

# West Lothian Council

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of West Lothian Council and the Controller of Audit  
26 September 2023

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# Contents

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Key messages	3
Introduction	5
1. Audit of 2022/23 annual accounts	7
2. Financial management	15
3. Financial sustainability	22
4. Best Value	26
5. Vision, leadership and governance	28
6. Use of resources to improve outcomes	31
Appendix 1. Action plan 2022/23	34

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# Key messages

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## 2022/23 annual accounts

- 1 Audit opinions on the annual accounts of West Lothian Council and its group are unmodified.
- 2 The unaudited annual accounts were provided within the agreed timescale and were of a good standard.

## Financial management

- 3 The council has appropriate and effective financial management in place with regular budget monitoring reports provided to the relevant committee and to full council.
- 4 The core revenue outturn position is an overspend of £4.2 million against the agreed 2022/23 budget. The primary reason for the overspend was the unfunded pay award costs for all staff in 2022/23. After utilising one-off retained resources of £4.4 million, the net service outturn for 2022/23 is an underspend of £0.2 million.

## Financial sustainability

- 5 West Lothian Council has effective and appropriate arrangements in place to plan the use of its resources to sustain delivery of services into the medium term.
- 6 In February 2023 West Lothian Council agreed a detailed three-year revenue budget plan for 2023/24 to 2025/26 which identified a budget gap of £28.0 million. The five-year revenue budget strategy indicates a budget gap of £39.4 million over the five years 2023/24 to 2027/28. Incorporating the decisions of the Council and West Lothian Integration Joint Board, budget savings of £26.8 million have been agreed for 2023/24 to 2025/26, leaving a £1.2 million budget gap to 2025/26. Taking account of council decisions on savings in respect of the period to 2027/28 and planning assumptions on contributions to the IJB, there was a remaining gap of £4.7 million.
- 7 The council has adjusted its service concessions arrangements to recognise these across the life of the asset rather than the contract length with the result being an increase in the council's General Fund Reserve balance of £27.6 million.

## Best Value

- 8** West Lothian Council has created a clear vision and must now set its associated performance targets so progress can be monitored. The council should work with its Community Planning Partnership to publish and implement the new Local Outcomes Improvement Plan.
- 9** The council has demonstrated good practice through its Citizen Led Inspection programme. It should consider resuming this to involve citizens in the design and improvement of services.
- 10** The council and its partners have clear ambitions to tackle poverty and reduce climate change. It is too early to assess how effective the council's arrangements will be in achieving the intended outcomes.
- 11** The council Executive Management Team is well established and is supported by senior officers. The council has been effective in gathering the views of citizens to develop the council priorities. It is important that elected members work together to make strategic decisions to ensure the longer-term financial sustainability of service delivery.

## Vision, leadership and governance

- 12** West Lothian Council continues to have effective and appropriate governance arrangements in place that support scrutiny of decisions taken.

## Use of resources to improve outcomes

- 13** West Lothian Council has an effective performance management framework in place. The council's 2022/23 performance measures were aligned to key priorities and outcomes and there is regular performance reporting to elected members. The council has made the necessary arrangements for collecting, recording and publishing the statutory performance information.
- 14** West Lothian Council's reported service performance in 2022/23 shows good performance against targets.

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# Introduction

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**1.** This report summarises the findings from the 2022/23 annual audit of West Lothian Council. The scope of the audit was set out in an annual audit plan presented to the 24 March 2023 meeting of the Audit Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of West Lothian Council's annual accounts.
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice](#):
  - Financial Management
  - Financial Sustainability
  - Vision, Leadership, and Governance
  - Use of Resources to Improve Outcomes.
- conclusions on West Lothian Council's performance in meeting its Best Value duties.

**2.** This report is addressed to West Lothian Council and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment from 2022/23

**3.** I, Rachel Browne, have been appointed by the Accounts Commission as auditor of West Lothian Council for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

**4.** My team and I would like to thank councillors, audit committee members, senior management, and other staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

## Responsibilities and reporting

**5.** West Lothian Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. West Lothian Council is also responsible for compliance with legislation and putting arrangements in

place for governance and propriety that enable it to successfully deliver its objectives.

**6.** The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice](#), and supplementary guidance and International Standards on Auditing in the UK.

**7.** Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

**8.** This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

## Auditor Independence

**9.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £383,950 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**10.** We add value to West Lothian Council by:

- identifying and providing insight on significant risks and making clear and relevant recommendations.
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

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# 1. Audit of 2022/23 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship of public funds.

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## Main judgements

Audit opinions on the annual accounts of the council and its group are unmodified.

The unaudited annual accounts were provided within the agreed timescale and were of a good standard.

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## Audit opinions on the annual accounts of the council and its group are unmodified

**11.** The council approved the annual accounts for West Lothian Council and its group for the year ended 31 March 2023 on 26 September 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

## The inspection notice was placed in accordance with the required regulations and no objections were raised to the 2022/23 annual accounts

**12.** Regulation 9 of the [Local Authority Accounts \(Scotland\) Regulations 2014](#) requires a local authority to give public notice on its website of the right to inspect its annual accounts. This must remain on the website throughout the inspection period. As part of our audit we confirmed that the 2022/23 annual accounts inspection notice published on the council's website complied with the regulations. The regulations also require a local authority to give the right of interested persons to inspect and object to its accounts, as provided for by section 101(a) (rights of interested persons to inspect and copy documents and to object to accounts) of the 1973 Act.

**13.** No objections were raised to the 2022/23 annual accounts.

## Our audit approach and testing reflected the overall materiality level of £19 million

**14.** Broadly, auditors apply the concept of materiality to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

**15.** Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

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### Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£19 million
Performance materiality	£14 million
Reporting threshold	£0.250 million

Source: Audit Scotland

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**16.** The overall materiality threshold for the audit of the annual accounts of West Lothian Council was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

**17.** Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75% of overall materiality, reflecting a history of a low number of errors or significant issues.

**18.** It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

## Significant findings and key audit matters

**19.** Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the council, including our view about the qualitative aspects of the body's accounting practices.

**20.** The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on



Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements. Significant findings are summarised in [Exhibit 2](#).

