

West Lothian Council

2023/24 Annual Audit Report



 **AUDIT SCOTLAND**

Prepared for the Members of West Lothian Council and the Controller of Audit
24 September 2024

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Key messages

2023/24 annual accounts

- 1 Audit opinions on the annual accounts of the council, its group and the nine section 106 charities administered by the council 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 Council Executive.
- 4 The core revenue outturn position is an overspend of £2.9 million against the agreed 2023/24 budget of £575.2 million. The council's planned use of reserves funded the overspend.

Financial sustainability

- 5 A sound approach to medium and longer-term financial planning is in place to manage ongoing financial challenges. A two-year detailed revenue budget plan and a four-year revenue budget strategy have been agreed by the council, showing the savings required each year to deliver a break-even position.
- 6 An updated four-year revenue budget strategy to 2027/28 and detailed revenue budgets for 2024/25 to 2025/26 were agreed by the full council in February 2024. The agreed four-year budget has an estimated overall budget gap of £38 million over the four-year period.

Vision, leadership and governance

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

Best value

- 8** Annual thematic Best Value work is set by the Accounts Commission. For the 2023/24 financial year, auditors were asked to focus on workforce innovation within the council. The results of this work were reported to elected members at the West Lothian Council full council meeting in September 2024.
- 9** Our Best Value work confirmed that West Lothian Council has a People Strategy supported by a Strategic People Plan which supports the delivery of the council's corporate plan.

Use of resources to improve outcomes

- 10** West Lothian Council has an effective performance management framework in place. The council's 2023/24 performance measures were aligned to key priorities and outcomes and there is regular performance reporting to elected members.
- 11** Satisfactory arrangements are in place for the preparation and publication of Statutory performance information (SPIs).

Introduction

1. This report summarises the findings from the 2023/24 annual audit of West Lothian Council (the council). The scope of the audit was set out in an Annual Audit Plan presented to the March 2024 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 West Lothian Council's performance in meeting its Best Value duties
- conclusions on the following wider scope areas that frame public audit as set out in the current [Code of Audit Practice](#):
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes.

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 in due course.

Audit appointment

3. Claire Gardiner has been appointed by the Accounts Commission as auditor of West Lothian Council for the period from 2023/24 until 2026/27.

4. We would like to thank Audit Committee members, senior management, and other staff, particularly those in finance, for their cooperation and assistance in this year's audit and we look forward to working together constructively over the remainder 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. My responsibilities as the independent auditor are established by the Local Government (Scotland) Act 1973, the current [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 the team's normal audit work and may not be all that exist. Communicating these does not absolve management of West Lothian Council from its responsibility to address the issues raised 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 the audit team 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 2023/24 audit fee of £406,970 as set out in our 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through audit

10. The annual audit adds 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.

1. Audit of 2023/24 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 public funds.

Main judgements

Audit opinions on the annual accounts of the council, its group and the nine section 106 charities administered by the council are unmodified.

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

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 2024 on 24 September 2024. 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 was prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014
- the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

The inspection notice was placed in accordance with the required regulations and no objections were raised to the 2023/24 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 2023/24 annual accounts inspection notice published on the council's website complied with the regulations.

13. 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 2023/24 annual accounts.

Overall materiality was assessed on receipt of the unaudited annual accounts as £19.5 million

14. The concept of materiality is applied by auditors 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. My initial assessment of materiality was carried out during the risk assessment phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

Exhibit 1 **Materiality values**

Materiality level	West Lothian Council	Group
Overall materiality	£19.5 million	£23.1 million
Performance materiality	£14.5 million	£17.3 million
Reporting threshold	£0.5 million	£0.5 million

Source: Audit Scotland

16. The overall materiality threshold for the audit of the annual accounts of West Lothian Council was set with reference to gross expenditure, which was 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 the reporting threshold are corrected. The final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

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

20. The Code of Audit Practice also requires me to highlight key audit matters, which are defined in ISA (UK) 701 as those matters judged to be of most significance.

21. We have highlighted one issue in relation to the treatment of unfunded pension liabilities at paragraphs 23 and 26. We are satisfied appropriate adjustments have been made by West Lothian Council.

