

West Lothian Council

Annual Accounts

Year ended 31 March 2021



West Lothian
Council

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Accounts of West Lothian Council for the year ended 31 March 2021, prepared pursuant to Section 105 of the Local Government (Scotland) Act 1973 and in accordance with the terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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INDEPENDENT AUDITOR'S REPORT

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

Reporting on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of West Lothian Council and its group for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Account, and any other disclosures presented as financial statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the council and its group as at 31 March 2021 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 2020/21 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 26 July 2016. The period of total uninterrupted appointment is five years. We are independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the council is complying with that framework;
- identifying which laws and regulations are significant in the context of the council;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

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

Statutory other information

The Head of Finance and Property Services is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

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

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on Management Commentary and Annual Governance Statement

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

Use of our report

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



Stephen Reid, for and on behalf of Ernst & Young LLP
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28 September 2021

MANAGEMENT COMMENTARY

1. Introduction

The Management Commentary outlines the key messages of the council's planning and performance for the year 2020/21 and how this has supported the delivery of the council's corporate priorities. The commentary also looks forward outlining future work and ongoing developments. In addition, key risks and uncertainties are set out that will need to be managed to best meet the needs of the West Lothian population going forward. A key aspect of this is the implications of Covid-19 and the challenges that have resulted in delivery of services to our communities throughout 2020 and continuing in 2021.

2. The Council

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

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

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

The quality and effectiveness of these services relies on the commitment, dedication and ability of the council's 6,901 (Full Time Equivalent) employees, who on a daily basis make a difference to the lives of our customers. West Lothian has a total population of over 182,000, which accounts for 3.3% of the total population of Scotland.

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

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

The ten year capital investment programme approved in February 2018, and subsequently updated on an annual basis each February, supports the delivery of essential council services and will invest almost £290 million in maintaining and improving the council's capital infrastructure over the period 2021/22 to 2027/28. In line with the council's established approach to capital financial planning and budgeting, and following the approval of the capital plan at the same meeting as the annual revenue budget and treasury plan early in the calendar year, both the general services and housing capital programmes are reviewed after the financial year end to incorporate accelerated spend and slippage from the previous financial year. The updated capital programmes are considered and approved by the last Council Executive before the summer recess. This year's review was undertaken in May/early June and included detailed consideration of timescales and projects in relation to the implications arising from the pandemic and also the UK's exit from the EU. Both capital programmes were updated, recognising the ongoing impact of these key factors. The programmes will continue to be monitored, in line with established budgetary control processes, to identify any further impacts on delivery.

The council is proud of its school estate which is one of the best in Scotland in terms of condition and suitability. The council has, over a number of years, invested considerable sums to ensure school pupils have the best possible environment to learn and develop. During 2020/21, work commenced on the refurbishment and extension of Pinewood ASN School and the construction of a new Cedarbank ASN School as part of a £26.5 million investment programme in schools for pupils with additional needs.

The Winchburgh Core Development Area will represent the largest single education expansion investment undertaken by the council. During 2020/21 the project was financially closed and construction started on site with the new £62 million co-located Winchburgh Schools project (new denominational and non denominational secondary schools and new primary school together with extensive sports facilities including a swimming pool). During the year construction also started on site with the Calderwood Primary School with planned investment of £14.7 million.

MANAGEMENT COMMENTARY

In overall terms West Lothian Council is set to invest £86 million in 2021/22 on capital assets such as buildings and roads to support the delivery of essential services.

The council is committed to a plan for 3,000 new homes for West Lothian. This will include building and purchase of new affordable housing supply. Expenditure on the New Housing Supply Programme amounted to £9.7 million in 2020/21. The very challenging circumstances for the whole of 2020/21 as a result of the Covid-19 pandemic inevitably had an impact on the number of housing completions achieved during the year. More handovers are anticipated in the coming period along with an accelerated programme of open market acquisitions.

Work was fully concluded at the site in Brucefield in Livingston, with 17 completions in September 2020 and the remaining 16 houses completed and handed over in November 2020. With a further property at Wester Inch handed over in June 2020. While the pandemic caused an unavoidable impact on some of the planned new works for 2020/21, every effort was taken to progress other options available including open market acquisitions. The scheme was accelerated to partially mitigate the effect on new housing supply availability and spend, resulting in a total of 34 houses being purchased through the open Market Acquisition Scheme, exceeding the original 2020/21 target of 16, with Scottish Government grant funding continuing to be available to support the scheme.

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

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

The Public Bodies (Joint Working) (Scotland) Act 2014 established the framework for the integration of health and social care in Scotland. A health and social care partnership in the form of the West Lothian Integration Joint Board (IJB) is in place in West Lothian. The arrangements require the delegation of relevant functions and resources by the council and NHS Lothian to the West Lothian IJB. The level of resources associated with council functions delegated to the IJB in 2020/21 was £69.4 million (2019/20 £69.4 million).

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

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

3. Impact of Covid-19

The Covid-19 pandemic has been the most significant public health emergency that the UK has faced in generations. The lockdown restrictions introduced by the UK and Scottish Government on 23 March 2020 placed significant restrictions on the ability of people to meet, travel and attend work and have had a huge impact nationally and locally on businesses, communities and residents.

The restrictions put in place to contain and control the spread of the virus have presented unprecedented challenges for the council. In order to comply with the lockdown restrictions, set out in the Scottish Government's Covid-19 Strategic Framework, the council had to temporarily withdraw or reduce some services to comply with lockdown rules. The majority of the council's essential services have continued to operate over the last year, with staff finding new ways to work, communicate, and support our communities.

As well as the challenge of delivering existing service provision to our communities, throughout 2020, and continuing into 2021, the council has had to respond to providing additional supports to families, local communities and businesses. The council made changes, delivered support and

- Maintained high levels of engagement with learning during periods of remote learning, and supported pupils and families with digital devices and connectivity solutions where necessary.
- Provided key worker school hubs to support critical workers responding to the Covid-19 emergency.
- Provided support at hub schools to vulnerable pupils, maintained regular contact with pupils at risk, and ensured that pupils with additional support needs could access learning and appropriate support in their own schools.
- Provided over 5,500 children with additional financial support via school meal, school clothing and other welfare payments.
- Increased flexibility and adaptability of social care service provision, with some staff voluntarily moving into care areas where staffing resources were most needed and the successful introduction of significantly altered practices and approaches to manage health risks.

MANAGEMENT COMMENTARY

- Maintained essential community health and care services, in partnership with care providers, including providing financial sustainability support to providers to cover additional costs.
- Delivered over 1.8 million items of PPE to care homes, GP practices and carers through our Community Equipment Stores, since assuming responsibility for management and delivery of the PPE Hub in November 2020.
- Provided, as part of the Connecting Scotland Programme, iPads and laptops since September 2020 to those identified as being socially isolated as a result of the pandemic.
- Providing support for the most vulnerable with over 6,175 applications for crisis grants being awarded between March and August 2020, a 117% increase on 2019/20, and a further 4,118 applications being awarded between September 2020 and January 2021, a 106% increase.
- Administered over 4,646 payments totalling over £36.5 million to support business in West Lothian since the initial lockdown in March 2020.
- Facilitated payments to support small businesses and the self-employed including £300,000 awarded to 150 newly self-employed businesses, £623,000 to over 396 local taxi drivers and £3.07 million in discretionary grants to 478 local businesses.
- Supported over 820 new individuals and families to secure council tax reduction support.
- Supported over 5,600 at risk individuals in the shielding group.
- Introduced new ways to interact with customers such as the click and collect library book service.
- Mobilised IT resources and support to allow over 1,400 office-based staff to undertake their roles at home.
- Maintained all kerbside household collections without interruption, and reopened recycling centres.
- Maintained support through our Safer Neighbourhood Team to communities to reduce antisocial behaviour.
- Continued employment support through digital means, to ensure those at threat of redundancy are provided with the necessary support.

The council has been able to provide these services through the flexibility and adaptability of the workforce. Large numbers of employees have undertaken alternative duties in social care, education hubs, meal provision and pharmacy deliveries, and contacting people who are shielded.

The council's updated Recovery and Renewal Plan was reported to Council Executive on 22 June 2021 and can be accessed on the following link.

<https://coins.westlothian.gov.uk/coins/viewDoc.asp?c=e%97%9Di%8Fry%8A>

The purpose of this updated plan is to set out the measures the council will put in place in order to continue the recovery of council services as lockdown restrictions continue to ease. In line with the latest guidelines and timeframes set out in the most recent version of the Scottish Government's Covid-19 Strategic Framework. Whilst plans are based on the latest published national guidelines, they will remain under regular review in order that they can adapt to changing guidance, advice and circumstances.

As detailed plans for recovery continue to develop, opportunities to learn lessons from the experiences gained over the last twelve months and to further develop new ways of working based on those experiences, will continue to emerge. In particular the adoption of new digital ways of working will result in some council services developing at a faster pace. Opportunities to digitise services, form smarter, more flexible ways of working, develop place-based approaches, community empowerment, volunteering, and collaboration will be reviewed, as well as looking at ways in which the council obtains the most effective use of buildings and other physical assets.

The council will continue to use its response to the Covid-19 pandemic to positively challenge service delivery, in order that the council can maximise opportunities to make West Lothian a smarter, healthier, wealthier, fairer and greener place to live and work in.

Recovery and Renewal

The council's plans for recovery need to take account of the emerging priorities of our communities most affected by Covid-19. It means considering not only how we restore services to our communities, but also how to help them to rehabilitate. Recovery and renewal arrangements therefore need:

MANAGEMENT COMMENTARY

- To be flexible to meet the needs of our communities and businesses
- To set clear objectives for recovery and renewal which are regularly monitored and reviewed
- To place collaboration and working in partnership with communities at the heart of the design and delivery of services
- To embrace digital transformation, mobile and flexible working, and other innovative ways of working to successfully transform services using a combination and balance of people, processes and technology.
- To help the council achieve climate change targets.

In order to continue the progress already made with the recovery and renewal process, council services have reviewed the status of the activities they each provide in order to capture the key issues to be considered in the continued recovery and renewal of services, aligned to the latest Scottish Government route-map for the easing of restrictions. Based on thematic groupings, the recovery plan provides a short summary of the current status of each of the main activities the council undertakes, along with details of how plans are progressing to further aid recovery. The plan also highlights area of potential opportunities for the council to renew or redesign services using lessons and experiences learned from the new approaches to working throughout the pandemic lockdown restrictions.

Positive Legacy from the Pandemic

The pandemic has changed the way in which people have been living their lives over the last 12 months and the way in which they interact and access council and other public sector services. There have been aspects of change which have presented challenges during this period, but there are also a number of positive experiences from the last year that have the potential to be developed and built upon as a positive legacy from the pandemic: -

- Placing our communities at the centre and greater public engagement
- Targeted interventions for vulnerable communities
- A renewed focus on inequalities
- Strong community spirit in the face of adversity
- Improved local/national working
- Improved public health leadership and greater engagement in public health
- Greater awareness and focus on physical and mental wellbeing
- Increase in active travel
- Increased outdoor recreation
- Learning from outbreak management and greater preparedness for any future pandemic

Building upon the experience of the pandemic the council will also continue to make the most effective use of its assets, in terms of people (staff), buildings, information technology, information and data, and financial resources.

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

4. Corporate Strategy

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

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

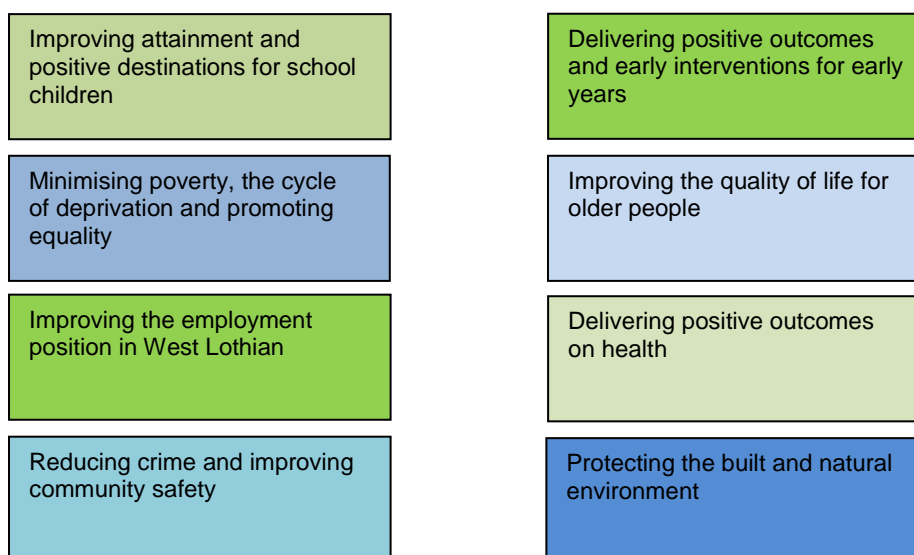
The council's Corporate Plan can be accessed using the following link: -

https://www.westlothian.gov.uk/media/19574/West-Lothian-Council-Corporate-Plan-2018---2023/pdf/West_Lothian_Council_Corporate_Plan_2018-2023.pdf

MANAGEMENT COMMENTARY

The council's overall aim is to improve the quality of life for people in West Lothian. The Corporate Plan contains eight key priorities that aim to make a lasting and sustainable impact on the local area and improve the lives of residents in West Lothian. This reflects the public consultation exercise (Transforming Your Council) undertaken in autumn 2017. The TYC consultation focused on three key areas – taxation, priorities and areas for budget savings. The consultation received over 45,000 comments that helped shape and inform the corporate and financial plans for the five year period. Feedback received showed strong support for the council's eight priorities shown below:

Key Priorities



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

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

The council produces a Factfile on an annual basis which provides an essential guide to the council's performance in relation to the eight priorities. The most recent publication can be found on the council's website:

<https://www.westlothian.gov.uk/article/43519/Annual-Report-Factfile->

5. Budget Strategy and Budget Setting

Covid-19 implications have been a key consideration for the council in the ongoing review and update of the currently approved budget plans for future years. In line with the council's integrated approach to corporate and financial planning, the 2021/22 budgets for general services revenue, the general services capital programme, along with the 2021/22 treasury management plan, were approved by full Council on 25 February 2021. The housing revenue account (HRA), and the housing capital programme were approved by full council on 16 February 2021.

Approval of the updated revenue financial plans for 2021/22 to 2022/23, as part of the original five year financial strategy, ensured that the council complied with Audit Scotland, CIPFA and the Accounts Commission best practice which states that public bodies should focus on their medium to long term financial sustainability. The budget plans included the allocation of £28.7 million of one off resources over the two year period to meet estimated ongoing Covid-19 pressures and for investment in priority areas including social care and creation of a winter resilience fund. Budget savings of £18.9 million were also agreed by Council, as part of a balanced two year budget. The approved savings cover all service areas and include measures such as service redesign, integration and modernisation, channel shift and digital transformation, income and concessions, partnership working, revised delivery models and service standards, empowering communities and reducing facilities, revised assessment and eligibility for care and an updated scheme of devolved school management. Officers continue to monitor announcements and other information to review and refine budget assumptions.

The annual general services and housing revenue budgets form part of the council's integrated approach to financial strategy, corporate planning, delivery of outcomes and performance monitoring. The activity budget links the council's activities, resources and outcomes and is a core element of the council's financial strategy and annual management plans. The 2021/22 activity budget is published on the council's intranet <https://intranet.westlothian.gov.uk/article/68584/Activity-Budget-20212022>. The council's budget setting process is subject to statutory, regulatory and governance requirements. The Local Government Finance Act 1992 section 93(2) requires councils to formally agree council tax levels before 11 March each year, and the Housing (Scotland) Act 1987 requires the housing budget and rent increases to be reported to Council each year for approval.

MANAGEMENT COMMENTARY

The long term general services capital programme supports the delivery of the council's eight Corporate Plan priorities. The programme also takes into consideration comments received during budget consultations where there was support for the effective and efficient management of our assets and reducing energy use. It is important that resources are prioritised on an ongoing basis to ensure investment has the maximum impact on the core assets necessary to sustain existing service delivery. A five year housing capital strategy and ten year general services capital investment strategy were approved by Council on 13 February 2018, along with the Corporate Asset Management Strategy on 19 March 2019. These strategic financial investment plans are reviewed and updated annually with the latest updates approved by Council in February 2021.

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

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

The CIPFA Financial Management Code is designed to support good practice in financial management and assist in demonstrating financial sustainability. Council Executive agreed on the 9 February 2021 that the council will comply with the Code from 2021/22. It is intended by CIPFA that this will have the same scope as the CIPFA Prudential Code. Compliance with the Code is the collective responsibility of elected members, the Head of Finance and Property Services and the council's leadership team. There is a requirement of full compliance with the code by financial year 2021/22 and Council Executive agreed an action plan with areas identified to better meet the needs of the Code and in doing so ensure the council is well placed to deliver agreed priorities and financial sustainability within constrained resources.

Since the council's budget plans were approved in February 2021, the ongoing impact of Covid-19 has continued to be closely monitored

While the full financial implications resulting from Covid-19 for 2021/22 and future years remain uncertain, they will be significant. Taking account of this, COSLA and all 32 local authorities in Scotland continue to work together to capture the financial implications resulting from Covid-19. This will be an ongoing process across the council's revenue and capital plans to ensure that a clear understanding of ongoing financial implications and these will be considered as part of regular updates to financial planning assumptions.

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

The CTPT have helped support the development, approval and implementation of a number of significant and complex projects during 2020/21. A key aspect of the CTPT will be the continued research and feasibility work on future transformation opportunities and initiatives taking account of the implications of Covid-19, and potential transformation suggestions for the period beyond 2022/23. They will undertake scanning and benchmarking exercises to identify potential opportunities for change in areas such as, but not limited to, charging, commercial management, volunteering and effective and efficient use of assets.

6. Performance Overview

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

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

MANAGEMENT COMMENTARY

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

<https://www.westlothian.gov.uk/article/33035/Performance->

and on comparative performance:

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

The council has operated a cyclical corporate programme of self-assessment since 2003/04 to evaluate achievement in services and support improvement across the organisation. There are two recognised programmes of self-assessment and both are based on the same framework: The European Foundation for Quality Management. Our schools use Validated Self Evaluation (VSE) and all other services use the West Lothian Assessment Model (WLAM). The results of the WLAM process are reported to the Performance Committee and the results of the VSE are reported to the Education (Quality Assurance) Committee. The papers and agendas for these committees are available on the council's COINS system

<https://coins.westlothian.gov.uk/coins/>

External scrutiny is also used to improve service performance and challenge practice against the best in class in the public, private and third sectors. The council retained Customer Service Excellence (CSE) following external assessment in 2020/21.

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

- **Customer satisfaction with the service:**

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

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

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

- **The efficiency of the service:**

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

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

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

- **The impact of the service:**

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

In 2020/21 the council continued to perform well in key priority areas for West Lothian. This included; improving attainment and positive destinations, minimising poverty through effective housing and tenancy management and welfare support for the most deprived in our community and delivering high quality and technology-enabled personalised care at home for older people. The council also had to mitigate the varied impacts of the Coronavirus pandemic on service performance in this year, which required some services to cease for a significant part of the year, or delivered in different ways. Though, some service performance was impacted by the constraints of this period, performance remained on target in many of the key performance outcomes.

MANAGEMENT COMMENTARY

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

7. Financial Performance Review

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

7.1 Financial Ratios

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

Council Tax	2020/21	2019/20	Notes on Ratios
In-year collection rate	96.1%	96.6%	This shows the % of council tax collected during the financial year that relates to bills issued for that year. It does not include collection of funding relating to previous financial years.
Target for year	96.5%	96.5%	
Council tax income as a percentage of overall funding	19.4%	20.5%	This shows the proportion of total funding that is derived from council tax. The percentage decreased in 2020/21 as a result of the Scottish Government Grant funding to address Covid-19 cost pressures increasing the overall budget. In terms of the budget strategy for 2020/21, council tax increased by 3% in real terms (4.84% in cash terms), including a budgeted increase in council tax from additional house completions in year.
Debt and Borrowing – Prudence			
Capital Financing Requirement (£'000)	713,242	721,714	The capital financing requirement represents the underlying need to borrow to fund expenditure on assets. The council continues to invest in its assets, and in particular building new council houses. The council's borrowing requirement decreased in 2020/21 as only the Housing Capital Programme used borrowing as a source of funding. In 2020/21, General Services had a nil borrowing advance whilst still making an annual statutory repayment of debt.
Debt and Borrowing – Affordability			
Financing costs to net revenue stream – General Fund	4.8%	6.4%	These ratios show the proportion of total revenue funding that is used to meet financing costs. The ratios exclude any voluntary repayments of debt made during the year. For General Fund the percentage decreased as the revenue budget continued to grow, mainly as a result of increased ring fenced Scottish Government grants for the Covid-19 pandemic, whilst debt servicing costs reduced following the Loans Fund Review agreed in September 2019. This means that annual debt servicing costs became a lower percentage of the total revenue stream. For HRA the percentage decreased to reflect the largely static debt servicing costs and increased rental income. These percentages are deemed to be affordable as outlined in the 2020/21 treasury plan and approved indicators.
Financing costs to net revenue stream – HRA	22.3%	27.0%	

MANAGEMENT COMMENTARY

7.2 Financial Outturn

Net expenditure on General Services is met from government grants and council tax. In 2020/21 government grants accounted for 80.6% (79.5% 2019/20) of the council's external funding with the remaining 19.4% (20.5% 2019/20) from council tax. The in-year collection rate for council tax in 2020/21 was 96.1% (96.6% 2019/20).

In 2020/21 the council incurred net expenditure of £547.7 million (£501 million 2019/20) against a budget of £548.0 million (£504.5 million 2019/20), utilising 100% (99.3% 2019/20) of available budget.

The Expenditure and Funding Analysis (EFA), Note 5 on page 61, shows how the annual net expenditure is used, how it is funded from resources and how expenditure is allocated for decision making purposes between the council's services.

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

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

Service Expenditure	2020/21 Budget £'000	2020/21 Actual £'000	Variance £'000
Education, Planning, Economic Development and Regeneration			
Schools, Education Support	252,680	255,451	2,771
Planning, Economic Development and Regeneration	7,930	8,075	145
Corporate, Operational and Housing			
Operational Services	71,213	74,589	3,376
Housing, Customer and Building	8,583	9,320	737
Corporate Services	14,429	14,459	30
Social Policy			
IJB – Adult and Elderly Services	69,353	69,353	-
Non- IJB – Children's Services	34,635	34,916	281
Chief Executive, Finance and Property	49,081	49,839	758
Joint Boards	1,193	1,193	-
NET SERVICE EXPENDITURE	509,097	517,195	8,098
Non-Service Expenditure			
Pensions, NDR Relief and Benefit Payments and General Covid-19 Funding	38,931	30,460	(8,471)
TOTAL EXPENDITURE	548,028	547,655	(373)
FUNDING			
Scottish Government Grant	(363,019)	(363,019)	-
Council Tax	(87,761)	(87,650)	111
TOTAL FUNDING	(450,780)	(450,669)	111
NET OUTTURN POSITION	97,248	96,986	(262)
Expenditure Funded from Committed General Fund Balance	(97,248)	(94,810)	2,438
Deficit for the year	-	2,176	2,176

The 2020/21 net budget underspend was £0.26 million. Additional expenditure mainly resulted from the financial impact of Covid-19 which was offset by Scottish Government funding and earmarked grants for specific Covid-19 related expenditure and other one off service underspends.

MANAGEMENT COMMENTARY

The main areas of variance in 2020/21 were as follows:

- Education overspent by £2.771 million largely due to additional support being provided to West Lothian Leisure to maintain its cashflow whilst facilities were closed and supplementary payments were made to childcare providers for provision of care to children of key workers whilst schools were closed earlier this year including over the school holiday periods. Payments were also made to supply teachers in line with the Scottish Negotiating Committee for Teachers (SNCT) agreement to pay average working hours during the initial lockdown period.
- Planning, Economic Development and Regeneration was £0.145 million overspent due to lower fee income as a result of the Covid-19 pandemic particularly relating to Building Warrants and Pest Control.
- Operational Services overspent by around £3.376 million mainly due to additional costs and reduced income streams arising from the current Covid-19 pandemic, largely increased tonnage levels for landfill, brown bin and blue bin waste and the impact on school meal provision whilst schools were closed and reduced take up when schools reopened. There were also increased levels of winter maintenance costs.
- Housing, Customer and Building Services overspent by £0.737 million as a result of additional costs from homelessness as a result of ongoing demand for temporary accommodation. Customer & Building Services. Management action continues to be implemented to reduce expenditure in line with recurring budget.
- The overspend in Corporate Services of £0.030 million relates to increased occupational health costs.
- Social Policy had an in-year overspend of £0.281 million due to pressure in external residential schools which was partly impacted by the Covid-19 crisis and an unavoidable delay in progressing elements of the redesign project. This is partially offset by early delivery of staffing savings relating to the redesign of services for Looked After Children.
- The overspend in Chief Executive, Finance & Property Services of £0.758 million relates largely to an under recovery of property rental due to the impact of Covid-19. It also reflects the funding of essential works at Whitburn Community Education Centre which was approved by Council Executive in April 2021.
- The underspend in non-service expenditure of £8.471 million relates to the general Covid-19 funding received from the Scottish Government for the ongoing costs associated with the pandemic.
- Grant funding increased significantly mainly as a result of additional funding received from Scottish Government to help deliver support packages to individuals, families, communities, council and social care service delivery during the pandemic and also to help manage the financial consequences of Covid-19. Additional funding exceeded over £90 million, both for specific ringfenced policy areas and more general funding for local government.
- There was an under recovery in council tax income of £0.111 million largely due to a reduction in collection rates impacted by Covid-19 which was partially offset from receipt of prior years' income.

While there was an underspend of £0.26 million for 2020/21, there continues to be recurring pressures within the revenue budget and relevant Heads of Service are progressing various actions to ensure these pressures are mitigated on a recurring basis. Actions are being implemented to ensure future spend in these areas is managed within available resources. In addition, other key demand led areas of the budget will be closely monitored during 2021/22 and any overspend risks highlighted on a timely basis to ensure action is taken to mitigate pressures.

The revenue budget for 2021/22 and 2022/23 includes additional resources of £28.561 million to cover the anticipated resulting pressures from the Covid-19 pandemic and meet other agreed one off investment. Throughout 2020, and continuing into 2021, the council has had to respond to the challenges faced to ensure that individuals, families, communities and business can access services and be supported wherever possible. The level of uncertainty surrounding the pandemic and the recovery from it is unprecedented with regular and unanticipated changes, disruptions to service delivery and budget pressures. Due to the ongoing nature of the pandemic, and the likelihood that the pressures will be experienced for some time to come, these resources are retained in a Covid-19 reserve to be drawn down to match the agreed pressures and these will be reviewed and updated as part of the council's risk based approach to budget monitoring, identifying refinements to assumptions, whilst also considering potential new pressures.

Given the financial uncertainty facing the council in respect of the Covid-19 pandemic and recovery from it, officers are recommending to Council Executive that the uncommitted general fund balance of £2.26 million is retained. Further regular updates on the financial position will be provided to Council Executive including the financial impact of Covid-19 on the council.

MANAGEMENT COMMENTARY

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

	Service Outturn Report £'000	Covid-19 Grants / Loan Fund Review £'000	Depreciation £'000	Pensions £'000	Employee Statutory Adjustment £'000	EFA Column 1 Note 5 £'000
Net Cost of Services	547,655	(24,826)	(108,294)	(17,159)	(1,661)	395,715
Other Income and Expenditure	(545,479)	-	108,294	17,159	1,661	(418,365)
Deficit on Provision of Services	2,176	(24,826)	-	-	-	(22,650)

The net deficit of £2.2 million, offset by the additional grant income carry forward of £19.3 million and funds from the Loans Fund Review £5.5 million, increases the General Fund balance to £42.5 million at 31 March 2021. Existing commitments against the balance are £40.3 million, mainly arising from Government grants carry forward £19.3 million, funds committed from the Loans Fund Review £5.5 million, council resources earmarked for the Covid-19 response £2.8 million, a Modernisation Fund of £2.7 million, developer contributions from HRA of £2.3 million, a Winter Resilience fund of £1 million, schools delegated carry forward balances of £1.5 million and committed funds from the Loans Fund Review £3.3 million. There is £0.6 million for time limited projects where investments in specific programmes or activities for a short period of time can be made typically to support transformational change or focus on a particular area to generate future financial and non-financial benefits. Full details of the commitments against the General Fund Balance are detailed in Note 34 on page 89.

The council has a remaining provision of £0.4 million for the settlement of claims for back pay arising from equal pay claims and £0.2 million for the settlement of holiday pay claims. As the council's equal pay and holiday pay claims are largely settled, the remaining provisions are considered sufficient to meet the requirements of any final claims. Full details of the provisions are provided in Note 18 on page 76.

The council has a Modernisation Fund which can be used to assist in funding potential termination costs for staff or other costs associated with modernisation and change within the council. From 2010/11 to date £18.6 million has been paid from the Modernisation Fund. As at 31 March 2021, the balance of the Modernisation Fund is £2.7 million (£1.5 million as at 31 March 2020).

Included in the Comprehensive Income and Expenditure Statement is £0.7 million (£0.5 million 2019/20) of expenditure in relation to the cost of agreed employee exit packages payable to 17 staff (21 staff during 2019/20) as part of the council's strategy to balance the budget.