## Exhibit 2

### Significant findings and key audit matters from the audit of the annual accounts

Issue	Resolution
<p><b>1. Restricting the value of pension asset</b></p> <p>For the first time, the unaudited accounts included a pension asset rather than a liability. This amounted to £325 million and was calculated by the council's actuary.</p> <p>The pension accounting standard (IAS 19) limits any pension asset to the lower of the surplus and what is described as an asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the pension fund or reductions in future contributions to the fund.</p> <p>Further guidance on calculating the asset ceiling is provided in IFRIC 14. It refers to the impact of a 'minimum funding requirement' which stipulates a minimum amount of contributions that must be paid over a given period. The existence of a minimum funding requirement limits the ability of a body to reduce future contributions.</p> <p>Where there is a minimum funding requirement for contributions relating to future service, IFRIC 14 explains that the asset ceiling is the present value of the future service cost less the present value of the minimum funding requirement contributions.</p> <p>Where actuaries report that the present value of the minimum funding requirement contributions exceeds the future service cost, IFRIC 14 advises that no asset should be recognised.</p> <p>The council applied an asset ceiling which restricted the pension asset to a nil balance in the balance sheet as at 31 March 2023.</p>	<p>We reviewed the actuary's assumptions and West Lothian Council's assessment of the actuary's assumptions and calculation in conjunction with IAS 19 and the application of IFRIC 14.</p> <p>The council included additional disclosures in the audited annual accounts to clearly show the effect of the asset ceiling.</p> <p>We concluded that, for 2022/23, West Lothian Council's approach to recognising a pension asset and applying an asset ceiling in the accounts was appropriate.</p>
<p><b>2. Reinforced Autoclaved Aerated Concrete (RAAC) in council buildings</b></p> <p>The use of RAAC as a building material has been identified as a safety issue. During 2022/23, West Lothian Council property works in relation to RAAC were ongoing with nine properties previously identified that would require inspection to ascertain</p>	<p>We reviewed the valuer's report to ascertain the work carried out with regards to the valuation of RAAC roof properties.</p>

Issue	Resolution
<p>the extent of remedial works or stabilisation works. The relevant areas of these buildings were closed to ensure safety. Remedial work is underway with some buildings now reopened.</p> <p>The estimated useful life of these 9 assets as at 31 March 2023 is affected as the longevity of RAAC roofs is less than originally thought. The reduced area of each building that is available for use also affects its valuation.</p> <p>The council has taken into account the impact on valuations as the result of RAAC roofs on its nine properties.</p>	<p>We concluded that, for 2022/23, West Lothian Council's valuer had considered the impact of the affected properties in their valuation work and that these valuations were appropriately reflected in the accounts, including appropriate narrative disclosures.</p>

### 3. Contingent Liability

One of the schools affected by the RAAC issue is St Kentigern's Academy. A significant proportion of the school building has been shut with alternative accommodation in place.

The Council is considering options to address the use of RAAC in the building but this is still under discussion with further scoping work required to identify the full cost impact and the associated funding solutions. The council has not included a provision for the remediation of RAAC at the school as a provision requires a 'reasonable estimate' of the cost and the scoping work has not yet reached a stage where that estimate can be made.

We considered the council's reporting of the ongoing discussion and options available for addressing RAAC at St Kentigern's Academy. We also discussed the current status with officers up to the end of the audit.

Currently, the council is scoping the final costs to either replace the RAAC roof or rebuild on the same footprint.

The council has included a contingent liability disclosure in the audited annual accounts.

### 4. Service Concession Arrangements

The Scottish Government introduced finance circular 10/2022 in September 2022. It provides statutory guidance on service concession arrangements for local government which allows a council to recognise any service concession arrangements over the life of the asset rather than the contract length.

The council chose to implement the move from contract length to asset life for its service concession arrangements, PPP1, PPP3 and DBFM.

The calculation of the revised repayment charges using an asset life of 50 years (rather than contract length) and on an annuity basis was compared to the current charges due over the contract length. This resulted in a retrospective adjustment of £27.6 million in 2022/23.

We reviewed the October 2022 LINK Group report provided to the council which details the reprofiled adjustment required. We also considered the information in the report to full council in January 2023 on service concession arrangements and reviewed the disclosures in the accounts. We assessed this information against the requirements of finance circular 10/2022.

We concluded that, for 2022/23, West Lothian Council's approach to the accounting adjustment on its service concession arrangements were in line with statutory requirements.

Issue	Resolution
<p>This proposed change does not change what the council pays the contractors each year, it is a change to accounting transactions related to these assets. It does not release any cash. The existing contractual term for PPP1, PPP3 and DBFM will remain, with no increase in the period over which the council pays the contractor.</p> <p>The result of this change in accounting treatment is an increase in the council's General Fund Reserve balance.</p>	

Source: Audit Scotland

## Our audit work addressed the risks of material misstatement we identified in the annual accounts

**21.** We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

### Exhibit 3 Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p><b>Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> <li>Assess the design and implementation of controls over journal entry processing.</li> <li>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</li> <li>Test journals at the year-end and post-closing entries and focus on significant risk areas.</li> <li>Consider the need to test journal entries and other adjustments during the period.</li> <li>Evaluate significant transactions outside the normal course of business.</li> </ul>	<ul style="list-style-type: none"> <li>We have assessed the design of key controls over journal processing.</li> <li>Enquiries made of relevant individuals about inappropriate or unusual activity relating to processing of journal entries and other adjustments. No issues were identified.</li> <li>A sample of journal entries processed were reviewed and no issues were identified. The journals testing covered entries through the year, at year</li> </ul>

Audit risk	Assurance procedure	Results and conclusions
	<ul style="list-style-type: none"> <li>• Conduct variance analysis of balances and transactions in current and prior year accounts.</li> <li>• Assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</li> <li>• Carry out substantive testing of income and expenditure transactions around the year end to confirm they are accounted for in the correct financial year.</li> <li>• Conduct focussed testing of accounting accruals and prepayments.</li> <li>• Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements.</li> </ul>	<p>end and post-closing, with focus on risk areas.</p> <ul style="list-style-type: none"> <li>• We reviewed management's estimates and accounting policies, no issues were identified.</li> <li>• We tested a sample of accruals and prepayments. No issues were identified.</li> <li>• We tested a sample of income and expenditure transactions around the year end and assurance was gained that these were being accounted for in the correct financial year.</li> <li>• There were no significant transactions identified which were outside the normal course of business during our audit testing.</li> <li>• We reviewed the processes regarding identification and disclosure of related parties. No issues identified.</li> </ul>

Source: Audit Scotland Annual Audit Plan 2022/23

**22.** In addition, we identified “areas of audit focus” in our 2022/23 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. These areas of specific audit focus were:

- **Valuation of Land and Buildings:** Land and buildings are revalued on a five-year rolling basis. The council held land and buildings with a Net Book Value of £1.6 billion as at 31 March 2022. This is an area of audit focus due to the degree of subjectivity in the valuation of land and buildings. We assessed the scope, independence and competence of the professionals engaged in providing the valuation in 2022/23 and considered the appropriateness of information provided by management to the valuers. We also assessed the council's assessment of those assets not valued in this year.
- **Valuation of Pension Liability:** The council is an admitted body of Lothian Pension Fund and recognised a net pension liability of £144 million as at 31 March 2022. The 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 West Lothian Council. As reported in [Exhibit 2](#), the actuary calculated a pension asset as at 31 March 2023 rather than a liability. Applying an asset ceiling as required by accounting standards resulted in a nil balance being recognised in the annual accounts.