Audit work responded to the risks of material misstatement we identified in the annual accounts

22. We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements identified in the 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2

Significant risks of material misstatement in the annual accounts

Audit risk	Assurances, results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (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>	<p>Controls</p> <ul style="list-style-type: none"> Assessed the design and implementation of controls over journal entry processing. <p>Methodology and assumptions</p> <ul style="list-style-type: none"> Assessed any changes to the methods and underlying assumptions used by management to prepare accounting estimates compared to the prior year. <p>Testing</p> <ul style="list-style-type: none"> Made inquiries of relevant officers about inappropriate or unusual activity relating to the processing of journal entries and other adjustments and substantively testing journal entries throughout the year. Evaluated any significant 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. Tested samples of accruals and prepayments. Reviewed the processes regarding identification and disclosure of related parties.

Audit risk	Assurances, results and conclusions
<p>2. Estimation in the valuation of land and buildings</p> <p>There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions, and changes in these 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 West Lothian Council ensures the financial statements accurately reflect the value of the land and buildings.</p> <p>In addition, the council requires to satisfy itself that the carrying amounts of those assets not revalued at 31 March 2024 are not materially different to their current value.</p> <p>Due to the inherent complexity and subjectivity risks regarding land, buildings and dwellings' valuations, a significant risk of material misstatement in the 2023/24 valuations has been identified.</p>	<p>Results: We are satisfied that there is no material misstatement due to management override of controls.</p> <hr/> <p>Controls</p> <ul style="list-style-type: none"> Evaluated the approach that the council adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. <p>Management Experts</p> <ul style="list-style-type: none"> Evaluated the competence, capabilities and objectivity of the professional valuers. <p>Methodology and assumptions</p> <ul style="list-style-type: none"> 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. <p>Testing</p> <ul style="list-style-type: none"> Substantively tested the reconciliation between the financial ledger and the asset register, including a sample of land and building assets revalued in the year. <p>Disclosures</p> <ul style="list-style-type: none"> Assessed the adequacy of the council's disclosures regarding the assumptions in relation to the valuation of land and buildings. <p>Results: We are satisfied the current valuation of land and buildings is not materially misstated.</p>

Source: Audit Scotland

23. In addition, we identified an "area of audit focus" in our 2023/24 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. The area of specific audit focus was:

- 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 West Lothian Council. For 2023/24, the actuary calculated a pension asset. The actuary applied an asset ceiling as required by accounting standards which resulted in a nil balance being recognised in the annual accounts, which was the same approach as 2022/23.

As part of work, we noted that the unfunded pension liabilities had been included as part of the overall assessment of a nil balance for pensions. Unfunded pension liabilities generally relate to provisions for discretionary enhancements to retirement benefits (e.g. payments for early retirement paid by the body rather than the pension fund). IAS 19 treats them as termination benefits. The unfunded liability should therefore be presented separately from the net defined benefit asset or liability.

West Lothian Council has updated their accounts to present the unfunded liability on the balance sheet as a separate pension liability and restated the prior year for consistency in presentation. Details of the adjustments are at paragraph 26. We reviewed the adjustments made to the accounts for the change in presentation of unfunded pension liabilities. We were content with the presentation of the unfunded liabilities in the accounts and associated narrative information included.

24. As part of our risk assessment in our Annual Audit Plan, we also identified the following areas where further work would be performed. These were not audit risks but areas we kept under review:

- **Implementation of IFRS 16 (International Financial Reporting Standard 16, Leases) takes effect for local government bodies from 2024/25-** This will change the way in which West Lothian Council accounts for operating leases, including recognising assets and liabilities for the rights and obligations arising from leases previously classified as operating leases. The council will implement IFRS 16 from 1 April 2024.

The council has undertaken work to identify the changes required in relation to its relevant operating leases and has confirmed the amounts that will be required to be included in the 2024/25 account at 1 April 2024. In 2024/25 the values that will be included in the accounts under right of use and lease liabilities are not material. We have reviewed the work carried out by the council and are content with their approach to identification of appropriate leases and how they intend to include the information in the accounts.

- **The statutory override relating to valuation of 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 2021/22 financial year but these were due to end at 31 March 2024.

Infrastructure assets are inalienable assets, expenditure on which is only recoverable by continued use of the asset created. They include carriageways, structures, street lighting, street furniture and traffic management systems, and are measured in the accounting code at historical cost. 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.

The Scottish Government originally issued a temporary statutory override in Finance Circular 9/2022 which applied to the 2022/23 and 2023/24 financial years. However, as a permanent solution has not yet been agreed, Finance Circular 8/2024 extends the applicable period to include 2024/25.

The council continued to apply both statutory overrides in its 2023/24 annual accounts. We will continue to monitor and consider any actions required by the council once a resolution has been agreed and implemented.

There was one identified misstatement

25. 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.