In 2020/21, valuations were undertaken for factory industrial units, business units, shops, offices, play areas, picnic areas, miscellaneous land, fisheries, ruined cemetery buildings, war memorials, non stock houses and housing stock and schools. While the cyclical valuations were carried out with a revaluation date of 1 April 2020, the housing and non housing stock and schools were revalued as at 31 March 2021, due to ongoing restrictions caused by the Covid-19 pandemic and the limited access to occupied properties during 2020/21. As a result, £16.1 million was charged to the Comprehensive Income and Expenditure Account, of which, £14.7 million relates to impairment on council dwellings. The revaluation charge has no impact on the General Fund Balance carried forward.

7.3 Covid-19 Scottish Government Funding

Additional Scottish Government funding provided in relation to Covid-19 has been accounted for as grant income in line with all other government grant income on an accruals basis, and any related expenditure recognised separately in the financial statements.

Grants have been designated as either agency or principal based on the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) with further guidance provided by the LASAAC Guidance on Accounting for Coronavirus (Covid-19) Grants / Funding Streams. Definitions and treatment of grants are as follows: -

- Agency**

Income where the council is acting as an agent, as an intermediary in distributing funds from the Scottish Government, has not been recorded in the CIES as the council does not retain the risks and rewards of the income and related expenditure.

MANAGEMENT COMMENTARY

The agency grants administered by the council during 2020/21 are as follows: -

Scottish Government Grants – Agency	£'000
Transitional Support Fund for Childcare Providers	305
Temporary Restrictions Fund for Childcare Providers	143
Business Closure Fund	475
Strategic Framework Business Fund	13,687
Business Contingency Fund: Soft Play & Nightclubs	240
Furlough Support Fund	117
Small Business Grants	27,414
Self Employed Hardship Fund	303
Business support - small accommodation providers paying council tax	68
Covid Spring Hardship	708
Covid Winter Hardship Grants	608
SWF Self Isolation Grants	202
£500 payments Social Care Staff	633
£500 payments Social Care Providers	822
Covid-19 Business Support – Support for Brewers, Travel Agents & Indoor Football	125
Taxi and Private Hire Driver Support Fund	594
Total Agency Grants	46,444

- **Principal**

Income where the council is acting as principal, on its own behalf, has been recorded in the CIES and the notes to the financial statements.

Note 33 to the accounts on page 87 provides a detailed analysis of grants totalling £116.9 million where the council has acted as principal for grants, this includes Covid-19 grant funding from Scottish Government of £5.929 million.

7.4 Revenue Budget – Housing 2020/21

Statement 9 (page 93) the HRA – Income and Expenditure Statement includes depreciation and impairment on housing assets. The deficit for the year is £17.7 million (£43 million 2019/20). Statement 10 (page 94) 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 £17.7 million (£43 million 2019/20). The overall position was breakeven for the year, which maintains the HRA balance carried forward at £0.9 million (£0.9 million 2019/20).

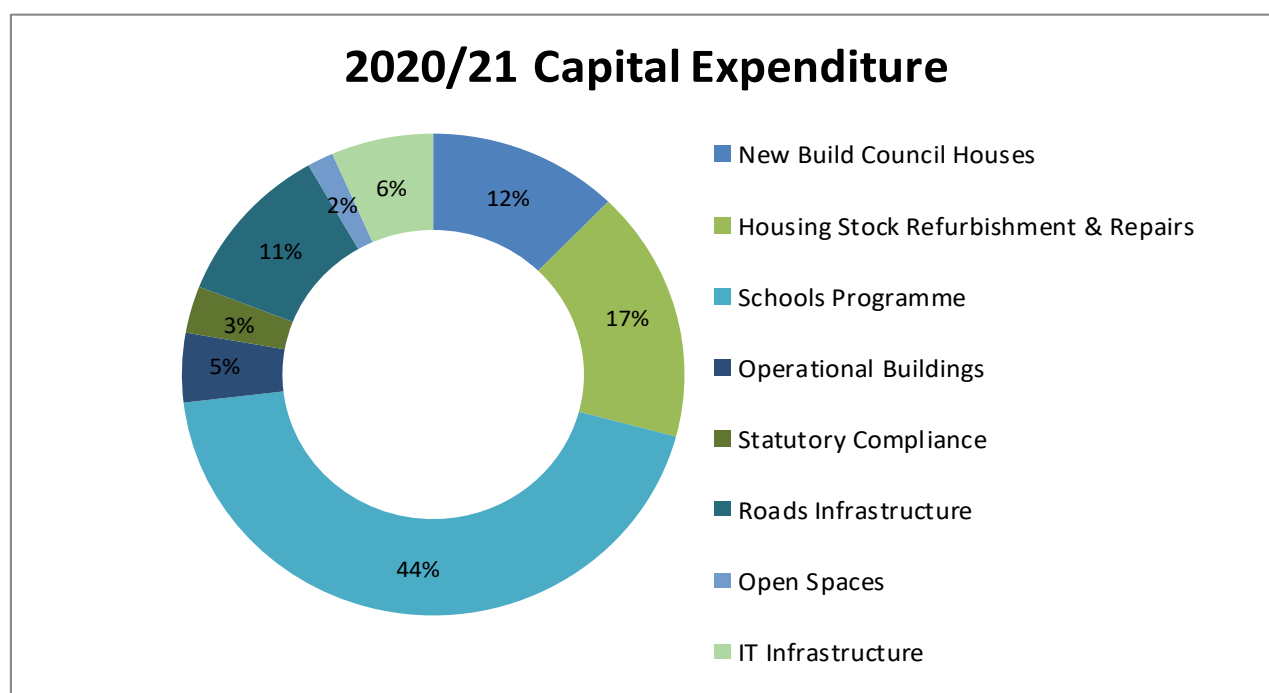
7.5 Capital Budget 2020/21

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 2020/21 was £713.2 million (£721.7 million 2019/20), £463.6 million (£474 million 2019/20) for general services and £249.6 million (£247.7 million 2019/20) for Housing Revenue Account. External debt levels were £688.1 million during 2020/21 (£706.7 million 2019/20).

MANAGEMENT COMMENTARY

7.6 Capital Programme 2020/21



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

	2020/21			2019/20		
	Budget £'000	Actual £'000	Over/(Under) Spend £'000	Budget £'000	Actual £'000	Over/(Under) Spend £'000
Capital Programme						
General Services	47,409	56,182	8,773	33,389	39,957	6,568
Housing Revenue Account	29,241	23,116	(6,125)	36,398	30,393	(6,005)
Total Capital Expenditure	76,650	79,298	2,648	69,787	70,350	563

The 2020/21 General Services capital programme had a budget of £47.4 million and the final outturn for 2020/21 was £56.2 million resulting in a net variance of £8.8 million. During 2020/21, a number of projects progressed more quickly than originally anticipated, namely the Developer Funded new Non-Denomination Primary School at Calderwood as well as two new Secondary Schools at Winchburgh which collectively had accelerated spend of £12.5 million. The main areas of slippage within the programme, were £1.1 million at the new Holy Family Primary School, £1.1 million at Whitburn Partnership Centre and £2 million for Planned Improvement and Statutory Compliance.

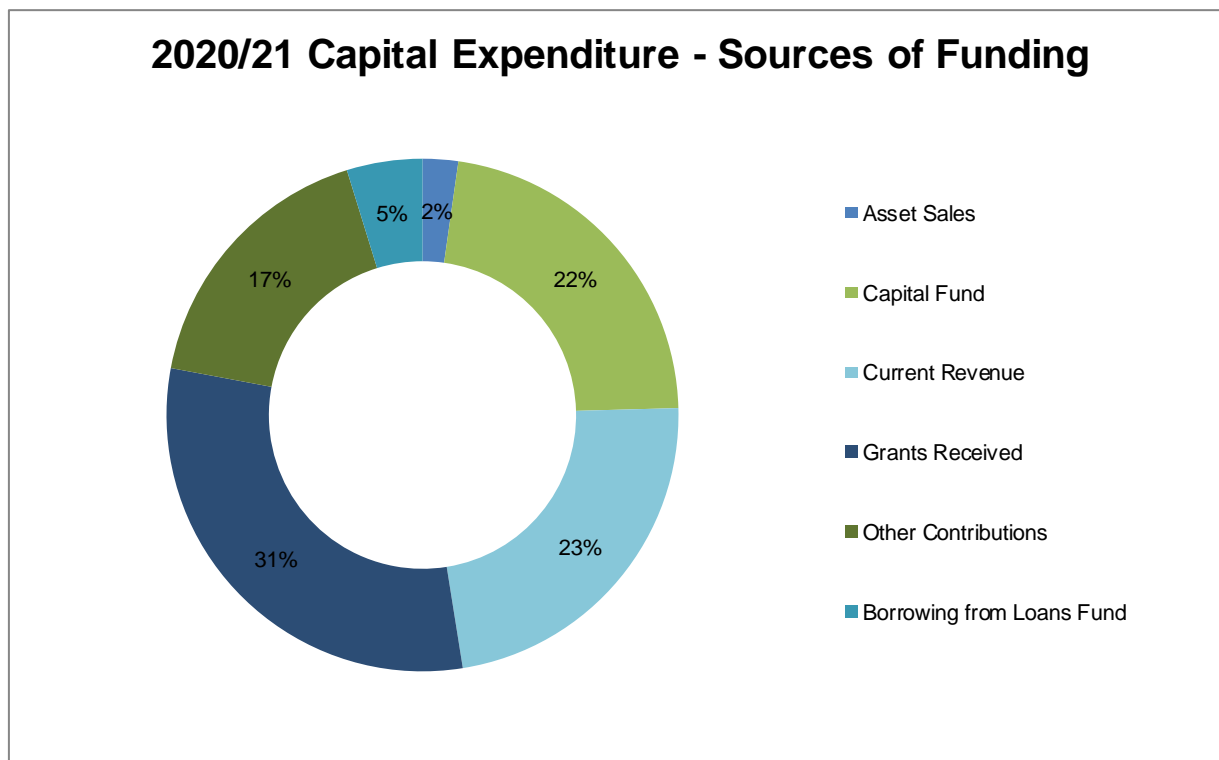
The HRA capital programme had a budget of £29.2 million and actual expenditure of £23.1 million resulting in a net variance of £6.1 million. The Covid-19 shutdown period had a major impact on new build provision during 2020/21, with planned construction works being halted for approximately three months. However, as works were able to recommence in line with Scottish Government guidelines, progress continued within the new build programme with a total of 34 new build completions completed during 2020/21.

The total council capital expenditure was funded as follows: -

Sources of Funding	2020/21 £000	2019/20 £000
Asset sales and contributions from third parties / funds	57,345	42,535
Revenue contributions to capital	18,168	12,343
Borrowing	3,785	15,472
Total Funding	79,298	70,350

MANAGEMENT COMMENTARY

Total debt outstanding at 31 March 2021 (2020) was £607.8 million (£623.1 million). The details of the debt outstanding are shown in note 15.3.



7.7 Public Private Partnership (PPP) and Design, Build, Finance and Maintain (DBFM) Contracts

The PPP and DBFM contracts are assessed under International Financial Reporting Standards (IFRS) which looks at aspects of control of an asset, such as specifying services and the price paid for these services. The net value of all PPP and DBFM assets in the balance sheet at 31 March 2021 is £221.3 million (£133.9 million as at 31 March 2020) following revaluation during 2020/21.

The outstanding liabilities on the PPP and DBFM contracts are £81.6 million (£85.4 million 2019/20) of which £2.4 million (£3.7 million 2019/20) is shown under current liabilities and £79.2 million (£81.7 million 2019/20) under long term liabilities.

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

7.8 Significant Trading Operations (STO)

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

During 2020/21 the STO achieved an in-year surplus of £1.5 million (£1.5 million 2019/20).

In the three years to 31 March 2021 the trading account sustained a statutory aggregate surplus of £2.5 million, therefore achieving the statutory financial requirement to breakeven over a three year period.

Note 29 provides further detail.

7.9 Pension Reserve and IAS19

The pensions accounting standard IAS 19 is fully adopted in the accounts and details are available in Statement 8 note 1 on accounting policies. The requirement to recognise the council's share of the net liabilities of the Lothian Pension Fund (LPF) in the balance sheet has resulted in a negative Pension Reserve of £311.8 million at 31 March 2021 (£225.4 million at 31 March 2020).

MANAGEMENT COMMENTARY

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The formal valuation date was 31 March 2020. This resulted in a difference from the balance sheet position as at 31 March 2020, which was based on a roll forward from the 2017 formal valuation, to the charge for 2020/21 based on the 31 March 2020 valuation. This change leads to asset and liability remeasurement experience in the reconciliation of the balance sheet from 31 March 2020 to 31 March 2021.

The pension deficit has also increased as a result of a combination of

- the effect of a lower net discount rate and a significantly higher Consumer Price Inflation (CPI) assumption which serves to increase the value placed on the obligations. It is estimated by the actuary that for a typical employer the obligations have in the region of a 25% increase.
- the investment returns being significantly greater than expected, which served to positively impact on the balance sheet position.

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

7.10 Other Reserves

The following table details the usable reserves held by the council for the five year period 2016/17 to 2020/21.

Fund	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Committed General Fund	23,187	21,805	15,290	16,875	40,258
Uncommitted General Fund	2,075	2,101	2,373	2,994	2,261
HRA Fund	926	926	926	926	926
Capital Fund	65,527	58,963	61,713	57,917	45,580
Insurance Fund	11,835	10,125	10,391	9,317	7,596
Total	103,550	93,920	90,693	88,029	96,621

The reduction in the Capital Fund of £12.3 million from 2019/20 is a result of the planned usage of the fund to supplement the capital programme. The 2020/21 capital investment programme and treasury management plan agreed and acknowledged the use of the council's capital fund to support investment in General Services assets of £56.2 million as outlined in section 7.5 of this commentary.

Following an actuarial review of the Insurance Fund, West Lothian Council, at its meeting on 24 September 2019, agreed that the identified surplus of £1.4 million within the fund would be considered as part of the budget strategy for 2020/21 to 2022/23. The one-off use of the Insurance Fund £1.4 million in 2019/20 was approved to provide resources and considered as part of the budget strategy report to Council on 28 February 2020.

During 2020/21, following finalisation and payment of the liability in relation to holiday pay, it was identified that £1 million could be released from the provision in the Insurance Fund as it was not required to address the council's outstanding liability. At the Council meeting of 25 February 2021, it was agreed that the balance of £1 million would be made available as a One-Off Resources Available for Covid-19 and Other Time Limited Pressures.

As part of the annual revenue budget setting process, the Head of Finance and Property Services assesses and reflects on the appropriateness of the unallocated general fund balance. The review is undertaken each year, and for 2020/21, was considered in the revenue budget report to the Council on 28 February 2020. It was concluded that, in order to ensure that sufficient funds are held in reserve to deal with the financial consequences of uncertain future events, that the uncommitted balance be maintained at a minimum of £2 million. This level is assessed as appropriate as the council has an approved medium term financial strategy which is underpinned by clear financial planning arrangements, sound financial management and a number of other earmarked reserves.

Details of the committed General Fund balance are shown in note 34 on page 89.

MANAGEMENT COMMENTARY

7.11 Group Accounts

Local authorities are required to consider their interests in all types of entity, including companies, joint ventures and statutory bodies such as Valuation Boards. Where they have a material interest in such entities, authorities are required to prepare a full set of group accounts in addition to their own council's accounts. The council has a number of non-consolidation interests in other entities, full details of which are shown on pages 104 and 105. For the purposes of consolidation and incorporation with the Group Accounts the council had one subsidiary company during 2020/21, West Lothian Leisure (WLL).

- **Subsidiary - West Lothian Leisure (WLL)**

The Covid-19 pandemic resulted in all of WLL's facilities being closed to the public from late March 2020 to late April 2021 other than for a period between September and December 2020 when some of its facilities were open for limited activities. This has had a significant and unprecedented negative impact on WLL's financial position. The majority of WLL's facilities reopened on 26 April 2021. West Lothian Council provided additional support measures to WLL during this time and the requirement for support will continue to be reviewed as WLL recovers from the pandemic.

For 2020/21 a reprofiling of the WLL management fee was agreed under Standing Order 31 arrangements and reported for information to Council Executive on 26 May 2020. On 18 August 2020, Council Executive agreed that the Head of Finance and Property Services would issue a letter of comfort to WLL which confirmed that the council would continue to undertake cash flow management with WLL to allow it to meet its everyday cash liabilities in respect of the financial year 2020/21 and a payment of £0.5 million of additional funding to WLL was approved by Council Executive on 11 November 2020. In addition, at Council Executive on 17 August 2021, the council agreed to provide WLL with a letter of comfort for financial year 2021/22 in line with the letter previously provided for 2020/21.

Also, in respect of 2020/21, the Scottish Government provided £1 million of Lost Income funding to West Lothian Council in relation to WLL lost income and this funding was passed on to WLL.

The revenue budget plan that the council approved for 2021/22 and 2022/23 on 25 February 2021 included an additional £3 million to help WLL meet the continuing financial challenges of Covid-19; £1.5 million in each of 2021/22 and 2022/23. In addition, Council Executive agreed a one-off capital payment of £0.370 million for 2021/22 on 23 March 2021. The council is continuing to work in partnership with West Lothian Leisure to monitor the financial implications of Covid-19.

WLL's auditor provided an unqualified audit report on their 2020/21 financial statements.

- **Associate - Lothian Valuation Joint Board**

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

- **Joint Venture – West Lothian Integration Joint Board (IJB)**

The council also has a joint venture in relation to the health and social care partnership in the form of the West Lothian Integration Joint Board (IJB).

In terms of West Lothian IJB, Covid-19 represents an unprecedented challenge for the delivery of health and social care services. Taking account of this integration authorities submitted Local Mobilisation Plans during 2020/21 detailing their service delivery response to the resulting impact on care services and the additional financial implications resulting from the pandemic. These plans and associated financial costs were closely reviewed during the year with regular updates being provided to the Scottish Government. Regular updates on the financial implications reflected in the Mobilisation Plan cost updates were also reported to the Board and Council. The IJB has a statutory responsibility in relation to the strategic planning of future health and social care delivery. The implications arising from Covid-19 on delivery of care services and current strategic planning and commissioning plans are continuing to be kept under close review for 2021/22 through the established processes in place.

The council, along with NHS Lothian, have a statutory duty under the Public Bodies (Joint Working) (Scotland) Act 2014 to review the integration scheme every five years. An integration scheme represents an important governance document, not only for the West Lothian Integration Joint Board, but for the partner health board and local authority.

The first review of the Integration Scheme was scheduled to have been completed in June 2020. The process was started and a timetable was agreed by the council and NHS Lothian. As reported in 2019/20, due to the intervention of the Covid-19 emergency the process could not be progressed after the council and health board prioritised resources for tackling the pandemic and it was formally abandoned. The current Integration Scheme will remain in place until the review process is completed and changes are approved by Ministers. The operation of the West Lothian Integration Joint Board will not be affected and will continue under the current Integration Scheme. The current Scheme continues to operate effectively. A review timetable is being developed amongst health board and the four councils in the health board area. That is expected to be agreed and reported through those bodies in August 2021.

MANAGEMENT COMMENTARY

8. Risk and Uncertainty

At present, there are no confirmed Scottish Government budget allocations for local government beyond 2021/22. The uncertainty around the financial implications of Covid-19 will continue to be a significant risk for local government and the wider economy going forward. The Scottish Government response to Covid-19 will be ongoing and any further budget changes resulting for the council due to the pandemic and policy decisions made will be taken account of in the council's financial planning.

The council's approved financial plan is based on a number of short, medium and long term financial assumptions which are subject to significant risks and uncertainties. Whilst acknowledging that the council's planning assumptions are subject to uncertainty due to the planning time horizon, there are a number of risks, uncertainties and potential cost pressures that could impact on the council's ability to balance the revenue budget. In particular it is uncertain from a budgeting perspective what proportion of the overall Scottish funding envelope will be allocated to local government, especially with an increasing risk in relation to the performance of the wider UK and Scottish economy.

It is important that the council continues to reflect on a fast changing position where there are fundamental areas of risk in respect of Covid-19 and EU exit arrangements and associated risks that could have a range of impacts on the council's objectives and the wider economy: -

- The Covid-19 pandemic has resulted in radical changes to council working practices. A key objective for the council arising from Covid-19 has been to support staff to work as safely as possible during the pandemic and ensure compliance with social distancing guidelines and other requirements to reduce the risk of transmission of the virus. Remote working tools and ongoing engagement with staff to help them stay connected to work colleagues have also been a key priority during the period. Covid-19 is having an impact on the delivery of many council functions and will increase the prospect of an economic downturn which coupled with growing demands on council services may place increasing pressure on the council's ability to deliver a balanced budget. Additional risks have also been identified, for example in relation to impact on income collection and the council's ability to successfully meet child poverty targets.
- Concurrent risk areas, including Brexit and Covid-19 risks, are considered by service areas represented on the Brexit working group and at concurrent risk meetings attended by the Chief Executive, Depute Chief Executives and Heads of Service. Updates on Concurrent Risks Resilience and Preparedness Planning are reported to each meeting of the Governance and Risk Committee.
- The implications of Covid-19 are being closely monitored in line with the council's approved budgetary control framework and procedures with key risk areas being reviewed on a monthly basis and full budget monitoring exercises undertaken in line with the framework. This includes a review of the investment included in the 2021/22 and 2022/23 revenue budget to take account of the financial impact of Covid-19 and the recovery from it. Significant work has been undertaken on recovery and renewal planning with regular updates on the position and proposed actions reported to Council Executive as part of the outcome of the budget monitoring exercises.
- In terms of risks associated with the UK leaving the EU, the council's Brexit Working Group has been responsible for identifying potential risks, with a total of 55 risks identified along with controls and measures identified to manage these risks. Key risks identified include an economic downturn leading to business failure and increased unemployment. This could lead to an increased demand on council services such as the Anti-Poverty Service and could impact on council income levels in areas such as Council Tax collection and Planning income. The council continues to work with its partners, including SOLACE, COSLA and Scotland Excel to review the implications of the new Trade and Cooperation Agreement with particular emphasis on monitoring continuity of the council's supply chain and price inflation.

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

- More ring fencing of grant funding, constraining how local authorities allocate their resources to deliver local priorities.
- General economic uncertainty, where economic growth is not in line with forecasts due to worldwide market conditions including the impact of leaving the EU and the pandemic, and how these impact on public spending levels, especially as the overall Scottish funding envelope is now highly contingent on economic performance.
- The council's ability to meet its statutory homeless duty and maintain spend on housing need within budget. One of the council's mitigating measures relates to the new build housing programme and it is anticipated that there will be a significant number of secondary lets which will be allocated to homeless applicants.

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- Increases to pay award, employers' National Insurance and pension contributions above the rates assumed in the council's financial plan. At this stage there is no agreed pay settlement for 2021/22, and there is a risk associated with the pay costs for the final year of the approved plan
- Increase in costs in demand led services is greater than financial planning assumptions. Continued and accelerated increases, greater than forecasts, will create additional pressures.
- Actual inflation being higher than assumed, in particular for areas where contract prices have still to be agreed.
- Actual pupil numbers exceeding forecasts, requiring more teachers to be employed.
- House building assumptions used for financial planning are not realised resulting in changes to council tax and school demographic assumptions.
- Policy changes by the UK or Scottish governments which restrict the council's flexibility to decide how to deliver services locally.
- Full delivery of approved budget reduction measures, although good progress has been made to date in implementing savings.

9. Future Work and Ongoing Developments

West Lothian Council approved an updated medium term financial plan for the period 2021/22 to 2022/23 at the Council meeting of 25 February 2021. In order to maintain a balanced budget for 2021/22 to 2022/23 the council is required to deliver total budget savings of £18.9 million, which have been fully identified.

An estimate of the financial implications associated with the Covid-19 pandemic was included in the budget report. The continuation of the pandemic means there will be continued additional costs and reduced income for the council with the impact on the community likely to be a factor for some time. It is estimated at this stage that the council could face cost pressures and a requirement for additional Covid-19 investment totalling £26.607 million over 2021/22 and 2022/23. The council plans to meet these costs through a combination of additional Scottish Government funding support and other flexibility provided.

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

Whilst the council has an approved financial plan to 2022/23, the council continues to face unprecedented challenges and risks, including the impact of Covid-19, in delivering essential services whilst resources are constrained. The 2021/22 to 2022/23 budget plans assist elected members and officers in effectively focusing on medium term sustainability and meets best practice requirements to ensure budgets are balanced, priority outcomes are met and performance is maintained or improved for key areas of service delivery.

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

The council has an established risk based approach to budget monitoring which ensures that effective action is taken to manage risks. During 2021/22, officers will continue to provide updates on risks as part of the quarterly budget monitoring to Council Executive. The Audit, Risk and Counter Fraud Manager also monitors and oversees financial and non-financial risks through updates provided by managers on the Pentana System. Regular updates are provided to the Officer Governance and Risk Board and to elected members and the public through the Governance and Risk Committee. Reports and minutes for the Governance and Risk Committee are available on COINS, the council's committee information system <https://coins.westlothian.gov.uk/coins/>

The council has made good progress in securing its ongoing financial sustainability through the approval of the corporate plan, the 2021/22 to 2022/23 revenue plan and the long term capital investment programme. The revenue plans are part of a medium term framework for the continued delivery of balanced budgets however officers continue to undertake work on financial planning and delivery of savings. This also takes account of funding and cost implications resulting from Covid-19.

There remains uncertainty around Covid-19 implications going forward, and both this and the overall budget position and assumptions will continue to be closely monitored during 2021/22 with further updates provided to Council Executive as part of the overall monitoring arrangements in place.

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The nature of medium to long term financial planning means that identifying expenditure and funding growth for future years is challenging and uncertain under any circumstances and Covid-19 only increases uncertainty at this point in time. However, it is widely acknowledged by bodies such as Audit Scotland and CIPFA that a short term budgeting process is not conducive to achieving the aims consistent with planning to meet future service delivery demands and prioritising resources to achieve this and therefore the objective will be to further review and develop the medium term financial plan during 2021/22 to take account of the implications of Covid-19 and other key risks.



Donald Forrest CPFA
Head of Finance and Property Services



Graham Hope
Chief Executive



Councillor Lawrence Fitzpatrick
Leader of the Council

28 September 2021

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 28 September 2021.

Signed on behalf of West Lothian Council



Councillor Lawrence Fitzpatrick
Leader of the Council
28 September 2021

THE HEAD OF FINANCE AND PROPERTY SERVICES' RESPONSIBILITIES

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

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

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

The Head of Finance and Property Services has also:

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

I certify that the financial statements give a true and fair view of the financial position of the local authority (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2021.



