Depreciation on revaluations	(7,587)	(7,438)
Balance at 31 March	148,128	147,840

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

	2015/16 £'000	2014/15 £'000
Balance at 1 April	189	199
Revaluation of long-term investments at fair value	35	(10)
Balance at 31 March	224	189

21.3 Capital Adjustment Account

	2015/16 £'000	2014/15 £'000
Balance at 1 April	627,363	639,587
Depreciation and impairment	(145,014)	(74,673)
Government grants written off	31,418	24,360
Loans fund principal repayments	13,768	12,560
Capital financed from current revenue (General Fund)	2,841	3,895
Capital financed from current revenue (HRA)	8,035	9,378
Gain/ (Loss) on disposal of non-current assets	1,877	298
Revaluation Reserve - Depreciation on revaluations	7,587	7,438
Transfer of Capital Receipts to Capital Fund	6,631	4,520
Balance at 31 March	554,506	627,363

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

	2015/16 £'000	2014/15 £'000
21.4 Financial Instruments Adjustment Account		
Balance at 1 April	(10,104)	(10,528)
Appropriations (to) from Movements on Reserve Statement	422	424
Balance at 31 March	(9,682)	(10,104)
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 2015 represents:		
	2015/16 £'000	2014/15 £'000
Deferred Premiums less Discounts from Debt Rescheduling	(7,064)	(7,457)
Market LOBO loans restated - balance sheet value	(63,198)	(63,227)
- Deduct: actual loans outstanding	60,580	60,580
	(9,682)	(10,104)
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:	2015/16 £'000	2014/15 £'000
Balance at 1 April	(272,204)	(195,595)
Net surplus for year	(18,262)	(14,349)
Actuarial Gains (Losses) in Pension Plan	114,318	(62,260)
Balance at 31 March	(176,148)	(272,204)
21.6 Accumulated Absences Account	2015/16 £'000	2014/15 £'000
Balance at 1 April	(8,999)	(9,391)
Annual leave and flexitime accrual - previous year	8,999	9,391
Annual leave, maternity and flexitime accrual - current year	(7,680)	(8,999)
Statutory adjustment for the year	1,319	392
Balance at 31 March	(7,680)	(8,999)
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	2015/16 £'000	2014/15 £'000
The following amounts are included in the net cash flows from Operating Activities:-		
Interest paid	24,227	23,717
Interest element of finance lease rental payments including PPP contracts	3,983	4,154
Interest received	(2,974)	(2,665)
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:-		
Depreciation	63,247	65,956
Impairment and downward revaluations	81,767	8,717
Amortisation	(28)	(30)
Increase/(decrease) in creditors	6,819	5,836
(Increase)/decrease in debtors	(8,193)	4,422
(Increase)/decrease in Short Term Intangible Assets	14	(636)
(Increase)/decrease in inventories	(3)	484
Movement in pension liability	18,262	14,349
Gain / (Loss) on disposal of non-current assets	(1,877)	(298)
Other non-cash items	405	(224)
	160,413	98,576

NOTES TO THE ANNUAL ACCOUNTS**STATEMENT 8**

	2015/16 £'000	2014/15 £'000
23. CASH FLOW STATEMENT - INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(97,691)	(70,166)
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment	3,689	5,972
Net decrease (increase) in short term investments	(9,978)	(5,000)
Net cash flows from Investing Activities	(103,980)	(69,194)
24. CASH FLOW STATEMENT - FINANCING ACTIVITIES		
Cash receipts of short and long term borrowing	70,000	45,000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts	(241)	(325)
Repayments of short and long term borrowing	(30,000)	(50,910)
Net cash flows from Financing Activities	39,759	(6,235)
25. CASH FLOW STATEMENT - CASH AND CASH EQUIVALENTS		
Cash held by officers	145	131
Bank current accounts	1,932	3,670
Short term deposits	25,725	21,440
Total Cash and Cash Equivalents	27,802	25,241
26. AGENCY SERVICES		
Agency agreements operate in certain services under which the council undertakes work on behalf of another body for which it is reimbursed, or reimburses other bodies for undertaking work which is properly the function of the authority.		
Expenditure/Income on agency agreements with other bodies is analysed as follows:-		
Expenditure	2015/16 £'000	2014/15 £'000
Local Bus Services	67	60
Residential Schools and other Social Work payments	679	912
Special School Placements	308	300
Other	1,346	1,438
Non Domestic Rates	85,516	83,116
	87,916	85,826
Income	2015/16 £'000	2014/15 £'000
Scottish Water Collection Services	576	553
Social Work Services	1,102	1,878
Local Bus Services	226	235
Special School Placements	377	441
Non Domestic Rates	80,308	83,713
	82,589	86,820
27. WEST LOTHIAN COMMUNITY HEALTH AND CARE PARTNERSHIP (WLCHCP) / WEST LOTHIAN INTEGRATION JOINT BOARD (IJB)		
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 2015/16 WLCHCP managed a substantial range of West Lothian Council's social care and community health services on a shadow basis.		
The Public Bodies (Joint Working) (Scotland) Act 2014 established the legal framework for integrating health and social care in Scotland. Section 71(2) of the 2014 Act expressly repealed Sections 4A and 4B of the National Health Service (Scotland) Act 1978 which made provision regarding community health partnerships. That repeal took effect on 1 April 2015 and the West Lothian Integration Joint Board (IJB) superseded the WLCHCP arrangement in 2015/16. The WLCHCP operated on a shadow basis until the West Lothian IJB was legally established on 21 September 2015.		
Of the Partnership's 2015/16 gross budget of £179.1 million (£169.7 million 2014/15), West Lothian Council contributed £81.3 million (77.1 million 2014/15) and the final outturn for council services was £80.9 million (£77.4 million 2014/15), a £0.4 million underspend (£0.3 million overspend 2014/15).		
The arrangements for the IJB's operation, remit and governance are set out in the integration scheme which was approved by West Lothian Council, NHS Lothian and the Scottish Government. The IJB's purpose is to set the strategic direction for the delegated functions through the development of a Strategic Plan. Relevant functions and resources from the council and NHS Lothian will be delegated to the West Lothian IJB from 1 April 2016 to enable it to plan the delivery of functions and deliver on strategic outcomes. The IJB gives directions to the council and NHS Lothian as to the functions to be delivered and the resources available to deliver the functions. The level of resources associated with council functions delegated to the IJB in 2016/17 is £66.685 million.		

