

West Lothian Council

2024/25 Annual Audit Report



Prepared for West Lothian Council and the Controller of Audit
September 2025

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Accessibility

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Key messages

Audit of the annual accounts

- 1 All audit opinions stated that the annual accounts were free from material misstatement.
- 2 A review of the council's approach to interim valuation assessment of material change, for all asset categories, identified concerns in the application and review of key assumptions.

Wider scope audit

- 3 The council delivered a revenue outturn overspend of £3.1 million against the approved 2024/25 core revenue budget of £613.4 million. The council's planned use of reserves funded the overspend.
- 4 The audit work performed on the arrangements the council has in place for securing sound financial management found that these were effective and appropriate.
- 5 The estimated budget gap over the three years to 2027/28 is £34.9 million. After factoring in identified savings measures of £25.2 million, the funding gap is expected to reduce to £9.7 million by 2027/28.
- 6 A sound approach to medium and longer-term financial planning is in place to manage ongoing financial challenges.
- 7 The council continues to have effective and appropriate governance arrangements in place that support scrutiny of decisions made.
- 8 The council has an appropriate performance management framework in place which aligns with the Corporate Plan 2023-28.
- 9 Progress against the Council Plan priority areas is generally positive with 68 per cent of the performance indicators showing improvement compared to the prior year.

Best Value audit

- 10 The council has effective and appropriate arrangements in place for securing Best Value.
 - 11 The 2024/25 Management Report on the theme of Transformation, prescribed by the Accounts Commission, reported the council has demonstrated its commitment to transforming services.
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Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of West Lothian Council's annual accounts and the wider scope areas specified in the [Code of Audit Practice](#).
2. The Annual Audit Report is addressed to West Lothian Council, hereafter referred to as 'the council' and the Controller of Audit and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. Claire Gardiner, of Audit Scotland, has been appointed as external auditor of the council for the period from 2023/24 until 2026/27. As reported in the Annual Audit Plan, the engagement lead and audit team are independent of the council in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the council, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the council and its staff, particularly those involved in preparation of the annual accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, namely the Management Commentary and Annual Governance Statement.
- An opinion on the audited part of the Remuneration Report.
- Conclusions on the council's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on the council's arrangements for securing Best Value.
- Providing assurance on the Housing Benefit Subsidy Claim, Non-Domestic Rates Return, Whole of Government Accounts return, and summary financial statements.
- A review of the council's arrangements for preparing and publishing statutory performance information.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the council and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts and concluding on the council's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the council from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

The council's responsibilities

10. The council has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements for the council and its group that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

National performance audit reporting

11. The Auditor General for Scotland and the Accounts Commission regularly publish performance audit reports. These cover a range of matters, many of which may be of interest to the council. Details of national and performance audit reports published over the last year can be seen in [Appendix 2](#).

Audit of the annual accounts

Main judgements

All audit opinions stated that the annual accounts were free from material misstatement.

A review of the council's approach to interim valuation assessment of material change, for all asset categories, identified concerns in the application and review of key assumptions.

Audit opinions on the annual accounts

12. The Council approved the annual accounts for West Lothian Council and its group on 23 September 2025. The Independent Auditor's Report is included in the council's annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



Audit timetable

13. The unaudited annual accounts and all working papers were received on 30 June 2025 in accordance with the agreed audit timetable.

Audit Fee

14. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £414,750. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality

15. Materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

16. The concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

17. Materiality levels for the audit of the council and its group were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts. Materiality levels were updated, and these can be seen in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for the council and its group

Materiality	Council	Group
Materiality – set at 2% of expenditure	£20.2 million	£22.0 million
Performance materiality – set at 75% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£15.1 million	£16.5 million
Reporting threshold	£0.75 million	£0.75 million

Source: Audit Scotland

Significant findings and key audit matters

18. Under ISA (UK) 260, we communicate significant findings from the audit to those charged with governance, which for the council is the full council committee.

19. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

20. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

21. The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

Exhibit 2
Significant findings and key audit matters

Significant findings and key audit matters	Outcome
<p>Valuation methodology and assumptions applied to materiality assessment for council assets not valued in current year</p> <p>The council undertakes valuations of its property, plant and equipment (PPE) on a rolling 5-year programme, using independent expert valuers and its own chartered surveyors. For assets not revalued in the current year, the council performs an indexation appraisal each year to assess whether there has been a material change in value since the last valuation.</p> <p>Audit identified an error in the indexation calculation for the school asset category during 2024/25. Following recalculation across all non-revalued asset categories, the council confirmed that the movement exceeded the materiality threshold set by external audit.</p> <p>Additionally, council houses are valued using the Beacon Principle, applying an adjustment factor to reflect Existing Use Value for Social Housing, in line with RICS guidance. These assets were last revalued in 2021 by the Valuation Office Agency. The council did not review the adjustment factor in 2024/25 to confirm its continued appropriateness, which may affect the reliability of the valuation.</p>	<p>Assessment of PPE and council dwellings valuation assumptions</p> <p>For PPE, the council’s property services team conducted a desktop review to assess whether the indexation calculation—indicating a potential material movement in school valuations—was accurate. A representative sample of schools last valued in 2021, covering various sizes, ages, and types (primary and secondary), was analysed. The results were extrapolated across all 2021-valued schools, and the council concluded there was no material movement.</p> <p>For council dwellings, the council reviewed the adjustment factor used to derive Existing Use Value for Social Housing under the Beacon Principle. It concluded that the factor remained appropriate for 2024/25.</p> <p>We reviewed both the school valuation sample and the council dwellings adjustment factor assessment. We are satisfied that the council’s conclusions are reasonable and that there is no material misstatement.</p> <p>Recommendation 1</p> <p>The council should ensure that, in years between full valuations, it performs robust assessments of any material movements identified through the correct indexation methodology and undertakes adjustment factor evaluations, to ensure asset values in the accounts remain accurate.</p>

Source: Audit Scotland

Qualitative aspects of accounting practices

22. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the council’s accounting practices, including

accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

23. The appropriateness of accounting policies adopted by the council was assessed as part of the audit. These were considered to be appropriate to the circumstances of the council, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Accounting estimates

24. Accounting estimates are used in number of areas in the council's financial statements, including the valuation of land and buildings assets and the valuation of the pension liability. Audit work considered the process management of the council has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

25. Details of the audit work performed and the outcome of the work on accounting estimates that gave rise to significant risks of material misstatement are outlined in [Exhibit 4](#).

Disclosures in the financial statements

26. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as financial instruments and valuation of the pension liability.

27. In accordance with normal audit practice, presentational and disclosure amendments were discussed and agreed with management. The disclosure changes were satisfactory.

Group audit

28. The council is part of a group and prepares group financial statements. The group is made up of four components, including the council which is the parent of the group. The audit work performed on the group's components is summarised in [Exhibit 3](#).

Exhibit 3

Summary of audit work on the group's components

Group component	Auditor and audit work required	Summary of audit work performed
West Lothian Council	Audit Scotland Full scope audit of the council's annual accounts.	The outcome of audit work performed is reported within the Annual Audit Report, with details of significant findings and key audit matters reported in Exhibit 2 .
West Lothian Integration Joint Board (Joint Venture)	Audit Scotland Analytical procedures at group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
Lothian Valuation Joint Board (Associate)	Audit Scotland Analytical procedures at group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
West Lothian Leisure (Subsidiary)	Azets Analytical procedures at group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.

Source: Audit Scotland

29. ISA (UK) 600 requires auditors to report the following matters if these are identified or encountered during an audit:

- any instances where review of a component auditor's work gave rise to issues and how this was resolved.
- any limitations on the group audit.
- any frauds or suspected frauds involving group or component management.

30. No issues were identified from our work in relation to these matters.

Audit adjustments

31. The unaudited accounts presented to the Audit Committee in June 2025 were subsequently updated in July to reflect revised pension benefit figures received late from the Actuary. These updates did not affect the

audit timetable, and no further audit adjustments were required to the financial statements.

Significant risks of material misstatement identified in the Annual Audit Plan

32. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 4](#).

Exhibit 4

Significant risks of material misstatement to the financial statements

Risk of material misstatement

Fraud caused by management override of controls

Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.

Outcome of audit work

Controls

- The design and implementation of controls over journal processing were appropriate.
- The controls in place for identifying and disclosing related party relationships and transactions were adequate.

Methodology and assumptions

- No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias.

Testing

- No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting.
- No notable deficiencies were identified from testing of journal entries.
- Focussed testing of accounting accruals and prepayments did not identify any issues.
- We did not identify any transactions outside the normal course of business.
- Confirmed through substantive testing that income and expenditure transactions around the year-end have been accounted for in the correct financial year.
- No issues of concern were noted from conducting variance analysis of balances and transactions between the current and prior years.

Results: We are satisfied that there is no material misstatement due to management override of controls.

Risk of material misstatement

Valuation of property, plant and equipment

The council held £2 billion of property, plant, and equipment (PPE) at 31 March 2024, of which £1.6 billion was land and building assets.

The council is required to value land and building assets at existing use value where an active market exists for these assets. Where there is no active market, these assets are valued on a depreciated cost replacement (DRC) basis. As a result, there is a significant degree of subjectivity in these valuations which are based on specialist assumptions, and changes in the assumptions can result in material changes to valuations.

