

The background of the slide features a large, light blue watermark of the City of Vancouver's coat of arms. The crest is a shield divided into four quadrants. The top-left quadrant shows a sailing ship on wavy lines representing water. The top-right quadrant shows a stag's head with large antlers. The bottom-left quadrant shows a beaver. The bottom-right quadrant shows a grizzly bear. Above the shield is a crown with four maple leaves. A banner at the bottom of the shield contains the motto "A NE FOR A".

Agenda Item 7

Annual Accounts 2015/16

Falkirk Council

Title: Annual Accounts 2015/16
Meeting: Audit Committee
Date: 26 September 2016
Submitted By: Director of Corporate & Housing Services

1. Purpose of Report

- 1.1 The purpose of the report is to present the Audited Accounts of the Council for the year to 31 March 2016.

2. Recommendation

- 2.1 **The Committee is asked to consider and approve the Audited Annual Accounts of the Council to 31 March 2016, prior to consideration by Council.**

3. Background

- 3.1 The Local Authority Accounts (Scotland) Regulations 2014 require the Council to submit annual accounts to our External Auditor no later than 30 June following the financial year to which the accounts relate. Following the audit process a local authority, or Committee of that authority must meet to consider the audited Annual Accounts and approve these accounts for signature.

4. Considerations

- 4.1 The Accounts of the Council have now been audited (appendix 1). The auditor's certificate is free from qualification. Copies of the accounts will be sent to interested parties, posted on the Council's website and their availability advertised in the local press.

5. Consultation

- 5.1 This report does not require consultation.

6. Implications

Financial

6.1 There are no financial implications arising from the report recommendations.

Resources

6.2 There are no resource implications arising from the report recommendations.

Legal

6.3 There are no legal implications arising from the report recommendations.

Risk

6.4 There are no risks arising from the report recommendations.

Equalities

6.5 There are no equalities implications arising from the report recommendations.

Sustainability/Environmental Impact

6.6 There are no sustainability/environmental implications arising from the report recommendations.

7. Conclusions

7.1 The Annual Accounts for Falkirk Council have been audited by Audit Scotland and the auditor's certificate is free from qualification.

Director of Corporate & Housing Services

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Date: 16 September 2016

Appendices

1. Annual Accounts 2015/16

List of Background Papers:

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973:

- None



Falkirk Council

Annual Report and Accounts 2015/16



ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

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INTRODUCTION TO THE ACCOUNTS

The statements which follow, show the financial results of Falkirk Council for the year to 31 March 2016.

They comprise:

- A Management Commentary providing a summary and explanation of the Council's financial position.
- A Statement of Responsibilities for the Annual Accounts.
- An Annual Governance Statement.
- A Remuneration Report detailing payments and pension information for senior officers and senior elected members.
- The Movement in Reserves Statement which shows the movement in the year of the different reserves used by the Council.
- The Comprehensive Income and Expenditure Statement - this highlights gross revenue expenditure, income and net expenditure for the Council. The Account shows how net expenditure has been financed.
- The Balance Sheet - sets out the overall financial position of the Council as at 31 March 2016.
- The Cash Flow Statement - shows where the Council's money came from and how it was spent.
- Notes to the Core Financial Statements including the General Accounting Policies and other explanatory information.
- The Group Financial Statements consolidate the Council's interest in other entities to provide services and improve the well-being of the local area.

MANAGEMENT COMMENTARY

1. INTRODUCTION

- 1.1 The Local Authority Accounts (Scotland) Regulations 2014 include the requirement for a management commentary which reflects those matters companies are required to disclose under the Companies Act 2006, as interpreted for local authorities. The purpose of the management commentary is to assist readers in understanding the annual accounts and should include a description of the risks and uncertainties facing the Council along with the factors likely to affect future performance.
- 1.2 The financial results for Falkirk Council for 2015/16 are set out on pages 29 to 107 and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. The statement of accounting policies which have been adopted are shown in notes 1 to 5, with more specific policies shown alongside the relevant notes. The adoption of these policies is to ensure that the annual accounts provide a true and fair view of our financial performance.

Financial Statements

- 1.3 The Code of Practice on Local Authority Accounting (Code) requires local authorities to produce Annual Accounts and governs the format and content of those Accounts. The pages that follow are the Council's Accounts for 2015/16.

Group Accounts

- 1.4 Local authorities are required to prepare Group Accounts in addition to their own Council's accounts where they have a material interest in other organisations. Group Financial Statements have been prepared (see pages 101 to 107) which consolidate the results of the Council with its share of the following entities – Central Scotland Valuation Joint Board, FCSL (Holdings) Ltd and Falkirk Community Stadium Ltd, Falkirk Community Trust Ltd and Falkirk Community Trading Ltd, Common Good Funds and thinkWhere Ltd. The effect of the inclusion of the Council's interests on the Group Balance Sheet is to reduce both Reserves and Net Assets by £1.481m. This represents the Council's share of the net liabilities in those entities.
- 1.5 The Health and Social Care Partnership (HSCP) for the Falkirk area was established in 2015 with a go live date of 1 April 2016. More information on the HSCP is included in paragraph 2.6. There were no material transactions for the HSCP in 2015/16 as this was a transitional year. As such, no figures have been included in the Group Accounts. For 2016/17 onwards, the HSCP will be incorporated into the Group Accounts.

2. ABOUT THE AREA & THE COUNCIL

- 2.1 Falkirk Council has a growing population of c158,000 - roughly 70,000 households. The largest towns in the area are Falkirk, Grangemouth – Scotland's premier port and home to its only major oil refinery, Bo'ness, Denny, Larbert and Stenhousemuir. Falkirk is one of the best connected areas in Scotland, within half an hour of Glasgow and Edinburgh with excellent motorway, rail links and a sea terminal.
- 2.2 The Falkirk area employs more people in manufacturing than the rest of Scotland, mainly as a result of the chemicals and petro-chemicals industry in Grangemouth. Other key sectors in the area include vehicle manufacturing, timber processing, tourism and leisure.
- 2.3 Tourism has seen a significant increase in recent years as a result of the construction of the Helix park and the two giant Kelpies which have received worldwide attention. The park was funded by Falkirk Council, the Big Lottery Fund, Falkirk Environmental Trust, Scottish Canals, Sustrans, and Score and is managed by Falkirk Community Trust. The project builds on other existing attractions in the area including the Falkirk Wheel, Callendar Park & House, the Antonine Wall, Blackness Castle and Bo'ness Steam Railway.
- 2.4 The Council provides a diverse and wide range of services to all residents, including bin collection, education, home care, planning application services, social housing, fostering and adoption services and roads maintenance. It also provides funding to the Falkirk Community Trust. The Council employs c7,500 employees.

- 2.5 The Council has 32 Councillors (currently subject to Boundary Commission review) elected every five years to represent the interests of the local community. The management of Falkirk Council is led by the Chief Executive, Mary Pitcaithly. The operational structure consists of three Services - Corporate & Housing, Development and Children's Services together with a Social Work Adult Services division. The Council has established three Arms' Length Organisations – Falkirk Community Trust, Falkirk Community Stadium Ltd and thinkWhere Ltd. More information on these organisations can be found at the following links:

www.falkirkcommunitytrust.org

www.thinkwhere.com

www.falkirkstadium.co.uk

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

“To enable people to live full, independent and positive lives within supportive communities.”

The Strategic Plan can be accessed from the following link:

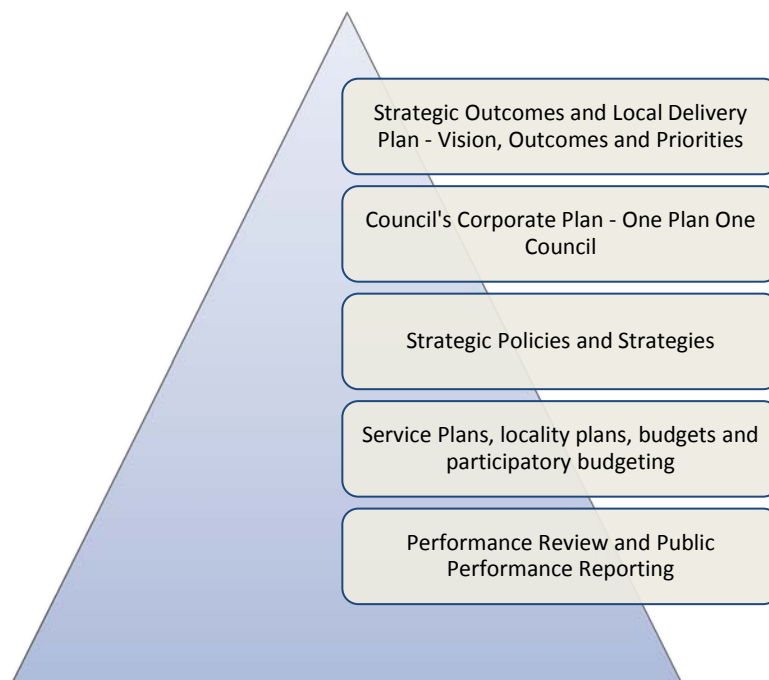
<http://nhsforthvalley.com/wp-content/uploads/2015/11/Falkirk-Integrated-Strategic-Plan.pdf>

3. STRATEGIC PLANNING

- 3.1 The 20 year vision for the Falkirk Council area is:

“The Place to be in the 21st Century”

- 3.2 That vision is shared by the Council's planning partners and we work with those partners to ensure that vision is achieved by making the most of our natural assets, location and strength of community spirit. The Falkirk Area Strategic Community Plan, 2010-2015, Moving Forward Together sets out how the collective resources of the planning partners would be brought together to achieve the vision for the area. That document is now being replaced by the emerging Strategic Outcomes and Local Delivery Plan (SOLD).
- 3.3 The Council's corporate plan for 2012:2017 – One Plan, One Council, sits beneath the SOLD and outlines how the Council's resources will be applied to achieve the shared vision for the area. The hierarchy of the planning framework is set out in the diagram below:



3.4 The Scottish Government has introduced new legislation which will have a significant and wide-ranging impact on this area – the Community Empowerment (Scotland) Act 2015. This Act aims to empower communities through the ownership and control of land and buildings and by strengthening their voices in decisions about public services. The Act is designed to further devolve power from local and national government to local communities, allowing the community to become more involved in decisions that affect them. It also places greater administration and reporting requirements on local government and other public bodies. The Act covers a range of topics including:

- Community planning
- Participation requests
- Community right to buy
- Participation in public decision making, including participatory budgeting

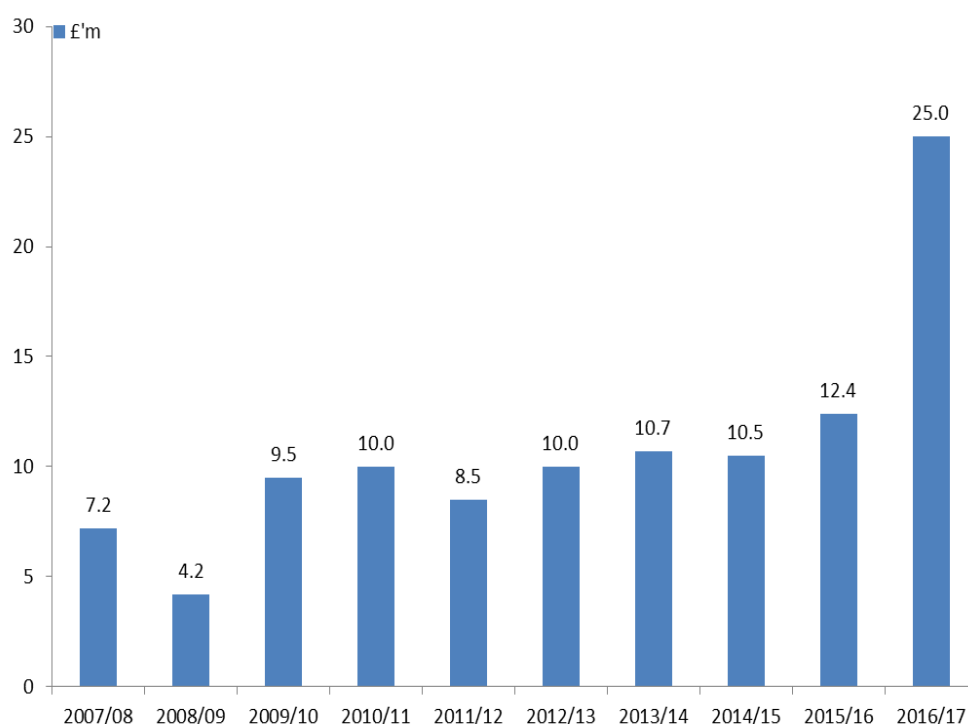
3.5 The Council will be working with its partners to develop appropriate frameworks, processes and procedures to meet the requirements of the Act. This is a very significant piece of legislation which will have significant resource requirements for the Council and its partners. Further information on the Act can be found at the link below:

<http://www.gov.scot/Topics/People/engage/CommunityEmpowermentBillFAQs>

4. OPERATING ENVIRONMENT

Economic Climate

4.1 The Council has faced unprecedented pressures on its revenue budget and has had to face an accumulated Budget gap of £108m over the last 10 years, as profiled in the chart below:



4.2 The budget set in February 2016 recognised the requirement to make an estimated £25m of savings in 2016/17 and it is anticipated that this budget pressure and the need for further budget cuts is set to continue for 2017/18 and beyond.

- 4.3 The Council is under unprecedented financial pressure, a position which is reflected across Scotland. The reasons for this pressure are complex and include:
- The ongoing council tax freeze which has now been in place for 9 years;
 - Government grant levels which have not kept pace with inflation and service demand;
 - Continuing demographic pressures with rising school rolls at one end of the spectrum and a higher number of elderly people requiring care at the other end;
 - Other events, including equal pay settlements and changes to national insurance for defined benefit pension schemes.
- 4.4 As a result of the above, local authorities across Scotland are having to review how they function and deliver services. It is widely recognised that significant changes are and will continue to be necessary to align local authorities with the available funding.
- 4.5 The Council has adopted a process of Equality Poverty Impact Assessments (EPIA) to ensure that the Council considers the impact of any policy or service delivery changes on our customers. The EPIA process allows us to meet our statutory responsibilities under the Equalities Act 2010, by ensuring that our services are accessible to everyone, whilst paying particular regard to protected characteristics as defined by the Act. Further guidance on the Act can be found at the following link:
- <https://www.equalityhumanrights.com/en/equality-act/equality-act-2010>
- 4.6 Audit Scotland produced a Best Value and Community Planning Audit report in 2015 and whilst they recognised the positive achievements of the Council they commented that the pace of change needed to improve. On the back of this report, the Council revisited its Business Transformation programme which aims to streamline and modernise processes and services. This agenda is overseen by the Business Transformation Board (which includes Members) and focuses on progress on the key projects underway across the Council. These projects include:
- The Support Services Transformation and Review – this project aims to streamline and modernise clerical/admin and support service activities and has achieved savings of £240k to date. The project is on schedule to meet its target of £500k by March 2018;
 - Mobile and Flexible Working – this project is a key part of the Council’s Technology Strategy to help deliver smarter and better ways of working that will also meet the needs of customers. The project is currently 1 year into a 2-3 year roll out, with estimated savings of £200k per annum anticipated following roll out;
 - Building Maintenance – the aim of this project is to implement a range of efficiencies and service improvements within our Building Maintenance Division. It covers a wide scope, including depot provision, mobile working, fleet size etc. Estimated savings of £1m have been identified; and
 - Social Work Information System – work is progressing to procure a new system. A high level project plan will be prepared to drive delivery of this key system.
- 4.7 The Council’s Performance Panel considered a programme of self-assessments and Service Reviews in May 2016. The Service Reviews are focussed on areas where it has been identified that there is a need for change or improvement. Those planned for 2016 include:
- Frontline Service Delivery;
 - Rent Collection;
 - Housing Management – Services to Tenants;
 - Looked After Children;
 - Care Provision Contracts; and
 - Printworks.

- 4.8 In addition to the self-assessments and Service Reviews, the budget report presented to Council in February 2016 identified a number of Strategic Reviews which have the potential to both improve services for customers and deliver savings necessary to balance the budget. These include:
- built and school estate;
 - income and charging;
 - asset management; and
 - external funding.
- 4.9 The Business Transformation Board will monitor progress on all of these reviews. The success of the Business Transformation agenda will be crucial to ensuring that the Council can meet the challenges ahead.
- 4.10 The Council has committed to reviewing and developing its medium and long term financial planning framework during 2016. The Business Transformation agenda will inform this work. In addition, the Council is reviewing its top 20 areas of spend with a view to identifying opportunities for change that will significantly improve the Council's financial outlook.

Principal Risks and Uncertainties

- 4.11 The Council's approach to risk is included in the Annual Governance Statement within these accounts. This statement also explains the system of Internal Control in place along with some improvement actions identified.
- 4.12 The Council recognises that evaluation and monitoring of corporate and strategic risk is a key part of its role. The Corporate Risk Register records all the high level risks facing the Council and is regularly reviewed through the Corporate Risk Working Group. This work is regularly reported to the Council's Corporate Management Team and six monthly reports are presented to the Audit Committee.
- 4.13 The Corporate Risk Register includes a number of risks rated "high" or "very high". These include operational service risks which are inherently high risk, for example protection of the vulnerable or closing the attainment gap, but also some with significant financial implications such as:
- Health and Social Care Integration;
 - Insufficient funding to deliver services and deliver outcomes;
 - Failure to monitor, measure, manage and mitigate the impacts of Welfare Reform and Poverty; and
 - Failure to recognise and act upon, the need for transformational change and continuous improvement.
- 4.14 Around 85% of the Council's net expenditure is funded from the Scottish Government. Funding levels beyond 2016/17 are unknown and this poses a significant risk to the Council. The pressure to make financial savings is likely to continue for some time. This will no doubt be met with an increasing demand for services. This will be a challenging and difficult time for the Council.
- 4.15 A further area of uncertainty is the impact of proposals flowing from the report by the Commission on Local Tax Reform. The impact of the proposals put forward by the Scottish Government are being discussed and reviewed. The Council's medium term financial strategy will have to be updated to reflect the changes.
- 4.16 Finally, in April 2016 the SNP manifesto included a pledge to look again at how local services are structured. The implications of this are as yet unknown but could have a significant impact on how local authorities across Scotland are structured.

5. PERFORMANCE

Public Performance Reporting

- 5.1 The performance of the Council is reported in the Performance section of the Council's website which can be found at:
<http://www.falkirk.gov.uk/services/council-democracy/budgets-spending-performance/council-performance/>
- 5.2 This section of the website includes information on our statutory performance, key performance indicators, citizen panel outputs and benchmarking information. The fourth annual report for the Scottish Local Government Benchmarking Framework was published in early 2016. This report covers the Council's performance for 2014/15 and compares it to other Scottish Local Authorities. This work highlights both positive and negative trends in performance which can be used to help plan and focus resources.

5.3 Each of the Council services reports to the Performance Panel. These reports identify key priorities, areas for improvement and the important indicators that the service has identified. Performance and progress in each of these areas is reported and where appropriate improvement actions are identified. Some headline indicators where Falkirk is performing well include:

- relatively low costs of waste disposal per premise and high recycling rates, compared to the national average, for household waste; and
- below average costs for both support services and collection of council tax.

Falkirk is performing less well in the following areas:

- below average attainment at level 6 for children in the most deprived areas and for the proportion of children entering positive destinations; and
- high costs per attendance at sports facilities.

Financial Performance

5.4 The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. The General Fund is funded by government grants, fees and charges, council tax income, non-domestic rates income (subject to pooling arrangements) and interest/returns on investments and is split between uncommitted balances (the level of funding available to the Council to manage financial risks and unplanned expenditure) and balances which have been earmarked for specific purposes.

5.5 The Movement in Reserves Statement shows an overall net increase in General Fund balances of £0.2m for the year, which can be analysed as follows:

	31 March 2015 £'000	Movement £'000	31 March 2016 £'000
Total Earmarked Reserves	15,657	(839)	14,818
Uncommitted Reserves	8,369	193	8,562
Total General Fund	24,026	(646)	23,380

The approved range of reserves in the Reserve Strategy, agreed by the Executive in January 2015, is £6.6m to £10m.

5.6 The Council set its budget in February 2015 for 2015/16. During the course of the year, variations will be made as appropriate and projections reported to Executive. The reports presented to the Executive show Members projections against budget for the year. These reports focus on the figures that impact on the general fund balance and ultimately on the council tax payer. However, the annual accounts are prepared in accordance with International Financial Reporting Standards. A number of statutory adjustments are required to reconcile the accounts and the reports to the Executive.

	£'000
Deficit on the Provision of Services (page 30)	14,521
Items included in the Annual Accounts but not Executive reports	(14,259)
Items excluded from the Annual Accounts but in the Executive reports	384
General Fund Movement	646
Application of HRA	(312)
Decrease in General Fund Balance (page 29)	334

	£'000
Increase in General Fund Balance	334
Less: HRA application	312
Add: Movement in Earmarked Reserves	(839)
Movement in Uncommitted Reserves	(193)

- 5.7 The outturn against budget for 2015/16 is shown below. This reflects an increase in the general fund reserve of £0.2m.

	Budget 2015/16 £'000	Actual 2015/16 £'000	Variance £'000
Childrens Services	185,620	184,630	(990)
Social Work – Adult Services	69,475	70,848	1,373
Development Services	34,263	34,192	(71)
Corporate & Housing Services	4,865	4,376	(489)
Miscellaneous Services	9,692	9,486	(206)
Central Support Services	28,542	27,842	(700)
Less: Central Support Recharges	(28,542)	(28,542)	-
Trading Accounts	(707)	(704)	3
Provision for Budget Pressures	2,000	-	(2,000)
Sub Total	305,208	302,128	(3,080)
Add:			
Falkirk Community Trust	12,660	12,660	-
Valuation	1,119	1,119	-
Employee Related Liabilities	-	5,047	5,047
Transfers to/(from) Earmarked Funds	(490)	(490)	-
Capital Charges	19,685	19,953	268
Total Net Expenditure	338,182	340,417	2,235
Funding			
Revenue Support Grant	223,140	223,140	-
Non-Domestic Rates	62,336	62,336	-
Council Tax	52,706	54,384	(1,678)
Total Funding	338,182	339,860	(1,678)
(Surplus)/Deficit	-	557	557
Appropriation from Devolved School Management	-	(750)	(750)
(Increase)/Decrease in Uncommitted General Fund Reserve	-	(193)	(193)

- 5.8 The main explanations for the outturn against budget are noted below:

- The total reduction in the DSM was c£1.0m. Of this £0.2m was transferred to General Fund as part of the measures agreed in the 2015/16 budget setting process with a further £0.75m agreed as part of the 2016/17 budget report to Council in February 2016.
- For both Children and Adults, Care Services remain the biggest pressure area facing the Council. As noted above the overspend on Social Work within Childrens Services was £0.9m and the overspend on Adult Services for the year was £1.4m. In both areas, demand pressures account for the majority of the overspend. In Childrens Social Work fostering and residential placements remain a highly volatile area. For Adult Care pressure remains on Adult 24 hour care and Home Care. These overspends were anticipated and £2m was built into the 2015/16 budget for these pressures. A series of actions aimed at addressing the situation have been reported to Scrutiny Committee and their impact will hopefully be evidenced in the new financial year.
- Once again the council tax yield has increased and this increase has been reflected in budget assumptions for 2016/17. The collection rate for council tax in 2015/16 was 96.1%, an improvement from the previous year.
- The increase in council tax received was largely used to offset the cost of compensatory lump sums for those employees who have left or will leave the Council under the voluntary severance scheme. The loss of these posts will generate savings for the Council in future years.

Further detail on the revenue budget variances can be found on the Council's website:

<http://www.falkirk.gov.uk/coins/submissiondocuments.asp?submissionid=12403>

Earmarked and Other Reserves

- 5.9 The table at paragraph 5.5 shows earmarked reserves of £14.8m as at 31 March 2016, a reduction of £0.8m from 1 April 2015. The main movements are noted below:
- The total reduction in the DSM was c£1.0m. Of this £0.9m was transferred to General Fund as part of the measures agreed in the 2016/17 budget setting process.
 - The Insurance Fund increased by £0.4m. The Fund was valued by an actuary during 2015. Whilst a surplus was projected, the actuary recommended retaining this surplus in the Fund due to a number of uncertainties that the Fund faces.
 - The Spend to Save reserve increased by £0.5m. This fund will be used to cover the cost of Voluntary Severance moving forward and front end other costs associated with spend to save projects.

Housing Revenue Account (HRA)

- 5.10 Overall, the HRA is broadly in line with budget. There were savings in staff costs and operational expenditures together with additional rental income from commercial properties. These savings were utilised in a number of areas across the Housing Revenue Account, including estates improvement work and provision of additional funding to the capital programme to undertake housing investment.
- 5.11 The balance brought forward as at 1 April 2015 was £5.1m and the closing balance as at 31 March 2016 was £4.8m. The HRA reserve will be deployed over the longer term in a planned manner in order to ensure that there are sufficient funds to meet funding of the HRA capital investment programme.

