

**Annual Report  
& Accounts**

---

2010/2011



**Falkirk Council**

# FALKIRK COUNCIL

## ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

### INDEX

	<u>Page No.</u>
1. INTRODUCTION TO THE ACCOUNTS	1
2. FOREWORD BY THE CHIEF FINANCE OFFICER	2-9
3. STATEMENT OF ACCOUNTING POLICIES	10-27
4. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS	28
5. ANNUAL GOVERNANCE STATEMENT 2010/11	29-34
6. REMUNERATION REPORT	35-43
7. CORE FINANCIAL STATEMENTS	
• Comprehensive Income and Expenditure Statement	44
• Balance Sheet	45
• Cash Flow Statement	46
• Movement in Reserves Statement	47-54
8. NOTES TO THE CORE FINANCIAL STATEMENTS	55-102
9. GROUP ACCOUNTS	
• Group Comprehensive Income and Expenditure Statement	103
• Group Balance Sheet	104
• Group Cash Flow Statement	105
• Group Movement in Reserves Statement	106-113
• Notes to the Group Accounts	114-119
10. GLOSSARY OF TERMS	120-122
11. AUDIT CERTIFICATE	123-124

**INTRODUCTION TO THE ACCOUNTS**

The statements which follow, show the financial results of Falkirk Council for the year to 31 March 2011.

They comprise:

- ◆ A Foreword by the Chief Finance Officer providing a summary of the Council's financial position.
- ◆ A Statement of the Accounting Policies followed in preparing the Accounts.
- ◆ A Statement of Responsibilities for the Statement of Accounts.
- ◆ An Annual Governance Statement.
- ◆ A Remuneration Report detailing payments and pension information for senior officers and elected members.
- ◆ 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 2011.
- ◆ The Cash Flow Statement - shows where the Council's money came from and how it was spent.
- ◆ The Movement in Reserves Statement which shows the movement in the year of the different reserves used by the Council.
- ◆ Group Financial Statements which reflect the Council's interest in the Police, Fire and Rescue and Valuation Joint Boards, FCSL (Holdings) Ltd, Falkirk Community Stadium Limited and Common Good Funds.

**FOREWORD BY CHIEF FINANCE OFFICER****1. INTRODUCTION**

The purpose of the Annual Accounts is to demonstrate the Council's stewardship of the significant amount of public funds with which it is entrusted. The financial statements represent the financial position of Falkirk Council as at 31 March 2011.

The results for 2010/11 are set out on pages 44 to 120 and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. The Statement of Accounting Policies on pages 10 to 27 sets out the accounting policies adopted by the Council in order to ensure that the Accounts provide a true and fair view of our financial performance. This foreword seeks to provide a guide to the most significant matters disclosed in the Accounts. An explanation of the main technical terms used in the Accounts is included at pages 119 to 121.

**2. THE FINANCIAL STATEMENTS****Core Financial Statements**

The 2010/11 Code of Practice on Local Authority Accounting (Code) requires local authorities to produce Accounts on an International Financial Reporting Standards (IFRS) basis. This has resulted in changes in both the format and presentation of the Accounts in comparison to previous years. An explanation of the financial statements which follow and their purpose are as follows:

- *The Comprehensive Income and Expenditure Statement (CIES)* shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. 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.
- *The Balance Sheet* shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital 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'.
- *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.
- *The Movement in Reserves 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 (i.e. those that the Council is not able to use to provide services). 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. These are 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. The Net Increase/Decrease before Transfers to Other Statutory Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.
- *The Notes to the Accounts* provide further information.

**Supplementary Financial Statements (shown as Notes to the Accounts 35 to 42)**

An explanation of the supplementary financial statements and their purpose are:

- *The Housing Revenue Account (HRA)* reflects the statutory requirement to account separately for local authority housing provision, as defined in the Housing (Scotland) Act 1987. The HRA account has three parts:
  - i. HRA Income and Expenditure Statement – which shows in more detail the income and expenditure on HRA services included in the whole Council Comprehensive Income and Expenditure Statement.
  - ii. Movement on the HRA Statement – which shows how the HRA Income and Expenditure Statement surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year.
  - iii. Notes to the Housing Revenue Account – which gives additional information on the HRA.
- *The Council Tax Income Account* shows the gross and net income from council tax, together with details of the number of properties on which council tax is levied, and the charge per property.
- *The Non-Domestic Rates Income Account* shows the gross and net income from non-domestic rates and details the amount payable to the national non-domestic pool, as well as the resulting net income for the financial year to the Council that is shown in the Comprehensive Income and Expenditure Statement.
- *Common Good Funds* were inherited from the former burgh authorities of Bo'ness, Denny, Grangemouth and Falkirk in 1975. These funds are used solely for the benefit of the residents of these areas. An Income and Expenditure Statement as well as a Balance Sheet have been prepared for each fund. In addition, a cumulative financial statement has also been prepared.

**Group Accounts**

The Council has an interest in the Police, Fire & Rescue and Joint Valuation Joint Boards and Common Good Funds. The Council also has an interest in two limited companies. The Joint Boards have a wide range of functions to discharge, and members of each Board are elected councillors and are appointed by the Council in proportions specified in the legislation. Under accounting standards guidance, the Council can be seen to have significant influence over these statutory bodies, through nominated Council Member involvement in the bodies' governing Boards. As a result, the Boards are included within the Group Accounts.

The following statements make up the "group accounts" for the Council:

- *The Group Comprehensive Income and Expenditure Statement* combines the Income and Expenditure figures for the Council with the Council's share of the operating results of its external interests.
- *The Group Balance Sheet* brings together all of the assets and liabilities of the group. It also combines the Council's assets and liabilities with its share of the net assets or liabilities of its external interests.
- *The Group Cash Flow Statement* shows the changes in cash and cash equivalents of the Group
- *The Group Movement in Reserves Statement* shows the movement in the year on the different reserves that are held. It also explains the contribution of the external interests to the overall group surplus or deficit.
- *The Notes to the Group Accounts* provide further information on the Council's group accounts and includes *The Group Segment Note* which reconciles the budgetary control figures per the final Committee report to the Service figures in the Group CIES on a subjective basis.

**Statement of Responsibilities for the Statement of Accounts**

This statement sets out the respective responsibilities of the Council and the Chief Finance Officer for the financial statements.

**Annual Governance Statement**

This statement summarises, openly and transparently, arrangements established by Falkirk Council for ensuring good governance and appropriate arrangements for internal financial control for 2010/11. It highlights areas of improvement that have been identified to enhance existing governance arrangements, and is consistent with the Council's established improvement agenda.

### **Disclosure of Officers & Elected Members Remuneration**

Regulations to introduce a new Remuneration Report, effective from financial year 2010/11, have been laid before the Scottish Parliament. These new Regulations are designed to bring councils in Scotland into line with best practice disclosure in central government and the private sector. As a result, the publication of much more personal information than previously disclosed in the Council's Annual Accounts is required.

The Remuneration Report on pages 35 to 44 provides details of the Council's remuneration policy for senior employees as well as senior councillors in addition to describing the role and membership of the committee that deals with remuneration arrangements. The Report also details the number of employees earning £50,000 or more in bands of £5,000, together with comparative data for the previous year. This differs from the Accounts for previous years which showed salary levels in bands of £10,000.

The Remuneration Report contains prescribed information on remuneration as well as pension rights that have been accrued or acquired.

## **3. FINANCIAL PERFORMANCE**

### **General Fund**

The General Fund Balance detailed in Note 2 has decreased by £1.234m, compared to a budgeted deficit of £1.110m giving a total movement of £0.124m. The main reasons for this reduction are summarised below:

	<u>£'000</u>
Increased Council Tax	210
Decreased Trading Account Surpluses	(360)
Savings on Loan Charges	1,080
Decreased cost of service delivery in several Services	3,288
Offsetting costs in other General Fund Services	(204)
Contribution from Central Scotland Fire & Rescue Service	<u>753</u>
Net variance in Uncommitted General Fund	4,767
Reduced costs in the Housing Revenue Account	1,567
Savings in Debt Repayments not charged to Revenue	1,521
Savings on Loan Charges relating to New Schools Project	104
Payment from NPDO Reserve	(12,000)
Increased Contributions to Earmarked Funds	<u>3,917</u>
	<u>(124)</u>

The main items included in the decreased cost of service delivery were:-

1. In Education Services, significant savings in property costs, particularly from energy and rates, contributed to the overall underspend along with lower than anticipated staffing costs and reduced expenditure within residential schools. The net underspend was £1.008m which represents 0.6% of budget.
2. In Social Work Services, pressure in childrens residential care and adult community care was offset by savings in staff costs and additional income from residential homes and the NHS. The net underspend was £0.994m which represents 1.2% of budget.
3. In Central Support Services, there were significant savings in staff and property costs. The saving which accrues to the General Fund is £0.466m which is 2.1% of budget.
4. In Community Services, reduced staff costs and property costs helped to offset reduced income in a number of areas. The underspend was £0.678m which is 3.5% of budget.

The offsetting costs of £0.204m were incurred in a number of services.

Central Scotland Fire and Rescue Board made a decision to refund an element of the 2010/11 requisition to constituent authorities. Falkirk Council's share of this was £0.753m.

In the Housing Revenue Account, there were significant savings in Employee Costs, Support Services and Capital Charges. There was also increased income from commercial properties. The final outcome was a surplus of £0.457m, which gave an underspend of £1.567m when compared to the budgeted deficit of £1.110m.

A Capital Fund (Capital Receipts Reserve) was used to repay loans, resulting in savings in debt repayment of £1.521m. These savings, together with associated interest will be used as a contribution towards the New Schools Project in 2011 (see Note 2). The sum of £12.0m was paid from this reserve in 2010/11 and a further £12.0m was paid on 1 April 2011. The total payment of £24.0m was an integral part of the Council's NPDO project, the purpose of the payment being to reduce the long term liability of the Council over the life of the NPDO project.

The Council's General Fund balance has therefore decreased to £36.7m. The table at Note 2 sets out the composition of the General Fund balance including a range of funds which have been earmarked for specific purposes. The resultant uncommitted general fund balance of £11.330m is greater than the level of uncommitted General Fund reserves of between £6.8m and £9.5m referred to in the Council's Reserves Strategy.

The Council made payments totalling £3.629m in respect of backdated equal pay claims for which it received government consent to borrow. Whilst the eventual cost of settling these claims cannot be fully quantified at this time, it is considered appropriate to retain a provision of £5m in the 2010/11 accounts. In addition, the Council has been given permission to borrow a further £1m in 2011/12.

The sum of £3.629m referred to above, along with the £12.0m contribution to the new schools project is shown as an Exceptional Item in the CIES.

### **Housing Revenue Account**

In order to comply with accounting requirements, the Housing Revenue Income and Expenditure Statement, which is shown as note 35 to the Core Finance Statements, includes impairment on housing assets totalling £53.811m. The Movement on the HRA Statement adjusts this amount by a corresponding credit which is part of the amount required by statute to be debited or credited to the Housing balance for the year.

Compared to a budgeted deficit of £1.11m, the overall position was a net surplus of £0.457m. This was transferred to the earmarked Housing Revenue Account balance resulting in a cumulative balance going forward of £6.392m (see Note 36). It should be noted that around £0.92m of balances has been earmarked to restrict house rent levels in 2011/12.

### **Capital Expenditure**

The Council has set its capital expenditure limits in accordance with the Prudential Code. The objective of the Code is to ensure that all capital spending is affordable, prudent and sustainable. In 2010/11, the Council incurred capital expenditure of £21m on areas such as Education, Social Work, Leisure, Economic Development and Roads infrastructure and a further £17m on Council Housing. Major investment by the Council included:

- £3m on school buildings
- £3m on roads and infrastructure in the Falkirk area
- £6m on the Council's commercial property portfolio and other community assets
- £8m on Vehicle, Plant and Equipment purchases
- £1m on various Social Work properties

The Council's investment programme was funded from capital grants and other contributions (£13m), capital receipts including sale of assets (£4m), borrowing (£19m) and funding from revenue (£2m). At the end of the year, Council borrowing totalled £163.188m as shown in note 22. The external borrowing figures remain within the limits set by the Council in line with the Prudential Code requirements.

### **Trading Operations**

The Council operates two Statutory Trading Accounts, one for Building Maintenance and one for Roads Maintenance. Building Maintenance achieved a surplus for the year of £0.129m and Roads Maintenance achieved a surplus for the year of £0.407m. Both Statutory Trading Accounts exceeded the minimum financial requirement to break-even over a three year rolling period.

During the year, the Council discontinued the operation of non-statutory trading accounts for Schools & Welfare Catering and Building Cleaning. These are now simply accounted for as recharge allocation accounts. Further details of the Council's trading operations can be found at Note 6.

## **4. PUBLIC PRIVATE PARTNERSHIP (PPP)**

In order to provide fit for purpose schools, the Council has entered into a scheme under PPP financing arrangements. This scheme involved the replacement of five schools which were first occupied by the Council in August 2000. During the financial year 2010/11, £12.847m was paid to the contractor under the terms of the agreement for these schools.

## **5. NOT FOR PROFIT DISTRIBUTING ORGANISATION (NPDO)**

The Council reached Financial Close in May 2007 on its second PPP scheme to provide four new high schools. The Council is using a Non-Profit Distributing Organisation (NPDO) model. Two schools were delivered in January and February 2009 and a further two were delivered in June and July 2009. During the financial year 2010/11, £10.842m was paid to the contractor under the terms of the agreement for these schools for the basic annual payment and the sum of £12.000m was also paid from the New Schools Reserve (see note 2).

## **6. BALANCE SHEET**

The Balance Sheet on Page 46 summarises the assets and liabilities of the Council as at 31 March 2011, with explanatory notes also being provided. Total net assets have increased by £67.335m from £138.074m to £205.409m. This increase is summarised in the Movement in Reserves Statement on Page 48, with the main reason being a significant decrease in pension fund liabilities.

## **7. LONG-TERM BORROWING**

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 the European Investment Bank. Further details are provided at Note 22.

## **8. PRINCIPAL SOURCES OF FINANCE**

The principal sources of finance utilised by the Council in 2010/11 were as follows:

Revenue Support Grant	£222.46m	Provided by the Scottish Government
Ring-Fenced Government Grants	£14.15m	Provided by the Scottish Government
Non-Domestic Rates Income	£60.65m	Provided by the Scottish Government*
Council Tax	£59.64m	Raised from local taxpayers
Housing Rents	£42.48m	Raised from tenants
Other Income	£98.27m	Sales, fees, charges and other contributions for services

\* Although the Council was due £60.65m of non-domestic rate income from the Scottish Government, £60.23m was due to be paid to the Government from non-domestic rates raised in the Falkirk Council area which represents a net draw by the Council of £0.42m (£7.36m draw in 2009/10).

## **9. PENSION LIABILITIES**

In terms of Financial Reporting Standard 17 (Accounting for Pensions) the Council is required to show the actuarially assessed net pension deficit/liability within the Balance Sheet. The deficit is assessed as £171.869m as at 31 March 2011 (£289.253m as at 31 March 2010). Pension Fund deficits have decreased significantly since last year due to the fact that the real discount rate has increased from 1.6% to 2.7%, reflecting the impact of a change in pension increase assumptions. Further information on accounting for retirement benefits can be found in Note 9. Future actuarial valuations will recommend employer contribution rates which, together with employee contributions and revenues generated by the Fund's assets will be sufficient to meet future pension liabilities.

## **10. COMMON GOOD**

The Council administers Common Good funds for the areas of Bo'ness, Denny, Grangemouth and Falkirk. Overall, the total net asset value of the funds rose from £1.077m in 2009/10 to £1.078m in 2010/11. Further information can be found in note 42.



## **11. GROUP FINANCIAL STATEMENTS**

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 103 to 118) which consolidate the results of the Council with its share of the following entities – the Police, Fire and Rescue and Valuation Joint Boards, FCSL (Holdings) Ltd, Falkirk Community Stadium Limited and Common Good Funds. The effect of the inclusion of the Council's interests on the Group Balance Sheet is to reduce both Reserves and Net Assets by £260.353m. The main reason for this reduction is due to the inclusion of pension fund deficits attributable to the Police, Fire and Rescue and Valuation Joint Boards. Pension Fund deficits have decreased significantly since last year due to the fact that the real discount rate has increased from 1.6% to 2.7%. Notwithstanding the excess of liabilities over assets, I consider it appropriate to adopt a going concern basis for the preparation of these financial statements as the amounts will fall due to be met by the constituent authorities and Scottish Government grants as appropriate.

## **12. CHANGE IN ACCOUNTING PRACTICE**

### **Move from UK GAAP to IFRS**

The main changes to the Statement of Accounts as a result of the transition to an IFRS-based accounting basis are that the Statement of Movement on the General Fund Balance is subsumed in a new Movement in Reserves Statement and the Income & Expenditure Account as well as the Statement of Total Recognised Gains & Losses have been replaced with a Comprehensive Income and Expenditure Statement.

In the Balance Sheet, Tangible Fixed Assets are now referred to as Property, Plant and Equipment and there are changes in respect of the recognition of subsequent costs in that a greater emphasis is placed on depreciation of components and accounting for impairment. In addition, the Balance Sheet for 2010/11 contains two sets of prior year figures for both 2009 and 2010. These figures have been restated on an IFRS basis.

In order to comply with the Service Reporting Code of Practice the amounts in the Comprehensive Income & Expenditure Statement are also shown as per the Service Expenditure Analysis.

Other changes include the accounting treatment of grants used to fund capital expenditure, the requirement to recognise a liability for untaken annual leave at the year end and changes in accounting for and disclosure of leases.

The main change to the Notes to the Accounts is that a new note has been prepared detailing a reconciliation from the budgetary control figures per the final budgetary control report to the Policy & Resources Committee, to the Service figures in the Comprehensive Income & Expenditure Statement on a subjective basis. This is called the "Segment Note", which is shown as Note 3 to the Accounts.

The 2010/11 Code of Practice gives local authorities a choice as to how Group Accounts should be disclosed. They can either be shown in additional columns in the main Accounts or as a separate section. Falkirk Council has taken the option of showing them as a separate section (as we have previously done). Under the Code, the definition of what is to be considered to be included in Group Accounts is slightly wider than the 2009 Statement of Recommended Practice in respect of Associates, however, this has not resulted in any additional entities falling into the Group boundary.

It should be noted that the Group Accounts also contain the new Movement in Reserves Statement and Segment Note, as well as the previous disclosures.

## **13. CHANGE IN ACCOUNTING POLICIES**

### **PFI Lifecycle Maintenance**

The revised accounting arrangements for 2009/10 resulted in a variety of accounting and presentational changes including the requirement to allocate a portion of the Unitary Charge payment against lifecycle maintenance where such costs were incurred. When the Council implemented these changes during 2009/10, its policy was to show as lifecycle maintenance, any costs in the original Operators Model which were in excess of £100,000. That policy has now changed due to the fact that information has not been forthcoming from one of the PFI operators which would allow us to determine what type of "maintenance" the figures in the Operators Model refer to, when the actual "maintenance" was carried out and how much it actually cost. To carry on with the existing policy would have meant that costs were being capitalised with no back-up details to determine the nature of the work involved and the useful life over which the costs should be written off. A decision has now been taken to change the policy such that no lifecycle maintenance costs are included in the Unitary Charge payment and therefore no such costs are capitalised.

Had the original policy continued a total of £58.844m of lifecycle maintenance costs would have been capitalised over the duration of the 2 PFI contracts.

## **14. FUTURE DEVELOPMENTS**

The Council's revenue budget strategy will continue to reflect the priorities set out in the Council's Corporate Plan and the Strategic Community Plan which was approved by the Council in December 2010. In constructing the 2011/12 revenue budget, the Council has retained provision of an additional £2.8m which was first incorporated into the budget for 2010/11. In recognition of the need to continue to invest in the provision of quality Social Work and Roads Services, the sum of £2.3m has been allocated to the Social Work budget and the balance of £0.5m added to the Development Services budget to boost provision for winter maintenance and the road and footpath network.

The grant settlement incorporates additional funding of £0.6m to address the threat of flooding and whilst this funding is not ring-fenced, the Council has been able to add this new money to the Development Services budget. The Revenue Budget also includes a continuation of resources to deliver key government policies and programmes specified in the Single Outcome Agreement such as reducing class sizes and implementing the Adult Support and Protection Act.

In addition to the above, the Scottish Government has allocated £70 million nationally for a new Change Fund which will provide bridging finance to facilitate shifts in the balance of care from institutional to primary and community settings. The fund will be distributed through NHS boards and the spending of these resources will be overseen by a local partnership governance arrangement on the basis of local change plans which are agreed between NHS Boards, local government and the third/independent sectors. The allocation to the Falkirk partnership for 2011/12 is £1.8m and whilst this has initially been confirmed for one year only, the Scottish Government has expressed the intention that subject to Parliamentary Approval, the Change Fund will be included in the next Spending Review process and could be part of a 4 year programme to re-shape care for older people.

In recognition of the need for ongoing efficiency savings, a £2.3m reduction in government grant and additional cost pressures of £6.2m, the Council's budget strategy required all areas of expenditure and income to be subject to detailed scrutiny. This included:

- Reducing employee costs through the Scheme of Voluntary Severance and reviewing staff terms and conditions
- Redesign of services
- Establishment of a Community Services Trust
- Maximising income through reviewing existing fees and charges and examining the potential to generate more income through the introduction of new charges
- Seeking a contribution of savings from joint boards

The Council will also continue to focus on a strategic approach to the generation of efficiencies which aims to prioritise efficiencies that minimise the impact on services provided.

The Council will approve a three year capital investment plan for all areas of service delivery. This plan will help the Council and its Services to meet Community, Corporate and Services Plan priorities and improve facilities for the Falkirk area and its community. In respect of Housing, the Council will continue to develop and monitor the Standard Development Plan, which outlines how the Council will improve its housing stock to meet the Scottish Quality Standard by 2015 and maintain that standard going forward. The 3 year investment programme also provides resources for a new build programme of 132 houses.

## **15. IMPACT OF ECONOMIC CLIMATE**

The Council is not immune from the impact of the economic downturn and has experienced a reduction in certain income streams e.g. planning applications and has encountered considerable difficulty in generating capital receipts from asset disposals while demand for services has not reduced. The Council's investment plans for 2011/12 have anticipated an ongoing lower level of receipts from asset disposals and this will be monitored on an ongoing basis.

As mentioned above, government grant levels have reduced and all areas of expenditure and income have been subject to detailed scrutiny. The Council will continue to focus on a strategic approach to the generation of efficiencies which aims to prioritise efficiencies that minimise the impact on services provided.

In December 2008 and January 2009 the Council agreed a number of measures which were aimed at bolstering the area's economy, including using accelerated Scottish Government Grant to bring forward proposals earmarked for economic development and allocating £100,000 of revenue funding over financial years 2008/09 and 2009/10 to permit the extension of business support. The Council is also aiming to pay suppliers invoices within 20 days compared to the previous target of 30 days.

## **16. CONCLUSION**

This is a satisfactory performance in the challenging circumstances outlined above and reflects well on both the efforts as well as professionalism of officers and on the Council's financial management, scrutiny and monitoring procedures.

## **17. ACKNOWLEDGEMENTS**

I should like to record my appreciation for the efforts of my own staff in producing these Accounts timeously and to colleagues throughout the Council for their help and co-operation.



Bryan Smail, CPFA  
Chief Finance Officer  
30 September 2011

**STATEMENT OF ACCOUNTING POLICIES****1. GENERAL PRINCIPLES**

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985. 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 2010/11 (the Code) and the Best Value Accounting Code of Practice 2010/11 (BVACOP), 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 2011. Comparative figures for the previous financial year are also provided. In addition comparative Balance Sheet figures are provided for 2008/09 and 2009/10 as required by the Code.

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 accounts have been prepared on a going concern basis as, while the Balance Sheet shows net current liabilities, the Council has in place a treasury management policy which includes monitoring of borrowing and cash-flows to ensure it has sufficient funds to meet its current liabilities as they fall due.

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 foreword by the Chief Finance Officer, Group Financial Statements have been prepared which reflect the Council's interest in the Central Scotland Police, Fire & Rescue and Valuation Joint Boards, FCSL (Holdings) Ltd, Falkirk Community Stadium Limited and Common Good Funds.

**2. CHANGES TO THE STATEMENT OF ACCOUNTS INTRODUCED IN THE 2010/11 CODE OF PRACTICE (THE CODE)**

The Statement of Accounts for 2010/11 is the first to be fully prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10. Note 1 to the Accounts details these differences.