All non-current assets are revalued on a five-year rolling basis. Values may also change year on year, and it is important that the council ensures the financial statements accurately reflect the value of the land and buildings. Due to the inherent complexity and subjectivity involved, a significant risk of material misstatement for valuations has been identified.

Outcome of audit work

Controls

- The design and implementation of controls over the valuation process were appropriate.
- Management's assessment of assets not subject to a valuation process in 2024/25 was reasonable and we concluded there was unlikely to be a material difference to the current value at the year-end.

Management Experts

- The valuer had sufficient competence, capabilities and objectivity to perform their work.

Methodology and assumptions

- The information provided to the valuer was accurate and complete.
- Management are involved in the valuation process and have an appropriate level of oversight.
- Assessed the methodology used by the valuers by considering whether valuations were conducted in accordance with the RICS Valuation Professional Standards 'the Red Book'.
- Assessed the reasonableness of valuations conducted by the professional valuers, including the use of any assumptions.

Testing

- Our review of the council's valuation methodology, applied to the materiality assessment for assets not revalued during the year, identified two areas of concern. These were subsequently evaluated by the council and assessed by audit. We concurred with the council's conclusion that no material movements were identified. Further details on each area of concern and our conclusions are provided in [Exhibit 3](#).

Results: We are satisfied the current valuation of land and buildings is not materially misstated.

Source: Audit Scotland

Other areas of audit focus

33. In addition to the significant risks of material misstatement, the following key audit matters were identified as part of our planning process.

- **Valuation of Pension Asset or Liability:** The calculation of the pension asset or liability requires the use of an actuarial methodology based on a range of assumptions including financial and demographic assumptions. We assessed the scope, independence and competence of the professionals engaged in providing estimates for pensions and reviewed the appropriateness of actuarial assumptions and results including comparison with other councils.

We also confirmed the arrangements for ensuring the reasonableness of the professional estimations and the accuracy of information provided to the actuary by the council. For 2024/25, the actuary calculated a pension asset. The actuary applied an asset ceiling as required by accounting standards which resulted in only the unfunded liability of £16.9 million being recognised in the annual accounts.

- **Implementation of IFRS 16 (International Financial Reporting Standard 16, Leases):** IFRS 16 takes effect for local government bodies from 1 April 2024. This changes the way in which the council accounts for service concession arrangements and operating leases, including recognising assets and liabilities for the rights and obligations arising from leases previously classified as operating leases.

We reviewed the accounting treatment and disclosures made in relation to the new standard in line with guidance and were content IFRS 16 had been appropriately disclosed within the council's accounts.

- **Statutory override relating to infrastructure assets:** In 2021/22, across the UK, a technical accounting issue was identified covering infrastructure assets. Two temporary statutory overrides have been permitted since the 2021/22 financial year, but these were due to end at 31 March 2024. As a permanent solution was not agreed, the Scottish Government issued Finance Circular 8/2024 which extended the applicable period to 31 March 2025.

The council continued to apply both statutory overrides in its 2024/25 annual accounts. We will continue to monitor and consider any actions required by the council once a resolution has been agreed and implemented.

Whole of Government Accounts (WGA) return

34. The council is part of the WGA boundary and therefore prepares a return that is used by HM Treasury to prepare the WGA. The National Audit Office (NAO) is the auditor for the WGA and issues instructions outlining audit procedures auditors must follow when auditing a WGA

return. The threshold for requiring audit procedures to be performed on the WGA return was set at £2 billion.

35. The council was below this threshold and therefore only limited audit procedures are required, and submission of an assurance statement to the NAO will be issued on conclusion of the financial statements audit.

Wider scope audit

Audit approach to wider scope

Wider scope

36. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

37. Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements the council has in place for each of these is reported in this chapter.

Financial Management

Conclusion

The council delivered a revenue outturn overspend of £3.1 million against the approved 2024/25 core revenue budget of £613.4 million. The council's planned use of reserves funded the overspend.

The audit work performed on the arrangements the council has in place for securing sound financial management found that these were effective and appropriate.

The council overspent the budget in 2024/25 and utilised reserves to balance the budget

38. The council's initial revenue budget for 2024/25 set out a forecast deficit of £16.6 million before agreed savings measures of £13.4 million were applied, with the remaining balance of £3.2 million being funded from reserves, to ensure a balanced budget. An overspend of £3.1 million on net service expenditure was recorded as the final position in the 2024/25 accounts.

39. We concluded from our review of budget monitoring reports throughout the year that they provide an overall picture of the budget position at service level. The reports forecast the outturn position for the year and include good narrative explanations for significant variances

against budget. This allowed both senior management and members to carry out effective scrutiny of the council's finances.

40. [Exhibit 5](#) shows that over the past three years the council has worked hard to manage the gaps in the budgets through savings and flexibilities along with the use of reserves.