Trading Operations

- 5.12 The Council operates one statutory trading account for Building Maintenance which made a deficit for the year of £0.12m. This deficit was mainly due to statutory adjustments for pension liabilities.

Assets and Liabilities

- 5.13 The Balance Sheet on page 31 summarises the Council's assets and liabilities as at 31 March 2016. The net assets of the Council have increased by £370.5m. There are two main reasons for this movement. The first is a reduction of the pension scheme liabilities by £78.2m, as outlined at paragraph 5.24. However, the largest movement is a result of a change in the council dwellings valuation basis.
- 5.14 Council dwellings must be valued using an Existing Use Value – Social Housing (EUV-SH) basis. Falkirk Council has traditionally used the average discounted right-to-buy sale prices model for EUV-SH valuations. However the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) specified that the Beacon approach should be used to value council dwellings in the 2015/16 accounts at the latest. This has a significant impact on the value of assets on the balance sheet. A revaluation gain of £281m was recognised in 2015/16 for this change in the valuation basis. This increase has been recognised in the Revaluation Reserve or the Comprehensive Income and Expenditure Statement and does not represent cash available to the Council.
- 5.15 There was also an increase of £22.5m in the cash and cash equivalents held as at 31 March 2016. However, it is anticipated that these balances will be substantially used early in the new financial year.
- 5.16 The balance sheet includes an investment in FCSL (Holdings) Ltd which owns all the share capital for Falkirk Community Stadium Ltd. The value of the investment is backed by FSCL's assets. At the start of the year, the investment was valued at £9.340m. However, in May 2016 the assets were revalued by the District Valuer and an impairment of £3.530m was reported. This impairment has been reflected in these accounts and a revised long term investment value of £5.810m is shown in the balance sheet. The impairment has been shown in the CIES and is reversed out through adjustments between the accounting and funding basis. There is no impact on the general fund balance as a result of this impairment.

Highways Network Assets

- 5.17 The 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code) has introduced changes, which will take effect from 1 April 2016, to measure the Highways Network Asset at current value i.e. Depreciated Replacement Cost. The new Highways Network Asset will effectively replace large elements of the current Infrastructure Asset category within Property, Plant and Equipment which is currently value at historic cost.
- 5.18 This change will ensure that the Highways Network Asset is reflected at the true economic value and operational cost of the substantial resources held and maintained by local authorities. Transitional arrangements will apply such that the accounting policies will be on a retrospective basis from 1 April 2016. However, there will be no requirement to restate the preceding year information.
- 5.19 The effects of the change are so substantial that the Highways Network Asset will be included on the face of the Council's balance sheet as a single separate asset. The likely financial impact on the balance sheet will be a Highways Network Asset valued at around £1.1 bn.

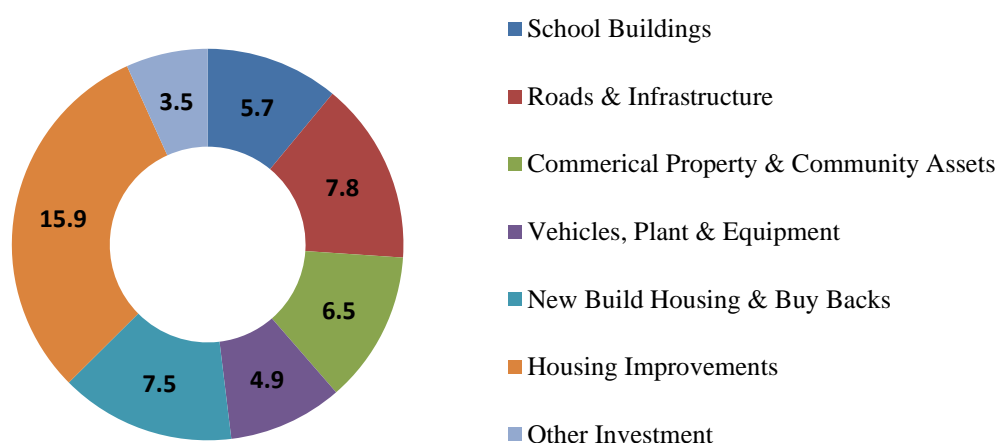
Provisions

- 5.20 The Council has included provisions in the Balance Sheet as detailed in note 33 to the financial statements. These provisions cover a number of areas including potential Equal Pay claims and Insurance claims. These provisions represent cash available for use by the Council but set aside for specific reasons.
- 5.21 A further provision has been set up for the restoration of Kinneil Kerse landfill site. However, this is a technical provision which is not cash backed.

Capital Investment

- 5.22 For 2015/16, a budget of £29.4m was identified for general fund capital investment including the TIF project. The Council incurred actual capital expenditure of £26.4m. The majority of the underspend (£2.1m) was in relation to commercial property and community projects. A budget of £30.6m was set for investment in Council Housing with a year end outturn of £25.4m. The majority of the underspend (£3.6m) was in relation to new build housing projects which had been deferred until 2016/17.

Capital Expenditure 2015/16
£'m



Borrowing Activity

- 5.23 The Council's borrowing strategy is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. The majority of the Council's borrowing, which is used to finance capital expenditure, comes from the Public Works Loan Board with the remainder from market bonds or other market lenders. Total borrowing in 2015/16 was £39m of which £26m replaced borrowing that matured in the year. This was undertaken using a mixture of long and short term borrowing to take advantage of available interest rates. Capital Expenditure is paid for by charging a proportion of the cost (principal) along with interest each year to the revenue account over the life of the asset. The current level of expenditure not yet repaid is the Capital Financing Requirement (CFR) of the Council, which at 31 March 2016 was £401.3M. This is in comparison to the net value of non current assets owned which was £1,008m. Further details on loans outstanding are provided at note 31.

Pension Liabilities

- 5.24 In terms of International Accounting Standard 19 “Employee Benefits” (IAS19), the Council is required to show the actuarially assessed net pension deficit/liability within the Balance Sheet. The deficit is assessed as £303.045m as at 31 March 2016 (£381.288m as at 31 March 2015). The Pension Fund deficit has reduced since last year due to favourable financial assumptions which have reduced the pension liability but these have been partially offset by lower than expected asset returns. Further information on accounting for retirement benefits can be found in note 17.
- 5.25 A valuation of the pension fund was undertaken as at 31 March 2014 and disclosed that the Fund was 85% funded. The current contribution rate has been set with the aim of ensuring that payments are sufficient to meet the cost of future benefit accrual and continue to repair the Council’s share of the fund deficit. The actuary has estimated that the funding level has reduced to 77% at 31 March 2016. If this remains the funding level at 31 March 2017 (the next valuation date), the Council may be required to increase its contribution rate, although the Fund’s Funding Strategy allows contribution increases to be phased in on a gradual basis. An actuarial gain on pension liabilities of £110m offset by a reduction on the return on plan assets of £12m has been reported in the Comprehensive Income and Expenditure Statement. There is no impact on the General Fund balance. Scottish Government regulations require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to accounting standards.

6. FUTURE PLANS

- 6.1 There are a number of significant workstreams for the Council moving forward. As the same time as delivering services on a daily basis, the Council will be focussed on:
- The business transformation agenda as outlined at paragraph 4.6;
 - The delivery of agreed savings;
 - The development of medium/long term financial planning consistent with the action plan flowing from Audit Scotland’s Best Value and Community Planning Audit report in 2015;
 - The requirements of the Community Empowerment Act (Scotland) 2015, including the new Strategic Outcomes and Local Delivery (SOLD) plan and the emergent locality planning requirements; and
 - The provision of support to the Health and Social Care Partnership for the Falkirk area, to ensure the Strategic Plan is delivered.

Pension Fund

- 6.2 2015/16 has been a year of consolidation for the Falkirk Council Pension Fund with the bedding in of career average arrangements and the introduction of a new governance regime through the establishment of a local Pension Board to support the work of the Pensions Committee. At a national level, a statutory Scheme Advisory Board (SAB) has come into effect to make recommendations to Scottish Ministers on the desirability of changes to the Local Government Pension Scheme (LGPS). The governance regime has also been further strengthened with the operations of the Scheme now being subject to the scrutiny of the Pensions Regulator.
- 6.3 A valuation of the Scheme across Scotland by the Government Actuary’s Department disclosed that the cost to employers (ignoring any deficits) was 15.5%. This has been designated as the Scheme’s “cost cap” and legislation passed so that if future costs exceed the cap by more than 2%, adjustments will be made to contribution or accrual rates to bring costs back into line. The measure is designed to ensure that the share of costs between member, employer and tax payer remains proportionate and fair.
- 6.4 Investment returns for the year for the Falkirk Fund were marginally ahead of its benchmark (1.5% v 0.3%). Whilst the benchmark was achieved, the overall return was behind the 6% projected by the Fund Actuary as being necessary to contain employer contribution rates. However, returns from a predominantly equity based portfolio can be volatile and it is the longer term return that will be the main factor in determining future contribution rates. The next funding valuation is scheduled to take place at 31 March 2017 and will set employer rates for the three years from 2018/19.

- 6.5 As part of the Fund's risk management processes, a review of the investment strategy was undertaken during 2015/16. As a result, over the coming years, the Fund will look to de-risk by reducing its equity exposure and increasing its allocation to infrastructure and property. The transition will be undertaken as and when market opportunities arise.

7. CONCLUSION

- 7.1 The Council has managed to operate within its budget for 2015/16 whilst continuing work to achieve the vision, outcome and priorities for the Falkirk Council area. Financial management and medium term planning have been essential in supporting the Council as a whole in this endeavour. However, it is recognised that further work is required in this area. Given the pressures facing the Council in the future, financial planning will continue to be critical to the success of the organisation.

Bryan Smail, CPFA MBA
Chief Finance Officer
26 September 2016

Councillor Craig Martin
Leader of Falkirk Council
26 September 2016

Mary Pitcaithly
Chief Executive of Falkirk Council
26 September 2016

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS
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1. FALKIRK COUNCIL RESPONSIBILITIES

1.1 The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the authority has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In Falkirk Council that officer is the Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

1.2 I can confirm that these Annual Accounts were approved for signature by the Council at its meeting of 26 September 2016.

Signed on behalf of Falkirk Council

Councillor Craig Martin
Leader of Falkirk Council
26 September 2016

2. THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

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

2.2 In preparing the Annual Accounts the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with legislation;
- Complied with the Accounting Code (in so far as it is compatible with legislation).

2.3 The Chief Finance Officer has also:

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

2.4 I certify that the financial statements give a true and fair view of the financial position of the Council and its group as at 31 March 2016 and the transactions of the Council and its group for year ended 31 March 2016.

Bryan Smail, CPFA MBA
Chief Finance Officer
26 September 2016

ANNUAL GOVERNANCE STATEMENT 2015/16

Introduction

1. Falkirk Council has a duty under the Local Government in Scotland Act 2003 to secure best value and ensure continuous improvement in the Services it delivers. Public money must be used economically, efficiently, and effectively, and with due regard to the achievement of sustainability. To help ensure these responsibilities are met the Council must establish and apply robust governance arrangements.
2. Responsibility for ensuring good governance rests with all Council employees and elected Members, and Falkirk Council is absolutely committed to the principles set out in the CIPFA guidance '*Delivering Good Governance in Local Government: A Framework*'. This guidance was revised and updated in 2016, and positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures.
3. The Local Authority Accounting (Scotland) Regulations 2014 require that all Councils conduct a review, at least once in each financial year, of the effectiveness of the system of internal control ¹and that an Annual Governance Statement is included in the Annual Accounts. Falkirk Council has complied with both of these requirements for some years now, underlining our commitment to openness and transparency.
4. Preparation of this Statement also meets the requirements of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Falkirk Council's Governance Framework

5. The aim of this Statement is to summarise the key elements of Falkirk Council's governance framework, set out within the context of each of the Principles set out in the Delivering Good Governance Framework, namely:
 - behaving with integrity, demonstrating strong commitment to ethical values, and respecting rules of law;
 - ensuring openness and comprehensive stakeholder engagement;
 - defining outcomes in terms of sustainable economic, social, and environmental benefits;
 - determining the interventions necessary to optimise the achievement of intended outcomes;
 - developing the entity's capacity, including the capability of its leadership and the individuals within it;
 - managing risks and performance through robust internal control and strong public financial management; and
 - implementing good practices in transparency, reporting, and audit, to deliver effective accountability.
6. These principles are consistent with the vision, ambition, goals, outcomes, and priorities set out as part of the Council's planning process. The Falkirk Area Strategic Community Plan, 2010-2015, Moving Forward Together, sets out how the collective resources of the planning partners would be brought together to achieve the vision for the area. That document is now being replaced by the emerging Strategic Outcomes and Local Delivery Plan (SOLD). The Council's corporate plan for 2012:2017 – One Plan, One Council, sits beneath the SOLD and outlines how the Council's resources will be applied to achieve the shared vision for the area.
7. Fundamental to the delivery of successful outcomes is the availability of sufficient resource. The Council agreed balanced revenue and capital budgets for 2016/17, including sums to be transferred to the Falkirk Health and Social Care Integration Joint Board. The budget process was open and inclusive, involving Officers and Members from an early stage.
8. Work on developing longer term financial strategies will be progressed during 2016/17, taking account of future financial settlements where known and other key economic data such as interest rates etc.

¹ **NOTE:** any review of governance can provide only reasonable (not absolute) assurance that policies, aims, and objectives are being applied and implemented as intended.

9. The Council's Business Transformation (BT) agenda forms part of the wider budget framework. This agenda comprises a suite of key, cross cutting, multi year, projects, as well as short life Improvement Groups driving through change within individual Services. As projects progress, incremental improvements are made to the way the Council delivers services to clients and customers while, at the same time, making financial savings and streamlining operational processes.
10. A Business Transformation Board, comprising senior Officers as well as the Leaders of the Council and Opposition, oversees the BT agenda, with periodic reporting to the Council's Executive. Progress with projects such as mobile and flexible working are already beginning to bring financial and business benefit, and the pace of change will continue to increase over the course of 2016/17 with the support of a recently appointed Change Manager.
11. Over the coming year, Officers will also work to further integrate the Council's Business Transformation, performance, and budget processes, to ensure these remain complementary and support the Council's overarching improvement programme in a joined up way.
12. Related to that, in March 2016 Council agreed a revised Workforce Strategy. This provides future direction on the development and shape of the Council's workforce, and a clear commitment to ensuring that it is modern, flexible, engaged, and empowered.
13. The Council continues to be a 'risk aware' organisation, and all significant decisions and changes are made taking cognisance of relevant risks as well as opportunities. The Council's approach to risk management has continued to further develop and mature, with an updated and revised Risk Management Policy and Framework agreed by elected Members. Effective engagement between the Risk Management team and Service Management teams has resulted in an updated Corporate Risk Register, and various Service and project risk workshops have been held with Officers.
14. All key risks are considered and reviewed on a cyclical basis by the Corporate Risk Management Group (CRMG), which also acts as the forum for the addition of new and emerging risks to the Corporate Risk Register. CRMG reports to the Corporate Management Team, with periodic updates provided to the Audit Committee.
15. During 2015/16 West Lothian Council's Audit and Risk Manager undertook an independent review of Falkirk Council's risk management arrangements. It was reassuring to note that the auditor highlighted the good progress made, and practices in place, at Falkirk.
16. The Audit Committee itself continues to be a key element of the Council's governance structures. It is chaired by an external lay member and meets four times per year to consider the adequacy of the Council's arrangements for risk management, governance, and control. As well as updates on risk management, the Committee considers reports from both Internal and External Audit, with membership from both administration and opposition.
17. The Audit Committee fits into the Council's wider Committee and scrutiny structure. All political Groups are fully engaged in the Council's decision making structures, including the two scrutiny committees chaired by members of the opposition.
18. The Council has a Code of Conduct for Members and Officers, and all Members are expected to apply the Standards Commission Scotland's Councillors' Code of Conduct. Contract Standing Orders and Financial Regulations regulate financial and transactional activity. Both have been subject to review during 2015/16. Contract Standing Orders were approved by Council in June 2016 and revised Financial Regulations will be presented to Council during 2016/17.
19. The Council has a well established framework of internal control, as evidenced by the work of both External and Internal Audit.
20. That said, the threat of fraud or corruption remains, particularly with the emergence of cyber crime as a risk across both public and private sectors. To help mitigate the risk of fraud and corruption, a Corporate Fraud team was established during 2015/16. This team has developed a workplan encompassing preventative, pro-active, and reactive workstreams, and is working with the Council's Communications team to help promulgate an effective 'counter fraud' message.
21. A key element of this is the roll out of a fraud mailbox and reporting number, and this is a key early deliverable for the team.

22. Allied to that, work continues on both securing, and maximising the value derived from, the Council's information asset. The Council was, once again, accredited to use and access the Public Services Network during 2015/16, and staff across the organisation have undertaken on-line training on data protection. In addition, various information sharing protocols have been established with partners such as Police Scotland and NHS Forth Valley.
23. 2015/16 was a critical year for both Falkirk Council and NHS Forth Valley, with the establishment of the new Falkirk Health and Social Care Integration Joint Board (IJB). Falkirk Integration Joint Board was formally established on 3 October 2015. It became fully operational on 1 April 2016 when delegated services transferred. It is responsible for the planning, resourcing and operational oversight of a wide range of health and social care services.
24. Falkirk Council participated fully and constructively in the planning and preparation for the new IJB. The Council acted as an open and willing partner throughout the transitional phase, and undertook appropriate due diligence on sums transferred. This helped ensure that a governance framework and financial governance arrangements were established by the IJB, and that the Council, and the IJB, met all required deadlines and timescales.

Monitoring and Review of Governance Arrangements

25. Falkirk Council's governance arrangements are formally monitored via:
 - the Committee framework, including the Audit Committee;
 - Corporate and Service Management Teams;
 - Corporate Risk Management Group and other Corporate Working Groups;
 - Internal and External Audit work; and
 - the work of Falkirk Council's Local Area Network.
26. This monitoring is done within the context of the Delivering Good Governance guidance, the Council's Corporate Plan, Strategic Community Plan, agreed Single Outcome Agreement, and the fundamental statutory requirement to demonstrate and achieve best value.
27. In addition, during 2015 the Council underwent a review of Best Value and Community Planning. This was undertaken by Audit Scotland on behalf of the Accounts Commission, and focussed on governance and performance management arrangements. The findings arising from the review were considered by elected Members and captured within an Improvement Plan. Audit Scotland has carried out a follow-up Best Value audit. The findings will be reflected in Audit Scotland's 2015/16 annual audit report and the Accounts Commission will report its findings by the of 2016.

System of Internal Financial Control

28. This section relates to the systems of internal financial control of Falkirk Council and of the consolidated entries in the Council's group accounts for the year to 31 March 2016. The Chief Finance Officer is responsible for ensuring the operation and maintenance of an effective system of internal financial control that provides reasonable (not absolute) assurance that: assets are safeguarded; transactions are authorised and properly recorded; and material errors or irregularities are either prevented or detected.
29. The system of internal financial control is based on a framework of risk management; Contract Standing Orders, Financial Regulations, and associated guidance; delegation and accountability; budgeting systems; clear financial targets; and robust management information.
30. The Council's Internal Audit Section provides assurance on arrangements for risk management, governance, and control, and undertakes an annual, risk based, programme of work approved by the Chief Executive, Chief Finance Officer, and Audit Committee.
31. The Internal Audit Manager has established a Quality Assurance and Improvement Programme for the Section, including annual self assessment and periodic external assessment of compliance with the Public Sector Internal Audit Standards. Self assessments have confirmed broad compliance with the Standards, and an independent External Quality Assessment is scheduled for 2016/17. In addition, the Council's appointed External Auditors, Audit Scotland, have undertaken an assessment of the adequacy of the Internal Audit function, concluding that they are able to place reliance on Internal Audit work and that documentation standards and reporting procedures are sound.
32. All Internal Audit reports are issued to the relevant managers, and include recommendations and agreed action plans. It is then management's responsibility to ensure that appropriate action is taken to address these recommendations. Significant matters arising, and recommendations which remain outstanding beyond their agreed implementation date, are brought to the attention of Audit Committee.

The Audit Committee operates in accordance with relevant guidance, is chaired by an external lay member, and has a remit to provide:

- independent assurance on the adequacy of the risk management framework and associated control environment;
- independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects risk exposure and weakens the control environment; and
- assurance that any issues arising from the process of drawing up, auditing, and certifying the Annual Accounts are properly dealt with.

33. The Committee considers the Internal Audit Manager's Annual Assurance Report, which provides an independent opinion on the adequacy and effectiveness of the Council's arrangements for risk management, governance, and control. In his 2015/16 Report the Internal Audit Manager concluded that he was able to provide substantial assurance on the Council's overall framework of control for the year to 31 March 2016.
34. The Local Authority Accounting (Scotland) Regulations 2014 require that a review is undertaken, at least once in each financial year, of the effectiveness of the system of internal control. In practice, the Chief Finance Officer considers the work of managers, Internal Audit, and External Audit. Based on his considerations, the Chief Finance Officer has concluded that substantial assurance can be placed on the adequacy and effectiveness of the Council's internal control systems for the year to 31 March 2016.
35. In relation to other entities that fall within the Council's group boundary, the Chief Finance Officer's review is informed by the:
- Annual Governance Statement included within the Annual Accounts of Central Scotland Valuation Joint Board;
 - Statements of Assurance from the Chief Executives of Falkirk Community Trust and Falkirk Community Stadium Limited; and
 - work of these bodies' respective External Auditors (and, where relevant, Internal Auditors).
36. Based on consideration of the above, the Chief Finance Officer has concluded that, on the whole, substantial assurance can be placed on the internal financial control systems of other bodies falling within the Council's group boundary.
37. In undertaking his duties, and in forming the above opinions, the Chief Finance Officer worked in conformance with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Governance Arrangements – Areas for Improvement

38. Falkirk Council is committed to ensuring robust and proportionate governance. That said, the ever changing environment within which the Council operates means that there will always be scope for improvement. Areas that will be addressed over the coming year include:
- work on developing longer term financial strategies will be progressed during 2016/17;
 - progress will continue to be made with projects falling within the remit of the Council's Business Transformation agenda;
 - work will be undertaken to further integrate the Council's Business Transformation, performance, and budget processes;
 - revised and updated Contract Standing Orders and Financial Regulations will be presented to elected Members;
 - the corporate fraud mailbox and reporting line will be rolled out across the Council; and
 - actions arising from Audit Scotland's review of Best Value and Community Planning, and subsequent follow up work, will be considered and addressed.

Conclusion

39. This Annual Governance Statement summarises, openly and transparently, arrangements established by Falkirk Council for 2015/16 and the period to date. It highlights areas for improvement, and is consistent with the Council's established improvement agenda.

Councillor Craig Martin
Leader of Falkirk Council
26 September 2016

Mary Pitcaithly
Chief Executive of Falkirk Council
26 September 2016

FALKIRK COUNCIL ANNUAL REMUNERATION REPORT

The Local Authority Accounts (Scotland) Regulations 2014 require the annual accounts of the Council to contain a Remuneration Report. This Report for the financial year 2015/16 contains the information specified in the Schedule to the above Regulations.

All information disclosed in the tables below (excluding tables 2.1 and 6.6) will be audited by Audit Scotland. The other sections of this Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

1. SENIOR COUNCILLORS' REMUNERATION ARRANGEMENTS

- 1.1 The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007, as amended by the Local Governance (Scotland) Act 2004 (Remuneration and Severance payments) Amendment Regulations 2015. The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head, Senior Councillors or Councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure.
- 1.2 The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2015/16 the salary for the Leader of Falkirk Council is £33,454. The Regulations permit the Council to remunerate one Civic Head. The Regulations set out the maximum salary that may be paid to that Civic Head as £25,090. On 31st March 2015 the Council agreed that the remuneration paid to the Civic Head would remain at the level previously set in 2007 (£23,179) increased by 1% to £23,410.
- 1.3 The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council (£25,090). The total yearly amount payable by the Council for remuneration of all of its Senior Councillors is specified by the above Regulations and shall not exceed £292,715. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The Council agreed on 31 March 2015 that there will be 11 level 1 Senior Councillors each with a salary of £22,464 and 2 level 2 Senior Councillors each with a salary of £18,832.
- 1.4 In 2015/16 Falkirk Council had 13 Senior Councillors and the remuneration paid to these Councillors totalled £284,768. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become Councillor members of the pension scheme.
- 1.5 In addition to the Senior Councillors of the Council the Regulations also set out the remuneration payable to Councillors with responsibility of a Convener or Vice-Convener of a Joint Board such as a Joint Valuation Board. The Regulations require the remuneration to be paid by the Council of which the Convener or Vice-Convener (as the case may be) is a member. The Council is also required to pay any pension contributions arising from the Convener or Vice-Convener being a member of the Local Government Pension Scheme.
- 1.6 The Council is reimbursed by the Joint Board for any additional remuneration paid to the member from being a Convener or Vice-Convener.