Donald Forrest CPFA
Head of Finance and Property Services
28 September 2021

1. Introduction

- 1.1 The corporate governance framework comprises the systems, processes, culture and values by which the council is directed and controlled and by which it engages with and is accountable to the West Lothian community. The council's governing bodies (full council and committees), individual councillors and members of staff must try to achieve its objectives while acting in the public interest at all times. That implies primary consideration of the benefits for society, which should result in positive outcomes for stakeholders.
- 1.2 The council, through all of its members, has overall responsibility for good governance arrangements. In practice, the council entrusts the delivery of those tasks to committees and to appropriate council officers but subject to monitoring and scrutiny arrangements, including receiving evidence-based assurance on the governance framework's effectiveness and completeness.
- 1.3 The council's Corporate Plan 2018/19 to 2022/23 cements the place of corporate governance as an "enabler". Along with risk management, financial planning and modernisation/improvement it is an essential back-office corporate service necessary to assist setting goals and priorities, monitoring achievement and reporting corporate priorities and outcomes. The Corporate Plan acknowledges the wide understanding that good governance promotes good decisions.
- 1.4 The statement is presented in these sections: -
1. Introduction
 2. Executive summary and assurance
 3. Political structure and administration
 4. Management structure
 5. Decision-making and scrutiny arrangements
 6. Local Code of Corporate Governance
 7. Annual internal audit opinion
 8. Annual compliance statements
 9. Compliance with the CIPFA Financial Management Code (2019)
 10. Audit Committee
 11. Governance & Risk Committee
 12. Other internal scrutiny arrangements
 13. Significant officer roles
 14. External scrutiny
 15. Past and current governance issues
 16. Governance issues ahead
 17. Covid-19
 18. Conclusion and assurance

2. Executive summary and assurance

- 2.1 The conclusion and assurance in this statement is based on: -
- the annual internal audit opinion by the Audit Risk & Counter Fraud Manager on the effectiveness of the framework of governance, risk management and control, the statutory review of the system of internal control (7.3)
 - annual compliance statements produced by the Monitoring Officer and stand-alone reports in relation to significant council policies and procedures (8.7)
 - the newly-populated evidence-based Local Code of Corporate Governance (6.6)
 - the progress made in the reporting year on areas of governance concern (15.1)
 - the extent of compliance already achieved with the CIPFA Financial Management Code (2019) (9.4)
 - the additional commentary and assessment relating to Covid called for by CIPFA guidance (17.13)

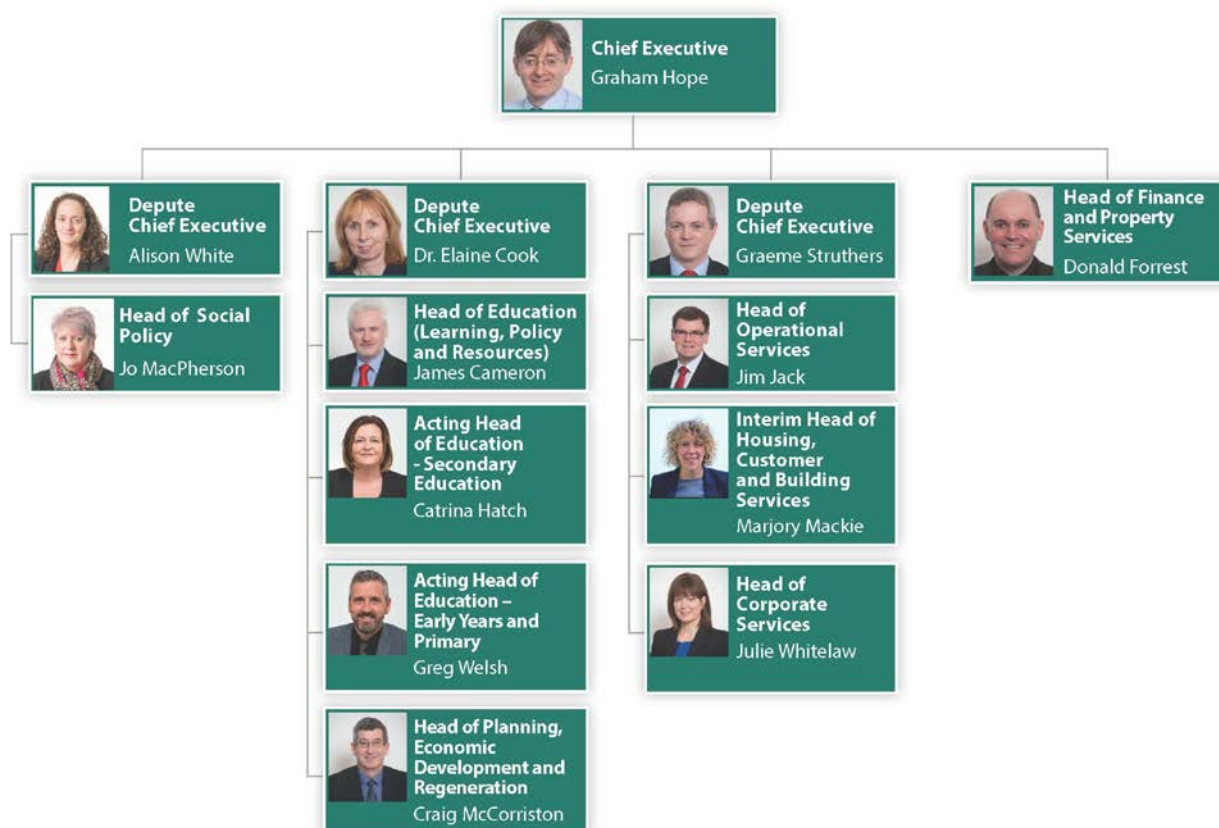
- 2.2 There are inevitably issues on which future work is required (16) and the full and longer-term impact of the Covid-19 pandemic has not yet been established (17). However, based on the sources listed above, the council and the West Lothian community can be assured that the council's corporate governance standards have been substantially met in 2020/21.

3. Political structure and administration

- 3.1 West Lothian Council has nine electoral wards and 33 councillors. A casual vacancy arising in April 2020 was filled through a by-election held on 11 March 2021. The by-election was postponed to a later date than normal by the Returning Officer under emergency coronavirus legislation. A further vacancy arose on 10 May 2021 due to the death of a councillor. The by election took place on 5 August 2021. There are 14 SNP members, 11 Labour members, 7 Conservative members and 1 Independent member. The Provost and Leader of the Council were elected in May 2017 and remain in position. A minority Labour administration was established then and remains in place. The council's committee structure was re-established in June 2017 after the quinquennial local government elections. It has remained intact since then, albeit with additions where necessary to meet new legislative requirements (e.g., community asset transfer applications).
- 3.2 The leadership positions comprise the Provost, the Council Leader, eight Executive Councillors (portfolio holders in relation to council services) and chairs and vice-chairs of other committees. Senior councillor payments are agreed each year. The statutory annual report for 2020/21 on elected members' remuneration, allowances, expenses and training was reported to Council Executive on 18 May 2021.

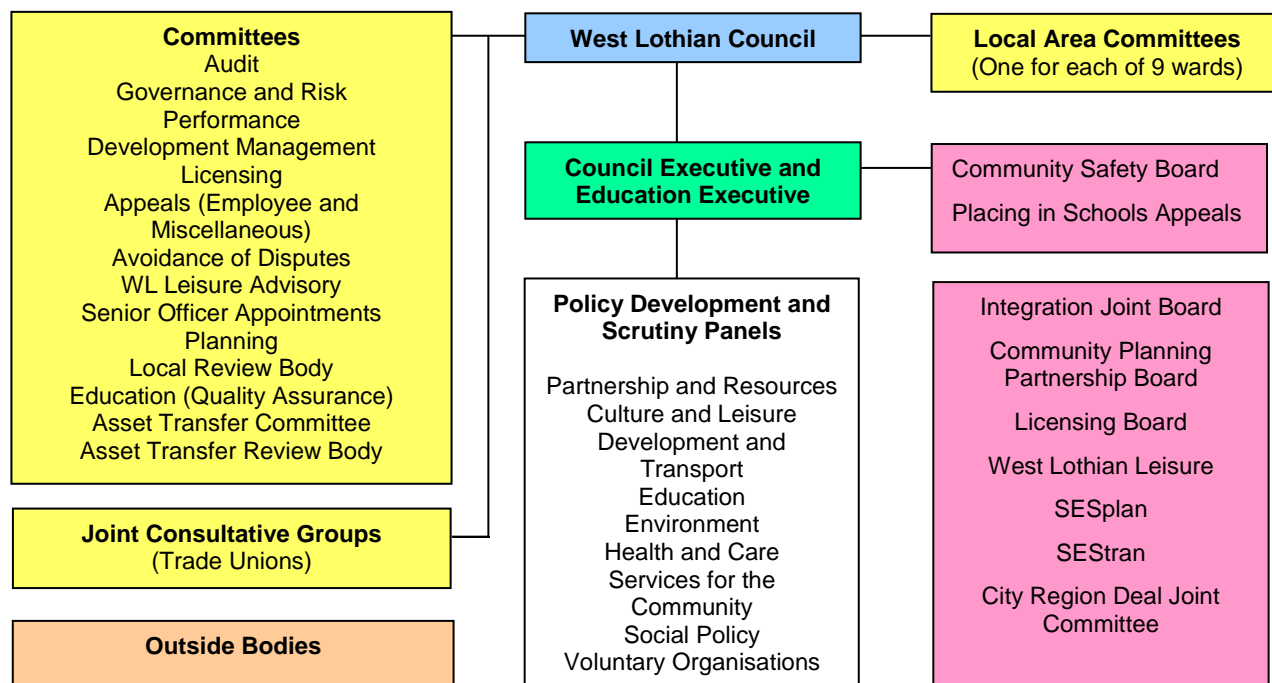
4. Management structure

- 4.1 The council's services are managed through its Executive Management Team (Chief Executive, three Depute Chief Executives and the Head of Finance & Property Services). Those officers and seven Heads of Service form the Corporate Management Team. The Governance Manager attends Corporate Management Team meetings. Each service has a Senior Management Team and other service managers, team leaders and teams within its structure. The Depute Chief Executive for the Health & Social Care Partnership left during 2020/21 for another job. A new Depute Chief Executive (Alison White) took up post on 5 July 2021 after a successful cooperative appointment process amongst council, health board and the West Lothian Integration Joint Board. One vacant Head of Service post in Education Services has been filled by two senior managers on an interim basis. The post of Head of Housing, Customer & Building Services fell vacant after the end of the reporting year and it too has been filled on an interim basis pending a full recruitment exercise.
- 4.2 The service management structure at 31 March 2021 was as follows.



- 4.3 The council in February 2018 established a Corporate Transformation Team, made up of senior council officers seconded from across its service areas and managed by a Depute Chief Executive. The team's contribution and structure were reviewed and in 2019/20 it was embedded in the council's management arrangements, with permanent appointments made, to help take forward the ongoing transformation of council services and delivery of budget reduction measures. It was diverted temporarily in March 2020 to new tasks as the Covid-19 Resilience Team. It has gradually resumed its original remit as the pandemic and lockdown restrictions eased in 2020 and 2021.
- 4.4 Internal cross-service working is enabled by a hierarchy of Executive Boards, Project Boards and Working Groups. They all have defined remits and roles, membership from across the council and appropriate reporting arrangements. They are added to on an ad hoc basis, as required (e.g., the Concurrent Risks Working Group looking at Brexit and COVID-19 risks and impacts, and the Remobilisation Working Group dealing with post-lockdown return of staff to council workplaces).
- 5. Decision-making and scrutiny arrangements**
- 5.1 The council has a well-established framework of committees and working groups set out in its Scheme of Administration. Standing Orders for the Regulation of Meetings and the Scheme of Administration can only be changed at a meeting of full council. The committee structure is supported by a complementary Scheme of Delegations to Officers which sets out the responsibilities and decision-making powers delegated to officers. That too is part of Standing Orders and is updated every three months to reflect changes agreed by council and its committees.
- 5.2 There are two main policy and decision-making committees (Council Executive and Education Executive). Proposed policy changes are considered first at one of nine Policy Development & Scrutiny Panels (PDSPs). There are a number of regulatory and appeals committees. There is one local area committee for each ward to focus ward issues. Scrutiny is carried out through Audit Committee, Governance & Risk Committee, Performance Committee, Education (Quality Assurance) Committee, West Lothian Leisure Advisory Committee and the nine PDSPs. Full council meets every 8 weeks to deal with reserved matters and political debate and scrutiny.

Decision Making Structure

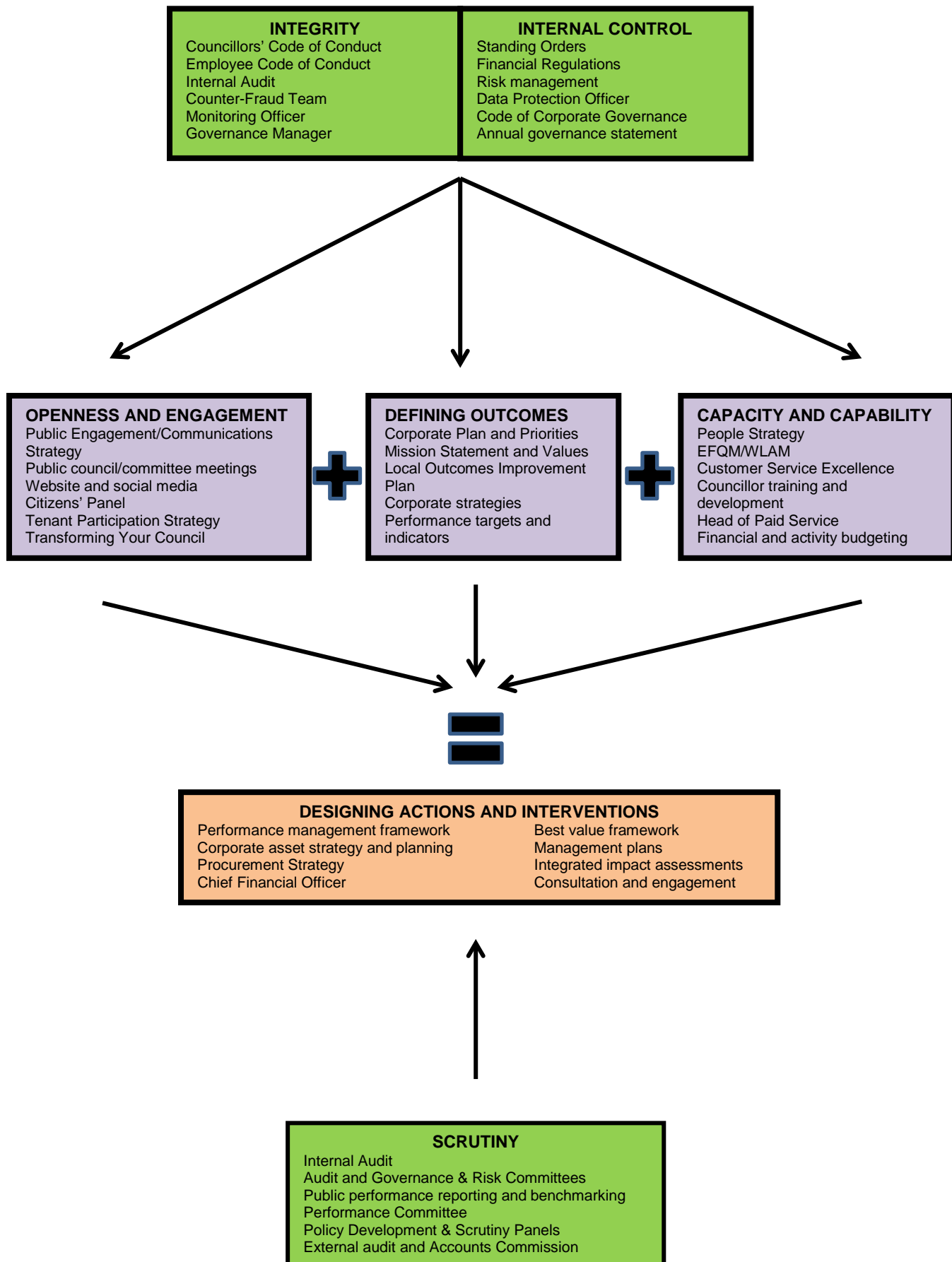


- 5.3 The wide-ranging review of decision-making arrangements instructed by members in February 2018 has been further progressed through some changes to Standing Orders (e.g., to reflect the adoption of a special leave scheme for elected members and the updating and streamlining of procedures for petitions and deputations). A small number of less significant tasks remain and progress has been slowed by the pandemic. It is expected to be completed in 2021/22 with a view to having a settled set of arrangements to take the council into the new administrative term after the local government elections in May 2022. Those remaining matters are not significant and the existing arrangements are fit for purpose and serve the council well.

6. Local Code of Corporate Governance

- 6.1 The council's governance arrangements are monitored and reviewed and reported in accordance with statutory requirements and under a Framework and Guidance for Scotland called "Delivering Good Governance in Local Government", produced by CIPFA/SOLACE in 2016. The current Local Code of Corporate Governance was adopted in April 2018. Its operation is considered each year by officers and members through the process of reporting on corporate governance and is scheduled for a full review in the next administrative term.
- 6.2 The Code adopts the seven over-arching principles from the Framework: -
- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - Ensuring openness and comprehensive stakeholder engagement
 - Defining outcomes in terms of sustainable economic, social, and environmental benefits
 - Determining the interventions necessary to optimise the achievement of the intended outcomes
 - Developing the entity's capacity, including the capability of its leadership and the individuals within it
 - Managing risks and performance through robust internal control and strong public financial management
 - Implementing good practices in transparency, reporting, and audit to deliver effective accountability
- 6.3 Each of those principles is broken down into sub-principles and then into a hierarchy of separate elements to allow a more focused approach to the evidence-based components of each. The statement below shows the seven principles and their interaction, and a list for each of them of the most significant sources of evidence used to establish corporate governance compliance each year.
- 6.4 These sources of evidence and the product of scrutiny arrangements are used to assess compliance and performance over the year to determine whether the council exceeds, meets or fails to meet the required standards. Areas of concern are picked out, actions are identified and allocated, and progress is monitored through officer oversight and the Governance & Risk Committee.
- 6.5 The Code is used to inform the drafting and approval of the annual governance statement through the Governance & Risk Board, Corporate Management Team and Governance & Risk Committee. It is reported on in detail to Governance & Risk Committee when it approves the annual governance statement in June each year. It is thereafter reported to Council Executive after the summer recess each year as part of an omnibus annual report to members. Deficiencies are identified and reported and are translated into actions which are monitored throughout the following reporting year by Governance & Risk Board and Governance & Risk Committee.
- 6.6 Compliance in 2020/21 with the standards in the Code remains high. Impacts from the pandemic have been noted and assessed as the Code has been populated. Further information on COVID's impact on governance arrangements is in section 17 of this statement. Under a red/amber/green assessment system there are no "red" scores. There are 218 standards out of 258 assessed as "green", representing 81% of the total entries. Comparable figures from previous years for green scores under the same assessment process were 82%, 79%, 81% and 84%. The areas for improvement are reflected in the Local Code of Corporate Governance (section 6). They are drawn out and incorporated in the issues to be addressed in future (section 16) and in the running log of issues on which progress is periodically reported to Governance & Risk Committee (section 11).

GOVERNANCE PRINCIPLES AND COMMON SOURCES OF EVIDENCE



7. Annual internal audit opinion

- 7.1 A significant part of the council's governance arrangements is its system of internal control. It is designed and reviewed to identify risks to the achievement of the council's objectives; to evaluate the likelihood of those risks occurring; to consider the potential impact of the risks; and to manage them effectively. It includes financial regulations and a system of management supervision, delegation and accountability, supported by regular information, administrative procedures and segregation of duties. Its key elements include an internal control framework relating to financial processes, procedures and regulations; a comprehensive budgeting and monitoring framework; scrutiny of periodic and annual financial and operational performance reports; performance management information; and project management disciplines.
- 7.2 As required under the Public Sector Internal Audit Standards (PSIAS), the Audit Risk & Counter Fraud Manager in his role as chief audit executive provides an annual opinion to members on the adequacy and effectiveness of the framework of governance, risk management and control. That opinion precedes and informs this statutory annual governance statement which in turn requires approval by the council through the Governance & Risk Committee and incorporation into the annual accounts and financial statements.
- 7.3 Following his review for 2020/21, reported to Governance & Risk Committee and Audit Committee in June 2021, his conclusion and assurance to members are that the framework of governance, risk management and control is sound. Based on internal audit investigations and reports throughout the year he identified only one area where control was considered to be unsound. This was in relation to the operation of the PVG Referral Assessment Panel and was reported to Audit Committee on 22 March 2021. Many of the actions identified had been completed before committee's consideration of the report. Committee agreed that a follow-up report should be brought in mid-2022 to report on progress. Completion of risk actions from that and other internal audit reports will be monitored and routinely reported to Audit Committee on a bi-annual basis.

8. Annual Compliance Statements

- 8.1 The council's Monitoring Officer arranges the production of annual compliance statements which sit alongside the Code and also inform the drafting and approval of this annual governance statement. They deal with compliance with the law and with the council's most significant corporate policies and procedures. They are prepared after consultation with services and senior officers and consider oversight by external regulatory and inspection bodies. They are signed by the responsible senior officer. They are designed to bring to the attention of elected members any incidents of non-compliance which are significant to the council's operations and which are not reported elsewhere in a systematic way.
- 8.2 Instead of producing annual compliance statements, separate and stand-alone reporting is carried out annually on the Councillors' Code of Conduct, Freedom of Information and Data Protection, and on Covert Surveillance and Accessing Communications Data. From 2020/21 the annual report on the Councillors' Code of Conduct is reported to full council, to all members, rather than to a committee.
- 8.3 They cover the following areas of activity: -
- Best Value Framework - Head of Finance & Property Services
 - Procurement - Head of Corporate Services
 - Fraud and Corruption - Head of Finance & Property Services
 - Employee Whistleblowing - Head of Corporate Services
 - Discipline and Grievances - Head of Corporate Services
 - Occupational Health & Safety - Head of Corporate Services
 - Protection of Vulnerable Groups - Head of Corporate Services
 - Information Security - Head of Corporate Services
 - Public Sector Equality Duty - Head of Corporate Services
 - Breaches of the law - Monitoring Officer
- 8.4 The statements identify issues of concern and issues to be addressed going forward. They refer to adverse finding of internal audit investigations reported to Audit Committee (for example, the statements on Occupational Health & Safety; Protection of Vulnerable Groups). They identify any policies or procedures overdue for review (for example, Best Value Framework; Anti-Fraud & Corruption Policy). This year, they describe briefly any impact felt by the pandemic on the operation of the policy or procedure and its governance (for example, Information Security; Discipline, Grievance, Bullying & Harassment).
- 8.5 The statement by the Monitoring Officer is particularly important since the Monitoring Officer is one for the four statutory officer posts. The postholder is charged with ensuring the council's compliance with its statutory duties and responsibilities and reporting on any breaches of the law which are significant to the operation of the council. Not all breaches are material to the council's operations or its finances.

8.6 The Monitoring Officer consulted with the Heads of Service, the Governance Manager, the Chief Solicitor and the Audit, Risk and Counter Fraud Manager. She identified a number of instances where improvements to the council's compliance with legislation were required. She highlighted the most significant of those and those are summarised as follows: -

- The statutory deadline was missed for the review of the Integration Scheme relating to the delegation of health and care functions to the West Lothian Integration Joint Board. The current Scheme continues to operate effectively and a review timetable will be reported to committee in August 2021
- There was a breach of procurement regulations and Standing Orders by not opening the development and purchase of new build council houses at a site in Livingston to competition. The cause of the breach has been identified and measures have been put in place to prevent a recurrence. There was no loss sustained by the council
- The Housing Need Service breached the Unsuitable Accommodation Order 2004, by using bed and breakfast and hotel accommodation on a number of occasions for more than 7 days until suitable temporary dispersed accommodation was provided. The cause was a shortage of temporary accommodation to meet the needs of larger families or those waiting to secure temporary accommodation in particular areas. Remedial measures have been designed and the West Lothian Rapid Rehousing Transition Plan 2019/20 to 2023/24 is being implemented
- Procedures under the Community Empowerment (Scotland) Act 2015 for the establishment of a new register of common good property have not been followed. Information is provided in the council's annual accounts each year but there are separate and additional procedures to be implemented and those are being addressed, with the starting of those processes in June 2021
- The Health & Safety Executive issued a contravention notice and improvement notices following their inspection of the cleaning and disinfection arrangements at five schools. Procedures were adjusted and no further actions were taken following their assessment
- A report by the Mental Welfare Commission identified nationwide breaches in relation to transfers from care homes, one of which is a West Lothian case. Immediate actions have been taken to ensure that no such move in any circumstances can be made until legal powers are secured. A working group has been established and will develop an action plan which will cover the Commission's recommendations and training, processes and practice

8.7 Although they are of concern, none of those breaches was considered to present significant risk to the continuing operation and effective delivery of council services and control. The Monitoring Officer's opinion is that there have been no material or significant breaches of the law by the council in 2020/21 which have or will have a material or significant impact on the operations or finances of the council. She has certified that the council is complying in all material respects with its legal requirements.

9. Compliance with the CIPFA Financial Management Code (2019)

9.1 As part of its legal obligation to comply with accepted accounting standards and Code of Practice, the council requires to adopt the CIPFA Financial Management Code (2019). The year 2020/21 is in effect a shadow year with councils expected to move towards full compliance in 2021/22. The Code is designed to support good practice in financial management and assist in demonstrating financial sustainability. The council is expected to adopt processes and procedures to demonstrate adherence to six principles of good financial management and 17 underlying financial management standards.

9.2 CIPFA Guidance for the annual governance statement for 2020/21 advises including an assessment of the extent of current compliance and the identification of areas for improvement, accompanied by an action plan to secure full compliance in 2021/22. In doing so CIPFA's advice is to take a proportionate approach and to use existing reports and documentation.

9.3 The council adopted the Code in February 2021. Before adoption the Code was presented for consideration to Partnership & Resources PDSP, Audit Committee and Governance & Risk Committee, all of which have an interest in different aspects of the Code. The report by which its adoption was secured (Council Executive, 9 February 2021) was a lengthy and comprehensive exposition and explanation of the Code – its purpose, the principles and the management standards. It included a description of the available evidence of the council's present compliance, the extent of that compliance and the areas where improvement was indicated. It included a detailed list of actions with associated timescales, all designed to secure compliance in full for the reporting year 2021/22.

9.4 The information provided by the Chief Financial Officer to and accepted by committee indicates that the council is already compliant to a significant extent and is well-placed to secure full compliance on time. Completion of the actions identified has been included later in this statement as a governance issue for future monitoring (16.7).

10. Audit Committee

- 10.1 Audit Committee operates in compliance with the Public Sector Internal Audit Standards (PSIAS). It undertakes a corporate overview of the council's control environment, develops an anti-fraud culture to ensure the highest standards of probity and public accountability, and evaluates the arrangements in place for securing the economical, efficient and effective management of resources. It considers an annual review of the overall adequacy and effectiveness of the council's control framework. It monitors the independence and effectiveness of the Audit, Risk & Counter Fraud Unit. The organisational status and independence of internal audit is set out in the Internal Audit Charter. The Chair must be appointed from councillors who are not in the ruling administration political group. The majority of members are from outwith that group. The committee includes one non-councillor member recruited for a three-year tenure to bring a different perspective and expertise to the work of the committee.
- 10.2 The committee meets four times each year. It operates through an annual work plan approved by the committee. It carries out an annual self-assessment exercise to identify improvements in its operation that might be made. The outcome of internal audit and counter-fraud investigations judged to be significant are reported. Reports are presented and considered in public unless there is clear legal justification for excluding the public. They express an opinion as to whether control is effective, satisfactory, requires improvement or unsound. In accordance with an agreed protocol, significant findings from audit and inspection reports are entered into the council's risk management system as risk actions. Risk actions arising from internal audit and other audit and inspection reports which remain outstanding after their target dates are reported to the Governance & Risk Board during the year and to the Audit Committee twice yearly. By the end of the reporting year one risk action was overdue, and one other risk action was subject to an external deadline which was extended due to the coronavirus pandemic, the rest having been reported to and accepted by committee to be complete. The interim and annual reports for both services summarised the work carried out and the findings, with those also being noted in the review of the system of internal control.
- 10.3 The committee also deals with reports from the council's external auditors. It receives the External Audit Annual Plan which informs the council of the work to be undertaken in the course of the year, the views of the external auditors on the work of Internal Audit and the extent of additional risk-based external scrutiny through the Local Area Network. The external auditor's annual report on the council's accounts and financial statements are referred to the Governance & Risk Committee and Audit Committee by council after it approves the audited accounts for signature in September each year. Any actions identified are noted and are followed up through periodic reporting to committee on progress or completion.
- 10.4 The committee also considers reports issued by the Accounts Commission and/or Audit Scotland in relation to the council or local government as a whole. It can consider those reports from the councillors' perspective and recommend any action which it considers should be taken in response.

11. Governance & Risk Committee

- 11.1 The committee takes a corporate overview of the council's corporate governance and risk management arrangements, develops a culture of good corporate governance and risk awareness, and reviews the council's strategy and systems for the management of risk. It considers regular reports from the Governance Manager and Audit, Risk & Counter Fraud Manager in relation to matters within its remit.
- 11.2 The committee meets at least four times each year. It operates through a work plan presented and updated at every meeting. The Chair of the committee must be drawn from members who are not in the ruling administration political group. The majority of members are from outwith that group. It carries out an annual self-assessment exercise to identify improvement that might be made in its operations. It receives reports from services on their risk management arrangements. It considers a report at every meeting on the council's high risks and on health and safety incident reporting and at every second meeting on strategic risks. It examines ad hoc risk and governance issues, such as cyber-security risks and Brexit. It considers risk reports from the council's external risk advisers. It is charged with approving the annual governance statement after considering the findings of the annual review of the system of internal control. It monitors progress against governance areas of concern.
- 11.3 In March 2020 its membership was formally expanded to include a non-councillor member to bring a different perspective to the work of the committee. An appointment to that position was made at the same time although induction and participation were delayed by the Covid-19 emergency until June 2020. The position fell vacant in March 2021 and steps are being taken to recruit to it again.

12. Other internal scrutiny arrangements

- 12.1 The council deals with the remainder of its scrutiny function by members in four other places – Policy Development & Scrutiny Panels (PDSPs), Performance Committee and Education (Quality Assurance) Committee and West Lothian Leisure Advisory Committee. Except for the last of those, the majority of members on each of these bodies is from outwith the ruling administration political group.
- 12.2 PDSPs are working groups of members and representatives from external community bodies. Their scrutiny role involves considering quarterly performance reports from the service areas included in their remit. Members and external representatives are able to question officers on service performance and failures and make recommendations to them about improvement actions. Members receive information on both service and financial performance measured against agreed indicators and outcomes.
- 12.3 Performance Committee is established to consider the performance of service units against the council's performance appraisal system, the West Lothian Assessment Model (WLAM). Its Chair is an Independent councillor. It receives written reports presented at public committee meetings by senior service managers and can question them and make recommendations to them about improvement actions. The committee also scrutinises quarterly and annual reports on the council's complaints handling policy and performance. It oversees the Citizen Led Inspection Programme. It considers the results of the local authority benchmarking review carried out annually in conjunction with the Improvement Service.
- 12.4 The Education (Quality Assurance) Committee carries out a scrutiny role solely in relation to internal and external schools assessment and inspection reports. Its Chair is an Independent councillor. The committee includes non-councillor members appointed by the council in relation to its education function. Representatives from the relevant school's Parent Council are invited to attend and take part in the committee's meetings. It provides a dedicated and specialised forum for scrutiny of performance and inspection results for schools and educational establishments.
- 12.5 Leisure and culture services are delivered through an arms' length external organisation called West Lothian Leisure Ltd. The council is its sole shareholder. Taking into account best practice, there is a dedicated advisory committee called the West Lothian Leisure Advisory Committee, attended by senior officers of West Lothian Leisure, where scrutiny of service and financial performance is carried out.