Exhibit 5

Key financial information

Budget setting	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)
Budget gap	11.7	16.5	16.6
Planned to be met via:			
• Savings and flexibilities	9.1	8.4	13.4
• Use of reserves	2.6	8.1	3.2
Actual			
Savings delivered	9.1	8.4	13.4
Reserves			
Net use of / (contribution to) reserves	(4.2)	19.9	5.7
Total usable reserves carried forward	57.1	37.2	31.5
General Fund:			
• Earmarked	54.9	35.2	29.5
• Uncommitted	2.2	2.0	2.0

Source: The council's annual accounts and committee papers

The council delivered against their savings target, however, general fund reserves were used to balance the budget

41. The council achieved £13.4 million (100%) of savings in year all of which were on a recurring basis.

42. The budget monitoring update at month nine, approved by Council Executive in February 2025, confirmed 96% of the 2024/25 approved savings were categorised as green – achieved or achievable by 31 March 2025. The necessary actions were put in place to fully deliver the remaining amber savings by 31 March 2025.

The council continues to utilise reserves to manage general fund budgets funding gaps

43. One of the key measures of the financial health of a body is the level of reserves held. The level of General Fund reserves held by the council decreased from £57.1 million in 2022/23 to £31.5 million in 2024/25.

44. [Exhibit 5](#) provides an analysis of the general fund reserves over the last three years split between earmarked and uncommitted reserves. The level of usable reserves has reduced through their planned usage.

45. During 2022/23, the council revised its accounting treatment for service concession arrangements, opting to spread costs over the life of the asset (typically 50 years) rather than the contract term. This change resulted in a retrospective adjustment of £27.603 million in 2022/23, with further adjustments of £3.277 million in 2023/24 and £3.009 million in 2024/25. These adjustments increased the council's General Fund Reserve balance.

46. The additional reserves provided temporary financial flexibility, giving the council time to implement recurring savings necessary for long-term financial sustainability and address all instances of reinforced autoclaved aerated concrete (RAAC) in operational buildings. However, this approach will result in higher costs in future years.

47. The level of reserves continues to reduce even when taking into consideration the use of the service concession arrangements. Significant recurring savings will continue to be required in order to deliver balanced budgets, without using reserves, when setting future years budgets. The council must look to more significant savings programmes which will likely involve redesign of services, and which will take time to be fully implemented.

48. We have considered the council's approach to transforming services as part of our Best Value work which was reported separately and summarised in the Best Value section later in this report.

The council has appropriate financial control arrangements in place

49. From our review of the design and implementation of systems of internal control (including those relating to IT) relevant to our audit approach, we did not identify any internal control weaknesses which could affect the council's ability to record, process, summarise and report financial and other relevant data that could result in a material misstatement in the financial statements.

50. Our audit work on the council's general IT environment identified that the council does not receive formal assurances regarding the IT control environment for PECOS which is an externally hosted system.

51. In November 2024, the hosting arrangements of the PECOS application changed from being held at the Scottish Government's Saughton House data centre to being held and managed externally from the Scottish Government by third-party provider, Elcom.

52. While the Scottish Government own the contractual arrangement with Elcom, it is for individual bodies to assure themselves that there are appropriate application and hosting controls in place at Elcom. The council has not received any assurances around the operation of these controls at the third-party provider.

53. The council is satisfied that there have been no issues around service performance or availability of information to support the preparation of the financial statements and there is no adverse impact on the council's system of internal control or governance arrangements in respect of the use of the PECOS application.

Recommendation 2

Where key council systems are externally hosted by the software provider, the council should seek regular confirmation from the provider over the integrity and security of the data held on the system.

Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate

54. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

55. The council has adequate arrangements in place to prevent and detect fraud or other irregularities.

Financial Sustainability

Conclusion

The estimated budget gap over the three years to 2027/28 is £34.9 million. After factoring in identified savings measures of £25.2 million, the funding gap is expected to reduce to £9.7 million by 2027/28.

A sound approach to medium and longer-term financial planning is in place to manage ongoing financial challenges.

The council has updated their three-year revenue budget strategy to reflect the latest financial pressures

56. In February 2025, the council agreed a three-year revenue budget strategy and a detailed revenue budget plan for 2025/26. The agreed three-year budget had an estimated overall budget gap, across the three years of £34.9 million. [Exhibit 6](#) shows the forecast budget gap before saving measures, along with the remaining budget gap after applying identified saving measures.