2. SENIOR EMPLOYEES' REMUNERATION ARRANGEMENTS

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

The salaries of Service Directors are based on a fixed percentage of the Chief Executive's salary and statutory officers are based on a percentage of Director salaries, as shown in the following tables:

Senior Employee Post	Percentage of Chief Executive's Salary
Director	78%

Senior Employee Post	Percentage of Director Salary
Chief Finance Officer	87%
Chief Governance Officer	87%

The restructure of Services and Chief Officer posts was approved by members on 24 June 2015 and came into operation on 1 August 2015.

- 2.2 The Council does not have a role in determining the remuneration policy of Falkirk Community Stadium Ltd., a subsidiary of the Council.
- 2.3 In terms of Falkirk Community Trust Ltd (FCT), a company limited by guarantee with charitable status established by the Council in summer 2011 to deliver cultural and leisure services for the Falkirk Council area, the Funding Agreement between the Council and FCT provides that FCT is to provide terms and conditions to its employees (including remuneration) no less favourable than the relevant corresponding terms and conditions of employment enjoyed by employees of the Council at any time.

3. GENERAL DISCLOSURE BY PAY BAND

- 3.1 The number of employees whose remuneration was £50,000 or more in 2015/16 is as follows:

Remuneration Bands	Number of Employees		Chief Officials		Teachers		SJC Employees	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£50,000 - £54,999	98	105	-	-	54	56	44	49
£55,000 - £59,999	29	30	-	-	21	23	8	7
£60,000 - £64,999	3	4	-	1	2	-	1	3
£65,000 - £69,999	5	3	1	-	1	1	3	2
£70,000 - £74,999	15	10	11	8	4	2	-	-
£75,000 - £79,999	2	3	-	1	2	2	-	-
£80,000 - £84,999	3	4	-	1	3	3	-	-
£85,000 - £89,999	3	2	2	2	1	-	-	-
£90,000 - £94,999	1	-	1	-	-	-	-	-
£95,000 - £99,999	-	1	-	1	-	-	-	-
£100,000 - £104,999	3	2	3	2	-	-	-	-
£105,000 - £109,999	-	-	-	-	-	-	-	-
£110,000 - £114,999	-	-	-	-	-	-	-	-
£115,000 - £119,999	-	-	-	-	-	-	-	-
£120,000 - £124,999	-	-	-	-	-	-	-	-
£125,000 - £129,999	-	-	-	-	-	-	-	-
£130,000 - £134,999	1	-	1	-	-	-	-	-
£135,000 - £139,999	-	-	-	-	-	-	-	-
£140,000 - £144,999	-	-	-	-	-	-	-	-
£145,000 - £149,999	-	-	-	-	-	-	-	-
£150,000 - £154,999	-	-	-	-	-	-	-	-
£155,000 - £159,999	-	-	-	-	-	-	-	-
£160,000 - £164,999	-	-	-	-	-	-	-	-
£165,000 - £169,999	-	1	-	1	-	-	-	-
Total	163	165	19	17	88	87	56	61

Note these figures do not include employees of Falkirk Community Trust (2 Chief Officials and 5 SJC employees).

4. DISCLOSURE – LOCAL AUTHORITY SUBSIDIARY BODIES

4.1 Falkirk Community Stadium Ltd is a subsidiary body of the Council and the details to be provided in this Report are as follows:

- The Stadium Manager was Mr Peter Eadie until 26/02/16;
- There were no Councillors of Falkirk Council remunerated by the body in 2015/16; and
- There were no employees of the body whose remuneration in 2015/16, including any annual remuneration from Falkirk Council, was £150,000 or more.

4.2 Falkirk Community Trust Ltd (FCT) is a subsidiary body of the Council and the details to be provided in this Report are as follows:

- The Chief Executive is Ms Maureen Campbell;
- There were no Councillors of Falkirk Council remunerated by the body in 2015/16; and
- There were no employees of the body whose remuneration in 2015/16, including any annual remuneration from Falkirk Council, was £150,000 or more.

5. DISCLOSURE OF REMUNERATION FOR RELEVANT PERSONS

5.1 The Regulations require that the Report shows in tabular form, against the post held and name of each relevant person the total amounts, whether received or receivable, by each relevant person from Falkirk Council or, as the case may be, Falkirk Community Stadium Ltd or Falkirk Community Trust Ltd.

5.2 The information is provided in separate tables as follows:

Remuneration paid to Falkirk Council's Senior Councillors.

Name		2015/16	2014/15
		Salary, Fees and Allowances £	Salary, Fees and Allowances £
David Alexander	Vice Convener, Community Justice Authority	19,864	19,667
James Blackwood	Portfolio Holder, Public Protection	22,464	22,242
William Buchanan	Convener, Planning	22,464	22,242
Dennis Goldie	Portfolio Holder, Economic Development	22,464	22,242
Gerald Goldie	Portfolio Holder, Housing	22,464	22,242
Charles MacDonald	Convener, Joint Valuation Board	20,909	20,702
Adrian Mahoney	Portfolio Holder, Culture, Leisure & Tourism	22,464	22,242
Craig Martin	Leader of the Council	33,454	33,123
Craig R Martin	Portfolio Holder, Environment	22,464	22,242
John McLuckie	Convener, Appeals	22,464	22,242
Cecil Meiklejohn	Leader of the Opposition	18,832	18,646
Rosemary Murray	Convener, Joint Consultative	18,832	18,646

		2015/16	2014/15
Name		Salary, Fees and Allowances £	Salary, Fees and Allowances £
Malcolm Nicol	Convener, Licensing	22,464	22,242
Alan Nimmo	Portfolio Holder, Education	22,713	22,242
Joan Paterson	Depute Leader of the Council	22,464	22,242
John Patrick	Depute Provost	22,464	22,242
Patrick Reid	Provost	23,410	23,179
Total		382,654	378,625

The amount recharged to Central Scotland Valuation Joint Board in 2015/16 was £2,252 (2014/15 £2,231). There were £249 taxable expenses and no non-cash expenses and benefits in kind in 2015/16

Remuneration paid to all Members in 2015/16 was:

2014/15 £'000		2015/16 £'000
627	Salaries	630
10	Allowances (Mileage)	8
3	Expenses	4
640		642

The annual return of Councillors' salaries and expenses for 2015/16 is available for any member of the public to view at all Council libraries and public offices during normal working hours and is also available on the Council's website at www.falkirk.gov.uk. Please follow the "Councillors" quick link on the Council's website.

Remuneration of Senior Employees of Falkirk Council

Name	Post Title	Salary, Fees and Allowances £	Other Amounts £	Total Remuneration 2015/16 £	Total Remuneration 2014/15 £
M Anderson	Director of Social Work Services (left 30/06/2015)	25,183	-	25,183	100,730
R Geisler	Director of Development Services	102,241	350	102,591	101,330
R M Glackin	Chief Governance Officer (Monitoring Officer)	89,011	-	89,011	92,084
M Pitcaithly	Chief Executive	131,078	35,926	167,004	131,577
S Ritchie	Director of Corporate & Housing Services	102,241	600	102,841	101,930
B Smail	Chief Finance Officer (Section 95 Officer)	89,086	-	89,086	87,816
R Naylor	Director of Children's Services (started 13/04/2015)	98,833	-	98,833	-
N Fletcher	Joint Acting Director of Education from 02/09/2013 to 31/12/2014*	-	-	-	37,851
G Greenhorn	Joint Acting Director of Education from 02/09/2013 to 12/04/2015*	2,908	-	2,908	51,151
A Pearson	Joint Acting Director of Education from 15/12/14 to 12/04/15*	2,660	-	2,660	14,893
Total		643,241	36,876	680,117	719,362

- * The Joint Acting Directors of Education received a responsibility payment to reflect the additional responsibilities of the vacant Director's post undertaken by them. The total expenditure of the Director of Education post and the Acting arrangements were within the budget provision for the two posts for 2015/16. The full time annual equivalent salary for the post was £102,241.

There were no payments to senior employees by way of Bonuses, Taxable Expenses, Compensation for Loss of Office or Benefits other than in cash.

The "Other Amounts" value above covers election duties and related fees received during 2015/16 (2014/15 £9,204). These payments are reimbursed by either the Scottish Government or the Government of the United Kingdom.

The senior employees included in the table include any local authority employee:

- Who has responsibility for management of the local authority to the extent that the person has power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons;
- Who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989(a); or
- Whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.

Remuneration paid to relevant persons of Falkirk Community Stadium Ltd

Name	Post Title	Salary, Fees and Allowances £	Benefits other than in cash £	Total Remuneration 2015/16 £	Total Remuneration 2014/15 £
Peter Eadie	Stadium Manager	37,382	-	37,382	40,559
Total		37,382	-	37,382	40,559

Remuneration paid to relevant persons of Falkirk Community Trust Ltd

Name	Post Title	Salary, Fees and Allowances £	Other Amounts £	Total Remuneration 2015/16 £	Total Remuneration 2014/15 £
M Campbell	Chief Executive	91,010	-	91,010	91,041
Total		91,010	-	91,010	91,041

6. PENSION BENEFITS

- 6.1 Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).
- 6.2 Councillors' pension benefits are based on career average pay. The Councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.
- 6.3 The terms of the LGPS were changed from 1 April 2015. Prior to this date the scheme operated on a final salary basis meaning benefits were based on the final years salary and number of years of membership of the scheme. Benefits are now based on a combination of a final salary pension scheme for membership accrued to 31/03/15, and a career average pay for membership accrued after 31/03/15.
- 6.4 The scheme's normal retirement age for both Councillors and employees is 65.

- 6.5 From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.
- 6.6 The tiers and members contribution rates for 2015/16 are unchanged from 2014/15 and are as follows:-

Wholetime Pay	Contribution Rate	
	2014-15	2015-16
On earnings up to and including £20,500	5.50%	5.50%
On earnings above £20,500 and up to £25,000	7.25%	7.25%
On earnings above £25,000 and up to £34,400	8.50%	8.50%
On earnings above £34,400 and up to £45,800	9.50%	9.50%
On earnings above £45,800	12.00%	12.00%

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

- 6.7 There is now no automatic entitlement to a lump sum. Scheme members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).
- 6.8 The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.
- 6.9 The pension figures shown relate to the benefits that the person has accrued as consequence of their total pensionable service, which may include service derived from other employments, and not just their current appointment. The pension figures shown must be rounded to the nearest £1,000.

Pension Rights of Senior Councillors of Falkirk Council

The pension entitlements for Senior Councillors for the year to 31 March 2016 are shown in the table below, together with the contribution made by the Council to each Senior Councillor's pension during the year.

Name	In-Year Pension Contributions For year to 31/03/2016 £	Accrued Pension Benefits			
		As at 31/03/2016		Difference from 31/03/2015	
		Pension £	Lump Sum £	Pension £	Lump Sum £
David Alexander	4,171	7,000	15,000	-	-
James Blackwood	4,717	3,000	2,000	-	-
Dennis Goldie	4,717	2,000	-	1,000	-
Gerald Goldie	4,717	12,000	26,000	1,000	1,000
Adrian Mahoney	4,717	11,000	-	-	-
Craig R Martin	4,717	3,000	2,000	-	-
John McLuckie	4,717	3,000	2,000	-	-
Cecil Meiklejohn	3,955	3,000	-	1,000	-
Rosemary Murray	3,955	1,000	-	-	-
Malcolm Nicol	4,717	3,000	2,000	-	-
Alan Nimmo	4,717	2,000	-	-	-
Joan Paterson	4,717	1,000	-	-	-
Total	54,534	51,000	49,000	3,000	1,000

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total pensionable service in the Scheme, and not just their current appointment.

Councillor John Patrick has reached 75 and therefore the Council no longer makes contributions into the pension fund.

Pension Rights of Senior Employees of Falkirk Council

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

Name	Post Title	In-Year Pension Contributions For year to 31/03/16 £	Accrued Pension Benefits			
			As at 31/03/2016		Difference from 31/03/2015	
			Pension £	Lump Sum £	Pension £	Lump Sum £
M Anderson	Director of Social Work Services (left 30/06/15)	5,288	45,000	103,000	-	-
R Geisler	Director of Development Services	21,471	49,000	112,000	2,000	2,000
RM Glackin	Chief Governance Officer (Monitoring Officer)	18,692	40,000	89,000	2,000	1,000
M Pitcaithly	Chief Executive	27,526	61,000	137,000	3,000	2,000
M Pitcaithly	Returning Officer	2,294	1,000	1,000	-	-
S Ritchie	Director of Corporate & Housing Services	21,471	47,000	104,000	3,000	2,000
B Smail	Chief Finance Officer (Section 95 Officer)	18,692	37,000	80,000	1,000	-
R Naylor	Director of Children's Services from 13/04/15	20,755	14,000	4,000	14,000	4,000
G Greenhorn	Joint Acting Director of Education from 02/09/2013 to 12/04/15	15,885	30,000	64,000	(3,000)	(11,000)
A Pearson	Joint Acting Director of Education from 15/12/2014 to 12/04/15	12,073	31,000	92,000	1,000	3,000
Total		164,147	355,000	786,000	23,000	3,000

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total pensionable service in the Scheme, and not just their current appointment.

Pension Rights of relevant persons of Falkirk Community Stadium Ltd

The Stadium Manager of Falkirk Community Stadium Ltd is not a member of a pension scheme requiring a contribution from Falkirk Community Stadium Ltd.

Pension Rights of relevant persons of Falkirk Community Trust Ltd

The pension entitlement of the Chief Executive for the year to 31 March 2016 is shown in the table below, together with the contribution made by the Trust during the year.

Name	Post Title	In-Year Pension Contributions For year to 31/03/16 £	Accrued Pension Benefits			
			As at 31/03/2016		Difference from 31/03/2015	
			Pension £	Lump Sum £	Pension £	Lump Sum £
M Campbell	Chief Executive	19,119	36,000	76,000	2,000	-

7. EXIT PACKAGES

- 7.1 The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to disclose the number of exit packages agreed in the financial year in bands as disclosed in the table below.

The total cost shown in the following tables is for exit packages that have been agreed, accrued for and charged to the Comprehensive Income and Expenditure Statement or equivalent statements in 2015/16.

The costs in respect of compensatory and pension fund payments have been converted to capital values using factors agreed by the LGPS sub-committee of the Association of Consulting Actuaries in 1998 and published in November 1998, uprated to 2009 values as advised by the actuary to the Falkirk Council Pension Fund. These factors have also been used to arrive at capital values for the equivalent costs in the Teachers Pension Scheme.

There were no compulsory redundancies in either 2015/16 or 2014/15. However, in 2014/15 2 temporary employees were given exit packages due to the nature of their contracts being ended. These two payments are included in the table below.

Exit Packages agreed with former employees of Falkirk Council

Bands	Number of Exit Packages			
	2014/15	Total Payments £	2015/16	Total Payments £
Up to £20k	37	366,711	100	974,657
Over £20k up to £40k	17	479,831	58	1,643,138
Over £40k up to £60k	10	491,251	13	641,023
Over £60k up to £80k	2	133,480	7	458,882
Over £80k up to £100k	1	85,419	-	-
Over £100k up to £150k	3	335,516	1	126,847
Over £150k up to £200k	-	-	-	-
Over £200k	-	-	-	-
Number of Packages	70	1,892,208	179	3,844,547

Exit Packages agreed with former employees of Falkirk Community Stadium Ltd

There were no exit packages agreed in either 2015/16 or 2014/15.

Exit Packages agreed with former employees of Falkirk Community Trust Ltd

Bands	Number of Exit Packages			
	2014/15	Total Payments	2015/16	Total Payments
		£		£
Up to £20k	-	-	3	20,210
Over £20k up to £40k	-	-	3	76,645
Over £40k up to £60k	-	-	-	-
Over £60k up to £80k	-	-	1	63,072
Over £80k up to £100k	-	-	-	-
Over £100k up to £150k	-	-	-	-
Over £150k up to £200k	-	-	-	-
Over £200k	-	-	-	-
Number of Packages	-	-	7	159,927

Councillor Craig Martin
Leader of Falkirk Council
26 September 2016

Mary Pitcaithly
Chief Executive of Falkirk Council
26 September 2016

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2016
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This statement shows the movement in the year on the different reserves held by the Council, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and ‘unusable reserves’. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Other Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000	Notes
Balance at 31 March 2015	18,933	5,093	5,778	3,869	9,570	43,243	(89,276)	(46,033)	
Surplus or (deficit) on provision of services	(19,531)	5,010	-	-	-	(14,521)	-	(14,521)	CIES
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	384,976	384,976	CIES
Total Comprehensive Income and Expenditure	(19,531)	5,010	-	-	-	(14,521)	384,976	370,455	
Adjustments between accounting basis and funding basis under regulations	19,900	(5,641)	720	(243)	(752)	13,984	(13,984)	-	6
Net Increase/(Decrease) before Transfers to/from Other Statutory Reserves	369	(631)	720	(243)	(752)	(537)	370,992	370,455	
Transfers to/(from) Other Statutory Reserves	(703)	319	-	-	384	-	-	-	7
Increase/(Decrease) in Year	(334)	(312)	720	(243)	(368)	(537)	370,992	370,455	
Balance at 31 March 2016	18,599	4,781	6,498	3,626	9,202	42,706	281,716	324,422	

Movement in Reserves Statement for the year ended 31 March 2015

	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Other Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000	Notes
Balance at 31 March 2014	25,757	5,093	5,055	4,373	8,940	49,218	37,641	86,859	
Surplus or (deficit) on provision of services	(13,132)	(20,552)	-	-	-	(33,684)	-	(33,684)	CIES
Other Comprehensive Income and Expenditure	(7)	-	-	-	-	(7)	(99,201)	(99,208)	CIES
Total Comprehensive Income and Expenditure	(13,139)	(20,552)	-	-	-	(33,691)	(99,201)	(132,892)	
Adjustments between accounting basis and funding basis under regulations	7,143	20,552	723	(504)	(198)	27,716	(27,716)	-	6
Net Increase/(Decrease) before Transfers to/from Other Statutory Reserves	(5,996)	-	723	(504)	(198)	(5,975)	(126,917)	(132,892)	
Transfers to/(from) Other Statutory Reserves	(828)	-	-	-	828	-	-	-	7
Increase/(Decrease) in Year	(6,824)	-	723	(504)	630	(5,975)	(126,917)	(132,892)	
Balance at 31 March 2015	18,933	5,093	5,778	3,869	9,570	43,243	(89,276)	(46,033)	

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Gross Expenditure 2014/15 £'000	Gross Income 2014/15 £'000	Net Expenditure 2014/15 £'000		Gross Expenditure 2015/16 £'000	Gross Income 2015/16 £'000	Net Expenditure 2015/16 £'000	Notes
161,865	(5,029)	156,836	Education Services	168,691	(12,593)	156,098	
121,584	(96,508)	25,076	Housing Services	97,564	(99,108)	(1,544)	
20,716	(2,224)	18,492	Cultural and Related Services	16,794	(1,522)	15,272	
21,968	(4,381)	17,587	Environmental Services	18,139	(4,702)	13,437	
18,190	(1,179)	17,011	Roads & Transport Services	18,257	(1,729)	16,528	
22,097	(9,872)	12,225	Planning and Development Services	36,954	(10,113)	26,841	
131,286	(30,495)	100,791	Social Work Services	133,502	(32,905)	100,597	
17,814	(12,609)	5,205	Central Services to the Public	13,136	(2,795)	10,341	
2,799	-	2,799	Corporate & Democratic Core	3,123	-	3,123	
1,768	-	1,768	Non-Distributed Costs	(30)	-	(30)	
520,087	(162,297)	357,790	Cost of Services	506,130	(165,467)	340,663	
			<u>Other Operating Expenditure</u>				
-	(2,178)	(2,178)	(Gains) or Losses on disposal of Non-Current and Current Assets	442	-	442	
			<u>Financing and Investment Income and Expenditure</u>				
			(Surplus) or deficit on trading undertakings	33,459	(33,341)	118	14
33,434	(33,624)	(190)	Interest Payable and Similar Charges	27,326	-	27,326	45
23,333	-	23,333	Interest & Investment Income	-	(539)	(539)	
-	(523)	(523)	Pensions interest cost & interest income on plan assets	33,920	(21,601)	12,319	17
36,299	(25,320)	10,979		94,705	(55,481)	39,224	
93,066	(59,467)	33,599					
			<u>Taxation and Non-Specific Grant Income</u>				
-	(53,316)	(53,316)	Council Tax	-	(54,384)	(54,384)	
-	(205,188)	(205,188)	Government Grants	-	(223,140)	(223,140)	
-	(21,777)	(21,777)	Capital Grants, Contributions & Donations	-	(25,048)	(25,048)	42
-	(74,307)	(74,307)	Non-Domestic Rate redistribution	-	(62,336)	(62,336)	
-	(939)	(939)	Non-Domestic Rates – TiF	-	(900)	(900)	
-	(355,527)	(355,527)		-	(365,808)	(365,808)	
613,153	(579,469)	33,684	(Surplus) or Deficit on Provision of Services	601,277	(586,756)	14,521	
			(Surplus) or deficit on revaluation of non-current assets and current assets			(287,006)	
		(13,289)	Remeasurements of pension assets/liabilities			(97,970)	
		112,497					
		99,208	Other Comprehensive Income and Expenditure			(384,976)	
		132,892	Total Comprehensive Income and Expenditure			(370,455)	

BALANCE SHEET AS AT 31 MARCH 2016
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The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”.

2014/15 £'000		2015/16 £'000	Notes
	Non-Current Assets		
700,769	Property, Plant & Equipment	987,184	22
259	Heritage Assets	259	23
1,453	Intangible Assets	2,271	19
104	Assets Held for Sale	104	25
9,578	Long Term Investments	6,310	30,43
9,848	Long Term Debtors	9,266	34
<u>722,011</u>		<u>1,005,394</u>	
	Current Assets		
891	Inventories	772	35
26,400	Short Term Debtors	23,784	37
14,336	Cash and Cash Equivalents	36,866	39
888	Assets Held for Sale	1,224	25
<u>42,515</u>		<u>62,646</u>	
	Current Liabilities		
(30,283)	Short Term Borrowing	(32,915)	31
(69,546)	Creditors (including provisions)	(73,306)	33/38
<u>(99,829)</u>		<u>(106,221)</u>	
	Long Term Liabilities		
(204,229)	Long Term Borrowing	(214,193)	31
(381,288)	Defined Benefit Pension Scheme Liability	(303,045)	17
(120,439)	Other Long Term Liabilities	(115,446)	44
(4,774)	Capital Grants Received in Advance	(4,713)	42
<u>(710,730)</u>		<u>(637,397)</u>	
<u>(46,033)</u>	Net Assets	<u>324,422</u>	29
	Usable Reserves		
5,778	Capital Receipts Reserve	6,498	
3,869	Capital Grants Unapplied Account	3,626	
24,026	General Fund	23,380	9
9,570	Other Usable Reserves	9,202	
<u>43,243</u>		<u>42,706</u>	
	Unusable Reserves		
144,139	Capital Adjustment Account	152,054	8
(5,736)	Financial Instruments Adjustment Account	(5,403)	8
159,634	Revaluation Reserve	443,004	8
(381,288)	Pensions Reserve	(303,045)	8
(6,025)	Accumulated Absences Account	(4,894)	8
<u>(89,276)</u>		<u>281,716</u>	
<u>(46,033)</u>	Total Reserves	<u>324,422</u>	

Bryan Smail, CPFA MBA
Chief Finance Officer

The unaudited accounts were issued on 20 June 2016 and the audited accounts were authorised for issue on 26 September 2016.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as: operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2014/15 £'000		2015/16 £'000
33,684	Net (surplus) or deficit on the provision of services	14,521
(68,094)	Adjust net surplus or deficit on the provision of services for non-cash movements	(74,947)
21,777	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25,048
(12,633)	Net cash flows from operating activities	(35,378)
	Investing Activities	
62,369	Purchase of property, plant & equipment, investment property and intangible assets	50,536
	Other payments for investing activities	
(4,293)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(4,305)
(24,050)	Other receipts and investing activities	(25,145)
34,026	Net cash flows from investing activities	21,086
	Financing Activities	
(52,495)	Cash receipts of short and long-term borrowing	(39,350)
4,073	Cash payments for the reduction of the outstanding liabilities relating to finance leases	4,357
22,548	Repayments of short and long-term borrowing	26,755
(25,874)	Net cash flows from financing activities	(8,238)
(4,481)	Net (increase) or decrease in cash and cash equivalents	(22,530)
(9,855)	Cash and cash equivalents at the beginning of the reporting period	(14,336)
	Cash and cash equivalents at the end of the reporting period	
(40)	Cash held by Officers	(40)
561	Bank Current Accounts	(835)
(14,857)	Short-term deposits	(35,991)
(14,336)		(36,866)

The cash flows for operating activities include interest paid of £23.796m (2014/15 £23.333m) and interest received of £0.539m (2014/15 £0.523m).