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

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:-

	2015/16 £'000	2014/15 £'000
Turnover	4,718	4,445
Expenditure	8,886	3,533
Surplus (Deficit) for year	(4,168)	912
Budget Surplus (Deficit) for year	(4,225)	779

Included in turnover is internal income of £0.417 million (£0.434 million 2014/15).

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
2013/14	1,186	772	414
2014/15	912	813	99
2015/16	(4,168)	740	(4,908)
	(2,070)	2,325	(4,395)

In the three years to 31 March 2016 the trading account sustained a statutory aggregate loss of £4.395 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 £4.477 million in 2015/16 on assets from the Economic Development Property Portfolio. The financial position excluding the 2015/16 impairment charge would have resulted in the following surplus.

	2015/16 £'000	2014/15 £'000	2013/14 £'000
Turnover	4,718	4,445	4,572
Expenditure	4,409	3,533	3,386
Surplus for year	309	912	1,186
Budget Surplus for year	252	779	1,142

	Surplus £'000	Loan Interest £'000	Net Surplus (Deficit) £'000
2013/14	1,186	772	414
2014/15	912	813	99
2015/16	309	740	(431)
	2,407	2,325	82

Excluding impairment charges incurred during 2015/16, in the three years to 31 March 2016 the trading account would have made a statutory aggregate surplus of £0.082 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:-

	2015/16 £'000	2014/15 £'000
Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice.	331	331
	331	331

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

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 2015/16.

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 has paid a total of £0.198 million in respect of West Lothian District Council and Livingston Development Corporation liability and £0.035 million in respect of the council's share of Lothian Regional Council liability.

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

Holiday Pay Liability

During periods of annual leave employees receive their basic contractual pay. This means that any non-contractual additional payments e.g. overtime, are not reflected in the rate of pay the employee receives while on annual leave. A decision made by the European Court of Justice in May 2014 under the Working Time Directive 2003/88/EC has held that holiday pay should be the normal remuneration received by the employee and the matter 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 Property Services, Donald Forrest CPFA, being the officer responsible for the council's financial affairs, authorised the issue of the unaudited annual accounts on 20 June 2016 and the audited annual accounts on 27 September 2016. Events after the balance sheet date have been considered up to 27 September 2016.

32. GRANT INCOME

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16.

Credited to Taxation and Non Specific Grant Income

Capital Grants and Contributions

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

Total Capital Grants and Contributions

Revenue Support Grant

Distribution from Non Domestic Rate Pool

Council Tax Benefits Grant

Total Grants credited to Taxation and Non Specific Grant Income

	2015/16 £'000	2014/15 £'000
Capital Grants and Contributions		
- General Capital Grant	17,083	19,426
- Other Scottish Government Grant	9,177	1,274
- Developers Contributions	3,791	1,674
- Other Capital Contributions	1,367	1,986
Total Capital Grants and Contributions	31,418	24,360
Revenue Support Grant	217,938	219,815
Distribution from Non Domestic Rate Pool	94,216	88,513
Council Tax Benefits Grant	-	-
Total Grants credited to Taxation and Non Specific Grant Income	343,572	332,688
Credited to Services		
Housing Benefits Grant	54,254	54,726
Administration of Benefits Grant	843	960
Education Maintenance Allowance	706	801
European Grants	3,535	2,536
Private Sector Housing Grant	732	732
Community Led Regeneration	34	2,012
Criminal Justice Grant	2,399	2,374
Other Grants	7,972	4,398
Contribution from - Local Authorities	923	1,186
- NHS	7,032	7,079
Total Grants credited to Services	78,430	76,804

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

33. GENERAL FUND BALANCE

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

	2015/16 £'000	2014/15 £'000
General Fund Balance at 31 March	19,047	19,307
Less: Earmarked Balances -		
Education - Delegated Schemes	1,058	1,053
Energy Efficiency Fund	351	358
Weather Emergency Fund	1,000	1,000
Modernisation Fund	4,372	4,372
Senior Peoples Challenge Fund	88	88
Scottish Government Grant	5,198	4,812
Scottish Welfare Fund	-	-
Time Limited Projects	4,750	5,414
Demand Responsive Transport	-	50
War Memorial Fund	50	50
Local Plan	110	110
Uncommitted General Fund Balance at 31 March	16,977	17,307
	2,070	2,000

In accordance with both the School Boards Delegation and Devolved School Management schemes, a net credit balance of £1.058 million (£1.053 million 2014/15) 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 2016/17 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:-