**23.** We kept these areas under review throughout our audit. Based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

### **The council has applied the permitted statutory overrides in its accounting for infrastructure assets**

**24.** Across the UK, a technical accounting issue was identified last year covering infrastructure assets. Two temporary statutory overrides have been permitted for the 2021/22, 2022/23 and 2023/24 financial years. Infrastructure assets typically include roads, footpaths, bridges and culverts and are included at depreciated historical cost in the financial statements. A replaced component of an asset has to be derecognised and council records of additions do not permit compliance with the accounting code. A failure to derecognise assets correctly results in potential double-counting and an overstatement of the gross book value, accumulated depreciation and net book value of the assets.

**25.** In 2021/22, CIPFA/LASAAC considered the matter and proposed amendments to the accounting code to allow a reasonable assumption that the net book value of replaced parts of infrastructure assets are £ nil and a temporary adaptation to remove the requirement to disclose gross book value and accumulated depreciation in the financial statements. The Scottish Government issued [Local government finance circular 09/2022](#) to implement these changes.

**26.** As reported last year West Lothian Council considered the detailed records available to support infrastructure additions and concluded that the above statutory overrides were required and amended the infrastructure disclosures in the audited accounts. The council continued to apply both the statutory overrides in its 2022/23 annual accounts.

**27.** This temporary override is applicable to 31 March 2024, and is provided as an isolated measure in recognition of the potential seriousness for local authorities. In future it is expected that the Code will deliver amendments that adequately reflect the public sector context. An update on the previous auditor's recommendation made in 2021/22 is included in [Appendix 1](#).

### **There were no identified misstatements**

**28.** Our audit identified no misstatements above our reporting threshold.

## The unaudited annual accounts were received in line with the agreed audit timetable

**29.** The unaudited annual accounts were received in line with our agreed audit timetable on 30 June 2023. The working papers provided with the unaudited accounts were of a good standard and Finance and other council staff provided good support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly.

## Reducing the number of charitable trusts

**30.** The appointments of auditors made by the Accounts Commission to councils include the audit of any trust funds or Common Good funds that both fall within section 106 of the 1973 Act and are registered as charities with the Office of the Scottish Charity Regulator. As such, a full audit compliant with auditing standards is required for section 106 charities, even for very small charities which would otherwise require an independent examination which is less rigorous and less costly than an audit.

**31.** In Scotland, while there has been progress in reducing the number of section 106 charities over the last ten years, a significant number remain. Last year, Scottish councils continued to administer a total of 170 charities with thirteen councils administering more than five section 106 charities. Audit Scotland continues to encourage councils to rationalise the number of section 106 charities they administer.

**32.** West Lothian Council has nine such charitable trusts which each prepare annual accounts and require a full audit and an Independent Auditor's Report. To support the best use of public funds we encourage the council to reduce the number of section 106 charities it administers or consider alternative options to remove the trusts from the section 106 requirements. This may include appointing an external trustee, as section 106 of the 1973 Act only applies where all trustees are local authority elected members.

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## Recommendation 1

West Lothian Council should consider options to reduce the number of section 106 charities it administers or consider alternative options to remove the trusts from the section 106 requirements, such as appointing an external trustee.

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## Good progress was made on prior year recommendations

**33.** West Lothian Council had two recommendations from the 2021/22 audit as set out by Ernst and Young, the council's previous external auditor. The recommendations and updated responses from the council are set out in [Appendix 1](#).

## 2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

### Conclusion

The council has appropriate and effective financial management in place with regular budget monitoring reports provided to the relevant committee and full council.

The core revenue outturn position is an overspend of £4.2 million against the agreed 2022/23 budget. The primary reason for the overspend was the unfunded pay award costs for all staff in 2022/23. After utilising one off retained resources of £4.4 million, the net service outturn for 2022/23 is an underspend of £0.2 million.

### The council operated within budget in 2022/23

**34.** The council approved its 2022/23 budget in February 2022. The budget was set at £601.9 million which included proposed revenue budget reductions of £9.1 million. The core revenue outturn position is an overspend of £4.2 million against the agreed 2022/23 budget. The primary reason for the overspend was the unfunded pay award costs for all staff in 2022/23. After utilising one off retained resources of £4.4 million, the net service outturn for 2022/23 is an underspend of £0.2 million, as summarised in [Exhibit 4](#) below.

**35.** [Exhibit 4](#) includes the underspends and overspends within each service area. Overall, the council's spending remained largely in line with budgets with details of main variances in the different service areas provided below.

### Exhibit 4

#### Summary of significant under/overspends against budget

Area	Budget £'000	(Under) / Overspend £'000	Reason for variance
<b>Underspends</b>			
Schools, Education Support	278,947	(1,750)	Primarily savings from teacher salary deductions for strike days during pay award negotiations, and other school savings.

Area	Budget £'000	(Under) / Overspend £'000	Reason for variance
Planning, Economic Development and Regeneration	9,470	(600)	Over-recovered planning application income and building warrants fee income.
Corporate Services	18,836	(13)	No comment due to level of variance.
Chief Executive, Finance and Property	52,140	(481)	Largely relates to higher than anticipated intervention income partially offset by additional reactive and cyclical maintenance costs.
Non-Service Expenditure	19,065	(1,239)	Relates to a continuing decrease in housing benefit caseloads as people who require additional assistance with housing costs will claim universal credit unless they meet specific criteria. There is also an underspend in pension costs in relation to 'added years' awarded to retiring staff.
<b>Overspends</b>			
Operational Services	87,528	2,275	Overspend a result of additional fleet and vehicle costs, higher staffing and direct material inflationary costs needed to deliver facilities management and costs resulting from increased demand for additional support needs and medical transport. These overspends were partially offset by lower than anticipated winter maintenance costs.
Housing, Customer and Building	11,158	2,479	Principally due to homelessness pressures. The main pressure continues to be in bed and breakfast costs with an average of 185 clients accommodated per night (compared to an average of 143 in 2021/22).
Non-IJB – Children's Services	38,330	249	Due to pressures in external placements for children, where there are ongoing costs of continuing care for young adults in high-cost placements.
<b>Net Outturn Position</b>	<b>601,880</b>	<b>220</b>	

Source: West Lothian Council 2022/23 Annual Accounts



## Housing revenue account operated within budget after adjusting between accounting and funding basis

**36.** The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set a level which will at least cover the costs of its social housing provision.