Adjust net surplus or deficit on the provision of services for non-cash movements:

2,178	Net Gain/(Loss)	(442)
(15)	Amortisation of Intangible Assets	(297)
(60,906)	Depreciation & Impairment of Fixed Assets	(46,777)
(15,527)	Net Charges for Retirement Benefits	(19,727)
1,635	Movement in Debtors	(3,040)
4,573	Movement in Creditors	(4,545)
(32)	Movement in Stock	(119)
(68,094)		(74,947)

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:

18,853	Capital Grants General Fund	21,753
2,924	Capital Grants HRA	3,295
21,777		25,048

NOTES TO THE CORE FINANCIAL STATEMENTS

1. GENERAL ACCOUNTING POLICIES

General Principles and Accounting Concepts

The Annual Accounts summarise the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires that the accounts are prepared in accordance with proper accounting practices. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16 (SERCOP), supported by International Financial Reporting Standards (IFRS).

The Code of Practice on Local Authority Accounting is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LA(S) AAC).

The Accounts are designed to illustrate the financial performance in the year as well as the position of the Council as at 31 March 2016. Comparative figures for the previous financial year are also provided.

In accordance with IAS 8: Accounting Policies, the Council regularly reviews its accounting policies to ensure that they remain the most appropriate. The Code defines accounting policies as "the principles, bases, conventions, rules and practices applied by a Council that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves."

The accounting concepts of 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements' have been considered in the application of accounting policies. In this regard the materiality concept means that information is included where it is of such significance as to justify its inclusion. The accruals concept requires the non-cash effects of transactions to be included in the financial statements for the year in which they occur, not in the period in which payment is made or income received. The going concern concept assumes that the Council will not significantly curtail the scale of its operation. In cases where accounting principles and legislative requirements conflict, the latter will apply.

The selection of accounting policies can have a significant impact on the figures shown in the accounts and as such they are required to be disclosed in these accounts. The policies shown in notes 1 to 5 in general impact on the accounts as a whole. More specific accounting policies are also disclosed against the relevant notes to the accounts.

Any departures from the above Codes of Practice are stated in the notes to the core financial statements. In addition, these accounts have been prepared under the historic cost convention, other than changes resulting from the revaluation of certain categories of non-current assets.

As noted in the management commentary by the Chief Finance Officer, Group Financial Statements have been prepared which reflect the Council's interest in the Central Scotland Valuation Joint Board, FCSL (Holdings) Ltd, Falkirk Community Stadium Ltd, Falkirk Community Trust Ltd, Common Good Funds, Falkirk Community Trading Ltd and thinkWhere Ltd.

Accrual Of Income And Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including those rendered by employees) are recorded as expenditure when the services are received, rather than when payments are made;
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and the trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses attributable to the clear consumption of economic benefits on tangible non-current assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- Amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses, revaluation losses, or amortisations. However, it is required to make an annual contribution from general fund balances to reduce its overall borrowing requirement. Depreciation, impairment losses, revaluation losses, and amortisations are therefore substituted by a funding contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Value Added Tax

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

Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income & Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

Overheads and Support Services

The costs of Central Support Services have been fully allocated to all Services and Trading Accounts in accordance with the CIPFA Service Reporting Code of Practice 2015/16 (SERCOP) but not to Common Good and Trust Funds. The main allocation bases are summarised below:

Cost	Allocation Base
Professional Services (Finance, Legal etc)	Actual time spent by staff and direct allocation
Administrative Buildings	Area occupied
Information Services	Machine usage and time allocations
Payroll	Number of Payroll transactions
Creditors	Number of invoices paid
Sundry Debtors	Number of invoices issued
Human Resources	Number of Full Time Equivalent Employees and actual time spent by staff

Corporate and Democratic Core and Non-Distributed Costs

As noted above, the costs of overheads and support services have been allocated to Services and Trading Accounts. The following cost categories are not included in these allocations:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation or impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income & Expenditure Statement, as part of the Cost of Services.

Accounting for the Costs of the Carbon Reduction Commitment Scheme

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The Scheme is now in its second phase which runs from 1 April 2014 until March 2019. The authority is required to purchase and surrender allowances, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The Council has chosen to buy allowances at the start of the compliance year (eg a forecast sale) and the allowance has been treated as an intangible asset in the accounts. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption. A liability has been created for the surrender of the allowances to the CRC Registry.

Reserves

Reserves are amounts set aside for specific purposes outwith the definition of provisions. They are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year and included within the Net Cost of Services in the Comprehensive Income & Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure in that year.

Section 93 of the Local Government (Scotland) Act 1973 requires the Council to have a General Fund. Schedule 3 to the Local Government (Scotland) Act 1975 also allows local authorities to establish a Repairs and Renewals Fund, an Insurance Fund and a Capital Fund. Other reserves have also been established to meet the accounting requirements of the Code.

Certain reserves are kept to manage the accounting processes for non-current assets and financial instruments as well as retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies below:

Usable Reserves

Capital Receipts Reserve

Capital Receipts received in the year are available to finance new capital expenditure or to finance the repayment of principal on existing loans.

Capital Grants Unapplied Account

The Capital Grants Unapplied Account records grants and developers contributions which have been credited to the Comprehensive Income and Expenditure Statement but have still to be applied to fund capital expenditure. Once applied, the value will be transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account.

General Fund

The General Fund relates to the revenue reserves of the Council, elements of which are regarded as earmarked funds e.g. Devolved Schools, Spend to Save, Economic Development and Energy Efficiency.

Housing Revenue Account

The Housing (Scotland) Act 1987 requires the Council to account separately for local authority housing provision and the related reserves.

Other Usable Reserves

These comprise:

Insurance Fund

Established as a provision against future claims and the cost of insurance premiums to meet any large claims. Council Services contribute to the fund which meets the costs in respect of property damage, public and employee liability and the vehicle fleet.

Repairs and Renewals Fund

The contribution to this reserve mainly arises from the Waste Strategy programme and provision for property costs in Social Work and Development Services.

Unusable Reserves

Certain reserves are kept to manage the accounting process for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained in Note 8.

2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans : Employee Contributions)
- Annual Improvements to IFRSs 2010-2012 Cycle
- Amendments to IFRS 11 Joint Arrangements
- Amendment to IAS 16 Property, Plant & Equipment and IAS 38 Intangible Assets
- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- Changes to the format of the main statements – Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- Changes to the format of the Pension Fund Account and the Net Assets Statement

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 financial statements.

Amendments to IAS 19 Employee Benefits apply to contributions from employees or third parties to defined benefit plans. The objective is to simplify the accounting for contributions that are independent of the number of years of employee service.

IFRS 11 addresses the accounting for interest in joint ventures and joint operations. The amendments add guidance on how to account for the acquisition of an interest in a joint operation that continues to do business.

Amendments to IAS 16 and IAS 38 provides clarification of acceptable method of depreciation and amortisation.

IAS 16 and in particular section 4.1 of the Accounting Code has recognised Highways Network Assets as a separate class of Property, Plant and Equipment and that instead of being measured on a Depreciated Historical Cost basis, it has to be measured on a Depreciated Replacement Cost (DRC) basis. This change in Accounting Policy will have the impact of significantly increasing the values held on the Balance Sheet. To provide an indication of the increase, the value held on the Balance Sheet at 31 March 2016 is £104m, whereas the value provided in the Whole of Government Accounts (based on a DRC basis) at 31 March 2016 was £1,114m.

Amendments to IAS 1 clarify rather than significantly change the existing IAS 1 and relate to materiality, order of the notes, sub totals, accounting policies and disaggregation.

Changes to the main statements now require local authorities to report on the same basis that they are organised breaking the link between SERCOP and the CIES. The new Expenditure and Funding Analysis provides a direct reconciliation between the local authority budget and the CIES.

IFRS improvements are generally minor, principally providing clarification.

Overall these new or amended standards are not expected to have a significant impact on the financial statements.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying these accounting policies the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Annual Accounts are:

- there is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Code has adopted the International Public Sector Accounting Standards (IPSAS) definition of Investment Property as one that is used solely to earn rentals or for capital appreciation, or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of investment property under IPSAS 16 and is accounted for as Property, Plant and Equipment. The Council has examined its portfolio of property, in particular those which were classified as investment properties under the SORP and concluded that they do not meet the definition of an investment property as noted above. Instead, these properties are held for economic development purposes and have now been reclassified as Property, Plant and Equipment.
- The Council is deemed to control the services provided under the Private Finance Initiative agreements for the provision of school buildings, maintenance and other facilities (Class 98 and Falkirk Schools Gateway Ltd). The accounting policies for Private Finance Initiatives have been applied to these arrangements and the schools (valued at net book value of £216m at 31 March 2016) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

- The Council entered into a partnership agreement with Scottish Canals to invest in The Helix project. All costs were routed through the Council and funded by external contributions from such bodies as Scottish Canals and Big Lottery with the Council contributing £6.0m over the last 8 years (£0.08m in 2015/16). The partnership agreement allowed for the transfer of The Kelpies and canal elements of the project to Scottish Canals. The transfer of £0.3m (£0.8m in 2014/15) has been accounted for as a disposal at nil receipt and as such is included as a “loss on disposal of non-current and current assets” in the Comprehensive Income and Expenditure Account. The partnership agreement also allowed for the part transfer of the Visitor Centre to Scottish Canals. The agreement dictates that the Visitor Centre is jointly owned by the Council and Scottish Canals and as such 50% of the total costs have been transferred (£0.78m).
- The Council’s housing stock was revalued at 1 April 2015. The valuation method used was the Beacon Method. The nature of capital expenditure incurred has been reviewed to determine to what extent this expenditure is deemed to enhance the value of the stock and therefore what element is treated as non-enhancing capital expenditure. In terms of New Build Housing and house purchases under the Buy-Back Scheme, the level of enhancement is based on the average net book value of a house in a particular management area, with the difference between spend and this average value being treated as non-enhancing capital expenditure. Spend incurred in relation to achieving Scottish Housing Quality Standard (SHQS) assumes that in the main 90% of these works maintain the value of the housing stock and therefore mitigates, to a certain extent, the depreciation charge for the year.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Annual Accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council’s Balance Sheet as at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial years are as follows:

Provisions

The Council has made a provision for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. However, uncertainty remains as settlement negotiations are ongoing.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £106m, whilst a 1 year increase in life expectancy would add £30m to liabilities.

However, the assumptions interact in complex ways. During 2015/16, the Council’s actuaries advised that the net pensions liability had reduced by £78m since March 2015. This included an increase in assets of £13m and a reduction in liabilities of £65m. Had there been a 0.5% increase in the assumptions governing both salary rates and pension increase rates, this would have resulted in an increase in liabilities of £40m and £65m respectively.

Arrears

At 31 March 2016, the Council had a balance of sundry debtors of c£11.3m, council tax circa £11.9m and house rents of c£3.7m. Provision for doubtful debts amount to c£4m, £11.2m and £3m respectively. An increase of 10% in the value of these would amount to £0.4m, £1.1m and £0.3m respectively.

5. EVENTS AFTER THE BALANCE SHEET DATE

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Annual Accounts are adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period – the Annual Accounts are not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS 2015/16

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Other Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000
Depreciation, impairment and downward revaluation of non-current assets	36,169	10,608	-	-	-	46,777	(46,777)
Amortisation of intangible assets	297	-	-	-	-	297	(297)
Statutory Repayment of Debt (Loans Fund Advances)	(10,560)	(3,946)	-	-	-	(14,506)	14,506
Capital expenditure charged to the General Fund Balance (CFCR)	(2,921)	(8,218)	-	-	-	(11,139)	11,139
Statutory Repayment of Debt (Finance Lease Liabilities)	-	(165)	-	-	-	(165)	165
Statutory Repayment of Debt (PFI)	(4,192)	-	-	-	-	(4,192)	4,192
Capital Receipts applied to fund Capital Expenditure	-	-	(3,585)	-	-	(3,585)	3,585
Use of the Repairs & Renewals Fund , DMR, Spend to Save to Finance new capital expenditure	-	-	-	-	(752)	(752)	752
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(269)	(64)	-	-	-	(333)	333
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under the pension scheme regulations	18,817	910	-	-	-	19,727	(19,727)
Net transfer to or from the Accumulated Absences account required by legislation	(1,094)	(37)	-	-	-	(1,131)	1,131
Net (Gain)/Loss on Sale of Assets	1,876	(1,434)	-	-	-	442	-
Capital Receipts Received	-	-	4,305	-	-	4305	-
Capital Grants Received	(21,753)	(3,295)	-	(243)	-	(25,291)	25,291
Net Book Value of Asset Disposals	-	-	-	-	-	-	(4,747)
Impairment of long term investment	3,530	-	-	-	-	3,530	(3,530)
Total Adjustments	19,900	(5,641)	720	(243)	(752)	13,984	(13,984)

Adjustments between accounting basis and funding basis under regulations 2014/15

	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Other Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000
Depreciation, impairment and downward revaluation of non-current assets	26,292	34,620	-	-	-	60,912	(60,912)
Amortisation of intangible assets	15	-	-	-	-	15	(15)
Statutory Repayment of Debt (Loans Fund Advances)	(9,886)	(3,077)	-	-	-	(12,963)	12,963
Capital expenditure charged to the General Fund Balance (CFCR)	(1,708)	(5,599)	-	-	-	(7,307)	7,307
Statutory Repayment of Debt (Finance Lease Liabilities)	-	(335)	-	-	-	(335)	335
Statutory Repayment of Debt (PFI)	(3,738)	-	-	-	-	(3,738)	3,738
Capital Receipts applied to fund Capital Expenditure	-	-	(3,570)	-	-	(3,570)	3,570
Use of the Repairs & Renewals Fund , DMR, Spend to Save to Finance new capital expenditure	(397)	-	-	-	(198)	(595)	595
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(265)	(64)	-	-	-	(329)	329
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under the pension scheme regulations	14,699	828	-	-	-	15,527	(15,527)
Net transfer to or from the Accumulated Absences account required by legislation	263	2	-	-	-	265	(265)
Net (Gain)/Loss on Sale of Assets	721	(2,899)	-	-	-	(2,178)	-
Capital Receipts Received	-	-	4,293	-	-	4,293	
Capital Grants Received	(18,853)	(2,924)	-	(504)	-	(22,281)	22,281
Net Book Value of Asset Disposals	-	-	-	-	-	-	(2,115)
Total Adjustments	7,143	20,552	723	(504)	(198)	27,716	(27,716)

7. TRANSFERS TO/FROM OTHER STATUTORY RESERVES**(a) Transfers to/from Other Statutory Reserves 2015/16**

	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Other Reserves £'000
Insurance Fund	(355)	-	-	-	355
Repairs and Renewals Fund	(29)	-	-	-	29
Revenue Grant Reserve	(319)	319	-	-	-
Total Transfers 2015/16	(703)	319	-	-	384

(b) Transfers to/from Other Statutory Reserves 2014/15

	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Other Reserves £'000
Insurance Fund	(257)	-	-	-	257
Repairs and Renewals Fund	(571)	-	-	-	571
Revenue Grant Reserve	-	-	-	-	-
Total Transfers 2014/15	(828)	-	-	-	828

8. UNUSABLE RESERVES

2014/15 £'000	Unusable Reserve	2015/16 £'000
144,139	Capital Adjustment Account	152,054
159,634	Revaluation Reserve	443,004
(381,288)	Pension Reserve	(303,045)
(6,025)	Accumulated Absences Account	(4,894)
(5,736)	Financial Instruments Account	(5,403)
(89,276)	Total Unusable Reserves	281,716

(a) **Capital Adjustment Account**

The Capital Adjustment Account contains the difference between amounts provided for depreciation and amounts that require to be charged to revenue to repay the principal element of external loans. It also contains the amount of impairment charged to revenue to the extent that the revaluation reserve does not contain a revaluation gain relevant to a specific asset.

2014/15 £'000		2015/16 £'000
154,802	Balance at 1 April	144,139
22,281	Capital Grants Received	25,291
(1,829)	Net Book Value of Asset Disposals	(4,325)
6	Gain/(loss) on Revaluation of Non-Current Assets	-
(60,912)	Depreciation/ impairment and downward revaluation of non-current assets	(46,777)
(15)	Amortisation of intangible assets	(297)
12,963	Statutory Repayment of Debt (Loans Fund Advances)	14,506
7,307	Capital expenditure charged to the General Fund Balance (CFCR)	11,139
335	Statutory Repayment of Debt (Finance Lease Liabilities)	165
3,738	Statutory Repayment of Debt (PFI)	4,192
3,570	Capital Receipts applied to fund Capital Expenditure	3,585
595	Use of the Repairs & Renewals Fund, DMR, Spend to Save to Finance new capital expenditure	752
1,298	Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost	3,214
-	Impairment of long term investment	(3,530)
144,139	Balance at 31 March	152,054

(b) **Revaluation Reserve**

The Revaluation Reserve records the increase in value of non-current assets as a result of revaluation. These increases are offset by the depreciation charge incurred as a result of the revaluation of each asset. On disposal of an asset, the reserve is reduced by any balance it may hold in relation to that asset. Any downward revaluations will be processed through the revaluation reserve up to the value of any previous credits which may exist. The balance in the revaluation reserve represents an increase in the net worth of the Council. However, these gains would only be recognised if the assets were sold and a capital receipt generated.

2014/15 £'000		2015/16 £'000
147,928	Balance at 1 April	159,634
(286)	Net Book Value of Assets Disposals	(422)
13,290	Gain on Revaluation of Non-Current Assets	287,006
(1,298)	Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost	(3,214)
159,634	Balance at 31 March	443,004

(c) Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pensions funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2014/15 £'000		2015/16 £'000
(253,264)	Balance at 1 April	(381,288)
(112,497)	Remeasurements of Pension Assets/Liabilities	97,970
(15,527)	Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contribution due under the pension scheme regulations	(19,727)
(381,288)	Balance at 31 March	(303,045)

(d) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2014/15 £'000		2015/16 £'000
(5,760)	Balance at 1 April	(6,025)
(265)	Net transfer to or from earmarked reserves required by legislation	1,131
(6,025)	Balance at 31 March	(4,894)

(e) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2016 will be charged to the General Fund over the next 40 years.

2014/15 £'000		2015/16 £'000
(6,065)	Balance at 1 April	(5,736)
329	Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	333
(5,736)	Balance at 31 March	(5,403)

9. ANALYSIS OF GENERAL FUND BALANCE

	General (i) £'000	Housing (i) £'000	Devolved Schools (ii) £'000	Economic Development (iii) £'000	Central Energy Efficiency Fund (iv) £'000	Revenue Grant (v) £'000	Spend to Save (vi) £'000	Total £'000
Balance at beginning of year	(8,369)	(5,093)	(4,900)	(1,081)	(456)	(1,513)	(2,614)	(24,026)
(Surplus)/Deficit for the year	15	631	-	-	-	-	-	646
Appropriation to R&R Fund	(80)	(319)	-	80	-	319	-	-
Appropriation (to)/from General Fund	(128)	-	1,009	-	(45)	(314)	(522)	-
Net Movement	(193)	312	1,009	80	(45)	5	(522)	646
Balance at End of Year	(8,562)	(4,781)	(3,891)	(1,001)	(501)	(1,508)	(3,136)	(23,380)

- (i) The budgeted use of general fund reserves in 2015/16 was nil.
- (ii) Carry forward of unutilised budgets delegated to Headteachers under the Devolved Schools Management System.
- (iii) Funds arising from the strategic development of business parks.
- (iv) Funds to develop energy efficient initiatives in Council buildings.
- (v) Prior to 2013/14 unspent revenue grants were treated as short term creditors. From 2013/14 revenue grants are now fully recognised as income in the accounts with any unspent balances earmarked within the overall general fund balance.
- (vi) The Council agreed to earmark funds for spend to save initiatives aimed at reducing future budgeted expenditure.

10. MATERIAL ITEMS OF INCOME AND EXPENSE

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance. There were no material items requiring additional disclosure in 2015/16.

11. (a) AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS 2015/16

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across Service areas. These reports are prepared on a different basis from the accounting policies used in the financial statements.

In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, amortisations and impairment losses are charged to Services in the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- Expenditure on support services is budgeted for centrally and is not charged to Services.

The income and expenditure of the Council's Services' recorded in the management reports for the year is as follows:

Council Service Income and Expenditure 2015/16

	Education Services £'000	Social Work Services £'000	Development Services £'000	Corporate & Housing Services £'000	Misc Services £'000	Joint Boards/ Trust £'000	Trading Accounts £'000	HRA £'000	Other Costs £'000	Total £'000
Income	(27,653)	(37,729)	(38,225)	(5,468)	(47,236)	-	(33,334)	(56,532)	-	(246,177)
Total Income	(27,653)	(37,729)	(38,225)	(5,468)	(47,236)	-	(33,334)	(56,532)	-	(246,177)
Employee Expenses	108,878	39,011	27,627	3,637	3,723	-	13,365	6,618	5,047	207,906
Property Expenses	13,926	1,811	5,344	2,743	129	-	376	25,739	-	50,068
Transport Expenses	3,491	905	7,562	10	3	-	1,137	8	-	13,116
Supplies & Services	13,437	3,279	8,580	258	2,310	-	6,124	3,850	-	37,838
Third Party Expenses	32,582	73,037	13,853	2,152	2,608	13,779	10,161	1,540	-	149,712
Transfer Payments	597	4,053	-	-	42,004	-	-	-	-	46,654
Support Costs	17,021	8,834	8,948	1,011	5,945	-	1,143	3,907	(700)	46,109
Capital Charges	-	-	502	33	-	-	325	14,870	19,463	35,193
Total Expenditure	189,932	130,930	72,416	9,844	56,722	13,779	32,631	56,532	23,810	586,596
Net Expenditure	162,279	93,201	34,191	4,376	9,486	13,779	(703)	-	23,810	340,419

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

This reconciliation shows how the figures in the analysis of Service income and expenditure reconcile to the amounts included in the Comprehensive Income and Expenditure Statement.

	£'000
Net Expenditure in the Service Analysis	340,419
Net Expenditure of Services (Trading Accounts) not included in the Net Cost of Services	703
Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the analysis	(503)
Amounts reported to Management not included in the Comprehensive Income and Expenditure Statement	44
Cost of Services in the Comprehensive Income and Expenditure Statement	340,663

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Service income and expenditure reconcile to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement

	Service Analysis £'000	Amounts reported below Net Cost of Services £'000	Amounts included in CIES not reported to management £'000	Amounts reported to management not included in CIES £'000	Allocation of Recharges £'000	Allocation of Support Services £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Income	(246,177)	33,334	64	435	49,106	(2,229)	(165,467)	(79,990)	(245,457)
Interest and investment income	-	-	-	-	-	-	-	(539)	(539)
Government grants and contributions	-	-	-	-	-	-	-	(286,376)	(286,376)
Income from council tax	-	-	-	-	-	-	-	(54,384)	(54,384)
Total Income	(246,177)	33,334	64	435	49,106	(2,229)	(165,467)	(421,289)	(586,756)
Employee Expenses	207,906	(13,365)	4,644	-	(11,984)	20,881	208,082	14,244	222,326
Property Expenses	50,068	(376)	35,509	-	(1,177)	1,377	85,401	376	85,777
Transport Expenses	13,116	(1,137)	-	-	(3,502)	27	8,504	1,137	9,641
Supplies & Services	37,838	(6,124)	-	(391)	(2,752)	3,234	31,805	7,671	39,476
Third Party Expenses	149,712	(10,161)	(16,996)	-	(3,581)	137	119,111	10,161	129,272
Transfer Payments	46,654	-	-	-	-	-	46,654	-	46,654
Support Service recharges	46,109	(1,143)	418	-	(21,295)	(24,089)	-	-	-
Depreciation, amortisation and impairment	35,193	(325)	(24,142)	-	(4,815)	662	6,573	313	6,886
Interest Payments	-	-	-	-	-	-	-	61,245	61,245
Total Expenditure	586,596	(32,631)	(567)	(391)	(49,106)	2,229	506,130	95,147	601,277
(Surplus) or Deficit on the Provision of Services	340,419	703	(503)	44	-	-	340,663	(326,142)	14,521

11.(b) AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS 2014/15

Council Service Income and Expenditure 2014/15

	Education Services £'000	Social Work Services £'000	Development Services £'000	Corporate & Housing Services £'000	Misc Services £'000	Joint Boards/ Trust £'000	Trading Accounts £'000	HRA £'000	Other Costs £'000	Total £'000
Income	(16,989)	(36,028)	(26,002)	(27,926)	(47,576)	-	(33,608)	(57,137)	-	(245,266)
Total Income	(16,989)	(36,028)	(26,002)	(27,926)	(47,576)	-	(33,608)	(57,137)	-	(245,266)
Employee Expenses	102,168	42,544	20,551	19,543	4,990	-	13,370	5,914	1,124	210,204
Property Expenses	14,403	2,035	4,495	4,755	68	-	416	25,360	-	51,532
Transport Expenses	3,380	1,212	2,404	7,494	-	-	1,394	7	-	15,891
Supplies & Services	10,620	3,331	8,793	4,300	1,674	-	5,816	3,908	-	38,442
Third Party Expenses	32,592	69,742	11,722	1,134	4,279	14,336	10,865	2,084	-	146,754
Transfer Payments	644	3,863	-	-	42,722	-	-	3,799	-	51,028
Support Costs	13,813	5,900	5,795	3,013	6,785	-	760	16,033	(857)	51,242
Capital Charges	14,631	759	7,758	2,918	27	-	49	32	8,024	34,198
Total Expenditure	192,251	129,386	61,518	43,157	60,545	14,336	32,670	57,137	8,291	599,291
Net Expenditure	175,262	93,358	35,516	15,231	12,969	14,336	(938)	-	8,291	354,025

Reconciliation to Subjective Analysis 2014/15

	Service Analysis £'000	Amounts reported below Net Cost of Services £'000	Amounts included in CIES not reported to management £'000	Amounts reported to management not included in CIES £'000	Allocation of Recharges £'000	Allocation of Support Services £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Income	(245,266)	33,608	75	272	51,871	(2,857)	(162,297)	(82,899)	(245,196)
Interest and investment income	-	-	-	-	-	-	-	(523)	(523)
Government grants and contributions	-	-	-	-	-	-	-	(280,434)	(280,434)
Income from council tax	-	-	-	-	-	-	-	(53,316)	(53,316)
Total Income	(245,266)	33,608	75	272	51,871	(2,857)	(162,297)	(417,172)	(579,469)
Employee Expenses	210,204	(13,370)	3,013	-	(14,208)	15,181	200,820	14,154	214,974
Property Expenses	51,532	(416)	-	-	(1,520)	1,504	51,100	416	51,516
Transport Expenses	15,891	(1,394)	-	-	(5,984)	49	8,562	1,394	9,956
Supplies & Services	38,442	(5,816)	-	1,403	(2,294)	19,929	51,664	6,556	58,220
Third Party Expenses	146,754	(10,865)	(16,528)	-	(2,164)	564	117,761	10,865	128,626
Transfer Payments	51,028	-	-	-	(1,448)	-	49,580	-	49,580
Support Service recharges	51,242	(760)	703	-	(16,392)	(34,793)	-	-	-
Depreciation, amortisation and impairment	34,198	(49)	13,889	-	(7,861)	423	40,600	49	40,649
Interest Payments	-	-	-	-	-	-	-	59,632	59,632
Total Expenditure	599,291	(32,670)	1,077	1,403	(51,871)	2,857	520,087	93,066	613,153
(Surplus) or Deficit on the Provision of Services	354,025	938	1,152	1,675	-	-	357,790	(324,106)	33,684

12. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties - that is bodies or individuals that have potential to control or influence the Council or to be controlled or influenced by the Council.