	2015/16 £'000	2014/15 £'000
Plant and Vehicles	3,329	3,573
Property	546	568
	3,875	4,141

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:-

2016/17	(2015/16)	- Land and Buildings
2017/18 to 2020/21	(2016/17 to 2019/20)	- Other Operating Leases
2021/22 onwards	(2020/21 onwards)	- Land and Buildings
		- Other Operating Leases

	2015/16 £'000	2014/15 £'000
	218	572
	3,053	2,794
	644	717
	5,879	4,900
	1,575	1,619
	13	-

The cumulative value of leases where the council is a lessor is £5.667 million for 727 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:-

	Principal £'000	Interest £'000	Lifecycle Capital Costs £'000	Operating Costs £'000	2015/16 Total £'000	2014/15 Total £'000
Within one year	2,197	3,801	169	6,034	12,201	11,946
2 to 5 years	10,207	13,720	721	26,815	51,463	50,387
6 to 10 years	11,961	13,894	1,997	42,919	70,771	69,287
11 to 15 years	15,341	10,202	2,395	50,764	78,702	77,044
16 to 20 years	16,632	4,878	429	40,426	62,365	68,226
21 to 25 years	11,323	1,102	-	25,261	37,686	48,243
	67,661	47,597	5,711	192,219	313,188	325,133

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 2016 are detailed on page 51.

Councillors

Members of the Council have direct control over the council's financial and operating policies. The total of Councillors Remuneration allowances paid in 2015/16 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	2015/16 £'000	2014/15 £'000
Government Payments		
PAYE and National Insurance	50,590	51,582
Superannuation – Teachers	11,588	10,585
Other Local Authority Payments		
Superannuation	23,584	19,246
Other Payments	1,336	1,396
Other Related Party Payments		
Joint Valuation Board	1,145	1,143
West Lothian Municipal Bank Ltd.	-	59
West Lothian Leisure Ltd.	1,906	1,980
Councillors Remuneration	705	703
Criminal Justice Authority	3,169	2,938
SESTRAN / SESPLAN	69	70
	94,092	89,702
Other Related Party Income		
Other Local Authority Receipts	923	1,186
West Lothian Municipal Bank Ltd.	-	27
Criminal Justice Authority	2,399	2,374
	3,322	3,587
BALANCE SHEET		
The amounts due (to) or from related parties are detailed below:-		
Government departments	6,668	(1,019)
Other local authorities	(2,758)	(2,113)
Related companies		
- West Lothian Leisure Ltd.	205	12
	4,115	(3,120)

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.

2014/15	Total Income £'000	Employee Expenses £'000	Other Service Expenses £'000	Depreciation £'000	Total Expenditure £'000	Net Expenditure £'000
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 Property Services	(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	-
Total	(200,343)	254,210	243,963	73,097	571,270	370,927

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

	£'000
Net Expenditure in the Service Analysis	370,927
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	17,962
Net Cost of Services	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.

	Service Analysis £'000	Not included in Net Cost of Services £'000	Allocation of Support Services £'000	Net Cost of Services £'000	Corporate Amounts* £'000	Total £'000
Fees, charges and other service income	(200,343)	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)
Total Income	(200,343)	36,807	6,379	(157,157)	(425,939)	(583,096)
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)
Total Expenditure	571,270	(18,845)	(6,379)	546,046	66,375	612,421
(Surplus) or Deficit on the Provision of Services	370,927	17,962	-	388,889	(359,564)	29,325

* 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 - 2015/16

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.

2015/16	Total Income £'000	Employee Expenses £'000	Other Service Expenses £'000	Depreciation £'000	Total Expenditure £'000	Net Expenditure £'000
Schools with Education Support	(4,209)	116,396	18,864	26,851	162,111	157,902
Area Services (including Arts, Sports and Outdoor Education)	(5,729)	14,101	5,762	8,901	28,764	23,035
Planning and Economic Development Services	(6,583)	4,704	3,484	554	8,742	2,159
Operational Services	(16,697)	36,544	39,685	7,456	83,685	66,988
Housing, Construction and Building Services	(32,052)	21,004	13,463	106	34,573	2,521
Corporate Services	(1,646)	9,319	4,472	5,296	19,087	17,441
WLCHCP & Social Policy	(20,626)	43,596	69,794	2,440	115,830	95,204
Chief Executive, Finance and Property Services	(11,906)	8,754	27,050	18,905	54,709	42,803
Joint Boards	-	-	1,214	-	1,214	1,214
Other Services - Non Service Expenditure	(58,990)	370	21,387	-	21,757	(37,233)
Time-Limited Projects	(630)	1,884	63	-	1,947	1,317
HRA	(47,189)	4,190	23,984	19,015	47,189	-
Total	(206,257)	260,862	229,222	89,524	579,608	373,351

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

	£'000
Net Expenditure in the Service Analysis	373,351
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	88,400
Net Cost of Services	461,751