**37.** The Housing Revenue Account (HRA) reported a deficit of £37.2 million (£25.8 million in 2021/22). Adjustments are made between accounting basis and funding basis. This removes a number of balances which total the £37.2 million deficit resulting in an overall breakeven position. This maintained the HRA balance carried forward of £0.9 million.

## The level of General Fund reserves remains significantly higher than pre-pandemic levels

**38.** 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 increased from £52.8 million in 2021/22 to £57.1 million in 2022/23.

**39.** [Exhibit 5](#) provides an analysis of the general fund over the last five years split between committed and uncommitted reserves. The significant increase in committed reserves in 2020/21 aligned with the impact of Covid-19 and the increased funding provided by the Scottish Government late in March 2020, leading to a significant increase in reserves. This trend continued through 2021/22 and while it levelled out in 2022/23 the levels of committed reserves remain significantly higher than pre-covid-19 times.

**40.** Although Covid-19 related reserves have reduced in 2022/23 these have been replaced with a number of commitments including:

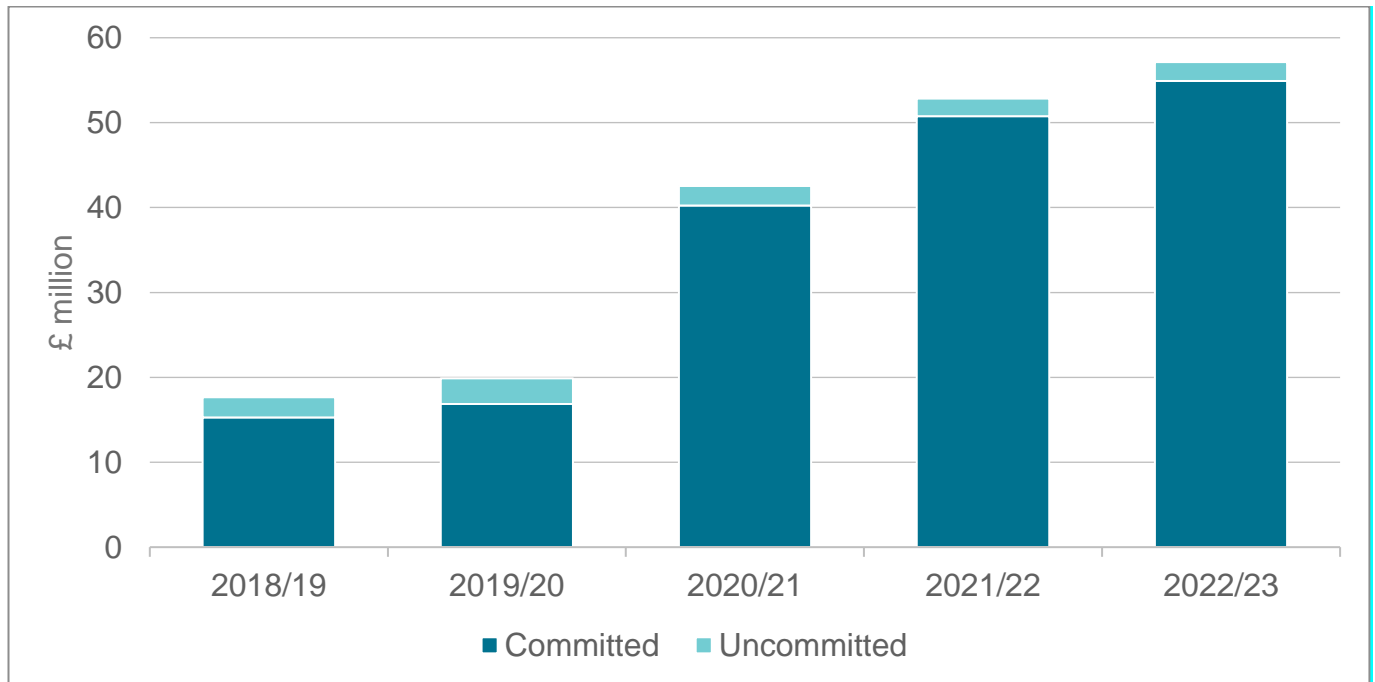
- £12 million for amounts to balance recurring revenue budget in the three years to 2023/24 to 2025/26.
- £6 million for 'Risk and Inflation' reserve
- £6 million for St Kentigern's Academy works
- £3 million for Revenue Budget Reserve.

**41.** These reserves have been possible after the council adjusted their service concession arrangements to recognise these across the life of the asset rather than the contract length with the result being an increase in the council's General Fund Reserve balance.

**42.** The uncommitted general fund balance at 31 March 2023 is £2.2 million. 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 to ensure that sufficient funds are held in reserve to deal with the financial consequences of uncertain future events. For 2022/23 the council agreed that the uncommitted General Fund Balance would be a minimum of £2 million.

**43.** Although the council's minimum uncommitted balance is low, the council has a high level of general services committed reserves. The regular assessment and consideration of the uncommitted reserves level, in conjunction with high level of committed usable reserves, appears reasonable.

### Exhibit 5 Analysis of general fund balance



Source: West Lothian Council Annual Accounts 2022/23

### Planned efficiency savings were achieved

**44.** West Lothian Council approved a revenue budget for 2022/23 in February 2022, with total budget reductions identified for the year of £9.1 million.

**45.** The council's Corporate Management Team and Council Executive are responsible for monitoring of the revenue budget, which is undertaken on a quarterly basis. A review of the delivery of 2022/23 budget reductions was completed by Heads of Service as part of the month 9 budget monitoring exercise and this demonstrated that good progress was being made. Based on the exercise carried out, 98% of reductions are categorised as green which indicated that the savings were achieved or achievable.

**46.** At 31 March 2023, the approved savings totalling of £9.1 million was fully delivered in 2022/23 and this is reflected in the overall draft general fund revenue budget outturn position, which was a net service underspend of £0.2 million, after utilising one-off retained resources of £4.4 million.

## Capital expenditure budget underspent in 2022/23

**47.** Total capital expenditure in 2022/23 was £94.0 million of which £66.0 million related to general services and £28.0 million to the housing revenue account. The housing revenue account budget for 2022/23 was £46.1 million which resulted in an underspend of £18.1 million.