Material transactions with related parties, not disclosed elsewhere, were as follows:

The Scottish Government is a related party as it exerts significant influence through legislation and funding.

Related Party		Receipts 2015/16 £'000	Payments 2015/16 £'000
Falkirk Towns Ltd	Promotion of Town Centres	-	439
Falkirk Council Pension Fund	Charge for Support Services (Also see Note 17 – Defined Benefit Pension Schemes)	603	-
Falkirk Community Stadium Ltd	Repayment of expenses and Professional Fees	489	-
Family Centres	Funding provided per Service Level Agreement	-	605
Central Scotland Valuation Joint Board	Contribution to running costs Charge for Support Services	10	1,119
Falkirk Schools Gateway	Contribution to operating costs	-	4,278
Falkirk & District Women's Aid	Funding provided per Service Level Agreement	-	244
Falkirk Community Trust	Contribution to Community Trust Charge for Support Services	106	12,660
Fife & Forth Valley Community Justice Authority	Administration Charge	255	-
thinkWhere Ltd	Contribution to operating costs	-	308

Amounts due to or from related parties were as follows:

Amount 2014/15 Due From £'000	Amount 2014/15 Due to £'000		Amount 2015/16 Due From £'000	Amount 2015/16 Due To £'000
2	-	Joint Boards	2	-
1,569	15	Falkirk Community Stadium Ltd	1,372	8
1,863	88	Falkirk Community Trust	1,055	2,516
-	4	Falkirk Towns Ltd	-	60
4	-	Fife & Forth Valley CJA	4	-
-	15	Falkirk Council Pension Fund	-	191

13. EXTERNAL AUDIT FEE

The agreed external audit fee for Falkirk Council for 2015/16 was £321,990 (£321,990 in 2014/15). Audit Scotland charged £200 for the audit of the Temperance Trust, in 2014/15 this figure was £200. These fees were for work undertaken in accordance with the Code of Audit Practice. No other services were provided by Audit Scotland.

14. STATUTORY TRADING ACCOUNTS

Section 10 of the Local Government in Scotland Act 2003 requires that each Statutory Trading Account should at least break-even over a rolling 3 year period. The figures are based on International Financial Reporting Standards as specified in the Code of Practice for Local Authority Accounting. For the purposes of determining whether or not the Statutory Trading Account has met the financial objective, interest payable and receivable should be included.

Falkirk Council operates a Statutory Trading Account for Building Maintenance.

Actual Year to 31/03/14 £'000	Actual Year to 31/03/15 £'000	BUILDING MAINTENANCE TRADING ACCOUNT	Actual Year to 31/03/16 £'000	3 Year Total £'000
35,289	33,624	Turnover	33,341	102,243
35,024	33,434	Expenditure	33,459	101,906
265	190	Surplus/(Deficit) per CIES	(118)	337
(63)	(73)	Interest	(95)	(231)
202	117	Surplus/(Deficit) for Financial Return Purposes	(213)	106

The Building Maintenance Division is primarily responsible for providing a repairs and maintenance service for the Council's housing stock, which at 31 March 2016 amounted to 16,366 houses. The Division also includes a Joinery Manufacturing Unit which manufactures doors as part of the Council's Door Replacement Programme and is responsible for providing a repairs and maintenance service for the Council's operational and administrative buildings.

The interest figure shown above is included within Interest Payable and Receivable in the Comprehensive Income and Expenditure Account.

15. AGENCY ARRANGEMENTS

The Council has an agreement with Scottish Water whereby it collects water and waste charges in conjunction with collection of Council Tax. The income received from this service in 2015/16 was £511,792 (£543,659 in 2014/15).

16. EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are defined as "falling due wholly within 12 months after the end of the period in which the employees render the related service". Some examples are salaries, wages, paid annual leave, paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees. These are recognised as an expense for each Service in the year in which employees render service to the Council. An accrual is made against Services for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year and is reversed out of the General Fund Balance through the Movement in Reserves Statement so that the holiday benefits are charged to revenue in the year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income & Expenditure Statement when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where the termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund or pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

The Council participates in two separate pension schemes that meet the needs of employees in different services:

- (a) The Teachers' Pension Scheme, administered by the Scottish Public Pensions Agency.
- (b) The Local Government Pension Scheme, administered by Falkirk Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. In addition, from time to time, the Council may award discretionary benefits to employees who are retiring.

(a) Teachers

The Teachers' Pension Scheme is an unfunded scheme where the employer contribution rate was 14.9% of pensionable pay until September 2015 when it increased to 17.2%. The Scottish Government has set this rate on the basis of a notional fund. The most recent actuarial valuation of the Teachers' Pension Scheme took place on 31 March 2012. Falkirk's level of participation in the scheme is 2.5% based on the proportion of employer contributions paid in 2014/15.

The arrangements for the teachers' scheme mean that the liabilities for employee benefits cannot be identified specifically to the Council. The pension costs are therefore accounted for as if the scheme were a defined contributions scheme – no liability for future payment of benefits is recognised in the Balance Sheet and the Education Services line in the Comprehensive Income & Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

As a result, the Council does not comply with the Code to recognise the full expected cost of providing for all pensions and related benefits on a systematic and rational basis over the period the Council derives benefit from its employees' service.

(b) Other Employees

Other employees are eligible to join the Local Government Pension Scheme through the Pension Fund administered by the Council. The Scheme is accounted for as a defined benefits scheme.

The Scheme is a funded arrangement with the employer's contribution rate being set on a three yearly basis by an independent actuary. The rate is set to ensure that the Pension Fund remains solvent and with a view to meeting 100% of its overall liabilities in the long term. Full details of the most recent actuarial valuation can be found on the Fund website www.falkirkpensionfund.org.

The liabilities of the Local Government Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees).

Liabilities are discounted to their value at current prices, using a discount rate of 3.5% (based on the indicative rate of return on high quality corporate bonds) which recognises the weighted average duration of the benefit obligation.

The assets attributable to the Council are included in the Balance Sheet at their fair value and these are separated into those that have a quoted market price in an active market and those that do not.

- Quoted securities – current market bid price
- Unquoted securities – independent valuation
- Unitised securities – current market bid price
- Property – independent valuation

The change in the net pensions liability is analysed into several components:

- Current service cost - the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income & Expenditure Statement to the services for which the employees worked
- Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement as part of Non-Distributed Costs
- Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Finance and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement
- Interest Income on assets – a component of the return on plan assets which is determined by multiplying the fair value of the plan assets by the discount rate – credited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Remeasurements comprising
 - Actuarial gains and losses – changes in the present value of the defined benefit obligation because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve
 - Return on plan assets excluding amounts included in net interest i.e. the difference between the return on plan assets and the interest income on assets
- Contributions paid to the Local Government Pension Scheme – cash paid as employer's contributions to the pension fund in settlement of liabilities not accounted for as an expense
- Estimated benefits paid – an estimate of the pension and lump sum benefits payable from the Local Government Pension and other discretionary arrangements

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or directly to the pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund or pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

More Information

More information about pension costs is disclosed in Note 17 of the core financial statements.

17. DEFINED BENEFIT PENSION SCHEMES

As part of the terms and conditions of employment, the Council offers retirement benefits to its employees. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future pension entitlement.

The Council participates in two pension schemes, the rules of which are made under the terms of the Superannuation Act 1972

The Local Government Pension Scheme

The scheme provides defined benefits for non-teaching employees and is administered locally by the Council. The scheme is funded which means that the Council and the scheme members pay contributions into a fund, calculated at a level that is intended to balance the pensions liabilities with investment assets. The contribution rate for the majority of employees is between 5.5% and 9.0% depending on the level of members' salary. Employer contributions are set every three years following a valuation of the Fund by an independent actuary.

The fund is used to pay pension and lump sum benefits to scheme members and their dependants. Contributions to the fund are made by active members and by participating employers. Income also flows into the fund through its investments which include equities, property and bonds.

The Council's participation in the Local Government Pension Scheme requires the funding of liabilities that may stretch out 60-70 years based on the working lives of active members and period during which pensions are in payment. During these periods there will be diverse economic cycles, varying levels of investment return and changes in mortality rates. All of these are factors which could impact on the Council's Cash flow position as they could require the actuary to set a revised employer contribution rate having undertaken the three yearly valuation of the pension fund.

Whilst there is always an element of uncertainty as to the extent of any change in the contribution rate, the actuary is obliged to have regard to the Fund's Funding Strategy which is to take a prudent long term view of liabilities and maintain as constant an employer contribution rate as possible.

Around 35 employers currently participate in the Falkirk Council Pension Fund. This includes employers such as local authorities and non-governmental public bodies who have very secure financial credentials and also employers such as non-profit making charitable organisations who have less secure financial circumstances. If any Fund employer were to be wound up and unable to pay its share of any fund deficit, that liability would fall on the employers remaining in the Fund, including Falkirk Council.

The pension fund seeks to mitigate this risk by requiring all new entities to the Fund since the mid-1990's to nominate a guarantor to make good any deficit on wind up. Employers with less secure covenants admitted to the fund prior to the mid 1990's generally hold tangible assets which could be realised to meet any cessation debts. In any event, the employers who are most at risk of financial failure represent a very small proportion of the fund both in terms of member numbers and aggregate liabilities.

The Council is itself a guarantor of the pension liabilities of Thinkwhere Ltd (formerly Forth Valley GIS Ltd) and Haven Products Ltd. Both employers have closed the Scheme to new entrants in order that funding obligations are minimised.

Falkirk Council has delegated pension fund business to its Pensions Committee which comprises six elected members from Falkirk Council and three co-opted members representing Trade Unions, Pensioners and Other Fund employers. The work of the Pensions Committee is overseen by the Pension Board which consists of four trade union representatives and four employer representatives.

The Teachers' Pension Scheme

The scheme is administered by the Scottish Public Pensions Agency (SPPA) and provides defined benefits for teaching employees. The employee contribution rate ranges from 7.2% to 11.9% depending on the level of teachers' salary. The Council contributes towards the costs of the scheme by making contributions based on a percentage of members' pensionable salaries. Although the scheme is unfunded, the Government Actuary uses a notional fund as a basis for calculating the employers' contribution rate. Annual reports in respect of the STSS (Scottish Teachers' Superannuation Scheme) are available from:

http://www.sppa.gov.uk/index.php?option=com_content&view=article&id=323&Itemid=840

As it is not possible for the Council to identify a share of the underlying liabilities attributable to its own employees, then for the purposes of this Annual Accounts, it is accounted for on the same basis as defined contribution scheme.

In addition to both of the schemes above, the Council has powers to grant additional benefits under Discretionary Payments Regulations relating to teaching and non-teaching employees. On occasion, benefits under the regulations may be awarded by the Council where an employee leaves in the interests of the efficiency of the service or on the grounds of redundancy. These are unfunded schemes meaning that there are no investment assets built up to meet the pension liabilities. These benefits have been accounted for on a defined benefit basis.

The Local Government Pension Scheme and Teachers' Pension Scheme were both amended with effect from 1 April 2015 to meet the requirements of the Public Service Pensions Act 2013. Both schemes have moved to a career average basis from the existing final salary basis. It is expected to be a number of years before savings are realised from the new arrangements as pre April 2015 benefits are generally continuing to be calculated on a final salary basis.

Local Government Pension Scheme and Discretionary Benefits

In accordance with the requirements of International Accounting Standard 19 "Employee Benefits" (IAS 19), the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to Pension Schemes for its employees.

The assets and liabilities of the Council's pension arrangements as at 31 March 2016 have been calculated by Hymans Robertson a firm of independent Consulting Actuaries.

Fund membership is made up of active members, deferred members and pensioner members.

Participating employers include Clackmannanshire, Falkirk and Stirling Councils, Falkirk Community Trust, Scottish Police Authority (ex Central Scotland Police members), Scottish Fire and Rescue Service (ex Central Scotland Fire and Rescue members), Central Scotland Valuation Joint Board, the Scottish Environment Protection Agency (SEPA), the Scottish Children's Reporter Administration (SCRA), Forth Valley College and a number of non-profit making charitable bodies in Central Scotland.

Regulation 55 of the Local Government Pension Scheme (Scotland) Regulations 2014 requires that an Administering Authority must prepare a pension fund annual report. Statutory guidance issued by the Scottish Government and contained in the Local Government Finance Circular No. 1/2011 requires that the annual report is to be published separately from the Council's accounts and is to be subject to a separate audit opinion.

The report must contain the following items:

- a report about the management and financial performance of the fund during the year
- a report explaining the Council's investment policy for the fund and reviewing the performance of the investments of the fund during the year
- a report of the arrangements made during the year for the administration of each of those funds
- a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the fund and of the level of funding disclosed by that valuation
- the current version of the governance compliance statement or details of where that statement can be obtained
- the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices
- an annual report dealing with
 - (i) the extent to which the administering Council and constituent employers have achieved any levels of performance set out in a pension administration strategy
 - (ii) such other matters arising from its pension administration strategy as it considers appropriate
- the current version of the Funding Strategy Statement or details of where that statement may be obtained
- the current version of the Statement of Investment Principles or details of where that statement may be obtained
- any other material which the administering Council considers appropriate

The annual report of the Falkirk Council Pension Fund in respect of year 2015/16 can be inspected at the offices of the Council or online at www.falkirkpensionfund.org by following the links to local government pension scheme.

The cost of retirement benefits in the Net Cost of Services is recognised when employees earn them, rather than when the benefits are eventually paid as pensions. The following information is in relation to the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement

31/03/15	Year Ended:	31/03/16
£'000		£'000
28,836	Current Service Cost	32,601
36,299	Interest Cost	33,920
(25,320)	Interest Income on Plan Assets	(21,601)
1,180	Past Service Costs/(Gains)	630
-	Losses/(Gains) on Curtailments and Settlements	-
40,995	Total	45,550

Reconciliation of present value of defined benefit obligation

31/03/15	Year Ended:	31/03/16
£'000		£'000
839,586	Opening Defined Benefit Obligation	1,054,451
28,836	Current Service Cost	32,601
36,299	Interest Cost	33,920
6,546	Contributions by Members	6,410
	Remeasurements	
(6,782)	- Change in demographic assumptions	-
96,840	- Change in financial assumption	(98,328)
78,052	- Other experience	(11,520)
1,180	Past Service Cost	630
(23,379)	Benefits paid	(25,749)
(2,727)	Unfunded Benefits Paid	(2,693)
1,054,451	Closing Defined Benefit Obligation	989,722

Reconciliation of the movements in the fair value of plan assets

31/03/15	Year Ended:	31/03/16
£'000		£'000
586,322	Opening Fair Value of Plan Assets	673,163
25,320	Interest Income on Plan Assets	21,601
	Remeasurements	
55,613	- Return on Plan Assets excluding the amount included in net interest	(11,878)
22,741	Contributions by Employer	23,130
6,546	Contributions by Members	6,410
2,727	Contributions in respect of unfunded benefits	2,693
(23,379)	Benefits Paid	(25,749)
(2,727)	Unfunded Benefits Paid	(2,693)
673,163	Closing Fair Value of Plan Assets	686,677

Disclosure of Net Pensions Asset/Liability*Local Government Pension Schemes*

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2016 are as follows:

31/03/15		31/03/16
£'000		£'000
(381,288)	Net asset (liability)	(303,045)

The net liability above includes the sum of £43.8m for year ended 31 March 2016 (£48.8m for 31 March 2015) being unfunded liabilities related to the award of discretionary benefits.

There has been a reduction in IAS19 liabilities of £78m as at 31 March 2016 compared with the liabilities as at 31 March 2015. This is mainly due to a reduction in the value of liabilities as a result of an increase in the net discount rate which has been partly offset by lower than expected asset returns.

In summary, the IAS19 balance sheet this year has improved from last year with IAS19 liabilities reducing in monetary terms reflecting market conditions, however, this has been partially offset with poorer than expected asset returns over the year (1.5% against the fund's targeted return of 6%).

Actuaries have recognised the weighted average duration of the benefit obligation which takes account of the average time until payment of all expected future discounted cash flows based on membership and the financial and demographic assumptions and Falkirk has been allocated into a Medium category with a weighted average duration of between 17 and 23 years.

Fair Value of Employer assets

The assets held by the Pensions Fund are primarily a mixture of equities, bonds and property and an expected rate of return has been set equal to the discount rate of 3.5% (3.2% for year ended 31 March 2015).

Quoted Prices in Active Markets 31/03/15 £'000	Prices not Quoted in Active Markets 31/03/15 £'000	Total 31/03/15 £'000		Quoted Prices in Active Markets 31/03/16 £'000	Prices not Quoted in Active Markets 31/03/16 £'000	Total 31/03/16 £'000
			Equity Securities			
65,147	-	65,147	Consumer	72,129	-	72,129
40,124	-	40,124	Manufacturing	38,806	-	38,806
26,533	-	26,533	Energy and Utilities	24,494	-	24,494
49,179	-	49,179	Financial Institutions	44,381	-	44,381
34,929	-	34,929	Health & Care	35,127	-	35,127
27,168	-	27,168	Information Technology	41,586	-	41,586
11,601	-	11,601	Other	15	-	15
254,681	-	254,681		256,538	-	256,538
			Debt Securities			
-	-	-	Corporate Bonds	-	11,097	11,097
-	38,984	38,984	Private Equity	-	49,953	49,953
			Real Estate			
-	48,390	48,390	UK Property	-	53,389	53,389
-	2,367	2,367	Overseas Property	-	1,625	1,625
-	50,757	50,757		-	55,014	55,014
			Investment Funds and Unit Trusts			
144,743	-	144,743	Equities	146,069	-	146,069
59,769	-	59,769	Bonds	-	47,327	47,327
-	16,936	16,936	Infrastructure	-	8,980	8,980
78,703	-	78,703	Other	79,255	-	79,255
283,215	16,936	300,151		225,324	56,307	281,631
28	-	28	Derivatives	-	-	-
28,562	-	28,562	Cash and Cash Equivalents	32,444	-	32,444
566,486	106,677	673,163	Total	514,306	172,371	686,677

A substantial portion of employer assets are invested in global financial markets. Valuations can therefore be affected by the strength of local currency against sterling.

The main assumptions used in the calculations have been:

31/03/15 % p.a.	Year Ended:	31/03/16 % p.a.
2.4	Pension Increase Rate	2.2
3.8	Salary Increase Rate	3.7
3.2	Discount Rate	3.5

Demographic assumptions – Mortality

Life expectancy is based on “Club Vita” Analysis which is an extensive database of mortality information maintained by the Pension Fund Actuary, Hymans Robertson. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	23.8 years
Future Pensioners	24.3 years	26.3 years

Current Pensioners life expectancy is based on a member being age 65 as at the valuation of 31 March 2014. Future Pensioners are assumed to be age 45 as at the March, 2014 valuation.

Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% for post-April 2009 service.

Projected pension expense for the year to 31 March 2017

The following table sets out the estimation of the pension cost for 2016/17, based on the assumptions as at 31 March 2016 (the start of the period).

Analysis of projected amount to be charged to operating profit for the year to 31 March 2017

Year Ended:	£'000
Projected Current Service Cost	27,935
Interest on Obligation	34,749
Interest Income on Plan Assets	(24,094)
Past Service Cost	-
Total	38,590

The estimated Employer’s contributions for the year to 31 March 2017 will be approximately £22.4m.

The pension fund’s approach to meeting its liabilities is set out in its Funding Strategy Statement. The funding policy is to achieve a funding level of 100% of liabilities. Where, as at present, the fund is in a deficit position, the strategy is to require employers to make deficit contributions over periods of up to 20 years, but also maintain contribution levels at as stable a rate as possible.

In order to achieve the desired stability, Falkirk Council’s contribution rate has been determined as part of a pooled group, including Clackmannanshire and Stirling Councils.

Teachers’ Pension Scheme

During the year, the Council paid £9.655m (£8.895m in 2014/15) to the Scottish Government in respect of teachers’ pension costs and this represents 16.25% of teachers’ pensionable pay. The employer’s contribution rate increased from 14.9% to 17.2% on 1 September 2015.

The Council is also required to meet the costs of benefits arising from compensatory added years, as well as the costs arising from the early release of benefits in the Teachers Pension Scheme. In 2015/16, these amounted to £1.107 million, representing 1.9% of pensionable pay (£1.119 million, representing 1.9% of pensionable pay in 2014/15).

With regard to the Teachers’ Pension Scheme, there were no contributions outstanding at the year end.

18. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

(a) The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged to expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability and
- A finance charge - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council has paid for the replacement of windows in its housing stock by way of a finance lease. The assets acquired under these leases are included in the Council Dwellings Valuation within Property, Plant and Equipment in the Balance Sheet. It is impossible to place a separate value on these leases as the valuation of Council Dwellings provided by the District Valuer is an all inclusive figure.

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2015 £'000		31 March 2016 £'000
	Finance lease liabilities (net present value of minimum lease payments):	
165	• Current	-
-	• Non-Current	-
-	Finance costs payable in future years	-
165	Total	-

The minimum lease payments will be payable over the following periods:

Minimum Lease Payment 31 March 2015 £'000	Finance Lease Liabilities 31 March 2015 £'000		Minimum Lease Payment 31 March 2016 £'000	Finance Lease Liabilities 31 March 2016 £'000
165	165	Not later than one year	-	-
-	-	Later than one year and not later than 5 years	-	-
-	-	Later than five years	-	-
165	165	Total	-	-

There are no contingent rentals on these leases.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income & Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. All charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council has acquired several properties by entering into operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2015 £'000		31 March 2016 £'000
1,611	Not later than one year	1,521
2,825	Later than one year and not later than 5 years	2,257
1,594	Later than five years	1,383
6,030	Total	5,161

The total of future minimum sub-lease payments expected to be received as at 31 March 2016 is £0.553m (£1.176m as at 31 March 2015).

The expenditure charged to Council Services in the Comprehensive Income and Expenditure Statement during the year in relation to these was:

31 March 2015 £'000		31 March 2016 £'000
1,866	Minimum lease payments	1,694
-	Contingent rents	-
(538)	(sub-lease payments receivable)	(206)
1,328	Total	1,488

(b) The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income & Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a Debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A capital receipt for the disposal of the asset – applied to write down the Debtor (together with any premiums received), and
- Finance income - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement

The gain credited to the Comprehensive Income & Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, the amount relating to the disposal (initial debtor) value is credited to the Capital Receipts Reserve immediately. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the Debtor.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The Council leases out Northfield Quarry to Tillicoultry Quarries Ltd on a finance lease with a remaining term of 13 years.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term. There is no residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2015 £'000		31 March 2016 £'000
	Finance lease debtor (net present value of minimum lease payments);	
42	• Current	45
878	• Non-Current	833
488	Unearned finance income	424
-	Unguaranteed residual value of property	-
1,408	Gross investment in the lease	1,302

The gross investment in the lease and the minimum lease payments will be received over the following periods:

Gross Investment in the Lease 31 March 2015 £'000	Minimum Lease Payment 31 March 2015 £'000		Gross Investment in the Lease 31 March 2016 £'000	Minimum Lease Payment 31 March 2016 £'000
106	42	Not later than one year	106	45
422	202	Later than one year and not later than 5 years	422	218
880	676	Later than five years	774	615
1,408	920	Total	1,302	878

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

The Council leases out land and buildings to provide suitable affordable accommodation for local businesses in the interests of economic development.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2015 £'000		31 March 2016 £'000
3,945	Not later than one year	3,690
8,227	Later than one year and not later than five years	7,519
28,367	Later than five years	28,005
40,539	Total	39,214

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

19. INTANGIBLE ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. These intangible assets have been initially valued at cost and are then amortised on a straight line basis to the Comprehensive Income and Expenditure Statement over the economic life of the investment from the year after the year of purchase.