**3. ACCRUAL OF INCOME AND EXPENDITURE**

Transactions of the Council are recorded in the Accounts on the accruals basis in accordance with Financial Reporting Standard 18, 'Accounting Policies' (IAS 8). In other words, income and expenditure are matched to the service provided in the financial year, by including both estimated and actual amounts due to or by the Council as at 31 March where these are significant. This applies to both Revenue and Capital accruals. Debtor and Creditor balances represent sums due but unpaid at 31 March 2011.

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.
- 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.

Government grants or other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

The cost of supplies and services are accrued and accounted for in the period during which they were consumed or received. Accrual has been made for all material sums unpaid at the year-end for goods or services received or works completed.

Interest on external borrowing is fully accrued in order that each year bears the cost of interest relating to its actual external borrowing.

#### **4. ACQUISITIONS AND DISCONTINUED OPERATIONS**

The Council has not acquired or discontinued any operations (including those operations under machinery of government arrangements) during the financial year.

#### **5. 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.

#### **6. EXCEPTIONAL ITEMS**

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.

#### **7. 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.

## **8. 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
- 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.

## **9. 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.

## **10. 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.

## **11. 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 Statement of 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 Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is 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 Statement of Accounts.

The Council has agreed to establish Falkirk Community Trust Ltd and its trading subsidiary, Falkirk Community Trading Ltd to deliver Leisure, Arts, Libraries and Heritage services on behalf of the Council, with effect from 1 July 2011.

## **12. 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. Details of contingent assets are shown in note 19.



**13. CONTINGENT LIABILITIES**

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in the Notes to the Core Financial Statements. Where such liabilities are reduced through contributions or recoveries from other parties the net liability is shown. Details of such liabilities are shown in Note 19.

**14. 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. Any provisions are included in the financial statements in accordance with IAS37, under Note 24.

**15. 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, New Schools Project, 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 reserves relate to the activities detailed in Notes 35-37.

**Other Usable Reserves**

This comprises:

**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****Pensions 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.

**Revaluation Reserve**

This 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.

**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 2011 will be charged to the General Fund over the next 14 years.

**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.

**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.

Movements in all of the above reserves are shown in the Movement in Reserves Statement.



**16. 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.

**17. 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 & Expenditure Statement.

Where capital grants are credited to the Comprehensive Income & 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.

**18. INVENTORIES**

All inventories have been valued in accordance with Statement of Standard Accounting Practice 9 'Stocks and Long Term Contracts' (SSAP9) as follows:-

- Lower of cost and net realisable value (nrv)
- At average cost - For stocks held on the Procon costing system, which has been designed to value stocks at average cost. The difference between the average cost and valuation at the lower of cost and net realisable value is not considered material.
- At latest invoice price - For stocks which are generally minimal and the records are held manually. It is therefore more practical to value these items at latest invoice price. The difference between the replacement cost and the book value for these stocks is not considered material.

Full details are provided in Note 26. Work in progress is subject to a valuation of the cost of work completed to 31 March 2011. It is recorded in the Balance Sheet at cost plus an appropriate proportion of overheads, together with attributable profits and allowances for foreseeable losses.

**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.

## **20. INTERESTS IN COMPANIES AND OTHER ENTITIES**

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and therefore require it to prepare group accounts. As such, Group Financial Statements have been prepared (see pages 103 to 118) which reflect the Council's interest in the Central Scotland Police, Fire & Rescue and Valuation Joint Boards, FCSL (Holdings) Ltd, Falkirk Community Stadium Limited and Common Good Funds. The effect of inclusion of the Council's interests on the Group Balance Sheet is to reduce both Reserves and Net Assets by £260.353m.

In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

## **21. INVESTMENT PROPERTIES**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

The Council does not have any Investment Properties.

## **22. 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 Best Value Accounting Code of Practice 2010/11 (BVACOP) but not to Common Good and Trust Funds. The main allocation bases are summarised below:-

<b>Cost</b>	<b>Allocation Base</b>
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

**23. 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 BVACOP and accounted for as separate headings in the Comprehensive Income & Expenditure Statement, as part of Net Expenditure on Continuing Services.

- The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. Section 2 of BVACOP redefines corporate and democratic core activities into ‘corporate management’ (CM) and ‘democratic representation and management’ (DRM). CM includes all expenses incurred in providing the infrastructure that allows services to be provided. DRM includes all Councillor-related expenses including meetings of the Council and its Boards, officer support to Councillors, advice to voluntary bodies and activities undertaken by Councillors to represent local interests. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. In accordance with CIPFA Guidance, these costs have not been recharged to services but accumulated and charged to the General Fund and the Housing Revenue Account.
- Non-Distributed Costs include the cost of discretionary benefits awarded to employees retiring early. In accordance with CIPFA Guidance, these costs have not been recharged to services but accumulated and charged to the General Fund and Housing Revenue Account.

**24. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS**

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs. The Comprehensive Income & Expenditure Statement is debited with the expenditure incurred and credited with the share of income the Council earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for its share of the jointly controlled assets, the liabilities as well as expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

**25. 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
- 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 & 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 & 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)
- 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. However, see change to accounting policy in Foreword.

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).
- Capital Expenditure Charged to General Fund (for the element of the Unitary Payment designated for lifecycle replacement costs). However, see change to accounting policy in Foreword.

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.

## **26. 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:

- The Teachers' Pension Scheme, administered by the Scottish Public Pensions Agency.
- 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.

### Teachers

The Teachers' Pension Scheme is an unfunded scheme where the employer contribution rate is 14.9% of pensionable pay. 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, 2005. Further details about the valuation process should be obtained from the scheme administrators who are the Scottish Public Pensions Agency.

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 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.

### 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 in the Annual Report and Accounts of Falkirk Council Pension Fund.

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 real discount rate of 2.5% (based on the indicative rate of return on high quality corporate bonds).

The assets attributable to the Council are included in the Balance Sheet at their fair value. Where there is an active market, bid price is usually the appropriate quoted market price:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value.

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
- expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Finance and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement
- gains/losses on settlements and curtailments - the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement as part of Non-Distributed Costs
- actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- 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 9 of the core financial statements.

## **27. 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.



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.

*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. 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 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 (and not via the Deferred Capital Receipts Reserve). 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.

#### *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.

## **28. 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 apart 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
- 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).

**29. 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.

### 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 Council does not capitalise borrowing costs incurred whilst assets are under construction.

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 asset and assets under construction – historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair 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. Exceptionally, 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 by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or 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 as to whether 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 by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve, or an insufficient balance, the excess value is written down against the relevant service line(s) in the comprehensive income & expenditure statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income & 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 provided for 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 and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years

Where an item of Property, Plant and Equipment asset 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 held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as 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.

### **30. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

The 2010/11 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 FRS30 Heritage Assets within the 2011/12 Code, whereby heritage assets will be recognised as a separate class of assets for the first time.

A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. Operational heritage assets (assets held for their heritage characteristics) that are also used to provide other services, are accounted for as operational assets.

Heritage assets are measured at valuation by any method that is appropriate and relevant. Depreciation is not applied to heritage assets, which have indefinite lives. However, the valuation will be reviewed where there is evidence of impairment.

As of 2011/12, the Council will be required to report Heritage Assets as a separate class of asset.

The Council has the following Heritage Assets:

- Museum Collection
- Visual Art Collection
- Archive Collection
- Civic Regalia

It will hopefully be possible to recognise much of the Council's museum, gallery collections and civic regalia on the balance sheet using insurance valuations held by the authority, which is generally based on market value. As the value of these Heritage Assets have not been recognised in the Balance Sheet, the valuation to be used will represent a revaluation gain within the Revaluation Reserve.

The Council does not consider it appropriate to charge depreciation in respect of heritage assets due to indeterminate lives and high residential values. There will therefore be no change to the depreciation charged in the Financial Statements in respect of heritage assets.

### **31. 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 Statement of 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.

### **32. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The statement of accounts contains 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 at 31 March 2011 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 of £5m 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. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable. In addition to this, the Council has been given permission to borrow £1m in 2011/12 in respect of these costs. An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.6m to the provision needed.

#### 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 discount rate assumption would result in an increase in the pension liability of £62m.

However, the assumptions interact in complex ways. During 2010/11, the Council's actuaries advised that the net pensions liability had reduced by £60m due to the updating of the actuarial assumptions used and also reduced by £9.8m, mainly as a result of the estimated actual return on assets of 8.7% being greater than the previously anticipated return on assets of 7.2%.

#### Arrears

At 31 March 2011, the Council had a balance of sundry debtors of c£8.0m, council tax circa £7.7m and house rents of circa £1.8m. Provision for doubtful debts amount to circa £3.0m, £7.3m and £1.4m respectively. An increase of 10% in the value of these would amount to £0.3m, £0.7m and £0.1m respectively.

### **33. EQUAL PAY CLAIMS**

The Council made payments totalling £3.629m in respect of backdated equal pay claims for which it received government consent to borrow. The accounting treatment for this is as described above. Whilst the eventual cost of settling these claims cannot be fully quantified at this time, it is considered appropriate to retain a provision of £5m in the 2010/11 accounts. In addition, the Council has been given permission to borrow a further £1m in 2011/12.

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

**FALKIRK COUNCIL RESPONSIBILITIES**

The Council made the necessary arrangements for the proper administration of its financial affairs, the Chief Finance Officer being the nominated officer responsible for this task.

The Council managed its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Audited Accounts are required to be laid before a meeting of the Council within two months of receipt of the Audit Certificate.

**THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES**

The Chief Finance Officer is responsible for the Council's Statement of Accounts which, in terms of the CIPFA/LA(S)AAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2011.

In preparing this Statement of Accounts, the Chief Finance Officer has:-

- selected suitable accounting policies and then applied them consistently;
- made judgements that were reasonable and prudent; and
- complied with the accounting code of practice.

The Chief Finance Officer has also:-

- kept proper accounting records which were up to date; and
- taken reasonable steps to prevent and detect fraud and other irregularities.

**ANNUAL GOVERNANCE STATEMENT 2010/11****Introduction**

1. Falkirk Council has a duty under the Local Government in Scotland Act 2003 to make arrangements to secure best value and ensure continuous improvement in the Services it delivers. The Council must ensure that public money is used economically, efficiently, and effectively, and that this responsibility is undertaken with due regard to the achievement of sustainability.
2. To help ensure that these responsibilities are met, the Council must put in place comprehensive and robust governance arrangements, ensuring that these arrangements are properly applied. This must be done within the context of the Single Outcome Agreement 2009-11 which sets out improvements the Council, its Community Planning Partners, and the Scottish Government want to make in the Falkirk Council area.
3. Responsibility for ensuring good governance is shared by all Falkirk Council employees and elected Members, and must be part of the culture of the organisation. To demonstrate Falkirk Council's commitment to ensuring good governance, this Statement has been prepared on the basis of the principles set out in the CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government*' to highlight established and developing good practice as well as areas for further improvement. It should be noted that any review of governance arrangements can provide reasonable but not absolute assurance that policies, aims, and objectives are being applied and implemented as intended.
4. The CIPFA/SOLACE Framework defines governance as being the arrangements that ensure Authorities are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. In practice, this comprises the systems, processes, cultures and values by which the Council is directed and controlled and through which it engages with the community.
5. Preparation of this Annual Governance Statement meets the requirements of Section 3.7 of the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

**Falkirk Council's Governance Framework**

6. The following sections summarise the key elements of Falkirk Council's governance framework, set out within the context of the six Principles of Good Governance defined within the CIPFA/SOLACE Framework.

**Principle 1 - Focusing on the purpose of the Council and on outcomes for the community, and creating and implementing a vision for the local area.**

7. This principle is about developing and communicating the Council's vision, purpose, and intended outcomes for citizens and service users.
8. The Council's well established Strategic Planning and Management Framework is fundamental to ensuring that the Council undertakes its business in a focussed, efficient, and effective way, particularly within the context of the particularly challenging economic conditions we continue to face.
9. Work on addressing the actions and realising the outcomes set out in the Council's Action Plan for the Economic Downturn was completed during 2010/11. In addition, Falkirk was named the most enterprising place in Scotland at the annual Enterprising Scotland Awards ceremony in November 2010, demonstrating our commitment to improvement and innovation.
10. Information on the performance of individual Council Services continues to be made available via the 'Performance Zone' area of the Council's website, with a review of non-statutory performance indicators on-going to ensure that these are properly targeted and outcome focussed.
11. In addition, a detailed Customer Survey was undertaken during 2010, with around 4,400 forms returned to the Council, providing a comprehensive and rounded picture of customers' perceptions of how the Council goes about delivering key services. The results of this Survey will be fully considered in determining future policy and priorities.



**Principle 2 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles.**

12. This principle is about ensuring effective leadership and the clarity and consistency of roles and responsibilities.
13. The Council's Standing Orders Relating to Meetings and Scheme of Delegation to Committees are well embedded, with a review underway to ensure that these remain fit for purpose in light of changes that have taken place, or are yet to take place, in respect of the Council's organisational structure.
14. These are supported by Financial Regulations and Contract Standing Orders. While Financial Regulations were reviewed and updated in 2009/10, consideration will be given to reviewing Contract Standing Orders to ensure that there is consistency with the Scottish Procurement Directorate's Procurement Journey guidance.

**Principle 3 - Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**

15. All elected Members and Officers are expected to demonstrate leadership and good governance by complying with the Council's established Code of Conduct for Members and Officers and the supporting Protocols for Member/Officer Relations and Officer/Convener Relationships.
16. Arrangements are also in place to document and record extra-mural employment (with an exercise to refresh these records undertaken during 2010/11), and registers of gifts and hospitality are maintained. All staff are made aware of these policies and arrangements at induction, and all are available via the Council's Intranet.
17. The Council has a Confidential Reporting Policy and Procedure and an Anti-Fraud and Corruption Strategy which provides a framework for encouraging a corporate culture of fraud deterrence and prevention.

**Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**

18. Corporate Management Team has established a number of Officer led groups to consider matters such as IT strategy and security, sustainability, best value, and risk management.
19. Risk management arrangements remain in need of further development, both in terms of embedding the existing Policy and Strategy across all Services and in better linking risk management and business planning. Action is, however, being taken to address this, with an independent review of existing activities undertaken during 2010/11, and through plans to appoint a Corporate Risk Manager. In addition, the Audit Committee will continue to monitor progress with embedding risk management across the Council.
20. Related to that, Corporate Risk Management Group has, during 2010/11, agreed a process for building assurance around the proper premises management of the Council's operational estate, with the initial outputs arising from this process considered by the Group in May 2011. This is a positive development, as it provides a framework aimed at making Falkirk Council's operational buildings a safer and more secure environment for staff and visitors.
21. For the first time, an Annual Report and Accounts will require to be prepared for the Falkirk Council Pension Fund for 2010/11. The Annual Report will include a Governance Compliance Statement, and the Report and Accounts will be subject to a separate audit by Audit Scotland, the fund's appointed auditor. While this process places additional responsibilities on pension administration and investment staff, there are clear benefits in improving and enhancing transparency and accountability, including scrutiny via the Council's Investment Committee.
22. The Audit Committee is now an established element of the Council's governance framework. At its June 2010 meeting, Council made a decision to appoint an external lay member to chair the Audit Committee. This appointment has now been made, with the March 2011 Audit Committee meeting the first to be chaired by the external lay member.



**Principle 5 - Developing the capacity and capability of Officers and Members to be effective.**

23. This principle is about ensuring that Officers and Members have the appropriate knowledge and skills to allow them to effectively fulfil their roles and responsibilities.
24. As mentioned above, the Audit Committee continues to develop in its role, and to facilitate this, training and development will continue to be made available to Members, including the external lay member Chair. The Committee will, at an appropriate point, undertake a review of its own effectiveness, as required by CIPFA Audit Committee guidance.
25. In addition, steps are being taken to ensure the timely adoption of the Improvement Service Continuing Professional Development approach to Member training, with a view to fully embedding this prior to the new intake of Councillors following the 2012 Scottish Local Government Elections. This will build on the existing Member training programme (which includes, for example, Treasury Management training delivered prior to the summer recess).
26. The Achievement and Personal Development Scheme for Officers continues to be rolled out, and the Council remains committed to the development of staff via, for example, the provision of induction programmes for new staff, a corporate 'Learning Zone' for existing staff, and the support of individual Services towards achieving and maintaining Investors in People status.

**Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability.**

27. The Council engages with stakeholders in various ways and on a number of levels.
28. Meetings of Falkirk Council and its Committees are open to the public, with agendas and papers published on the Council's website. The website also includes a 'Performance Zone', where annual accounts and statutory and other performance information is made available.
29. Website accessibility continues to be improved, with a British Sign Language facility for the Deaf Community and compliance with W3C's Web Accessibility Initiative's (WAI) Guidelines.
30. A Citizens Panel has been set up, comprising more than 1,000 local people who have volunteered to respond to surveys and provide feedback on services. Surveys have been undertaken in August 2010 and January 2011, and the Council is committed to fully considering the results of these surveys in developing future policy and direction.
31. Various other initiatives and developments aimed at improving communication and engagement with stakeholders have become embedded over the course of 2010/11, including the roll out of Homespot, which is aimed at simplifying and making more transparent the housing allocations process, and the development of a Revenues Customer Charter, which sets out the minimum service standards to be expected in any interaction with the Council's Revenues Division.
32. A draft Community Participation Strategy, entitled 'Have Your Say – A Plan for Local Involvement', was considered by the Council's Leisure, Tourism and Community Committee in November 2010 with a final version agreed in April 2011, taking account of feedback received from local stakeholder groups. This is supported by a Scheme of Decentralisation, demonstrating how the Council will continue to bring services and decision-making closer to local communities

**Monitoring and Review of Governance Arrangements**

33. Falkirk Council's governance arrangements are formally monitored via:
  - the Council's established Committee framework, including the Audit Committee;
  - the Best Value Forum and Best Value Working Group;
  - Corporate Management Team;
  - Internal and external audit work; and
  - the work of Falkirk Council's Local Area Network,.
34. This monitoring is done within the context of the Delivering Good Governance guidance, the Council's Corporate Plan, local Community Plan, agreed Single Outcome Agreement, and the fundamental statutory requirement to demonstrate and achieve best value.

35. The Council has a Strategic Planning and Management Framework (SPMF) which brings each of these strands together. The SPMF sets a common operational framework linking all activities to the Council's strategic priorities and service delivery objectives. This framework facilitates the monitoring and management of performance and quality, and provides for demonstrable consistency between strategic and operational aims and objectives.

#### **System of Internal Financial Control**

36. This section of the Annual Governance Statement 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 2011. It incorporates assurance on the systems of internal financial controls (and, where appropriate, governance arrangements) in place within each of these entities.
37. Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the Council's Chief Finance Officer. It should be noted that the system of internal financial control can only provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
38. The system of internal financial control is based on a framework of risk management, robust management information, application of comprehensive financial regulations, administrative procedures including management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers, and includes:
- arrangements for the identification and management of risks;
  - comprehensive budgeting systems;
  - the preparation and regular review of periodic and annual financial reports which indicate actual expenditure and financial performance against forecasts;
  - setting targets to measure financial and other performance;
  - clear capital expenditure guidelines; and
  - formal project management arrangements.
39. The Council's Internal Audit Section provides an independent assessment of arrangements for risk management, governance and control. The Section undertakes an annual programme of work approved by the Chief Executive, Chief Finance Officer, and Audit Committee. This work is planned taking account of the outcomes of the Council's risk management arrangements and Internal Audit's own assessment of risk.
40. The Council's appointed external auditors have concluded that the Internal Audit Section operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006, and formally place reliance on work undertaken by the Section.
41. All Internal Audit reports are brought to the attention of management and include recommendations and agreed action plans where scope for improvement has been identified. It is then management's responsibility to ensure that proper consideration is given to these reports and that appropriate action is taken to address recommendations. Significant matters, including non-compliance with recommendations arising from Internal Audit work, are reported periodically to the Council's Audit Committee.
42. The Audit Committee, which was set up on the basis of a decision by Council in June 2008, operates in accordance with guidance entitled 'Audit Committee Principles in Local Authorities in Scotland' (CIPFA, 2004) and 'Audit Committees: Practical Guidance for Local Authorities' (CIPFA, 2005). As noted at paragraph 22 above, the Committee is chaired by an external lay member, and has a remit to provide:
- independent scrutiny on the adequacy of the risk management framework and associated control environment;
  - independent scrutiny of the Council'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 Council's annual accounts are properly dealt with.

43. Part of the role of the Committee is to consider the Annual Assurance Report provided by the Internal Audit Manager. This report provides an independent opinion on the adequacy and effectiveness of the Council's arrangements for risk management, governance and control, and is based on work undertaken during the year. In his Annual Assurance Report for 2010/11 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 2011.
44. The programme of Internal Audit work for 2010/11 was completed as planned, and the breadth and depth of work undertaken was sufficient to allow the Internal Audit Manager to form a robust and balanced opinion based on the level of assurance provided in each individual Internal Audit report.
45. While, in overall terms, the Internal Audit Manager was able to provide substantial assurance in respect of the Council's control framework, there were areas where limited assurance was provided. It is part of the Internal Audit process to carry out follow-up work to determine the extent to which recommendations have been implemented, and particular emphasis will be placed on recommendations made in these reviews. The outcomes of follow-up work will be reported to Members of the Audit Committee during 2011/12.
46. The Chief Finance Officer is required to review the effectiveness of the Council's systems of internal financial control, taking account of:
- the work of managers within the Council;
  - the work of Internal Audit (as described above); and
  - the work of external audit.
47. Based on consideration of the above, the Chief Finance Officer has concluded that substantial assurance can be placed on the adequacy and effectiveness of the Council's internal financial control systems for the year to 31 March 2011.
48. In respect of other entities that fall within the Council's group boundary, the Chief Finance Officer's review of their internal control systems is informed by:
- the Annual Governance Statement included within the Annual Accounts of Central Scotland Joint Fire and Rescue Board;
  - the Statements on the System of Internal Financial Control included within the Annual Accounts of Central Scotland Joint Police Board and Central Scotland Valuation Joint Board; and
  - the work of these bodies' respective external auditors (and, where relevant, Internal Auditors) and other interim reports.
49. 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 (and, where available, governance arrangements) of other bodies falling within the Council's group boundary.
50. As part of the Council's 2009/10 Annual Governance Statement, a commitment was made to undertake an assessment of the Council's compliance with the principles set out in the 2010 CIPFA 'Statement on the Role of the Chief Financial Officer (CFO) in Local Government' and associated 'Application Note to Delivering Good Governance in Local Government: A Framework'.
51. Due to the retirement of the Council's previous Director of Finance, and the on-going process of making a permanent appointment to the new Chief Finance Officer post, this assessment has not been undertaken. A full assessment will, however, be undertaken once a permanent appointment to the post of Chief Finance Officer has been made.
52. Related to that, during 2010 CIPFA published a 'Statement on the Role of the Head of Internal Audit in Public Service Organisations'. Arrangements have been put in place with West Lothian Council for the coming year to facilitate a reciprocal peer review of each Council's Internal Audit Section against this Statement and against the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. The results of this exercise will be reported to the Audit Committee in due course.

**Governance Arrangements – Areas for Improvement**

53. Falkirk Council continues to be committed to ensuring that governance and internal financial control arrangements are robust, proportionate, and in line with best practice. The process of preparing this Statement has, however, highlighted areas where further work is required, and these will be addressed within the context of the Council's continuous improvement agenda:

- Contract Standing Orders will be reviewed and updated to ensure that they fully reflect relevant national guidance;
- risk management arrangements will continue to be enhanced and improved, with consideration given to ensuring clear linkage between risk management and business planning;
- the Premises Management Statement of Assurance process will be fully embedded across all Council Services;
- the Audit Committee will undertake a formal review of its effectiveness;
- the Improvement Service Continuing Professional Development approach for elected Members will be fully adopted ahead of the 2012 Local Government elections;
- the Community Participation Strategy will be fully implemented; and
- assessments of compliance with the CIPFA Statements on the Roles of the Chief Financial Officer and Head of Internal Audit will be undertaken.

**Conclusion**

54. This Annual Governance Statement summarises, openly and transparently, arrangements established by Falkirk Council for ensuring good governance and appropriate arrangements for internal financial control for 2010/11 and the period to date. It highlights areas of improvement that have been identified to enhance existing governance arrangements, and is consistent with the Council's established improvement agenda.



**Councillor Craig Martin**  
**Leader of Falkirk Council**  
**30 September 2011**



**Mary Pitcaithly**  
**Chief Executive**  
**30 September 2011**

## FALKIRK COUNCIL

### FALKIRK COUNCIL ANNUAL REMUNERATION REPORT

The Local Authority Accounts (Scotland) Regulations 1985 (as amended by the Local Authority (Scotland) Amendment Regulations 2011) require the accounts of the Council to contain a Remuneration Report. This Report for the financial year 2010/11 contains the information specified in the Schedule to the above regulations.