Reconciliation to Subjective Analysis

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

	Service Analysis £'000	Not included in Net Cost of Services £'000	Allocation of Support Services £'000	Net Cost of Services £'000	Corporate Amounts* £'000	Total £'000
Fees, charges and other service income	(206,257)	38,184	6,622	(161,451)	(4,718)	(166,169)
Interest and investment income	-	-	-	-	(25,637)	(25,637)
Government grants and contributions	-	-	-	-	(343,572)	(343,572)
Income from council tax	-	-	-	-	(60,937)	(60,937)
Total Income	(206,257)	38,184	6,622	(161,451)	(434,864)	(596,315)
Employee expenses	260,862	(19,271)	(16,971)	224,620	51	224,671
Other service expenses	229,222	20,070	(9,473)	239,819	1,115	240,934
Support Service recharges	-	(249)	36,042	35,793	1,905	37,698
Depreciation, amortisation and impairment	89,524	49,666	(16,220)	122,970	5,815	128,785
Interest Payments	-	-	-	-	59,735	59,735
(Gain) or Loss on Disposal of Non-Current Assets	-	-	-	-	(1,877)	(1,877)
Total Expenditure	579,608	50,216	(6,622)	623,202	66,744	689,946
(Surplus) or Deficit on the Provision of Services	373,351	88,400	-	461,751	(368,120)	93,631

* 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**

PURPOSE	The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.		
INCOME		2015/16 £'000	2014/15 £'000
	Dwellings Rent (gross)	(43,418)	(41,951)
	Non-Dwellings Rent (gross)	(592)	(582)
	Other Income	(3,179)	(467)
	TOTAL INCOME	(47,189)	(43,000)
EXPENDITURE	Repairs and Maintenance Supervision and Management Depreciation and Revaluation of non-current assets Bad or Doubtful Debts Other Expenditure	13,973	12,688
		8,707	8,126
		77,215	24,066
		517	448
		4,883	2,190
	TOTAL EXPENDITURE	105,295	47,518
	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	58,106	4,518
	HRA Services share of Corporate and Democratic Core (CDC)	93	88
	HRA share of Non Distributed Costs	8	6
	Net Cost of HRA Services	58,207	4,612
	HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
	(Profit) / Loss on sale of HRA assets	(771)	(555)
	Interest payable and similar charges	7,175	6,627
	Net interest on the net defined benefit liability	262	247
	Deficit for the year on HRA Services	64,873	10,931

MOVEMENT ON THE HRA STATEMENT		STATEMENT 10		
PURPOSE	This statement summarises the differences between the outturn on the HRA Income and Expenditure Account and the HRA Balance.			
MOVEMENT		Note	2015/16 £'000	2014/15 £'000
NOTES	Balance on the HRA at the end of the previous year	1	(926)	(926)
	Deficit for the year on the HRA Income and Expenditure Statement		64,873	10,931
	Adjustments between accounting basis and funding basis under regulations		(64,873)	(10,931)
	(Increase) or decrease in year on the Housing Revenue Account		-	-
	Balance on the HRA at the end of the current year		(926)	(926)
1.	Adjustments between accounting basis and funding basis under regulations			
	Depreciation and Revaluation		(77,215)	(24,066)
	Profit / (Loss) on sale of HRA fixed assets		771	555
	Amount by which pension costs calculated in accordance with IAS 19 are different from contributions due to the Lothian Pension Fund		(270)	(253)
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		(76,714)	(23,764)
	Loans fund principal		3,806	3,455
	Capital expenditure funded by HRA		8,035	9,378
	Adjustments between accounting basis and funding basis under regulations		(64,873)	(10,931)
	Housing Stock			
	The council's stock at 1 April 2015 was 13,275 houses and at 31 March 2016 was 13,234 houses. As a result the council was responsible for managing an average of 13,255 dwellings during 2015/16.		2015/16 No of Houses	2014/15 No of Houses
2.	Stock movements can be summarised as follows:-			
	Stock as at 1 April		13,275	13,210
	Additions		88	188
	Less Demolitions		(49)	(54)
	Less Stock restated		-	(6)
	Less Sales		(80)	(63)
	Stock as at 31 March		13,234	13,275
	Housing Stock Numbers by type are as follows:			
	1 Bed		2,296	2,281
	2 Bed		6,204	6,203
3.	3 Bed		4,142	4,195
	4 Bed		461	463
	More than 4 Bed		131	133
			13,234	13,275
	Rent Arrears		2015/16 £'000	2014/15 £'000
4.	Current Tenant Gross Rent Arrears at 31 March		1,247	1,257
	Former Tenant Gross Rent Arrears at 31 March		980	874
5.	Losses on Void Properties		2015/16 £'000	2014/15 £'000
	Losses on void properties at 31 March		422	543
	Bad Debt Provision		2015/16 £'000	2014/15 £'000
	Bad Debt Provision for housing rent arrears and former tenant's debt.		1,559	1,473