Intangible assets are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income & Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses as well as disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are:

	Internally Generated Assets	Other Assets
5 years	-	Server Consolidation Software
5 years	-	Software Licenses

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.296m was charged to revenue in 2015/16.

The movement on Intangible Asset balances during the year is as follows:

Other Assets 2014/15 £'000		Other Assets 2015/16 £'000
588	Balance at start of year:	1,998
(530)	• Gross carrying amounts	
	• Accumulated amortisation	(545)
58	Net carrying amount at start of year	1,453
	Additions:	
-	• Internal development	-
1,410	• Purchases	502
-	Other movements and costs or valuation	612
(15)	Amortisation for the period	(296)
1,453	Net carrying amount at end of year	2,271
	Comprising:	
1,998	• Gross carrying amounts	3,112
(545)	• Accumulated amortisation	(841)
1,453		2,271

The other movements and costs or valuation above reflects the accounting treatment for the Carbon Reduction Commitment (CRC).

There is one item of capitalised software that is individually material to the financial statements:

Carrying Amount		Carrying Amount	
31 March 2015 £'000		31 March 2016 £000	Remaining Amortisation Period
1,079	Citrix Software Licenses	863	5 years

There are no changes in accounting estimates for Intangible Assets. All Intangible Assets have a finite useful life.

20. REVALUATION GAIN/IMPAIRMENT LOSSES

The Council's non-operational land and buildings and Council Dwellings were revalued as at 1 April 2015. In addition, two of the nine PFI schools were also revalued at 1 April 2015. The revaluation gains and losses flowing from these revaluations, together with the impairment for non-enhancing capital expenditure within the Housing Revenue Account were accounted for in 2015/16. The overall net gain was £275.4m, of which £287m was credited to the Revaluation Reserve as a revaluation gain and £11.6m was debited to the Comprehensive Income and Expenditure Statement as an impairment loss.

21. CAPITALISATION OF BORROWING COSTS

The Council did not capitalise any borrowing costs in 2015/16 (nil in 2014/15).

22. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

In the past the Council has set a de minimus level for capital expenditure. However, we have found that there are issues with this on an operational level where a large volume of smaller invoice values are part of a large capital project. Consequently, we have introduced controls to ensure that revenue expenditure which could have been in excess of the predetermined de minimus level, does not find its way into the capital programme costs of the Council. The controls in place include the processing of the majority of capital invoices within the Capital section, thereby ensuring the criteria for recognition is confirmed at the outset. In addition a monthly analysis of all capital expenditure transactions is carried out to ensure that where invoices have been processed in the Services, these meet the criteria for recognition as capital expenditure. Any errors identified are transferred from capital to revenue.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income & Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income & Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – historical cost
- Dwellings – current value, determined using the basis of existing use value (Social Housing – Beacon Method)
- Surplus Assets – fair value, estimated at highest and best use from a market participant's perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV, except where there is no market based evidence of fair value).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. However, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end to determine if there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- Where there is no balance in the revaluation reserve, or an insufficient balance, the excess value is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is charged on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings & Other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment - straight-line allocation over the useful life of the asset
- Infrastructure – straight-line allocation over 30 years

Where an item of Property, Plant and Equipment has a valuation in excess of £1m and has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Assets Held for Sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Assets Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for disposal are categorised as capital receipts. All receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserves from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

(a) PROPERTY, PLANT & EQUIPMENT MOVEMENTS IN 2015/16								
	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infra-Structure £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000
Cost or Valuation as at 1 April 2015	137,597	623,795	28,971	131,119	14,593	5,971	7,928	949,974
Additions	24,464	3,247	5,517	7,187	1,371	9,533	-	51,319
Revaluations:-								
• Recognised in Revaluation Reserve	198,489	22,552	-	-	-	-	275	221,316
• Recognised in Provision of Services	-	1,758	-	-	-	-	150	1,908
De-recognition:-								
• Disposals	(1,973)	(2,250)	(3,630)	(318)	-	-	-	(8,171)
Assets reclassified to/from Held for Sale	-	(16)	-	-	-	-	-	(16)
Other Movements in Cost or Valuation	585	2,069	-	3,096	-	(6,400)	650	-
As at 31 March 2016	359,162	651,155	30,858	141,084	15,964	9,104	9,003	1,216,330
Accumulated Depreciation & Impairment								
As at 1 April 2015	82,630	112,837	17,081	32,098	2,167	1,151	1,241	249,205
Depreciation:-								
• Charge for Year	10,946	15,272	3,321	5,229	430	-	-	35,198
Impairment Losses/(Reversals):								
• Recognised in Revaluation Reserve	(71,617)	3,508	-	-	-	-	2,890	(65,219)
• Recognised in Provision of Services	-	12,735	-	-	-	-	797	13,532
De-recognition:-								
• Disposals	-	(311)	(3,259)	-	-	-	-	(3,570)
As at 31 March 2016	21,959	144,041	17,143	37,327	2,597	1,151	4,928	229,146
Net Book Value								
31 March 2015	54,967	510,958	11,890	99,021	12,426	4,820	6,687	700,769
31 March 2016	337,203	507,114	13,715	103,757	13,367	7,953	4,075	987,184

Note

The net book value of Council Dwelling at 31 March 2016 and 31 March 2015, includes the valuation of windows within the housing stock which were acquired by a finance lease (see note 18a).

(b) PROPERTY, PLANT & EQUIPMENT MOVEMENTS IN 2014/15								
	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infra-Structure £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000
Cost or Valuation as at 1 April 2014	102,831	602,283	26,432	121,669	3,161	13,538	7,925	877,839
Additions	35,062	5,854	4,868	7,843	683	5,729	3	60,042
Revaluations:-								
• Recognised in Revaluation Reserve	-	15,778	-	-	-	-	-	15,778
• Recognised in Provision of Services	-	6	-	-	-	-	-	6
De-recognition:-								
• Disposals	(296)	(909)	(2,329)	(811)	-	-	-	(4,345)
Assets reclassified to/from Held for Sale	-	(177)	-	-	-	-	-	(177)
Other Movements in Cost or Valuation	-	960	-	2,418	10,749	(13,296)	-	831
As at 31 March 2015	137,597	623,795	28,971	131,119	14,593	5,971	7,928	949,974
Accumulated Depreciation & Impairment								
As at 1 April 2014	48,390	91,977	16,280	28,112	1,541	1,151	1,238	188,689
Depreciation:-								
• Charge for Year	-	15,291	3,003	3,986	66	-	-	22,346
Impairment Charge for Year:								
• Written Out to Revaluation Reserve	-	2,535	-	-	-	-	3	2,538
• Written Out to Provision of Services	34,240	3,755	-	-	560	-	-	38,555
De-recognition:-								
• Disposals	-	(721)	(2,202)	-	-	-	-	(2,923)
As at 31 March 2015	82,630	112,837	17,081	32,098	2,167	1,151	1,241	249,205
Net Book Value								
31 March 2014	54,441	510,306	10,152	93,557	1,620	12,387	6,687	689,150
31 March 2015	54,967	510,958	11,890	99,021	12,426	4,820	6,687	700,769

Note

The net book value of Council Dwelling at 31 March 2015 and 31 March 2014, includes the valuation of windows within the housing stock which were acquired by a finance lease (see note 18a).

23. HERITAGE ASSETS

Heritage Assets are defined as assets which have historical, artistic, scientific, technological or environmental qualities and are held and maintained principally for their contribution to knowledge and culture. It is a distinct asset class which is reported separately from Property, Plant and Equipment and Intangible Assets.

Heritage Assets are recognised where cost or valuation information is available. Where the cost or value is not available, and the cost of obtaining the information is disproportionate in terms of the benefit derived, the Code does not require the assets to be recognised on the Balance Sheet. Where valuation is available, this is based on insurance valuation. Any increases in valuation are accounted for in accordance with the Council's general policies on revaluation.

Heritage Assets are reviewed periodically where there is evidence of physical deterioration or breakage. Where impairment losses are identified, they are accounted for in accordance with the Council's general policies on impairment. The Council does not consider it appropriate to charge depreciation in respect of Heritage Assets due to the undetermined lives and high residual values.

With the exception of Civic Regalia and one item of art, the Council does not consider that reliable cost or valuation information can be obtained and consequently there is limited recognition of Heritage Assets on the Balance Sheet.

Movement on Heritage Assets

2014/15 £'000		2015/16 £'000
259	Cost or Valuation as at 1 April 2015	259
-	Additions	-
	Revaluations:-	
-	• Recognised in Revaluation Reserve	-
-	• Recognised in Provision of Services	-
	De-recognition:-	
-	• Disposals	-
-	Assets reclassified to/from Held for Sale	-
-	Other Movements in Cost or Valuation	-
259	As at 31 March 2016	259
	<u>Accumulated Depreciation and Impairment</u>	
-	As at 1 April 2015	-
	Depreciation:	
-	• Charge for Year	-
	Impairment:	
-	• Written Out to Revaluation Reserve	-
-	• Written Out to Provision of Services	-
	De-recognition:-	
-	• Disposals	-
-	As at 31 March 2016	-
259	Net Book Value at 31 March 2016	259

The total net book value of Heritage Assets at 31 March 2016 is £0.259m, of which £0.211m relates to Civic Regalia and £0.048m relates to a sculpture forming part of the Stenhousemuir Town Regeneration project.

A five year summary of transactions relating to Heritage Assets has not been provided as it is not practical to do so.

24. OTHER CAPITAL NOTES

The following depreciation methods have been used for Property, Plant and Equipment:

Council Dwellings - Land is not depreciated. Buildings are depreciated on a straight line basis over the estimated life of the asset.

Land and Buildings – Land is not depreciated. Buildings are depreciated on a straight line basis over the estimated life of the asset.

Vehicles, Plant and Equipment - these are depreciated on a straight line basis over the estimated life of the asset.

Infrastructure Assets - these are depreciated on a straight line basis over the estimated life of the asset.

Community Assets - these are depreciated on a straight line basis over the estimated life of the asset.

Non-Operational - these are depreciated on a straight line basis over the estimated life of the asset.

Assets Under Construction - these are not depreciated.

Surplus Assets – these all relate to land and are therefore not depreciated.

Assets owned by the Council include:				
2014/15			2015/16	
16,325	Council Dwellings		16,366	24 years (average)
33	Other Land & Buildings	Surface Car Parks	33	n/a years
10		Depots	9	9-24 years
2		Strategic Business Parks	2	10-25 years
10		Nursery Schools/Day Nurseries	10	14-49 years
50		Primary Schools	50	14-46 years
8		Secondary Schools	8	34-40 years
4		Special Schools	4	17-37 years
6		Homes for the Elderly	6	22-37 years
11		Sports Centres	11	8-38 years
8		Libraries	8	8-46 years
3		Museums	3	13-99 years
3		Town Halls	3	13-23 years
34		Community Halls/Social Halls	34	8-33 years
1		Crematorium	1	18 years
183			182	
85	Community Assets		88	
749	Vehicle, Plant & Equipment		707	2-14 years
709	Non-Operational Properties		660	10-40 years

Valuation Disclosure

All of the Council's land and buildings are subject to a rolling programme of revaluation. This effectively means that each Service has to be revalued at least once within a five year period, always as at 1 April of the year. The revaluations are performed externally by the District Valuer or external property surveyors such as Ryden LLP.

The Housing Stock was re-valued as at 1 April 2015 by the District Valuer of the Scotland South East Valuation Office, using the 'Existing Use Value' for Social Housing – EUV-SH Beacons method. Previously Housing Stock was valued using the Discounted Cash Flow method.

The Council's Property portfolio of retail and industrial units have been valued on the basis of Existing Use Value. This valuation was carried out as at 1 April 2015 by Ryden LLP.

Land and Buildings owned by Social Work have been valued as at 1 April 2011 and were valued on the basis of open market value for existing use.

Land and Buildings owned by Corporate and Neighbourhood Services have been valued as at 1 April 2012 and were valued on the basis of open market value for existing use, or where this could not be assessed, because there was no market for the subject asset, depreciated replacement cost. Plant and Machinery within buildings is included in the valuation of those buildings.

Land and Buildings owned by Education Services have been valued as at 1 April 2013 and were valued on the basis of depreciated replacement cost (DRC) or where this wasn't available, existing use value.

Two of the nine PFI Schools have been valued as at 1 April 2015 and were valued on the basis of depreciated replacement cost (DRC). The other seven were valued as at 1 April 2014 using the same method.

Common Good Asset (Kilns House) has been valued as at 1 April 2014 on the basis of existing use value.

Surplus Assets have been valued at fair value equivalent to Market Value.

Assets Under Construction have been valued at cost.

Vehicles, Plant and Equipment are valued at depreciated historical cost.

Infrastructure and Community Assets have been valued on the basis of historical cost.

The sources of information and assumptions made in producing the various valuations are set out in a valuation certificate and report.

The Council has taken into account any material changes in the value of fixed assets.

Capital Commitments

As at 31 March 2016 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £26.4m. Similar commitments at 31 March 2015 were £7.7m. The major commitments are:-

Project	£'m
Denny Town Centre Regeneration	3.9
Crematorium	3.0
New ASN School	16.8
New Build Housing	2.1
TIF	0.3
Various Projects	0.3
TOTAL	26.4

Effects of Changes in Estimates

The Council's housing stock was revalued at 1 April 2015. The valuation method used was "Existing Use Value" for Social Housing based on the Beacon Method of valuation. The valuation method previously used was the Discounted Cashflow Method. This change in valuation method has substantially increased the value of the Council Housing Stock within Property, Plant and Equipment. The value as at 31 March 2016 is £337.2m compared to £55.0m as at 31 March 2015.

25. ASSETS HELD FOR SALE

Current 2014/15 £'000	Non-Current 2014/15 £'000		Current 2015/16 £'000	Non-Current 2015/16 £'000
1,355	115	Balance at start of year	888	104
177	-	Assets newly classified as held for sale:	15	-
		Revaluation losses:		
(1)		Recognised in Revaluation Reserve	(7)	-
	(11)	Recognised in Provision of Services	-	-
		Revaluation gains:		
49	-	Recognised in Revaluation Reserve	473	-
(692)	-	Assets sold	(145)	-
-	-	Transfers from/to non-current/current	-	-
888	104	Balance outstanding at year-end	1,224	104

26. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2014/15 £'000		2015/16 £'000
397,445	Opening Capital Financing Requirement	408,572
	<u>Capital Investment</u>	
60,042	Property, Plant and Equipment	51,319
1,410	Intangible Assets	502
232	Revenue Expenditure Funded from Capital under Statute	332
238	Long Term Investment - thinkWhere	262
	<u>Sources of finance</u>	
(3,570)	Capital receipts	(3,585)
(22,513)	Government grants and other contributions	(25,625)
	Sums set aside from revenue:	
(7,664)	Direct revenue contributions	(11,630)
(17,048)	MRP/loans fund principal	(18,863)
408,572	Closing Capital Financing Requirement	401,284
	<u>Explanation of movements in year</u>	
15,200	Increase in underlying need to borrow (unsupported by government financial assistance)	(2,931)
(335)	Assets acquired under finance leases	(165)
(3,738)	Assets acquired under PFI/PPP contracts	(4,192)
11,127	Increase/(Decrease) in Capital Financing Requirement	(7,288)

27. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

PFI contracts are agreements to receive services, where the responsibility for making available the assets needed to provide the services passes to the PFI contractor. If the Council is deemed to control the services that are provided under its PFI schemes and if ownership of the assets will pass to the Council at the end of the contracts for no additional charge, the Council should carry the assets used under the contracts on its Balance Sheet, as part of Property, Plant and Equipment.

Under the revised accounting arrangements for PFI that were introduced for 2009/10 by the 2009 SORP, the criteria for asset recognition moved from risk and reward to issues about the control of service provision as well as control over the residual value of the asset. An exercise was carried out which concluded that the two PFI schemes operated by Falkirk Council would result in the assets being recognised on the Balance Sheet.

The two PFI Schemes operated by Falkirk Council are:-

- Class 98, for the provision of 5 schools with payments due from August 2000 and terminating in July 2026; and
- Falkirk Schools Gateway Ltd for the provision of 4 schools with payments due from January 2009 and terminating in March 2040.

The Code requires that when these assets are recognised an equal and opposite entry is made to credit a finance lease liability. The asset is depreciated in line with normal Council policy and the finance lease liability is written down annually by the apportioned element of the PFI unitary charge.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income & Expenditure Statement;
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and
- Lifecycle replacement costs – proportion of the amount payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

As the above scenario would result in a reduction in the total sum charged to the Comprehensive Income and Expenditure Account as compared to previous accounting arrangements, statutory intervention has been agreed with the Scottish Government (Finance Circular 4/2010) the intention of which is as far as possible, to put local authorities in a neutral finance position as compared to the previous accounting treatment of PFI arrangements. Two statutory charges have therefore been created:

- Statutory Charge for the Repayment of Debt (for the element of the Unitary Payment designated for the repayment of the finance lease liability); and
- Capital Expenditure Charged to General Fund (for the element of the Unitary Payment designated for lifecycle replacement costs).

The inclusion of these two Statutory Charges within the Movement in Reserves Statement should ensure that there is no effect on the General Fund Balance.

(a) Movement in Assets

	Class 98 £'000	Falkirk Schools Gateway Ltd £'000	2015/16 £'000
Balance as at 1 April 2015	99,421	108,819	208,240
Net Additions during year	-	-	-
Revaluation	-	14,262	14,262
Depreciation	(3,324)	(3,203)	(6,527)
Net Book Value 31 March 2016	96,097	119,878	215,975

(b) Movement in Liabilities

	Class 98 £'000	Falkirk Schools Gateway Ltd £000	2015/16 £'000
Balance as at 1 April 2015	42,416	80,791	123,207
Additions during year	-	-	-
Repaid during year	(2,164)	(1,928)	(4,092)
Balance as at 31 March 2016	40,252	78,863	119,115
of which			
Current	2,581	2,312	4,893
Long Term	37,671	76,551	114,222
Total	40,252	78,863	119,115

(c) Estimated Future Unitary Payment Obligations

	Service Charges £'000	Interest £'000	Finance Lease Repayment £'000	2015/16 £'000
Basic Annual Payments – Class 98				
Within one year	4,019	6,669	2,581	13,269
In the second to fifth years inclusive	15,163	24,542	14,096	53,801
In the sixth to tenth years inclusive	14,304	21,033	23,575	58,912
Total	33,486	52,244	40,252	125,982

The figures shown above for the Basic Annual Payment assume an indexation rate of 0% on a fixed part of the Basic Annual Payment with the balance indexed at 1% per annum as per the operator's financial model.

	Service Charges £'000	Interest £'000	Finance Lease Repayment £'000	2015/16 £'000
Basic Annual Payments – Falkirk Schools Gateway Ltd				
Within one year	4,056	6,333	2,312	12,701
In the second to fifth years inclusive	17,920	25,944	10,195	54,059
In the sixth to tenth years inclusive	30,148	32,619	12,765	75,532
In the eleventh to fifteenth years inclusive	37,821	33,119	14,517	85,457
In the sixteenth to twentieth years inclusive	44,912	33,843	17,931	96,686
In the twenty first to twenty fifth years inclusive	21,789	28,548	21,143	71,480
Total	156,646	160,406	78,863	395,915

The figures shown above for the Basic Annual Payment assume an indexation rate of 1% as per the operator's financial model.

28. CONTINGENT ASSETS AND LIABILITIES

(a) Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

- (i) In terms of a contract for the sale of land, a clawback provision was included in relation to the treatment of any savings on the assumed remediation costs for the land in question. Following a dispute the matter was assessed through third party determination at £0.930m. To date, some £0.326m has been received. Following an application by the purchaser for judicial review of the third party determination, the outcome of the determination was subsequently upheld by the Court. Legal procedures are now being finalised in respect of settlement arrangements for the balance of £0.604m due by means of transfer of land and property assets by the company to the Council for subsequent disposal, together with a further cash payment to a maximum of £0.300m (the latter dependent on proceeds of successful sale of a development site elsewhere by the company). There accordingly remains the potential for the Council to receive further sums subject to the outcome of the subsequent asset disposals and recovery of additional cash sum.

(b) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet. Where liabilities are reduced through contributions or recoveries from other parties the net liability is shown.

- (ii) Falkirk Schools Project – Falkirk Council has entered into a Public Private Partnership with Class 98 Ltd to provide five schools. In terms of the Project Agreement, the Council is liable for outstanding senior debt following termination of a Class 98 Ltd event of default. At 31 March 2016, this totalled £35m (£39m as at March 2015).
- (iii) Note 33 includes provision in respect of potential expenditure arising from outstanding equal pay claims. Legal judgements on pay protection and equal pay matters means the Council could be at risk in respect of further potential equal pay obligations. However, this is dependent on case law development and cannot be quantified at this time.
- (iv) Falkirk Community Trust is a member of the Falkirk Pension Fund, a Local Government Pension Scheme, which is a defined benefit scheme and provides benefits based on final pensionable pay. As part of the Admission Agreement to the Scheme both Falkirk Community Trust and Falkirk Council agreed that assets of the Pension Fund in respect of Trust employees and former employees shall, at all times, be notionally allocated to Falkirk Council and the liabilities of the Pension Fund shall, at all times, be the responsibility of Falkirk Council and not Falkirk Community Trust. At this stage, it has not been possible to quantify this potential liability as no separate valuation was undertaken.
- (v) Prior to local government reorganisation in 1996 the extant councils, Central Regional Council and Falkirk District Council, entered into a solvent run-off arrangement with their insurer, MMI, with the aim of having sufficient assets to meet outstanding insurance claims. This essentially means that liabilities, as they arise, can be met from available resources. The outcome of litigation has created a financial liability for Falkirk Council as successor Council. Accordingly a provision of £0.360m was created which was based on a 30% levy. The MMI Scheme is now being administered by Ernst & Young. Initially they had determined a 15% levy, however this has been further revised to 25%. There is a possibility that this could increase and as such a further provision of £0.360m has been created. During the course of 2015/16, £0.228m was drawn down from this provision (£0.223m previously in 2013/14) and the balance at 31 March 2016 is £0.269m.

- (vi) The Council has received eight insurance claims relating to crematoria practices. These claims are still subject to consideration and cannot be quantified at this time.
- (vii) A recent EU ruling has highlighted that the Council may have some liability in respect of additional Holiday Pay entitlement. The extent of this liability cannot be assessed at this stage.

29. NET ASSETS

An analysis of Net Assets shown in the Balance Sheet is given below:

2014/15 £'000		2015/16 £'000
(2,848)	General Fund	89,649
(43,185)	Housing Revenue Account	234,773
(46,033)	Total	324,422

30. LONG-TERM INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Council has two long term investments as follows:

In March 2003, the Council in conjunction with Falkirk Football and Athletic Club Ltd (FFAC), established a joint venture called Falkirk Community Stadium Limited (FCSL) to develop and operate a stadium facility at Westfield, Falkirk. The Council and FFAC invested £3.110m and £2.868m respectively from the proceeds of property disposals at Brockville and Hope Street, Falkirk. These sums were used to purchase Interest Free Secured Loan Stock 2178. The Council held 25% of the ordinary shares in the company, although this holding equated to 49% of the economic value. In addition, the Council advanced the Company loans of £2.000m on 31 March 2003, £2.795m on 22 December 2004 and £0.300m on 31 August 2005, which were repayable over 25 years for the provision of community leisure facilities within the new Community Stadium.

FCSL was reconstructed on 28th May 2009 through a solvent liquidation pursuant to Section 110 of The Insolvency Act 1986. In effect, the assets and liabilities of the company have been split between FFAC and the Council. The loans advanced by the Council and the Long Term Investment have been replaced by Property, Plant & Equipment of £3.850m and a Long Term Investment of £9.340m. The assets comprise Ground Leases of £0.250m and Development Sites of £3.600m per the 2009 valuation. These assets have subsequently been revalued at 1 April 2015. The Ground Leases were revalued to £0.362m and the Development Sites at £0.65m. The Long Term Investment has been impaired by £3.530m to £5.810m.

thinkWhere was a company established by Falkirk, Stirling and Clackmannanshire Councils in 2007 to deliver geographical information services. In November 2014 the Council agreed an investment of £0.5m in the company, payable over three years. The long term investment in 2015/16 equated to £0.500m (£0.238m in 2014/15).