26. Only one misstatement was identified totalling £20.0 million (prior year £21.7 million) which exceeds our performance materiality threshold. We considered whether further audit procedures were required and reviewed the nature and causes of this misstatement, which related to the unfunded element of the pension liability (as outlined at paragraph 23). We have concluded that this arose from issues that are isolated and identified in their entirety and do not indicate further systemic error. We considered whether the misstatement presented any further material risk of misstatement in the relevant account area and concluded it did not.

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

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

28. The unaudited annual accounts were received in line with our agreed audit timetable on 30 June 2024. 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.

Our audit opinions on Section 106 charities were unmodified

29. 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. Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of West Lothian Council are sole trustees, irrespective of the size of the charity.

30. West Lothian Council has nine such charitable trusts which each prepare annual report and financial statements and require a full audit and an Independent Auditor's Report. For 2023/24, our audit opinions on the Section 106 charities are unmodified.

31. Under International Standard on Auditing (UK) 260 we communicate our responses to assessed risks and our significant findings from the audit, including our view about the qualitative aspects of the body's accounting practices.

32. Other than the presumed significant risk of fraud due to management override of controls, which was also identified as a significant risk in respect of the council's annual accounts, no specific risks of material misstatement were identified in respect of the 2023/24 charitable trusts annual accounts.

33. We have no significant issues to report from the audit.

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 Council Executive.

The core revenue outturn position is an overspend of £2.9 million against the agreed 2023/24 budget of £575.2 million. The council's planned use of reserves funded the overspend.

The council operated within budget in 2023/24

35. The council approved its 2023/24 budget in February 2023. The budget was set at £575.2 million which included proposed revenue budget saving measures of £12.1 million, however actual approved savings were £8.4 million due to an agreed budget motion. The core revenue outturn position is an overspend of £2.9 million against the agreed 2023/24 budget. The council funded the overspend from the Risk and Inflation reserve which was created as part of the budget setting in February 2023 to manage emerging financial pressures.

36. Overall, the council's spending remained largely in line with budgets with details of main variances in the different service areas are summarised in [Exhibit 3](#).

Exhibit 3

Summary of significant under/overspends against budget

Area	Budget £'000	(Under) / Overspend £'000	Reason for variance
Underspends			
Schools, Education Support	188,431	(433)	Primarily savings from vacancies and cessation of non-essential supplies, partially offset by Early Learning and Childcare pressures.
Planning, Economic Development and Regeneration	5,848	(736)	Over-recovered planning application and pest control income and staff savings.

Area	Budget £'000	(Under) / Overspend £'000	Reason for variance
Chief Executive, Finance and Property	130,212	(1,154)	Particularly due to lower staff costs as a result of vacancies in advance of new staffing restructure to deliver approved budget savings.
Overspends			
Operational Services	82,409	990	A number of reasons including fleet and vehicle costs, higher staff costs and inflationary pressures.
Housing, Customer and Building	7,778	2,319	Principally due to homelessness pressures.
Corporate Services	19,638	270	
IJB – Adult and Elderly Services	88,022	585	Care commitments and ongoing care package costs. Agency and locum costs to cover for staff absence and vacancies.
Non-IJB – Children's Services	37,057	553	Pressure in external residential school placements for children due to both new and increasing cost of placements.
Join Boards	1,246	5	
Non-service expenditure	14,599	2,279	Due to case level and higher awards in relation to Council Tax Reduction scheme
Net Service Expenditure	575,240	4,678	
Council Tax	(100,470)	(1,762)	An over recovery in council tax due to receipt of prior year income which had already been full provided for in the bad debt provision.
Overspend	n/a	2,916	

Source: West Lothian Council 2023/24 Annual Accounts

Planned efficiency savings were achieved

37. West Lothian Council approved a revenue budget for 2023/24 in February 2023, with total budget reductions agreed for the year of £8.4 million. The council's Corporate Management Team is responsible for monitoring of the revenue budget, which is undertaken in line with the approved monthly risk-based approach, and the outcome of the detailed monitoring exercises undertaken at month 4 (July), 6 (September) and 9 (December) reported to the Council Executive for approval.

38. The approved budget savings are monitored over the course of the year to ensure deliverability and an update on progress being made to achieve the budget reduction was provided in the budget monitoring updates.

39. The budget monitoring update at month nine, approved by Council Executive in February 2024, confirmed 98% of the 2023/24 approved savings were categorised as green – achieved or achievable. The remaining 2% related to a saving within IJB – Adult and Elderly Services from housing benefits which was deemed no longer deliverable and alternative savings were identified. The council continues to actively manages its budget, including savings targets.