13. Significant officer roles

- 13.1 The council is required to operate a professional and objective internal audit service. The Audit, Risk and Counter Fraud Unit includes internal audit, an independent appraisal function which examines and evaluates systems of financial and non-financial control. Internal audit operates in accordance with the "Public Sector Internal Audit Standards: Applying the IIA International Standards to the UK Public Sector" (PSIAS). The organisational status and independence of internal audit required by PSIAS is also set out in the Internal Audit Charter. An annual audit work plan is prepared based on an assessment of risk and is approved by the Audit Committee. Internal audit reports are issued to the committee in relation to the outcome of significant proactive and reactive reports. Reports are issued in the name of the Audit, Risk and Counter Fraud Manager. Also as required by PSIAS, Financial Regulations state that the internal audit function is free from interference in determining the scope of internal auditing, performing work, and communicating results, and that the Audit, Risk and Counter Fraud Manager has the right of direct access to the Chair of the Audit Committee and to the Chief Executive. An interim report is brought to committee during each year to advise of progress towards completion of the annual plan. An Internal Audit and Counter Fraud Strategy 2018/19 to 2022/23 was approved in June 2018 as one of the corporate strategies supporting delivery of the Corporate Plan. An annual report on progress against agreed outcomes is made to Audit Committee each year.
- 13.2 Legislation requires the council to appoint a Chief Financial Officer. That role is to be performed conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) and in the CIPFA Financial Management Code (2019). It sets out the requirement for the Chief Financial Officer to be professionally qualified and sets out the criteria for qualification. The council's Head of Finance & Property Services is the council's Chief Financial Officer. He operates in accordance with the council's Financial Regulations and Treasury Management Plan, and reports regularly to members on revenue and capital budgetary performance and compliance. The role is undertaken in accordance with the relevant statutory rules, guidance and standards. From 2021/22, compliance with the CIPFA Financial Management Code will also apply. Treasury Management reports and capital asset management strategy reports are made to full council twice each year.
- 13.3 Risk Management is overseen by the Audit, Risk & Counter Fraud Manager. It is embedded at Executive and Corporate Management Team level as well as in service management teams across the council. Management teams monitor, assess and mitigate service risk as a matter of routine at their meetings. A Risk Management Strategy 2018/19 to 2022/23 was approved in June 2018 as one of the corporate strategies supporting delivery of the Corporate Plan. A revised Risk Management Policy was approved in October 2021, after some delay due to COVID. An annual report on progress against agreed outcomes is made to Governance & Risk Committee each year.

- 13.4 The council's counter fraud activities are managed within the Audit, Risk & Counter Fraud Unit. The service is operated in accordance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014). The unit manages the council's whistleblowing hotline. It also administers the council's participation in the National Fraud Initiative. An Internal Audit and Counter Fraud Strategy 2018/19 to 2022/23 was approved in June 2018 as one of the corporate strategies supporting delivery of the Corporate Plan. An annual report on progress against agreed outcomes is made to Audit Committee each year. The review and approval of a revised Anti-Fraud & Corruption Policy was postponed due to the diversion of resources to pandemic-related work, and will now be reported on 22 June 2021. The annual report confirms counter fraud work continued nevertheless and that the work plan was completed.
- 13.5 Governance and risk management are supervised on the officer side of the council by the Governance & Risk Board. It is chaired by a Deputy Chief Executive and its members include the Monitoring Officer, the Audit Risk & Counter Fraud Manager, the Governance Manager, the Chief Solicitor and senior managers from across the council's service areas. It receives reports from officer working groups on risk and corporate governance, and monitors corporate and high risks. Its recommendations are referred to the Corporate Management Team or committee as appropriate. In 2019/20 it assumed oversight of the Information Management Working Group after the introduction of the new Information Governance Policy. It considers the annual report on corporate governance and the compliance statements before they are presented to committee. It provides an effective control and conduit for risk and governance issues and matters of concern.
- 13.6 In addition to performance reporting to members, management teams routinely monitor their performance through Pentana, utilising the high-level performance indicators and service standards which are reported publicly as well as lower level management performance indicators. Services are divided into WLAM units which report on an agreed cycle to a panel chaired by the Chief Executive. It considers the evidence presented and allocates a score. The service unit then proceeds to report to the Performance Committee.
- 13.7 As required by statute, the council has appointed a Chief Social Work Officer who has statutory professional responsibility for the oversight of specified social work functions. The Scheme of Delegations states that in relation to those statutory functions the Chief Social Work Officer's decisions are not subject to change by more senior officers, but are, subject to council or committee decisions, final and binding on the council. An annual report is made to members and to the Scottish Government. Since 2019/20 that report has been made to full council rather than to a committee.
- 14. External scrutiny**
- 14.1 The external auditor's annual report was not delayed by COVID and was considered at council in September 2020. It was referred on to Audit Committee (on the accounting and financial aspects) and Governance & Risk Committee (on its wider-scope audit work) for further scrutiny. The auditor's report made no specific recommendations identified through the course of their work requiring inclusion in their action plan. The report highlighted a concern in relation to financial sustainability based on a national assessment of risk to all councils and the effects of COVID. The report concluded that the council continued to demonstrate good practice in forward financial planning and continued to demonstrate good financial control of the in-year budget, including understanding the impact of Covid19 in early 2020/21.
- 14.2 The key features of good governance were found to be in place and operating effectively. The council was found to have responded quickly to ensure that governance arrangements were appropriate and operating effectively during the lockdown period caused by the global pandemic. The report stated that the council had arrangements in place to appropriately scrutinise activities and that councillors continued to have access to sufficient information as a result of the implementation of virtual meetings, and regular briefings to all members. The council was reported to have a culture of improvement and a commitment to self-assessment of its performance to ensure that services remain focussed on improvement. Council services continued to perform well compared to other councils.
- 14.3 In partnership with other scrutiny bodies the external auditor chairs and participates in the Local Area Network (LAN) to identify any risks requiring external scrutiny and agree the council's local scrutiny plan (LSP). The LAN determined that no separate scrutiny plan was necessary since the 2019/20 plan published in September 2019. In March 2020 the auditor advised Audit Committee that the LAN is content that no additional scrutiny requirements are necessary in 2021/22.

15. Past and current governance issues

- 15.1 Issues of concern identified in previous years were aggregated and reported to Governance & Risk Committee in June 2020 and January 2021 for monitoring and scrutiny. Twelve such issues were listed in June 2020, reducing to 7 in January 2021 and, in June 2021, only 1 remained. The four failures in legal compliance in the Monitoring Officer's compliance statement have been or are being addressed to her satisfaction. The one matter outstanding is reviewing the council's relationship with West Lothian Leisure (its leisure services ALEO). This is a requirement of the council's Standing Orders, brought more into focus by West Lothian Leisure's financial position due to COVID closures and fee income reductions. The work was delayed due to COVID, with priority given to the financial pressures caused by lockdown restrictions. There have been regular and frequent reports to West Lothian Leisure Advisory Committee, Council Executive and Governance & Risk Committee to ensure members are aware of the risks and to enable decisions to be taken to help mitigate those risks. The remit and timetable for the review was discussed at a meeting between council and West Lothian Leisure in May 2021 and a timetable for the review is being prepared.
- 15.2 Annual reports on progress and performance against the Internal Audit and Counter Fraud Strategy and Risk Management Strategy were delayed by the suspension of committee meetings due to COVID but were made in January 2021 to Audit Committee and Governance & Risk Committee respectively. The review and approval of a revised Anti-Fraud & Corruption Policy was postponed due to the diversion of resources to pandemic-related work and will be completed in June 2021. The annual report confirms counter fraud work continued nevertheless and that the work plan was completed.
- 15.3 Audit Committee considered internal audit and counter fraud reports throughout the year. In several of them, controls were found to require improvement and actions were agreed. The interim and annual reports for both services summarised the work carried out and the findings, with those also being noted in the review of the system of internal control. Control was found to be unsound in only one area, the Referral Assessment Panel for Protection of Vulnerable Groups. The issues were addressed through the agreement of actions at Audit Committee in March 2021 and the approval of a revised policy and procedure at Council Executive in February 2021. Committee returned to two issues which had caused significant concern in 2019/20, the management of pupils with healthcare needs and the procedures for dealing with information security breaches. Committee was satisfied that outstanding issues had been fully addressed.
- 15.4 Governance & Risk Committee continued its scrutiny of risk arrangements through standing reports on high risks, health and safety risks and strategic risks. It returned to the reporting, as standing items, of the concurrent risks of EU withdrawal and the pandemic. It received reports about property compliance, insurance risks and claims, workforce occupational stress, workforce management and information management. It approved the annual governance statement, at the same time reviewing the standards and evidence in the Local Code of Corporate Governance and progress on governance issues. The committee noted the external auditors' opinion that the key features of good governance at the council are in place and operating effectively; the council responded quickly to ensure that governance arrangements were appropriate and operating effectively during the lockdown period caused by the global pandemic; the council has arrangements in place to appropriately scrutinise activities across its Group, in particular where financial support is being provided to entities in financial difficulty (West Lothian Leisure).
- 15.5 The membership of Governance & Risk Committee had been expanded to allow for a non-councillor appointment and an appointment was made in March 2020. The member resigned in March 2021 and arrangements are in hand to try to recruit a replacement.
- 15.6 A variety of changes was made to Standing Orders and the Scheme of Administration as a result of the ongoing review of decision-making arrangements, most notably the procedures for dealing with petitions and deputation requests from members of the public, recording and webcasting meetings of council, committee and PDSPs, and to facilitate the adoption of a scheme for family leave for elected members.
- 15.7 Standing Orders for Contracts were reviewed through an officer working group and a new version with significant changes and improvements was approved.
- 15.8 After a period of suspension of council and committee meetings due to COVID they resumed in May 2020 by remote access. Meetings of PDSPs started in October and a full calendar of meetings took place thereafter, still by remote access. Those arrangements are to continue until 30 September 2021. Arrangements for physical or hybrid meetings are being investigated and members will be asked to decide on arrangements before the end of September.

16. Governance issues ahead

- 16.1 Issues of concern from this and previous annual governance statements will be carried forward and reported to committee when it approves this statement and later as part of the annual report to Council Executive on corporate governance. Progress will continue to be reported on an interim and annual basis to Governance & Risk Committee. The outstanding review of the council's relationship with West Lothian Leisure (its leisure ALEO) is the most significant, since it is required by Standing Orders and such a periodic review is indicated as best practice. The postponed review of the Best Value Framework will be completed in 2021/22 as will the updating and approval of a revised Anti-Fraud & Corruption Policy.
- 16.2 Significant concerns arising from the annual compliance statements, in particular breaches of the law identified by the Monitoring Officer, will be pursued and remedial action taken (8.4-8.7).
- 16.3 The ongoing review of the council's decision-making arrangements should be concluded and reported before the end of this reporting year, although there are few issues remaining to be addressed.
- 16.4 Procedures will have to be developed to ensure compliance in decision-making with the United Nations Convention on the Rights of the Child, incorporated into Scots law in 2021.
- 16.5 There are likely to be consequences for the council flowing from the long-running Scottish Government/COSLA Review of Local Governance. The details remain to be established when the incoming Scottish Government sets its legislative programme but the pre-election indication was for devolution of decision-making and control in some service areas to a tier sitting below local authorities.
- 16.6 The further development and the implementation of community empowerment measures will be significant (especially Community Choices), although the development and success of the programme will be monitored through Council Executive going forward.
- 16.7 Full implementation of the CIPFA Financial Management Code (2019) will be required following its adoption in February 2021 with the actions identified upon its adoption to be completed as undertaken (9.4).
- 16.8 Actions arising from internal and external audit reports will continue to be monitored through Audit Committee and follow-up reports on previous areas of concern will be made as instructed.
- 16.9 A schedule of significant corporate policies, procedures and controls has been prepared to ensure their review before the end of the administrative term in May 2022. That was reported to Governance & Risk Committee in January and June 2021. Some have been dealt with already in the course of the last four years and the remaining ones will be addressed over the next 9 months.
- 16.10 The Officer Working Group on members' training and support will continue to meet. Its work will be extended this year to prepare for elected member induction after the local government elections in May 2022.
- 16.11 There will be further changes to the delivery of health and social care services for adults following the Feeley Report in January 2021. A Scottish Government consultation was launched on 9 August 2021 on proposed widespread changes which, if implemented, will have significant ramifications for local authority services.
- 16.12 The conduct of meetings through some hybrid arrangement, or even the resumption of fully physical meetings, will present administrative and governance challenges.
- 16.13 The updated statutory regime of counter-terrorism duties will require elected member training, new procedures and a new method of ensuring and reporting compliance. Monitoring will be carried out by Governance & Risk Committee and a new corporate risk was added in 2020/21. The management of that risk will be reported to Governance & Risk Committee on 14 June 2021.
- 16.14 A revised and much-changed version of the Councillors' Code of Conduct is expected to be approved in late 2021. Extensive work will be required to reflect the changes, by briefing and training elected members and modifying council policies, procedures and protocols accordingly.

17. COVID-19

- 17.1 The annual governance statement and Management Commentary for 2019/20 included information about the impact of COVID on governance arrangements although most of the effects were felt after the end of the reporting year. The effects of the pandemic continued throughout this reporting year, although the governance framework has proved to be robust and capable of adaptation to the extreme circumstances rather than requiring significant amendment in response.
- 17.2 Council, committee and PDSP meetings were suspended with effect from 25 March 2020 when the first lockdown restrictions were imposed. The suspension was initially to run until 31 July 2020 with officers in the meantime to seek a software platform to allow meetings to take place by remote access. That was achieved earlier than expected and remote access meetings commenced on 26 May 2020. A restricted calendar of meetings was put in place until 31 July, and then until 31 October 2021, designed to find a balance amongst the need to deal with significant business through elected members (e.g., financial risks and pressures and the annual accounts procedures), the continuing and fluctuating dangers of transmission and infection, and the competing call on officer and other resources to tackle the pandemic. The return to normal frequency and regularity of meetings was achieved from November 2020. In March 2021 a full calendar of meetings was approved, covering the period till July 2022. It has been agreed that meetings will continue by remote access until 30 September 2021 but officers have been instructed to explore options for the resumption of physical meetings, and meetings held in a hybrid manner.
- 17.3 During the suspension of meetings, decisions were taken under existing emergency delegated powers vested in the Chief Executive. No amendments were required to Standing Orders, including the Scheme of Delegations to Officers, to enable those decisions to be made. A detailed log of those decisions was kept. Members were informed of decisions made and actions taken by way of daily email briefings and copies of supporting reports were made available to them. The use of these powers was then reported to committee at the earliest opportunity, on 26 May 2020 for non-education business and on 23 June 2020 for education business. Committee members have been kept informed throughout of decisions made in the name of committees. As meetings resumed the need to use these delegated powers diminished substantially, although it did not disappear completely. Even as late as January and February 2021 urgent decisions had to be made about providing free school meals even though the regularity and frequency of meetings had returned to normal. Overall, existing arrangements were able to be used and practices adapted to meet the demands of the pandemic without requiring urgent changes to Standing Orders.
- 17.4 Emergency coronavirus legislation allowed councils to choose to postpone compliance with statutory duties to publish annual and other reports concerning council functions and services. After careful consideration that power was not exercised. All statutory reporting due to take place during the emergency period was and will be carried out to normal timescales. That includes the preparation and approval of the annual accounts and financial statements. Those were completed in accordance with the statutory timescales in both 2019/20 and 2020/21 despite regulations being passed allowing some slippage for this reporting year.
- 17.5 The same legislation allowed the temporary suspension of statutory duties to make hard copies of certain documents available for physical inspection and copying. That power was exercised in relation to eleven such duties where those documents could be readily available by electronic means. The use of that power was reviewed and extended in September 2020 and February 2021 and is due to end on 30 September 2021.
- 17.6 Working from home arrangements continued throughout the reporting year. Remote meeting platforms were used extensively, latterly MS teams and WebEx. A Remobilisation Working Group chaired by the Head of Finance & Property Services was established and will report to members in autumn 2021. A return to the workplace was implemented for senior managers in April 2021 with a view to a phased return of other officers depending on service needs and health guidance.
- 17.7 Starting immediately after the resumption of council and committee meetings in May 2020, reporting on the financial consequences of the pandemic has taken place on a regular basis. The normal pattern of quarterly budget-monitoring reports to Council Executive continued despite the pandemic, with added information in relation to COVID funding, spending and pressures. Additional ad hoc reports were made to committee when required, for example, in relation to the local government financial settlement. The reports to council when council tax was set and budgets approved included additional information and provision relating to the pandemic. Horizon-scanning reports to PDSP have provided more generalised reviews and forecasts of impacts.
- 17.8 In June 2020 it was agreed that there would be quarterly reports to committee concerning the joint oversight arrangements amongst council health board and integration joint board in relation to care homes and COVID. Those reports have continued, providing elected members with an accurate picture of the impact on care homes and the actions taken under emergency coronavirus legislation and guidance.

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- 17.9 Audit Committee and Governance & Risk Committee each considered Audit Scotland's report "Covid-19: Guide for Audit & Risk Committees" in late 2020. Audit Committee also received a briefing on Audit Scotland's "Covid-19 Implications for Public Finances in Scotland".
- 17.10 More general plans for recovery and renewal of council services have been brought to committee in August 2020 and June 2021. In June 2020 Governance & Risk Committee considered an initial report on the risks and governance aspects of the emergency. That reporting continued throughout the reporting year to that committee in concurrent risk reports, dealing with the pandemic and EU withdrawal together. A corporate risk specific to COVID was added to the risk register.
- 17.11 The provision of education during the reporting year was a significant challenge, dealing with learning from home, service provision to key worker and vulnerable children, provision of free school meals, SQA examination changes, social distancing within schools and the complications of frequent Education Continuity Directions and frequently-changing guidance. Every meeting of Education Executive from and including June 2020 to date has considered a lengthy and detailed report on education recovery.
- 17.12 The priorities in the Corporate Plan remain in place, delivery on the supporting corporate strategies continues and progress reports to committee have resumed. The well-established approach to long-term financial planning has continued as well. Delivery of budget-saving measures has been largely maintained with slippage and changes reported to and agreed by council in February 2021.
- 17.13 The Corporate Business Continuity Plan was reviewed to draw on experience from COVID and will be presented to committee after the summer of 2021.
- 17.14 Consideration has been given to the extent of the information available about the impact of the pandemic on the council's governance arrangements with a view to determining if assurances should be qualified. The following sources have been taken into account: -
- The commentary and assessments in the Local Code of Corporate Governance include information about the impact of COVID on normal arrangements
 - The annual compliance statements produced through the Monitoring Officer which include information about significant COVID impacts
 - The review of the system of internal control and the Audit Risk & Counter Fraud Manager's annual opinion on the framework of governance, risk management and control, in which there was no qualification or limitation of scope due to COVID
 - The schedule of completed and ongoing governance issues that accompanied this statement when it was presented for approval
 - The Chief Financial Officer's Management Commentary in the annual accounts for 2019/20 and 2020/21, both including additional COVID information as called for by CIPFA guidance
 - The work of the Governance & Risk Committee and Audit Committee throughout, supported by the related work of the Governance & Risk Board at officer level. Delays attributable to COVID in completing risk actions timeously were noted in risk reports
 - The Internal Audit Annual Report, the Risk Management Annual Report and the Counter Fraud Annual Report, all of which were progressed to the satisfaction of committee with the impacts of the pandemic being reported where relevant
 - The views of the external auditors set out in their annual audit report on the 2019/20 accounts and their annual plan for 2021/22
 - The financial reporting carried out by the Chief Financial Officer
- 17.15 In reliance on all those sources it is judged that sufficient information has been available to inform this statement. Delays in relation to corporate programmes and policies have been identified in this statement, in the annual compliance statements, and in the Local Code of Corporate Governance. It has not been considered that the assurances given in relation to corporate governance for 2020/21 require to be qualified or restricted as a result of Covid-19.

18. Conclusion and assurance

There are inevitably issues on which future work is required and the full and longer-term impact of the Covid-19 pandemic has not yet been established. However, based on the sources listed above, the council and the West Lothian community can be assured that the council's corporate governance standards have been substantially met in 2020/21.



Graham Hope
Chief Executive

28 September 2021



Councillor Lawrence Fitzpatrick
Leader of the Council

1. INTRODUCTION

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

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

2. COUNCIL LEADER, PROVOST AND SENIOR COUNCILLORS

2.1 Remuneration Policy

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

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2020/21 the salary for the Leader of West Lothian Council was £35,713 (£34,944 2019/20). The Regulations permit the council to remunerate one Provost and set out the maximum salary that may be paid to the Provost. For 2020/21 the salary of the Provost of West Lothian Council was £26,785 (£26,208 2019/20). The council's Scheme of Elected Members Remuneration, Allowances and Reimbursement of Expenses 2020/21 sets the level of payment in accordance with the regulations at the national maximum.

The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors the council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the council for remuneration of all of its Senior Councillors for 2020/21 shall not exceed £312,471 (£305,747 2019/20). 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 2020/21 (2019/20) West Lothian Council had 12 (12) senior councillors and the basic salary paid to these councillors totalled £312,471 (£305,747 2019/20). 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 2020 and is available at:
<https://coins.westlothian.gov.uk/coins/viewDoc.asp?c=e%97%9Dh%94n%7C%90>

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 2020/21 the amount recharged to Lothian Valuation Joint Board for Councillor A McGuire, in respect of a vice-convenor position was £3,439 (£3,189 2019/20).

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

Salaries
 Allowances
 Expenses
Total

2020/21 £'000	2019/20 £'000
698	699
7	14
11	31
716	744

The annual return of Councillors' salaries and expenses for 2020/21 is available for any member of the public to view at all Council Information Services Offices and Libraries during normal working hours and is also available on the council's website at https://www.westlothian.gov.uk/media/3865/Elected-Members-Remuneration-Expenses/pdf/Elected_Members_Remuneration_Report_2020-211.pdf?m=637582311683100000

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 2020/21: -

Name	Post Title	Total Remuneration 2020/21 £	Total Remuneration 2019/20 £
Council Leader, Provost and Senior Councillor payments			
L Fitzpatrick	Leader of the Council	35,713	34,944
T Kerr	Provost (Civic Leader)	26,785	26,208
H Cartmill	Executive Post - Health and Social Care	26,039	25,479
T Conn	Executive Post - Environment	26,039	25,479
D King ¹	Executive Post - Culture and Leisure (Depute Provost)	26,039	25,479
C Muldoon	Executive Post - Development and Transport	26,039	25,479
C Horne	Chair of Audit Committee	26,039	25,479
D Doran-Timson	Chair of Governance and Risk Committee	26,039	25,479
K Sullivan	Executive Post - Voluntary Organisations (Depute Leader)	26,039	25,479
CJ Kennedy	Chair of Development Management Committee	26,039	25,479
A Doran-Timson	Executive Post - Social Policy	26,039	25,479
D Dodds	Executive Post - Education	26,039	25,479
G Paul	Executive Post - Services for the Community	26,039	25,479
A McGuire ²	Lothian Valuation Joint Board	21,293	20,659
P Heggie	Chair of Licensing Committee	26,039	25,479
Total		396,259	387,559

1. During May 2021 Councillor D King sadly passed away. A by-election was held on 5 August 2021 for his ward.
2. West Lothian appointee on Lothian Valuation Joint Board. The amount recharged to Lothian Valuation Joint Board in 2020/21 was £3,439 (£3,189 2019/20) in respect of Councillor A McGuire.

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

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

3. SENIOR EMPLOYEES**3.1 Remuneration Policy**

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish Local Authorities. Circular CO/150 sets the amount of salary for the Chief Executive of West Lothian Council for the period 2020/21.

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

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

The West Lothian Integration Joint Board was legally established on 21 September 2015. J Forrest was formally appointed as Chief Officer on 16 February 2016 until his retirement on 29 September 2019. A Short was appointed as Chief Officer on 30 September 2019 and subsequently left the council for new employment on 30 April 2021. A new Depute Chief Executive (Alison White) took up post on 5 July 2021. 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 the body, which employs the post holder directly.

REMUNERATION REPORT

STATEMENT 3

3.2 Senior Employees Remuneration

The senior employees included in the table are any council employee:

- Who has responsibility for management of the council 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 2020/21.

Name and Post Title	Full Year Equivalent Salary £	Total Remuneration ⁸ 2020/21 £	Total Remuneration 2019/20 £
G Hope¹ Chief Executive	-	144,927	143,879
J Forrest² Depute Chief Executive / Chief Officer West Lothian Integration Joint Board (until 29 September 2019)	107,180		28,505
A Short³ Depute Chief Executive / Chief Officer West Lothian Integration Joint Board (from 30 September 2019)	101,799	50,899	24,429
R G Struthers Depute Chief Executive	-	126,664	122,975
E Cook Depute Chief Executive	-	126,664	122,975
D Forrest Head of Finance and Property Services	-	103,574	100,557
J Jack Head of Operational Services	-	95,872	93,080
A M Carr Head of Housing, Customer and Building Services (from 3 December 2018)	-	95,872	90,886
C McCorriston Head of Planning, Economic Development and Regeneration	-	95,872	93,080
J Whitelaw Head of Corporate Services	-	95,872	93,080
J Cameron Head of Education (Learning, Policy and Resources)	-	103,574	100,557
D McMaster⁴ Head of Education (Curriculum, Quality Improvement and Performance) (until 18 October 2020)	103,574	56,799	100,557
C Hatch⁵ Acting Joint Head of Education (Secondary Schools) (from 1 October 2020)	99,718	92,738	-
G Welsh⁵ Acting Joint Head of Education (Early Years & Primary Schools) (from 1 October 2020)	99,718	83,670	-
J MacPherson Head of Social Policy (from 27 August 2018)	-	101,636	96,622
Subsidiary R Strang⁶ Chief Executive, West Lothian Leisure Ltd (until 30 September 2019)	-	-	135,799
T P J Dent⁷ Chief Executive, West Lothian Leisure Ltd (from 1 October 2019)		81,399	42,236
Total		1,456,032	1,389,217

REMUNERATION REPORT**STATEMENT 3**

1. G Hope remuneration includes no returning officer payment in 2020/21 (2019/20 £3,173).
2. The Depute Chief Executive/Chief Officer West Lothian Integration Joint Board, J Forrest, was remunerated by the National Health Service (NHS) with West Lothian contributing 50% of his total cost of employment. The total pension contribution paid by WLC in relation to J Forrest in 2019/20, prior to his retirement on 29 September 2019, was £2,005.
3. A Short was appointed Depute Chief Executive/Chief Officer West Lothian Integration Joint Board on 30 September 2019 and is remunerated by the National Health Service (NHS) with West Lothian contributing 50% of his total cost of employment. The total pension contribution paid by WLC in relation to A Short in 2020/21 is £10,533. A Short is no longer remunerated by the council, having left the Depute Chief Executive role on 30 April 2021.
4. D McMaster left employment with the council on 18 October 2020.
5. C Hatch and G Welsh were appointed to the Acting Joint Head of Education on 1 October 2020, with the role and remuneration split equally between the two appointees.
6. The previous Chief Executive of WLL, Robin Strang, retired at the end of September 2019. During 2019/20 WLL paid an amount of £85,792 as an additional payment to the Chief Executive on his retirement. The payment was authorised by the WLL Board in line with the established governance structures in place at WLL. This payment has not been included in the exit packages summary table 3.4.
7. The current Chief Executive of West Lothian Leisure Ltd from 1 October 2019, T P J Dent, is remunerated by the council's subsidiary company, West Lothian Leisure Ltd.
8. There were no compensation payments for loss of employment or annual compensation payments in 2020/21 or 2019/20 for the council.

3.3 Employee Information by Pay Band

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

Remuneration Bands	Number of Employees	
	2020/21	2019/20
£50,000 - £54,999	124	105
£55,000 - £59,999	159	150
£60,000 - £64,999	55	77
£65,000 - £69,999	59	26
£70,000 - £74,999	21	20
£75,000 - £79,999	2	1
£80,000 - £84,999	5	4
£85,000 - £89,999	3	3
£90,000 - £94,999	5	9
£95,000 - £99,999	5	1
£100,000 - £104,999	3	3
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	2
£125,000 - £129,999	2	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	1	1
Total	444	402

The number of officers whose remuneration, including benefits were £50,000 or more in the year increased by 42 in 2020/21, of which 17 were teachers and 25 were other officers. The increases were largely due to the nationally agreed 2020/21 pay awards, other reasons included incremental salary progression and voluntary severance.

3.4 Employee Exit Packages

The number of employee exit packages with total cost per band is set out in the table below. There were no compulsory redundancies in 2020/21 or 2019/20.

Exit package Cost Range	Number of employee exit packages agreed		Total cost of employee exit packages in each band	
	2020/21	2019/20	2020/21 £'000	2019/20 £'000
£0 - £20,000	6	13	62	154
£20,001 - £40,000	2	4	66	118
£40,001 - £60,000	4	1	203	40
£60,001 - £80,000	3	1	207	66
£80,001 - £100,000	0	2	-	171
£100,001 - £150,000	2	-	209	-
Total	17	21	747	549

The application for early retirement or voluntary severance (ERVS) is prepared by the staff members line manager and Human Resources. The application contains employee personal details, details of the business case and includes a summary of costs and savings populated by Human Resources. The application for ERVS is reviewed and signed by the relevant Head of Service and Depute Chief Executive.