31. LOANS OUTSTANDING

These loans were raised to finance the capital expenditure of the Council. The source of these loans as at 31 March 2016 was as follows:-

2014/15 £'000	Borrowing Repayable on Demand or Within 12 Months	2015/16 £'000
26,026	Temporary Borrowing	29,001
-	Other Loans	-
26,026		29,001
2,762	Accrued Interest	2,834
28,788	Total	31,835
	Long Term Borrowing	
176,630	Public Works Loan Board	186,630
26,000	Market Bonds	26,000
202,630		212,630
1,599	Accrued Interest	1,563
204,229	Total	214,193

Short Term Borrowing per the Balance Sheet is £32,915k. This figure includes borrowing per above £31,835k and £1,079k in respect of Third Party balances which are invested in the Loans Fund as at 31 March 2016.

32. INSURANCE FUND

An updated independent actuarial valuation of the Insurance Fund was undertaken in September 2015. This has established that there are sufficient funds to meet its outstanding liabilities in respect of Property, Liability and Motor Insurance claims. There is no material risk which remains unfunded. The balance of the Fund as at 31 March 2016 is £5.180m (£4.826m as at 31 March 2015).

33. PROVISIONS

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the obligation. Provisions are charged as an expense to the appropriate service revenue account in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and appropriate adjustments made to the level of provision. The provisions are included in the financial statements in accordance with IAS37.

Kinneil Kerse

A provision exists for the restoration costs associated with the restoration of Kinneil Kerse landfill site. Planning approval was granted and work commenced during 2015/16. Restoration costs of £0.045m have been incurred during 2015/16, consequently the provision has been reduced by this amount and the balance on the provision at 31 March 2016 is £2.097m.

Equal Pay Claims

Employment Tribunal proceedings have been raised against the Council by a number of staff relating to Equal Pay. The information usually required by International Accounting Standard 37 (Provisions, Contingent Liabilities and Contingent Assets) is not disclosed in respect of this provision on the grounds that it can be expected to prejudice seriously the outcome of the proceedings.

Insurance Claims

Prior to local government reorganisation in 1996 the extant councils, Central Regional Council and Falkirk District Council, entered into a solvent run-off arrangement with their insurer, MMI, with the aim of having sufficient assets to meet outstanding insurance claims. This essentially means that liabilities, as they arise, can be met from available resources. The outcome of litigation has created a financial liability for Falkirk Council as successor Council. Accordingly a provision had been created which was based on a 30% levy i.e. £0.360m. This provision has been increased by a further £0.360m, with drawdowns of £0.223m in 13/14 and £0.228m in 2015/16. The balance on the provision at 31 March 2016 is £0.269m.

34. LONG-TERM DEBTORS

Balance 01/04/15 £'000		Advanced 2015/16 £'000	Repaid 2015/16 £'000	Balance 31/03/16 £'000
919	Northfield Quarry	-	(42)	877
107	Owner Occupiers	-	-	107
6	Loan Arrears	-	(1)	5
9	Housing Loans	-	(5)	4
6	Car Loans	-	(6)	-
2,342	National Housing Trust Initiative	89	(89)	2,342
4,995	Scottish Fire Service	-	(261)	4,734
1,464	Falkirk Community Stadium Ltd.	241	(508)	1,197
9,848	Total	330	(912)	9,266

- (1) The Council applied to the Scottish Government for consent to borrow to lend to Carrongrove NHT 2011 LLP, for the purchase of housing units forming part of the National Housing Trust (NHT) Initiative. The principal sum of this loan is to be repaid on the sale of housing units.
- (2) The outstanding debt in respect of the Scottish Fire Service is shown on the Council's balance sheet as a long term debtor. The balance will be written down over the life of the loans on payment of an annual account raised to Scottish Fire Service.

35. INVENTORIES

Consumable Stocks are valued at lower of cost and net realisable value except in the case of Building Maintenance, Waste and Roads Stocks where average cost is used.

The value of stocks as at 31 March 2016 is shown below:

	2015/16 Opening Stock £'000	Purchases/ Additions £'000	Stock Write Downs £'000	Recognition as an expense £'000	Closing Stock £'000
Stocks	891	6,221	(9)	(6,331)	772
Work in Progress	-	-	-	-	-
Total Stocks & Work in Progress	891	6,221	(9)	(6,331)	772

36. CONSTRUCTION CONTRACTS

Work in progress under construction contracts is accounted for using the percentage of completion method. Contract revenue is matched with contract costs incurred in reaching the state of completion at the Balance Sheet date.

As at 31 March 2016, the Council's Building Maintenance Division had several construction contracts in progress. The income derived from the value of work completed at 31 March 2016 was established using a stage of completion methodology based on architects certificates obtained at the year end. There were no sums due as at 31 March 2016.

37. DEBTORS

2014/15 £'000		2015/16 £'000
3,583	Central government bodies	4,756
193	Other local authorities	1,010
1,250	NHS Bodies	1,333
320	Public corporations and trading funds	70
37,489	Other entities and individuals	34,511
1,102	Falkirk Community Trust	278
43,937		41,958
(17,537)	Provision for Bad Debts	(18,174)
26,400	Total Debtors	23,784

38. CREDITORS

2014/15 £'000		2015/16 £'000
11,601	Central government bodies	4,859
162	Other local authorities	256
160	NHS Bodies	821
57,535	Other entities and individuals	64,853
88	Falkirk Community Trust	2,517
69,546	Total Creditors	73,306

39. CASH AND CASH EQUIVALENTS

2014/15 £'000		2015/16 £'000
(521)	Bank Current Accounts	875
14,857	Deposits with UK Banks, Building Societies & Local Authorities	35,991
14,336		36,866

40. TRUST & THIRD PARTY FUNDS

The Council administers and acts as trustees, where applicable, to a number of Third Party Funds none of which are registered as a Charity under the Charities and Trustee Investment (Scotland) Act 2005. Whilst each fund has specific objectives and conditions, most were gifted into the trust of the Council to provide assistance to the poor and needy and to pay for the maintenance and upkeep of lairs. The Council acts as the sole trustee for all funds except two.

The purposes of the largest General Trust Funds held by Falkirk Council are:

Funds for which the Council Acts as Sole Trustee

- Provost's Fund for Necessitous Poor (£55,217) - to provide donations to residents of the former Burgh of Falkirk at the sole discretion of the Provost.
- Shank's Bequest (£26,659) - to provide donations to the needy of Denny.
- Grangemouth Childrens' Day Committee (£22,997) - to provide a donation to the annual cost of the Grangemouth Childrens' Day.
- Candyend Trust (£70,739) - to provide donations to specific organisations assisting the elderly in the Muiravonside area.
- Alexander Douglas King Bequest (£31,086) – bequest for the promotion and advancement of education of art at Bo'ness Academy.
- McNair Bequest (£71,024) – new bequest for the benefit of Bo'ness Academy.

Funds for which the Council is not Sole Trustee

- Scottish Veterans' Garden City Association (SVGCA) (£48,282) - to manage the Association's housing in the Falkirk Council area. The Council's main role is to manage the properties including collection of rental and undertake repairs on behalf of the Association.
- Odenwald Trust (£27,257) - to foster twinning exchanges between the Council and the Odenwald region in Germany. The Fund is managed by the three successor Councils of Central Regional Council who previously administered it. Each of the Councils from Stirling, Falkirk and Clackmannanshire have appointed one Trustee along with one appointed from the Odenwald Association.

Temperance Trust

The Temperance Trust is a registered charity (SC001904) administered by Falkirk Council. There are two trustees of the Trust – Provost Pat Reid and Cllr Craig Martin. Temperance Trust funds are available to assist mainly organisations operating within Falkirk dealing with alcohol abuse and other forms of substance addiction. As at the 31st March 2016 the Trust had available funds of £160,860. The funds do not represent assets of the Council and are not included in the Council's Balance Sheet. Annual Report and Accounts are available for the Temperance Trust.

The financial position of General Trusts and Temperance Trusts are as follows:-

2014/15 £'000 General	2014/15 £'000 Temperance	Income and Expenditure Account	2015/16 £'000 General	2015/16 £'000 Temperance
		Income		
(10)	(1)	Investment Income	(8)	(1)
		Expenditure		
6	2	Awards and Other Expenses	22	-
(4)	1	(Surplus)/Deficit for the Year	14	(1)
		Balance Sheet		
		Fixed Assets		
5	159	External Investments	3	160
447	-	Internal Investments	434	-
452	159	Net Assets	437	160
(447)	(160)	Fund Balance at 1 April 2015	(451)	(159)
(4)	1	(Surplus)/Deficit for Year	14	(1)
(451)	(159)	Fund Balance at 31 March 2016	(437)	(160)

41. GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

42. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement during the year.

2014/15 £'000	Credited to Services	2015/16 £'000
3,551	Criminal Justice	3,597
184	Council Tax DWP Subsidy	162
41,231	Housing DWP Subsidy	40,719
434	Education Maintenance Allowances	398
231	Improvement Repair Grant	332
1,602	Home Insulation Scheme	2,192
2,077	Other Grants	1,938
49,310	Total	49,338

2014/15 £'000	Credited to Taxation and Non-Specific Grant Income	2015/16 £'000
15,051	Scottish Government – General Capital Grant	15,640
240	Scottish Government – Specific Capital Grants	236
3,055	Scottish Government – Other Grants	5,778
1,586	Lottery Funding – Helix	370
610	Other Grants	495
(241)	Developers Contributions	581
1,476	Other Contributions	1,948
21,777	Total	25,048

Capital Grants Received in Advance

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them which require the monies to be returned to the giver. The balances at the year end are as follows:

2014/15 £'000	Capital Grants Received in Advance	2015/16 £'000
299	Scottish Government	453
3,007	Developers Contributions	2,805
1,468	Other Contributions	1,455
4,774	Total	4,713

43. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another. The term 'financial instrument' covers both financial liabilities and financial assets.

Financial Liabilities

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as a part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provision of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset at the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Available for Sale Assets

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset at the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available for Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

There has been no transfer of financial assets for the year ended 31 March 2016.

IFRS 13 Fair Value Measurement

The 2015/16 Code of Practice includes a number of changes to reflect the adoption of IFRS 13 Fair Value Measurement. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are a number of valuation techniques used to measure the fair value of financial assets and liabilities, details of which are explained in the following fair value hierarchy:

Level 1 Inputs - quoted prices (adjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

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

Level 3 Inputs – unobservable inputs for the asset or liability.

Details of the valuation technique applied and the fair value measurement in relation to the Council's financial instruments are as follows:

Financial Instrument	Input Level in Fair Value Hierarchy	Fair Value at 31/03/16 £'000	Fair Value at 31/03/15 £'000
PWLB Debt	Level 2	255,284	276,803
Non – PWLB Debt	Level 2	37,176	33,877
Temporary Loans	Level 2	29,042	26,071
Total		321,502	336,751

There were no transfers between levels 1 and 2 and no change in the valuation technique used during 2015/16 for the financial instruments.

43.(a) Financial Instruments Adjustment Account

2014/15 £'000	Financial Instruments Adjustment Account	2015/16 £'000
4,431 (307)	De-recognition of Premiums from Debt Restructuring Annual Amortisation	4,124 (307)
4,124		3,817
(260) 7	De-recognition of Discounts from Debt Restructuring Annual Amortisation	(253) 7
(253)		(246)
1,893 (28)	Re-measurement of Market LOBO's Annual Amortisation	1,865 (33)
1,865		1,832
5,736	Total	5,403

Disclosure of Financial Assets and Liabilities from 1 April 2015**43.(b)(i) Financial Instruments Balances**

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:-

Long Term	Current		Long-Term	Current
31/03/15	31/03/15		31/03/16	31/03/16
£'000	£'000		£'000	£'000
202,630	26,026	Financial liabilities (principal amount)	212,630	29,001
204,229	28,788	Financial liabilities at amortised cost	214,193	31,835
-	15,174	Loans and receivables (principal amount)	-	37,665
-	15,178	Loans and receivables at amortised cost	-	37,673
9,578		Unquoted investments at cost	9,840	

The Council does not have any soft loans.

43.(b)(ii) Financial Instruments Gains/Losses

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

	Financial Liabilities	Financial Assets	
	Liabilities Measured at Amortised Cost £'000	Loans and Receivables £'000	Total £'000
Interest Expense	(10,878)	-	(10,878)
Interest Income	-	539	539
Net gain/(loss) for the year	(10,878)	539	(10,339)

43.(b)(iii) Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable, prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Carrying Amount 31/03/15	Fair Value 31/03/15		Carrying Amount 31/03/16	Fair Value 31/03/16
£'000	£'000		£'000	£'000
176,630	276,803	PWLB Debt	186,630	255,284
26,000	33,877	Non-PWLB Debt	26,000	37,176
26,000	26,071	Temporary Loans	29,000	29,042
228,630	336,751	Total Debt	241,630	321,502
5,769	5,769	Trade Creditors	6,280	6,280
234,399	342,520	Total Financial Liabilities	247,910	327,782

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date.

Carrying Amount 31/03/15	Fair Value 31/03/15		Carrying Amount 31/03/16	Fair Value 31/03/16
£'000	£'000		£'000	£'000
15,174	15,178	Money Market Deposits < 1 year	37,665	37,673
9,578	9,578	Long-Term Investments	9,840	9,840
11,081	11,081	Trade Debtors	8,695	8,695
9,848	9,848	Loans and Receivables	9,266	9,266
45,681	45,685	Total Loans and Receivables	65,466	65,474

43.(c)(i) Nature and Extent of Risk Arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks. The key risks are:

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

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government (Scotland) Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Regulations issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its Financial Regulations;
- by approving annually in advance prudential (incorporating treasury) indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures to the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving a Treasury Management Strategy for the forthcoming year setting out its criteria for both borrowing and investing and selecting investment counterparties in compliance with the Government Regulations.

Risk Management is carried out by Treasury Management staff, under policies approved by the Council in the annual Treasury Management Strategy. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

43.(c)(ii) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through compliance with the Annual Treasury Management Strategy which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria in accordance with Fitch and equivalent rating agencies. The Annual Treasury Management Strategy also imposes maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of an institution failing to make interest payments or repay principal sums will be specific to each individual institution. A risk of irrecoverability applies to all of the Council's deposits but there was no evidence at 31 March 2016 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for its trade debtors, such that £4.3m of the £8.7m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£'000
Less than 31 days	654
31 – 60 days	239
61 – 90 days	31
More than 90 days	3,410
Total	4,334

The Council initiates a deferred charge on property in circumstances where clients, requiring the assistance of Social Work Services, are unable to meet their immediate financial liabilities. The total collateral at 31 March 2016 was £0.8m.

43.(c)(iii) Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

43.(c)(iv) Re-financing and Maturity Risk

The approved treasury indicator limits for the maturity structure of debt are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs.

The maturity analysis of financial liabilities is as follows:

31/03/15			Approved Maximum Limits	31/03/16
£'000		%	£'000	£'000
26,026	Less than one year	25	60,408	29,001
-	Between one and two years	25	60,408	-
3,464	Between two and five years	50	120,816	7,429
31,099	Between five and ten years	75	181,223	34,677
168,067	More than ten years	75	181,223	170,524
228,656	Total			241,631

43.(c)(v) Market Risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government Grants. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Statement, unless the investments have been designated as fair value through the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws on the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately.

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(377)
Impact on Other Comprehensive Income and Expenditure	(377)
Share of overall impact credited to the HRA	(158)
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(38,220)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Other areas of market risk are price risk and foreign exchange risk. The Council has no exposure to these risks through its treasury activities. The Council does not invest in equity shares (so called "available for sale" Assets) and consequently is not exposed to gains or losses arising from movements in the prices of shares. The Council does not lend or borrow in foreign currencies and has no exposure to gains or losses arising from movements in exchange rates.

44. OTHER LONG TERM LIABILITIES

2014/15 £'000		2015/16 £'000
119,115	PFI Finance Lease Liabilities	114,222
1,324	PFI Deferred Income	1,224
120,439	Total	115,446

45. INTEREST PAYABLE

2014/15 £'000		2015/16 £'000
10,542	Interest Paid	10,992
12,791	Finance Lease Interest PFI/NPDO	12,804
-	Impairment of Long Term Investment	3,530
23,333	Total	27,326

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

This account reflects the statutory requirement to account separately for Council Housing and it shows the major elements of housing revenue expenditure and capital financing costs and how these are met by rents, housing support grant and other income.

2014/15 £'000		2015/16 £'000
(47,542)	Dwelling Rents	(49,681)
(1,685)	Non-Dwelling Rents	(1,680)
(656)	Hostels	(665)
-	Housing Support Grant	-
(873)	Other Income	(1,106)
(50,756)	Total Income	(53,132)
23,115	Repairs and Maintenance	22,538
13,433	Supervision and Management	13,252
34,620	Depreciation and Impairment of Non-Current Assets	10,608
733	Other Expenditure	1,158
492	Increase/(Decrease) in Bad Debts Provision	(23)
72,393	Total Expenditure	47,533
21,637	Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement	(5,599)
276	HRA Services Share of Corporate and Democratic Core	258
21,913	Net Expenditure of HRA Services	(5,341)
	HRA Share of Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:	
(2,899)	(Gain)/Loss on Sale of HRA Non-Current Assets	(1,434)
4,036	Interest Payable and similar charges	4,563
(72)	Interest and Investment Income	(3)
498	Pensions Interest Cost and Expected Return on Pension Assets	500
(2,924)	Recognised Capital Grant Income	(3,295)
20,552	(Surplus)/Deficit for the Year	(5,010)

Movement on the Housing Revenue Account Statement

2014/15 £'000		2015/16 £'000
(5,093)	Balance on the HRA at the end of the previous year	(5,093)
20,552	(Surplus) or Deficit for the year on HRA Income and Expenditure Statement	(5,010)
(20,552)	Adjustments between Accounting Basis and Funding Basis under Statute	5,641
-	Net (Increase) or Decrease before transfers to or from Reserves	631
-	Transfers (to) or from Reserves	(319)
-	(Increase) or Decrease in Year on the HRA	312
(5,093)	Balance on the HRA at the end of the Current Year	(4,781)

HOUSING REVENUE ACCOUNT DISCLOSURES
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(a) Adjustments between Accounting Basis and Funding Basis under Statute:-

2014/15 £'000		2015/16 £'000
2,899	Gain or (loss) on sale of HRA non-current assets	1,434
5,599	Capital expenditure charged to the HRA	8,218
335	Statutory Repayment of Debt (Finance Lease Liabilities)	165
(34,620)	Depreciation and Impairment	(10,608)
3,077	Statutory Repayment of Debt (Loans Fund Advances)	3,946
(828)	HRA share of contributions to or from the Pensions Reserve	(910)
(2)	Accumulated Absences Account	37
64	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	64
2,924	Recognised Capital Grant Income	3,295
(20,552)	Total	5,641

(b) Housing Stock

The Council Housing Stock at 31 March 2016 was 16,366 properties in the following categories:-

2014/15 Number		2015/16 Number
2,671	One bedroom and under	2,677
8,601	Two bedrooms	8,655
4,556	Three bedrooms	4,532
483	Four bedrooms	485
14	Five bedrooms and larger	17
16,325	Total	16,366
£57.46	Average Weekly rent (52 week basis)	£59.64

(c) Rent Arrears

Rent Arrears at 31 March 2016 were £3,677,716 (£3,652,014 in 2014/15).

(d) Bad Debt Provision

An impairment of £2.992m has been provided in the Balance Sheet for irrecoverable rents, a reduction of £0.023m from the provision in 2014/15.

(e) Losses on Void Properties

2014/15 £'000		2015/16 £'000
886	Dwelling Rents	492
148	Non-Dwelling Rents	165
1,034	Total	657

COUNCIL TAX INCOME ACCOUNT

This account shows all the income raised from Council Tax. Owners or tenants of domestic properties (with some exceptions) are liable for a banded charge depending on the value of each property. There is a scheme under which those on low incomes are entitled to Council Tax Reduction.

2014/15 £'000		2015/16 £'000
	Expenditure	
1,766	Exemptions	1,746
6,422	Discounts	6,465
8,191	Council Tax Reduction	7,882
68	Relief (Persons with a Disability)	67
31	Prior Year Adjustments	56
1,011	Provisions Against Bad and Doubtful Debts	1,001
17,489	Total Expenditure	17,217
	Income	
70,805	Gross Council Tax Levied	71,601
70,805	Total Income	71,601
53,316	Surplus for Year	54,384
	Appropriated as follows	
53,316	General Fund	54,384

Council Tax Reduction (CTR) was introduced from 1 April 2013 to replace Council Tax Benefit (CTB), which has been abolished by the UK Government as part of its welfare reform programme.

COUNCIL TAX ACCOUNT DISCLOSURES
--

(a) Background

Falkirk Council's net expenditure, after deducting income from fees and charges, grants, the non-domestic rates pool and excluding expenditure chargeable against other sources of funding, is met from Council Tax.

Council Tax is payable on any dwelling which is not an exempt dwelling (prescribed by an Order made by Scottish Ministers). The amount of Council Tax payable depends on the valuation band of a dwelling as entered in the Council Tax Valuation List by the Assessor. Discounts and exemptions as specified in legislation can be applied to the gross charge.

By law, Falkirk Council is required to bill and collect water and waste water charges on behalf of Scottish Water. These charges are payable by those persons living in or liable for domestic premises having a public water or waste water connection. These charges are determined by Scottish Water and do not relate to the finances of Falkirk Council.

(b) Calculation of the Council Tax Base (Per 2014/15 Budget)

	Band A *	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
No. of Dwellings		22,229	19,308	6,540	8,545	8,440	5,063	2,437	62	72,624
Exempt Dwellings		883	495	170	136	95	41	18	1	1,839
Chargeable Dwellings		21,346	18,813	6,370	8,409	8,345	5,022	2,419	61	70,785
Disabled Reduction		81	104	61	59	77	41	15	0	438
Adjusted Chargeable Dwellings	81	21,369	18,770	6,368	8,427	8,309	4,996	2,404	61	70,785
Discounts (25%)	30	12,562	6,932	2,596	2,506	1,694	671	242	13	27,246
Discounts (due to being second homes)	0	156	125	52	52	41	12	8	3	449
Discount (long term empty properties)	0	281	184	72	65	58	20	11	2	693
Discount (occupied by disregarded adults)	2	10	8	2	3	3	2	0	0	30
Not entitled to discount	49	8,360	11,521	3,646	5,801	6,513	4,291	2,143	43	42,367
Effective Dwellings	73	18,005	16,879	5,656	7,741	7,835	4,811	2,334	55	63,389
Ratio to Band D	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
No. of Band D Equivalents	41	12,003	13,128	5,028	7,741	9,576	6,949	3,890	110	58,466
Add: Estimated Growth in tax base										246
Less: Dwellings for which collection of Council Tax is considered to be doubtful – 98% collection										1,174
Less: Impact of Council Tax Reduction Scheme										7,882
Budgeted Council Tax Base										49,656

(c) The Council Tax Charge

The actual Council Tax is levied according to the Base Band 'D' charge and weighted in accordance with ratios detailed above. The charges set for each Band for 2015/16 are as follows:

Band	£ per Dwelling
A*	594.44
A	713.33
B	832.22
C	951.11
D	1,070.00
E	1,307.78
F	1,545.56
G	1,783.33
H	2,140.00

* Band 'A' with Disabled Persons Relief

NON-DOMESTIC RATES ACCOUNT

Non-Domestic Rates are a tax levied by local authorities on the occupiers of commercial, industrial and other non-domestic properties within their area, as distinct from a charge for their use of services. The rates charge for each property is determined by the rateable value placed upon it by the Assessor, multiplied by the National Rate Poundage which is set by Scottish Ministers. The Rate Poundage was set at 48 pence. The small business bonus scheme provides relief ranging from 25% to 100% for properties with rateable values of £18,000 and less. The cost of the small business bonus scheme was met from a supplement of 1.3 pence on properties with rateable values in excess of £35,000. Although councils bill and collect the sums due, these are paid into the National Non-Domestic Rate Pool and allocated back to councils by the Scottish Government.

2014/15 £'000		2015/16 £000
	Income	
83,564	Rate Levied (Net of Small Property Relief)	83,753
83,564	Total Income	83,753
	Expenditure	
-	Small Business Relief (Excludes Small Property Relief)	-
4,072	Small Business Bonus Scheme	4,307
1,459	Rating (Disabled Persons) Relief	1,486
3,061	Mandatory Relief	3,208
475	Discretionary Relief	494
106	Sports Club Relief	109
4,290	Voids and Empty Periods	3,686
966	Write-Off of Uncollectable Debts	1,073
(80)	TIF Appeals	-
-	Other Adjustments	-
-	Interest on Overpaid Rates	-
14,349	Total Expenditure	14,363
69,215	Net Non-Domestic Rate Income	69,390
(991)	Adjustments to previous years National Non Domestic Rates	(3,482)
68,224	Total Non-Domestic Rate Income (before Authority Retention)	65,908
(938)	Non-Domestic Rate Income Retained by Authority (TiF)	(900)
-	Non-Domestic Rate Income Retained by Authority (BRIS)	-
67,286	Contribution to Non-Domestic Rate Pool	65,008
74,307	Distribution from Non-Domestic Rate Pool	62,336
74,307	Income Credited to the Comprehensive Income and Expenditure Statement	62,336

The Business Rate Incentivisation Scheme (BRIS) permits the local authorities to retain half of the NDR Income which exceeds the buoyancy rate target set by the Scottish Government. The BRIS buoyancy rate target as set out in the Scottish Government Local Government Finance Circular is based on audited contributable amounts. The determinant of whether a council has achieved the BRIS target will therefore be based on the audited 'Contributable Amount' figure reported in the Non-Domestic Rates Income Return for 2015/16, which will not be completed until June 2016. However, based on figures to date noted in the table below it is calculated that the Council will not meet the target for 2015/16.