Housing revenue account operated within budget

40. 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.

41. The Housing Revenue Account (HRA) reported a deficit of £25.4 million (£37.2 million in 2022/23). Adjustments are made between accounting basis and funding basis. This removes a number of balances which total the £25.4 million deficit resulting in an overall breakeven position. This maintained the HRA balance carried forward of £0.9 million.

There has been a significant movement in the level of reserves

42. 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 £37.2 million in 2023/24.

43. [Exhibit 4](#) provides an analysis of the general fund over the last five years split between committed and uncommitted reserves. The initial increases in the General Reserve between 2019/20 and 2021/22 were primary due to significant levels of funding provided by the Scottish Government as a result of the pandemic. In 2022/23, although the levels of pandemic related reserves dropped, these were replaced with other reserves.

44. During 2022/23, 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. This provided resources to give the council time to ensure the deliverability of recurring budget savings required for the council's ongoing financial sustainability although there will be a cost in the future.

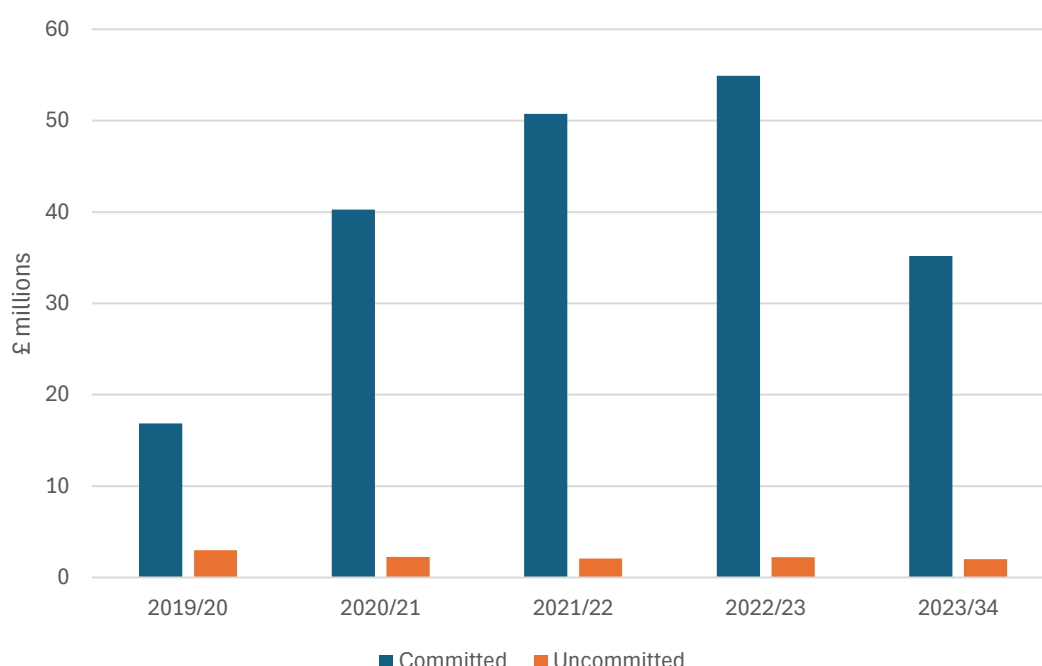
45. In 2023/24 the council used a number of these reserves which reflects the significant drop in the level of general reserves between 2022/23 and 2023/24. The main uses of these earmarked reserves were:

- St Kentigern's school works to replace RAAC affected building, £8.3 million
- Amounts to balance recurring revenue budgets on a one-off basis, £7.0 million

- Risk and Inflation reserve, £4.1 million

46. 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 2023/24 the council agreed that the uncommitted General Fund Balance would be a minimum of £2 million. The uncommitted general fund balance at 31 March 2024 is £2.0 million.

Exhibit 4 Analysis of general fund balance



Source: West Lothian Council Annual Accounts

Capital expenditure was lower than budget in 2023/24

47. Total capital expenditure in 2023/24 was £95.6 million compared to a budget £100.4 million. General services budget accounted for £72.2 million with the remaining £23.4 million for the housing revenue account (HRA). The general services expenditure was slightly above the budget by £2.9 million with the HRA being underspent by £7.6 million.

48. The underspend in housing capital has been attributed to a number of reasons including industrial action delaying some schemes, identification of RAAC in some properties which changed the scope of works and lack of interested suppliers for tender exercises.

49. The 2023/24 capital investment programme and treasury management plan agreed to the use of council's capital fund to support investment in the general services assets of £72.2 million.