All information disclosed in the tables [at 2.1, 4.2 and 5.9] 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**

(Paragraphs 2 and 3 of the Schedule to the 1985 Regulations)

- 1.1 The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the 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 When determining the level of remuneration for councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors.
- 1.3 The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2010-11 the salary for the Leader of Falkirk Council is £32,470. 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 £23,179. The Council agreed on 4<sup>th</sup> March 2009 not to apply the 2.5% increase permitted by an amendment to the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007, to the Civic Head salary.
- 1.4 The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council (£24,353). 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 £284,116. 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 policy agreed on 4<sup>th</sup> March 2009 is that there will be seven level 1 Senior Councillors each with a salary of £21,803 and seven level 2 Senior Councillors each with a salary of £18,280.
- 1.5 In 2010-11 Falkirk Council had 14 senior councillors and the remuneration paid to these councillors totalled £280,581. 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.
- 1.6 The Falkirk Council remuneration framework, which encompasses the salaries of all elected members including the Leader, Civic Head and Senior Councillors was agreed at a meeting of the full Council on 4<sup>th</sup> March 2009 and is available at [www.falkirk.gov.uk](http://www.falkirk.gov.uk).
- 1.7 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 Police Joint 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.
- 1.8 The Council is reimbursed by the Joint Board for any additional remuneration paid to the member from being a Convener or Vice-Convener.

## Senior Employees Remuneration Arrangements

- 1.9 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/144 sets the amount of salary for the Chief Executive of Falkirk Council for the period 2008 to 2011. The Chief Executive declined the pay award set for 2010/11. The salaries of Service Directors are not currently based on a fixed percentage of the Chief Executive's salary. All Directors are paid at the same rate of salary as implemented in 2000 at the time of approval for a revised structure at a meeting of full Council on 26<sup>th</sup> April 2000.
- 1.10 Senior employees also receive a fixed car allowance. This allowance was agreed by the Resources Committee on 18<sup>th</sup> June 1996.
- 1.11 The Council does not have a role in determining the remuneration policy of Falkirk Community Stadium Ltd., a subsidiary of the Council.

## 2. General Disclosure by Pay Band

(Paragraph 4 of the Schedule to the 1985 Regulations)

- 2.1 The number of employees whose remuneration was £50,000 or more in 2010-11 is disclosed in bands of £5,000 in the following table:

Remuneration Bands	Number of Employees		Chief Officials		Teachers		SJC Employees	
	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
£50,000 - £54,999	61	50	0	0	50	41	11	9
£55,000 - £59,999	21	9	0	0	17	7	4	2
£60,000 - £64,999	4	7	3	3	0	2	1	2
£65,000 - £69,999	7	13	4	11	2	2	1	0
£70,000 - £74,999	12	7	9	3	3	4	0	0
£75,000 - £79,999	4	1	0	0	4	1	0	0
£80,000 - £84,999	0	0	0	0	0	0	0	0
£85,000 - £89,999	1	1	1	1	0	0	0	0
£90,000 - £94,999	5	5	5	5	0	0	0	0
£95,000 - £99,999	1	0	1	0	0	0	0	0
£100,000 - £104,999	0	1	0	1	0	0	0	0
£125,000 - £129,999	1	1	1	1	0	0	0	0
<b>Totals</b>	<b>117</b>	<b>95</b>	<b>24</b>	<b>25</b>	<b>76</b>	<b>57</b>	<b>17</b>	<b>13</b>

## 3. Disclosure – Local Authority Subsidiary Bodies

(Paragraph 5 of the Schedule to the 1985 Regulations)

- 3.1 Falkirk Community Stadium Ltd is a subsidiary body of the Council and the details to be provided in this Report are as follows:
- the Chief Executive is Mr Peter Eadie;
  - there were no Councillors of Falkirk Council remunerated by the body in 2010-2011; and
  - there were no employees of the body whose remuneration in 2010-2011, including any annual remuneration from Falkirk Council, was £150,000 or more.

## 4. Disclosure of Remuneration for Relevant Persons

(Paragraphs 6 to 8 of the Schedule to the 1985 Regulations)

- 4.1 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.
- 4.2 The information is provided in separate tables as follows:
- Senior Councillors of Falkirk Council;
  - Senior employees of Falkirk Council; and
  - Relevant persons of Falkirk Community Stadium Ltd.

# FALKIRK COUNCIL

## a) Remuneration paid to Falkirk Council's Senior Councillors.

SURNAME	FORENAME	Post	2010-11				2009-10
			Salary, fees and allowances £	Taxable Expenses £	Non-cash expenses & benefits-in-kind £	Total Remuneration £	Total Remuneration £
ALEXANDER	DAVID	Leader of Main Opposition Group	18,280	0	0	18,280	18,280
BLACK	ALLYSON	Depute Provost, Depute Convener of Civic Events Panel and of Investment Committee	21,803	0	0	21,803	21,803
BLACKWOOD	JAMES	Convener of Housing & Social Care Committee (from 09/12/2009) Depute Convener Central Scotland Joint Police Board	21,803	0	0	21,803	19,368
BUCHANAN	WILLIAM	Convener of Planning Committee	21,803	0	0	21,803	21,803
FRY	STEPHEN	Depute Convener Policy & Resources Committee	16,234	0	0	16,234	16,234
GOLDIE	GERALD	Senior Councillor 1 to 08/12/2009 (Councillor from 09/12/2009) Convener of Joint Consultative Committee (from 28/04/2010)	18,127	0	0	18,127	20,066
GOW	LINDA	Leader of Council to 27/01/2010 (Councillor from 28/01/2010)	16,234	0	0	16,234	29,589
LEMETTI	JOE	Depute Convener of Economic Strategy & Development Committee	18,280	0	0	18,280	18,280
MACDONALD	CHARLES	Convener of Environment & Community Safety Committee Depute Convener of Appointments Committee	21,803	0	0	21,803	21,803
MAHONEY	ADRIAN	Convener of Economic Strategy & Development Committee Convener of Leisure, Tourism & Community Committee	21,803	0	0	21,803	21,803
MARTIN	CRAIG	Convener of Central Scotland Joint Fire & Rescue Board (to 27/01/2010) Leader of the Council (from 28/01/2010) Convener of Policy & Resources Committee Convener of Appointments Committee	32,470	0	0	32,470	25,793
MARTIN	CRAIG R	Depute Convener Environment & Community Safety Committee	18,280	0	0	18,280	18,280
MCLUCKIE	JOHN	Depute Convener of Planning Committee Convener of Appeals Committee	18,280	0	0	18,280	18,280
MCNEILL	ALISTAIR	Depute Convener of Housing & Social Care Committee Depute Convener of Appeals Committee	18,280	0	0	18,280	18,280
NICOL	MALCOLM	Convener of Licensing Board Convener of Civic Licensing Committee	21,803	0	0	21,803	21,803
NIMMO	ALAN	Convener of Central Scotland Joint Fire & Rescue Board (from 26/03/2010) Convener Joint Consultative Committee (to 25/03/2010)	24,451	0	0	24,451	18,280
PATRICK	JOHN	Convener of Audit Committee Convener of Investment Committee Depute Convener of Education Committee	18,280	0	0	18,280	18,280
REID	PATRICK	Provost Depute Convener of Leisure, Tourism & Community Committee Depute Convener of Licensing Board Depute Convener of Civic Licensing Committee Convener of Civic Events Panel	23,179	0	0	23,179	23,179
WADDELL	ALEXANDER	Convener of Education Committee	21,803	0	0	21,803	21,803
		Totals	392,996	0	0	392,996	393,007

The amount recharged to Central Scotland Fire & Rescue Joint Board in 2010-2011 was £8,512 (2009-2010 £1,992).



## FALKIRK COUNCIL

### b) Remuneration of Senior Employees of Falkirk Council

Name	Post Title	Salary, Fees and Allowances £	Bonuses £	Taxable Expenses £	Compensation for loss of employment £	Benefits other than in cash £	Other Amounts £	Total Remuneration 2010-11 £	Total Remuneration 2009-10 £
Mary Pitcaithly	Chief Executive	129,062	-	-	-	-	2,894	131,956	133,740
Margaret Anderson	Acting Director of Social Work Services	92,574	-	-	-	-	-	92,574	91,123
Maureen Campbell	Director of Community Services	93,506	-	-	-	-	-	93,506	91,286
Rhona Geisler	Director of Development Services	93,506	-	-	-	-	-	93,506	91,246
Rose Mary Glackin	Acting Director of Law & Administration Services (Monitoring Officer)	88,082	-	-	-	-	-	88,082	85,972
Alexander Jannetta	Director of Finance (Section 95 Officer) (Until 31/03/2011)	97,007	-	-	-	-	-	97,007	91,286
Stuart Ritchie	Director of Corporate & Neighbourhood Services	93,506	-	-	-	-	-	93,506	101,286
Julia Swan	Director of Education Services	93,506	-	-	-	-	-	93,506	91,286
<b>TOTAL</b>		780,749	-	-	-	-	2,894	783,643	777,225

The “Other Amounts” value above relates to Returning Officer fees received during 2010-2011.

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

- Who has responsibility for management of the Council to the extent that the person has power to direct or control the major activities of the Council (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; or
- Whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.



# FALKIRK COUNCIL

## c) Remuneration paid to relevant persons of Falkirk Community Stadium Ltd

Name	Post Title	Salary, Fees and Allowances £	Bonuses £	Taxable Expenses £	Compensation for loss of employment £	Benefits other than in cash £	Other Amounts £	Total Remuneration 2010-11 £	Total Remuneration 2009-10 £
Peter Eadie	Chief Executive	55,821	-	-	-	2,128	-	57,949	58,389
<b>TOTAL</b>		55,821	-	-	-	2,128	-	57,949	58,389

**5. Pension Benefits**

(Paragraphs 9 to 12 of the Schedule to the 1985 Regulations)

- 5.1 Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).
- 5.2 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.
- 5.3 For local government employees this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.
- 5.4 The scheme's normal retirement age for both councillors and employees is 65.
- 5.5 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.
- 5.6 The tiers and members contribution rates for 2010-11 remain at the 2009-10 rates, (due to negative increase in the cost of living index for 2010-11) and are as follows:

Whole time pay	Contribution rate 2010-11	Contribution rate 2009-10
On earnings up to and including £18,000	5.5%	5.5%
On earnings above £18,000 and up to £22,000	7.25%	7.25%
On earnings above £22,000 and up to £30,000	8.5%	8.5%
On earnings above £30,000 and up to £40,000	9.5%	9.5%
On earnings above £40,000	12%	12%

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.

- 5.7 There is now no automatic entitlement to a lump sum. 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).
- 5.8 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.
- 5.9 The pension figures shown in the following tables relate to the benefits that the person has accrued as a consequence of their total pensionable service, which may include service derived from other employments, and not just their current appointment.

# FALKIRK COUNCIL

## a) Pension Rights of Senior Councillors of Falkirk Council

The pension entitlements for Senior Councillors for the year to 31 March 2011 are shown in the table below, together with the contribution made by the Council to each Senior Councillors' pension during the year.

SURNAME	FORENAME	Post	In-year Pension Contributions		Accrued Pension Benefits			
			For year to 31/03/2011 £	For year to 31/03/2010 £	Benefit Type	As at 31/03/2011 £000	As at 31/03/2010 £000	Difference from 31/03/2010 £000
ALEXANDER	DAVID	Leader of Main Opposition Group	3,382	3,290	Pension Lump Sum	5 13	4 13	1 0
BLACK	ALLYSON	Depute Provost, Depute Convener of Civic Events Panel and of Investment Committee	4,033	3,925	Pension Lump Sum	1 2	1 2	0 0
BLACKWOOD	JAMES	Depute Convener Central Scotland Joint Police Board (to 08/12/2009) Convener of Housing & Social Care Committee (from 09/12/2009)	4,033	3,486	Pension Lump Sum	1 1	1 1	0 0
GOLDIE	GERALD	Senior Councillor 1 to 08/12/2009 (Councillor from 09/12/2009) Convener of Joint Consultative Committee (from 28/04/2010)	3,353	3,612	Pension Lump Sum	8 22	7 21	1 1
GOW	LINDA	Leader of Council to 27/01/2010 (Councillor from 28/01/2010)	3,003	5,326	Pension Lump Sum	2 2	1 2	1 0
MARTIN	CRAIG R	Depute Convener Environment & Community Safety Committee	3,382	3,290	Pension Lump Sum	1 1	1 1	0 0
MCLUCKIE	JOHN	Depute Convener of Planning Committee Convener of Appeals Committee	3,382	3,290	Pension Lump Sum	1 1	1 1	0 0
MCNEILL	ALISTAIR	Depute Convener of Housing & Social Care Committee Depute Convener of Appeals Committee	3,382	3,290	Pension Lump Sum	1 1	1 1	0 0
NICOL	MALCOLM	Convener of Licensing Board Convener of Civic Licensing Committee	4,034	3,925	Pension Lump Sum	1 2	1 2	0 0
PATRICK	JOHN	Convener of Audit Committee Convener of Investment Committee Depute Convener of Education Committee	3,382	3,290	Pension Lump Sum	2 2	1 2	1 0
		<b>Totals</b>	<b>35,366</b>	<b>36,724</b>	Pension Lump Sum	<b>23 47</b>	<b>19 46</b>	<b>4 1</b>

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.

# FALKIRK COUNCIL

## b) Pension Rights of Senior Employees of Falkirk Council

The pension entitlements of Senior Employees for the year to 31 March 2011 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.

Name	Post Title	In-year Pension Contributions		Accrued Pension Benefits			
		For year to 31/03/2011 £	For year to 31/03/2010 £	Benefit Type	As at 31/03/2011 £000	As at 31/03/2010 £000	Difference from 31/03/2010 £000
Mary Pitcaithly	Chief Executive	23,420	22,787	Pension Lump Sum	49 135	47 135	2 0
Mary Pitcaithly	Returning Officer duties	536	842	Pension Lump Sum	0 1	0 1	0 0
Margaret Anderson	Acting Director of Social Work Services	16,843	16,141	Pension Lump Sum	34 93	32 92	2 1
Maureen Campbell	Director of Community Services	16,843	15,988	Pension Lump Sum	28 76	26 74	2 2
Rhona Geisler	Director of Development Services	16,843	15,988	Pension Lump Sum	36 99	34 97	2 2
Rose Mary Glackin	Acting Director of Law & Administration Services (Monitoring Officer)	16,012	15,199	Pension Lump Sum	32 86	29 84	3 2
Alexander Jannetta	Director of Finance (Section 95 Officer) (Until 31/03/2011)	* 48,692	15,988	Pension Lump Sum	47 131	44 128	3 3
Stuart Ritchie	Director of Corporate & Neighbourhood Services	16,843	15,988	Pension Lump Sum	34 93	32 90	2 3
Julia Swan	Director of Education Services	16,843	15,988	Pension Lump Sum	40 111	37 108	3 3
<b>TOTAL</b>		172,875	134,909	Pension Lump Sum	300 825	281 809	19 16

\* This includes an additional contribution of £31,849 in respect of the early payment of accrued pension benefits.

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.

c) **Pension Rights of relevant persons of Falkirk Community Stadium Ltd**

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



**Councillor Craig Martin**  
**Leader of Falkirk Council**  
**30 September 2011**



**Mary Pitcaithly**  
**Chief Executive**  
**30 September 2011**

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2011**

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.

<b>Gross Expenditure £'000</b>	<b>2009/10 Gross Income £'000</b>	<b>Net Expenditure £'000</b>		<b>Gross Expenditure £'000</b>	<b>2010/11 Gross Income £'000</b>	<b>Net Expenditure £'000</b>
158,311	(6,633)	151,678	Education Services	168,151	(6,675)	161,476
90,815	(84,352)	6,463	Housing Services	129,602	(87,784)	41,818
26,015	(7,823)	18,192	Cultural and Related Services	24,365	(5,865)	18,500
16,765	(928)	15,837	Environmental Services	19,995	(3,475)	16,520
9,414	-	9,414	Fire Services	8,053	-	8,053
16,646	(1,528)	15,118	Roads & Transport Services	18,548	(1,902)	16,646
14,331	-	14,331	Police Services	12,879	-	12,879
13,766	(8,986)	4,780	Planning and Development Services	22,426	(8,089)	14,337
100,304	(22,417)	77,887	Social Work	108,196	(24,208)	83,988
8,808	(5,284)	3,524	Central Services to the Public	15,648	(11,399)	4,249
3,085	(134)	2,951	Corporate & Democratic Core	3,217	-	3,217
7,212	(482)	6,730	Non-Distributed Costs	(51,380)	-	(51,380)
-	-	-	Exceptional Items	3,629	-	3,629
<b>465,472</b>	<b>(138,567)</b>	<b>326,905</b>	<b>Cost of Services</b>	<b>483,329</b>	<b>(149,397)</b>	<b>333,932</b>
-	(3,004)	(3,004)	<u>Other Operating Expenditure</u> (Gains) or Losses on disposal of Fixed Assets	-	(131)	(131)
			<u>Financing and Investment Income and Expenditure</u>			
41,010	(43,799)	(2,789)	Surplus or deficit on trading undertakings	38,252	(39,029)	(777)
22,141	-	22,141	Interest Payable and Similar Charges	23,124	-	23,124
-	(527)	(527)	Interest & Investment Income	-	(478)	(478)
28,608	(18,348)	10,260	Pensions interest cost & expected return on pensions assets	35,624	(28,796)	6,828
<b>557,231</b>	<b>(204,245)</b>	<b>352,986</b>		<b>580,329</b>	<b>(217,831)</b>	<b>362,498</b>
			<u>Taxation and Non-Specific Grant Income</u>			
-	(59,364)	(59,364)	Council Tax	-	(59,643)	(59,643)
-	(210,590)	(210,590)	Government Grants	-	(222,460)	(222,460)
-	(17,583)	(17,583)	Capital Grants, Contributions & Donations	-	(13,054)	(13,054)
-	(63,201)	(63,201)	Non-Domestic Rate redistribution	-	(60,652)	(60,652)
<b>-</b>	<b>(350,738)</b>	<b>(350,738)</b>		<b>-</b>	<b>(355,809)</b>	<b>(355,809)</b>
<b>557,231</b>	<b>(554,983)</b>	<b>2,248</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>580,329</b>	<b>(573,640)</b>	<b>6,689</b>
		16,314	Surplus or deficit on revaluation of non-current assets			(2,160)
		156,432	Actuarial gains/losses on pension assets/ liabilities			(69,716)
		(2,907)	Other unrealised gains/losses			(2,148)
		<b>169,839</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(74,024)</b>
		<b>172,087</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(67,335)</b>

**BALANCE SHEET AS AT 31 MARCH 2011**

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 are 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 are 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".

2008/09 £'000	2009/10 £'000		2010/11 £'000	Notes
		<b>Long Term Assets</b>		
730,489	779,407	Property, Plant & Equipment	718,797	14
258	190	Intangible Assets	79	11
201	-	Assets Held for Sale	507	16
3,110	9,340	Long Term Investments	9,340	21
7,007	6,571	Investments in Associates and Joint Ventures	6,200	21
7,505	1,310	Long Term Debtors	1,227	25
748,570	796,818		736,150	
		<b>Current Assets</b>		
846	771	Inventories	872	26
15,589	18,983	Short Term Debtors	16,332	28
2,559	7,374	Cash and Cash Equivalents	21,541	
55	225	Assets Held for Sale	390	16
19,049	27,353		39,135	
		<b>Current Liabilities</b>		
(36,192)	(28,887)	Short Term Borrowing	(25,112)	
(54,670)	(62,952)	Short Term Creditors	(75,780)	29
-	(5,000)	Provisions	(5,000)	24
(90,862)	(96,839)		(105,892)	
		<b>Long Term Liabilities</b>		
(5,000)	-	Provisions	-	
(121,005)	(140,479)	Long Term Borrowing	(149,922)	22
(124,107)	(289,253)	Defined Benefit Pension Scheme Liability	(171,869)	9
(115,494)	(156,524)	Other Long Term Liabilities	(139,667)	33
(990)	(3,002)	Capital Grants Received in Advance	(2,526)	31
(366,596)	(589,258)		(463,984)	
310,161	138,074	<b>NET ASSETS</b>	205,409	20
		<b>Usable Reserves</b>		
4,932	4,899	Capital Receipts Reserve	5,342	
3,254	4,943	Capital Grants Unapplied Account	5,067	
37,206	37,950	General Fund	36,716	2
5,244	4,308	Other Usable Reserves	5,588	
50,636	52,100		52,713	
		<b>Unusable Reserves</b>		
231,453	243,492	Capital Adjustment Account	197,745	
(7,721)	(7,389)	Financial Instruments Adjustment Account	(7,057)	
169,486	149,254	Revaluation Reserve	144,375	
(124,107)	(289,253)	Pensions Reserve	(171,869)	
(9,586)	(10,130)	Accumulated Absences Account	(10,498)	
259,525	85,974		152,696	
310,161	138,074	<b>TOTAL RESERVES</b>	205,409	



Bryan Smail, CPFA  
Chief Finance Officer

The unaudited accounts were issued on 30 June 2011 and the audited accounts were authorised for issue on 30 September 2011.



**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2011**

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.

<b>2009/10 £'000</b>		<b>2010/11 £'000</b>
2,248	Net (surplus) or deficit on the provision of services	6,689
(10,121)	Adjust net surplus or deficit on the provision of services for non-cash movements	(60,746)
(13,552)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	13,054
(21,425)	<b>Net cash flows from operating activities</b>	(41,003)
	<b>Investing Activities</b>	
39,948	Purchase of property, plant & equipment, investment property and intangible assets	36,758
117	Other payments for investing activities	-
(6,728)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(5,804)
(14,946)	Other receipts and investing activities	(13,835)
18,391	<b>Net cash flows from investing activities</b>	17,119
	<b>Financing Activities</b>	
(96,720)	Cash receipts of short and long-term borrowing	(23,617)
15,344	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,984
79,595	Repayments of short and long-term borrowing	29,350
(1,781)	<b>Net cash flows from financing activities</b>	9,717
(4,815)	<b>Net (increase) or decrease in cash and cash equivalents</b>	(14,167)
	<b>Cash and cash equivalents</b>	
(2,559)	Cash and cash equivalents at the beginning of the reporting period	(7,374)
	<b>Cash and cash equivalents at the end of the reporting period</b>	
(41)	Cash held by Officers	(42)
233	Bank Current Accounts	(11,144)
(7,566)	Short-term deposits	(10,355)
(7,374)		(21,541)

The cash flows for operating activities include interest paid of £23.124m (2009/10 £21.903m) and interest received of £0.478m (2009/10 £0.448m).