	%
BRIS target	1.1
Actual Buoyancy rate	-0.64
Excess over target	-
50% retained	-

NON-DOMESTIC RATES ACCOUNT DISCLOSURES

(a) Analysis of Rateable Values as at 1 April, 2015

	<u>No. of Premises</u>	<u>Rateable Value</u> <u>£'000</u>	<u>%</u>
Shops	1,364	39,827	23.1
Hotels and Public Houses	129	4,515	2.6
Offices	930	13,596	7.9
Industrial – Factories, Warehouses, Stores and Workshops	1,288	41,119	23.9
Sports, Leisure, Cultural, Entertainment, Caravans, Holiday Sites	188	4,646	2.7
Garages and Petrol Stations	75	2,268	1.3
Education and Training	85	11,679	6.8
Public Service Subjects	165	7,202	4.2
Quarries and Mines	17	1,671	1.0
Petrochemical	15	26,510	15.4
Religious	154	1,182	0.7
Health/Medical and Care Facilities	152	10,235	5.9
Utilities	28	6,864	4.0
Communications, Advertising and Other	213	918	0.5
Total	4,803	172,232	100.0

(b) National Non-Domestic Rates Pool

The contribution to Non-Domestic Rate Pool represents the rates collected by the Council and paid over to the Government. The income credited to the Comprehensive Income and Expenditure Statement represents the sum received from the Government from the National Rates Pool, distributed through the Local Government Finance Settlement.

COMMON GOOD FUNDS

Common Good Funds were inherited from the former burgh authorities of Bo'ness, Denny, Grangemouth and Falkirk in 1975 and are used solely for the benefit of the residents of these areas. Kilns House is part of the former Falkirk Town Council and was revalued at 1 April 2015.

2014/15 £'000		Former Bo'ness Town Council 2015/16 £'000	Former Denny Town Council 2015/16 £'000	Former Grangemouth Town Council 2015/16 £'000	Former Falkirk Town Council 2015/16 £'000	Total £'000
	<u>Income and Expenditure Account</u>					
	Income					
(22)	Rents Received	(1)	-	-	(23)	(24)
(4)	Interest	-	-	-	(4)	(4)
(26)	Total Income	(1)	-	-	(27)	(28)
	Expenditure					
15	Depreciation	-	-	-	11	11
10	Other	-	-	-	-	-
25	Total Expenditure	-	-	-	11	11
(1)	(Surplus)/Deficit for Year	(1)	-	-	(16)	(17)
	<u>Balance Sheet</u>					
189	Fixed Assets	-	-	-	178	178
913	Investments	56	6	25	854	941
-	Creditors	-	-	-	-	-
1,102	Net Assets	56	6	25	1,032	1,119
	Financed by:-					
189	Asset Revaluation Reserve	-	-	-	178	178
913	Revenue Reserve	56	6	25	854	941
1,102		56	6	25	1,032	1,119

Bryan Smail, CPFA MBA
Chief Finance Officer
26 September 2016

GROUP MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

The Group Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council, together with the movements in the Council's share of those entities in which it has a financial interest.

	Falkirk Council Usable Reserves £'000	Usable Reserves of Group Entities £'000	Total Group Usable Reserves £'000	Falkirk Council Unusable Reserves £'000	Unusable Reserves of Group Entities £'000	Total Group Unusable Reserves £'000	Total Group Reserves £'000
Balance at 31 March 2015	43,243	(2,346)	40,897	(89,276)	127	(89,149)	(48,252)
Surplus or (deficit) on provision of services (accounting basis)	(14,521)	3,281	(11,240)	-	-	-	(11,240)
Other Comprehensive Income and Expenditure	-	-	-	384,976	(2,543)	382,433	382,433
Total Comprehensive Income and Expenditure	(14,521)	3,281	(11,240)	384,976	(2,543)	382,433	371,193
Adjustments between accounting basis and funding basis under regulations	13,984	339	14,323	(13,984)	(339)	(14,323)	-
Net Increase/Decrease before Transfers to Other Statutory Reserves	(537)	3,620	3,083	370,992	(2,882)	368,110	371,193
Transfers to/from Other Statutory Reserves	-	-	-	-	-	-	-
Increase/Decrease in Year	(537)	3,620	3,083	370,992	(2,882)	368,110	371,193
Balance at 31 March 2016	42,706	1,274	43,980	281,716	(2,755)	278,961	322,941

Group Movement in Reserves Statement for the year ended 31 March 2015

	Falkirk Council Usable Reserves £'000	Usable Reserves of Group Entities £'000	Total Group Usable Reserves £'000	Falkirk Council Unusable Reserves £'000	Unusable Reserves of Group Entities £'000	Total Group Unusable Reserves £'000	Total Group Reserves £'000
Balance at 31 March 2014	49,218	(2,592)	46,626	37,641	1,360	39,001	85,627
Surplus or (deficit) on provision of services	(33,684)	59	(33,625)	-	-	-	(33,625)
Other Comprehensive Income and Expenditure	(7)	-	(7)	(99,201)	(1,046)	(100,247)	(100,254)
Total Comprehensive Income and Expenditure	(33,691)	59	(33,632)	(99,201)	(1,046)	(100,247)	(133,879)
Adjustments between accounting basis and funding basis under regulations	27,716	187	27,903	(27,716)	(187)	(27,903)	-
Net Increase/Decrease before Transfers to Other Statutory Reserves	(5,975)	246	(5,729)	(126,917)	(1,233)	(128,150)	(133,879)
Transfers to/from Other Statutory Reserves	-	-	-	-	-	-	-
Increase/Decrease in Year	(5,975)	246	(5,729)	(126,917)	(1,233)	(128,150)	(133,879)
Balance at 31 March 2015	43,243	(2,346)	40,897	(89,276)	127	(89,149)	(48,252)

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Group Comprehensive Income and Expenditure Statement combines the Income and Expenditure figures of the Council with the Council's share of the operating results of those entities in which it has a financial interest.

Gross Expenditure 2014/15 £'000	Gross Income 2014/15 £'000	Net Expenditure 2014/15 £'000		Gross Expenditure 2015/16 £'000	Gross Income 2015/16 £'000	Net Expenditure 2015/16 £'000	Notes
161,845	(5,029)	156,816	Education Services	168,684	(12,593)	156,091	
121,584	(96,508)	25,076	Housing Services	97,564	(99,108)	(1,544)	
24,535	(6,341)	18,194	Cultural and Related Services	18,019	(2,857)	15,162	
21,965	(4,381)	17,584	Environmental Services	18,139	(4,702)	13,437	
18,185	(1,169)	17,016	Roads & Transport Services	18,254	(1,725)	16,529	
			Planning and Development				
22,038	(9,872)	12,166	Services	36,899	(10,113)	26,786	
131,281	(30,495)	100,786	Social Work	133,502	(32,905)	100,597	
17,811	(12,613)	5,198	Central Services to the Public	13,141	(2,800)	10,341	
2,799	-	2,799	Corporate & Democratic Core	3,123	-	3,123	
1,768	-	1,768	Non-Distributed Costs	(30)	-	(30)	
523,811	(166,408)	357,403	Cost of Services	507,295	(166,803)	340,492	
-	(2,178)	(2,178)	Other Operating Expenditure	442	-	442	
93,084	(59,484)	33,600	Financing and Investment Income and Expenditure	94,723	(59,036)	35,687	
-	(355,527)	(355,527)	Taxation and Non-Specific Grant Income	-	(365,808)	(365,808)	
616,895	(583,597)	33,298	(Surplus) or Deficit on Provision of Services	602,460	(591,647)	10,813	
			Share of the (Surplus) or Deficit on Provision of Services by Associates			427	4
		33,625	Group (Surplus) or Deficit			11,240	
		(13,289)	(Surplus) or deficit on revaluation of non-current assets			(287,006)	
		112,497	Remeasurements of pension assets/liabilities			(97,970)	
		1,046	Share of Other Comprehensive Income & Expenditure of Associates			2,543	4
		100,254	Other Comprehensive Income and Expenditure			(382,433)	
		133,879	Total Comprehensive Income and Expenditure			(371,193)	

GROUP BALANCE SHEET

The Group Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities of the Group and combines the Council's assets and liabilities with its share of the assets and liabilities of those entities in which it has a financial interest.

2014/15 £'000		2015/16 £'000	Notes
	Non-Current Assets		
707,715	Property, Plant & Equipment	993,823	
189	Investment Property	178	
259	Heritage Assets	259	
1,453	Intangible Assets	2,271	
104	Assets Held for Sale	104	
3,344	Long Term Investments	500	
8,839	Long Term Debtors	8,257	
721,903		1,005,392	
	Current Assets		
912	Inventories	847	
24,697	Short Term Debtors	23,723	
18,059	Cash and Cash Equivalents	37,659	
888	Assets Held for Sale	1,224	
44,556		63,453	
	Current Liabilities		
(29,370)	Short Term Borrowing	(31,974)	
(70,757)	Short Term Creditors (including provisions)	(73,113)	
(100,127)		(105,087)	
	Long Term Liabilities		
(204,785)	Long Term Borrowing	(214,767)	
(381,288)	Defined Benefit Pension Scheme Liability	(303,045)	
(120,439)	Other Long Term Liabilities	(115,446)	
(4,774)	Capital Grants Received in Advance	(4,713)	
(3,298)	Liabilities in Associates	(2,846)	
(714,584)		(640,817)	
(48,252)	Net Assets	322,941	
	Usable Reserves		
43,243	Falkirk Council Usable Reserves	42,706	
(2,346)	Usable Reserves of Other Group Entities	1,274	5
40,897		43,980	
	Unusable Reserves		
(89,276)	Falkirk Council Unusable Reserves	281,716	
127	Unusable Reserves of Other Group Entities	(2,755)	5
(89,149)		278,961	
(48,252)	Total Reserves	322,941	

Bryan Smail, CPFA MBA
Chief Finance Officer

The unaudited accounts were issued on 20 June 2016 and the audited accounts were authorised for issue on 26 September 2016.

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

The Group Cash Flow Statement shows the change in the year of cash and cash equivalents of the Council and those entities in which it has a financial interest.

2014/15		2015/16
£'000		£'000
33,594	Net (surplus) or deficit on the provision of services	11,240
(69,677)	Adjust net surplus or deficit on the provision of services for non-cash movements	(68,736)
21,777	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25,048
(14,306)	Net cash flows from operating activities	(32,448)
	Investing Activities	
62,369	Purchase of property, plant & equipment, investment property and intangible assets	50,536
(4,293)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(4,305)
(24,050)	Other receipts and investing activities	(25,145)
34,026	Net cash flows from investing activities	21,086
	Financing Activities	
(52,495)	Cash receipts of short and long-term borrowing	(39,350)
4,073	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	4,357
22,548	Repayments of short and long-term borrowing	26,755
(25,874)	Net cash flows from financing activities	(8,238)
(6,154)	Net (increase) or decrease in cash and cash equivalents	(19,600)
(11,905)	Cash and cash equivalents at the beginning of the reporting period	(18,059)
	Cash and cash equivalents at the end of the reporting period	
(40)	Cash held by Officers	(40)
(3,162)	Bank current accounts	(1,628)
(14,857)	Short-term deposits	(35,991)
(18,059)		(37,659)

NOTES TO THE GROUP ACCOUNTS

1. GROUP ACCOUNTING POLICIES

The Group Accounting policies are those specified for the single entity financial statements. The accounting policies of all group members are materially the same as those of the single entity.

Disclosure of Interest in Other Entities

The Council has adopted the recommendations of Chapter 9 of the Code, which requires local authorities to consider their interest in all types of entity to incorporate into Group Accounts.

A full set of Group Accounts, in addition to the Council's Accounts has been prepared which incorporates material balances from identified bodies.

Nature of Combination

The Council has accounted for its interest in its Associates by the equity method of accounting.

With regard to Central Scotland Valuation Joint Board, the Council's interest reflects the requisition share paid by the Council. Goodwill has not arisen as no consideration was paid for such interests.

The Council has accounted for its interest in its Subsidiaries using the acquisition method of accounting. In all instances, the consideration paid by the Council equalled the fair value of the assets and liabilities acquired and, therefore, no goodwill arose on acquisition. Falkirk Community Trust Ltd has been consolidated as a subsidiary under SIC12 (Special Purpose Entities).

All intra-group transactions have been eliminated from the Group Accounts as part of the consolidation process.

2. FINANCIAL IMPACT OF CONSOLIDATION

By including the Subsidiary and Associate bodies (details of which are shown in Notes 4 and 5 below), the effect on the Group Balance Sheet is a reduction in both Reserves and Net Assets of £1.481m. This represents the Council's share of the net liabilities in those entities.

3. COMBINING ENTITIES

For the purpose of consolidation and incorporation within the Group Accounts, the Council has two Subsidiaries (Falkirk Community Stadium Ltd and Falkirk Community Trust Ltd) and two Associates (Central Scotland Valuation Joint Board and thinkWhere Ltd).

Falkirk Council administers the Common Good Funds for the four former Town Councils of Bo'ness, Grangemouth, Falkirk and Denny. These funds can only be used for a limited range of purposes. They are not assets of the Council and are not included in the Council's Balance Sheet, however, they have been included in the Group Account Statements and consolidated in full.

The accounting period end for all entities is 31 March 2016. Copies of the most recent audited accounts of the group entities are available from the Chief Finance Officer, Falkirk Council.

Subsidiaries

FCSL (Holdings) Ltd and Falkirk Community Stadium Ltd (FCSL)

The Council owns 100% of the share capital of FCSL (Holdings) Ltd, which in turn owns all of the share capital of Falkirk Community Stadium Ltd. The principal activity of both companies is the operation of a stadium at Westfield, Falkirk which provides a sports area, stadium and conference facilities. The Stadium is a partnership between Falkirk Football Club and Falkirk Council who set up the Falkirk Community Stadium Ltd which provided the funds to construct and run the Stadium. Falkirk Community Stadium Ltd. has a board of 3 directors who are employees of Falkirk Council.

Following the demerger of the original FCSL in 2009 Falkirk Council retained its overall ground lease over all areas of the site, including the areas leased to FCSL and Falkirk Football Club. In addition, the initial loans advanced by the Council to FCSL ceased to exist with the Council receiving assets in lieu of the sum outstanding. The Council has borne the cost of repaying these loans since 2009.

In 2014 a potential alternative delivery model was identified which would effectively transfer FSCL's interests under the existing lease to Falkirk Community Trust and all the development sites to the Council. Work to facilitate the alternative delivery model is ongoing.

The Stadium's deficit has been fully consolidated in the Group. The financial results for FCSL (Holdings) Ltd are included in the figures shown for Falkirk Community Stadium Ltd in notes 4 and note 5.

Falkirk Community Trust Ltd and Falkirk Community Trading Ltd

Falkirk Community Trust Ltd was established by Falkirk Council on 1 July 2011 to take responsibility for the management and operation of a range of community sport, recreation, arts, heritage and library services. The company has charitable status and the Scottish Charity Number is SC042403. A wholly owned subsidiary, Falkirk Community Trading Ltd has been established to govern those activities which are not recognised as charitable. Falkirk Community Trust's Board consists of twelve directors. Six independent directors are drawn from local business, sport, culture, environmental and learning sectors. Five directors are nominated elected Members of Falkirk Council. There is one Employee Director nominated by Trust staff. Falkirk Community Trading Limited has a board of 3 directors drawn from the Trust's Board and Executive Management. The Board agreed it would maintain an unrestricted reserve to meet unexpected events and this equates to 2% of the Service Payment received from Falkirk Council and the total budgeted expenditure.

Falkirk Council paid the Trust £11.822m (£13.085m in 2014/15) for service provision in 2015/16. The Trust returned a surplus of £0.121m (£0.635m in 2014/15) which has been fully consolidated into the Group. The financial results for Falkirk Community Trading Ltd are included in the figures shown for Falkirk Community Trust Ltd in note 4 and note 5.

Associates

Central Scotland Valuation Joint Board

This Board is jointly administered by the Councils of Clackmannanshire, Falkirk and Stirling and appoints an Assessor for the valuation area who also acts as Electoral Registration Officer. Falkirk Council is requisitioned for 49.2% of expenditure, based on adjusted population.

thinkWhere Ltd

The principal activity of the company is the provision of corporate Geographical Information Services, in principle to Falkirk, Stirling and Clackmannanshire Councils. Control is split equally over the three Councils.

4. GROUP INCOME AND EXPENDITURE OF ASSOCIATES

Share of the (Surplus) or Deficit on Provision of Services by Associates

2014/15 £'000		2015/16 £'000
(8)	Central Scotland Valuation Joint Board	235
304	thinkWhere Ltd.	192
296	Total	427

Share of Other Comprehensive Income & Expenditure of Associates

2014/15 £'000		2015/16 £'000
1,141	Central Scotland Valuation Joint Board	(881)
(2)	Common Good Funds	-
(25)	thinkWhere Ltd.	1
-	Falkirk Community Stadium Ltd	3,423
1,114	Total	2,543

5. GROUP ENTITIES RESERVES

2014/15 Total		Falkirk Community Stadium Ltd	Falkirk Community Trust Ltd	Central Scotland Valuation Joint Board	thinkWhere Ltd	Common Good Funds	2015/16 Total
£'000		£'000	£'000	£'000	£'000	£'000	£'000
	Usable Reserves						
(2,346)	Revenue Account Surplus	(1,294)	1,540	433	(346)	941	1,274
(2,346)	Total	(1,294)	1,540	433	(346)	941	1,274
	Unusable Reserves						
(10)	Accumulated Absences Account	-	-	(9)	-	-	(9)
(3,699)	Pensions Reserve	-	-	(3,054)	68	-	(2,986)
3,423	Share Capital	-	-	-	-	-	-
163	Revaluation Reserve	-	-	-	-	-	-
250	Capital Adjustment Account	-	-	37	25	178	240
127	Total	-	-	(3,026)	93	178	(2,755)

6. NON-CONSOLIDATION INTERESTS IN OTHER ENTITIES

The Council has a relationship with the following entities which have been set up for specific purposes but have not been consolidated into the Group.

- Trust Funds - Although administered by Falkirk Council, these have been excluded under the quantitative assessment of materiality.
- The Hub Initiative - This was established to aid the delivery of capital investment projects across Scotland. Equity and working capital is split amongst the private sector (60%), the 17 public sector bodies (30%) and the Scottish Futures Trust (10%). Falkirk Council has no particular control or influence and, therefore, their interest is immaterial.
- Community Schools 2008 Charity – This was established to receive and disburse monies contractually received from the NPDO Schools project holding company to voluntary groups and organisations providing recreational facilities in the Council area. Falkirk Council has no significant influence.
- Integration Joint Board – This was established for the Falkirk Health and Social Care Partnership who have responsibility for overseeing the planning, management and delivery of relevant health and social care services. There were no material transactions for 2015/16 as this was a transitional year but it will form part of the Group Accounts in 2016/17.

GLOSSARY OF TERMS

While much of the terminology used in this report is intended to be self-explanatory, the following additional definitions and interpretation of terms may be of assistance.

- 1. Accumulated Absences Account**
The account holds the monetary value of annual leave accrued but untaken by employees as at the Balance Sheet date. The majority of the balance in this account will be in respect of teachers' annual leave as their leave is fixed and the majority of it falls in July and August each year.
- 2. Administration**
This includes printing, stationery, advertising, postages, telephone costs and central/departmental support allocations for administration.
- 3. Associate**
This is an entity other than a subsidiary or joint venture in which the reporting Council has a participating interest and over whose operating and financial policies the Council is able to exercise significant influence.
- 4. Available For Sale Financial Instruments Reserve**
This fund is a store of gains on the revaluation of investments not yet realised through sales. This reserve is a technical accounting presentation and is not available for distribution.
- 5. Capital Adjustment Account**
The Capital Adjustment Account is the store of capital resources set aside to meet past expenditure. This account is a technical accounting presentation and is not available for distribution.
- 6. Capital Charges**
A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.
- 7. Capital Expenditure**
This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing with repayment over a period of years, or by utilising the income from the sale of existing assets.
- 8. Capital Financed from Current Revenue**
This heading covers the costs of creating, acquiring or improving assets where the expenditure is charged directly to the Revenue Account.
- 9. Capital Grants Unapplied Account**
The Capital Grants Unapplied Account records grants and developers contributions which have been credited to the Comprehensive Income and Expenditure Statement but have still to be applied to fund capital expenditure. Once applied, the value will be transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account.
- 10. Capital Receipts Reserve**
This represents the capital receipts that are available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.
- 11. Corporate & Democratic Core**
This includes the costs of policy making and all other Councillor based activities together with costs which relate to the general running of the Council. The Service Reporting Code of Practice stipulates that such costs are to be excluded from the "total cost" relating to service activity.
- 12. Employee Costs**
This includes salaries, wages, overtime, bonus, enhancements, employer's pension and national insurance contributions, travelling and subsistence expenses in addition to other employee allowances.

- 13. Entity**
A body corporate, partnership, trust, unincorporated association, or statutory body that is delivering a service, or carrying on a trade or business, with or without a view to profit. It should have a separate legal persona and is legally required to prepare its own single-entity accounts.
- 14. Financial Instruments Adjustment Account**
This is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and lending. This account is a technical accounting presentation and is not available for distribution.
- 15. Financing Costs**
This includes the costs of financing the sums borrowed by the Council to cover the capital repayment of loans, interest charges and debt management expenses, as well as external repayments for operational leases.
- 16. Fixed or Non-Current Assets**
These are created by capital expenditure incurred by the Council. They include property, vehicles, plant, machinery, roads, computer equipment, etc.
- 17. Generally Accepted Accounting Practice in the UK (UK GAAP)**
This is the overall body of regulation that established how company and local authority accounts had to be prepared in the United Kingdom (prior to the transition to International Financial Reporting Standards).
- 18. Gross Expenditure**
This includes all expenditure attributable to the service and activity including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, support services and capital charges.
- 19. Gross Income**
This includes the charges to individuals and organisations for the direct use of the Council's services.
- 20. Joint Venture**
This is an entity in which the Council has an interest on a long-term basis and is jointly controlled by the Council and one or more entities under a contractual or other binding agreement.
- 21. Non-Distributable Costs**
These costs cannot be allocated to specific services and are, therefore, excluded from the total cost relating to service activity in accordance with the Service Reporting Code of Practice. Charges for added pension years and early retirement are examples of these costs.
- 22. Payments to Other Bodies**
This includes grants to individuals and organisations, bursaries as well as payments to other local authorities, Health Boards, Joint Boards and organisations providing services that complement or supplement the work of the Council.
- 23. Pension Reserve**
This represents the difference between accounting for pension costs in line with UK Accounting Standards, and the funding of pension costs from taxation in line with statutory requirements, and is equal to the change in the pension liability (i.e. the commitment to provide retirement benefits).
- 24. Property Costs**
This includes rents, rates, insurance, repairs and maintenance, upkeep of grounds, heating, lighting, furnishings and fittings.
- 25. Revaluation Reserve**
This fund is a store of gains on the revaluation of fixed assets not yet realised through sales. This reserve is a technical accounting presentation and is not available for distribution.
- 26. Specific Government Grant**
This includes grants received from Central Government in respect of a specific purpose or service (e.g. housing benefit, education, community regeneration, or community services).
- 27. Supplies & Services**
This includes food, materials, books, uniforms, protective clothing, the purchase of equipment, the purchase of tools, the maintenance of equipment or tools, and various services that are conducted by external contractors.

28. Transfer Payments

This includes the cost of payments to individuals for which no goods or services are received in return by the local authority e.g. Housing Benefit.

29. Transport Costs

This includes the costs of operating vehicles and plant such as fuel, repairs, maintenance, tyres, licences, insurance and the procurement of transport for school children.

30. Various Other Costs

This relates to items of expenditure that do not fall into any of the other categories.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FALKIRK COUNCIL AND THE ACCOUNTS COMMISSION FOR SCOTLAND

I certify that I have audited the financial statements of Falkirk Council and its group for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets and Cash Flow Statements, the authority-only Housing Revenue Account Income and Expenditure Statement, the Council Tax Income Account, the Non-Domestic Rates Account, the Common Good Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the 2015/16 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Annual Accounts, the Chief Finance Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the council and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of the council and its group as at 31 March 2016 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

- the part of the Annual Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Annual Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Fiona Mitchell-Knight FCA
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GLASGOW
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26 September 2016