50. The council understand the funding constraints that are currently in place across Scotland and the capital investment programme and the Corporate Asset Management Strategy to 2032/33 confirms that the council will focus on reducing the size of the operational property estate to ensure core property assets remain safe and statutorily compliant.

Borrowing levels are operating within the authorised limit and operational boundary set by the treasury management strategy

51. At 31 March 2024, borrowing stood at £668.0 million, an increase of £20.1 million on the 2023 level of £647.9 million. During the year, the council undertook new borrowings of £24 million. The borrowing levels increased to support new council house supply and general services borrowing to deliver RAAC remediation works and investment in the learning estate.

52. 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 2024/25 to 2032/33 was approved by Council in March 2024.

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.

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

57. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland which aims to prevent and detect fraud. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

58. The current NFI exercise ran over 2022/23 and 2023/24 and participating bodies began to receive matches for investigation in January 2023. These matches are categorised by risk and all recommended matches, plus any further matches based on findings, should be investigated.

59. The council has well established processes in place to investigate the matches and acts, where appropriate, if any issues are identified. For the latest exercise, no significant issues were identified. The outcome of the National Fraud Initiative exercise is reported to the audit committee.

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.

Conclusion

A sound approach to medium and longer-term financial planning is in place to manage ongoing financial challenges. A two-year detailed revenue budget plan and a four-year revenue budget strategy have been agreed by the council, showing the savings required each year to deliver a break-even position.

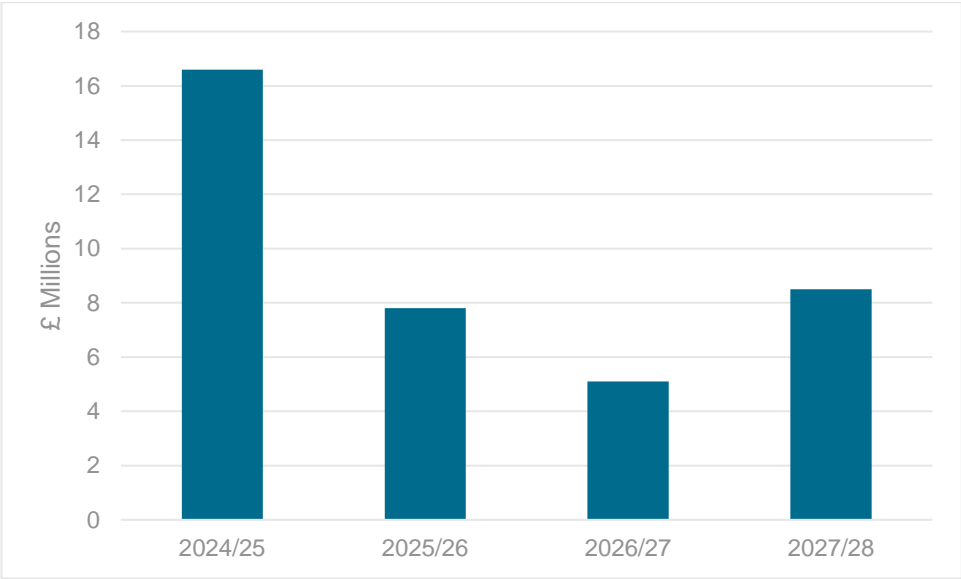
An updated four-year revenue budget strategy to 2027/28 and detailed revenue budgets for 2024/25 to 2025/26 were agreed by the full council in February 2024. The agreed four-year budget has an estimated overall budget gap of £38 million over the four-year period.

West Lothian Council has updated their two-year detailed revenue budget and four-year revenue budget strategy to reflect the latest financial pressures

60. In February 2023, West Lothian Council agreed their five-year revenue budget strategy and a detailed three-year revenue budget plan for 2023/24 to 2025/26, including proposed saving measures. An updated four-year revenue budget strategy to 2027/28 and detailed revenue budgets for 2024/25 to 2025/26 were agreed by the full council in February 2024. The agreed four-year budget has an estimated overall budget gap of £38 million over the four-year period and a £24.4 million gap for 2024/25 to 2025/26. [Exhibit 5](#) shows the forecast budget gap before savings included in the four-year revenue budget.

61. The council and the Integration Joint Board have agreed budget savings of £21.5 million for the two years to 2025/26, leaving a budget gap of £2.9 million. The total saving identified for the four-year plan are £28.5 million which leaves a remaining budget gap of £9.5 million over the four-year period.