# FALKIRK COUNCIL

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

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 other 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. These are 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. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Usable Reserves						Unusable Reserves						Total	
	General Fund Balance (excl HRA)	HRA Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Other Reserves	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Pension Reserve	Accumulated Absences Account	Financial Instruments Adjustment Account	Total Unusable Reserves	Total Reserves	Notes shown below
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Balance at 31 March 2010</b>	<b>32,015</b>	<b>5,935</b>	<b>4,899</b>	<b>4,943</b>	<b>4,308</b>	<b>52,100</b>	<b>243,492</b>	<b>149,254</b>	<b>(289,253)</b>	<b>(10,130)</b>	<b>(7,389)</b>	<b>85,974</b>	<b>138,074</b>	
Surplus or (deficit) on provision of services (accounting basis)	30,485	(37,174)	-	-	-	(6,689)	-	-	-	-	-	-	(6,689)	
Other Comprehensive Expenditure and Income	(9,883)	(3,195)	5,804	124	-	(7,150)	12,309	(851)	69,716	-	-	81,174	74,024	1
<b>Total Comprehensive Expenditure and Income</b>	<b>20,602</b>	<b>(40,369)</b>	<b>5,804</b>	<b>124</b>	<b>-</b>	<b>(13,839)</b>	<b>12,309</b>	<b>(851)</b>	<b>69,716</b>	<b>-</b>	<b>-</b>	<b>81,174</b>	<b>67,335</b>	
Adjustments between accounting basis and funding basis under regulations	(22,434)	40,826	(3,840)	-	(100)	14,452	(58,056)	(4,028)	47,668	(368)	332	(14,452)	-	2
<b>Net Increase/Decrease before Transfers to Other Statutory Reserves</b>	<b>(1,832)</b>	<b>457</b>	<b>1,964</b>	<b>124</b>	<b>(100)</b>	<b>613</b>	<b>(45,747)</b>	<b>(4,879)</b>	<b>117,384</b>	<b>(368)</b>	<b>332</b>	<b>66,722</b>	<b>67,335</b>	
Transfers to/from Other Statutory Reserves	141	-	(1,521)	-	1,380	-	-	-	-	-	-	-	-	3
<b>Increase/Decrease in Year 2010/11</b>	<b>(1,691)</b>	<b>457</b>	<b>443</b>	<b>124</b>	<b>1,280</b>	<b>613</b>	<b>(45,747)</b>	<b>(4,879)</b>	<b>117,384</b>	<b>(368)</b>	<b>332</b>	<b>66,722</b>	<b>67,335</b>	
<b>Balance at 31 March 2011 carried forward</b>	<b>30,324</b>	<b>6,392</b>	<b>5,342</b>	<b>5,067</b>	<b>5,588</b>	<b>52,713</b>	<b>197,745</b>	<b>144,375</b>	<b>(171,869)</b>	<b>(10,498)</b>	<b>(7,057)</b>	<b>152,696</b>	<b>205,409</b>	

# FALKIRK COUNCIL

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

### NOTES

	Usable Reserves						Unusable Reserves					Total	
	General Fund Balance (excl HRA)	HRA Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Other Reserves	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Pension Reserve	Accumulated Absences Account	Financial Instruments Adjustment Account	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>1. Analysis of Other Comprehensive Expenditure and Income</b>													
Net Gain on Sale of Assets	2,131	(2,262)	-	-	-	(131)	-	-	-	-	-	-	(131)
Capital Receipts Received	-	-	5,804	-	-	5,804	-	-	-	-	-	-	5,804
Capital Grants Received	(12,121)	(933)	-	124	-	(12,930)	12,930	-	-	-	-	12,930	-
Net Book Value of Asset Disposals	-	-	-	-	-	-	(3,336)	(296)	-	-	-	(3,632)	(3,632)
Long Term Debtor	107	-	-	-	-	107	-	-	-	-	-	-	107
Deficit on Revaluation of Fixed Assets	-	-	-	-	-	-	2,715	(555)	-	-	-	2,160	2,160
Actuarial Loss on Pension Fixed Assets and Liabilities	-	-	-	-	-	-	-	-	69,716	-	-	69,716	69,716
<b>Total</b>	<b>(9,883)</b>	<b>(3,195)</b>	<b>5,804</b>	<b>124</b>	<b>-</b>	<b>(7,150)</b>	<b>12,309</b>	<b>(851)</b>	<b>69,716</b>	<b>-</b>	<b>-</b>	<b>81,174</b>	<b>74,024</b>
<b>2. Analysis of Adjustments between accounting basis and funding basis under regulations</b>													
<b>2a. Reversal of items debited or credited to the CIES</b>													
Depreciation, impairment and downward revaluation of non-current assets	42,993	53,812	-	-	-	96,805	(96,805)	-	-	-	-	(96,805)	-
Amortisation of intangible assets	113	-	-	-	-	113	(113)	-	-	-	-	(113)	-
<b>2b. Insertion of items not debited or credited to the CIES</b>													
Statutory Repayment of Debt (Loans Fund Advances)	(9,673)	(6,925)	-	-	-	(16,598)	16,598	-	-	-	-	16,598	-
Capital expenditure charged to the General Fund Balance (CFRC)	-	(1,955)	-	-	-	(1,955)	1,955	-	-	-	-	1,955	-
Statutory Repayment of Debt (Finance Lease Liabilities)	-	(1,786)	-	-	-	(1,786)	1,786	-	-	-	-	1,786	-
Statutory Repayment of Debt (PFI)	(14,304)	-	-	-	-	(14,304)	14,304	-	-	-	-	14,304	-
Borrowing Consent	3,749	-	-	-	-	3,749	(3,749)	-	-	-	-	(3,749)	-

**FALKIRK COUNCIL**

**MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2011**

	Usable Reserves						Unusable Reserves					Total	
	General Fund Balance (excl HRA)	HRA Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Other Reserves	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Pension Reserve	Accumulated Absences Account	Financial Instruments Adjustment Account	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2c. Adjustments involving the Capital Receipts Reserve</b>													
Capital Receipts applied to fund Capital Expenditure	-	-	(3,840)	-	-	(3,840)	3,840	-	-	-	-	3,840	-
<b>2d. Adjustments involving the Repairs and Renewals Fund</b>													
Use of the Repairs & Renewals Fund to Finance new capital expenditure	-	-	-	-	(100)	(100)	100	-	-	-	-	100	-
<b>2e. Adjustments involving the Financial Instruments Adjustment Account</b>													
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	(268)	(64)	-	-	-	(332)	-	-	-	-	332	332	-
<b>2f. Adjustments involving the Pensions Reserve</b>													
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	(45,412)	(2,256)	-	-	-	(47,668)	-	-	47,668	-	-	47,668	-
<b>2g. Adjustments involving the Accumulated Absences Account</b>													
Net transfer to or from earmarked reserves required by legislation	368	-	-	-	-	368	-	-	-	(368)	-	(368)	-

# FALKIRK COUNCIL

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

	Usable Reserves						Unusable Reserves					Total	
	General Fund Balance (excl HRA)	HRA Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Other Reserves	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Pension Reserve	Accumulated Absences Account	Financial Instruments Adjustment Account	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2h. Other Adjustments</b>													
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost	-	-	-	-	-	-	4,028	(4,028)	-	-	-	-	-
<b>Total</b>	<b>(22,434)</b>	<b>40,826</b>	<b>(3,840)</b>	<b>-</b>	<b>(100)</b>	<b>14,452</b>	<b>(58,056)</b>	<b>(4,028)</b>	<b>47,668</b>	<b>(368)</b>	<b>332</b>	<b>(14,452)</b>	<b>-</b>
<b>3. Analysis of transfers to/from Other Statutory Reserves</b>													
Transfer to Insurance Fund	(665)	-	-	-	665	-	-	-	-	-	-	-	-
Transfer from Repairs and Renewals Fund	(715)	-	-	-	715	-	-	-	-	-	-	-	-
Capital Receipts	1,521	-	(1,521)	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>141</b>		<b>(1,521)</b>	<b>-</b>	<b>1,380</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# FALKIRK COUNCIL

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

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 other 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. These are 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. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Usable Reserves						Unusable Reserves						Total	
	General Fund Balance (excl HRA)	HRA Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Other Reserves	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Pension Reserve	Accumulated Absences Account	Financial Instruments Adjustment Account	Total Unusable Reserves	Total Reserves	Notes shown below
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2009	30,663	6,544	4,932	3,253	5,244	50,636	231,453	169,486	(124,107)	(9,586)	(7,721)	259,525	310,161	
Surplus or (deficit) on provision of services (accounting basis)	249	(2,497)	-	-	-	(2,248)	-	-	-	-	-	-	(2,248)	
Other Comprehensive Expenditure and Income	(3,004)	-	6,728	-	-	3,724	(763)	(16,368)	(156,432)	-	-	(173,563)	(169,839)	1
Total Comprehensive Expenditure and Income	(2,755)	(2,497)	6,728	-	-	1,476	(763)	(16,368)	(156,432)	-	-	(173,563)	(172,087)	
Adjustments between accounting basis and funding basis under regulations	1,833	1,888	(5,423)	1,690	-	(12)	12,802	(3,864)	(8,714)	(544)	332	12	-	2
Net Increase/Decrease before Transfers to Other Statutory Reserves	(922)	(609)	1,305	1,690	-	1,464	12,039	(20,232)	(165,146)	(544)	332	(173,551)	(172,087)	
Transfers to/from Other Statutory Reserves	2,274	-	(1,338)	-	(936)	-	-	-	-	-	-	-	-	3
Increase/Decrease in Year 2009/10	1,352	(609)	(33)	1,690	(936)	1,464	12,039	(20,232)	(165,146)	(544)	332	(173,551)	(172,087)	
Balance at 31 March 2010 carried forward	32,015	5,935	4,899	4,943	4,308	52,100	243,492	149,254	(289,253)	(10,130)	(7,389)	85,974	138,074	

# FALKIRK COUNCIL

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

### NOTES

	Usable Reserves						Unusable Reserves					Total	
	General Fund Balance (excl HRA)	HRA Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Other Reserves	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Pension Reserve	Accumulated Absences Account	Financial Instruments Adjustment Account	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>1. Analysis of Other Comprehensive Expenditure and Income</b>													
Net Gain on Sale of Assets	(3,004)	-	-	-	-	(3,004)	-	-	-	-	-	-	(3,004)
Capital Receipts Received	-	-	6,728	-	-	6,728	-	-	-	-	-	-	6,728
Net Book Value of Asset Disposals	-	-	-	-	-	-	(657)	(54)	-	-	-	(711)	(711)
Long Term Debtor	-	-	-	-	-	-	(106)	-	-	-	-	(106)	(106)
Deficit on Revaluation of Fixed Assets	-	-	-	-	-	-	-	(16,314)	-	-	-	(16,314)	(16,314)
Actuarial Loss on Pension Fixed Assets and Liabilities	-	-	-	-	-	-	-	-	(156,432)	-	-	(156,432)	(156,432)
<b>Total</b>	<b>(3,004)</b>	<b>-</b>	<b>6,728</b>	<b>-</b>	<b>-</b>	<b>3,724</b>	<b>(763)</b>	<b>(16,368)</b>	<b>(156,432)</b>	<b>-</b>	<b>-</b>	<b>(173,563)</b>	<b>(169,839)</b>
<b>2. Analysis of Adjustments between accounting basis and funding basis under regulations</b>													
<b>2a. Reversal of items debited or credited to the CIES</b>													
Depreciation, impairment and downward revaluation of non-current assets	22,307	14,522	-	-	-	36,829	(36,950)	121	-	-	-	(36,829)	-
Amortisation of intangible assets	127	-	-	-	-	127	(127)	-	-	-	-	(127)	-
Capital grants and contributions that have been applied to capital financing	(13,733)	-	-	1,690	-	(12,043)	12,043	-	-	-	-	12,043	-
Movement in Donated Assets A/C	(3,850)	-	-	-	-	(3,850)	3,850	-	-	-	-	3,850	-
Revenue expenditure funded from capital under statute	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2b. Insertion of items not debited or credited to the CIES</b>													
Statutory Repayment of Debt (Loans Fund Advances)	(9,738)	(6,404)	-	-	-	(16,142)	16,142	-	-	-	-	16,142	-
Capital expenditure charged to the General Fund Balance (CFCR)	(1,445)	(2,155)	-	-	-	(3,600)	3,600	-	-	-	-	3,600	-
Statutory Repayment of Debt (Finance Lease Liabilities)	(106)	(1,700)	-	-	-	(1,806)	1,806	-	-	-	-	1,806	-



# FALKIRK COUNCIL

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Usable Reserves						Unusable Reserves					Total	
	General Fund Balance (excl HRA)	HRA Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Other Reserves	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Pension Reserve	Accumulated Absences Account	Financial Instruments Adjustment Account	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Statutory Repayment of Debt (PFI)	(2,015)	-	-	-	-	(2,015)	2,015	-	-	-	-	2,015	-
Statutory Charge for Lifecycle Capital (PFI)	(1,015)	-	-	-	-	(1,015)	1,015	-	-	-	-	1,015	-
<b>2c. Adjustments involving the Capital Receipts Reserve</b>													
Capital Receipts applied to fund Capital Expenditure	-	-	(5,423)	-	-	(5,423)	5,423	-	-	-	-	5,423	-
<b>2d. Adjustments involving the Capital Grants Unapplied Account</b>													
Reversal of unapplied capital grants and contributions credited to the CIES	-	-	-	-	-	-	-	-	-	-	-	-	-
Application of grants to capital financing	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2e. Adjustments involving the Financial Instruments Adjustment Account</b>													
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	(268)	(64)	-	-	-	(332)	-	-	-	-	332	332	-
<b>2f. Adjustments involving the Pensions Reserve</b>													
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	8,151	563	-	-	-	8,714	-	-	(8,714)	-	-	(8,714)	-

# FALKIRK COUNCIL

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Usable Reserves						Unusable Reserves					Total	
	General Fund Balance (excl HRA)	HRA Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Other Reserves	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Pension Reserve	Accumulated Absences Account	Financial Instruments Adjustment Account	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2g. Adjustments involving the Accumulated Absences Account</b>													
Net transfer to or from earmarked reserves required by legislation	519	25	-	-	-	544	-	-	-	(544)	-	(544)	-
<b>2h. Other Adjustments</b>													
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost	-	-	-	-	-	-	3,985	(3,985)	-	-	-	-	-
Other Transfers	2,899	(2,899)	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,833</b>	<b>1,888</b>	<b>(5,423)</b>	<b>1,690</b>	<b>-</b>	<b>(12)</b>	<b>12,802</b>	<b>(3,864)</b>	<b>(8,714)</b>	<b>(544)</b>	<b>332</b>	<b>12</b>	<b>-</b>
<b>3. Analysis of transfers to/from Other Statutory Reserves</b>													
Transfer to Insurance Fund	(108)	-	-	-	108	-	-	-	-	-	-	-	-
Transfer from Repairs and Renewals Fund	1,044	-	-	-	(1,044)	-	-	-	-	-	-	-	-
Use of Capital Receipts to Repay Debt	1,338	-	(1,338)	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,274</b>	<b>-</b>	<b>(1,338)</b>	<b>-</b>	<b>(936)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**1. IFRS Transition - Note on Material Differences Between Accounts Prepared Under UK GAAP and IFRS Code of Practice**

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10. The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

Differences between Balance Sheets as at 31 March 2009

The adoption of IFRS-based accounting policies as required by the Code of Practice has resulted in amendment to reserves that were previously presented on a UK GAAP (Local Authority SORP) basis. The following tables summarise the changes for reserve balances as at 31 March 2009, in order to restate the comparative figures on an IFRS basis.

	Capital Adjustment Account £'000	Revaluation Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	General Fund Balance £'000	Accumulated Absences Account £'000	Total £'000	Notes
Balance as at 1 April 2009 under UK GAAP	241,336	169,608	-	3,632	37,394	-	451,970	
Adjustment re Government Grants	23,930	-	3,254	-	-	-	27,184	(i)
Window Leases Payable Treated as Finance Leases	(7,145)	-	-	-	-	-	(7,145)	(ii)
Leases Receivable Treated as Finance Leases	(3,118)	-	-	1,300	(187)	-	(2,005)	(iii)
Reclassification of Investment Property	(23,443)	-	-	-	-	-	(23,443)	(iv)
Assets Held for Sale	(107)	(122)	-	-	-	-	(229)	(v)
Annual Leave Accrual	-	-	-	-	-	(9,586)	(9,586)	(vi)
Balance as at 31 March 2009 under IFRS	231,453	169,486	3,254	4,932	37,207	(9,586)	436,746	

	Other Long Term Liabilities £'000	Deferred Gov't Grant £'000	Capital Grants In Advance £'000	Property Plant & Equipment £'000	Investment Property £'000	Long Term Debtors £'000	Short Term Creditors £'000	Surplus Assets £'000	Short Term Assets Held For Sale £'000	Total £'000	Notes
Balance as at 1 April 2009 under UK GAAP	(110,049)	(28,174)	-	658,460	95,639	8,433	(43,384)	1,396	-	582,321	
Adjustment re Government Grants	-	28,174	(990)	-	-	-	-	-	-	27,184	(i)
Window Leases Payable Treated as Finance Leases	(5,445)	-	-	-	-	-	(1,700)	-	-	(7,145)	(ii)
Leases Receivable Treated as Finance Leases	-	-	-	(1,077)	-	(928)	-	-	-	(2,005)	(iii)
Reclassification of Investment Property	-	-	-	73,228	(95,639)	-	-	(1,032)	-	(23,443)	(iv)
Assets Held for Sale	-	-	-	(122)	-	-	-	(163)	56	(229)	(v)
Annual Leave Accrual	-	-	-	-	-	-	(9,586)	-	-	(9,586)	(vi)
Balance as at 31 March 2009 under IFRS	(115,494)	-	(990)	730,489	-	7,505	(54,670)	201	56	567,097	

# FALKIRK COUNCIL

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Differences between Balance Sheets as at 31 March 2010

The adoption of IFRS-based accounting policies as required by the Code of Practice has resulted in amendment to reserves that were previously presented on a UK GAAP (Local Authority SORP) basis. The following tables summarise the changes for reserve balances as at 31 March 2010, being the last date on which the Local Authority SORP applied.

	Capital Adjustment Account £'000	Revaluation Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	General Fund Balance £'000	Accumulated Absences Account £'000	Total £'000	Notes
Balance as at 1 April 2010 under UK GAAP	238,248	149,167	-	3,599	38,163	-	429,177	
<u>Entries during 2009/10</u>								
Adjustment re Government Grants	14,626	-	1,689	-	-	-	16,315	(i)
Adjustment re Surplus Assets	677	228	-	-	-	-	905	(vii)
Window Leases Payable Treated as Finance Leases	1,700	-	-	-	-	-	1,700	(ii)
Leases Receivable Treated as Finance Leases	-	-	-	-	(27)	-	(27)	(iii)
Depreciation on Assets Transferred to PPE from Investment	(1,876)	(19)	-	-	-	-	(1,895)	(iv)
Increase in Annual Leave Accrual	-	-	-	-	-	(544)	(544)	(vi)
<u>Adjustments made as at 1 April 2009</u>								
Adjustment re Government Grants	23,930	-	3,254	-	-	-	27,184	(i)
Window Leases Payable Treated as Finance Leases	(7,145)	-	-	-	-	-	(7,145)	(ii)
Leases Receivable Treated as Finance Leases	(3,118)	-	-	1,300	(187)	-	(2,005)	(iii)
Reclassification of Investment Property	(23,443)	-	-	-	-	-	(23,443)	(iv)
Assets Held for Sale	(107)	(122)	-	-	-	-	(229)	(v)
Annual Leave Accrual	-	-	-	-	-	(9,586)	(9,586)	(vi)
Balance as at 31 March 2010 under IFRS	243,492	149,254	4,943	4,899	37,949	(10,130)	430,407	

**NOTES TO THE CORE FINANCIAL STATEMENTS**

	Other Long Term Liabilities £'000	Deferred Gov't Grant £'000	Capital Grants In Advance £'000	Property Plant & Equipment £'000	Investment Property £'000	Long Term Debtors £'000	Short Term Creditors £'000	Surplus Assets £'000	Short Term Assets Held For Sale £'000	Long Term Assets Held For Sale £'000	Total £'000	Notes
Balance as at 1 April 2010 under UK GAAP	(152,779)	(46,501)	-	680,222	99,913	2,159	(51,122)	25,141	-	201	557,234	
<u>Entries during 2009/10</u>	-	18,327	(2,012)	-	-	-	-	-	-	-	16,315	(i)
Adjustment re Government Grants	-	-	-	831	-	106	-	-	-	(32)	905	(vii)
Adjustment re Surplus Assets	1,700	-	-	-	-	-	-	-	-	-	1,700	(ii)
Window Leases Payable Treated as Finance Leases	-	-	-	-	-	(27)	-	-	-	-	(27)	(iii)
Leases Receivable Treated as Finance Leases	-	-	-	2,379	(4,274)	-	-	-	-	-	(1,895)	(iv)
Depreciation on Assets Transferred to PPE from Investment	-	-	-	-	-	-	(544)	-	-	-	(544)	(vi)
Increase in Annual Leave Accrual	-	-	-	23,946	-	-	-	(23,946)	169	(169)	-	
Inter Account Adjustments	-	-	-	-	-	-	-	-	-	-	-	
<u>Adjustments made as at 1 April 2009</u>	-	28,174	(990)	-	-	-	-	-	-	-	27,184	(i)
Adjustment re Government Grants	-	28,174	(990)	-	-	-	-	-	-	-	27,184	(i)
Window Leases Payable Treated as Finance Leases	(5,445)	-	-	-	-	-	(1,700)	-	-	-	(7,145)	(ii)
Leases Receivable Treated as Finance Leases	-	-	-	(1,077)	-	(928)	-	-	-	-	(2,005)	(iii)
Reclassification of Investment Property	-	-	-	73,228	(95,639)	-	-	(1,032)	-	-	(23,443)	(iv)
Assets Held for Sale	-	-	-	(122)	-	-	-	(163)	56	-	(229)	(v)
Annual Leave Accrual	-	-	-	-	-	-	(9,586)	-	-	-	(9,586)	(vi)
Balance as at 31 March 2010 under IFRS	(156,524)	-	(3,002)	779,407	-	1,310	(62,952)	-	225	-	558,464	

Differences in (Surplus)/Deficit in Provision of Services 2009/10

The adoption of IFRS-based accounting policies as required by the Code of Practice has resulted in amendment to the reported total income and expenditure that was previously presented on a UK GAAP (Local Authority SORP) basis. The following table summarises the changes to the 2009/10 income and expenditure which have been necessary to restate these figures to a Code (IFRS) compliant basis.

	£'000	Note
Deficit for the year to 31 March 2010 under UK GAAP	18,703	
Income from Capital Grants now shown in CIES	(16,316)	(i)
Adjustment re Surplus Assets	(799)	(vii)
Window Leases Payable Treated as Finance Leases	(1,700)	(ii)
Leases Receivable Treated as Finance Leases	(79)	(iii)
Depreciation on Assets Transferred to PPE from Investment	1,895	(iv)
Increase in Annual Leave Accrual	544	(vi)
Deficit for the year to 31 March 2010 under IFRS	2,248	

Differences in Other Comprehensive Income and Expenditure 2009/10

	£'000
Total Recognised Gains and Losses per UK GAAP	169,839
Other Comprehensive Income & Expenditure per Restated IFRS Accounts	169,839

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**Notes**

- (i) Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.  
As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:
- (a) The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
  - (b) Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
  - (c) Several grants were received in 2009/10 but not used. Previously, no income was recognised in respect of these grants, which were shown in the Grants Unapplied Account within the liabilities section of the Balance Sheet. Following the change in accounting policy, these grants have been recognised in full and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.
- (ii) Under the Code, the definition of what constitutes a finance lease has changed from the definition under the SORP. This change necessitated a full review of all leases payable with the result that leases payable in respect of window leasing were reclassified as finance from operating. The result of the change was that:

In respect of the restated Balance Sheet as at 1 April 2009,

- (a) All lease payments from inception totalling £15.577m were reversed out from the HRA
- (b) An asset of £18.071m was created under Property, Plant & Equipment equal to the capital value of the lease at inception, with an equivalent entry created as a finance lease liability under Current Liabilities
- (c) As the value shown in the Balance Sheet for Council Housing is inclusive of windows, the £18.071m was taken back out of Property, Plant & Equipment and debited to the Capital Receipts Reserve.
- (d) The lease payments since inception were apportioned between principal and interest with the principal element (£10.926m) debited to the finance lease liability and the interest element (£4.651m) to the HRA.
- (e) Statutory Mitigation was applied to negate the impact of the above on the General Fund by charging the £10.926m to the General Fund and crediting the Capital Adjustment Account through the Movement in Reserves Statement.

In respect of the restated accounts for the year to 31 March 2010, Entries (d) and (e) above were applied to the lease payments of £1.938m made in 2009/10.

- (iii) Under the Code, the definition of what constitutes a finance lease has changed from the definition under the SORP. This change necessitated a full review of all leases receivable with the result that a lease receivable for rental income from Northfield Quarry was reclassified as finance from operating. The result of the change was that:

In respect of the restated Balance Sheet as at 1 April 2009,

- (a) The Fixed Asset of £1.1m and the Long Term Debtor of £2.041m were transferred to the Capital Adjustment Account.
- (b) All lease income from inception of £1.126m was reversed out of the General Fund
- (c) A Long Term Debtor of £1.3m was created being the value placed on the Quarry by the Council's surveyors, with a credit going to the Capital Receipts Reserve.
- (d) The lease income since inception was apportioned between principal and interest with the principal element (£0.187m) credited to the Long Term Debtor and the interest element (£0.939m) to the HRA.
- (e) As Statutory Mitigation has not been granted for changes to the General Fund re finance lease income, the principal element of the lease income of £0.187m falls to be reduced from the General Fund balance.

In respect of the restated accounts for the year to 31 March 2010, Entries (d) and (e) above were applied to the lease income received of £0.106m in 2009/10.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

- (iv) Under the strict criteria of the Code, the Council had property which had to be re-categorised out of Investment Property because it did not meet the IFRS requirement to be classified as such. The result of the change was that:

In respect of the restated Balance Sheet as at 1 April 2009

- (a) Investment Property of £72.766m was re-categorised as Property, Plant and Equipment. There was no depreciation calculated on these reclassified assets as they were revalued at 1 April 2009.
- (b) Investment Property of £22.873m was removed from the Balance Sheet as it related to properties which the Council does not own.
- (c) The overall effect of these entries was a credit of £95.639m to Investment Properties; a debit of £72.766m to Property, Plant and Equipment; a debit of £22.873m to the Capital Adjustment Account.