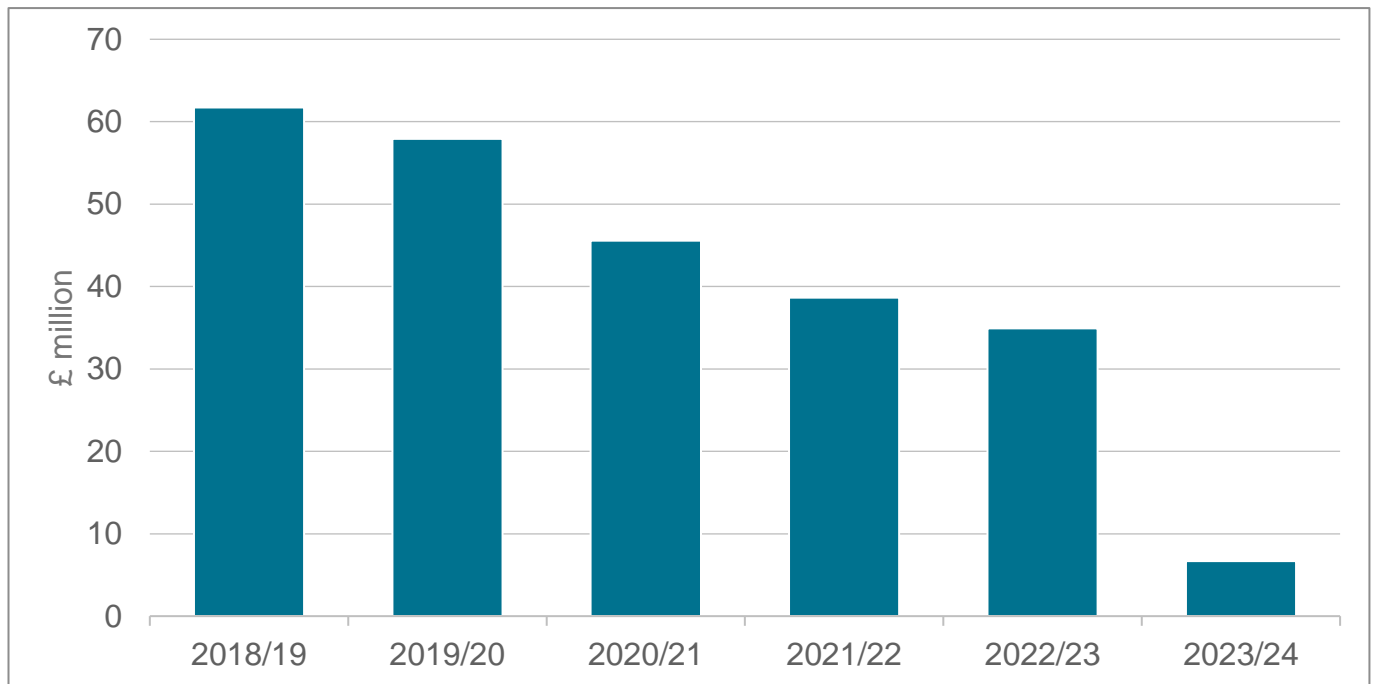
**48.** A significant element of the underspend, £12.8 million, was not slippage but was a decision not to develop these sites as the site conditions and restrictions were such that it would not have been value for money to develop. The remaining underspend of £2.3 million was due to challenges around the supply chain and labour shortages which has resulted in delays to the completion and handover of sites.

## Capital Fund continues to reduce over time

**49.** In [Exhibit 6](#), the Capital Fund (that may only be used to fund capital expenditure or repay debt) shows an ongoing reduction over the previous five-year period as the council continues to utilise these funds to support the capital programme.

**50.** In 2022/23, the reduction in the Capital Fund of £3.7 million is a result of the planned usage of the fund to supplement the capital programme. The 2022/23 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 £65.9 million.

**51.** The Asset Management Strategy and general services capital investment programme for 2023/24 to 2032/33 ensures that essential assets are maintained at an appropriate level. As part of the resources to deliver this strategy and recognising that the approved capital programme is facing affordability challenges due to the level of grant funding, the capital fund will be required in its entirety over the period to fund required capital investment. The Revenue Budget 2023/24 to 2027/28 forecasts that the Capital Fund will reduce to £6.7 million at 31 March 2024. This indicates a significant percentage of the remaining Capital Fund will be utilised in 2023/24.

**Exhibit 6****Capital Fund levels (projected for 2023/24 per Revenue Budget paper from February 2023)**

Source: West Lothian Council annual accounts and February 2023 Revenue Budget

**Borrowing levels have remained static**

**52.** At 31 March 2023, long term borrowing stood at £647.8 million, an increase of £10.0 million on the 2022 level of £637.8 million. During the same period, short term borrowing remained steady at £69.2 million. Total external debt, which includes the council's long-term liabilities, was within the authorised limit and operational boundary set by the treasury management strategy.

**53.** The Prudential Code 2021 confirms a requirement for local authorities to produce an annual capital strategy. The capital strategy should ensure that elected members of the Council understand the overall capital strategy, governance procedures and risk appetite entailed by the strategy, and includes capital expenditure, investments and liabilities and treasury management plans which allows members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured. The Capital Strategy 2023/24 to 2032/33 was approved by Council in March 2023.

**West Lothian Council has appropriate financial control arrangements in place**

**54.** 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 West Lothian 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.

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

**55.** 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. West Lothian Council has adequate arrangements in place to prevent and detect fraud or other irregularities.

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# 3. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

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## Conclusion

West Lothian Council has effective and appropriate arrangements in place to plan the use of its resources to sustain delivery of services into the medium term.

In February 2023, West Lothian Council agreed a detailed three-year revenue budget plan for the 2023/24 to 2025/26 which identified a budget gap of £28.0 million. Incorporating the decisions of Council and West Lothian Integration Joint Board, budget savings of £26.8 million have been agreed over the three-year period to meet this gap leaving a remaining budget gap of £1.2 million.

The five-year revenue budget strategy indicates a budget gap of £39.4 million over the period 2023/24 to 2027/28. Taking account of council decisions on savings in respect of the period to 2027/28 and planning assumptions on contributions to the IJB, there is a remaining gap of £4.7 million.

The council has adjusted its service concessions arrangements to recognise these across the life of the asset rather than the contract length with the result being an increase in the council's General Fund reserve balance of £27.6 million.

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## Audit work has addressed the wider scope risks identified in our Annual Audit Plan

56. [Exhibit 7](#) sets out the wider scope risks relating to Financial Sustainability we identified in our 2022/23 audit. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

## Exhibit 7

### Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p><b>Financial Sustainability</b></p> <p>The council's five-year financial strategy, agreed in February 2023, highlights risks, uncertainties and potential cost pressures that could impact on the ability of the council to balance the five-year revenue strategy and three-year detailed revenue budgets. To meet these challenges and deliver its strategic objectives it is important that the council has strong longer-term financial plans.</p>	<ul style="list-style-type: none"> <li>• Review of the council's annual budget setting arrangements.</li> <li>• Assess the adequacy of the council's medium and longer-term financial plans.</li> <li>• Review and assessment of budget monitoring arrangements.</li> <li>• Assess the council's savings programme, including the reasonableness of future savings plans and the adequacy of progress reports to committee.</li> </ul>	<p>The council's three-year and five-year financial plans identify the funding gap in these periods, along with identified saving measures.</p> <p>These plans could be impacted by inflationary pressures including the impact of pay settlements and further increases in construction costs.</p> <p><b>Conclusion:</b> We have assessed the council's medium and longer-term plans and budget monitoring arrangements and concluded these are appropriate.</p>

Source: Audit Scotland Annual Audit Plan 2022/23

## Medium-term and longer-term financial plans are in place and have been updated to reflect the impact of financial pressures

**57.** On 21 February 2023, West Lothian Council agreed a five-year revenue budget strategy and a detailed three-year revenue budget plan for 2023/24 to 2025/26, including proposed saving measures. This ensured that the council complied with Audit Scotland, CIPFA and Accounts Commission best practice which states that public bodies should focus on their medium to long term financial sustainability through having a financial strategy covering a minimum of five years, supported by detailed plans covering a minimum of three years.