4. PENSIONS

4.1 Local Government Pension Scheme Details (LGPS)

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

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

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

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

The members contribution rates for 2020/21 remain at the 2019/20 rates, however the ranges have changed as follows:

Whole time pay	Range 2020/21	Range 2019/20	Contribution rate 2020/21	Contribution rate 2019/20
On earnings up to and including	£22,200	£21,800	5.5%	5.5%
On earnings above	£22,201 and up to £27,100	£21,801 and up to £26,700	7.25%	7.25%
On earnings above	£27,101 and up to £37,200	£26,701 and up to £36,600	8.5%	8.5%
On earnings above	£37,201 and up to £49,600	£36,601 and up to £48,800	9.5%	9.5%
On earnings above	£49,601	£48,801	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).

REMUNERATION REPORT

STATEMENT 3

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 2021 are shown in the table below, together with the contribution made by the council to each Senior Councillor's pension during the year.

Name	Post Title	In-year pension contributions		Accrued pension benefits			
		For year to 31 March 2021	For year to 31 March 2020	As at 31 March 2021		Difference from 31 March 2020	
		£	£	Pension £'000	Lump Sum £'000	Pension £'000	Lump Sum £'000
Council Leader, Provost and Senior Councillor contributions							
L Fitzpatrick	Leader of the Council	7,821	7,478	7	2	-	-
T Kerr	Provost (Civic Leader)	5,866	5,609	7	2	1	-
H Cartmill	Executive Post - Health and Social Care	5,703	5,452	4	-	-	-
T Conn	Executive Post - Environment	5,703	5,452	6	2	-	-
C Muldoon	Executive Post - Development and Transport	5,703	5,452	6	2	-	-
C Horne	Chair of Audit Committee	5,703	5,452	2	-	-	-
D Doran-Timson	Chair of Governance and Risk Committee	5,703	5,452	2	-	-	-
K Sullivan	Executive Post - Voluntary Organisations (Depute Leader)	5,703	5,452	2	-	-	-
CJ Kennedy	Chair of Development Management Committee	5,703	5,452	2	-	-	-
A Doran-Timson	Executive Post - Social Policy	5,703	5,452	2	-	-	-
D Dodds	Executive Post - Education	5,703	5,452	3	-	-	-
P Heggie	Chair of Licensing Committee	5,703	5,452	2	-	-	-
Total		70,717	67,607	45	8	1	-

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

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

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

REMUNERATION REPORT

STATEMENT 3

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

The pension entitlements of Senior Employees who are members of the LGPS for the year to 31 March 2021 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 2021	For year to 31 March 2020	As at 31 March 2021		Difference from 31 March 2020	
		£	£	Pension £'000	Lump Sum £'000	Pension £'000	Lump Sum £'000
G Hope ¹	Chief Executive	31,739	30,790	71	117	4	3
R G Struthers	Depute Chief Executive	27,739	26,317	59	93	4	3
E Cook	Depute Chief Executive	27,739	26,317	71	-	5	-
D Forrest	Head of Finance and Property Services	22,683	21,519	49	77	4	3
J Jack	Head of Operational Services	20,996	19,919	48	81	3	2
AM Carr	Head of Housing, Customer and Building Services	20,996	19,450	51	95	4	5
C McCorriston	Head of Planning, Economic Development and Regeneration	20,996	19,919	48	81	3	2
J Whitelaw	Head of Corporate Services	20,996	19,919	36	45	3	2
J Cameron	Head of Education (Learning, Policy and Resources)	22,683	21,519	79	-	4	-
D McMaster	Head of Education (Curriculum, Quality Improvement and Performance) (until 18 October 2020)	12,439	21,519	62	-	2	-
J MacPherson	Head of Social Policy	22,258	20,677	51	92	4	5
Total		251,264	247,865	625	681	40	25

1. Chief Executive in-year contributions total includes pension benefits for Returning Officer duties in 2019/20. The Chief Executive undertook no Returning Officer duties during 2020/21.
2. C Hatch and G Welsh Acting Joint Head of Education are currently not members of the LGPS pension scheme, as both remain members of SPPA as a result of their acting status.

The McCloud and Goodwin judgements, as outlined in note 20 (net pension liability), may have an impact on the valuation of accrued pension benefits disclosed in notes to the Remuneration Report 4.2 and 4.3 above, as the impact of these rulings is considered and implemented across the Lothian Pension Fund. However, while an estimate on the impact of these rulings has been made at the fund level it is not possible to assess the value of the impact for any specific individual at this stage.

4.4 Facility Time Report 2020/21

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

The information for 2020/21 is summarised in the following table:

		Non-Teacher	Teacher
Number of employees who were relevant union officials during 2020/21		38	13
Number of FTE employees who were relevant union officials during 2020/21		36.4	12.5
Percentage of time spent on facility time	0%	23	9
	1% - 50%	10	3
	51% - 99%	4	-
	100%	1	1
Percentage of pay bill spend on facility time	Total cost facility time	£235,414	£91,810
	Total pay bill	£136,736,188	£159,027,011
	Percentage of total pay bill on facility time	0.17%	0.06%
Paid trade union activities		3.8%	-

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



Graham Hope
Chief Executive

28 September 2021



Councillor Lawrence Fitzpatrick
Leader of the Council

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

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

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2021**

	Note	2020/21			2019/20		
		Gross Expend £'000	Gross Income £'000	Net Expend £'000	Gross Expend £'000	Gross Income £'000	Net Expend £'000
Schools, Education Support		278,346	27,132	251,214	263,246	19,532	243,714
Planning, Economic Development and Regeneration		14,375	5,945	8,430	11,820	5,657	6,163
Operational Services		82,686	6,143	76,543	83,785	8,118	75,667
Housing, Customer and Building Services		20,927	6,519	14,408	21,352	6,127	15,225
Corporate Services		1,898	507	1,391	1,899	599	1,300
Social Policy – IJB, Adult and Elderly Services		173,173	103,820	69,353	166,548	97,110	69,438
Social Policy – non-IJB Children's Services		43,743	5,126	38,617	41,927	4,730	37,197
Chief Executive, Finance and Property		50,765	7,353	43,412	44,275	4,802	39,473
Joint Boards		1,193	-	1,193	1,159	5	1,154
Other Services		50,261	47,324	2,937	50,221	49,382	839
Net Cost of General Fund Services		717,367	209,869	507,498	686,232	196,062	490,170
Housing Revenue Account		61,747	54,329	7,418	85,606	52,536	33,070
Net Cost of Services		779,114	264,198	514,916	771,838	248,598	523,240
Other Operating Expenditure	9	(1,272)	-	(1,272)	(1,377)	-	(1,377)
Finance and Investment Income and Expenditure	10	60,396	29,094	31,302	66,138	32,273	33,865
Taxation and Non-Specific Grant Income	11	-	477,506	(477,506)	-	426,640	(426,640)
Deficit on Provision of Services	5	838,238	770,798	67,440	836,599	707,511	129,088
Items that will not be reclassified to the Deficit on the Provision of Services							
Surplus on revaluation of property, plant and equipment				(394,340)			(26,153)
Remeasurement of the net defined benefit loss / (gain)				63,868			(87,046)
Items that may be reclassified to the Deficit on the Provision of Services				(330,472)			(113,199)
Deficit / (Surplus) from investments in equity instruments designated at fair value through other comprehensive income				79			(24)
Other Comprehensive Income and Expenditure				(330,393)			(113,223)
Total Comprehensive Income and Expenditure				(262,953)			15,865

MOVEMENT IN RESERVES STATEMENT

STATEMENT 5

PURPOSE

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

**MOVEMENT IN RESERVES STATEMENT
AS AT 31 MARCH 2021**

	Note	General Fund £'000	Housing Revenue Account £'000	Capital Fund £'000	Insurance Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 1 April 2019		17,663	926	61,713	10,391	90,693	670,457	761,150
Movement in Reserves during 2019/20								
Total comprehensive income and expenditure		(86,116)	(42,972)	-	-	(129,088)	113,223	(15,865)
Adjustments between accounting basis and funding basis under regulations	13	91,606	42,972	(8,154)	-	126,424	(126,424)	-
Net increase (decrease) before transfers to other statutory funds		5,490	-	(8,154)	-	(2,664)	(13,201)	(15,865)
Transfers (to) / from other statutory funds	12	(3,284)	-	4,358	(1,074)	-	-	-
Increase (decrease) in year		2,206	-	(3,796)	(1,074)	(2,664)	(13,201)	(15,865)
Balance at 31 March 2020		19,869	926	57,917	9,317	88,029	657,256	745,285
General Fund analysed over:								
Amounts Earmarked	34	16,875						
Amounts Uncommitted		2,994						
Total General Fund Balance at 31 March 2020		19,869						
Movement in Reserves during 2020/21								
Total comprehensive income and expenditure		(49,708)	(17,732)	-	-	(67,440)	330,393	262,953
Adjustments between accounting basis and funding basis under regulations	13	76,005	17,732	(17,705)	-	76,032	(76,032)	-
Net increase (decrease) before transfers to other statutory funds		26,297	-	(17,705)	-	8,592	254,361	262,953
Transfers (to) / from other statutory funds	12	(3,647)	-	5,368	(1,721)	-	-	-
Increase (decrease) in year		22,650	-	(12,337)	(1,721)	8,592	254,361	262,953
Balance at 31 March 2021		42,519	926	45,580	7,596	96,621	911,617	1,008,238
General Fund analysed over:								
Amounts Earmarked	34	40,258						
Amounts Uncommitted		2,261						
Total General Fund Balance at 31 March 2021		42,519						

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 council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the council 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 council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

		As at 31 March 2021 £'000	As at 31 March 2020 £'000
LONG TERM ASSETS	Note		
Property, Plant and Equipment			
- Council Dwelling		473,070	383,804
- Other Land and Buildings		1,166,446	950,037
- Vehicles, Plant, Furniture and Equipment		11,059	11,330
- Infrastructure Assets		240,321	238,718
- Community Assets		501	567
- Assets under construction		39,799	13,895
- Surplus Assets, not yet held for disposal		22,856	22,672
- Intangible Assets		1,746	1,170
	14.1	1,955,798	1,622,193
Heritage Assets		779	779
Long Term Investments	15.1	491	574
TOTAL LONG TERM ASSETS		1,957,068	1,623,546
CURRENT ASSETS			
Short Term Investments	15.1	15,083	91,479
Inventories		1,730	1,346
Short Term Debtors	16	77,845	37,182
Cash and Cash Equivalents	26	71,946	18,016
TOTAL CURRENT ASSETS		166,604	148,023
CURRENT LIABILITIES			
Short Term Borrowing	15.1	(79,196)	(84,415)
Short Term Creditors	17	(85,641)	(65,342)
Provisions	18	(573)	(387)
Capital Grant Receipts in Advance	33	(30,066)	(30,126)
TOTAL CURRENT LIABILITIES		(195,476)	(180,270)
NET CURRENT LIABILITIES		(28,872)	(32,247)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,928,196	1,591,299
LONG TERM LIABILITIES			
Long Term Creditors	19	(316)	(335)
Long Term Borrowing	15.1	(528,641)	(538,641)
Defined Benefit Scheme Liability	20.3	(311,763)	(225,357)
Other Long Term Liabilities	19	(79,238)	(81,681)
TOTAL LONG TERM LIABILITIES		(919,958)	(846,014)
TOTAL NET ASSETS		1,008,238	745,285
Financed by:			
USABLE RESERVES			
General Fund Balance	34	42,519	19,869
Housing Revenue Fund Balance		926	926
Capital Fund	21.2	45,580	57,917
Insurance Fund	21.1	7,596	9,317
TOTAL USABLE RESERVES		96,621	88,029
UNUSABLE RESERVES	22	911,617	657,256
TOTAL RESERVES		1,008,238	745,285

The unaudited accounts were considered by the Audit Committee on 21 June 2021 and the audited accounts were authorised for issue on 28 September 2021.

DONALD FORREST CPFA, Head of Finance and Property Services

28 September 2021

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CASH FLOW STATEMENT		STATEMENT 7	
PURPOSE	The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council 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 council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council'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	2020/21 £'000	2019/20 £'000
Net Deficit on the provision of services		(67,440)	(129,088)
Adjustments to net deficit on the provision of services for non-cash movements	23	143,094	193,630
Net cash flows from Operating Activities		75,654	64,542
Net cash flows from Investing Activities	24	(2,762)	(68,366)
Net cash flows from Financing Activities	25	(18,962)	(4,246)
Net (decrease) / increase in cash and cash equivalents		53,930	(8,070)
Cash and cash equivalents at the beginning of the reporting period		18,016	26,086
Cash and cash equivalents at the end of the reporting period	26	71,946	18,016

1. ACCOUNTING POLICIES

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 2020/21 (The Code) supported by International Financial Reporting Standards (IFRS).

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

Basis of Preparation Statement

The council financial statements for 2020/21 have been prepared on a going concern basis. The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future, and in particular for the period of at least 12 months from the approval of these financial statements to the end of September 2022. The provisions in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. In accordance with the CIPFA Code of Local Government Accounting (2020/21), the council is required to prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity. The accounts are prepared on the assumption that the council will continue in operational existence for the foreseeable future.

West Lothian Council approved an updated medium term financial plan for the period 2021/22 and 2022/23 at the Council meeting on 25 February 2021. In order to maintain a balanced budget for 2021/22 to 2022/23 the council is required to deliver total budget savings of £20.6 million over this period including £9 million in 2021/22, of which 100% were identified in the MTFP. The updated financial plan highlighted a number of risks over the period that continue to be closely monitored.

Following the approval of the medium term financial plan, the council continues to face unprecedented challenges, including the impact of Covid-19, in delivering essential services whilst resources are constrained. Over recent months substantial work has been undertaken to identify the estimated additional costs of Covid-19.

In addition to known costs during the lockdown period, there is a high risk that further significant costs will continue to be incurred during financial year 2021/22 and beyond. There is no expectation at this point of continued government support in addition to that already received. A COSLA cost collection exercise is underway by councils which will forecast estimated additional costs in 2021/22 of the pandemic. Reflecting this, Council approved significant resources on 25 February 2021 to support the pandemic response and recovery over 2021/22 and 2022/23. A report proposing the allocation of further resources to the pandemic recovery, relating to additional Scottish Government grant, was reported to Council Executive on 22 June 2021.

The council's minimum uncommitted general fund balance is £2 million. The uncommitted general fund balance at 31 March 2021 is £2.26 million. Although the council's minimum uncommitted balance is low compared to other authorities in Scotland, the council has a high level of general services committed usable reserves, totalling £93 million at 31 March 2021 (£85 million at 31 March 2020). The HRA balance at 31 March 2021 (2020) is £0.926 million (£0.926 million). The value of earmarked reserves is subject to ongoing monitoring and review.

West Lothian Council has balances of cash and short term investments, totalling £71.946 million at 31 March 2021 (£18.016 million at 31 March 2020). Normally when investments mature they are reinvested for periods up to a year. During the pandemic maturing investments have been retained in highly liquid instruments, such as the overnight bank account or money market funds, to ensure that the funds are available as required. The council's cash flow is monitored weekly by management and the council does not forecast any cash flow shortage.

The council continues to regularly monitor its financial position and provide full financial updates to Council Executive and the Council as appropriate, including options on addressing any new budget gaps and spending pressures. It is anticipated that following the completion of the capital accounting review by local government, a further update can be provided during 2021 on the potential service concession flexibility that was unable to be deployed during 2020/21.

Management is continuing to liaise with Scottish Government and COSLA on ensuring sustainable funding going forward.

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

Revenue Transactions

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

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

Intangible Assets

Intangible assets are non-monetary assets that do not have a physical substance but are controlled by the council. Non-current intangible assets include software which is not an integral part of IT systems within the council. The accounting treatment of intangible assets is the same as for Property, Plant and Equipment assets. The council accounts for software and licences financed through the capital programme as intangible assets and they are shown at cost. The assets are amortised over three years on a straight-line basis.

Property, Plant and Equipment - Valuation

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

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

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

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

Council houses have been valued at fair value using the Beacon Principle, existing use value for social housing, in accordance with the Royal Institution of Chartered Surveyors (RICS) Guidance. During 2020/21 the council houses were revalued by the Valuation Office Agency – DVS Property Specialists for the Public Sector.

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

Property, Plant and Equipment - Capital Receipts

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

Property, Plant and Equipment - Depreciation

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

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

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

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

During 2020/21, all properties subject to material change in valuation; factory industrial units, business units, shops, offices, play areas, picnic areas and miscellaneous land were revalued. In total, they were collectively deemed to be significant in terms of their overall asset value and as such depreciation was charged on a componentised basis for all properties revalued as part of those groups.

The current policy of quinquennial revaluation will remain. However, in line with the requirements of the Code, only assets which were acquired, enhanced or revalued in 2020/21 had their useful lives updated. The council undertakes an annual review to ensure assets are valued with sufficient regularity to be fairly stated.

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

Property, Plant and Equipment - Revaluation

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

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

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

Property, Plant and Equipment - Impairment

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

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

Property, Plant and Equipment - Charges to Revenue

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

Heritage Assets

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

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

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

There have been no acquisitions, donations, disposals, or council owned additions to the Heritage Asset portfolio during the financial year 2020/21.

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

Improvement Grants

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

Government Grants and Contributions

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

Additional Scottish Government funding provided in relation to Covid-19 has been accounted for as grant income in line with all other government grant income on an accruals basis, and any related expenditure recognised separately in the financial statements.

Grant income has been accounted for on the basis that the council is acting either as principal or agent based on the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) with further guidance provided by the LASAAC Guidance on Accounting for Coronavirus (Covid-19) Grants / Funding Streams. Definitions and treatment of grants are as follows: -

Agency

Grant income where the council is acting as an agent, as an intermediary in distributing funds from the Scottish Government, has not been recorded in the CIES as the council does not retain the risks and rewards of the income and related expenditure. The balance sheet records the debtors and creditors for these transactions.

Note 7.3 on pages 14 and 15 of the Management Commentary provides a detailed analysis of grants where the council has acted as an agent for Covid-19 grant funding from Scottish Government.

Principal

Grant income where the council is acting as a principal, on its own behalf, has been recorded in the CIES and the notes to the financial statements.

Note 33 on page 87 of the financial statements provides a detailed analysis of grants where the council has acted as principal for Covid-19 grant funding from Scottish Government.

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

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

Redemption of Debt

The council operates a Consolidated Loans Fund under the terms of the Local Government (Scotland) Act 1975. All loans raised are paid into the fund and have a repayment period of 35 years.

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

Cash and Cash Equivalents

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

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

FINANCIAL INSTRUMENTS**Financial Liabilities**

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

Borrowing

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

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

Creditors

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

**Financial Assets
Investments**

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

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

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

Financial Assets Measured at Amortised Cost

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

The amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Debtors

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

Expected Credit Loss Model

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

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

Fair Value Measurement

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

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

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

Level 3 – unobservable inputs for the asset or liability.

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

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

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

The council holds no assets under this classification.

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

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

External Interest Payable and Loans Fund Interest

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

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

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

Reserves

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

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

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

Capital Fund – established to ensure that, following the introduction of the CIPFA Prudential Code for Capital Finance in Local Authorities in April 2004, borrowing decisions and capital programme management are based on Best Value considerations. General Fund treasury management balances in any given year will normally be transferred to or from the Capital Fund. The balance in the Capital Fund at 31 March 2021 was £45.580 million.

Revaluation Reserve

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

Financial Instrument Revaluation Reserve (FIRR)

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

Capital Adjustment Account

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

Inventories

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

Central Support Services

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

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

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

Revenue from Contracts with Customers

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

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

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

Finance Leases

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

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

Employee Benefits

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

Termination Benefits

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

**Public Private Partnership (PPP)
Design, Build, Finance and Maintain (DBFM)**

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

Operating Leases

Current annual operating lease rentals have been charged to revenue.

Non-Domestic Rates (NDR)

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

Pension Costs

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

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

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

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

The IAS 19 actuarial valuation involves the actuary reviewing the most recent triennial actuarial valuation, updating it to reflect current conditions at the balance sheet date and apportioning assets and liabilities amongst employers. Assets are valued at fair value, principally bid value for investments. Liabilities are valued using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The 2020/21 discount rate was 2.0% (2.3% 2019/20). 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.

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

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

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

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

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

Contingent Liabilities

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

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

Provisions

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

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).

Prior Period Adjustments

Prior Period Adjustments arise as a result of a change in accounting policy. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts. There have been no prior period adjustments in 2020/21.

For 2020/21 there has been a reclassification adjustment for prior period comparative balances for consistency with 2020/21 balances following reassessment of appropriateness of disclosure category.

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

For 2020/21 the following accounting policy changes require to be reported as issued but not yet adopted by the code.

- Definitions of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS7, IFRS 4 and IFRS 16.

There is no impact of these changes on the accounts covering the 2020/21 financial year.

IFRS 16 Leases

In light of the Covid-19 pandemic, the CIPFA LASAAC Local Authority Accounting Code Board and the Financial Reporting Advisory Board have agreed to defer IFRS 16 Leases for a further 12 months until closedown of accounts 2022/23.

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

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

In preparation for implementation, the council has made significant progress in identifying lease type agreements and has engaged with Link Asset Services for the provision of a lease asset register. Whilst progress has been made, the council is not in a position to quantify the impact on the financial statements for 2020/21. Moving forward to the financial statements in relation to 2021/22 the council will be in a position to quantify the impact. The council will adopt IFRS16 with effect from 1 April 2022. The implementation and compliance with IFRS16 is recognised as potentially significant for most leases.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in note 1, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events in particular in relation to the impact of Covid-19 on the council's financial position. The critical judgements made in the annual accounts are:

PPP / DBFM - The council is deemed to control the services provided under the PPP and DBFM agreements for the provision of educational establishments in accordance with IFRC12. Details of the partnership agreements to which this judgement applies are included in Note 35. 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 council therefore applies the accounting policies for public private partnerships and these schools are recognised on the council's balance sheet at a net book value of £221.3 million, with a corresponding liability in relation to future payments to be made under the scheme of £290.9 million.

- Uncertainty over future funding** - There is a high degree of uncertainty around future levels of funding for local government, which may significantly impact the council's ability to maintain its property, plant and equipment assets. This uncertainty is not yet sufficient to provide an indication that the assets might be impaired as a result of a reduction in funding and subsequently require changes to investment and capital strategies. In relation to the impact of the Covid-19 pandemic on income streams and the impact of increased operating costs, there remains uncertainty over the medium term. In particular in relation to the funding from Scottish Government to meet the additional costs arising from Covid-19 recovery and, as a consequence, the potential impact on the council's budget strategy detailed in section 5 of the Management Commentary.
- Acting as a principal or agent in income and expenditure transactions** – The council has applied its judgement in determining the recognition of income and expenditure related to government grants where it may be considered either an agent or the principal in receiving and distributing funds. In particular in 2020/21 the council has applied its judgement in line with the LASAAC Guidance on Accounting for Coronavirus (COVID-19) Grants / Funding Streams in respect of funds related to Covid-19 received and distributed in the year. The impact of this interpretation results in £43.3 million being recognised as income and subsequent expenditure where the council is considered to be a principal, notes 33.1 and 33.2, with a further £46.4 million not recognised in the financial statements where the council is considered to be an agent, detailed in note 30 and section 7.3 of the Management Commentary.

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 council about the future or that are otherwise uncertain. Estimates are made taking into consideration historical experience, current trends and other relevant factors based on the information available at the time of preparing the financial statements. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the council's Balance Sheet at 31 March 2021 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 expert advice about the assumptions to be applied by the council in estimating these values at the balance sheet date.

The actuarial inputs into the pension liability valuation are subject to annual review, and have a significant impact on the potential valuation. Historically it is common for small changes in the discount rate, salary assumption rate and pension increase rate to have material impacts on the year end valuations on a year to year basis. The potential impact of future changes is detailed below. The council's pension liability at 31 March 2021, following the updated actuarial valuation, was £311.8 million, an increase of £86.4 million from 31 March 2020. This was driven by a 0.95% increase in the pension inflation rate partially offset by a 0.3% reduction in the discount rate.

Given the history of significant changes to liability valuations in the past, the ongoing sensitivity to future changes, and the requirement to update assumptions annually, the council expects future liabilities to continue to change significantly going forward.

Sensitivities at 31 March 2021	Approx % increase to Employer Liability	Approx monetary amount £'000
0.5% decrease in Real Discount Rate	10%	148,139
0.5% increase in the Salary Increase Rate	1%	17,513
0.5% increase in the Pension rate	9%	127,289

For sensitivity purposes, it is estimated that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3 - 5%, increasing it by approximately £44 million - £74 million. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

More information on the key assumptions used in the actuarial valuation of the estimates is available in note 20 to the accounts, including information on the key assumptions, risks and sensitivities. An update is also included in this note on the latest development around a number of equalisation adjustments to pension liabilities which have occurred in LGPS and may continue to materially impact the valuation of the council's liability going forward.

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

FAIR VALUE MEASUREMENTS

Uncertainties: At the 31 March 2021 the council held on its balance sheet assets totalling £0.245 million related to Surplus Assets not yet available for sale, Level 2 and 3 Financial Instruments and Pension Plan Assets. These are outlined in more detail in note 20 to the financial statements. The fair value of these assets is subject to greater estimation uncertainty than other assets as they cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs). Their fair value is instead measured using 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, estimation 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. More Information about valuation techniques and inputs used in determining the fair value of these assets is set out in note 15.

Effect if actual results differ from assumptions: Significant changes in any of the observable inputs may result in a significantly lower or higher fair value measurement for assets and liabilities. Given the nature of the estimation techniques used as outlined above it is difficult to quantify the potential valuation movement without understanding the nature of the inputs which are subject to change on an annual basis. Given the ongoing uncertainty around the markets impacting these valuations and the materiality of the estimated balances, it is likely that future changes will materially impact the financial statements.

DEBTORS

Uncertainties: At 31 March 2021, the council had a balance of debtors of £43.4 million - Accounts Receivable debtors of £11.6 million, Council Tax debtors of £27.4 million and Housing Rent debtors of £4.4 million. In 2020/21 a total of £25.2 million was written off or provided for by the council. The council reviewed all debtors' balances at 31 March 2021 and determined that a total allowance for doubtful debts of £25.2 million was appropriate. This is based on historic assessment of recoverability, review of individual balances, correspondence with third parties, professional assessments of likely recovery and ageing analysis of debt at year end. The provision for doubtful debts consists of Accounts Receivable £0.3 million, Council Tax £21.1 million and Housing Rent and Homeless Debtors of £3.8 million. This results in a reduction in outstanding debt not provided for of £2.5 million., reducing from £11.6 million in 2019/20 to £9.1 million in 2020/21.

It is recognised that in the current economic climate and taking into account the ongoing impact of Covid-19 there remains an increased uncertainty around the recoverability of these debtor balances. The council continues to review all material outstanding balances and has based the amended provisions for doubtful debts to reflect current collection rates and values of outstanding debt.

Effect if actual results differ from assumptions: If collection rates were to deteriorate, a 10% increase in the amount of doubtful debts would require an additional £1.8 million to be set aside as an allowance. Given the uncertainty around the ongoing financial environment the council is unable to fully assess the likelihood of such an increase occurring.

VALUATION OF PROPERTY

Uncertainties: The valuation of the council's property, plant and equipment which are subject to revaluation are subject to significant estimation due to a number of factors, such as ongoing changes to estimates around the costs of replacing existing assets, the market value fluctuation of comparable assets used for valuation, the current condition and future maintenance costs of assets, changes to regulatory standards, the remaining useful economic lives of the assets. Given the material nature of the council's assets, there is a high likelihood that changes in these estimates will result in material changes in the valuation of assets on the balance sheet. The total value of the council's assets at 31 March 2021 is outlined and broken down by asset category at note 14.1.

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

2020/21 revaluations

In 2020/21, revaluations were undertaken for the following assets:

- 1 April 2020 valuations for factory industrial units, business units, shops, offices, play areas, picnic areas, miscellaneous land, fisheries, ruined cemetery buildings and war memorials. The assets were revalued on a DRC and EUV basis and totalled £80.4 million with a valuation movement of £18.6 million (23% from previous valuation).
- 31 March - housing and non-housing stock, and the council's schools. These valuations occurred at the end of the year due to ongoing restrictions caused by the Covid-19 pandemic and the limited access to occupied properties during these restrictions. The housing assets were revalued on an EUV-SH basis and totalled £469.7 million and the school assets were revalued on a DRC basis and totalled £831.8 million, with a valuation movement of £97.5 million for housing (21% from previous revaluation) and £289.5 million for schools (35% from previous valuation).

The changes in valuation in assets in 2020/21, compared to 2019/20, represent updated information around the assets since the most recent full valuation, in particular the cost of replacing assets based on RICS indices for schools, the changes in market value of housing properties and adjustments for social rent discounts for housing stock.

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

Material Valuation Uncertainty Statement

As at 1 April 2020 there was an unprecedented set of circumstances caused by Covid-19 and an absence of relevant/sufficient market evidence on which to base judgements. The valuations of Offices, Small Business Units, Shops, Industrial Factories, Fisheries, Play Areas, Picnic Areas, Ruined Cemetery Buildings, War Memorials and Miscellaneous Land therefore occurred at a time when valuations were reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty, and a higher degree of caution, should be attached to the valuation than would normally be the case.