In respect of the restated accounts for the year to 31 March 2010, entry (a) above was applied to £4.274m, of Investment Property in 2009/10. In addition, a depreciation entry of £1.895m was credited to Property, Plant and Equipment, with £1.876m being debited to the Capital Adjustment Account and £0.019m to the Revaluation Reserve.

- (v) Surplus Assets of £1.396m were examined to ascertain whether they met the criteria for Assets Held for Sale, as required by the Code. Thereafter they were revalued and transferred to Assets Held for Sale or PPE Surplus Assets. The loss of £0.107m on Assets Held for Sale was debited to the Capital Adjustment Account, whereas the loss of £0.122m for Surplus Assets was debited to the Revaluation Reserve to offset previous gains.
- (vi) Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay. Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increases their entitlement to future compensated absences. As a result the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

In the restated Balance Sheet as at 1 April 2009, this accrual amounted to £9.586m of which the liability for teaching staff was £7.116m. In the restated accounts for the year to 31 March 2010 this accrual was increased by £0.544m.

- (vii) During 2009/10 the Council revalued a number of Surplus Assets in preparation for IFRS. However, these assets had already been transferred out in the opening IFRS balance sheet. Therefore, in effect they had been removed twice, and as a result this adjustment is to insert them back into the Surplus Assets balance.
- (viii) Under the SORP, the Reserve Balances of Group Entities were consolidated within the overall Reserve balances shown in the Group Balance Sheet. Under the Code, the Reserve Balances of Group Entities are totalled and shown separately under the heading Reserves (Group Entities).



# FALKIRK COUNCIL

## 2. Analysis of General Fund Balance

	General (1) £'000	Housing (1) £'000	Devolved Schools (2) £'000	Economic Development (3) £'000	Central Energy Efficiency Fund (4) £'000	New Schools Project (5) £'000	Total £'000
Balance at beginning of year	(6,562)	(5,935)	(3,577)	(791)	(359)	(20,726)	(37,950)
(Surplus)/Deficit for the year	1,234	-	-	-	-	-	1,234
Appropriation to General Fund	(12,020)	-	-	-	20	12,000	-
Appropriation from General Fund	6,018	(457)	(3,813)	(124)	-	(1,624)	-
Balance at end of year	(11,330)	(6,392)	(7,390)	(915)	(339)	(10,350)	(36,716)

- (1) The deficit of £1.234m includes a payment of £12m for the New Schools Project. Having regard to the Council's approved strategy on the level and use of reserves, £0.3m of General Fund Reserve have been deployed in the year 2011/12. Housing Reserves of £0.9m have been deployed in 2011/12 with a further £1.1m earmarked in 2012/13 and £2.1m in 2013/14.
- (2) Carry forward of unutilised budgets delegated to Headteachers under the Devolved Schools Management System.
- (3) Funds arising from the strategic development of business parks.
- (4) Funds to develop energy efficient initiatives in Council buildings.
- (5) Funds to pay a capital injection to the new schools project built up as a consequence of savings in principal repayments which were funded from the Capital Fund. This was originally budgeted in Service expenditure.

## 3. Exceptional Items

Exceptional Items of £15.629m have been included in the Comprehensive Income and Expenditure Statement. The details of which are:-

- (i) A payment of £12.0m was made during 2010/11 in respect of the Council's NPDO Project. The purpose of this payment was to reduce the long term liability of the Council over the life of the project.
- (ii) The Council had been granted consent to borrow for equal pay claims, this equated to £3.629m for 2010/11.

# FALKIRK COUNCIL

## 4.(a) Amounts Reported for Resource Allocation Decisions 2010/11

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 portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements.

In particular:

- o The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year are as follows:-

Portfolio Income and Expenditure 2010/11	Education £'000	Social Work £'000	Development Services £'000	Community Services £'000	Corporate & N'Hood Services £'000	Misc. Services £'000	Joint Boards £'000	Trading Accounts £'000	HRA £'000	Other Costs £'000	Total £'000
Income	(22,733)	(32,172)	(19,352)	(9,628)	(62,725)	(4,472)	-	(39,011)	(49,431)	-	(239,524)
<b>Total Income</b>	<b>(22,733)</b>	<b>(32,172)</b>	<b>(19,352)</b>	<b>(9,628)</b>	<b>(62,725)</b>	<b>(4,472)</b>	<b>-</b>	<b>(39,011)</b>	<b>(49,431)</b>	<b>-</b>	<b>(239,524)</b>
Employee Expenses	97,351	37,665	15,161	13,270	17,400	3,951	-	16,418	6,483	-	207,699
Property Expenses	11,973	2,265	3,062	4,731	1,620	707	-	391	22,155	-	46,904
Transport Expenses	3,132	1,116	666	180	7,632	-	-	3,957	34	-	16,717
Supplies & Services	12,618	2,923	5,429	3,784	5,334	1,276	-	7,460	3,192	-	42,016
Third Party Expenses	29,853	59,318	15,374	557	1,307	3,707	22,297	8,021	1,288	-	141,722
Transfer Payments	757	3,371	446	-	38,684	-	-	-	-	-	43,258
Support Costs	19,166	7,058	4,827	3,702	4,325	5,471	-	1,241	3,528	(466)	48,852
Capital Charges	8,026	584	3,601	2,027	2,062	15	-	143	12,294	1,134	29,886
Exceptional Item	-	-	-	-	-	3,629	-	-	-	-	3,629
<b>Total Expenditure</b>	<b>182,876</b>	<b>114,300</b>	<b>48,566</b>	<b>28,251</b>	<b>78,364</b>	<b>18,756</b>	<b>22,297</b>	<b>37,631</b>	<b>48,974</b>	<b>668</b>	<b>580,683</b>
<b>Net Expenditure</b>	<b>160,143</b>	<b>82,128</b>	<b>29,214</b>	<b>18,623</b>	<b>15,639</b>	<b>14,284</b>	<b>22,297</b>	<b>(1,380)</b>	<b>(457)</b>	<b>668</b>	<b>341,159</b>

# FALKIRK COUNCIL

## Reconciliation of Portfolio Income and Expenditure to Cost of Services in Comprehensive Income and Expenditure Statement

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

		<b>£'000</b>
Net Expenditure in the Portfolio Analysis		341,159
Net Expenditure of Services (Trading Account) not included in the net cost of services		1,379
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis		
• Pension Adjustments in accordance with IAS 19	(51,553)	
• PP Adjustments for Interest and Principal	(16,794)	
• Adjustments for Depreciation and Revaluation	62,573	
• Miscellaneous Adjustments	942	(4,832)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement		
• Appropriation to Earmarked General Fund Reserves	(3,917)	
• Miscellaneous Adjustments	143	(3,774)
<b>Cost of Services</b>		<b>333,932</b>

## Reconciliation to Subjective Analysis

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

	Portfolio Analysis £'000	Not in net cost of Services £'000	Not reported to Management £'000	Not included in CIES £'000	Allocation of Recharges £'000	Allocation of Supp Services £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Income	(239,524)	39,011	2,702	371	48,043	-	(149,397)	(67,956)	(217,353)
Interest and investment income	-	-	-	-	-	-	-	(478)	(478)
Government grants and contributions	-	-	-	-	-	-	-	(296,166)	(296,166)
Income from council tax	-	-	-	-	-	-	-	(59,643)	(59,643)
<b>Total Income</b>	<b>(239,524)</b>	<b>39,011</b>	<b>2,702</b>	<b>371</b>	<b>48,043</b>	<b>-</b>	<b>(149,397)</b>	<b>(424,243)</b>	<b>(573,640)</b>
Employee Expenses	207,699	(16,419)	(52,573)	243	(8,293)	14,340	144,997	16,419	161,416
Property Expenses	46,904	(391)	(668)	-	(823)	1,373	46,395	391	46,786
Transport Expenses	16,717	(3,957)	-	-	(5,194)	29	7,595	3,957	11,552
Supplies & Services	42,016	(7,460)	(53)	(4,388)	(1,411)	3,144	31,848	9,321	41,169
Third Party Expenses	141,722	(8,021)	(16,915)	-	(2,515)	274	114,545	8,021	122,566
Transfer Payments	43,258	-	-	-	(53)	-	43,205	-	43,205
Support Service recharges	48,852	(1,241)	102	-	(28,553)	(19,160)	-	-	-
Depreciation, amortisation and impairment	29,886	(143)	62,573	-	(1,201)	-	91,115	143	91,258
Interest Payments	-	-	-	-	-	-	-	58,748	58,748
Exceptional Item	3,629	-	-	-	-	-	3,629	-	3,629
<b>Total Expenditure</b>	<b>580,683</b>	<b>(37,632)</b>	<b>(7,534)</b>	<b>(4,145)</b>	<b>(48,043)</b>	<b>-</b>	<b>483,329</b>	<b>97,000</b>	<b>580,329</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>341,159</b>	<b>1,379</b>	<b>(4,832)</b>	<b>(3,774)</b>	<b>-</b>	<b>-</b>	<b>333,392</b>	<b>(327,243)</b>	<b>6,689</b>

# FALKIRK COUNCIL

## 4(b). Amounts Reported for Resource Allocation Decisions 2009/10

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 portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements.

In Particular:

- 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.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:-

Portfolio Income and Expenditure 2009/10	Education £'000	Social Work £'000	General Fund Housing £'000	Development Services £'000	Community Services £'000	Corporate & N'Hood Services £'000	Misc. Services £'000	Joint Boards £'000	Trading Accounts £'000	HRA £'000	Other Costs £'000	Total £'000
Income	(13,224)	(30,610)	(38,878)	(8,698)	(16,220)	(14,038)	(5,236)	-	-	(48,069)	(503)	(175,476)
<b>Total Income</b>	<b>(13,224)</b>	<b>(30,610)</b>	<b>(38,878)</b>	<b>(8,698)</b>	<b>(16,220)</b>	<b>(14,038)</b>	<b>(5,236)</b>	<b>-</b>	<b>-</b>	<b>(48,069)</b>	<b>(503)</b>	<b>(175,476)</b>
Employee Expenses	97,162	37,111	1,374	11,882	17,057	11,575	2,926	-	-	6,529	-	185,616
Property Expenses	11,908	1,928	673	1,723	5,776	837	196	-	-	21,648	-	44,689
Transport Expenses	3,274	1,082	50	466	312	6,731	-	-	-	64	-	11,979
Supplies & Services	9,513	2,903	2,084	5,088	4,750	1,937	1,464	-	-	3,635	-	31,374
Third Party Expenses	28,257	59,498	490	10,401	4,103	203	1,609	25,079	(1,353)	1,031	-	129,318
Transfer Payments	885	3,379	36,485	-	-	-	-	-	-	-	-	40,749
Support Costs	9,646	6,843	1,161	3,087	2,998	2,418	5,299	-	-	3,761	(379)	34,834
Capital Charges	12,229	491	78	2,275	4,113	1,705	52	-	-	12,010	(3,399)	29,554
<b>Total Expenditure</b>	<b>172,874</b>	<b>113,235</b>	<b>42,395</b>	<b>34,922</b>	<b>39,109</b>	<b>25,406</b>	<b>11,546</b>	<b>25,079</b>	<b>(1,353)</b>	<b>48,678</b>	<b>(3,778)</b>	<b>508,113</b>
<b>Net Expenditure</b>	<b>159,650</b>	<b>82,625</b>	<b>3,517</b>	<b>26,224</b>	<b>22,889</b>	<b>11,368</b>	<b>6,310</b>	<b>25,079</b>	<b>(1,353)</b>	<b>609</b>	<b>(4,281)</b>	<b>332,637</b>

**Reconciliation of Portfolio Income and Expenditure to Cost of Services in Comprehensive Income and Expenditure Statement**

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

	<b>£'000</b>	<b>£'000</b>
Net Expenditure in the Portfolio Analysis		332,637
Net expenditure of services and support services not included in the Analysis		-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis		
• Pension Adjustments re IAS 19	(2,089)	
• PFI Entries for Finance Lease Interest & Principal plus Lifecycle Maintenance within Unitary Charge	(16,674)	
• Capital Funded from Current Revenue	(402)	
• Devolved Schools Management Adjustment	1,116	
• Miscellaneous	<u>5,578</u>	(12,471)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement		
• Trading Accounts shown in Analysis but not in Cost of Services	1,353	
• Capital Costs shown in Analysis but not in Cost of Services	3,399	
• IAS 18 Costs shown in Analysis but not in Cost of Services	503	
• Miscellaneous	<u>1,484</u>	<u>6,739</u>
<b>Cost of Services</b>		<b><u>326,905</u></b>

# FALKIRK COUNCIL

## Reconciliation to Subjective Analysis

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

	Portfolio Analysis £'000	Services not in Analysis £'000	Not reported to management £'000	Not included In CIES £'000	Allocation of Recharges £'000	Allocation of Supp Services £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Income	(174,044)	-	420	503	33,287	-	(139,834)	(65,151)	(204,985)
Interest and investment income	-	-	-	-	-	-	-	(527)	(527)
Government grants and contributions	-	-	1,267	-	-	-	1,267	(291,374)	(290,107)
Income from council tax	-	-	-	-	-	-	-	(59,364)	(59,364)
<b>Total Income</b>	<b>(174,044)</b>	<b>-</b>	<b>1,687</b>	<b>503</b>	<b>33,287</b>	<b>-</b>	<b>(138,567)</b>	<b>(416,416)</b>	<b>(554,983)</b>
Employee Expenses	184,184	-	(1,519)	1,419	(5,846)	6,442	184,680	3,004	187,684
Property Expenses	44,689	-	-	-	(1,116)	1,229	44,802	-	44,802
Transport Expenses	11,979	-	-	-	(4,566)	5,030	12,443	-	12,443
Supplies & Services	31,374	-	642	-	(1,707)	1,880	32,189	-	32,189
Third Party Expenses	129,318	-	(16,959)	1,430	(3,222)	3,549	114,116	41,010	155,126
Transfer Payments	40,749	-	-	-	(150)	165	40,764	-	40,764
Support Service recharges	34,834	-	258	(12)	(15,642)	(19,438)	-	-	-
Depreciation, amortisation and impairment	29,554	-	3,420	3,399	(1,038)	1,143	36,478	-	36,478
Interest Payments	-	-	-	-	-	-	-	50,749	50,749
Gain or Loss on Disposal of Non-Current Assets	-	-	-	-	-	-	-	(3,004)	(3,004)
<b>Total Expenditure</b>	<b>506,681</b>	<b>-</b>	<b>(14,158)</b>	<b>6,236</b>	<b>(33,287)</b>	<b>-</b>	<b>465,472</b>	<b>91,759</b>	<b>557,231</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>332,637</b>	<b>-</b>	<b>(12,471)</b>	<b>6,739</b>	<b>-</b>	<b>-</b>	<b>326,905</b>	<b>(324,657)</b>	<b>2,248</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**5. 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:

		Receipts £'000	Payments £'000
<b>Falkirk and District Business Park Ltd</b>	Income and expenses from rental of commercial premises	173	49
<b>Falkirk and District Town Centre Management Ltd</b>	Promotion of Town Centres	-	199
<b>Falkirk Council Pension Fund</b>	Charge for Support Services (Also see Note 9 – Defined Benefit Pension Schemes)	520	-
<b>Falkirk Community Stadium Ltd</b>	Repayment of expenses and Professional Fees	291	-
<b>Fairer Scotland Fund</b>	Contribution to project costs per funding agreements	-	1,102
<b>Family Centres</b>	Funding provided per Service Level Agreement	-	722

Amounts due to or from related parties were as follows:

2009/10			2010/11	
Amount Due From £'000	Amount Due to £'000		Amount Due From £'000	Amount Due To £'000
104	38	Joint Boards	71	36
118	62	Falkirk and District Business Park Ltd	-	-
1,160	2	Falkirk Community Stadium Ltd	1,309	16
-	2	Falkirk and District Town Centre Management Ltd	-	-
43	-	Helix Trust	-	-

**6. External Audit Fee**

The agreed external audit fee for Falkirk Council for 2010/11 was £359,000 (£368,000 in 2009/10). A further £25,000 (£15,000 in 2009/10) is included as the agreed external audit fee for the Pension Fund Audit. These fees were for work undertaken in accordance with the Code of Audit Practice. No other services were provided by Audit Scotland.



**NOTES TO THE CORE FINANCIAL STATEMENTS**

**7.(a) 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 for 2008/09 and 2009/10 are based on UK Generally Accepted Accountancy Practices in line with the legislative requirements for those years. The figures for 2010/11 are based on International Financial Reporting Standards as specified in the Code of Practice for Local Authority Accounting. For this reason, the figures quoted are not suitable for trend analysis. 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 2 Statutory Trading Accounts, one for Building Maintenance and one for Roads Maintenance.

**BUILDING MAINTENANCE  
TRADING ACCOUNT**

<b>Actual Year to 31/03/09 £'000</b>	<b>Actual Year to 31/03/10 £'000</b>		<b>Actual Year to 31/03/11 £'000</b>	<b>3 Year Total £'000</b>
23,517	25,507	Turnover	27,007	76,031
22,617	24,070	Expenditure	26,878	73,565
900	1,437	Surplus per CIES	129	2,466
(79)	(56)	Interest	(59)	(194)
821	1,381	Surplus for Financial Return Purposes	70	2,272

The Building Maintenance Division is primarily responsible for providing a repairs and maintenance service for the Council's housing stock, which at 31 March 2011 amounted to 16,103 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 surplus has come down from 2009/10 because of the effect of the IAS 19 pensions adjustment which was a credit of £0.618m in 2009/10, but a charge of £0.365m in 2010/11. In addition under IFRS an accrual has now to be made for untaken annual leave as at the year end. This added £0.386m to expenditure in 2010/11 as follows:

	<b>£'000</b>
Accrued Annual Leave to 31 March 2010	186
Additional Accrual for 2010/11	63
Accrual for Departmental Administrative Staff	<u>137</u>
	<u>386</u>

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

**ROADS MAINTENANCE  
TRADING ACCOUNT**

<b>Actual Year to 31/03/09 £'000</b>	<b>Actual Year to 31/03/10 £'000</b>		<b>Actual Year to 31/03/11 £'000</b>	<b>3 Year Total £'000</b>
10,048	10,517	Turnover	12,022	32,587
9,244	9,705	Expenditure	11,615	30,564
804	812	Surplus per CIES	407	2,023
(72)	(47)	Interest	(53)	(172)
732	765	Surplus for Financial Return Purposes	354	1,851

**NOTES TO THE CORE FINANCIAL STATEMENTS**

The Roads Division is primarily responsible for providing a maintenance service for the non-motorway roads and footpaths in the Council area. In addition, the Division is also responsible for providing a winter maintenance service for the roads and footpaths, various small works on behalf of other Council Services and the construction of new roads and footpaths. The total length of roads maintained is 943.8 kilometres.

The surplus has come down from 2009/10 because of the IAS 19 pensions adjustment which was a credit of £0.200m in 2009/10, but a charge of £0.128m in 2010/11. In addition, under IFRS an accrual has now to be made for untaken annual leave as at the year end. This added £0.094m to expenditure in 2010/11 as follows:-

	<b>£'000</b>
Accrued Annual Leave to 31 March 2010	54
Additional Accrual for 2010/11	(32)
Accrual for Departmental Administrative Staff	<u>72</u>
	<u>94</u>

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

**7.(b) Other Trading Accounts**

The Council discontinued the operation of trading accounts for Schools & Welfare Catering and Building Cleaning during the year. These are now simply accounted for as recharge allocation accounts.

**8. 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 2010/11 was £422,616 (£467,440 in 2009/10).

**9. Members Allowances**

Remuneration paid to Members in 2010/11 was:

<u>2009/10</u>		<u>2010/11</u>
<u>£'000</u>		<u>£'000</u>
602	Salaries	604
12	Allowances (Mileage)	12
3	Expenses	7
<u>617</u>		<u>623</u>

The annual return of Councillors' salaries and expenses for 2010-2011 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](http://www.falkirk.gov.uk). Please follow the "Councillors" quick link on the Council's website.

**10. 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 Local Government Pension Scheme

The scheme provides defined benefits for non-teaching employees. 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 8.5% of pensionable pay based on a system of tiered contributions. Employer contributions are set every three years following a valuation of the Fund by an independent actuary.

For the purposes of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 as amended, Falkirk Council is an Administering Authority for the Local Government Pension Scheme (LGPS) and is required to operate and maintain a pension fund (i.e. the Falkirk Council Pension Fund).

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 (i.e. employee) members and by participating employers. Income also flows into the fund by virtue of the various assets held by the fund, including equities, property and bonds.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

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

Participating employers include Clackmannanshire, Falkirk and Stirling Councils, Central Scotland Police, Central Scotland Fire and Rescue Service, Central Scotland Joint Valuation 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 31A(1) of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 as amended requires that an Administering Authority must, in relation to each year beginning on 1<sup>st</sup> April, 2010, 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 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 2010/11 can be inspected at the offices of the Council or online at [www.falkirk.gov.uk](http://www.falkirk.gov.uk) by following the links to local government pension scheme.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

• 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 is 6.4%. 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.

In addition to the above schemes, the Council has powers to grant additional benefits under Discretionary Payments Regulations relating to teaching and non-teaching employees. Typically, 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.

During the year, the Council paid requisitions to Central Scotland Joint Police Board and Central Scotland Joint Fire and Rescue Board. These requisitions have been used to meet, inter alia, the costs arising from the Police Pensions Schemes and the Firefighters Pension Schemes.

***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 2011 have been calculated by Hymans Robertson a firm of independent Consulting Actuaries.

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**

<b>Year Ended:</b>	<b>31/03/10</b>	<b>31/03/11</b>
	<b>£'000</b>	<b>£'000</b>
Current Service Cost	10,954	20,720
Interest Cost	28,608	35,624
Expected Return on Employer Assets	(18,348)	(28,796)
Past Service Costs/(Gains)	7,011	(54,323)
Losses/(Gains) on Curtailments and Settlements	-	-
<b>Total</b>	<b>28,225</b>	<b>(26,775)</b>

**Reconciliation of defined benefit obligation**

<b>Year Ended:</b>	<b>31/03/10</b>	<b>31/03/11</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening Defined Benefit Obligation</b>	<b>410,684</b>	<b>684,982</b>
Current Service Cost	10,954	20,720
Interest Cost	28,608	35,624
Contributions by Members	5,782	5,824
Actuarial Losses/(Gains)	237,704	(63,871)
Past Service Costs/(Gains)	7,011	(54,323)
Estimated Unfunded Benefits Paid	(2,587)	(3,335)
Estimated Benefits Paid	(13,174)	(14,734)
<b>Closing Defined Benefit Obligation</b>	<b>684,982</b>	<b>610,887</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**Reconciliation of fair value of employer assets**

<b>Year Ended:</b>	<b>31/03/10</b>	<b>31/03/11</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening Fair Value of Employer Assets</b>	<b>286,577</b>	<b>395,729</b>
Expected Return on Assets	18,348	28,796
Contributions by Members	5,782	5,824
Contributions by the Employer	16,924	17,558
Contributions in respect of Unfunded Benefits	2,587	3,335
Actuarial Gains/(Losses)	81,272	5,845
Estimated Unfunded Benefits Paid	(2,587)	(3,335)
Estimated Benefits Paid	(13,174)	(14,734)
<b>Closing Fair Value of Employer Assets</b>	<b>395,729</b>	<b>439,018</b>

**Amounts for the current and previous accounting periods**

<b>Year Ended:</b>	<b>31/03/07</b>	<b>31/03/08</b>	<b>31/03/09</b>	<b>31/03/10</b>	<b>31/03/11</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fair Value of Employer Assets	365,463	364,555	286,577	395,729	439,018
Present Value of Defined Benefit Obligation	(476,934)	(423,666)	(410,684)	(684,982)	(610,887)
Surplus/(Deficit)	(111,471)	(59,111)	(124,107)	(289,253)	(171,869)
Experience Gains/(Losses) on Assets	(2,965)	(36,383)	(110,957)	81,272	5,845
Experience Gains/(Losses) on Liabilities	501	2,988	2,378	(2,223)	4,028
Experience Gains/(Losses) as % of Schemes Assets	(0.81)%	(9.98)%	(38.72)%	20.54%	1.33%
Experience Gains/(Losses) as % of Schemes Liability	(0.11)%	(0.71)%	(0.58)%	0.32%	(0.66%)

***Teachers***

During the year, the Council paid £8.804m (£8.787m in 2009/10) to the Scottish Government in respect of teachers' pension costs. This represents 14.9% of teachers' pensionable pay (14.9% in 2009/10).