**58.** The agreed budget reflects an estimated overall budget gap of £28.0 million over the three-year period 2023/24 to 2025/26. Incorporating the decisions of Council and West Lothian Integration Joint Board, budget savings of £26.8 million have been agreed over the three-year period to meet this gap leaving a remaining budget gap of £1.2 million.

**59.** The five-year revenue budget strategy indicates a budget gap of £39.4 million over the period 2023/24 to 2027/28. Taking account of council decisions on savings in respect of the period to 2027/28 and planning assumptions on contributions to the IJB, there is a remaining gap of £4.7 million to be addressed over the 5 years.

**60.** In February 2023, the Council Executive considered a report providing an update on the longer-term financial context facing the council over the ten years to 2032/33, incorporating the impact of the five-year financial plan approved by West Lothian Council in February 2023.

**61.** West Lothian Council will hold further consultation with staff, service users and wider West Lothian public and stakeholders as part of its process to help identify additional savings measures to close the remaining funding gaps identified over the 3-year and 5-year financial plans.

**62.** West Lothian 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 3-year budget gap of £1.2 million and the 5-year budget gap of £4.7 million. The council's medium-term and longer-term planning and saving measures appear well developed and soundly based. We will continue to monitor West Lothian Council's progress in delivering identified savings and identifying additional savings to address the remaining funding gap.

### **The council is progressing a programme of assessment and repairs to properties affected by Reinforced Autoclaved Aerated Concrete (RAAC) roofs**

**63.** West Lothian Council has been proactive in its asset management regarding the safety risk identified in the use of Reinforced Autoclaved Aerated Concrete (RAAC) as a building material. Property works in relation to RAAC roofs were ongoing during 2022/23 with the nine properties previously identified that would require regular inspection, remedial works or stabilisation works. Further work is required to fully scope and approve the final solution for the replacement or repair of St Kentigern's Academy and identify funding to support the associated costs which are expected to be significant.

### **The council has adjusted its service concessions arrangements to recognise these across the life of the asset rather than the contract length**

**64.** The Scottish Government introduced finance circular 10/2022 in September 2022. It provides statutory guidance on service concession arrangements for local government which allows a council to recognise any service concession arrangements over the life of the asset rather than the contract length.

**65.** To ensure consistency, if this approach is adopted, it must be applied to all service concession arrangements, leases and similar arrangements with the exception of such arrangements where the contract will expire within five years. The guidance can be applied retrospectively for existing service concession arrangements entered into prior to 1 April 2022.

**66.** West Lothian Council's three service concession arrangements PPP1, PPP3 and West Calder DBFM met these. This has allowed the council to recognise the principal debt arrangements for its three service concession arrangements over the asset life rather than the contract length.



**67.** This proposed change does not change what the council pays the contractors each year, it is a change to accounting transactions related to these assets. It does not release any cash. The existing contractual term for PPP1, PPP3 and DBFM will remain, with no increase in the period over which the council pays the contractor.

**68.** The result of the change in accounting treatment is an increase in the council's General Fund Reserve balance. This one-off benefit from the revised arrangements will be held in contingency for supporting delivery of the five-year revenue financial plan, including future pressures.

**69.** The reprofiling of debt liability repayments will increase the council's financing requirement in 2022/23 but this will reduce as repayments are made. The council will update its prudential indicators to reflect the change, but the council does not expect this to have an adverse impact on the treasury and capital plans. Revised prudential indicators, including this change, were agreed as part of the annual revenue and capital budgets considered by West Lothian Council in February 2023.

**70.** The council has agreed that, on the maturity of the individual service concession contract period, the budget previously used to cover the financing element of the contract will be earmarked in a service concession reserve to match against increased costs in future years, to ensure the proposed change to accounting policy is prudent, sustainable and affordable over the lifetime of the asset.

**71.** We note this adjustment will provide time to ensure the deliverability of recurring budget savings required for the council's ongoing financial sustainability. However, there will be an additional cost in future.

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# 4. Best Value

Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions.

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**72.** Local government bodies have a duty under the Local Government in Scotland Act 2003 to make arrangements which secure Best Value. Best Value is continuous improvement in the performance of the body's functions, having regard to:

- efficiency
- effectiveness
- economy
- the need to meet equal opportunity requirements.

**73.** Under the new [Code of Audit Practice](#), the audit of Best Value in councils is fully integrated within the annual audit work performed by appointed auditors and their teams. Auditors are required to evaluate and report on the performance of councils in meeting their Best Value duties. There are four aspects to auditors' work:

- Follow-up and risk-based work
- Service improvement and reporting
- Thematic reviews
- Contributing to Controller of Audit reports.

**74.** Auditors are required to report on Best Value or related themes prescribed by the Accounts Commission. The thematic work for 2022/23 requires auditors to carry out an overview of the effectiveness of council leadership (officers and elected members) in developing new local strategic priorities following the elections in May 2022.

**75.** The key messages from the BV management report have been included below.

## Key messages

### Council vision and priorities

- West Lothian Council has created a clear vision through its new Corporate Plan 2023-28 and must now set its associated performance targets so progress can be monitored.
- The council should work with its Community Planning Partnership to publish and implement the new Local Outcomes Improvement Plan.

## Citizen and community engagement

- The council highly values and has acted on citizens' feedback through its consultation processes.
- The council has demonstrated good practice through its Citizen Led Inspection programme. It should consider resuming this to involve citizens in the design and improvement of services.

## Reducing inequalities and tackling climate change

- The council and its partners have clear ambitions to tackle poverty and reduce climate change. It has used lived experience to inform its corporate strategies and has put in place governance arrangements to monitor progress. It is too early to assess how effective the council's arrangements will be achieving the intended outcomes.

## Alignment of delivery plans

- The council is developing new corporate strategies and service delivery plans to align to its new Corporate Plan. It has financial planning arrangements in place to support the alignment of resources to council priorities.