Exhibit 6

Projected three-year budget gap and saving measures

	2025/26 £m	2026/27 & 2027/28 £m	Total £m
Forecast budget gap, before savings measures	11.9	11.0	34.9
Budget reduction measures for services	(7.2)	(4.7)	(11.9)
Integrated Joint Board saving assumptions	(4.7)	(8.6)	(13.3)
Remaining budget gap, after saving measures	0.0	9.7	9.7

Source: The council's revenue budget 2025/26 to 2027/28

57. Due to a deteriorating financial position and a significant projected in-year overspend during 2023/24, the Council Executive agreed in November 2024 that officers should identify potential additional recurring budget saving options to help balance the 2025/26 budget. The 2025/26 budget was balanced on a recurring basis without reliance on one-off resources to balance the budget.

58. With a remaining cumulative budget gap of £9.7 million over the three-year period to 2027/28, and ongoing financial risks and challenges, the council will need to identify further recurring budget savings to ensure long-term financial sustainability.

59. The council has clearly identified the funding gaps through its medium-term and longer-term financial planning. Savings plans have been agreed and will continue to be monitored including identifying further potential savings to meet the remaining budget gap. In addition, the council clearly recognises that the use of one-off resources to balance the budget is not sustainable in the long term and is considering options to address the gap on a recurring basis, including options for consultation with the public.

60. Given the scale of emerging challenges and the widening budget gap, a strategic shift is essential to ensure financial sustainability and service delivery. We have considered actions taken by the council to drive transformation at paragraph 76. We will continue to monitor the council's progress in delivering identified savings and transformation plans.

Vision, Leadership and Governance and Use of Resources to Improve Outcomes

Conclusion

The council continues to have effective and appropriate governance arrangements in place that support scrutiny of decisions made.

The council has an appropriate performance management framework in place which aligns with the Corporate Plan 2023-28.

Progress against the Council Plan priority areas is generally positive with 68 per cent of the performance indicators showing improvement compared to the prior year.

The council has appropriate governance arrangements to support effective scrutiny, challenge and informed decision making

61. The governance transparency arrangements we consider in reaching our conclusions include:

- council and committee structure and conduct
- overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery and corruption
- openness of council and committees
- reporting of performance and whether this is fair, balanced and understandable.

62. The council's governance arrangements have been set out in the annual governance statement in the annual accounts. We have reviewed these arrangements and concluded that they are appropriate and effective. Our observations at committee meetings have found that these are conducted in a professional manner and there is a reasonable level of scrutiny and challenge by members.

63. We consider that governance arrangements remain appropriate and support effective scrutiny, challenge and decision making.

The Council has an appropriate performance management framework to support delivery of the Corporate Plan 2023- 2028

64. The Council has an appropriate and clearly articulated Corporate Plan for the period 2023–2028, which sets out five strategic priorities aimed at improving outcomes for the people of West Lothian.

65. This plan reflects a commitment to transparency and performance monitoring. The approach to corporate planning was reviewed by Audit Scotland as part of their [2022/23 Best Value thematic work](#), which concluded that the Council had developed a clear vision through its new Corporate Plan and had established governance arrangements to support delivery. Audit Scotland recommended that the Council should set associated performance targets to enable effective monitoring of progress.

66. The council's online Annual Report 'Factfile' provides an overview of the council's activities and achievements in the five priority areas set out in the Corporate Plan 2023-28. This is a clear, accessible summary of key performance measures.

67. The Factfile reports are generally published in late spring, and the most recent report was presented to the Performance Committee in February 2025.

68. The West Lothian Factfile 2024 highlights a broadly positive trajectory in council performance when compared with the Factfile 2023, with 15 out of 22 (68 percent) comparable indicators showing an improvement compared to prior year.

69. Notable improvements were seen in educational attainment, care and support services, customer service resolution, waste recycling, and homelessness response times. Several indicators, such as primary numeracy, remained stable. However, a few areas showed decline, including road maintenance needs, business support outcomes, and tenancy sustainment rates.

70. These trends suggest effective delivery in core service areas, while also identifying opportunities for targeted improvement in infrastructure and economic support.

71. The audit work performed on the arrangements the council has in place around its Use of Resources to Improve Outcomes found that these were effective and appropriate. This judgement is evidenced by the council:

- being able to demonstrate a clear link between the use of resources and delivery of its priorities.
- having arrangements in place to benchmark its performance to identify areas of improvement.

- being able to demonstrate improvements in performance against benchmarks and relative to other comparable organisations.

72. We have considered the use of statutory performance indicators and benchmarking as part of our work on Best Value at paragraph 77.

Best Value audit

Conclusion

The council has effective and appropriate arrangements in place for securing Best Value.

The 2024/25 Management Report on the theme of Transformation, prescribed by the Accounts Commission, reported the council has demonstrated its commitment to transforming services.

Audit approach to Best Value

73. Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within the annual audit. As part of the annual audit, auditors are required to take a risk-based approach to assessing and reporting on whether the council has made proper arrangements for securing Best Value, including follow up of findings previously reported in relation to Best Value.