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					2015/16 £'000		2014/15 £'000			
						(6,705)	80,905	79,864			
						(1,626)		(6,648)			
						(9,387)		(1,602)			
						(1,488)		(9,823)			
								(1,675)			
								(19,206)			
								(19,748)			
						61,699		60,116			
						(762)		(780)			
						60,937		59,336			
NOTES	1.	Calculation of the Council Tax base 2015/16									
		PROPERTY BANDS									
		A	B	C	D	E	F	G	H		
		Properties	17,675	24,661	9,887	8,034	9,341	5,635	2,608	182	78,023
		Exemptions	(797)	(598)	(186)	(111)	(74)	(35)	(21)	(12)	(1,834)
		Disabled Relief	164	(70)	(14)	17	(27)	(30)	(40)	-	-
		Discounts (10%)	(12)	(15)	(8)	(6)	(6)	(2)	(2)	-	(51)
		Discounts (25%)	(2,443)	(2,396)	(928)	(527)	(410)	(170)	(58)	(3)	(6,935)
		Discounts (50%)	(59)	(93)	(55)	(28)	(20)	(11)	(4)	-	(270)
		Council Tax Reduction Scheme	(4,925)	(4,344)	(1,102)	(415)	(215)	(64)	(16)	(1)	(11,082)
		Effective Properties	9,603	17,145	7,594	6,964	8,589	5,323	2,467	166	57,851
		Ratio to Band D	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	
		Band D Equivalents	6,399	13,335	6,750	6,964	10,497	7,690	4,111	331	56,077
		Contributions in lieu								-	
		Level of non-payment provided for								(1,402)	
		COUNCIL TAX BASE								54,675	
	2.	The level of Council Tax depends upon the value of the property. Certain prescribed dwellings are exempt and discounts are given to eligible taxpayers i.e. single occupants. A Council Tax Scheme Reduction is available to taxpayers on a low income. Other deductions include Disabled Relief.									
		A bad debt provision of 2.25% of the net income from Council Tax has been provided, this represents a collection level of 97.75%.									
	3.	The Council Tax charge for each band is as follows:-									
		Band	2015/16 Council Tax £			2014/15 Council Tax £					
		A	752.00			752.00					
		B	877.33			877.33					
		C	1,002.67			1,002.67					
		D	1,128.00			1,128.00					
		E	1,378.67			1,378.67					
		F	1,629.33			1,629.33					
		G	1,880.00			1,880.00					
		H	2,256.00			2,256.00					

NON-DOMESTIC RATE INCOME ACCOUNT**STATEMENT 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		2015/16 £'000	2014/15 £'000
	Gross rates levied and contributions in lieu	101,518	104,650
	<u>Less</u>		
	Reliefs and other deductions	(19,231)	(18,436)
	Provisions for bad and doubtful debts	(2,202)	(2,000)
	Net non-domestic rate income	(21,433)	(20,436)
		80,085	84,214
	Allocated:		
	National non-domestic rate pool	80,218	84,334
	Cost of council rate relief	(133)	(120)
		80,085	84,214
NOTES	1. The amount distributed to West Lothian Council from the national non-domestic rate income pool in 2015/16 was £94.216 million (£88.513 million 2014/15).		
	2. Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Lothian area. The National non-domestic rate poundage is determined by the Scottish Government, and was 48.0p per £ in 2015/16 (47.1p in 2014/15). The rate was 49.3p (48.2p in 2014/15) 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. In 2014/15 properties used as shops which had a rateable value of greater than £300,000 and were licensed to sell alcohol and tobacco were charged an additional rate of 13p, the rate poundage for these premises was 61.2p under the Public Health Supplement. The Public Health Supplement ended on 31 March 2015 and was therefore not charged in 2015/16.		
	3. Rateable values at 1 April 2015		
		Number	Rateable Value £'000
	Shops, Offices and other Commercial Subjects	2,895	96,810
	Industrial Subjects	1,837	78,071
	Miscellaneous (Schools etc.)	1,073	42,182
	Total	5,805	217,063
	4. There is no retained income from the Business Rates Incentivisation Scheme for 2015/16.		

LOANS FUND REVENUE ACCOUNT		STATEMENT 13	
PURPOSE	<p>This statement shows the revenue transactions of the Loans Fund. The Loans Fund provides a central pool of finance for all council expenditure.</p> <p>All external loans, borrowed to finance capital spending, are paid into the fund. Interest due on these borrowings and debt management expenses are allocated to this account. These costs are then charged annually to the Comprehensive Income and Expenditure Statement.</p>		
EXPENDITURE		2015/16 £'000	2014/15 £'000
	Interest paid to External Lenders	21,805	21,598
	Interest paid on Internal Revenue Account Balances	1,221	1,043
	Losses on the Repurchase of Borrowing	394	394
	Total Interest	23,420	23,035
	Expenses of Borrowing	352	293
	Total Expenditure	23,772	23,328
INCOME	Interest Received from Investments	996	939
	Expenses charged to the Comprehensive Income and Expenditure Statement	352	293
	Net Loans Fund interest charged to the Comprehensive Income and Expenditure Statement	1,348	1,232
	Total Income	22,424	22,096
NOTES	1. The average rate of interest on borrowings from the Loans Fund was 4.1% (4.2% 2014/15).		
	2. The rate for debt management expenses was 0.1% (0.1% 2014/15).		
	3. The amount of internal debt outstanding at 31 March 2016 was £555.9 million or £3,129 per head of population compared with £525.1 million or £2,981 per head of population at 31 March 2015.		