## Leadership

- The council executive team is well established and is supported by senior officers. The council has been effective in gathering the views of citizens to develop the council priorities. It is important that elected members work together to make strategic decisions to ensure the longer-term financial sustainability of service delivery.

## Follow up of 2017 Best Value Assurance Report

- The previous external auditor concluded that the council made good progress in implementing the Best Value and Assurance Report recommendations and that improvement actions were largely completed by 2018.

## Controller of audit reports

**76.** The Controller of Audit also reports to the Accounts Commission on each council's performance in meeting its Best Value duties at least once over the five-year audit appointment. The programme of Controller reports will commence in October 2023. There are therefore no such reports required for 2022/23 audits. Based on the current provisional timetable, the Controller of Audit will report on the West Lothian Council's performance in meeting its Best Value duties in financial year 2025/26. If the timetable is changed, the auditor will update the council.

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# 5. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

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## Conclusion

West Lothian Council continues to have effective and appropriate governance arrangements in place that support scrutiny of decisions made.

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**77.** The [Accounts Commission Strategy 2021-26](#) sets out its priorities to focus on inequalities, funding, communities and recovery. The Code of Audit practice sets out the Best Value work required to report on these priorities.

**78.** Over our 5-year audit appointment, a separate management report from auditors will be issued each year that details the outcome of thematic Best Value work. It should be recognised that much of Best Value work overlaps with the wider-scope elements. For 2022/23, our management report concludes on the effectiveness of the council's leadership of the development of the council's strategic priorities, following the 2022 local government elections. Therefore, this section of our report will consider governance with vision and leadership being considered in the Best Value section.

## West Lothian Council has appropriate governance arrangements in place to support effective scrutiny, challenge and informed decision making

**79.** 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. This includes action in response to the National Fraud Initiative
- openness of council and committees
- reporting of performance and whether this is fair, balanced and understandable.

**80.** West Lothian 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.

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

### Senior role appointments

**82.** In May 2023, an interim appointment was made to the post of Head of Finance and Property Services (the council's Chief Finance Officer) which became vacant in August 2023 due to retirement. The council made interim appointments in 2021/22 for the Head of Housing, Customer and Building Services and the Head of Corporate Services. These remain as interim appointments in 2022/23.

### Climate change arrangements

**83.** The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

**84.** Public bodies in Scotland are required to report annually in accordance with the Climate Change (Duties of Public Bodies Reporting Requirements) (Scotland) Order 2015, as amended by the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Amendment Order 2020 which took effect for reporting periods commencing on or after 1 April 2022.

**85.** The Council Executive has overall responsibility for ensuring the council's compliance with the Climate Change (Scotland) Act 2009 and is responsible for the approval of all climate change strategies, policies, action plans and monitoring reports. The Environment and Sustainability Policy Development and Scrutiny Panel (PDSP) is comprised of elected members who develop new policies for the council and review existing policies to identify where changes are required.

**86.** West Lothian Council approved its Climate Change Strategy 2021-2028 in October 2021 and included a net zero target of 2045. The strategy sets out a total of 28 actions under the six outcome areas of Energy, Transport, Waste, Adaptation Resilience and Biodiversity, Land Use and Management and Embedding Climate Change. Progress reports from the council's performance management system are included in each quarterly update to the Environment and Sustainability Policy Development and Scrutiny Panel.

**87.** The council's planning function shapes future policy to ensure that mitigation and adaptation to the impacts of climate change are considered in the Local Development Plan and associated planning guidance.

**88.** The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-

specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

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# 6. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

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## Conclusions

West Lothian Council has an effective performance management framework in place. The council's 2022/23 performance measures were aligned to key priorities and outcomes and there is regular performance reporting to elected members. The council has made the necessary arrangements for collecting, recording, and publishing the statutory performance information.

West Lothian Council's reported service performance in 2022/23 shows good performance against targets.

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**89.** The [Accounts Commission Strategy 2021-26](#) sets out its priorities to focus on inequalities, funding, communities and recovery. The Code of Audit practice sets out the Best Value work required to report on these priorities.

**90.** Over our 5-year audit appointment, a separate management report from auditors will be issued each year that detail the outcome of thematic Best Value work. It should be recognised that much of BV work overlaps with the wider-scope elements. For 2022/23, our management report concludes on the effectiveness of the council's leadership of the development of the council's strategic priorities, following the 2022 local government elections. There are some overlaps with this report and findings, which are summarised in the Best Value section of this report.

## Performance management arrangements provide a sound base for improvement

**91.** We identified that the council has an established performance management framework that managers and councillors clearly understand, and that this provides a sound base for improvement. These arrangements include self-assessment, benchmarking, use of feedback to improve services, public performance reporting and regular scrutiny of performance reports.

**92.** The council's online Annual Report 'Factfile' provides an overview of the council's activities and achievements in the eight priority areas set out in the Corporate Plan 2018-23. This is a clear, accessible summary of key performance measures. At the date of writing this report, the 'Factfile 2023'

annual report of performance in 2022/23 had not yet been published; it is due for publication in February 2024.

93. As noted in section 4, having agreed its new Corporate Plan in 2023, the council now needs to agree the performance targets and outcomes it wants to achieve against the new strategic objectives.

### West Lothian Council has satisfactory arrangements for the preparation and publication of Statutory Performance Information (SPIs)

94. The Accounts [Commission's 2021 Statutory Performance Direction](#) defines the performance information that councils must publish. The commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

95. We have evaluated the council's arrangements for fulfilling the above requirements and concluded that the council has satisfactory arrangements in place. The council publishes service performance indicators on its website which allows comparison of performance over time. A link to the Local Government Benchmarking Framework, for comparison of the council's performance against other Scottish local authorities, including a family group of councils with similar characteristics, is also provided on the 'Council Performance' webpage.

### West Lothian Council's reported service performance in 2022/23 shows good performance against targets

96. The council reports quarterly on its performance scorecards to the relevant PDSP using a RAG rating against the target performance. The RAG ratings are summarised in Exhibit 8 with the ratings from Quarter 4 2021/22 where comparable. Three corporate indicators were 'unknown' as the indicator was not reported in that period. Some PDSPs were newly created in 2022/23 and the performance indicators are not comparable year on year.