Exhibit 5
Forecast budget gap before savings



Source: *West Lothian Revenue Budget 2024/25 to 2027/28*

63. 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 four-year budget gap. 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.

64. 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 funding gaps.

The council is progressing a programme of remediation works on Reinforced Autoclaved Aerated Concrete (RAAC) affected properties while identifying RAAC impact on council dwellings

65. Reinforced Autoclaved Aerated Concrete (RAAC) is a type of construction material that was commonly used in social housing in West Lothian between the 1950s and 1980s. RAAC has been associated with various issues, including moisture ingress, structural defects, and the potential for fire spread.

66. West Lothian Council has been proactive in its asset management regarding the safety risk identified in the use of RAAC as a building material. In 2023/24, works continued on properties impacted by RAAC with a number of sites, including schools and community centres, being completed. The RAAC has been removed from St Kentigerns Academy and the final phase of demolition is underway and the replacement building is in the design phase.

67. The council has undertaken work to identify any issues with their housing stock which comprises 14,000 properties, including 427 common blocks. The results of the work undertaken, which included structural engineers, was to identify RAAC within 69 individual properties and 15 blocks of flats, representing 0.5% of the overall housing stock, where the council has property interest. The council has implemented a strategy for remediation works based on the condition of the properties involved.

68. The council continued to make progress in 2023/24 with regards to remediation of those properties affected by RAAC with funding included in their capital budgeting to undertake the work.

The pensions' triennial funding valuation as at 31 March 2023 has provided a potential positive impact on finances

69. The most recent triennial funding valuation took place across Local Government Pension Scheme pension funds at 31 March 2023. The main purpose of the valuation is to review the financial position of each fund and to set appropriate contribution rates for each employer for the upcoming three-year period as part of the fund's overall funding strategy.

70. West Lothian Council is a scheduled member of Lothian Pension Fund (LPF), the second largest local Government Pension Scheme in Scotland. The LPF has communicated that its March 2023 Valuation has been finalised by and employer contribution rates from 1 April 2024 are now confirmed. The valuation dated 31 March 2023 for LPF showed a funding level of 157%, a significant increase from 106% in 2020.

71. Reducing employer contributions will reduce the costs associated with pensions, thereby reducing some of the cost pressures faced by the council in 2024/25. From April 2024, the employer rate has been reduced from 21.8% to 17.6%. This change to employer contributions has been built into the council's financial budget plans for 2024/25 and overall budget gap identified for that year.

4. 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.

Conclusion

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

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

72. 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.

73. 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.

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

Council priorities include net zero

75. The Scottish Parliament has set a target of becoming net zero by 2045 and 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.

76. 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.

77. 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.

78. The council reported progress against the targets set and a review in 2024 will consider the targets set as part of wider refresh of the Climate Change Strategy.

5. Best Value

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

Conclusion

Annual thematic Best Value work is set by the Accounts Commission. For the 2023/24 financial year, auditors were asked to focus on workforce innovation within the council. The results of this work were reported to elected members at the West Lothian Council full council meeting in September 2024.

Our Best Value work confirmed that West Lothian Council has a People Strategy supported by a Strategic People Plan which supports the delivery of the council's corporate plan.

Best Value work in 2023/24

79. Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions. Expectations are laid out in the [Best Value Revised Statutory Guidance 2020](#).

80. As set out in the current [Code of Audit Practice](#), Best Value audit is integrated with other wider-scope annual audit work. Annual thematic Best Value work is set by the Accounts Commission. For the 2023/24 financial year, auditors were asked to focus on workforce innovation within the council.

81. In addition to the work set out in the remainder of this section, Best Value work has informed the content and conclusions set out in parts 2,3,4 and 6 of this Annual Audit Report.

Our Best value work confirmed that the council has a People Strategy supported by a Strategic People Plan. The Council is aware of ongoing challenges in developing the workforce and are taking action to address the risks.

82. The results of this work were reported to elected members at the September 2024 West Lothian Council full council meeting. This report is published on the Audit Scotland website.

83. The key messages from this report are:

- The council approved its People Strategy 2023-2028 in 2023, which is one of six strategies that support the delivery of the corporate plan. The Council also has a Strategic People Plan 2023-2028, and sets out the

council's current workforce profile, future workforce requirements and how it will manage change and communicate with its workforce.