74. The Accounts Commission also reports nationally on thematic aspects of councils' approaches to, and performance in, meeting their Best Value duties. As part of the annual audit, thematic reviews, as directed by the Accounts Commission, are conducted on the council. The thematic review for 2024/25 is on the subject of service transformation and involves considering how the council is redesigning services to maintain outcomes and deliver services more efficiently. Conclusions and judgements on the thematic review are reported in a separate Management Report and summarised in this chapter.

Conclusions on Best Value

The council's arrangements and performance in meeting Best Value

75. The audit work performed on the arrangements the council has in place for securing Best Value arrangements found these were effective and appropriate. This judgement is evidenced by:

- the council having well established and effective governance arrangements in place, with the Best Value being a key aspect of the governance arrangements

- the arrangements the council has in place around the four wider scope audit areas, which are effective and appropriate, contribute to it being able to secure Best Value
- progress the council is making to embed sustainability into corporate and operational plans and enhance reporting arrangements around sustainability.

Transformation: how councils are redesigning and delivering more efficient services to achieve planned outcomes

76. The Accounts Commission reports nationally on thematic aspects of council's approaches to, and performance in, meeting their Best Value duties, with the thematic review for 2024/25 on the subject of service transformation. Conclusions and judgements on the council's approach to service transformation are outlined in a separate Management Report which is available on the Audit Scotland website. A summary of the conclusions and judgments made in the report is outlined below.

- The council has identified transformation as a clear theme within its corporate strategies and service plans. Transformation projects are integrated into financial plans along with its wider savings measures. The council has recently improved its transparency around which savings measures are intended to be transformational.
- The council has made progress with identifying £25.2 million recurring savings measures to address its £34.9 million funding gap between 2025/26 and 2027/28. It will be important for the council to consider how it can transform its services to bridge the remaining budget gap and support the longer-term sustainability of its services. The council should continue to consider opportunities for transformational change to close future budget gaps.
- The council has invested in structures and upskilling staff to support transformation activity, including establishing a corporate transformation team and training staff in service design. There is a range of officer-led governance arrangements to oversee implementation of transformation. Reporting to senior leadership and elected members could better demonstrate progress with achieving estimated non-financial benefits from transformational activity.
- The council has provided good examples of partnership working aimed at improving outcomes and generating savings. It will be important for the council to continue to work with partners and seek to maximise opportunities for radical transformational change.
- The council has engaged with communities and vulnerable groups on service redesign. It reports that it has used stakeholder feedback

to influence change but should ensure that it clearly documents how this engagement has influenced planned changes to services.

- The council has not separately reported the impact of its transformational activity to the public. Integrated impact assessments document potential impacts and mitigating actions, but there is scope to set out more clearly how mitigating actions address the potential impacts identified.

Arrangements for the publication of Statutory Performance Indicators (SPIs) meet requirements

77. The Accounts Commission issued a [Statutory Performance Information Direction](#) which requires the council to report its:

- performance in improving services and progress against agreed desired outcomes, and
- a self-assessment and audit, scrutiny, and inspection body assessment of how it has responded to these assessments.

78. Auditors have a statutory duty to satisfy themselves that the council has made proper arrangements for preparing and publishing statutory performance information in accordance with the Direction and report a conclusion in the Annual Audit Report.

79. Audit work assessed the arrangements the council has in place for preparing and publishing SPI, including how it has responded to assessments, and concluded the arrangements in place were effective and appropriate. We have evaluated the council's arrangements for fulfilling the above requirements and concluded that the council has satisfactory arrangements in place.

Performance management arrangements provide a sound base for improvement

80. The Accounts Commission also requires auditors to report a summary of the information on service performance reported by the council. The council reports information on service performance on its website through:

- Council's service and public performance reporting
- The council produces a Factfile on an annual basis. This provides an overview of the council's performance in relation to each of the priorities in the Corporate Plan.
- the [Local Government Benchmarking Framework](#) (LGBF)

81. The information reported is a combination of the LGBF indicators and other relevant indicators the council has developed to monitor progress against key strategic priorities. From review of the service performance

information reported by the council, this was found to be sufficiently detailed to provide an assessment of progress the council is making against its strategic priorities and allow effective scrutiny of performance.

82. Overall, we have evaluated the council's arrangements for fulfilling the above requirements and concluded that the council has satisfactory arrangements in place.

Progress against previous Best Value findings and recommendations

83. Best Value findings and recommendations have been made in previous years' Annual Audit Reports, Management Reports on themes prescribed by the Accounts Commission, and Controller of Audit Reports on the council's performance in meeting its Best Value duties.

84. Details of previous recommendations and progress the council is making against these can be seen in [Appendix 1](#). Overall, the council is making progress in implementing the previous recommendations made.