For the avoidance of doubt this explanatory note, including the material valuation uncertainty declaration, does not mean that the valuations cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of Covid-19 we highlight the importance of the valuation date.

From 9 September 2020 (Supplemented on 3 November 2020 and 5 January 2021) the RICS Material Valuation Uncertainty Leaders Forum (UK) recommended a general lifting of material valuation uncertainty, excluding some assets valued with reference to trading potential. Despite this general lifting of material valuation uncertainty, the council considers that the assets valued on 1 April 2020 as part of the quinquennial asset valuation programme should be reported on the basis of material valuation uncertainty, as there was a lack of market activity on or around the valuation date on which to properly assess an opinion of value. In contrast, the council's housing and non housing stock and schools, which were revalued at 31 March 2021, at a point where some markets had started functioning again and when transactional data was readily available and data existed to formulate an opinion on value, will not be reported as being subject to material valuation uncertainty.

Ongoing assessment of asset valuation

In addition to full valuations of property, plant and equipment on a rolling basis over a five year period, the council assesses all assets to ensure there are no material changes that should drive an earlier valuation, to ensure that, in line with the CIPFA code, assets are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period. The council's Corporate Estates Manager has determined in his professional opinion that, at 31 March 2021, there has been no material change in the assets not subject to revaluation in the year that would require an earlier revaluation. This includes consideration of the appropriateness of the valuation of assets valued at 1 April 2020 to ensure it remains accurate at the balance sheet date a year later.

As a result of this process no additional assets in the council's portfolio were subject to early revaluation. The council has also continued to assess the valuation of its asset base subsequent to the financial year end to ensure new information does not indicate a change in valuation at the balance sheet date.

Effect if actual results differ from assumptions: The value of all council property, plant and equipment subject to revaluation through the 5 year revaluation cycle is £1.9 billion.

Assets revalued in 2020/21, subject to material valuation uncertainty, totalled £1.4 billion before revaluation, social housing £468 million, schools £889 million and other industrial and factories £84 million. The impact of a 5% change in valuation would be a total of £72 million, social housing £23 million, schools £44 million and other industrial and factories £4 million. This would either result in an increase or decrease in the council's revaluation reserve or an additional impairment charge. There would be no impact on the council's general fund.

Given the wide ranging nature of the assets under revaluation, as well as the differing and overlapping estimates involved in the valuations, it is not possible for management to provide an expected range of estimate outcomes going forward. However, given the experience in past years and materiality of the asset values, it is expected that these balances will continue to be subject to change as estimates are updated annually.

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5. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on page 47.

EXPENDITURE AND FUNDING ANALYSIS
FOR THE YEAR ENDED 31 MARCH 2021

	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments Between the Funding and Accounting Basis (Note 6) £'000	Net Expenditure In the Comprehensive Income and Expenditure Statement £'000
2019/20			
Schools, Education Support	153,878	89,836	243,714
Planning, Economic Development and Regeneration	3,550	2,613	6,163
Operational Services	58,405	17,262	75,667
Housing, Customer and Building Services	5,791	9,434	15,225
Corporate Services	11,681	(10,381)	1,300
Social Policy – IJB, Adult and Elderly Services	69,438	-	69,438
Social Policy – non-IJB, Children's Services	26,471	10,726	37,197
Chief Executive, Finance and Property	24,721	14,551	39,473
Joint Boards	1,154	-	1,154
Other Services	11,326	(10,487)	839
Net Cost of General Fund Services	366,616	123,554	490,170
Housing Revenue Account	-	33,070	33,070
Net Cost of Services	366,616	156,624	523,240
Other Income and Expenditure	(368,822)	(25,330)	(394,152)
Surplus	(2,206)	131,294	129,088
	General Fund	HRA Fund	Total
Opening General Fund and HRA Balance	(17,663)	(926)	(18,589)
Net increase before transfers to other statutory reserves	(5,490)	-	(5,490)
Transfers to other statutory reserves	3,284	-	3,284
Closing General Fund and HRA Balance as at 31 March	(19,869)	(926)	(20,795)
2020/21			
Schools, Education Support	163,762	87,452	251,214
Planning, Economic Development and Regeneration	5,632	2,798	8,430
Operational Services	60,202	16,341	76,543
Housing, Customer and Building Services	6,470	7,938	14,408
Corporate Services	11,211	(9,820)	1,391
Social Policy – IJB, Adult and Elderly Services	69,353	-	69,353
Social Policy – non-IJB, Children's Services	29,376	9,241	38,617
Chief Executive, Finance and Property	32,770	10,642	43,412
Joint Boards	1,193	-	1,193
Other Services	15,746	(12,809)	2,937
Net Cost of General Fund Services	395,715	111,783	507,498
Housing Revenue Account	-	7,418	7,418
Net Cost of Services	395,715	119,201	514,916
Other Income and Expenditure	(418,365)	(29,111)	(447,476)
Surplus	(22,650)	90,090	67,440
	General Fund	HRA Fund	Total
Opening General Fund and HRA Balance	(19,869)	(926)	(20,795)
Net increase before transfers to other statutory reserves	(26,297)	-	(26,297)
Transfers to other statutory reserves	3,647	-	3,647
Closing General Fund and HRA Balance as at 31 March	(42,519)	(926)	(43,445)

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

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6. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

	Adjustments for Capital Purposes (Note 6.1) £'000	Net change for the Pensions Adjustments (Note 6.2) £'000	Other Differences (Note 6.3) £'000	Total Adjustments £'000
Adjustments between Funding and Accounting Basis 2019/20				
Schools, Education Support	77,916	6,142	5,778	89,836
Planning, Economic Development and Regeneration	625	875	1,113	2,613
Operational Services	9,585	5,465	2,212	17,262
Housing, Customer and Building Services	(74)	3,850	5,658	9,434
Corporate Services	2,925	1,578	(14,884)	(10,381)
Social Policy – non-IJB, Children's Services	(780)	6,901	4,605	10,726
Chief Executive, Finance and Property	15,171	1,790	(2,410)	14,551
Other Services	(297)	(878)	(9,312)	(10,487)
Net Cost of General Fund Services	105,071	25,723	(7,240)	123,554
Housing Revenue Account	46,870	-	(13,800)	33,070
Net Cost of Services	151,941	25,723	(21,040)	156,624
Other income and expenditure from the Expenditure and Funding Analysis	(50,354)	7,004	18,020	(25,330)
Difference between General Fund deficit and Comprehensive Income and Expenditure Statement deficit on the Provision of Services	101,587	32,727	(3,020)	131,294
Adjustments between Funding and Accounting Basis 2020/21				
Schools, Education Support	77,069	4,689	5,694	87,452
Planning, Economic Development and Regeneration	666	613	1,519	2,798
Operational Services	10,205	3,797	2,339	16,341
Housing, Customer and Building Services	(26)	2,614	5,350	7,938
Corporate Services	2,112	1,095	(13,027)	(9,820)
Social Policy – non-IJB, Children's Services	16	4,815	4,410	9,241
Chief Executive, Finance and Property	12,689	1,215	(3,262)	10,642
Other Services	(685)	(1,679)	(10,445)	(12,809)
Net Cost of General Fund Services	102,046	17,159	(7,422)	111,783
Housing Revenue Account	19,310	-	(11,892)	7,418
Net Cost of Services	121,356	17,159	(19,314)	119,201
Other income and expenditure from the Expenditure and Funding Analysis	(51,389)	5,379	16,899	(29,111)
Difference between General Fund deficit and Comprehensive Income and Expenditure Statement deficit on the Provision of Services	69,967	22,538	(2,415)	90,090

6.1. Adjustments for Capital Purposes

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

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

6.2. Net Change for the Pensions Adjustments

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

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

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6.3 Other Differences

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

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

7. EXPENDITURE AND INCOME ANALYSED BY SEGMENT AND NATURE

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

	Schools with Education Support £'000	Planning, Economic Development and Regeneration £'000	Operational Services £'000	Housing, Customer and Building Services £'000	Corporate Services £'000	Social Policy - IJB, Adult and Elderly Services £'000	Social Policy - non IJB, Children's Services £'000
2019/20							
Expenditure							
Employee Expenses	153,608	6,127	36,206	13,003	2,763	33,629	19,862
Other Services Expenses	25,672	3,660	33,465	2,712	386	132,084	18,271
Support Services	5,373	1,355	4,030	5,633	(4,174)	-	4,484
Depreciation, Amortisation, Impairment	78,593	678	10,084	4	2,924	835	(690)
Interest Payments	-	-	-	-	-	-	-
Gain on the disposal of non-current assets	-	-	-	-	-	-	-
Total Expenditure	263,246	11,820	83,785	21,352	1,899	166,548	41,927
Income							
Fees, Charges and Other Service Income	6,386	5,657	8,118	6,127	599	97,110	1,798
Interest and Investment Income	-	-	-	-	-	-	-
Income from Council Tax	-	-	-	-	-	-	-
Government Grants and Contributions	13,146	-	-	-	-	-	2,932
Total Income	19,532	5,657	8,118	6,127	599	97,110	4,730
Deficit on Provision of Services	243,714	6,163	75,667	15,225	1,300	69,438	37,197
	Chief Executive, Finance and Property £'000	Joint Boards £'000	Other Services £'000	Housing Revenue Account £'000	Cost of Services £'000	Not included in Cost of Services £'000	Total £'000
Expenditure							
Employee Expenses	5,315	-	136	4,465	275,114	56	275,170
Other Services Expenses	21,002	1,159	49,919	24,520	312,850	908	313,758
Support Services	3,457	-	166	-	20,324	1,174	21,498
Depreciation, Amortisation, Impairment	14,501	-	-	56,621	163,550	990	164,540
Interest Payments	-	-	-	-	-	63,010	63,010
Gain on the disposal of non-current assets	-	-	-	-	-	(1,377)	(1,377)
Total Expenditure	44,275	1,159	50,221	85,606	771,838	64,761	836,599
Income							
Fees, Charges and Other Service Income	4,802	5	49,382	52,536	232,520	4,674	237,194
Interest and Investment Income	-	-	-	-	-	27,599	27,599
Income from Council Tax	-	-	-	-	-	73,055	73,055
Government Grants and Contributions	-	-	-	-	16,078	353,585	369,663
Total Income	4,802	5	49,382	52,536	248,598	458,913	707,511
Deficit on Provision of Services	39,473	1,154	839	33,070	523,240	(394,152)	129,088

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

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

2020/21	Schools with Education Support £'000	Planning, Economic Development and Regeneration £'000	Operational Services £'000	Housing, Customer and Building Services £'000	Corporate Services £'000	Social Policy - IJB, Adult and Elderly Services £'000	Social Policy - non IJB, Children's Services £'000
Expenditure							
Employee Expenses	166,003	5,924	35,058	11,773	2,371	33,194	19,000
Other Services Expenses	28,225	6,023	33,016	3,845	364	139,883	20,479
Support Services	4,493	1,749	4,179	5,309	(2,949)	-	4,215
Depreciation, Amortisation, Impairment	79,625	679	10,433	-	2,112	96	49
Interest Payments	-	-	-	-	-	-	-
Gain on the disposal of non-current assets	-	-	-	-	-	-	-
Total Expenditure	278,346	14,375	82,686	20,927	1,898	173,173	43,743
Income							
Fees, Charges and Other Service Income	8,476	5,945	6,143	6,519	507	103,820	2,065
Interest and Investment Income	-	-	-	-	-	-	-
Income from Council Tax	-	-	-	-	-	-	-
Government Grants and Contributions	18,656	-	-	-	-	-	3,061
Total Income	27,132	5,945	6,143	6,519	507	103,820	5,126
Deficit on Provision of Services	251,214	8,430	76,543	14,408	1,391	69,353	38,617
	Chief Executive, Finance and Property £'000	Joint Boards £'000	Other Services £'000	Housing Revenue Account £'000	Cost of Services £'000	Not included in Cost of Services £'000	Total £'000
Expenditure							
Employee Expenses	7,177	-	174	4,606	285,280	-	285,280
Other Services Expenses	28,963	1,193	49,905	25,710	337,606	943	338,549
Support Services	709	-	182	-	17,887	593	18,480
Depreciation, Amortisation, Impairment	13,916	-	-	31,431	138,341	1,384	139,725
Interest Payments	-	-	-	-	-	57,476	57,476
Gain on the disposal of non-current assets	-	-	-	-	-	(1,272)	(1,272)
Total Expenditure	50,765	1,193	50,261	61,747	779,114	59,124	838,238
Income							
Fees, Charges and Other Service Income	7,353	-	47,324	54,329	242,481	4,464	246,945
Interest and Investment Income	-	-	-	-	-	24,630	24,630
Income from Council Tax	-	-	-	-	-	76,626	76,626
Government Grants and Contributions	-	-	-	-	21,717	400,880	422,597
Total Income	7,353	-	47,324	54,329	264,198	506,600	770,798
Deficit on Provision of Services	43,412	1,193	2,937	7,418	514,916	(447,476)	67,440

NOTES TO THE ANNUAL ACCOUNTS

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

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

	2020/21			2019/20		
	Gross Expend £'000	Gross Income £'000	Net Expend £'000	Gross Expend £'000	Gross Income £'000	Net Expend £'000
Schools, Education Support	278,346	27,132	251,214	263,246	19,532	243,714
Planning, Economic Development and Regeneration	14,425	5,995	8,430	11,860	5,697	6,163
Operational Services	88,754	12,211	76,543	89,698	14,031	75,667
Housing, Customer and Building Services	48,225	33,817	14,408	50,302	35,077	15,225
Corporate Services	17,856	16,465	1,391	20,154	18,854	1,300
Social Policy – IJB, Adult and Elderly Services	173,173	103,820	69,353	166,548	97,110	69,438
Social Policy – non-IJB Children's Services	43,743	5,126	38,617	41,927	4,730	37,197
Chief Executive, Finance and Property	68,383	24,971	43,412	67,915	28,442	39,473
Joint Boards	1,193	-	1,193	1,159	5	1,154
Other Services	50,262	47,325	2,937	50,221	49,382	839
Cost of General Fund Services	784,360	276,862	507,498	763,030	272,860	490,170
HRA	61,748	54,330	7,418	85,606	52,536	33,070
Net Cost of Services	846,108	331,192	514,916	848,636	325,396	523,240

9. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - OTHER OPERATING EXPENDITURE

Gain on disposal of non-current assets

2020/21 £'000	2019/20 £'000
1,272	1,377

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

Interest payable and similar charges

Net interest on the defined benefit liability (asset)

Interest receivable and similar income

(Surplus) / Deficit on trading operations

2020/21 £'000	2019/20 £'000
28,602	30,564
5,379	7,004
(1,135)	(2,157)
(1,544)	(1,546)
31,302	33,865

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

Council tax income

Non-domestic rates distribution

Non-ring-fenced government grants

Capital grants and contributions

2020/21 £'000	2019/20 £'000
76,626	73,055
52,042	85,327
310,977	235,751
37,861	32,507
477,506	426,640

12. MOVEMENT IN RESERVES STATEMENT - TRANSFERS TO OR (FROM) OTHER STATUTORY RESERVES - 2019/20

Transfer (to) / from Insurance Fund

Transfer (to) / from Capital Fund

TRANSFERS TO OR (FROM) OTHER STATUTORY RESERVES - 2020/21

Transfer (to) / from Insurance Fund

Transfer (to) / from Capital Fund

General Fund £'000	HRA £'000	Capital Fund £'000	Insurance Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
1,074	-	-	(1,074)	-	-	-
(4,358)	-	4,358	-	-	-	-
(3,284)	-	4,358	(1,074)	-	-	-
1,721	-	-	(1,721)	-	-	-
(5,368)	-	5,368	-	-	-	-
(3,647)	-	5,368	(1,721)	-	-	-

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

**13. MOVEMENT IN RESERVES
STATEMENT - ADJUSTMENTS
BETWEEN ACCOUNTING BASIS
AND FUNDING BASIS UNDER
REGULATIONS**
2019/20

Depreciation and impairment of non-current assets

Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement

Gain on disposal of non-current assets

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

- adjustment for interest on stepped interest rate loans

- annual recharge of deferred discounts from refinancing of debt

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

Statutory provision for repayment of debt

Statutory charge for lifecycle capital (PFI)

Capital expenditure charged to the General Fund and HRA

Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)

Capital receipts transferred to the Capital Fund

General
Fund
£'000

HRA
£'000

Capital
Fund
£'000

Insurance
Fund
£'000

Total
Usable
Reserves
£'000

Unusable
Reserves
£'000

Total
Reserves
£'000

107,828

56,712

-

-

164,540

(164,540)

-

(32,507)

-

-

-

(32,507)

32,507

-

(1,377)

-

-

-

(1,377)

1,377

-

(34)

-

-

-

(34)

34

-

(393)

-

-

-

(393)

393

-

32,770

(43)

-

-

32,727

(32,727)

-

(12,511)

(3,959)

-

-

(16,470)

16,470

-

(256)

-

-

-

(256)

256

-

(2,593)

(9,750)

-

-

(12,343)

12,343

-

679

12

-

-

691

(691)

-

-

-

(8,154)

-

(8,154)

8,154

-

91,606

42,972

(8,154)

-

126,424

(126,424)

-

2020/21

Depreciation and impairment of non-current assets

Amortisation of intangible assets

Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement

Gain on disposal of non-current assets

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

- adjustment for interest on stepped interest rate loans

- annual recharge of deferred discounts from refinancing of debt

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

Statutory provision for repayment of debt

Statutory charge for lifecycle capital (PFI)

Capital expenditure charged to the General Fund and HRA

Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)

Capital receipts transferred to the Capital Fund

107,801

31,534

-

-

139,335

(139,335)

-

390

(390)

(37,861)

-

-

-

(37,861)

37,861

-

(1,272)

-

-

-

(1,272)

1,272

-

(36)

-

-

-

(36)

36

-

(393)

-

-

-

(393)

393

-

22,393

145

-

-

22,538

(22,538)

-

(10,412)

(1,845)

-

-

(12,257)

12,257

-

(200)

-

-

-

(200)

200

-

(6,047)

(12,121)

-

-

(18,168)

18,168

-

1,642

19

-

-

1,661

(1,661)

-

-

-

(17,705)

-

(17,705)

17,705

-

76,005

17,732

(17,705)

-

76,032

(76,032)

-

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

14. PROPERTY, PLANT AND EQUIPMENT

14.1 Movements in 2019/20

Cost or Valuation

At 1 April 2019

Additions	27,960	13,234	4,867	14,601
Revaluation increases / (decreases) recognised in the Revaluation Reserve	170	2,059	-	-
Revaluation increases / (decreases) recognised in the Deficit on the Provision of Services	(39,260)	(284)	(28,760)	(140)
Derecognition - disposals	-	(2,061)	(282)	-
Other movements in cost or valuation	32,671	749	-	-

At 31 March 2020

Accumulated Depreciation and Impairment

At 1 April 2019

Depreciation charge	16,042	94,295	6,582	7,758
Depreciation written out to the Revaluation Reserve	-	(25,266)	-	-
Depreciation written out to the Deficit on the Provision of Services	-	(109)	(28,608)	(20)
Derecognition - disposals	-	(213)	(282)	-
Other movements in depreciation and impairment	-	(11)	-	-

At 31 March 2020

Net Book Value At 31 March 2020

At 31 March 2019

Cost or Valuation

At 1 April 2019

Additions	-	9,944	-	70,606
Revaluation increase / (decreases) recognised in the Revaluation Reserve	8	-	223	2,460
Revaluation increases / (decreases) recognised in the Deficit on the Provision of Services	(90)	-	(77)	(68,611)
Derecognition - disposals	(8)	-	(215)	(2,566)
Other movements in cost or valuation	-	(33,452)	32	-

At 31 March 2020

Accumulated Depreciation and Impairment

At 1 April 2019

Depreciation charge	-	-	-	124,677
Depreciation written out to the Revaluation Reserve	-	-	-	(25,266)
Depreciation written out to the Deficit on the Provision of Services	-	-	(11)	(28,748)
Derecognition - disposals	-	-	-	(495)
Other movements in depreciation and impairment	-	-	11	-

At 31 March 2020

Net Book Value At 31 March 2020

At 31 March 2019

Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000
442,393	1,261,419	82,262	301,499
27,960	13,234	4,867	14,601
170	2,059	-	-
(39,260)	(284)	(28,760)	(140)
-	(2,061)	(282)	-
32,671	749	-	-
463,934	1,275,116	58,087	315,960
64,088	256,383	67,895	69,504
16,042	94,295	6,582	7,758
-	(25,266)	-	-
-	(109)	(28,608)	(20)
-	(213)	(282)	-
-	(11)	-	-
80,130	325,079	45,587	77,242
383,804	950,037	12,500	238,718
378,305	1,005,036	14,367	231,995
Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
657	37,403	22,709	2,148,342
-	9,944	-	70,606
8	-	223	2,460
(90)	-	(77)	(68,611)
(8)	-	(215)	(2,566)
-	(33,452)	32	-
567	13,895	22,672	2,150,231
-	-	-	457,870
-	-	-	124,677
-	-	-	(25,266)
-	-	(11)	(28,748)
-	-	-	(495)
-	-	11	-
-	-	-	528,038
567	13,895	22,672	1,622,193
657	37,403	22,709	1,690,472

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

14.1 Movements in 2020/21				
	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra- structure Assets £'000
Cost or Valuation				
At 1 April 2020	463,934	1,275,116	58,087	315,960
Additions	20,150	11,943	5,862	9,522
Revaluation increase / (decreases) recognised in the Revaluation Reserve	1,178	(57,437)	-	-
Revaluation increases / (decreases) recognised in the Deficit on the Provision of Services	(14,676)	(3,385)	-	-
Derecognition - disposals	(150)	(836)	(72)	-
Other movements in cost or valuation	2,634	3,471	-	213
At 31 March 2021	473,070	1,228,872	63,877	325,695
Accumulated Depreciation and Impairment				
At 1 April 2020	80,130	325,079	45,587	77,242
Depreciation charge	15,831	94,128	5,557	8,132
Depreciation written out to the Revaluation Reserve	(95,961)	(354,759)	-	-
Depreciation written out to the Deficit on the Provision of Services	-	(1,984)	-	-
Derecognition - disposals	-	(38)	(72)	-
Other movements in depreciation and impairment	-	-	-	-
At 31 March 2021	-	62,426	51,072	85,374
Net Book Value At 31 March 2021	473,070	1,166,446	12,805	240,321
At 31 March 2020	383,804	950,037	12,500	238,718
	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation				
At 1 April 2020	567	13,895	22,672	2,150,231
Additions	-	32,021	-	79,498
Revaluation increase / (decreases) recognised in the Revaluation Reserve	31	-	359	(55,869)
Revaluation increases / (decreases) recognised in the Deficit on the provision of Services	-	-	-	(18,061)
Derecognition - disposals	-	-	(71)	(1,129)
Other movements in cost or valuation	(97)	(6,117)	(104)	-
At 31 March 2021	501	39,799	22,856	2,154,670
Accumulated Depreciation and Impairment				
At 1 April 2020	-	-	-	528,038
Depreciation charge	-	-	-	123,648
Depreciation written out to the Revaluation Reserve	-	-	-	(450,720)
Depreciation written out to the Deficit on the Provision of Services	-	-	-	(1,984)
Derecognition - disposals	-	-	-	(110)
Other movements in depreciation and impairment	-	-	-	-
At 31 March 2021	-	-	-	198,872
Net Book Value At 31 March 2021	501	39,799	22,856	1,955,798
At 31 March 2020	567	13,895	22,672	1,622,193

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

14.2 Property, Plant and Equipment - PPP and DBFM Schools

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

Cost or Valuation

Value as at 1 April

Additions

Revaluation increase / (decreases) recognised in the Revaluation Reserve

Value as at 31 March

Aggregate Depreciation

Value as at 1 April

Charge for year

Depreciation written out to the Revaluation Reserve

Value as at 31 March

Net Book Value

As at 31 March

2020/21 £'000	2019/20 £'000
197,522	197,266
200	256
23,618	-
221,340	197,522
63,602	47,266
16,344	16,336
(79,946)	-
-	63,602
221,340	133,920

14.3 Financial Liabilities - PPP and DBFM Schools

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

As at 1 April

Additions / Adjustments

Principal repayments

As at 31 March

Split

Short term Creditors

Long term Creditors

2020/21 £'000	2019/20 £'000
85,364	89,216
(60)	(510)
(3,682)	(3,342)
81,622	85,364
2,384	3,683
79,238	81,681
81,622	85,364

14.4 Capital Expenditure and Capital Financing

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

	2020/21		2019/20	
	£'000	£'000	£'000	£'000
Opening Capital Financing Requirement		721,714		722,712
Capital Investment				
Property, Plant and Equipment and Intangible Assets		79,498		70,606
		801,212		793,318
Sources of Finance				
Capital Receipts	(19,484)		(10,028)	
Government Grants	(24,147)		(29,211)	
Contributions from Other Bodies	(13,714)		(3,296)	
Capital Financed from Current Revenue	(18,168)		(12,343)	
Finance Lease Principal (incl. PPP)	(3,978)		(4,218)	
Loans Fund Principal	(8,479)	(87,970)	(12,508)	(71,604)
Closing Capital Financing Requirement		713,242		721,714
(Decrease) / Increase in Capital Financing Requirement		(8,472)		(998)

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

14.5 Fixed Asset Valuation

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

Date of Valuation	Council Dwellings £'000	Other Land and Buildings £'000	Surplus Assets £'000	Total £'000
1 April 2016	(35,924)	429,810	125	394,011
1 April 2017	1,990	131,512	18,626	152,128
1 April 2018	69	161,891	4,519	166,479
1 April 2019	400	125,930	641	126,971
1 April 2020	465	78,275	660	79,400
31 March 2021	468,494	832,469	-	1,300,963
	435,494	1,759,887	24,571	2,219,952
Net historical cost alterations	37,576	(101,143)	(1,715)	(65,282)
Gross Valuation	473,070	1,658,744	22,856	2,154,670

Valuations of the above categories of assets are undertaken over a five year rolling programme by independent expert valuers engaged by the council and by the council's Chartered Surveyors in the Property Services Team, in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors (RICS).

In 2020/21, valuations were undertaken for the Council's factory industrial units, business units, shops, offices, play areas, picnic areas, miscellaneous land, fisheries, ruined cemetery buildings, war memorials, non-stock houses and housing stock, and schools. While the majority of the cyclical valuations were carried out with a revaluation date of 1 April 2020, the housing and non-housing stock and schools were revalued at 31 March 2021, due to ongoing restrictions caused by the Covid-19 pandemic and the limited access to occupied properties during these restrictions. The housing assets were revalued on an EUV-SH basis and totalled £469.7 million and the school assets were revalued on a DRC basis and totalled £831.8 million, with a valuation movement of £97.5 million for housing (21% from previous revaluation) and £289.5 million for schools (35% from previous valuation).

More information about the valuation process and the estimates made in the financial statements is available on pages 59 and 60 in the estimates and judgements section of the accounting policies.

14.6 Depreciation

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

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

No depreciation is charged on community assets, heritage assets, assets under construction and surplus assets not yet available for sale. The total depreciation charge for 2020/21 was £123.648 million (£124.677 million 2019/20). Amortisation of intangible assets for 2020/21 accounted for £0.390 million (nil 2019/20).

14.7 Capital Commitments

At 31 March 2021 the council has commitments on capital contracts of £14.352 million (£5.056 million 2019/20) for the Housing Programme and £69.151 million (£5.136 million 2019/20) for the Composite Programme.

The housing commitment of £14.352 million is a result of ongoing investment in the new council house build programme to deliver the commitment of 3,000 new homes for West Lothian by 2022, with £6.169 million for the Deans South, Livingston and £4.579 million for Eaglebrae, Livingston committed.

The committed expenditure of £69.151 million in the Composite Programme is a consequence of several significant capital investment projects namely Winchburgh Schools (£47.025 million), New Cedarbank School (£6.477 million), Calderwood Primary School (£4.14 million), Pinewood School (£5 million) and Whitburn Partnership Centre (£3.161 million). The remaining commitment is spread over a number of roads and bridge infrastructure projects and property projects.