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 2010/11, these amounted to £1.101 million, representing 1.86% of pensionable pay (£0.93 million, representing 1.6% of pensionable pay in 2009/10).

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**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 2011 are as follows:

	<b>31/03/10</b>	<b>31/03/11</b>
	<b>£'000</b>	<b>£'000</b>
Net asset/(liability)	(289,253)	(171,869)

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

There has been a significant decrease in IAS19 liabilities as at 31 March 2011 compared with the liabilities as at 31 March 2010. This is principally due to the fact that the financial assumptions at 31 March 2011 are more favourable than they were at 31 March 2010. In the June 2010 Emergency Budget the Chancellor announced that public sector pension increases would now be linked to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). CPI is estimated to be 0.8% approximately below RPI on average and this reduction in the pension increase assumption has resulted in a fall in liabilities being shown as a past service credit.

The real discount rate has increased significantly from 1.6% per annum as at 31 March 2010 to 2.7% per annum as at 31 March 2011. This is due to the change in the pensions increase assumption. All else being equal, a higher real discount rate leads to a lower value being placed on the liabilities. Therefore, the change in real discount rate between March 2010 and March 2011 has a substantial positive impact on the IAS19 balance sheet, decreasing the value of the liabilities by around 10% to 15% typically depending on the average age of membership.

In summary, the IAS19 balance sheet this year has improved from last year with IAS19 liabilities smaller in monetary terms. This is because of the impact of the change in pension increases from RPI to CPI.

**Fair Value of employer assets**

<b>Year Ended:</b>	<b>31/03/10</b>	<b>31/03/11</b>
	<b>£'000</b>	<b>£'000</b>
Equities	304,711	333,654
Bonds	51,445	57,072
Property	27,701	35,121
Cash	11,872	13,171
<b>Total</b>	<b>395,729</b>	<b>439,018</b>

The main assumptions used in the calculations have been: -

**Financial assumptions**

<b>Year Ended:</b>	<b>31/03/10</b>	<b>31/03/11</b>
	<b>% p.a.</b>	<b>% p.a.</b>
Inflation/Pension Increase Rate	3.8	2.8
Salary Increase Rate	5.3	5.1
Expected Return on Assets	7.2	6.9
Discount Rate	5.5	5.5

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**Breakdown of the expected return on assets by category**

**Year Ended:**

	<b>31/03/10</b>	<b>31/03/11</b>
	<b>% p.a.</b>	<b>% p.a.</b>
Equities	7.8	7.5
Bonds	5.0	4.9
Property	5.8	5.5
Cash	4.8	4.6

**Mortality**

Life expectancy is based on the PFA92 and PMA92 mortality tables published by the Institute of Actuaries and the Faculty of Actuaries. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	<b>Males</b>	<b>Females</b>
Current Pensioners	21.6 years	25.0 years
Future Pensioners	23.1 years	26.6 years

Current pensioners life expectancy shown is based on age 65 as at formal valuation, i.e. Year of Birth 1943. Future pensioners are assumed to be age 50 as at 31 March 2011.

**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 2012**

The following table sets out the estimation of the pension cost for 2011/12, based on the assumptions as at 31 March 2011 (the start of the period).

**Analysis of projected amount to be charged to operating profit for the year to 31 March 2012**

<b>Year Ended:</b>	<b>£'000</b>
Projected Current Service Cost	19,028
Interest on Obligation	33,757
Expected Return on Plan Assets	(30,583)
Past Service Cost	-
<b>Total</b>	<b>22,202</b>

The estimated Employer's contributions for the year to 31 March 2012 will be approximately £18.427m.

1 April 2009 marked the introduction of the new Local Government Pension Scheme and with it some new benefits have been applied retrospectively. The estimated projected past service cost for 2011/12 incorporates the impact of these changes.

***Teachers' Pension Scheme***

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

The Scheme is a defined benefit scheme, administered by the Scottish Public Pensions Agency (SPPA). Although the scheme is unfunded, SPPA uses a notional fund as the basis for calculating the employers' contributions rate to be paid by local authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme. This is a departure from UK GAAP.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' Scheme. These benefits are fully accrued in the pensions liability described above.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**11. Leases**

**a) Council as Lessee**

**(i) Finance Leases**

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:

	<u><b>31 March 2010</b></u> <u><b>£'000</b></u>	<u><b>31 March 2011</b></u> <u><b>£'000</b></u>
Finance lease liabilities (net present value of minimum lease payments):		
• Current	1,786	1,462
• Non-Current	3,658	2,196
Finance costs payable in future years	301	148
Minimum lease payments	<u>5,745</u>	<u>3,806</u>

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

	<u><b>Minimum Lease Payments</b></u>		<u><b>Finance Lease Liabilities</b></u>	
	<u><b>31 March 2010</b></u> <u><b>£'000</b></u>	<u><b>31 March 2011</b></u> <u><b>£'000</b></u>	<u><b>31 March 2010</b></u> <u><b>£'000</b></u>	<u><b>31 March 2011</b></u> <u><b>£'000</b></u>
Not later than one year	1,938	1,549	1,786	1,462
Later than one year and not later than 5 years	3,807	2,257	3,658	2,196
Later than five years	-	-	-	-
<b>TOTAL</b>	<u>5,745</u>	<u>3,806</u>	<u>5,444</u>	<u>3,658</u>

There are no contingent rentals on these leases.

**(ii) Operating Leases**

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:

	<u><b>31 March 2010</b></u> <u><b>£'000</b></u>	<u><b>31 March 2011</b></u> <u><b>£'000</b></u>
Not later than one year	2,328	2,276
Later than one year and not later than 5 years	8,708	8,491
Later than five years	6,922	4,938
<b>TOTAL</b>	<u>17,958</u>	<u>15,705</u>

The total of future minimum sub-lease payments expected to be received as at 31 March 2011 is £2.409m (£2.551m as at 31 March 2010).



**NOTES TO THE CORE FINANCIAL STATEMENTS**

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

	<u>2009/10</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>
Minimum lease payments	2,344	2,273
Contingent rents	27	54
(Sub-lease payments receivable)	(729)	(647)
<b>TOTAL</b>	<u>1,642</u>	<u>1,680</u>

**b) Council as Lessor**

**(i) Finance Leases**

The Council leases out Northfield Quarry to Tillicoultry Quarries Ltd on a finance lease with a remaining term of 17 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:

	<u>31 March 2010</u> <u>£'000</u>	<u>31 March 2011</u> <u>£'000</u>
Finance lease debtor (net present value of minimum lease payments);		
o Current	28	31
o Non-Current	1,058	1,027
Unearned finance income	849	771
Unguaranteed residual value of property	-	-
Gross investment in the lease	<u>1,935</u>	<u>1,829</u>

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

	<u>Gross Investment in the Lease</u>		<u>Minimum Lease Payments</u>	
	<u>31 March 2010</u> <u>£'000</u>	<u>31 March 2011</u> <u>£'000</u>	<u>31 March 2010</u> <u>£'000</u>	<u>31 March 2011</u> <u>£'000</u>
Not later than one year	105	105	28	31
Later than one year and not later than 5 years	528	528	180	194
Later than five years	1,302	1,196	878	833
<b>TOTAL</b>	<u>1,935</u>	<u>1,829</u>	<u>1,086</u>	<u>1,058</u>

**(ii) Operating Leases**

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:

	<u>31 March 2010</u> <u>£'000</u>	<u>31 March 2011</u> <u>£'000</u>
Not later than one year	4,348	4,509
Later than one year and not later than five years	11,311	11,311
Later than five years	32,785	30,775
<b>TOTAL</b>	<u>48,444</u>	<u>46,595</u>

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. In 2010/11 £0.054m contingent rents were receivable by the Council (2009/10 £0.027m).

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**12. Intangible Assets**

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:

	<u><b>Internally Generated Assets</b></u>	<u><b>Other Assets</b></u>
3 years	-	Benefit & Rates Software
3 years	-	Remote Access Software
3 years	-	Application Server Software

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.112m was charged to revenue in 2010/11.

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

	<b>2009/10</b>	<b>2010/11</b>
	<b>Other Assets £'000</b>	<b>Other Assets £'000</b>
Balance at start of year:		
• Gross carrying amounts	455	514
• Accumulated amortisation	(196)	(323)
Net carrying amount at start of year		
Additions:		
• Internal development	-	-
• Purchases	59	-
Amortisation for the period	(127)	(112)
Net carrying amount at end of year	191	79
Comprising:		
• Gross carrying amounts	514	514
• Accumulated amortisation	(323)	(435)
	191	79

There are two items of capitalised software that are individually material to the financial statements:

	<b>Carrying Amount</b>		
	<b>31 March 2010 £000</b>	<b>31 March 2011 £000</b>	<b>Remaining Amortisation Period</b>
Benefit & Rates Software	96	48	1 year
Remote Access Software	59	29	1 year

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

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**13. Impairment Losses**

The Council's Housing Stock was revalued as at 1 April 2010 by the District Valuer. The revaluation resulted in an impairment of £33.952m, the main reason for the impairment being the unforeseen reduction in the number of "Right to Buy" sales in addition to a reduced level of stock numbers. This impairment was written out to the Provision of Services in the Comprehensive Income and Expenditure Statement as was impairment of £16.771m for non-enhancing capital expenditure.

The Council's Property portfolio of retail and industrial units was also revalued as at 1 April 2010 together with some other assets within Education Services. The total impairment for the assets was £34.656m, of which £10.949m was written out to the Revaluation Reserve and £23.707m to the Provision of Services in the Comprehensive Income and Expenditure Statement. In addition, there was a further impairment of £1.978m for non-enhancing capital expenditure, £0.274m being written out to the Revaluation Reserve and £1.704m to the Provision of Services.

**14. Capitalisation of Borrowing Costs**

The Council applied to the Scottish Government for consent to borrow for Equal Pay Costs and Teachers Pension Payments. The consent was granted and the costs that were capitalised are as follows:-

	<b>Consent Granted</b>	<b>Costs Capitalised</b>
	<b>£'000</b>	<b>£'000</b>
Equal Pay Costs	5,633	3,629
Teachers Pension Payments	120	120

# FALKIRK COUNCIL

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15.(a) Property, Plant & Equipment Movements in 2010/11

	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 2010	88,309	600,127	17,816	88,903	1,980	4,947	29,525	831,607
Additions	16,815	7,031	3,331	7,805	-	6,074	-	41,056
Revaluations:-								
<input type="checkbox"/> Recognised in Revaluation Reserve	-	6,725	-	-	-	-	3,723	10,448
<input type="checkbox"/> Recognised in Provision of Services	(33,952)	1,331	-	-	-	-	-	(32,621)
De-recognition:-								
<input type="checkbox"/> Disposals	(205)	(7,626)	(448)	-	-	-	(199)	(8,478)
Assets reclassified to/from Held for Sale	-	(479)	-	-	-	-	-	(479)
Other Movements in Cost or Valuation	-	3,511	-	-	300	(3,811)	-	-
As at 31 March 2011	70,967	610,620	20,699	96,708	2,280	7,210	33,049	841,533
<u>Accumulated Depreciation Impairment</u>								
As at 1 April 2010	-	27,529	7,298	12,368	396	-	4,609	52,200
Depreciation:								
<input type="checkbox"/> Charge for Year	-	15,880	2,592	2,973	66	-	490	22,001
Impairment:								
<input type="checkbox"/> Written Out to Revaluation Reserve	-	3,303	-	-	-	-	7,916	11,219
<input type="checkbox"/> Written Out to Provision of Services	16,771	14,647	-	-	-	13	10,751	42,182
De-recognition:-								
<input type="checkbox"/> Disposals	-	(4,502)	(364)	-	-	-	-	(4,866)
As at 31 March 2011	16,771	56,857	9,526	15,341	462	13	23,766	122,736
Net Book Value								
31 March 2010	88,309	572,598	10,518	76,535	1,584	4,947	24,916	779,407
31 March 2011	54,196	553,763	11,173	81,367	1,818	7,197	9,283	718,797

# FALKIRK COUNCIL

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15.(b) Property, Plant & Equipment Movements in 2009/10

	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 2009	88,762	638,240	13,927	85,557	2,610	4,077	340	833,513
Additions	13,855	71,992	3,921	8,637	-	4,332	-	102,737
Revaluations:-								
<input type="checkbox"/> Recognised in Revaluation Reserve	-	3,978	-	-	-	-	41	4,019
De-recognition:-								
<input type="checkbox"/> Disposals	(453)	(202)	(32)	-	-	-	-	(687)
Assets reclassified to/from Held for Sale	-	(24,535)	-	-	-	-	24,535	-
Other Movements in Cost or Valuation	-	3,462	-	-	-	(3,462)	-	-
As at 31 March 2010	102,164	692,935	17,816	94,194	2,610	4,947	24,916	939,582
<u>Accumulated Depreciation Impairment</u>								
As at 1 April 2009	-	81,512	5,567	14,983	961	-	-	103,023
Depreciation:								
<input type="checkbox"/> Charge for Year	-	17,405	1,763	2,676	65	-	-	21,909
Impairment:								
<input type="checkbox"/> Written Out to Revaluation Reserve	-	19,555	-	-	-	-	-	19,555
<input type="checkbox"/> Written Out to Provision of Services	13,855	1,865	-	-	-	-	-	15,720
De-recognition:-								
<input type="checkbox"/> Disposals	-	-	(32)	-	-	-	-	(32)
As at 31 March 2010	13,855	120,337	7,298	17,659	1,026	-	-	160,175
Net Book Value								
31 March 2009	88,762	556,728	8,360	70,574	1,649	4,077	340	730,490
31 March 2010	88,309	572,598	10,518	76,535	1,584	4,947	24,916	779,407

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**16. Other Capital Notes**

- (a) The following depreciation methods have been used for Property, Plant and Equipment:

Council Dwellings. There has been no depreciation charged on Council Dwellings. The District Valuer has confirmed that the 'Existing Use Value' (Social Housing) valuation method adopted in terms of the 2010 Code of Practice results in a particularly high residual value, which in turn renders depreciation immaterial.

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.

- (b) Assets owned by the Council include:

				<u>Estimated Life</u> <u>(Buildings)</u>
<b>2009/10</b>			<b>2010/11</b>	
16,164	Council Dwellings		16,103	30 years
20	Other Land & Buildings	Surface Car Parks	20	Investment
10		Depots	10	3 – 33 years
2		Strategic Business Parks	2	Investment
11		Nursery Schools/Day Nurseries	11	13 – 33 years
49		Primary Schools	49	3 – 38 years
12		Secondary Schools	8	1 – 39 years
4		Special Schools	4	8 – 39 years
6		Homes for the Elderly	6	8 – 33 years
9		Sports Centres	11	13 – 38 years
8		Libraries	8	3 – 38 years
3		Museums	3	17 – 97 years
3		Town Halls	3	18 – 28 years
35		Community Halls/Social Halls	35	3 – 38 years
1		Crematorium	1	28 years
173			171	
279	Community Assets		279	
786	Non-Operational Properties		751	4 – 64 years

- (c) 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 internally by the Council's own Property Services Surveyors.

The Housing Stock was re-valued as at 1 April 2010 by the District Valuer of the Scotland South East Valuation Office, using the 'Existing Use Value' (Social Housing) method.

Land and Buildings owned by Community Services and Social Work (excluding offices) have been valued as at 1 April 2007. Other feuhold and leasehold properties which comprise the Council's property portfolio, have been valued as at 1 April 2008. Land and Buildings which were revalued either as at 1 April 2007 or 1 April 2008, 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.

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 2010 by the Council's own Property Services Surveyor and thereafter ratified by the District Valuer of the Scotland South East Valuation Office.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

Surplus Assets have been valued on the basis of open market value.

Assets Under Construction have been valued at cost.

Vehicles, Plant and Equipment are valued on basis of open market value by the Council's technical staff.

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.

(d) Capital Commitments

As at 31 March 2011 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £21.2m. Similar commitments at 31 March 2010 were £6m. The major commitments are:-

Antonshill Primary School	£5.7m
High Rise Flats	£4.0m
New Build Housing	£4.4m
Helix	£3.0m

(e) Effects of Changes in Estimates

The Council has not made any material changes to its accounting estimates for Property, Plant and Equipment.

**17. Assets held for sale**

	<u>Current</u>		<u>Non-Current</u>	
	<u>2009/10</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>	<u>2009/10</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>
<b>Balance at start of year</b>	56	225	201	-
Assets newly classified as held for sale:				
• Property, Plant & Equipment	22	301	-	178
Revaluation losses	-	(4)	-	-
Revaluation gains	-	219	-	-
Assets Sold	(54)	(22)	-	-
Transfers from/to non-current/current	201	(329)	(201)	329
<b>Balance outstanding at year-end</b>	<b>225</b>	<b>390</b>	<b>-</b>	<b>507</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**18. 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.

	<u><b>2009/10</b></u> <u><b>£'000</b></u>	<u><b>2010/11</b></u> <u><b>£'000</b></u>
Opening Capital Financing Requirement	338,559	395,537
<u>Capital Investment</u>		
Property, Plant and Equipment	97,872	38,342
Intangible Assets	59	-
Revenue Expenditure Funded from Capital under Statute	641	1,262
<u>Sources of finance</u>		
Capital receipts	(3,346)	(3,696)
Government grants and other contributions	(14,761)	(14,435)
Sums set aside from revenue:		
Direct revenue contributions	(3,600)	(1,955)
MRP/loans fund principal	(19,887)	(32,948)
Closing Capital Financing Requirement	395,537	382,107
<u>Explanation of movements in year</u>		
Increase in underlying need to borrow (unsupported by government financial assistance)	3,662	2,898
Assets acquired under finance leases	55,330	(2,024)
Assets acquired under PFI/PPP contracts	(2,014)	(14,304)
Increase/(decrease) in Capital Financing Requirement	56,978	(13,430)



**NOTES TO THE CORE FINANCIAL STATEMENTS**

**19. PFI Schemes and Similar Contracts**

	Class 98 £'000	Falkirk Schools Gateway Ltd £'000	2010/11 £'000	
(a) <b><u>Movement in Assets</u></b>				
Balance as at 1 April 2010	102,103	119,389	221,492	
Net Additions during year	-	-	-	
Revaluation	-	-	-	
Depreciation	(2,465)	(2,833)	(5,298)	
Net Book Value 31 March 2011	99,638	116,556	216,194	
(b) <b><u>Movement in Liabilities</u></b>				
Balance as at 1 April 2010	52,291	112,936	165,227	
Additions during year	-	-	-	
Repaid during year	(1,746)	(12,474)	(14,220)	
Balance as at 31 March 2011	50,545	100,462	151,007	
of which				
Current	1,648	13,578	15,226	
Long Term	48,897	86,884	135,781	
	50,545	100,462	151,007	
	Service Charges £'000	Interest £'000	Finance Lease Repayment £'000	2010/11 £'000
(c) <b><u>Estimated Future Unitary Payment Obligations</u></b>				
Basic Annual Payments – Class 98				
Within one year	3,686	7,513	1,648	12,847
In the second to fifth years inclusive	14,974	28,237	8,645	51,856
In the sixth to tenth years inclusive	18,886	30,913	16,677	66,476
In the eleventh to fifteenth years inclusive	14,084	20,662	23,575	58,321
	51,630	87,325	50,545	189,500

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 3% per annum as per the operator's financial model.

	<b>Service Charges £'000</b>	<b>Interest £'000</b>	<b>Finance Lease Repayment £'000</b>	<b>2010/11 £'000</b>
<u>Basic Annual Payments – Falkirk Schools Gateway Ltd</u>				
Within one year	3,245	6,019	13,578	22,842
In the second to fifth years inclusive	14,791	23,337	8,021	46,149
In the sixth to tenth years inclusive	21,226	30,748	12,506	64,480
In the eleventh to fifteenth years inclusive	29,119	31,070	12,765	72,954
In the sixteenth to twentieth years inclusive	36,530	31,493	14,517	82,540
In the twenty first to twenty fifth years inclusive	43,379	32,076	17,932	93,387
In the twenty sixth to twenty ninth year inclusive	21,045	26,852	21,143	69,040
	169,335	181,595	100,462	451,392

The figures shown above for the Basic Annual Payment assume an indexation rate of 2.5% as per the operator's financial model.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**20. Contingent Assets and Liabilities**

**Contingent Assets**

- (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 and the matter is ongoing. There is therefore, the potential for the Council to receive further sums in the event of the dispute being determined in favour of the Council.

**Contingent Liabilities**

- (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 2011, this totalled £54m (£58m as at March 2010).
- (iii) Note 24 includes provision of £5m in respect of potential expenditure arising from outstanding equal pay claims. A recent legal judgement (Bainbridge) on pay protection 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. The Council has been given permission to carry forward borrowing consent of £1m in respect of the estimated total liability likely to arise from equal pay claims.
- (iv) 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 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 current litigation may create a financial liability for Falkirk Council as successor Council. A robust estimate of this potential liability will result once the litigation has completed due process.

**21. Net Assets**

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

2009/10 £'000		2010/11 £'000
68,387	General Fund	174,703
69,687	Housing Revenue Account	30,706
138,074		205,409

**22. Long-Term Investments in Associates and Joint Ventures**

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 28<sup>th</sup> 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 newly acquired assets comprise Ground Leases of £0.250m and Development Sites of £3.600m.

This heading includes an advance of £6.200m to Central Scotland Joint Fire & Rescue Board to finance the Board's debt (2009/10 £6.571m).

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**23. Loans Outstanding**

These loans were raised to finance the capital expenditure of the Council. The source of these loans as at 31 March 2011 was as follows:-

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>	<b>BORROWING REPAYABLE ON DEMAND OR WITHIN 12 MONTHS</b>	<b>£'000</b>
13,787	Temporary Borrowing	10,600
503	Other Loans	534
14,290		11,134
2,155	Accrued Interest	2,132
16,445	Total	13,266
	<b>LONG TERM</b>	
111,630	Public Works Loan Board	121,630
1,116	European Investment Bank	581
26,000	Market Bonds	26,000
138,746		148,211
1,733	Accrued Interest	1,711
140,479	Total	149,922

**24. Insurance Fund**

An updated independent actuarial valuation of the Insurance Fund was undertaken in September 2009. 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 2011 is £3.683m. (£3.018m as at 31 March 2010).

**25. Provisions**

At the year end, there were a significant number of equal pay claims being considered in conjunction with the Council's legal advisers. The actual cost of these claims is unknown at this time, however, provision of £5m has been made in the 2010/11 accounts.