#### Exhibit 8 RAG rating of Quarter 4 performance indicators

Scorecard	Red	Amber	Green	Unknown
Corporate policy and resources	16 (6: 21/22)	6 (5: 21/22)	31 (41: 21/22)	3 (4: 21/22)
Environment and Sustainability	10 (9: 21/22)	3 (1: 21/22)	18 (26: 21/22)	N/A
Housing Services	5 (5: 21/22)	1 (1: 21/22)	4 (4: 21/22)	N/A



Scorecard	Red	Amber	Green	Unknown
<b>Economy, Community Empowerment &amp; Wealth Building</b> 21/22 not directly comparable	0	3	15	N/A
<b>Education</b> (Raising Attainment end of 2018-23 strategy review)	3	1	15	N/A
<b>Social Work and Health</b> 21/22 not directly comparable	3	4	9	N/A
<b>% of reported 22/23 indicators</b>	<b>25</b>	<b>12</b>	<b>61</b>	<b>2</b>

Source: West Lothian Council

**97.** The majority of service performance indicators (61%) are reported as within target performance levels (i.e. green). 25% of the indicators are rated as red. Performance reports set out the reasons behind any red rated indicators and the associated corrective actions planned by management. Reports also set out the indicators' trajectory over time so the effectiveness of mitigating actions can be seen.

**98.** The council's 2022/23 performance data in the Local Government Benchmarking Framework is not yet fully updated as some indicators need to be externally validated before the data is published.

# Appendix 1. Action plan 2022/23

## 2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Reduction in number of section 106 charities</b></p> <p>West Lothian Council administers nine charities that fall within section 106 of the Local Government (Scotland) Act 1973 and thus require a full audit by an auditor appointed by the Accounts Commission rather than the less rigorous and less costly independent examination option available to other small charities.</p> <p>Risk – best value in the use of public funds is not delivered as small charities out-with the scope of section 106 require only an independent examination rather than a full audit.</p>	<p>West Lothian Council should consider options to reduce the number of section 106 charities it administers or consider alternative options to remove the trusts from the section 106 requirements, such as appointing an external trustee.</p> <p><a href="#">Paragraph 32</a></p>	<p>The Council will undertake a review of Section 106 charities to establish if the number of charities can be further reduced and whether alternative options can be taken to remove the trusts from s106 requirements.</p> <p>Responsible Officer: Head of Finance and Property Services</p> <p>Agreed date: 30 June 2024</p>

## 2022/23 recommendations from the BV thematic report

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Alignment of priorities with Community Planning Partnership</b></p> <p>West Lothian Community Planning Partnership (CPP)</p>	<p>The council should work with the West Lothian Community Planning Partnership to publish and implement the</p>	<p>The new LOIP will be published and development work will be undertaken to agree a suite of performance</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Local Outcomes Improvement Plan (LOIP) sets the over-arching priorities and outcomes for the community planning partners including the council.</p> <p>The council incorporated the CPP's 4 focus areas into its Corporate Plan priorities while the LOIP was in development. The new LOIP 2023-2033 was agreed by the CPP in August 2023. The council now needs to build this into its service delivery and performance reporting..</p>	<p>new Local Outcomes Improvement Plan.</p>	<p>indicators across the partnership.</p> <p>Training on the LOIP will be made available to elected members and officers.</p> <p>Responsible officer: Depute Chief Executive (Education, Planning, Economic Development and Regeneration)</p> <p>Agreed date: March 2024</p>
<p><b>2. Alignment of performance measures with strategic priorities</b></p> <p>The council is in the process of developing a performance scorecard for the 2023-2028 Corporate Plan. It is important the council is clear on the level of performance outcomes it aims to achieve.</p>	<p>The council should ensure there is sufficient alignment when developing its new performance scorecard to support the evaluation of services.</p>	<p>The council will review and refresh performance and planning arrangements across council services to support the delivery of the Corporate Plan, corporate strategies and the transformation objectives.</p> <p>The targeted outcome of this development work will be to advance the management and prioritisation of meaningful data in the system and drive improvement in key priority areas.</p> <p>Responsible officer: Depute Chief Executive (Corporate, Operational and Housing Services)</p> <p>Agreed date: June 2023 to March 2025</p>
<p><b>3.Citizen Led Inspection Programme</b></p> <p>The council demonstrated good practice through its Citizen Led Inspection</p>	<p>The council should consider resuming the Citizen Led Inspection programme to involve citizens in the design and improvement of services.</p>	<p>The council will re-introduce Citizen Led Inspection, which has offered valuable insights and provided the council with customer-designed improvement actions. This</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>programme. The programme invited members of the community to directly observe and inspect council services and assess whether they met local needs. It was paused during the Covid-19 pandemic as face-to-face services stopped.</p>		<p>will be progressed as part of wider review of the corporate approach to customer experience, where the council will seek to identify new ways to capture customer experience of key council services and processes and utilise that information to improve service provision.</p> <p>Responsible officer: Depute Chief Executive (Corporate, Operational and Housing Services)</p> <p>Agreed date: January 2024 to March 2026</p>

## Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>Accounting for Assets</b></p> <p>The accounting for assets which are subject to revaluation continues to be an area of significant estimation uncertainty.</p>	<p>In our 2020/21 Annual Audit Report we recommended the Council consider its approach going forward as a matter of good practice. In particular, we noted that consideration should be given to reducing the time between full valuations for all major individual asset classes or applying indexation increases on assets not fully valued in the year to reflect some estimate of the movement in their value between formal valuations. Given the recent and ongoing inflationary pressures, this area in particular should be kept under review on an annual basis. A valuation schedule should be agreed with the Council's new external auditor that will allow the Council to complete timely valuation exercises to reflect material changes to asset</p>	<p>The council engaged with Audit Scotland in November 2022 to consider assets under revaluation during 2022/23.</p> <p>Major asset categories are reviewed annually to ensure there is no material change and a detailed report prepared by the Property Services Manager. This report is presented to the s95 Officer and the council's auditors for review.</p> <p>The asset portfolio remains continually under review by the Property Services Manager and action is taken in respect of material change when identified, for instance in relation to Reinforced</p>

Issue/risk	Recommendation	Agreed management action/timing
	values, which are more likely to occur within five years in the current environment.	Autoclaved Aerated Concrete (RAAC) roofs. All actions were complete by 31 March 2023.
<p><b>Infrastructure assets</b></p> <p>The statutory override in respect of infrastructure assets is intended to be a short-term solution to issues in respect of accounting for infrastructure assets.</p>	<p>The Council should ensure that greater detail on infrastructure assets is retained moving forward and appropriate consideration is given to disposals and replacements of infrastructure assets.</p>	<p>A review of infrastructure assets expenditure was completed by 31 March 2023 which addressed where there may have been information deficits moving into 2022/23.</p> <p>This ensures the council is in a position to apply any future guidance or statutory amendments as advised by CIPFA / LASAAC. In particular:</p> <ul style="list-style-type: none"> <li>• The council holds information in relation to infrastructure assets enhancements from 1996 to date, using all information available to support existence of these assets more effectively.</li> <li>• Infrastructure asset reviews are carried out annually, as part of the year end process, to ensure derecognition of infrastructure assets as required.</li> </ul>

# West Lothian Council

## 2022/23 Annual Audit Report

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