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

15. FINANCIAL INSTRUMENTS

15.1 Types of Financial Instruments

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

	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000
Financial Assets Amortised Cost								
Investments	293	297	-	-	15,083	91,479	-	-
Debtors	-	-	-	-	-	-	14,231	7,715
Cash and Cash Equivalent	-	-	-	-	71,946	18,016	-	-
Assets Held at FVOCI								
Equity	198	277	-	-	-	-	-	-
Total Financial Assets	491	574	-	-	87,029	109,495	14,231	7,715
Assets not defined as financial instruments	-	-	-	-	-	-	63,614	29,467
Total	491	574	-	-	87,029	109,495	77,845	37,182

	Non-Current				Current			
	Borrowing		Other Liabilities		Borrowing		Other Liabilities	
	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000
Financial Liabilities Amortised Cost								
Borrowing	(528,641)	(538,641)	-	-	(79,196)	(84,415)	-	-
Creditors	-	-	-	-	-	-	(13,201)	(7,851)
PFI and Financial Lease Liabilities	-	-	(79,238)	(81,681)	-	-	(2,405)	(3,719)
Total Financial Liabilities	(528,641)	(538,641)	(79,238)	(81,681)	(79,196)	(84,415)	(15,606)	(11,570)
Assets not defined as financial instruments	-	-	-	-	-	-	-	-
Pensions Assets and Liabilities recognised in the Balance Sheet	-	-	(311,763)	(225,357)	-	-	-	-
Short-term Creditors	-	-	-	-	-	-	(70,035)	(53,772)
Total	(528,641)	(538,641)	(391,001)	(307,038)	(79,196)	(84,415)	(85,641)	(65,342)

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

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

	25,000 Nominal Shares @ £1 £'000	Fair Value £'000	Change in Fair Value during 2020/21 £'000	Dividends £'000
Lothian Buses	25	198	(79)	-

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

15.1 Types of Financial Instruments (Continued)

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

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

The shares in this company are not traded in an active market and therefore the fair value of £0.198 million (£0.277 million 2019/20) is based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on the current calculated share price of £7.92 multiplied by the council's shareholding. The council has no current intention to dispose of the shareholding. No dividend was paid in 2020/21 or 2019/20 as a result of circumstances arising from Covid-19.

Items of income, expense, gains and losses

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

	2020/21 Other Comprehensive Income and Expenditure £'000	2019/20 Other Comprehensive Income and Expenditure £'000
Gain / Loss on:		
Amortised Costs	-	-
Interest Expense		
Amortised Cost	24,081	25,652
PFI and finance lease liabilities	4,521	4,912
Total Interest Expense	28,602	30,564
Interest Income		
Amortised Cost	(1,135)	(2,157)
Total	27,467	28,407

15.2 Fair Value of Assets and Liabilities carried at Amortised Cost

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

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

- Interest rates at 31 March 2021 for PWLB vary from 1.48% to 8.25% depending on the maturity profile of the loans and for other market loans (LOBO's) from 3.75% to 4.85% again based on the maturity profile of the loans.
- No early repayments or impairment are recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is assumed to be the invoiced or billed amount.

For both assets and liabilities, the valuation basis adopted by Link Asset Services uses Level 2 inputs i.e. inputs other than quoted prices that are observable for the financial asset / liability. The accounting policy for the Fair Value Measurement is included in Statement 8 note 1 on page 59.

The fair values are calculated as follows: -

	31 March 2021		31 March 2020	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Assets				
Loans and receivables – Bonds				
The bond valuation is made by the prevailing benchmark rates	293	730	297	739
Loans and receivables - Cash				
The loans and receivables valuation is calculated using the prevailing benchmark rates	70,110	70,117	16,730	16,751
Loans and receivables - Fixed Term Deposits				
The fixed term deposit valuation is made by comparison of the fixed term investment with a comparable investment with the same / similar lender for the remaining period of the deposit	15,083	15,062	91,479	91,441
	85,486	85,909	108,506	108,931

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

The fair value is more than the carrying amount because the council's lending figure includes a number of loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date. The commitment to receive interest above current market rates increases the amount that the council would receive if it agreed to early repayment of the loans. The fair value amount also includes accrued interest receivable on the loans of £0.081 million.

Financial Liabilities**Financial liabilities - PWLB**

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

Financial liabilities - LOBO's and Temporary borrowing

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

31 March 2021		31 March 2020	
Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
544,283	749,251	554,420	708,328
63,554	99,741	68,636	98,441
607,837	848,992	623,056	806,769

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

15.3 Nature and Extent of Risks arising from Financial Instruments

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

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

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

Credit Risk

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

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

The credit ratings of investments as at 31 March 2021 are: -

Investments

Local Authorities, Public Bodies and Debt Management Office
West Calder High School DBFM
Bank of Scotland Plc – Main Banking Provider
Goldman Sachs
Santander UK Plc

Total

Credit Risk	Investment Value at 31 March 2021 £'000	%
AA	10,000	12
AA	293	-
A+	61,110	72
A+	7,000	8
A	7,000	8
Total	85,403	100

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

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

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

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally; as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at 31 March 2021 that this was likely.

The Treasury Management Plan for 2020/21 was approved by Council on 28 February 2020 and is available on the council's website <https://coins.westlothian.gov.uk/coins/agenda.asp?meetingid=8228>

Amounts Arising from Expected Credit Losses

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

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited / credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. During 2020/21 the credit losses recognised related only to receivables (debtors) and was based on a lifetime basis.

	Amount at 31 March 2021 £'000	Historical experience of non- payment adjusted for market conditions at 31 March 2021 %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks and building societies	85,486	0%	-
Customers (other income)	43,404	3.5%	1,519

The council does not generally allow credit for customers, however, £33.318 million of the £43.404 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

	Debtors - Local Taxation £'000	Other Debtors £'000	Total £'000
Less than three months	-	1,768	1,768
Three to six months	-	1,276	1,276
Six months to one year	4,256	1,295	5,551
More than one year	23,164	1,559	24,723
	27,420	5,898	33,318

The council has provided £25.21 million against possible bad debts at 31 March 2021 (£22.875 million at 31 March 2020), providing for approximately 76% (74%) of all debt outstanding at 31 March 2021 (2020).

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 2021 £'000	31 March 2020 £'000
Less than one year	79,196	84,415
Between one and two years	-	10,000
Between two and five years	-	-
Between six and ten years	33,373	33,373
More than ten years	495,268	495,268
	607,837	623,056

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

Refinancing and Maturity Risk

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

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

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

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

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

Market risk

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

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

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

- It is the policy of the council to ensure its variable rate borrowing is limited to a maximum of 35% of total borrowing. At 31 March 2021 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 2020/21, with all other variables held constant.

Impact on tax-payer and rent-payers

Increase in interest payable on variable rate borrowings

Increase in interest receivable on variable rate lending

Net effect on Income and Expenditure Account

Housing Revenue Account's Share

£'000
-
(7,029)
(7,029)
(2,755)

Price Risk

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

Foreign Exchange Risk

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

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16. SHORT TERM DEBTORS	2020/21		2019/20	
	£'000	£'000	£'000	£'000
Central Government Bodies		44,457		19,110
Other Local Authorities		2,237		697
NHS Bodies		10,532		27
Public Corporations and Trading Funds		338		515
Other Entities and Individuals				
• Council Tax Debtors	27,420		25,976	
• Provision for Council Tax Debtors	(21,112)		(19,391)	
• Trade Debtors	7,716		3,451	
• Provision for Trade Debtors and Other Debtors	(4,098)		(3,484)	
• Other Entities and Individuals	10,355		10,281	
		20,281		16,833
Total Short Term Debtors		77,845		37,182

Analysed as follows: -

Trade Receivables
Prepayments
Other Receivables

2020/21 £'000	2019/20 £'000
9,899	4,835
4,332	2,879
46,684	13,185
60,915	20,899
16,930	16,283
77,845	37,182

Debtors for Local Taxation

Total Short Term Debtors

17. SHORT TERM CREDITORS

Central Government Bodies
Other Local Authorities
NHS Bodies
Public Corporations and Trading Funds
Other Entities and Individuals
Total Short Term Creditors

2020/21 £'000	2019/20 £'000
10,778	12,422
3,383	3,042
2,093	82
547	456
68,840	49,340
85,641	65,342

Analysed as follows: -

Trade Payables
Other Payables

Total Short Term Creditors

2020/21 £'000	2019/20 £'000
15,606	11,570
70,035	53,772
85,641	65,342

18. PROVISIONS

	Balance at 31 March 2020 £'000	Increase / (Reduction) in Provision in Year £'000	Payments in year £'000	Balance at 31 March 2021 £'000
Equal pay settlements	387	-	8	379
Holiday pay settlements	-	1,000	806	194
Total Provisions	387	1,000	814	573

Equal Pay Provision

The council's equal pay claims are largely settled, the remaining provision of £0.379 million is deemed sufficient to meet the outstanding liability due in respect of equal pay pension liabilities due to Lothian Pension Fund.

Holiday Pay Provision

Since 2014, there have been a number of Employment Tribunal Cases heard which have been decided in favour of claimants with regard to the calculation of holiday pay and, in particular, which components of pay should be considered for the purposes of determining normal remuneration. On 31 July 2017, the Employment Appeals Tribunal handed down a judgement that non-contractual payments should be included in pay for holiday leave where these payments are sufficiently regular or recurring to be justified as normal pay.

Following approval by the Council Executive on 19 September 2017, the council commenced the payment of the COSLA recommended rate of 8.3% with effect from 1 October 2017 on non-contractual additional payments to ensure holiday pay is reflective of normal remuneration.

At a further meeting of Council Executive on 26 June 2018, the council approved payment of backdated holiday pay to claimants. These payments were made during 2020/21 following negotiations with claimant's representatives. The majority of cases have been settled and the remaining provision is deemed sufficient to meet any outstanding liabilities.

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19. LONG TERM CREDITORS	Sum Outstanding 2020/21 £'000	Sum Outstanding 2019/20 £'000
Finance Leases - outstanding principal	3	25
Open Space Agreements	223	234
Economic Development Business Gateway	90	76
	316	335
OTHER LONG TERM LIABILITIES		
PPP1 Schools	9,757	9,670
PPP3 Schools	43,353	44,995
DBFM School	26,128	27,016
	79,238	81,681

20. PENSION SCHEMES

20.1 Pension Schemes

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

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

- **Local Government Pension Scheme**

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

- **Teachers' Pension Scheme**

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

The principal risks to the council 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 2020/21 the council paid an employer's contribution of £20.062 million (2019/20 £17.350 million) at the prescribed rate of 23% (2019/20 17.2% to 31 August 2019 and 23% from 1 September 2019) 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 2020/21 (2019/20) these amounted to £0.395 million (£0.390 million) representing 0.28% (0.29%) of pensionable pay.

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

Guaranteed Minimum Pension (GMP)

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

The fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of West Lothian Council for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards. This increased liability has been reflected in the annual accounts as a past service cost in 2019/20 and no further impact assessed at 31 March 2021.

McCloud Judgement

When the LGPS benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. Following legal proceedings argued in the McCloud and Sargeant cases, the Court of Appeal found that the transitional provisions introduced in the judges and firefighters' pension schemes in 2015 gave rise to unlawful age discrimination.

The UK Government requested leave to appeal this finding but this was refused by the Supreme Court on 27 June 2019. The UK Government has formally accepted the Court's decision and, recognising the implications for all public sector pension schemes, is engaging with relevant representatives to agree how the discrimination will be remedied.

In July 2020, following the UK Government consultation, the Lothian Pension Fund's actuary adjusted GAD's estimate to better reflect the council's local assumptions, particularly withdrawal rates and salary increases. The estimated impact of the McCloud judgement included in the 2019/20 financial statements as a past service cost was estimated at £5.9 million. These numbers are a high level estimate based on a combination of scheme and fund level calculations and therefore depend on various key assumptions which may or not be borne out in practice. This had no further impact assessed at 31 March 2021.

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20.2 Transactions Relating to Post-Employment Benefits

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

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

Current Service cost
Past Service Costs
Effect of Settlements

Financing and Investment Income and Expenditure

Net Interest Expense

Remeasurement of the net defined benefit liability comprising:

Return on plan assets (excluding the amount included in the net interest expense)
Actuarial (gains) and losses arising on changes in demographic assumptions
Actuarial (gains) and losses arising on changes in financial assumptions
Other experience

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

2020/21		2019/20	
£'000	£'000	£'000	£'000
47,370	47,542	53,140	54,127
172		987	
-		-	
	5,379		7,004
	52,921		61,131
(143,448)	63,868	69,649	(87,046)
(62,173)		-	
276,412		(149,301)	
(6,923)		(7,394)	
	116,789		(25,915)

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

2020/21		2019/20	
£'000	£'000	£'000	£'000
	(86,406)		54,319
(28,466)		(26,464)	
(1,917)		(1,940)	
	(30,383)		(28,404)

The amount charged to taxation for the Lothian Pension Fund Scheme in 2020/21 (2019/20) was £29.810 million (£28.319 million).

20.3 Pension Assets and Liabilities Recognised in the Balance Sheet

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

Fair Value of Assets
Present Value of Funded Liabilities
Share of net liabilities
Present value of unfunded liabilities

Net pension liabilities arising from defined benefit obligation

2020/21 £'000	2019/20 £'000
1,164,451	1,019,487
(1,448,689)	(1,217,089)
(284,238)	(197,602)
(27,525)	(27,755)
(311,763)	(225,357)

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

Opening fair value of assets at 1 April

Interest income on plan assets
Remeasurement gain / (loss) - Return on plan assets (excluding the amount included in the net interest expense)
Remeasurement gain / (loss) - Other experience
Employer's contributions payable to the scheme
Contributions by scheme participants
Benefits paid

Closing fair value of assets at 31 March

2020/21 £'000	2019/20 £'000
1,019,487	1,056,541
23,495	25,442
143,448	(69,649)
(27,518)	-
28,466	26,464
7,870	7,425
(30,797)	(26,736)
1,164,451	1,019,487

20.5 Reconciliation of the Present Value of Lothian Pension Fund Liabilities

Opening Balance at 1 April

Current Service costs
Interest cost
Contributions by scheme participants
Remeasurement gain / (loss):
- Actuarial (gains) and losses arising on changes in demographic assumptions
- Actuarial (gains) and losses arising on changes in financial assumptions
- Other experience
Past service costs
Benefits paid
Unfunded benefits paid

Closing balance of liabilities at 31 March

2020/21 £'000	2019/20 £'000
(1,244,844)	(1,336,217)
(47,370)	(53,140)
(28,874)	(32,446)
(7,870)	(7,425)
62,173	-
(276,412)	149,301
34,441	7,394
(172)	(987)
30,797	26,736
1,917	1,940
(1,476,214)	(1,244,844)

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20.6 Lothian Pension Fund Assets by Category

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

Equity Securities:

	2020/21		2019/20	
	£'000	%	£'000	%
*Consumer	151,416	13%	97,165	10%
*Manufacturing	167,904	14%	147,035	14%
*Energy and Utilities	59,323	5%	65,024	6%
*Financial Institutions	71,371	6%	66,305	7%
*Health and Care	72,757	6%	70,549	7%
*Information Technology	55,181	5%	44,067	4%
*Other	92,452	8%	74,431	7%

Private Equity:

All	7,131	1%	8,870	1%
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Investment funds and unit trusts:

*Equities	16,454	1%	12,483	1%
Infrastructure	133,296	12%	143,343	14%

Equity

827,285	71%	729,272	71%
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Debt Securities:

*Corporate Bonds A (investment grade)	-	-	17,075	2%
Corporate Bonds A (investment grade)	39,720	4%	37,521	4%
*UK Government	93,422	8%	62,763	6%

Investment funds and unit trusts:

*Bonds	23,967	2%	4,376	-
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Derivatives:

*Foreign exchange	61	-	2,080	-
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Bonds

157,170	14%	123,815	12%
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Real Estate:

*UK Property	-	-	11,726	1%
UK Property	60,728	5%	55,077	6%
Overseas Property	137	-	898	-

Property

60,865	5%	67,701	7%
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Cash and cash equivalents

*All	119,131	10%	98,699	10%
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Cash and cash equivalents

119,131	10%	98,699	10%
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Total

1,164,451	100%	1,019,487	100%
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Assets marked with an asterisk (*) have quoted prices in active markets and equate to £923.439 million (2019/20 £773.778 million) with prices not quoted in active markets totalling £241.012 million (2019/20 £245.709 million).

20.7 Basis for Estimating Assets and Liabilities

Liabilities are valued on an actuarial basis using the projected unit credit method which assesses the future liabilities of the fund discounted to their present value. The valuations are based on a valuation as of 31 March 2020 and updated for the following period 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 Club Vita analysis (improvements in line with the CMI2020 model), with an allowance for smoothing of recent mortality experience and a long term rate of 1.5%, used in the formal funding valuation as at 31 March 2020. Based on these assumptions, the average future life expectancies at age 65 are summarised on page 80.

Investment Returns

The return on the Fund in market value terms for the period to 31 March 2021 is estimated based on actual employer returns as reported in HEAT and index returns where necessary. Index returns, where used, are based on employer asset holdings. Details are given below:

Actual Returns from 1 April 2020 to 31 March 2021

16.3%

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20.7 Basis for Estimating Assets and Liabilities (Continued)

Current Pensioners - Males	
- Females	
Future Pensioners - Males	
- Females	

2020/21 Years	2019/20 Years
20.5	21.7
23.3	24.3
21.9	24.7
25.2	27.5

Financial Assumptions

Rate of inflation	
Rate of increase in salaries	
Increase in Pensions	
Rate for discounting scheme liabilities	

2020/21 %	2019/20 %
2.9%	1.9%
3.3%	3.5%
2.9%	1.9%
2.0%	2.3%

20.8 Sensitivity Analysis

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

0.5% decrease in Real Discount Rate	
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
10%	148,139
1%	17,513
9%	127,289

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

20.9 Projected Pension Cost for period to 31 March 2022

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The formal valuation date was 31 March 2020. This resulted in a difference from the balance sheet position as at 31 March 2020, which was based on a roll forward from the 2017 formal valuation, to the charge for 2020/21 based on the 31 March 2020 valuation. This change leads to asset and liability remeasurement experience in the reconciliation of the balance sheet from 31 March 2020 to 31 March 2021.

The pension deficit has also increased as a result of a combination of

- the effect of a lower net discount rate and a significantly higher CPI assumption which serves to increase the value placed on the obligations. It is estimated by the actuary that for a typical employer the obligations have in the region of a 25% increase.
- the investment returns being significantly greater than expected, which served to positively impact and partially offset the impact on the balance sheet position.

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

The net pensions liability does not impact on the council's usable reserves but the requirement to recognise the net pensions liability in the balance sheet has decreased the reported net worth of the council by 24% (23% 2019/20).

The following table sets out the projected amount to be charged to operating profit for the year to 31 March 2022, based on assumptions as at 31 March 2021:-

31 March 2022			
Assets £'000	Obligations £'000	Net £'000	% of pay
Current service cost	(66,572)	(66,572)	(51.6%)
Past service cost including curtailments	-	-	-
Effect of settlements	-	-	-
Total Service Cost	(66,572)	(66,572)	(51.6%)
Interest income on plan assets	-	23,340	18.1%
Interest cost on defined benefit obligation	(29,939)	(29,939)	(23.2%)
Total Net Interest Cost	(29,939)	(6,599)	(5.1%)
Total included in Profit or Loss	(96,511)	(73,171)	(56.7%)

The estimated Employer's contributions for the year to 31 March 2022 will be approximately £28.134 million.

21. USABLE RESERVES

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

21.1 Revenue Statutory Funds

Insurance Fund

Balance at 1 April	
Appropriation	

2020/21 £'000	2019/20 £'000
9,317	10,391
(1,721)	(1,074)
7,596	9,317

Balance at 31 March

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21.2 Capital Fund	2020/21 £'000	2019/20 £'000
Balance at 1 April	57,917	61,713
Transfer (to) / from Capital Adjustment Account	(17,705)	(8,154)
Appropriation	5,368	4,358
Balance at 31 March	45,580	57,917

22. UNUSABLE RESERVES

Revaluation Reserve
 Financial Instruments Revaluation Reserve
 Capital Adjustment Account
 Financial Instruments Adjustment Account
 Pensions Reserve
 Employee Statutory Adjustment Account

Total Unusable Reserves

2020/21 £'000	2019/20 £'000
843,918	504,897
173	252
399,418	396,361
(7,547)	(7,976)
(311,763)	(225,357)
(12,582)	(10,921)
911,617	657,256

22.1 Revaluation Reserve

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

Balance at 31 March

2020/21 £'000	2019/20 £'000
504,897	530,442
394,340	26,153
(55,319)	(51,698)
843,918	504,897

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

22.2 Financial Instruments Revaluation Reserve

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

2020/21 £'000	2019/20 £'000
252	228
-	-
(79)	24
173	252

22.3 Capital Adjustment Account

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

2020/21 £'000	2019/20 £'000
396,361	438,096
(139,335)	(164,540)
(390)	-
12,257	16,470
37,861	32,507
6,247	2,849
12,121	9,750
1,272	1,377
55,319	51,698
17,705	8,154
399,418	396,361

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

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22.4 Financial Instruments Adjustment Account

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

Balance at 31 March

The Financial Instruments Adjustment Account is an accounting reserve arising from the re-measurement of financial instruments. It is a balancing account to allow for differences in statutory requirements and proper accounting practices for the council's lending and borrowing. The balance at 31 March 2021 represents: -

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

22.5 Pension Fund Reserve

The pension reserve mirrors the net pensions liability detailed in note 20.3.
The movements in the year are summarised as follows:

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

Balance at 31 March

22.6 Employee Statutory Adjustment Account

Balance at 1 April

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

Statutory adjustment for the year

Balance at 31 March

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

23. CASH FLOW STATEMENT - OPERATING ACTIVITIES

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

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

The deficit on the provision of services has been adjusted for the following non-cash movements: -

Depreciation
Amortisation of intangible assets
Impairment and downward revaluations
Amortisation
Increase/(decrease) in creditors
(Increase)/decrease in debtors
(Increase)/decrease in short term intangible assets
(Increase)/decrease in inventories
Movement in pension liability
Gain on disposal of non-current assets
Other non-cash items

2020/21 £'000	2019/20 £'000
(7,976)	(8,403)
429	427
(7,547)	(7,976)
2020/21 £'000	2019/20 £'000
(5,096)	(5,490)
(63,031)	(63,066)
60,580	60,580
(7,547)	(7,976)
2020/21 £'000	2019/20 £'000
(225,357)	(279,676)
(22,538)	(32,727)
(63,868)	87,046
(311,763)	(225,357)
2020/21 £'000	2019/20 £'000
	(10,230)
10,921	10,230
(12,582)	(10,921)
	(691)
	(10,921)
2020/21 £'000	2019/20 £'000
23,679	24,590
4,521	4,912
(1,190)	(1,334)
123,258	124,677
390	-
16,077	39,863
(35)	(34)
21,180	639
(38,661)	(3,380)
-	461
(384)	159
22,538	32,727
(1,272)	(1,377)
3	(105)
143,094	193,630

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24. CASH FLOW STATEMENT - INVESTING ACTIVITIES Purchase of property, plant and equipment and intangible assets Proceeds from the sale of property, plant and equipment Net (increase) decrease in short term investments Net cash flows from Investing Activities		2020/21 £'000	2019/20 £'000		
		(78,939)	(71,295)		
		174	1,926		
		76,003	1,003		
		(2,762)	(68,366)		
25. CASH FLOW STATEMENT - FINANCING ACTIVITIES Cash receipts of short and long term borrowing Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts Repayments of short and long term borrowing Net cash flows from Financing Activities		2020/21 £'000	2019/20 £'000		
		-	28,000		
		(3,778)	(3,962)		
		(15,184)	(28,284)		
		(18,962)	(4,246)		
26. CASH FLOW STATEMENT - CASH AND CASH EQUIVALENTS Cash held by officers Bank current accounts Short term deposits Total Cash and Cash Equivalents		2020/21 £'000	2019/20 £'000		
		148	154		
		1,688	1,132		
		70,110	16,730		
		71,946	18,016		
27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES Long term borrowing Short term borrowings Finance Lease Liabilities On balance sheet PFI liabilities Total liabilities from financing activities	1 April 2019 £'000	Financing Cash Flows £'000	Non-Cash Changes £'000	31 March 2020 £'000	
	523,641	15,000	-	538,641	
	99,733	(15,284)	(34)	84,415	
	170	(110)	-	60	
	89,216	(3,852)	-	85,364	
	712,760	(4,246)	(34)	708,480	
	1 April 2020 £'000	Financing Cash Flows £'000	Non-Cash Changes £'000	31 March 2021 £'000	
	538,641	(10,000)	-	528,641	
	84,415	(5,184)	(35)	79,196	
	60	(36)	-	24	
	85,364	(3,742)	-	81,622	
	708,480	(18,962)	(35)	689,483	
	28. CONTINGENT LIABILITIES				
	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. In 2016 this was subsequently increased to 25%. The council has paid a total of £0.211 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.					
Abuse Claims					
The council recognises the potential for compensation claims deriving from the Scottish Government's Limitation (Childhood Abuse) (Scotland) Bill which has removed the three-year time limit on claims of child abuse. Some claims may be more historic and predate Local Government Reorganisation in 1996. As at 31 March 2021, five claims have been received. However, no claims have been brought that have progressed to a stage where a possible payment can be reliably estimated and accounted for in the financial statements. The council will consider the funding of future claims according to the nature and materiality of claims as they are brought in future years.					
Pension guarantees					
The council provides a formal guarantee to Lothian Pension Fund in respect of any monies due to the fund by West Lothian Leisure should it be unable to meet its obligations to the fund. The council has considered the likelihood of this guarantee being called upon in light of the financial challenges faced by WLL and concluded that there remains no expectation of the council having to settle obligations on its behalf given that its payments to the fund remain up to date and WLL has existing financial support and plans in place to address its financial challenges going forward.					

29. TRADING OPERATIONS

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

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

	2020/21 £'000	2019/20 £'000
Turnover	4,464	4,674
Expenditure	2,920	3,128
Surplus for year	1,544	1,546
Budget Surplus for year	1,791	1,540

Included in turnover is internal income of £0.149 million (£0.215 million 2019/20).

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

	Surplus / (Deficit) £'000	Loan Interest £'000	Net Surplus / (Deficit) £'000
2018/19	764	420	344
2019/20	1,546	426	1,120
2020/21	1,544	477	1,067
Surplus over three year period	3,854	1,323	2,531

In the three years to 31 March 2021 the trading account achieved a statutory aggregate surplus of £2.531 million, therefore meeting the statutory financial requirement to breakeven over the three year period.

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30. AGENCY SERVICES

Expenditure**Local Bus Services**

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

93

76

Residential Schools and other Social Work payments

Costs incurred in relation to residential care for children under the age of 18 who are deemed to be a significant risk to themselves or others in the community. Secure care is provided by third sector organisations. Secure care provides intensive support and safe boundaries whilst providing care, including health and education.

704

408

Special School Placements

Costs incurred in respect of West Lothian children who are in receipt of supported education services provided by other local authorities outwith the West Lothian Area.

211

272

Other

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

1014

997

Non Domestic Rates

The council provides a collection service for Scottish Government in relation to Non-Domestic Rates. The difference between funding received and costs incurred is fully funded by Scottish Government and is included as a debtor in the council's Balance Sheet.

50,517

99,340

Total Expenditure

52,539

101,093

Income**Scottish Water Collection Services**

The council has an agreement with Scottish Water whereby it collects water and waste charges in conjunction with collection of council tax for a collection fee.

557

553

Social Work Services

Income in respect of delivery of support for people with alcohol and drug problems. This is delivered through West Lothian Council's Social Work Addictions Team and funded by National Health Service under our Alcohol and Drug Partnership contracts.

1,628

1,567

Local Bus Services

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

255

213

Special School Placements

Recovery of the cost of provision of supported education provided to Other Local Authority children living outwith the West Lothian boundary but receiving educational services in West Lothian.

358

391

Business Gateway

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

242

400

Other

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

107

151

Non Domestic Rates

The council provides a collection service for Scottish Government in relation to Non-Domestic Rates. The difference between funding received and costs incurred is fully funded by Scottish Government and is included as a debtor in the council's Balance Sheet.

50,304

76,309

Total Income

53,451

79,584

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Covid-19 Response Funding – Scottish Government - Agency

Covid-19 Scottish Government funding provided and expenditure incurred during 2020/21 where the council has acted as an intermediary for Scottish Government is as follows: -

Scottish Government Grants – Agency	£'000
Transitional Support Fund for Childcare Providers	305
Temporary Restrictions Fund for Childcare Providers	143
Business Closure Fund	475
Strategic Framework Business Fund	13,687
Business Contingency Fund: Soft Play & Nightclubs	240
Furlough Support Fund	117
Small Business Grants	27,414
Self Employed Hardship Fund	303
Business support - small accommodation providers paying council tax	68
Covid Spring Hardship	708
Covid Winter Hardship Grants	608
SWF Self Isolation Grants	202
£500 payments Social Care Staff	633
£500 payments Social Care Providers	822
Covid-19 Business Support – Support for Brewers, Travel Agents & Indoor Football	125
Taxi and Private Hire Driver Support Fund	594
Total Agency Grants	46,444

31. EXTERNAL AUDIT COSTS

The Accounts Commission for Scotland appointed Ernst & Young LLP as the council's External Auditor for the financial years 2016/17 to 2020/21, with a subsequent notification that the appointment would be extended to cover the audit of the 2021/22 financial year.

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

	2020/21 £'000	2019/20 £'000
Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice.	334	350
Audit fee in respect of s106 Trust Funds	10	10
	344	360

32. POST REPORTING PERIOD EVENTS

The Head of Finance and Property Services, Donald Forrest CPFA, being the officer responsible for the council's financial affairs, authorised the issue of the unaudited annual accounts on 21 June 2021. Events after the balance sheet date have been considered up to 28 September 2021.

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

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

There are no events to consider, however the council continues to monitor and assess the financial impact of the Covid-19 response and recovery for 2021/22, including consideration of additional costs, lost income and required savings.

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33. GRANT INCOME

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21.