TRUSTS AND MORTIFICATIONS**STATEMENT 14**

PURPOSE	<p>The council acts as sole trustee for 40 Trusts and Mortifications. The funds do not represent the assets of the council and therefore they have not been included in the Balance Sheet.</p> <p>The figures below summarise the Income and Expenditure arising during the year and the aggregate Assets and Liabilities of the Trusts at the year end.</p>																				
EXPENDITURE	INCOME AND EXPENDITURE STATEMENT	2015/16 £'000	2014/15 £'000																		
INCOME	Beneficiaries	4	5																		
SURPLUS /	Loans Fund and Dividend Interest	5	4																		
(DEFICIT)	For Year	1	(1)																		
	At 1 April	381	374																		
	At 31 March	382	373																		
	BALANCE SHEET																				
	Current Assets																				
	Investments	47	47																		
	Revenue Advances to Loans Fund	335	326																		
		382	373																		
	Current Liabilities																				
	TOTAL ASSETS	382	373																		
	Reserves																				
	Capital Fund	165	158																		
	Revenue Fund	217	215																		
	TOTAL RESERVES	382	373																		
NOTES	<p>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 2015/16 is disbursed in 2016/17.</p> <p>2. The main fund balances where the Council is sole trustee at 31 March 2016 are:-</p> <table border="1"> <thead> <tr> <th></th> <th>Capital £'000</th> <th>Revenue £'000</th> </tr> </thead> <tbody> <tr> <td>Irene Elizabeth Miller Trust</td> <td>60</td> <td>3</td> </tr> <tr> <td>West Lothian Trust for the Benefit of People with Disabilities</td> <td>41</td> <td>18</td> </tr> <tr> <td>Quarter Farm Trust</td> <td>17</td> <td>40</td> </tr> <tr> <td>James Wood Bequest</td> <td>14</td> <td>53</td> </tr> <tr> <td>Robert Turner of Armadale Trust</td> <td>11</td> <td>19</td> </tr> </tbody> </table> <p>3. The council also administered five other trusts in 2015/16 (six trusts in 2014/15), which have external and council trustees. At 31 March 2016 the total assets of these trusts, valued at cost, was £0.208 million (£0.214 million at 31 March 2015).</p>		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	53	Robert Turner of Armadale Trust	11	19		
	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	53																			
Robert Turner of Armadale Trust	11	19																			

COMMON GOOD ACCOUNT**STATEMENT 15**

PURPOSE	<p>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.</p> <p>The figures below summarise the Income and Expenditure arising during the year and the Assets and Liabilities of the Fund at the year end.</p>		
	INCOME AND EXPENDITURE STATEMENT	2015/16 £'000	2014/15 £'000
	Expenditure		
	Donations	-	-
	Income		
	Interest	-	-
	Surplus / (Deficit)		
	At 1 April	14	14
	At 31 March	14	14
BALANCE SHEET			
Non-Current Assets	Heritable Property	1	1
	Furnishings	4	4
		5	5
	Current Assets		
	Revenue Advances to Loans Fund	18	18
	TOTAL ASSETS	23	23
	FINANCED BY:		
	Reserves		
	Revenue Balance	14	14
	Capital Reserve	9	9
TOTAL LOANS AND RESERVES		23	23
NOTES	1.	Fixed Assets represent book values taken over from former councils as recorded in their Abstract of Accounts. They consist of:-	
			£'000
		Furnishings	4
		Heritable Property	1
			5
2.	LASAAC has issued guidance on the application of accounting requirements to Common Good assets. The council has not taken any action due to the insignificant amount involved (£5,000) and have not included this amount in their asset register.		
	3. Interest received in 2015/16 amounted to £157 (£150 2014/15).		

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 2016**

	Group Note	*Single Entity Usable Reserves £'000	Single Entity Unusable Reserves £'000	Group Reserves £'000	Total Group Reserves £'000
Balance at 1 April 2014	G3	114,698	544,087	(1,466)	657,319
Movement in Reserves during 2014/15		(29,325)	-	(350)	(29,675)
Surplus (Deficit) on the provision of services		-	(26,807)	(591)	(27,398)
Other comprehensive income and expenditure		(29,325)	(26,807)	(941)	(57,073)
Total comprehensive income and expenditure		33,195	(33,195)	-	-
Adjustments between accounting basis and funding basis under regulations		3,870	(60,002)	(941)	(57,073)
Net increase (decrease) before transfers to other statutory reserves		-	-	-	-
Transfers to or from other statutory reserves		3,870	(60,002)	(941)	(57,073)
Increase (decrease) in year		118,568	484,085	(2,407)	600,246
Balance at 31 March 2015					
Movement in Reserves during 2015/16	G3	(93,631)	-	318	(93,313)
Surplus (Deficit) on the provision of services		-	122,228	1,264	123,492
Other comprehensive income and expenditure		(93,631)	122,228	1,582	30,179
Total comprehensive income and expenditure		96,965	(96,965)	-	-
Adjustments between accounting basis and funding basis under regulations		3,334	25,263	1,582	30,179
Net increase (decrease) before transfers to other statutory reserves		-	-	-	-
Transfers to or from other statutory reserves		3,334	25,263	1,582	30,179
Increase (decrease) in year		121,902	509,348	(825)	630,425
Balance at 31 March 2016					

*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 2016						
	Group Note	2015/16			2014/15	
		Gross Expend £'000	Gross Income £'000	Net Expend £'000	Gross Expend £'000	Gross Income £'000
Education Services		206,738	7,019	199,719	200,360	7,382
Housing		72,492	58,204	14,288	72,305	58,767
Cultural and Related Services		33,420	3,639	29,781	31,720	3,554
Environmental Services		28,403	3,031	25,372	24,647	2,964
Roads and Transport Services		22,349	1,603	20,746	22,166	1,494
Planning and Development Service		16,624	10,412	6,212	18,437	10,292
Social Work		118,530	21,526	97,004	109,399	21,047
Joint Valuation Board		1,145	-	1,145	1,143	-
Central Services		11,801	8,735	3,066	12,224	8,569
Corporate and Democratic Core		6,139	93	6,046	5,942	88
Non-Distributed Costs		266	-	266	185	-
Net Cost of General Fund Services		517,907	114,262	403,645	498,528	114,157
Housing Revenue Account		105,295	47,189	58,106	47,518	43,000
Net Cost of Services		623,202	161,451	461,751	546,046	157,157
Other Operating Expenditure		(1,877)	-	(1,877)	(298)	-
Financing and Investment Income and Expenditure		68,940	30,602	38,338	67,022	34,199
Share of corporation tax of Joint Venture		-	-	-	-	-
Taxation and Non-Specific Grant Income		-	404,509	(404,509)	-	392,024
(Surplus) or Deficit on Provision of Services		690,265	596,562	93,703	612,770	583,380
Share of Operating Results of Associates and Joint Ventures		3,212	3,602	(390)	3,961	3,676
(Surplus) or Deficit on Group		693,477	600,164	93,313	616,731	587,056
Items that will not be reclassified to the (Surplus) / Deficit on the Provision of Services						
(Surplus) / Deficit on revaluation of property, plant and equipment				(7,875)		(35,463)
Actuarial (gains) / losses on pension assets and liabilities				(114,318)		62,260
(Gains) / Losses on Investments in Associates and Joint Ventures				(1,264)		591
Items that may be reclassified to the Surplus / (Deficit) on the Provision of Services				(123,457)		27,388
(Surplus) / Deficit on revaluation of available for sale financial assets				(35)		10
Other Comprehensive Income and Expenditure				(123,492)		27,398
Total Comprehensive Income and Expenditure				(30,179)		57,073