- The council has introduced several Information Technology (IT) systems and digital developments that have delivered workforce benefits and increased productivity, for example, the council has used Robotic Process Automation (RPA) to upgrade its Customer Relationship Management system, this has automated repetitive tasks, and streamlined workflows leading to improved processing times, increased productivity and reduced administrative tasks for council staff.
- The council recognises the benefits of agile working and accommodates flexible working arrangements. The council updated its flexible working policy in February 2024, and to support its approach each council post has been categorised as being suitable for one of the following work styles, fixed working, hybrid working, homeworking and mobile working.
- The council continues to face recruitment and retention challenges with staff, and its proximity to Edinburgh and Glasgow can make it difficult to compete with private organisations to attract and recruit professional staff. The council has developed several solutions to deal with gaps in resources and difficulties in recruiting for posts.
- The council has set targets to monitor and report on progress against the four outcomes in its People Strategy 2023-2028 which are progressed under the direction of the HR programme board. An annual update on progress will be reported to the Corporate Policy and Resources Policy Development Panel and published on the council website. The council has extensive workforce data reporting to the Corporate Management Team (CMT), Executive Management Team (EMT) and the Corporate Policy and Resources Policy Development and Scrutiny Panel (PDSP), which is made up of Elected Members.

84. The audit recommendations made in this report, with the management responses, are included in [Appendix 1](#) of this report.

Follow up of Best Value thematic recommendations from previous years

85. The thematic work for 2022/23 required 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. West Lothian Council provided an update on our recommendations and these can be found in [Appendix 1](#).

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.

Conclusions

West Lothian Council has an effective performance management framework in place. The council's 2023/24 performance measures were aligned to key priorities and outcomes and there is regular performance reporting to elected members.

Satisfactory arrangements are in place for the preparation and publication of Statutory performance information (SPIs).

Performance management arrangements provide a sound base for improvement

86. The [Best Value: Revised Statutory Guidance 2020](#) sets out that councils should be able to demonstrate a trend of improvement over time in delivering its strategic priorities. The guidance also sets out that performance management arrangements should be in place to promote the effective use of the local authority's resource, which includes effective performance reporting.

87. 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.

88. The council publishes performance information on its '[Council Performance](#)' website which allows comparison of performance information over time. It includes:

- Council's service and public performance reporting
- Local Government Benchmarking Framework (LGBF), and
- Factfile, which provides an overview of key council activities.

Council's service and public performance reporting

89. The council reports quarterly and annually on its performance scorecards to the relevant Policy Development and Scrutiny Panels (PDSP) using a RAG rating against the target performance. Some PDSPs were newly created in 2022/23 and the performance indicators are not comparable year on year but comparisons over a longer period will provide better data on direction of travel of council performance.

Local Government Benchmarking Framework

90. The council participates in the [Local Government Benchmarking Framework \(LGBF\)](#). The framework brings together a wide range of information about how all Scottish councils perform in delivering services, including the cost of services and how satisfied citizens are with them.

91. The most recent [National Benchmarking Overview Report 2022-23 \(improvementservice.org.uk\)](#) was published by the Improvement Service in March 2024. The report summarises the performance of all Scottish councils. The report highlighted:

- *'In terms of overall council service performance, the long-term picture remains positive, with 66% of performance indicators within the LGBF showing improvement since the base year. In recent years, however, year on year trends show a slowing in this improvement, and an increase in the number of performance indicators which are now declining. In 2022/23, for the first time, the rate of decline has overtaken the rate of improvement (45% and 43% respectively). It is apparent that given the deepening fiscal, workforce and demand pressures facing the sector, councils are having to make increasingly difficult decisions about the shape and level of service delivery, and these are beginning to have a clear impact on service performance. If the current trend continues, the improvements and progress that has been achieved thus far, could potentially be lost and council service performance may start to decline over the longer-term'.*

92. The LGBF indicators allow comparison over time and/or with the other 31 Scottish local authorities. For West Lothian Council, a comparison to the base year (2010/11) shows that overall, the council has improved in relation to 58% of indicators, with 7% staying the same and 36% deteriorating. West Lothian Council will need to continue to use the LGBF information to help them identify where they are performing well and where the council can learn from other council experience and good practice.

Factfile

93. 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. At the date of writing this report, the 'Factfile 2024' annual report of performance in 2023/24 had not yet been published; it is due for publication in early 2025.

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

94. The Accounts Commission issued a new [Statutory Performance Information \(SPIs\) Direction](#) in December 2021 which applies for three years from 2022/23. It requires a council to report its:

- performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes (SPI 1). The Commission expects this reporting to allow comparison both over time and with other similar bodies (drawing on Local Government Benchmarking Framework and/or other benchmarking activities).
- own assessment and audit, scrutiny, and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI 2).