	2020/21 £'000	2019/20 £'000
Credited to Taxation and Non-Specific Grant Income		
Capital Grants and Contributions		
- General Capital Grant	14,090	21,715
- Other Scottish Government Grant	10,057	7,496
- Developers Contributions	10,498	2,610
- Other Capital Contributions	3,216	686
Total Capital Grants and Contributions	37,861	32,507
Revenue Support Grant	273,566	235,751
Covid-19 Response Funding - Redetermination (note 33.1)	37,411	-
Distribution from Non-Domestic Rate Pool	52,042	85,327
Total Grants credited to Taxation and Non-Specific Grant Income	400,880	353,585
Credited to Services		
Ring Fenced Grants		
Criminal Justice Grant	3,061	2,932
Pupil Equity Funding	5,010	5,191
Early Learning Childcare	13,638	7,947
Gaelic	8	8
	21,717	16,078
Covid-19 Response Funding – Service (note 33.2)	5,929	-
Other grants		
Housing Benefits Grant	42,394	44,221
Administration of Benefits Grant	606	604
DWP Discretionary Housing Payment	602	672
Integration Joint Board	10,133	10,133
Education Maintenance Allowance	765	652
Schools for the Future Programme	1,907	1,959
Leader	393	746
European Grants	687	1,250
Private Sector Housing Grant	732	732
Home Energy Efficiency Programme for Scotland	650	874
Other Grants	3,819	3,829
Contribution from Local Authorities	861	757
Contribution from NHS	25,666	11,298
Total Grants credited to Services	116,861	93,805
Capital Grants Received in Advance		
The council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the developer. The balances are as follows: -		
	2020/21 £'000	2019/20 £'000
Developer Contributions	30,066	30,126

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33.1 Covid-19 Response Funding – Scottish Government - Redetermination

The grants detailed below relate to Covid-19 funding received by the council through redetermination in General Revenue Grant and are reported in Taxation and Non-specific Grant Income within the CIES.

	2020/21 £'000
Food Fund	1,045
Test and Protect	163
Additional Education – Teachers, Digital Inclusion, Home Learning Support Fund	1,683
Education Recovery Funding	3,186
Teacher/support staff and Teacher Workforce	2,011
Estimate UKG Consequential Lost Income Scheme	4,190
Additional UKG Consequential	1,653
Local Authority Hardship Fund	1,687
Winter Plan - RRTP	195
Scottish Welfare Fund Top Up	712
Community Justice CPP Transitional Funding Extra	13
Council Tax Reduction Scheme Additional Support	760
Children and Young People's Mental Health	511
Business Support Grant Admin	313
PESF Boost	176
Tackling Financial Insecurity over Winter Funding	1,352
Flexible Fund to Support People Impacted by Protection Level Restrictions	1,012
Discretionary Fund	2,453
Associated with Covid-19	5,228
Free School Meals	988
General Covid-19 Funding	7,998
Other Covid-19 Grants (including Registrars of Death and Environmental Health Officers)	82
Total	37,411

33.2 Covid-19 Response Funding – Scottish Government – Service Grants

The grants detailed below relate to Covid-19 funding received by the council through service specific Covid-19 grants from Scottish Government, which have been applied to service income in the CIES.

	2020/21 £'000
Free School Meals	699
Winter Plan for Social Protection	501
Teacher / Support Staff and Teacher Workforce	2,073
Local Authority Discretionary Funding to Support Business	1,056
Additional Food Funding for Vulnerable Groups	440
No One Left Behind	250
Care Experienced & Young People Fund	457
Additional Discretionary Housing Payment Funding	233
Young Persons Guarantee - No One Left Behind and PACE	46
PACE	120
Other Covid-19 Grants	54
Total	5,929

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34. GENERAL FUND BALANCE

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

	Balance at 1 April 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance at 1 April 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance at 31 March 2021 £'000
General Fund Balance	17,663			19,869			42,519
Movement in Earmarked Reserves							
Balances held by schools under a scheme of delegation	846	-	105	951	-	545	1,496
Energy Efficiency Fund	313	(313)	-	-	-	-	-
Modernisation Fund	586	(829)	1,781	1,538	-	1,141	2,679
Government Grants	5,650	(417)	-	5,233	(100)	-	5,133
Time Limited Projects	1,172	(666)	556	1,062	(433)	-	629
Developer Contribution Fund	5,856	(749)	-	5,107	(2,830)	-	2,277
Local Bus Provision	100	(100)	-	-	-	-	-
Anti-Poverty Fund Strategy (including Period Poverty)	303	-	-	303	-	-	303
Voluntary Organisations Fund	-	(137)	200	63	-	-	63
Committed Funds from Loans Fund Review	-	(582)	2,736	2,154	(4,353)	5,498	3,299
Lifetime Alcohol Licensing Fund	464	-	-	464	-	-	464
Scottish Government Funding Carry Forward	-	-	-	-	-	19,328	19,328
Council Resources Earmarked for Covid Response	-	-	-	-	-	2,837	2,837
Winter Resilience Fund	-	-	-	-	-	1,000	1,000
Investment for Potholes	-	-	-	-	-	750	750
Total Earmarked Reserves	15,290	(3,793)	5,378	16,875	(7,716)	31,099	40,258
Uncommitted General Fund Balance	2,373			2,994			2,261

In accordance with both the School Boards Delegation and Devolved School Management schemes, a net credit balance of £1.496 million (£0.951 million 2019/20) 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 2021/22 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.

The Scottish Government Funding carry forward of £19.328 million and the Loans Fund Review 2020/21 release of funds of £5.498 million have been earmarked as carry forwards to 2021/22 totalling £25.027 million as detailed in the out-turn on page 12 of the Management Commentary.

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

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

	2020/21 £'000	2019/20 £'000
Plant and Vehicles	1,673	2,256
Property	536	633
	2,209	2,889

Assets acquired under finance leases have been capitalised.

Operating Leases

The future cash payments required under operating leases are: -

	2020/21 £'000	2019/20 £'000
2021/22 (2020/21) - Land and Buildings	535	629
- Other Operating Leases	1,127	1,673
2022/23 to 2025/26 (2021/22 to 2024/25) - Land and Buildings	1,470	1,669
- Other Operating Leases	1,503	2,603
2026/27 onwards (2025/26 onwards) - Land and Buildings	6,476	7,569
- Other Operating Leases	-	27

The cumulative value of leases in 2020/21 where the council is a lessor is £5.939 million for 738 units (£5.449 million for 743 units 2019/20).

Education Service PPP1 Schools Project

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

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

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

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

Education Service PPP3 Schools Project

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

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

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

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

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

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

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

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

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

PPP and DBFM Payments

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

Range	Principal £'000	Interest £'000	Lifecycle Capital Costs £'000	Operating Costs £'000	Schools for the Future Revenue Funding £'000	2020/21 Total £'000	2019/20 Total £'000
Within one year	2,384	4,278	648	9,937	(1,867)	15,380	15,025
2 to 5 years	14,251	15,612	1,506	40,979	(7,468)	64,880	63,384
6 to 10 years	20,895	14,981	2,583	60,127	(9,335)	89,251	87,187
11 to 15 years	21,236	8,410	463	51,354	(9,335)	72,128	78,232
16 to 20 years	18,177	3,446	-	33,993	(9,335)	46,281	57,422
21 to 25 years	4,679	365	-	2,092	(4,195)	2,941	4,323
Total	81,622	47,092	5,200	198,482	(41,535)	290,861	305,573

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

36. RELATED PARTIES

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

Scottish Government

Scottish Government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government Departments are set out in note 33.

Councillors

Members of the Council have direct control over the council's financial and operating policies. The total of Councillors Remuneration allowances paid in 2020/21 are shown in the Remuneration Report note 2.3 on page 39. There are no related party transactions with members of the council.

Officers

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

NOTES TO THE ANNUAL ACCOUNTS

STATEMENT 8

36. RELATED PARTIES (CONTINUED)

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

EXPENDITURE	2020/21 £'000	2019/20 £'000
Government Payments		
PAYE and National Insurance	64,792	62,813
Superannuation – Teachers	20,062	17,350
Other Local Authority Payments		
Superannuation	30,522	28,190
Other Payments	771	883
Other Related Party Payments		
Joint Valuation Board	1,171	1,132
West Lothian Integration Board	69,353	69,438
West Lothian Leisure Ltd.	4,658	3,507
Councillors Remuneration	715	744
Criminal Justice Authority	3,564	3,877
SESTRAN / SESPLAN	22	22
Scotland Excel	121	117
	195,751	188,073
Other Related Party Income		
Other Local Authority Receipts	861	757
Criminal Justice Authority	3,061	2,932
	3,922	3,689
BALANCE SHEET		
The amounts due (to) or from related parties are detailed below: -		
Government departments	33,679	6,688
Other local authorities	(1,146)	(2,345)
Related companies		
West Lothian Leisure Ltd.	1,199	1,730
	33,732	6,073

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		2020/21 £'000	2019/20 £'000
	Dwellings Rent (gross)	(52,830)	(50,489)
	Non-Dwellings Rent (gross)	(592)	(575)
	Other Income	(907)	(1,472)
	TOTAL INCOME	(54,329)	(52,536)
EXPENDITURE	Repairs and Maintenance	14,307	15,999
	Supervision and Management	8,043	8,469
	Depreciation and Revaluation of non-current assets	31,534	56,712
	Bad or Doubtful Debts	905	1,228
	Other Expenditure	6,958	3,198
	TOTAL EXPENDITURE	61,747	85,606
	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	7,418	33,070
	HRA Services share of Corporate and Democratic Core (CDC)	103	92
	HRA Share of Employee Statutory Adjustment	19	12
	HRA share of Non-Distributed Costs	5	(229)
	Net Cost of HRA Services	7,545	32,945
	HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
	Profit on disposal of HRA assets	-	-
	Interest payable and similar charges	10,047	9,841
	Net interest on the net defined benefit liability	140	186
	Deficit for the year on HRA Services	17,732	42,972

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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	2020/21 £'000	2019/20 £'000
	Balance on the HRA at the end of the previous year	1	(926)	(926)
	Deficit for the year on the HRA Income and Expenditure Statement		17,732	42,972
	Adjustments between accounting basis and funding basis under regulations		(17,732)	(42,972)
	(Increase) or decrease in year on the Housing Revenue Account		-	-
	Balance on the HRA at the end of the current year		(926)	(926)
NOTES	1.	Adjustments between accounting basis and funding basis under regulations		
		Depreciation and Revaluation	(31,534)	(56,712)
		Share of Employee Statutory Adjustment	(19)	(12)
		Amount by which pension costs calculated in accordance with IAS 19 are different from contributions due to the Lothian Pension Fund	(145)	43
			(31,698)	(56,681)
		Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
		Loans fund principal	1,845	3,959
		Capital expenditure funded by HRA	12,121	9,750
		Adjustments between accounting basis and funding basis under regulations	(17,732)	(42,972)
	2.	Housing Stock		
		The council's stock at 1 April 2020 was 14,038 houses, and at 31 March 2021 was 14,031 houses. As a result, the council was responsible for managing an average of 14,035 dwellings during 2020/21.		
		Stock movements can be summarised as follows: -		
		Stock as at 1 April	14,038	13,678
		New Build Completions	34	314
		Open Market Acquisitions	34	35
		Other Additions	3	2
		Demolitions	(4)	-
		Stock Reclassification	(74)	9
		Stock as at 31 March	14,031	14,038
		Housing Stock Numbers by type are as follows: -		
		1 Bed	2,586	2,672
		2 Bed	6,633	6,590
		3 Bed	4,183	4,151
		4 Bed	485	482
		More than 4 Bed	144	143
			14,031	14,038
	3.	Rent Arrears at 31 March		
		Current Tenant	2,984	2,657
		Former Tenant	1,215	1,207
	4.	Losses on Void Properties at 31 March		
		Losses on void properties	445	469
	5.	Bad Debt Provision		
		Bad Debt Provision for housing rent arrears and former tenant's debt.	3,594	3,164

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		2020/21 £'000	2019/20 £'000
	Gross rates levied and contributions in lieu	99,817	94,288
	<u>Less</u>		
	Reliefs and other deductions	(44,662)	(18,944)
	Provisions for bad and doubtful debts	(2,589)	(1,285)
		(47,251)	(20,229)
	Net non-domestic rate income	52,566	74,059
	Allocated:		
	National non-domestic rate pool	52,732	74,224
NOTES	Cost of council rate relief	(166)	(165)
		52,566	74,059
	1. The amount distributed to West Lothian Council from the national non-domestic rate income pool in 2020/21 was £52.042 million (£85.327 million 2019/20).		
	2. Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Lothian area. The National non-domestic rate poundage is determined by the Scottish Government and was 49.8p per £ in 2020/21 (49.0p in 2019/20). The rate was 51.1p (51.6p in 2019/20) for properties with a rateable value between £51,000 and £95,000 and 52.4p for properties with a rateable value above £95,000. Properties with a rateable value of £18,000 or less are subject to a reduced charge if they meet the qualifying criteria under the small business bonus scheme.		
	3. Rateable values at 1 April 2020		
		Number	Rateable Value £'000
	Shops, Offices and other Commercial Subjects	3,071	75,666
	Industrial Subjects	1,765	76,533
	Miscellaneous (Schools etc.)	1,730	52,468
	Total	6,566	204,667

TRUSTS AND MORTIFICATIONS

STATEMENT 13

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 SURPLUS / (DEFICIT)	INCOME AND EXPENDITURE STATEMENT	2020/21 £'000	2019/20 £'000
	Beneficiaries	(6)	(1)
	Loans Fund and Dividend Interest	4	6
	For Year	(2)	5
	At 1 April	387	382
	At 31 March	385	387
	BALANCE SHEET		
	Current Assets		
	Investments	47	47
	Revenue Advances to Loans Fund	339	340
		386	387
	Current Liabilities	-	-
	TOTAL ASSETS	386	387
	Reserves		
	Capital Fund	165	165
	Revenue Fund	221	222
	TOTAL RESERVES	386	387
NOTES	1. In order to preserve the capital value of Trust Funds, it is council policy to disburse only revenue income arising from them. This is done one year in arrears i.e. revenue income received during 2020/21 is disbursed in 2021/22.		
	2. The main fund balances where the council is sole trustee at 31 March 2021 are: -		
		Capital £'000	Revenue £'000
	Irene Elizabeth Miller Trust	60	6
	West Lothian Trust for the Benefit of People with Disabilities	41	15
	Quarter Farm Trust	17	40
	James Wood Bequest	14	55
	Robert Turner of Armadale Trust	11	19
	3. The council also administered five other trusts in 2020/21, which have external and council trustees. At 31 March 2021 the total assets of these trusts, valued at cost, was £0.216 million (£0.214 million at 31 March 2020).		

COMMON GOOD ACCOUNT

STATEMENT 14

PURPOSE

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

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

INCOME AND EXPENDITURE STATEMENT2020/21
£'0002019/20
£'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

23

23

TOTAL ASSETS

FINANCED BY:

Reserves

Revenue Balance

14

14

Capital Reserve

9

9

23

23

TOTAL LOANS AND RESERVES

NOTES

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

Furnishings

£'000

4

Heritable Property

1

5

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

3. Interest received in 2020/21 amounted to £93 (£192 2019/20).

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - GROUP

STATEMENT 15

PURPOSE	The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.
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GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

	Group Note	2020/21			2019/20		
		Gross Expend £'000	Gross Income £'000	Net Expend £'000	Gross Expend £'000	Gross Income £'000	Net Expend £'000
Schools, Education Support		275,759	27,132	248,627	259,374	19,532	239,842
Planning, Economic Development and Regeneration		14,375	5,945	8,430	11,820	5,657	6,163
Operational Services		82,686	6,143	76,543	83,785	8,118	75,667
Housing, Customer and Building Services		20,927	6,519	14,408	21,352	6,127	15,225
Corporate Services		1,898	507	1,391	1,899	599	1,300
Social Policy – IJB, Adult and Elderly Services		173,173	103,820	69,353	166,548	97,110	69,438
Social Policy – non-IJB, Children's Services		43,743	5,126	38,617	41,927	4,730	37,197
Chief Executive, Finance and Property		50,765	7,353	43,412	44,275	4,802	39,473
Joint Boards		1,193	-	1,193	1,159	5	1,154
Other Services		50,261	47,324	2,937	50,221	49,382	839
West Lothian Leisure Ltd.		9,124	6,207	2,917	13,800	9,591	4,209
Net Cost of General Fund Services		723,904	216,076	507,828	696,160	205,653	490,507
Housing Revenue Account		61,747	54,329	7,418	85,606	52,536	33,070
Net Cost of Services		785,651	270,405	515,246	781,766	258,189	523,577
Other Operating Expenditure		(1,272)	-	(1,272)	(1,377)	-	(1,377)
Financing and Investment Income and Expenditure		61,395	29,936	31,459	67,301	33,213	34,088
Share of corporation tax of Joint Venture		-	-	-	-	-	-
Taxation and Non-Specific Grant Income		-	477,506	(477,506)	-	426,640	(426,640)
Deficit on Provision of Services		845,774	777,847	67,927	847,690	718,042	129,648
Share of Operating Results of Associates and Joint Ventures		144,820	149,348	(4,528)	135,814	135,484	330
Deficit on Group		990,594	927,195	63,399	983,504	853,526	129,978
Items that will not be reclassified to the Deficit on the Provision of Services							
Surplus on revaluation of property, plant and equipment				(394,340)			(26,153)
Remeasurements of the net defined benefit liability / (asset)				67,750			(89,174)
(Gains) / Losses on Investments in Associates and Joint Ventures				218			(668)
Items that may be reclassified to the Deficit on the Provision of Services				(326,372)			(115,995)
(Surplus) / Deficit from investments in equity instruments designated at fair value through other comprehensive income				79			(24)
Other Comprehensive Income and Expenditure				(326,293)			(116,019)
Total Comprehensive Income and Expenditure				(262,894)			13,959

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

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

**MOVEMENT IN RESERVES STATEMENT - GROUP
AS AT 31 MARCH 2021**

	Group Note	Single Entity Usable Reserves (Note 1) £'000	Single Entity Unusable Reserves (Note 1) £'000	Group Reserves (Notes 2 & 3) £'000	Total Group Reserves £'000
Balance at 1 April 2019		90,693	670,457	(8,301)	752,849
Movement in Reserves during 2019/20					
Total comprehensive income and expenditure		(129,088)	113,223	1,906	(13,959)
Adjustments between accounting basis and funding basis under regulations		126,424	(126,424)	-	-
Net increase (decrease) before transfers to other statutory funds		(2,664)	(13,201)	1,906	(13,959)
Transfers to or from other statutory funds		-	-	-	-
Increase (decrease) in year		(2,664)	(13,201)	1,906	(13,959)
Balance at 31 March 2020	G3	88,029	657,256	(6,395)	738,890
Movement in Reserves during 2020/21					
Total comprehensive income and expenditure		(67,440)	330,393	(59)	262,894
Adjustments between accounting basis and funding basis under regulations		76,032	(76,032)	-	-
Net increase (decrease) before transfers to other statutory funds		8,592	254,361	(59)	262,894
Transfers to or from other statutory funds		-	-	-	-
Increase (decrease) in year		8,592	254,361	(59)	262,894
Balance at 31 March 2021	G3	96,621	911,617	(6,454)	1,001,784

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

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

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the council 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 council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that are adjustment accounts that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Group Note	As at 31 March 2021 £'000	As at 31 March 2020 £'000
LONG TERM ASSETS			
Property, Plant and Equipment			
- Council Dwelling		473,070	383,804
- Other Land and Buildings		1,166,446	950,037
- Vehicles, Plant, Furniture and Equipment		12,027	12,553
- Infrastructure Assets		240,321	238,718
- Community Assets		501	567
- Assets under construction		39,799	13,895
- Surplus Assets, not yet held for disposal		22,856	22,672
- Intangible Assets		1,746	1,170
Heritage Assets		1,956,766	1,623,416
Long Term Investments		779	779
		491	574
TOTAL LONG TERM ASSETS		1,958,036	1,624,769
CURRENT ASSETS			
Short Term Investments		15,083	91,479
Inventories		1,741	1,368
Short Term Debtors		77,114	35,968
Cash and Cash Equivalents		73,129	19,682
TOTAL CURRENT ASSETS		167,067	148,497
CURRENT LIABILITIES			
Short Term Borrowing		(79,196)	(84,415)
Short Term Creditors		(86,637)	(66,513)
Provisions		(573)	(387)
Capital Grants Receipts in Advance		(30,066)	(30,126)
TOTAL CURRENT LIABILITIES		(196,472)	(181,441)
NET CURRENT ASSETS (LIABILITIES)		(29,405)	(32,944)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,928,631	1,591,825
LONG TERM LIABILITIES			
Long Term Creditors		(316)	(335)
Long Term Borrowing		(528,716)	(538,846)
Defined Benefit Scheme Liability		(321,884)	(231,098)
Other Long Term Liabilities		(79,238)	(81,681)
Share of Net Liabilities of Associates and Joint Venture		3,307	(975)
TOTAL LONG TERM LIABILITIES		(926,847)	(852,935)
TOTAL NET ASSETS		1,001,784	738,890
Financed by:			
USABLE RESERVES			
General Funds Balance		47,681	20,391
Housing Revenue Fund Balance		926	926
Capital Fund		45,580	57,917
Insurance Fund		7,596	9,317
TOTAL USABLE RESERVES		101,783	88,551
UNUSABLE RESERVES		900,001	650,339
TOTAL RESERVES		1,001,784	738,890

The unaudited accounts were considered by the Audit Committee on 21 June 2021 and the audited accounts were authorised for issue on 28 September 2021.

DONALD FORREST CPFA, Head of Finance and Property Services

28 September 2021

CASH FLOW STATEMENT - GROUP**STATEMENT 18****PURPOSE**

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council 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 council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council'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 council.

	Group Note	2020/21 £'000	2019/20 £'000
Net deficit on the provision of services of Group		(63,399)	(129,978)
Adjustments to deficit on the provision of services for non-cash movements		138,872	195,591
Net cash flows from Operating Activities		75,473	65,613
Net cash flows from Investing Activities		(2,818)	(68,490)
Net cash flows from Financing Activities		(19,208)	(4,661)
Net (decrease) / increase in cash and cash equivalents		53,447	(7,538)
Cash and cash equivalents at the beginning of the reporting period		19,682	27,220
Cash and cash equivalents at the end of the reporting period		73,129	19,682

NOTES TO THE GROUP ACCOUNTS

STATEMENT 19

G1. ACCOUNTING POLICIES

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

G2. WEST Lothian INTEGRATION JOINT BOARD

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

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

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

The IJB is defined as a joint venture. The net expenditure of the IJB for 2020/21 is £69.353 million (2019/20 £69.438 million). It should be noted that this expenditure does not include support services such as Human Resources, Legal and Financial Services which are not delegated to the IJB and are provided free of charge to the IJB. The IJB does not employ staff directly delivering services and does not hold cash resources or operate a bank account. The IJB accounts for 2020/21 show the Balance Sheet with assets and reserves of the IJB of £9.308 million.

G3. COMBINING ENTITIES

The council has a number of non-consolidation interests in other entities, full details of which are shown on pages 103 and 104.

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

- The Chief Executive of WLL, from 1 October 2019, is T P J Dent.
- The previous Chief Executive of WLL, R Strang, retired at the end of September 2019. During 2019/20 WLL paid an amount of £85,792 as an additional payment to the Chief Executive on his retirement. The payment was authorised by the WLL Board in line with the established governance structures in place at WLL.
- Details of the remuneration of both the former and current Chief Executives of WLL are included in section 3.2 of the Remuneration Report on page 41.
- There were no Councillors of West Lothian Council remunerated by the body in 2020/21.
- There were no employees of WLL whose remuneration was £150,000 or more.

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

Lothian Valuation Joint Board is deemed to be an associate.

The council has joint control and right to net assets in **West Lothian Recycling Ltd** and **West Lothian Integration Joint Board**, which are both defined to be joint ventures. West Lothian Recycling Ltd has been wound up effective from 10 October 2019 and from 2020/21 does not form part of the Group Accounts.

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

	2020/21	2019/20
Associates		
Valuation Joint Board - basis - WLC funding to total funding	18.86%	18.86%
Joint Venture		
West Lothian Integration Joint Board - basis - WLC representation on board	50%	50%

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

Council share of Associate, Subsidiary and Joint Ventures		Valuation Joint Board £'000	West Lothian Leisure £'000	West Lothian Recycling £'000	Integration Joint Board £'000	Total £'000
Total Assets	2020/21 2019/20	439 376	1,431 1,697	- -	4,654 32	6,524 2,105
Total Liabilities and shareholders' equity	2020/21 2019/20	(1,786) (1,383)	(11,192) (7,117)	- -	- -	(12,978) (8,500)
Net Assets / (Liabilities)	2020/21 2019/20	(1,347) (1,007)	(9,761) (5,420)	- -	4,654 32	(6,454) (6,395)
Included in Surplus / (Deficit) in Group	2020/21 2019/20	(122) (177)	(459) (520)	- 15	4,622 (208)	4,041 (890)

NOTES TO THE GROUP ACCOUNTS

STATEMENT 19

G3. COMBINING ENTITIES (CONTINUED)

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

Council share of Associate, Subsidiary and Joint Ventures		Valuation Joint Board £'000	West Lothian Leisure £'000	West Lothian Recycling £'000	Integration Joint Board £'000	Total £'000
General Fund Balance	2020/21	148	360	-	4,654	5,162
	2019/20	169	321	-	32	522
Capital Fund	2020/21	-	-	-	-	-
	2019/20	-	-	-	-	-
Capital Grants Unapplied A/C	2020/21	-	-	-	-	-
	2019/20	-	-	-	-	-
Capital Receipts Reserve	2020/21	-	-	-	-	-
	2019/20	-	-	-	-	-
Total Usable Reserves	2020/21	148	360	-	4,654	5,162
	2019/20	169	321	-	32	522
Unusable Reserves	2020/21	(1,495)	(10,121)	-	-	(11,616)
	2019/20	(1,176)	(5,741)	-	-	(6,917)
Total Reserves	2020/21	(1,347)	(9,761)	-	4,654	(6,454)
	2019/20	(1,007)	(5,420)	-	32	(6,395)

The accounting year for the Valuation Joint Board, West Lothian Leisure Ltd. and the West Lothian Integration Joint Board ends 31 March 2021. The associate and joint ventures have been accounted for using the equity method.

The Trusts, Mortifications and the Common Good Fund, which the council manage, have not been included in the Group Accounts on the grounds of materiality. Full details of these accounts can be found in Statements 13 and 14 on pages 97 and 98.

G4. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the associate, subsidiary and joint ventures on the Group Balance Sheet as at 31 March 2021 (2020) is to reduce the net assets by £6.454 million (£6.395 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 £1.533 million (£1.217 million) and West Lothian Leisure Ltd. with pension liabilities of £10.121 million (£5.741 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 2020/21 (2019/20) share of Associates pension interest cost and expected return on pension assets is £0.028 million (£0.041 million). These figures are not included in the Group Comprehensive Income and Expenditure Account as they are part of the IAS 19 pension entries which are reversed out in arriving at the share of operating results of associates for the year.

G6. NON-CONSOLIDATION INTEREST IN OTHER ENTITIES

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

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

6.1 WL Ventures Group Limited

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

The unaudited (audited) accounts for the period ended 31 March 2021 (2020) show a loss (profit) before and after tax of £2,750 (£13,471) with net assets of £636,334 (£639,084).

6.2 West Lothian Enterprise Limited

The company is limited by guarantee. The principal activity is the management of funds designed for investments in industrial and commercial businesses with a view to promoting economic development. The company commenced in 2012/13. The company was wound up in September 2020 and all assets transferred to WL Ventures Group.

6.3 The West of Scotland Archaeology Service

This body was set up in 1997 as a Joint Committee of local authorities in the area. It is currently funded by 10 local authorities and Historic Scotland for Specific Projects. Its primary purpose is to provide planning related archaeological advice to its members, permitting them to discharge their duties in respect of Scottish Executive planning guidance for the treatment of archaeological remains in the planning process. During the year, the council made a contribution of £12,691 (£12,691 2019/20) representing 7.12% (7.12% 2019/20) of the Committee's estimated running costs for the year to 31 March.

6.4 South East of Scotland Transport Partnership (SEStran)

The council is a member of SESTRAN, one of seven statutory regional transport partnerships set up under the Transport (Scotland) Act 2005. SESTRAN has a membership of 8 local authorities and they have a statutory duty to produce a Regional Transport Strategy Plan and provide the council with capital grant for West Lothian projects within the plan. During the year, the council made a contribution of £21,674 (£21,700 2019/20) and had a voting share of 12.5%.

G6. NON-CONSOLIDATION INTEREST IN OTHER ENTITIES (CONTINUED)**6.5 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 2020/21 and 2019/20 no contributions were made to SESplan by its members. The council has a voting share of 17%.

6.6 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 2020/21, the council made a contribution of £120,752 (£117,235 2019/20), 3.3% (3.3% 2019/20) of Scotland Excel's funding.

6.7 Seemis Group LLP

Seemis Group is the software provider of the standard management Information system within Scottish Education and works closely with its members and the strategic bodies responsible for education direction in Scotland. West Lothian's student data is processed and managed by Seemis software. Seemis supports local authorities and their associated schools in delivering their statutory and discretionary responsibilities. During 2020/21, the council contributed £183,416 (£175,557 2019/20), 3.9% (3.9% 2019/20) of Seemis Group LLP's funding.



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