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.		
		As at 31 March 2016 £'000	As at 31 March 2015 £'000
LONG TERM ASSETS			
Property, Plant and Equipment			
- Council Dwelling		419,966	463,180
- Other Land and Buildings		628,251	655,048
- Vehicles, Plant, Furniture and Equipment		18,729	18,646
- Infrastructure Assets		207,853	199,148
- Community Assets		570	529
- Assets under construction		27,614	10,534
- Surplus Assets, not yet held for disposal		23,062	23,062
- Heritage Assets		677	677
Long Term Investments		1,326,722	1,370,824
Long Term Debtors		249	213
		11	53
TOTAL LONG TERM ASSETS		1,326,982	1,371,090
CURRENT ASSETS			
Short Term Investments		100,466	90,462
Inventories		971	968
Short Term Debtors		35,979	26,726
Cash and Cash Equivalents		27,802	25,241
Intangible Assets		622	636
TOTAL CURRENT ASSETS		165,840	144,033
CURRENT LIABILITIES			
Short Term Borrowing		(100,066)	(89,883)
Short Term Creditors		(84,447)	(76,642)
Provisions		(431)	(1,242)
TOTAL CURRENT LIABILITIES		(184,944)	(167,767)
NET CURRENT ASSETS (LIABILITIES)		(19,104)	(23,734)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,307,878	1,347,356
LONG TERM LIABILITIES			
Long Term Creditors		(1,345)	(1,042)
Long Term Borrowing		(433,671)	(403,796)
Defined Benefit Scheme Liability		(176,148)	(272,204)
Other Long Term Liabilities		(65,464)	(67,661)
Share of Net Liabilities of Associates and Joint Venture		(825)	(2,407)
TOTAL LONG TERM LIABILITIES		(677,453)	(747,110)
TOTAL NET ASSETS		630,425	600,246
<i>Financed by:</i>			
USABLE RESERVES			
General Funds Balance		19,300	19,018
HRA Balance		926	926
Capital Fund		88,214	84,765
Insurance Fund		13,715	13,570
TOTAL USABLE RESERVES		122,155	118,279
UNUSABLE RESERVES		508,270	481,967
TOTAL RESERVES		630,425	600,246

The unaudited accounts were considered by the Audit and Governance Committee on 20 June 2016 and the audited accounts were authorised for issue on 27 September 2016.

CASH FLOW STATEMENT - GROUP**STATEMENT 19**

PURPOSE	<p>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.</p>		
	Group Note	2015/16 £'000	2014/15 £'000
Net Surplus or (Deficit) on Group		(93,313)	(29,675)
Adjust net surplus or deficit on the provision of services for non-cash movements		160,095	98,926
Net cash flows from Operating Activities		66,782	69,251
Net cash flows from Investing Activities		(103,980)	(69,194)
Net cash flows from Financing Activities		39,759	(6,235)
Net increase / (decrease) in cash and cash equivalents		2,561	(6,178)
Cash and cash equivalents at the beginning of the reporting period		25,241	31,419
Cash and cash equivalents at the end of the reporting period		27,802	25,241

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. WEST LOTHIAN INTEGRATION JOINT BOARD

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

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

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

The IJB is defined as a joint venture. The gross expenditure of the IJB for 2015/16 is £0.014 million and is therefore not material in value. As a result the IJB has not been included in the group accounts for 2015/16.

G3. COMBINING ENTITIES

The council has a number of non-consolidation interests in other entities, full details of which are shown on pages 66 and 67. 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.