Appendix 1

Action plans

2024/25 annual audit recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Valuation methodology and assumptions applied to the materiality assessment for council assets not valued in current year</p> <p>The council undertakes valuations of its property, plant and equipment (PPE) on a rolling 5-year programme, using independent expert valuers and its own chartered surveyors. For assets not revalued in the current year, the council performs an indexation appraisal each year to assess whether there has been a material change in value since the last valuation.</p> <p>Audit identified an error in the indexation calculation for school assets during 2024/25, which, when corrected by the council across all non-revalued categories, resulted in a material movement.</p> <p>Additionally, the council did not review the adjustment factor used in the valuation of council houses in 2024/25, potentially affecting reliability.</p>	<p>The council should ensure that, in years between full valuations, it performs robust assessments of any material movements identified through the correct indexation methodology and undertakes adjustment factor evaluations, to ensure asset values in the accounts remain accurate.</p>	<p>Management response The council will ensure that, in years between full valuations, it continues to perform robust assessments of any material movements identified through the correct indexation methodology and will undertake adjustment factor evaluations, to ensure asset values in the accounts remain accurate.</p> <p>Responsible officer Head of Finance and Property Services</p> <p>Actioned by 30 September 2025</p>
<p>2. Externally hosted software provider</p> <p>In November 2024, the hosting arrangements of the PECOS application changed from being held at the Scottish Government's</p>	<p>Where key council systems are externally hosted by the software provider, the council should seek regular confirmation from the provider over the integrity</p>	<p>Management Response The council notes the recommendation and action to verify the integrity of the application, PECOS,</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>Saughton House data centre to being held and managed externally from the Scottish Government by third-party provider, Elcom.</p> <p>While the Scottish Government own the contractual arrangement with Elcom, it is for individual bodies to ensure themselves that there are appropriate application and hosting controls in place at Elcom.</p> <p>The council has not received any assurances around the operation of these controls at the third-party provider.</p>	<p>and security of the data held on the system.</p>	<p>following the change in hosting location.</p> <p>The council will take appropriate action to seek assurances around the hosting of the application, ensuring strong and acceptable security protocols, including external certification are in place.</p> <p>Responsible Officer Head of Corporate Services</p> <p>Actioned by 30 September 2025</p>

2024/25 Best Value recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Reporting to elected members and senior leadership</p> <p>The council reports progress with its savings measures to its senior leadership team and elected members. The council should provide more specific information within its financial reporting on non-financial benefits associated with transformational savings measures.</p>	<p>The council should improve its reporting on transformation projects to elected members and the senior leadership team to include reporting on the achievement of any identified non-financial benefits.</p>	<p>Management response</p> <p>The reporting of non-financial benefits is incorporated into the mainstream reporting of performance to WLAM Panels, PDSP Quarterly Performance reporting, and Performance Committee reporting.</p> <p>In order to enhance the current reporting, the council will make specific reference to transformation savings measures which impact on non-financial performance indicators in performance monitoring reports following their implementation.</p> <p>Responsible officer Depute Chief Executive (Corporate, Housing and Operational Services)</p> <p>Actioned by 30 September 2025</p>
<p>2. Partnership working</p> <p>The examples the council provided of transformation demonstrated good partnership working aimed at improving outcomes and generating savings. It will be important for the council to continue to work with partners and seek to maximise opportunities for radical transformational change.</p>	<p>The council should continue to work with partners to explore opportunities for radical transformational change.</p>	<p>Management response</p> <p>The council has extensive and good partnership working arrangements and will continue to explore opportunities for further transformational change at both a West Lothian and national level.</p> <p>Responsible officer Chief Executive</p> <p>Actioned by Ongoing</p>
<p>3. Community engagement</p> <p>The council has engaged with relevant community groups, including</p>	<p>The council should ensure that it clearly documents how engagement with communities, including vulnerable groups, has</p>	<p>Management response</p> <p>The council will review the current approach to documenting community and stakeholder engagement, and reporting on how the engagement has influenced</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
vulnerable groups, on service redesign projects and reports that it has used feedback to influence changes, but should ensure that it clearly documents how the engagement influenced the planned changes.	informed planned changes to services.	<p>any changes in the project when reporting to PDSP as part of enhanced reporting arrangements.</p> <p>Responsible officer Depute Chief Executive (Corporate, Housing and Operational Services)</p> <p>Actioned by 30 September 2025</p>
<p>4. Integrated impact assessments</p> <p>The council carries out integrated impact assessments for its savings measures. These document potential impacts and mitigating actions. There is scope to set out more clearly how mitigating actions address the potential impacts identified.</p>	The council should clearly link mitigating actions to impacts in its integrated impact assessments.	<p>Management response</p> <p>The council is in the process of updating its committee report template. This includes the introduction of a specific section outlining the implications for equalities arising from the IIA. The council will revise the template to ensure that any mitigating actions and their impact are clearer in the IIA documentation and process.</p> <p>Responsible officer Head of Corporate Services</p> <p>Actioned by 30 June 2025</p>
<p>5. Impact reporting</p> <p>The council has a range of reporting structures in place to monitor service performance. However, it should further enhance its current reporting arrangements to provide consistent and clear success measures and reporting to demonstrate the impact of its transformation projects.</p>	The council should ensure clear success measures are in place for transformation projects. It should then report on these measures to transparently demonstrate the impact of transformational activity to the public.	<p>Management response</p> <p>The council reports financial and non-financial performance to PDSP and service performance to the Performance committee on a quarterly basis.</p> <p>The council will consider how it can enhance existing reporting to include information on the impact of transformation projects following a period of implementation, for example in the subsequent quarterly monitoring periods following the implementation of the measure.</p> <p>Responsible officer Depute Chief Executive (Corporate, Housing and Operational Services)</p> <p>Actioned by</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
		30 September 2025