**26. Long-Term Debtors**

	<b>Balance</b>	<b>Advanced</b>	<b>Repaid</b>	<b>Balance</b>
	<b>01/04/10</b>	<b>2010/11</b>	<b>2010/11</b>	<b>31/03/11</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Northfield Quarry	1,087	-	(29)	1,058
Loan Arrears	4	1	-	5
Housing Loans	89	-	(23)	66
Car Loans	130	85	(117)	98
<b>Total</b>	1,310	86	(169)	1,227

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**27.(a) Inventories**

An analysis of stocks as at 31 March 2011 is shown below with the basis of valuation:-

	2010/11 Opening Stock £'000	Purchases/ Additions £'000	Stock Write Downs £'000	Recognition as an expense £'000	Closing Stock £'000	Basis of Valuation
<b>Stocks</b>						
<b><u>Corporate &amp; Neighbourhood Services</u></b>						
Building Maintenance	236	1,967	-	(1,863)	340	latest invoice price
Transport	59	1,547	-	(1,557)	49	average cost
Cleansing	75	137	-	(128)	84	lower of cost and net realisable value/average cost
Grounds Maintenance	60	78	-	(79)	59	lower of cost and net realisable value
Catering	63	1,433	-	(1,433)	63	lower of cost and net realisable value/ average cost
Street Lighting	44	12	-	(11)	45	latest invoice price
Sign Factory	94	80	-	(83)	91	lower of cost and net realisable value
Pest Control	10	18	-	(18)	10	lower of cost and net realisable value
<b><u>Community Services</u></b>						
Leisure Facilities	44	398	(6)	(402)	34	lower of cost and net realisable value/ latest invoice price
Museums	17	89	-	(88)	18	lower of cost and net realisable value/latest invoice price
Parks	1	3	-	(3)	1	latest invoice price
<b><u>Development Services</u></b>						
Strategic Waste	51	198	-	(201)	48	latest invoice price
<b><u>Housing</u></b>	3	6	-	(3)	6	latest invoice price
<b><u>Central Support Services</u></b>	9	169	-	(165)	13	latest invoice price
<b>TOTAL STOCKS</b>	<b>766</b>	<b>6,135</b>	<b>(6)</b>	<b>(6,034)</b>	<b>861</b>	The use of other than lower of cost and net realisable value is a departure from the Code but is not considered material.
<b>Work in Progress</b>						
Sign Factory	5	11	-	(5)	11	
<b>TOTAL WORK IN PROGRESS</b>	<b>5</b>	<b>11</b>	<b>-</b>	<b>(5)</b>	<b>11</b>	
<b>TOTAL STOCKS &amp; WORK IN PROGRESS</b>	<b>771</b>	<b>6,146</b>	<b>(6)</b>	<b>(6,039)</b>	<b>872</b>	

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**27.(b) Inventories**

An analysis of stocks as at 31 March 2010 is shown below with the basis of valuation:-

	2009/10 Opening Stock £'000	Purchases/ Additions £'000	Stock Write Downs £'000	Recognition as an expense £'000	Closing Stock £'000	Basis of Valuation
<b>Stocks</b>						
<b><u>Corporate &amp; Neighbourhood Services</u></b>						
Building Maintenance	280	1,133	-	(1,177)	236	latest invoice price
Transport	45	1,184	-	(1,170)	59	average cost
Cleansing	108	130	-	(163)	75	lower of cost and net realisable value/average cost
Grounds Maintenance	63	96	-	(99)	60	lower of cost and net realisable value
Catering	54	1,526	-	(1,517)	63	lower of cost and net realisable value/ average cost
Street Lighting	43	49	-	(48)	44	latest invoice price
Sign Factory	97	76	-	(79)	94	lower of cost and net realisable value
Pest Control	15	15	-	(20)	10	lower of cost and net realisable value
<b><u>Community Services</u></b>						
Leisure Facilities	39	332	-	(327)	44	lower of cost and net realisable value/ latest invoice price
Museums	18	62	-	(63)	17	lower of cost and net realisable value/latest invoice price
Parks	1	6	-	(6)	1	latest invoice price
<b><u>Development Services</u></b>						
Strategic Waste	61	202	-	(212)	51	latest invoice price
<b><u>Housing</u></b>	5	-	-	(2)	3	latest invoice price
<b><u>Central Support Services</u></b>	8	130	-	(129)	9	latest invoice price
<b>TOTAL STOCKS</b>	<b>837</b>	<b>4,941</b>	<b>-</b>	<b>(5,012)</b>	<b>766</b>	The use of other than lower of cost and net realisable value is a departure from the Code but is not considered material.
<b>Work in Progress</b>						
Sign Factory	9	5	-	(9)	5	
<b>TOTAL WORK IN PROGRESS</b>	<b>9</b>	<b>5</b>	<b>-</b>	<b>(9)</b>	<b>5</b>	
<b>TOTAL STOCKS &amp; WORK IN PROGRESS</b>	<b>846</b>	<b>4,946</b>	<b>-</b>	<b>(5,021)</b>	<b>771</b>	

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**28. Construction Contracts**

As at 31 March 2011, the Council had several construction contracts in progress. The value of work completed at 31 March 2011 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 2011.

**29. Debtors**

	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Central government bodies	4,303	4,316	3,383
Other local authorities	477	273	1,025
NHS Bodies	978	1,034	1,036
Public corporations and trading funds	39	38	45
Other entities and individuals	19,881	24,372	22,653
	25,678	30,033	28,142
Provision for Bad Debts	(10,089)	(11,050)	(11,810)
<b>Total Debtors</b>	<b>15,589</b>	<b>18,983</b>	<b>16,332</b>

**30. Creditors**

	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Central government bodies	7,917	5,287	8,560
Other local authorities	61	189	111
NHS Bodies	28	235	131
Public corporations and trading funds	-	512	297
Other entities and individuals	46,664	56,729	66,681
<b>Total Creditors</b>	<b>54,670</b>	<b>62,952</b>	<b>75,780</b>

**31. Trust & Third Party Funds**

The Council administers and acts as trustees, where applicable, to a number of Third Party Funds. 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 purposes of the largest General Trust Funds held by Falkirk Council are:

Provost's Fund for Necessitous Poor (£54,188) - to provide donations to residents of the former Burgh of Falkirk at the sole discretion of the Provost.

Scottish Veterans' Garden City Association (SVGCA) (£52,082) - to manage the Association's housing in the Falkirk Council area.

Shank's Bequest (£27,239) - to provide donations to the needy of Denny.

Grangemouth Childrens' Day Committee (£22,431) - to provide a donation to the annual cost of the Grangemouth Childrens' Day.

Candyend Trust (£70,036) - to provide donations to specific organisations assisting the elderly in the Muiravonside area.

Odenwald Trust (£27,225) - to foster twinning exchanges between the Council and the Odenwald region in Germany.

Alexander Douglas King Bequest (£35,201) – new bequest for the promotion and advancement of education of art at Bo'ness Academy.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

The funds do not represent assets of the Council and are not included in the Council's Balance Sheet. The financial position of all funds are as follows:-

<b>2009/10 £'000</b>	<b>Income and Expenditure Account</b>	<b>2010/11 £'000</b>
	<b>Income</b>	
(43)	Investment Income	(5)
	<b>Expenditure</b>	
19	Awards and Other Expenses	18
(24)	<b>(Surplus)/Deficit for the Year</b>	13
	<b>Balance Sheet</b>	
	<b>Fixed Assets</b>	
19	External Investments	6
364	Internal Investments	364
383	<b>Net Assets</b>	370
(359)	Fund Balance at 1 April 2010	(383)
(24)	(Surplus)/Deficit for Year	13
(383)	<b>Fund Balance at 31 March 2011</b>	(370)

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**32. Grant Income**

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

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
	<u>Credited to Services</u>	
2,400	Criminal Justice	2,773
491	Council Tax DWP Subsidy	497
35,235	Housing DWP Subsidy	38,203
598	Education Maintenance Allowances	554
532	Determined to Succeed	501
1,955	Fairer Scotland Fund	-
880	Improvement Repair Grant	621
663	Hostels Grant	663
2,614	Other Grants	2,087
<u>45,368</u>	<b>TOTAL</b>	<u>45,899</u>
<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
	<u>Credited to Taxation and Non-Specific Grant Income</u>	
10,209	Scottish Government – General Capital Grant	6,292
275	Scottish Government – Specific Capital Grants	267
894	Scottish Government – Other Grants	2,314
457	Other Grants	434
1,898	Developers Contributions	1,811
-	Other Contributions	1,936
3,850	Donations – Falkirk Stadium Assets	-
<u>17,583</u>		<u>13,054</u>
<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
	<u>Capital Grants Received in Advance</u>	
	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:	
1,542	Scottish Government	1,146
1,460	Developers Contributions	1,380
<u>3,002</u>		<u>2,526</u>



**NOTES TO THE CORE FINANCIAL STATEMENTS**

**33.(a) Financial Instruments Adjustment Account**

	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
De-recognition of Premiums from Debt Restructuring	5,994	5,678
Annual Amortisation	(316)	(316)
	<u>5,678</u>	<u>5,362</u>
De-recognition of Discounts from Debt Restructuring	(296)	(288)
Annual Amortisation	7	7
	<u>(289)</u>	<u>(281)</u>
Re-measurement of Market LOBO's	2,023	1,999
Annual Amortisation	(23)	(24)
	<u>2,000</u>	<u>1,975</u>
	<u>7,389</u>	<u>7,056</u>

**Disclosure of Financial Assets and Liabilities from 1 April 2010**

**33.(b)(i) Financial Instruments Balances**

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

	<b>Long-Term</b>		<b>Current</b>	
	<b>31/03/10 £'000</b>	<b>31/03/11 £'000</b>	<b>31/03/10 £'000</b>	<b>31/03/11 £'000</b>
Financial liabilities (principal amount)	138,746	148,211	14,290	11,134
Financial liabilities at amortised cost	140,479	149,922	16,445	13,266
Loans and receivables (principal amount)	-	-	7,558	10,352
Loans and receivables at amortised cost	-	-	7,558	10,355
Unquoted investments at cost	9,340	9,340	-	-

**33.(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:

	<b>Financial Liabilities</b>	<b>Financial Assets</b>	
	Liabilities Measured at Amortised Cost £'000	Loans and Receivables £'000	<b>Total £'000</b>
Interest Expense	(8,399)	-	(8,399)
Interest Income	-	478	478
Net gain/(loss) for the year	(8,399)	478	(7,921)

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**33.(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. 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:

	<b>31/03/10</b>		<b>31/03/11</b>	
	<b>Carrying amount £'000</b>	<b>Fair value £'000</b>	<b>Carrying amount £'000</b>	<b>Fair value £'000</b>
PWLB debt	113,483	150,004	123,485	163,726
Non-PWLB debt	43,441	43,376	39,438	41,943
Total debt	<u>156,924</u>	<u>193,380</u>	<u>162,923</u>	<u>205,669</u>
Trade creditors	5,069	5,069	5,621	5,621
Total Financial Liabilities	<u>161,993</u>	<u>198,449</u>	<u>168,544</u>	<u>211,290</u>

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.

	<b>31/03/10</b>		<b>31/03/11</b>	
	<b>Carrying amount £'000</b>	<b>Fair value £'000</b>	<b>Carrying amount £'000</b>	<b>Fair value £'000</b>
Money market deposits < 1 year	7,567	7,567	10,355	10,355
Long-Term Investments	9,340	9,340	9,340	9,340
Trade debtors	8,529	8,529	8,112	8,112
Loans and receivables	-	-	-	-
Total Loans and Receivables	<u>25,436</u>	<u>25,436</u>	<u>27,807</u>	<u>27,807</u>

**Nature and Extent of Risk Arising from Financial Instruments**

**33.(c)(i) 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;
- ✓ Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

**NOTES TO THE CORE FINANCIAL STATEMENTS****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 Guidance 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.
- ✓ 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 Guidance.

These items are required to be reported and approved before the start of the year to which they relate. They are reported in the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instruments exposure. Actual review of Treasury Management Strategy is reported semi-annually to Members.

Both the General Capital Programme 2010/11 – 2012/13, incorporating the suite of prudential indicators (10/02/10) and the Annual Treasury Management Strategy 2010/11 (09/03/10) were approved by Council prior to the start of the financial year and are available on the Council website. The key 2010/11 controls and treasury issues arising were:-

- The Authorised Limit for 2010/11 was set at £335m. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary for 2010/11 was set at £330m. This is the expected level of debt and other long term liabilities during the year;
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 40% respectively based on the Council's net debt;
- The maximum and minimum exposures to the maturity structure of debt are shown at Note (iv) Refinancing and Maturity Risk;
- An estimated total longer term borrowing requirement of £6.2m.

These policies are implemented by a central treasury team. 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 (TMP's). These TMP's are a requirement of the Code of Practice and are reviewed periodically.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**33.(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 Council's TMP's 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 TMP's also impose a maximum amount and time to be invested with any particular financial institution.

The key components of the lending criteria include:

- Financial institutions with credit ratings of Short Term – F1; Long Term – A; Support – C; Individual – 3 (Fitch or equivalent rating), with the lowest available rating being applied to the criteria;
- UK financial institutions provided with support from the UK Government;
- Other UK local authorities;
- Maximum monetary limit of £5m per individual institution;
- Maximum time limit of 1 month per individual institution.

The following analysis summarises the Council's potential maximum exposure to credit risk. The table as assessed by the ratings agencies gives details of global corporate finance average cumulative default rates (including financial organisations) for the period since at least 1990 to 2009. Defaults shown are by long term rating category on investments not exceeding 1 year.

	Amount at 31/03/11	Historical experience of default	Adjustment for market conditions at 31/03/11	Estimated maximum exposure to default
	£'000	%	%	£'000
Deposits with banks and financial institutions	(a)	(b)	(c)	(a) x (c)
AAA rated counterparties	-	0.00	0.00	-
AA rated counterparties	10,352	0.03	0.03	3
A rated counterparties	-	0.08	0.08	-
Trade debtors	8,112	5.00	5.00	406
	<u>18,464</u>			<u>409</u>

Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties.

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 £5.3m of the £8.1m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£'000
Less than 28 days	1,112
29 – 56 days	159
57 – 84 days	133
More than 85 days	3,920
	<u>5,324</u>

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 2011 was £0.4m.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**33.(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.

The maturity analysis of financial assets is as follows:

	<b>31/03/10</b>	<b>31/03/11</b>
	<b>£'000</b>	<b>£'000</b>
Less than one year	7,558	10,352

All trade and other payables are due to be paid in less than one year are not shown in the table above.

**33.(c)(iv) Re-financing and Maturity Risk**

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

The approved treasury indicator limits for the maturity structure of debt 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:

	<b>Approved Maximum Limits</b>		<b>Approved Minimum Limits</b>		<b>31/03/10</b>	<b>31/03/11</b>
	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Less than one year	25	38,259	0	-	14,290	11,135
Between one and two years	25	38,259	0	-	534	20,581
Between two and five years	50	76,518	0	-	20,581	10,000
Between five and ten years	75	114,777	0	-	3,465	7,429
More than ten years	100	153,036	25	38,259	114,166	110,202
					153,036	159,347

**33.(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).

**NOTES TO THE CORE FINANCIAL STATEMENTS**

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. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed. The risk of interest rate loss remains fully with the Council. In the longer term, the Scottish Government reviews the grant support it provides for local authority borrowing every three years. At this review stage, the government may, at its discretion, provide more, or less, support to recognise underlying changes in interest rates.

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

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	206
Increase in interest receivable on variable rate investments	(104)
Impact on Other Comprehensive Income and Expenditure	<u>102</u>
Share of overall impact debited to the HRA	<u>20</u>
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	<u>-</u>
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)	<u>22,726</u>

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note 32(b)(iii).

**Price risk** - The Council, excluding the pension fund, does not generally invest in equity shares.

**Foreign exchange risk** - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

**34. Other Long Term Liabilities**

2008/09 £'000	2009/10 £'000		2010/11 £'000
110,050	152,780	PFI Finance Lease Liabilities	137,471
5,444	3,744	HRA Window Leasing Finance Lease Liability	2,196
<u>115,494</u>	<u>156,524</u>		<u>139,667</u>

**35. Events After the Balance Sheet Date**

The Council has agreed to establish Falkirk Community Trust Ltd and its trading subsidiary, Falkirk Community Trading Ltd to deliver Leisure, Arts, Libraries and Heritage services on behalf of the Council, with effect from 1 July 2011.

The Audited Accounts were authorised by the Chief Finance Officer for issue on 30 September 2011. There were no events that occurred between 1 April and 30 September 2011 that would have an impact on the 2010/11 financial statements.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**36. 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.

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
(40,995)	Dwelling Rents	(42,482)
(1,539)	Non-Dwelling Rents	(1,558)
(624)	Hostels	(625)
(662)	Housing Support Grant	(663)
(1,654)	Other Income	(1,450)
<b>(45,474)</b>	<b>TOTAL INCOME</b>	<b>(46,778)</b>
19,087	Repairs and Maintenance	19,149
13,925	Supervision and Management	11,260
14,492	Depreciation and Impairment of Non-Current Assets	53,812
912	Other Expenditure	643
110	Increase/(Decrease) in Bad Debts Provision	180
<b>48,526</b>	<b>TOTAL EXPENDITURE</b>	<b>85,044</b>
	Net Expenditure of HRA Services as included in the Comprehensive	
3,052	Income and Expenditure Statement	38,266
254	HRA Services Share of Corporate and Democratic Core	265
<b>3,306</b>	<b>Net Expenditure of HRA Services</b>	<b>38,531</b>
	<b>HRA Share of Operating Income and Expenditure included in</b>	
	<b>the Comprehensive Income and Expenditure Statement:</b>	
(2,899)	(Gain)/Loss on Sale of HRA Non-Current Assets	(2,262)
1,633	Interest Payable and similar charges	1,562
(66)	Interest and Investment Income	(72)
523	Pensions Interest Cost and Expected Return on Pension Assets	348
-	Recognised Capital Grant Income	(933)
<b>2,497</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>	<b>37,174</b>

**37. Movement on the Housing Revenue Account Statement**

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
(6,544)	Balance on the HRA at the end of the previous year	(5,935)
2,497	(Surplus) or Deficit for the year on HRA Income and Expenditure Statement	37,174
(1,888)	Adjustments between Accounting Basis and Funding Basis under Statute	(37,631)
609	Net (Increase) or Decrease before transfers to or from Reserves	(457)
-	Transfers (to) or from Reserves	-
609	(Increase) or Decrease in Year on the HRA	(457)
<b>(5,935)</b>	<b>Balance on the HRA at the end of the Current Year</b>	<b>(6,392)</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**38. Housing Revenue Account Disclosures**

a) Adjustments between Accounting Basis and Funding Basis under Statute:-

2009/10 £'000		2010/11 £'000
2,899	Gain or loss on sale of HRA non-current assets	2,262
2,155	Capital expenditure charged to the HRA	1,955
1,700	Statutory Repayment of Debt (Finance Lease Liabilities)	1,786
(14,522)	Depreciation and Impairment	(53,812)
6,404	Statutory Repayment of Debt (Loans Fund Advances)	6,925
(563)	HRA share of contributions to or from the Pensions Reserve	2,256
(25)	HRA Share of Transfer to/from earmarked Reserves required by legislation	-
	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	64
64	Recognised Capital Grant Income	933
(1,888)	<b>Total</b>	(37,631)

b) **Housing Stock**

The Council Housing Stock at 31 March 2011 was 16,103 properties in the following categories:-

2009/10 Number		2010/11 Number
87	One apartment	86
2,529	Two apartments	2,524
8,466	Three apartments	8,432
4,620	Four apartments	4,601
457	Five apartments	456
5	Six apartments or larger	4
16,164	<b>TOTAL</b>	16,103
£49.77	<b>Average Weekly rent (52 week basis)</b>	£51.57

c) **Rent Arrears**

Rent Arrears at 31 March 2011 were £1,830,004 (£1,616,563 in 2009/10).

d) **Impairment of Debtors**

A impairment of £1,430,000 has been provided in the Balance Sheet for irrecoverable rents, an increase of £180,000 from the provision in 2009/10

e) **Losses on Void Properties**

2009/10 £'000		2010/11 £'000
421	Dwelling Rents	409
73	Non-Dwelling Rents	64
494		473



**NOTES TO THE CORE FINANCIAL STATEMENTS**

**39. 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 Benefit.

2009/10 £'000	2009/10 £'000		2010/11 £'000	2010/11 £'000
		<b>EXPENDITURE</b>		
	1,545	Exemptions		1,592
	6,046	Discounts		6,191
8,552		Council Tax Benefit	8,777	
(8,668)	(116)	Less: Government Subsidy	(8,899)	(122)
	69	Relief (Persons with a Disability)		70
	126	Prior Year Adjustments		191
	922	Provisions Against Bad and Doubtful Debts		957
	8,592	<b>TOTAL EXPENDITURE</b>		8,879
		<b>INCOME</b>		
	67,956	Gross Council Tax Levied		68,522
	67,956	<b>TOTAL INCOME</b>		68,522
	59,364	<b>SURPLUS FOR YEAR</b>		59,643
		<b>APPROPRIATED AS FOLLOWS</b>		
	59,364	General Fund		59,643

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**40. 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 2010/11 Budget)**

	Band A *	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	TOTAL
No. of Dwellings	-	22,446	18,861	6,292	8,142	8,010	4,664	2,059	59	70,533
Exempt Dwellings	-	820	344	107	93	70	21	8	1	1,464
Chargeable Dwellings	-	21,626	18,517	6,185	8,049	7,940	4,643	2,051	58	69,069
Disabled Reduction	-	104	102	56	64	72	34	7	1	440
Adjusted Chargeable Dwellings	104	21,624	18,471	6,193	8,057	7,902	4,616	2,045	57	69,069
Discounts (25%)	32	12,350	6,640	2,356	2,195	1,484	594	204	6	25,861
Discounts (due to being second homes)	-	204	140	71	52	57	22	9	3	558
Discount (long term empty properties)	-	194	76	36	30	26	7	16	1	386
Discount (occupied by disregarded adults)	-	81	54	15	7	12	3	3	-	175
Not entitled to Discount	72	8,795	11,561	3,715	5,773	6,323	3,990	1,813	47	42,089
Effective Dwellings	96	18,297	16,676	5,543	7,464	7,484	4,452	1,980	54	62,046
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	53	12,198	12,970	4,927	7,464	9,147	6,430	3,300	108	56,597
Add: Estimated Growth in tax base										372
										56,969
Less: Dwellings for which collection of Council Tax is considered to be doubtful – 97.5% collection										1,424
<b>BUDGETED COUNCIL TAX BASE</b>										<b>55,545</b>

**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 2010/11 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	

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**41. 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 40.7 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 0.7 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.

2009/10 £'000	EXPENDITURE	2010/11 £000
25	Small Business Relief (Excludes Small Property Relief)	4
2,804	Small Business Bonus Scheme	2,978
1,158	Rating (Disabled Persons) Relief	1,377
1,542	Mandatory Relief	1,685
202	Discretionary Relief	209
95	Sports Club Relief	92
3,365	Voids and Empty Periods	3,281
625	Write-Off of Uncollectable Debts	806
72	Interest on Overpaid Rates	-
9,888	<b>TOTAL EXPENDITURE</b>	10,432
	<b>INCOME</b>	
65,727	Rate Levied (Net of Small Property Relief)	70,730
65,727	<b>TOTAL INCOME</b>	70,730
55,839	<b>NET NON-DOMESTIC RATE INCOME</b>	60,298
7,362	Contribution (to)/from National Non-Domestic Rate Pool	354
63,201	<b>NET NON-DOMESTIC RATE INCOME TRANSFERRED TO GENERAL FUND</b>	60,652

**42. Non-Domestic Rates Account Disclosures**

**a) Analysis of Rateable Values as at 1 April, 2010**

	<u>No. of Premises</u>	<u>Rateable Value</u> £'000	<u>%</u>
Shops	1,315	38,723	23.4
Hotels and Public Houses	142	4,895	3.0
Offices	874	13,460	8.1
Industrial – Factories, Warehouses, Stores and Workshops	1,269	37,795	22.9
Sports, Leisure, Cultural, Entertainment, Caravans, Holiday Sites	189	4,715	2.9
Garages and Petrol Stations	80	2,388	1.4
Education and Training	88	11,922	7.2
Public Service Subjects	165	6,359	3.9
Quarries and Mines	17	464	0.3
Petrochemical	15	29,505	17.8
Religious	158	1,167	0.7
Health/Medical and Care Facilities	157	6,264	3.8
Utilities	17	6,651	4.0
Communications, Advertising and Other	229	993	0.6
Total	4,715	165,301	100.0

**b) National Non-Domestic Rates Pool**

The contributions to and from the National Non-Domestic Rates Pool shown above represent the rates collected by the Council and paid over to the Government and the sum received from the Government from the National Rates Pool, distributed through the Local Government Finance Settlement.