			2015/16	2014/15
Associates				
West Lothian Leisure Ltd.	- basis - WLC funding to total income		16.69%	17.11%
Joint Boards	- Valuation	- basis - WLC funding to total funding	18.72%	18.69%
Joint Venture				
West Lothian Recycling Ltd.	- basis - 50% of share capital		50%	50%
West Lothian Integration Joint Board (not material 2015/16)			-	n/a

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	2015/16	422	659	229
	2014/15	397	605	234
Total Liabilities and shareholders' equity	2015/16	(1,359)	(707)	(69)
	2014/15	(2,515)	(1,067)	(61)
Net Assets / (Liabilities)	2015/16	(937)	(48)	160
	2014/15	(2,118)	(462)	173
Included in Surplus / (Deficit) in Group	2015/16	(117)	403	32
	2014/15	(94)	(302)	46
				318
				(350)

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	2015/16	141	(48)	160
	2014/15	-	(462)	173
Capital Fund	2015/16	-	-	-
	2014/15	-	-	-
Capital Grants Unapplied A/C	2015/16	-	-	-
	2014/15	-	-	-
Capital Receipts Reserve	2015/16	-	-	-
	2014/15	-	-	-
Total Usable Reserves	2015/16	141	(48)	160
	2014/15	-	(462)	173
				253
				(289)

Council share of Associates and Joint Ventures	Valuation £'000	West Lothian Leisure £'000	West Lothian Recycling £'000	Total £'000
Unusable Reserves	2015/16	(1,078)	-	-
	2014/15	(2,118)	-	(1,078)
Total Reserves	2015/16	(937)	(48)	160
	2014/15	(2,118)	(462)	173
				(825)
				(2,407)

NOTES TO THE GROUP ACCOUNTS

STATEMENT 20

G3. COMBINING ENTITIES (Continued)

The accounting period for the Associates is the 31 March 2016 while the Joint Venture is the 31 December 2015. There have not been any significant transactions or events between 31 December 2015 and 31 March 2016 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 Trusts, Mortifications and the Common Good Fund, which the council manage, have not been included in the Group Accounts on the grounds of materiality. Full details of these accounts can be found in Statements 14 and 15 on pages 59 and 60.

G4. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the Associates and Joint Venture on the Group Balance Sheet as at 31 March 2016 (2015) is to reduce the net assets by £0.825 million (£2,407 million) representing the council's share of net liabilities of these organisations. The net liabilities are attributable to the Lothian Valuation Joint Board which has significant pension liabilities under IAS 19 of £1.168 million (£2,219 million).

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

G5. GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

The 2015/16 (2014/15) share of Associates pension interest cost and expected return on pension assets is £0.072 million (£0.065 million). These figures are not included in the Group Comprehensive Income and Expenditure Account as they are part of the IAS 19 pension entries which are reversed out in arriving at the share of operating results of Associates for the year.

G6. NON-CONSOLIDATION INTEREST IN OTHER ENTITIES

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

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

6.1 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 were extracted from the final accounts of the company which had no qualifications to the audit certificate.

Audited 17 October 2014 £'000
16 26

Debtors - West Lothian Council
Creditors - due to Depositors

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 2016 (2015) show profits before and after tax of £192,000 (£2,922 loss) with net assets of £662,000 (£467,000).

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 2016 (2015) show losses before and after tax of £2,000 (£1,295) with net liabilities of £22,000 (£19,848).

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 2016 (2015) show a loss before tax of £18,747 (£28,910 profit) and loss after tax of £18,743 (£23,141 profit) with net assets of £25,413 (£44,156).

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 2014/15) representing 9.23% (9.23% 2014/15) of the Committee's estimated running costs for the year to 31 March.

NOTES TO THE GROUP ACCOUNTS**STATEMENT 20****G6. NON-CONSOLIDATION INTEREST IN OTHER ENTITIES (Continued)****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 £22,892 (£22,979 2014/15) 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 (£46,550 2014/15) to the running costs of SESplan, representing 17% (17% 2014/15) 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 2015/16, the council made a contribution of £104,121 (£101,014 2014/15), 3.3% (3.2% 2014/15) of Scotland Excel's funding.

Customers with special requirements

Information is available in Braille, on tape, in large print and community languages.
Please contact the Interpretation and Translation Service on **01506 280000**.

هذه المعلومات متوفرة بلغة برايل وعلى شريط وبطاقة كبيرة وبخط المائية.

الرجاء الاتصال بخدمة الترجمة على الهاتف 01506 280000

ایہ تথ্য آپنی ٹریل، ٹیپ، بड़ اور کمپیوٹر ویڈیو بیانیں اور کمپیوٹر پر مکمل طور پر دستیاب ہے۔ اسے جو لوگوں کی طرف میں بولی جائے جائے الیکٹرونی میں دستیاب ہے۔

这份资料是可以凸字、錄音帶、大字印刷及社區語言的式本提供。請聯絡傳譯及翻譯服務部，電話：01506 280000

ایہ ساٹھی (ڈیکٹ) ڈکھیلے پر ڈالی ڈیکھیں، ڈیپ، ڈیتی پیٹ اور میڈیا پر ڈالا جائے۔ ڈیکھیلے پر ڈالنے والے افراد کے لئے اسے ڈیکھنے کا سب سے بہترین طریقہ ہے۔

ایہ معلومات بریلی (انگریز کے نام) میں، جسے جو لوگوں کی طرف میں بولی جائے جائے الیکٹرونی میں دستیاب ہے۔
براؤزرنگ ایڈج پر یونیک آیڈنٹیٹیف سروس سے متعلق نمبر 01506 280000 پر مکالمہ کریں۔

Informacje te mogą być przekrożone na język Braille'a, dostępne na taśmie magnetofonowej lub wydane dużym drukiem oraz przetłumaczone na języki mniejszości narodowych.
Prosimy o kontakt z Usługami Tłumaczeniowymi pod numerem 01506 280000.

Published by West Lothian Council, Civic Centre, Livingston EH54 6FF

Text phones offer the opportunity for people with a hearing impairment to access the council. The text phone number is **01506 591652**. A loop system is also available in all offices

Any enquiries to:
West Lothian Council
West Lothian Civic Centre
Howden South Road
Livingston
EH54 6FF