Progress against previous Best Value findings and recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
<p>1. Digital Skills</p> <p>The council completed an audit of its staff digital skills in October 2022, 91 per cent of council staff assessed themselves as having basic digital skills and the results from this audit have been used to target training.</p> <p>The council acknowledges that addressing digital and analytical skills gaps will remain a critical area of focus, but it has not progressed work to understand what digital skills it will need for the future.</p>	<p>The council should progress the recommendations of its digital skills audit to better understand what digital skills it will need for the future.</p>	<p>A revised digital skills survey, with relevance to the different council services, has been developed with plan for full organisation rollout by directorate in place. Target completion across all non-teaching staff is Mid-December 2025. The Digital Survey for teaching staff will continue to be rolled out and support as planned across the academic session. An overview of planned dates is set out below:</p> <ul style="list-style-type: none"> • Corporate Services – Survey in progress closing mid-September, with analysis scheduled for completion early October • Operational Services and Social Policy - launch survey October. • Finance Property Services and Planning, Economic Development and Regeneration – launch survey November. • Education Services – Survey being rolled out on a school-by-school basis 20% complete. <p>As noted above, the programme is progressing systematically and will deliver actionable insights across all service areas.</p> <p>Responsible Officer: Depute Chief Executive</p> <p>Agreed date: December 2025</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
<p>2. Council employee surveys</p> <p>The council's last employee survey was completed in September 2022, which had a response rate of 26 per cent. This was lower than the 50 per cent achieved for the 2018 survey and the target of 75 per cent that the council had set for 2022 survey.</p> <p>The low response rates from council employee surveys will impact the usability of the information collated and it may not reflect the views of a majority of the staff employed by the council.</p>	<p>The council should continue to take steps to improve participation rates for the 2024 employee survey.</p>	<p>This action is complete.</p> <p>The participation rate for the 2024 survey was 33% which was an improvement in the 26% achieved in the 2022 survey. This was achieved through a pro-active and integrated approach to promoting employee participation, with key actions being:</p> <ul style="list-style-type: none"> • Services communicating a 'You said we did' from the last survey in advance of the 2024 survey being issued to demonstrate the effectiveness of the approach. • Service managers/ Team Leaders briefed in advance to ensure they mobilised their staff in advance of the survey going out. • Service managers were provided with real time response rates on a weekly basis during the survey period, so they could address low participation areas within their service. • A staff communication on the survey was provided in Inside News (staff communication newsletter) several weeks in advance of the survey being issued • The trade unions were briefed in advance of the survey and endorsed employee participation. • Several reminders were sent to employees during survey period to encourage participation. • The survey was open for 3 weeks to take account of any employee absence in the period. • Paper surveys were provided for some hard-to-reach employee groups to ensure there was a choice in how to participate.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
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The council recognises there is need to continue to look at ways to improve employee participation rates and will continue to utilise the above actions to support future surveys. Further improvements in the use of real time information on responses rates are planned in 2025 to encourage participation.

Appendix 2

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2024/25	15 May 2024
Scotland's colleges 2024	19 September 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Transformation in councils	1 October 2024
Alcohol and drug services	31 October 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
NHS in Scotland 2024: Finance and performance	3 December 2024
Auditing climate change	7 January 2025
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Transparency, transformation and the sustainability of council services	28 January 2025
Sustainable transport	30 January 2025
A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study	20 February 2025
Additional support for learning	27 February 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
General practise: Progress since the 2018 General Medical Services contract	27 March 2025
Council Tax rises in Scotland	28 March 2025

West Lothian Council

2024/25 Annual Audit Report



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