95. We have evaluated the council's arrangements for fulfilling the above requirements and concluded that the council has satisfactory arrangements in place.

Appendix 1. Action plan 2023/24

2023/24 recommendations from the BV thematic report

Issue/risk	Recommendation	Agreed management action/timing
1. Digital Skills		
<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>Digital skills audit recommendations to be progressed and the actions relating to digital skills set out in the Customer Strategy 2023-28, People Strategy 2023-28 and the Performance and Transformation Strategy 2023-28 will be monitored by the Customer, Performance and Transformation Board and HR Programme Board.</p> <p>Progress on the strategy actions will also be reported to the Corporate Policy and Resources PDSP as part of the annual reporting on the corporate strategies.</p> <p>Responsible Officer: Depute Chief Executive</p> <p>Agreed date: December 2024</p>
2. Council employee surveys		
<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</p>	<p>The council should continue to take steps to improve participation rates for the 2024 employee survey.</p>	<p>The council will promote the 2024 Employee Survey through a range of channels to raise awareness and encourage participation:</p> <ul style="list-style-type: none"> • Service manager and team leader briefings

Issue/risk	Recommendation	Agreed management action/timing
<p>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>		<ul style="list-style-type: none"> • An article in Inside News (the council's internal employee newsletter). • An article on the council's Intranet (internal website for employees) • Trade Union endorsement. • Direct email from the council's Chief Executive. <p>Responsible Officer: Head of Corporate Services</p> <p>Agreed date: September 2024</p>

Follow-up of prior year recommendations

Issue / risk	Recommendation and Agreed Action	Progress
<p>b/f Reduction in number of section 106 charities</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><u>Recommendation</u> 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><u>Agreed management action from 2022/23</u> 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>	<p>The reviews of the archive, historical data and Technical Bulletin Guidance on s106 rationalisation is complete. The council has determined that the use of connected charities to achieve trust rationalisation has been fully utilised and no further reductions can be achieved by this method.</p> <p>Whilst this action has been fully completed, the council continues to explore alternative strategies to reduce audit costs and administration of the trusts and is currently liaising with OSCR to establish a course of further action.</p> <p>Date completed: 30 June 2024</p>

Follow-up of prior year BV thematic report recommendations

Issue / risk	Recommendation and Agreed Action	Progress
<p>b/f 1. Alignment of priorities with Community Planning Partnership</p> <p>West Lothian Community Planning Partnership (CPP) 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><u>Recommendation</u> The council should work with the West Lothian Community Planning Partnership to publish and implement the new Local Outcomes Improvement Plan.</p> <p><u>Agreed management response from 2022/23</u> The new LOIP will be published and development work will be undertaken to agree a suite of performance 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>The Community Planning Partnership approved the LOIP in August 2023, which included four key pillars for delivery. Each pillar is underpinned by a pillar lead who is responsible for ensuring that the identified actions are delivered and performance is measured.</p> <p>A range of performance measures were presented to the Community Planning Partnership steering group in November 2023 for monitoring. An annual update on progress will be presented to the Community Planning Partnership Board in December 2024 and annually thereafter.</p> <p>Training was carried out with elected members in January 2024.</p> <p>Date completed: March 2024</p>
<p>b/f 2. Alignment of performance measures with strategic priorities</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><u>Recommendation</u> The council should ensure there is sufficient alignment when developing its new performance scorecard to support the evaluation of services.</p> <p><u>Agreed management response from 2022/23:</u> The council will review and refresh performance and planning arrangements across council services to support the delivery of the Corporate Plan, corporate</p>	<p>The Corporate Plan was agreed in May 2023 and a supporting performance scorecard was also identified to ensure that progress in the five priorities is managed and monitored. An update will be reported to the executive management team and to the Performance Committee on an annual basis.</p> <p>The five Corporate Strategies and supporting performance scorecard and actions were approved at Council/Education Executives</p>

Issue / risk	Recommendation and Agreed Action	Progress
	<p>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>in November 2023. Annual updates will be reported to the relevant officer-led boards and to the relevant Policy Development and Scrutiny Panels and Committees.</p> <p>The Corporate Plan and Corporate Strategies can be viewed on the council website; www.westlothian.gov.uk/performance</p> <p>Work is ongoing with council services via the WLAM and scrutiny panel process to ensure there is appropriate alignment between corporate priorities and service performance.</p> <p>Action ongoing with completion date March 2025</p>

West Lothian Council

2023/24 Annual Audit Report

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: **info@audit-scotland.gov.uk**
www.audit-scotland.gov.uk