**43. 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 2008.

2009/10 £'000	Income and Expenditure Account	Former Bo'ness Town Council 2010/11 £'000	Former Denny Town Council 2010/11 £'000	Former Grangemouth Town Council 2010/11 £'000	Former Falkirk Town Council 2010/11 £'000	TOTAL £'000
	<b>Income</b>					
(21)	Rents Received	(1)	-	-	(21)	(22)
(4)	Interest	-	-	-	(4)	(4)
(25)		(1)	-	-	(25)	(26)
4	<b>Expenditure</b>	-	-	-	25	25
(21)	<b>(Surplus)/Deficit for Year</b>	(1)	-	-	-	(1)
	<b>Balance Sheet</b>					
235	Fixed Assets	-	-	-	235	235
842	Investments	59	6	26	752	843
1,077	Net Assets	59	6	26	987	1,078
	<b>Financed by:-</b>					
235	Asset Revaluation Reserve	-	-	-	235	235
842	Revenue Reserve	59	6	26	752	843
1,077		59	6	26	987	1,078



Bryan Smail, CPFA  
Chief Finance Officer  
30 September 2011

<b>FALKIRK COUNCIL</b>
------------------------

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	
--	--

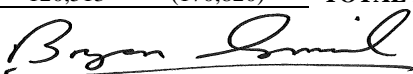
This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting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

2009/10				2010/11		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
158,311	(6,633)	151,678	Education Services	168,149	(6,675)	161,474
90,815	(84,352)	6,463	Housing Services	129,602	(87,784)	41,818
26,657	(8,270)	18,387	Cultural and Related Services	25,064	(6,368)	18,696
16,765	(928)	15,837	Environmental Services	19,995	(3,475)	16,520
9,414	-	9,414	Fire Services	8,053	-	8,053
16,646	(1,516)	15,130	Roads & Transport Services	18,548	(1,893)	16,655
14,331	-	14,331	Police Services	12,879	-	12,879
13,766	(8,986)	4,780	Planning and Development Services	22,423	(8,089)	14,334
100,298	(22,417)	77,881	Social Work	108,193	(24,208)	83,985
8,812	(5,288)	3,524	Central Services to the Public	15,673	(11,404)	4,269
3,085	(134)	2,951	Corporate & Democratic Core	3,217	-	3,217
7,212	(482)	6,730	Non-Distributed Costs	(51,380)	-	(51,380)
-	-	-	Exceptional Items	3,629	-	3,629
<b>466,112</b>	<b>(139,006)</b>	<b>327,106</b>	<b>Cost of Services</b>	<b>484,045</b>	<b>(149,896)</b>	<b>334,149</b>
-	(3,004)	(3,004)	<u>Other Operating Expenditure</u>			
			Gains or Losses on disposal of Fixed Assets	-	(131)	(131)
			<u>Financing and Investment Income and Expenditure</u>			
41,010	(43,799)	(2,789)	Surplus or deficit on trading undertakings	38,252	(39,029)	(777)
22,156	-	22,156	Interest Payable and Similar Charges	23,142	-	23,142
-	(527)	(527)	Interest & Investment Income	-	(478)	(478)
28,608	(18,348)	10,260	Pensions interest cost & expected return on pensions assets	35,624	(28,796)	6,828
<b>557,886</b>	<b>(204,684)</b>	<b>353,202</b>		<b>581,063</b>	<b>(218,330)</b>	<b>362,733</b>
			<u>Taxation and Non-Specific Grant Income</u>			
-	(59,364)	(59,364)	Council Tax	-	(59,643)	(59,643)
-	(210,590)	(210,590)	Government Grants	-	(222,460)	(222,460)
-	(17,583)	(17,583)	Capital Grants, Contributions & Donations	-	(13,054)	(13,054)
-	(63,201)	(63,201)	Non-Domestic Rate redistribution	-	(60,652)	(60,652)
<b>-</b>	<b>(350,738)</b>	<b>(350,738)</b>		<b>-</b>	<b>(355,809)</b>	<b>(355,809)</b>
<b>557,886</b>	<b>(555,422)</b>	<b>2,464</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>581,063</b>	<b>(574,139)</b>	<b>6,924</b>
		13,946	Associates and Joint Ventures accounted for on an equity basis			(19,513)
		<b>16,410</b>	<b>Group Surplus or Deficit</b>			<b>(12,589)</b>
		16,314	Surplus or deficit on revaluation of non-current assets			(2,160)
		156,432	Actuarial gains/losses on pension assets/liabilities			(69,716)
		(4,691)	Other unrealised gains/losses			(2,148)
		106,868	Share of Other Comprehensive Expenditure & Income of associates & joint ventures			(29,254)
		<b>274,923</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(103,278)</b>
		<b>291,333</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(115,867)</b>

**GROUP BALANCE SHEET**

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the Group 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 are those that the Group 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".

2008/09 £'000	2009/10 £'000		2010/11 £'000	Notes
		<b>Long Term Assets</b>		
730,726	787,527	Property, Plant & Equipment	726,645	
258	190	Intangible Assets	79	
201	-	Assets Held for Sale	507	
3,110	9,340	Long Term Investments	3,106	
7,006	337	Investments in Associates and Joint Ventures	6,200	
7,505	1,310	Long Term Debtors	1,227	
748,806	798,704		737,764	
		<b>Current Assets</b>		
844	771	Inventories	872	
15,589	17,852	Short Term Debtors	15,182	
2,560	7,432	Cash and Cash Equivalents	21,642	
55	225	Assets Held for Sale	390	
19,048	26,280		38,086	
		<b>Current Liabilities</b>		
(37,513)	(28,045)	Short Term Borrowing	(24,269)	
(55,258)	(63,091)	Short Term Creditors	(74,879)	
-	(5,000)	Provisions	(5,000)	
(92,771)	(96,136)		(104,148)	
		<b>Long Term Liabilities</b>		
(5,000)	-	Provisions	-	
(118,863)	(140,946)	Long Term Borrowing	(151,416)	
(124,107)	(289,253)	Defined Benefit Pension Scheme Liability	(171,869)	
(115,494)	(156,524)	Other Long Term Liabilities	(139,667)	
(990)	(3,002)	Capital Grants Received in Advance	(2,526)	
(190,116)	(309,943)	Liabilities in Associates	(261,177)	
(554,570)	(899,668)		(726,655)	
120,513	(170,820)	<b>NET ASSETS</b>	(54,953)	
		<b>Usable Reserves</b>		
4,932	4,899	Capital Receipts Reserve	5,342	
3,254	4,943	Capital Grants Unapplied Account	5,067	
30,663	32,015	General Fund Balance (excluding HRA)	30,324	
6,543	5,935	Housing Revenue Account	6,392	
5,244	4,308	Other Usable Reserves	5,588	
50,636	52,100		52,713	
		<b>Unusable Reserves</b>		
231,453	243,492	Capital Adjustment Account	197,745	
(7,721)	(7,389)	Financial Instruments Adjustment Account	(7,057)	
169,486	149,254	Revaluation Reserve	144,375	
(124,107)	(289,253)	Pensions Reserve	(171,869)	
(9,586)	(10,130)	Accumulated Absences Account	(10,498)	
259,525	85,974		152,696	
(189,648)	(308,894)	<b>Reserves (Group Entities)</b>	(260,362)	2
120,513	(170,820)	<b>TOTAL RESERVES</b>	(54,953)	

  
 Bryan Smail, CPFA  
 Chief Finance Officer

The unaudited accounts were issued on 30 June 2011 and the audited accounts were authorised for issue on 30 September 2011.

**GROUP CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2011**

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

<b>2009/10 £'000</b>		<b>2010/11 £'000</b>
15,477	Net (surplus) or deficit on the provision of services	(12,589)
(10,121)	Adjust net surplus or deficit on the provision of services for non-cash movements	(41,510)
(13,552)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	13,054
(8,196)	<b>Net cash flows from operating activities</b>	(41,045)
	<b>Investing Activities</b>	
39,948	Purchase of property, plant & equipment, investment property and intangible assets	36,758
117	Other payments for investing activities	-
(6,728)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(5,804)
(14,946)	Other receipts and investing activities	(13,835)
18,391	<b>Net cash flows from investing activities</b>	17,119
	<b>Financing Activities</b>	
(96,720)	Cash receipts of short and long-term borrowing	(23,617)
	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,984
79,595	Repayments of short and long-term borrowing	29,350
(15,068)	<b>Net cash flows from financing activities</b>	9,717
(4,873)	<b>Net (increase) or decrease in cash and cash equivalents</b>	(14,209)
	<b>Cash and cash equivalents</b>	
(2,559)	Cash and cash equivalents at the beginning of the reporting period	(7,433)
	<b>Cash and cash equivalents at the end of the reporting period</b>	
(99)	Cash held by Officers	(42)
233	Bank Current Accounts	(11,245)
(7,566)	Short-term deposits	(10,355)
(7,432)		(21,642)

The cash flows for operating activities include interest paid of £23.124m (2009/10 £22.141m) and interest received of £0.478m (2009/10 £0.527m).

# FALKIRK COUNCIL

## GROUP MOVEMENT IN RESERVES STATEMENT 2010/11

This statement shows the movement in the year on the different reserves held by the Group, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 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. These are 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. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.

	Usable Reserves						Unusable Reserves									Notes shown below
	General Fund Balance (excl HRA) £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Other Reserves £'000	Total Usable Reserves £'000	Capital Adjustment Account £'000	Revaluation Reserve £'000	Pension Reserve £'000	Accumulated Absences Account £'000	Financial Instruments Adjust. Account £'000	Total Unusable Reserves £'000	Total Council Reserves £'000	Council's Share of Subsidiaries, Associates and Joint Ventures £'000	Total Group Reserves £'000	
<b>Balance at 31 March 2010</b>	<b>32,015</b>	<b>5,935</b>	<b>4,899</b>	<b>4,943</b>	<b>4,308</b>	<b>52,100</b>	<b>243,492</b>	<b>149,254</b>	<b>(289,253)</b>	<b>(10,130)</b>	<b>(7,389)</b>	<b>85,974</b>	<b>138,074</b>	<b>(308,894)</b>	<b>(170,820)</b>	
Surplus or (deficit) on provision of services (accounting basis)	30,485	(37,174)	-	-	-	(6,689)	-	-	-	-	-	-	(6,689)	19,279	12,590	
Other Comprehensive Expenditure and Income	(9,883)	(3,195)	5,804	124	-	(7,150)	12,309	(851)	69,716	-	-	81,174	74,024	29,253	103,277	1
<b>Total Comprehensive Expenditure and Income</b>	<b>20,602</b>	<b>(40,369)</b>	<b>5,804</b>	<b>124</b>	<b>-</b>	<b>(13,839)</b>	<b>12,309</b>	<b>(851)</b>	<b>69,716</b>	<b>-</b>	<b>-</b>	<b>81,174</b>	<b>67,335</b>	<b>48,532</b>	<b>115,867</b>	
Adjustments between Group Accounts and Council Accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Net Increase/Decrease before Transfers</b>	<b>20,602</b>	<b>(40,369)</b>	<b>5,804</b>	<b>124</b>	<b>-</b>	<b>(13,839)</b>	<b>12,309</b>	<b>(851)</b>	<b>69,716</b>	<b>-</b>	<b>-</b>	<b>81,174</b>	<b>67,335</b>	<b>48,532</b>	<b>115,867</b>	
Adjustments between accounting basis and funding basis under regulations	(22,434)	40,826	(3,840)	-	(100)	14,452	(58,056)	(4,028)	47,668	(368)	332	(14,452)	-	-	-	2
<b>Net Increase/Decrease before Transfers to Other Statutory Reserves</b>	<b>(1,832)</b>	<b>457</b>	<b>1,964</b>	<b>124</b>	<b>(100)</b>	<b>613</b>	<b>(45,747)</b>	<b>(4,879)</b>	<b>117,384</b>	<b>(368)</b>	<b>332</b>	<b>66,722</b>	<b>67,335</b>	<b>48,532</b>	<b>115,867</b>	
Transfers to/from Other Statutory Reserves	141	-	(1,521)	-	1,380	-	-	-	-	-	-	-	-	-	-	3
<b>Increase/Decrease in Year 2010/11</b>	<b>(1,691)</b>	<b>457</b>	<b>443</b>	<b>124</b>	<b>1,280</b>	<b>613</b>	<b>(45,747)</b>	<b>(4,879)</b>	<b>117,384</b>	<b>(368)</b>	<b>332</b>	<b>66,722</b>	<b>67,335</b>	<b>48,532</b>	<b>115,867</b>	
<b>Balance at 31 March 2011 carried forward</b>	<b>30,324</b>	<b>6,392</b>	<b>5,342</b>	<b>5,067</b>	<b>5,588</b>	<b>52,713</b>	<b>197,745</b>	<b>144,375</b>	<b>(171,869)</b>	<b>(10,498)</b>	<b>(7,057)</b>	<b>152,696</b>	<b>205,409</b>	<b>(260,362)</b>	<b>(54,953)</b>	



# FALKIRK COUNCIL

## GROUP MOVEMENT IN RESERVES STATEMENT – 2010/11

### NOTES

	Usable Reserves						Unusable Reserves								
	General Fund Balance (excl HRA)	HRA Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Other Reserves	Total Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Pension Reserve	Accumulated Absences Account	Financial Instruments Adjust. Account	Total Unusable Reserves	Total Council Reserves	Council's Share of Subsidiaries, Associates and Joint Ventures	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>1. Analysis of Other Comprehensive Expenditure and Income</b>															
Net Gain on Sale of Assets	2,131	(2,262)	-	-	-	(131)	-	-	-	-	-	-	(131)	-	(131)
Capital Receipts Received	-	-	5,804	-	-	5,804	-	-	-	-	-	-	5,804	-	5,804
Capital Grants Received	(12,121)	(933)	-	124	-	(12,930)	12,930	-	-	-	-	12,930	-	-	-
Net Book Value of Asset Disposals	-	-	-	-	-	-	(3,336)	(296)	-	-	-	(3,632)	(3,632)	-	(3,632)
Long Term Debtor	107	-	-	-	-	107	-	-	-	-	-	-	107	-	107
Deficit on Revaluation of Fixed Assets	-	-	-	-	-	-	2,715	(555)	-	-	-	2,160	2,160	(964)	1,196
Actuarial Loss on Pension Fixed Assets and Liabilities	-	-	-	-	-	-	-	-	69,716	-	-	69,716	69,716	30,217	99,933
<b>Total</b>	<b>(9,883)</b>	<b>(3,195)</b>	<b>5,804</b>	<b>124</b>	<b>-</b>	<b>(7,150)</b>	<b>12,309</b>	<b>(851)</b>	<b>69,716</b>	<b>-</b>	<b>-</b>	<b>81,174</b>	<b>74,024</b>	<b>29,253</b>	<b>103,277</b>
<b>2. Analysis of Adjustments between accounting basis and funding basis under regulations</b>															
<b>2a. Reversal of items debited or credited to the CIES</b>															
Depreciation and impairment of non-current assets	42,993	53,812	-	-	-	96,805	(96,805)	-	-	-	-	(96,805)	-	-	-
Amortisation of intangible assets	113	-	-	-	-	113	(113)	-	-	-	-	(113)	-	-	-
<b>2b. Insertion of items not debited or credited to the CIES</b>															
Statutory Repayment of Debt (Loans Fund Advances)	(9,673)	(6,925)	-	-	-	(16,598)	16,598	-	-	-	-	16,598	-	-	-
Capital expenditure charged to the General Fund Balance (CFCR)	-	(1,955)	-	-	-	(1,955)	1,955	-	-	-	-	1,955	-	-	-

**FALKIRK COUNCIL**

**GROUP MOVEMENT IN RESERVES STATEMENT – 2010/11**

	Usable Reserves						Unusable Reserves								Total Council Reserves £'000	Council's Share of Subsidiaries, Associates and Joint Ventures £'000	Total Group Reserves £'000
	General Fund Balance (excl HRA) £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Other Reserves £'000	Total Usable Reserves £'000	Capital Adjustment Account £'000	Revaluation Reserve £'000	Pension Reserve £'000	Accumulated Absences Account £'000	Financial Instruments Adjust. Account £'000	Total Unusable Reserves £'000					
Statutory Repayment of Debt (Finance Lease Liabilities)	-	(1,786)	-	-	-	(1,786)	1,786	-	-	-	-	1,786	-	-	-		
Statutory Repayment of Debt (PFI)	(14,304)	-	-	-	-	(14,304)	14,304	-	-	-	-	14,304	-	-	-		
Borrowing Consent	3,749	-	-	-	-	3,749	(3,749)	-	-	-	-	(3,749)	-	-	-		
<b>2c. Adjustments involving the Capital Receipts Reserve</b>																	
Capital Receipts applied to fund Capital Expenditure	-	-	(3,840)	-	-	(3,840)	3,840	-	-	-	-	3,840	-	-	-		
<b>2d. Adjustments involving the Repairs and Renewals Fund</b>																	
Use of the Repairs and Renewals Fund to Finance new capital expenditure	-	-	-	-	(100)	(100)	100	-	-	-	-	100	-	-	-		
<b>2e. Adjustments involving the Financial Instruments Adjustment Account</b>																	
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	(268)	(64)	-	-	-	(332)	-	-	-	-	332	332	-	-	-		
<b>2f. Adjustments involving the Pensions Reserve</b>																	
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	(45,412)	(2,256)	-	-	-	(47,668)	-	-	47,668	-	-	47,668	-	-	-		

# FALKIRK COUNCIL

## GROUP MOVEMENT IN RESERVES STATEMENT – 2010/11

	Usable Reserves						Unusable Reserves								
	General Fund Balance (excl HRA) £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Other Reserves £'000	Total Usable Reserves £'000	Capital Adjustment Account £'000	Revaluation Reserve £'000	Pension Reserve £'000	Accumulated Absences Account £'000	Financial Instruments Adjust. Account £'000	Total Unusable Reserves £'000	Total Council Reserves £'000	Council's Share of Subsidiaries, Associates and Joint Ventures £'000	Total Group Reserves £'000
<b>2g. Adjustments involving the Accumulated Absences Account</b>															
Net transfer to or from earmarked reserves required by legislation	368	-	-	-	-	368	-	-	-	(368)	-	(368)	-	-	-
<b>2h. Other Adjustments</b>															
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost	-	-	-	-	-	-	4,028	(4,028)	-	-	-	-	-	-	-
<b>Total</b>	<b>(22,434)</b>	<b>40,826</b>	<b>(3,840)</b>	<b>-</b>	<b>(100)</b>	<b>14,452</b>	<b>(58,056)</b>	<b>(4,028)</b>	<b>47,668</b>	<b>(368)</b>	<b>332</b>	<b>(14,452)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>3. Analysis of transfers to/from Other Statutory Reserves</b>															
Transfer to Insurance Fund	(665)	-	-	-	665	-	-	-	-	-	-	-	-	-	-
Transfer from Repairs and Renewals Fund	(615)	-	-	-	615	-	-	-	-	-	-	-	-	-	-
Other Transfers	1,521	-	(1,521)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>241</b>	<b>-</b>	<b>(1,521)</b>	<b>-</b>	<b>1,280</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# FALKIRK COUNCIL

## GROUP MOVEMENT IN RESERVES STATEMENT 2009/10

This statement shows the movement in the year on the different reserves held by the Group, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 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. These are 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. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.

	Usable Reserves						Unusable Reserves						Total Council Reserves £'000	Council's Share of Subsidiaries, Associates and Joint Ventures £'000	Total Group Reserves £'000	Notes shown below
	General Fund Balance (excl HRA) £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Other Reserves £'000	Total Usable Reserves £'000	Capital Adjustment Account £'000	Revaluation Reserve £'000	Pension Reserve £'000	Accumulated Absences Account £'000	Financial Instruments Adjust. Account £'000	Total Unusable Reserves £'000				
<b>Balance at 31 March 2009</b>	<b>30,663</b>	<b>6,544</b>	<b>4,932</b>	<b>3,253</b>	<b>5,244</b>	<b>50,636</b>	<b>231,453</b>	<b>169,486</b>	<b>(124,107)</b>	<b>(9,586)</b>	<b>(7,721)</b>	<b>259,525</b>	<b>310,161</b>	<b>(189,648)</b>	<b>120,513</b>	
Surplus or (deficit) on provision of services (accounting basis)	249	(2,497)	-	-	-	(2,248)	-	-	-	-	-	-	(2,248)	(14,162)	(16,410)	
Other Comprehensive Expenditure and Income	(3,004)	-	6,728	-	-	3,724	(763)	(16,368)	(156,432)	-	-	(173,563)	(169,839)	(105,084)	(274,923)	1
<b>Total Comprehensive Expenditure and Income</b>	<b>(2,755)</b>	<b>(2,497)</b>	<b>6,728</b>	<b>-</b>	<b>-</b>	<b>1,476</b>	<b>(763)</b>	<b>(16,368)</b>	<b>(156,432)</b>	<b>-</b>	<b>-</b>	<b>(173,563)</b>	<b>(172,087)</b>	<b>(119,246)</b>	<b>(291,333)</b>	
Adjustments between Group Accounts and Council Accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Net Increase/Decrease before Transfers</b>	<b>(2,755)</b>	<b>(2,497)</b>	<b>6,728</b>	<b>-</b>	<b>-</b>	<b>1,476</b>	<b>(763)</b>	<b>(16,368)</b>	<b>(156,432)</b>	<b>-</b>	<b>-</b>	<b>(173,563)</b>	<b>(172,087)</b>	<b>(119,246)</b>	<b>(291,333)</b>	
Adjustments between accounting basis and funding basis under regulations	1,833	1,888	(5,423)	1,690	-	(12)	12,802	(3,864)	(8,714)	(544)	332	12	-	-	-	2
<b>Net Increase/Decrease before Transfers to Other Statutory Reserves</b>	<b>(922)</b>	<b>(609)</b>	<b>1,305</b>	<b>1,690</b>	<b>-</b>	<b>1,464</b>	<b>12,039</b>	<b>(20,232)</b>	<b>(165,146)</b>	<b>(544)</b>	<b>332</b>	<b>(173,551)</b>	<b>(172,087)</b>	<b>(119,246)</b>	<b>(291,333)</b>	
Transfers to/from Other Statutory Reserves	2,274	-	(1,338)	-	(936)	-	-	-	-	-	-	-	-	-	-	3
<b>Increase/Decrease in Year 2009/10</b>	<b>1,352</b>	<b>(609)</b>	<b>(33)</b>	<b>1,690</b>	<b>(936)</b>	<b>1,464</b>	<b>12,039</b>	<b>(20,232)</b>	<b>(165,146)</b>	<b>(544)</b>	<b>332</b>	<b>(173,551)</b>	<b>(172,087)</b>	<b>(119,246)</b>	<b>(291,333)</b>	
<b>Balance at 31 March 2010 carried forward</b>	<b>32,015</b>	<b>5,935</b>	<b>4,899</b>	<b>4,943</b>	<b>4,308</b>	<b>52,100</b>	<b>243,492</b>	<b>149,254</b>	<b>(289,253)</b>	<b>(10,130)</b>	<b>(7,389)</b>	<b>85,974</b>	<b>138,074</b>	<b>(308,894)</b>	<b>(170,820)</b>	

# FALKIRK COUNCIL

## GROUP MOVEMENT IN RESERVES STATEMENT – 2009/10

### NOTES

	Usable Reserves						Unusable Reserves									
	General Fund Balance (excl HRA) £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Other Reserves £'000	Total Usable Reserves £'000	Capital Adjustment Account £'000	Revaluation Reserve £'000	Pension Reserve £'000	Accumulated Absences Account £'000	Financial Instruments Adjust. Account £'000	Total Unusable Reserves £'000	Total Reserves £'000	Council's Share of Subsidiaries, Associates and Joint Ventures £'000	Total Group Reserves £'000	
1. Analysis of Other Comprehensive Expenditure and Income																
Net Gain on Sale of Assets	(3,004)	-	-	-	-	(3,004)	-	-	-	-	-	-	(3,004)	(12)	(3,016)	
Capital Receipts Received	-	-	6,728	-	-	6,728	-	-	-	-	-	-	6,728	37	6,765	
Net Book Value of Asset Disposals	-	-	-	-	-	-	(657)	(54)	-	-	-	(711)	(711)	-	(711)	
Long Term Debtor	-	-	-	-	-	-	(106)	-	-	-	-	(106)	(106)	-	(106)	
Deficit on Revaluation of Fixed Assets	-	-	-	-	-	-	-	(16,314)	-	-	-	(16,314)	(16,314)	588	(15,726)	
Increase in Surplus as a result of increase in holding	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,639)	(1,639)	
Increase in Share Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	3,423	3,423	
Actuarial Loss in Injury Benefits Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,368)	(3,368)	
Actuarial Loss on Pension Fixed Assets and Liabilities	-	-	-	-	-	-	-	-	(156,432)	-	-	(156,432)	(156,432)	(104,113)	(260,545)	
Total	(3,004)	-	6,728	-	-	3,724	(763)	(16,368)	(156,432)	-	-	(173,563)	(169,839)	(105,084)	(274,923)	
2. Analysis of Adjustments between accounting basis and funding basis under regulations																
2a. Reversal of items debited or credited to the CIES																
Depreciation and impairment of non-current assets	22,307	14,522				36,829	(36,950)	121				(36,829)	-	-	-	
Amortisation of intangible assets	127	-	-	-	-	127	(127)	-	-	-	-	(127)	-	-	-	
Capital grants and contributions that have been applied to capital financing	(13,733)	-	-	1,690	-	(12,043)	12,043	-	-	-	-	12,043	-	-	-	
Movement in Donated Assets A/C	(3,850)	-	-	-	-	(3,850)	3,850	-	-	-	-	3,850	-	-	-	
Revenue expenditure funded from capital under statute	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

# FALKIRK COUNCIL

## GROUP MOVEMENT IN RESERVES STATEMENT – 2009/10

	Usable Reserves						Unusable Reserves								
	General Fund Balance (excl HRA) £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Other Reserves £'000	Total Usable Reserves £'000	Capital Adjustment Account £'000	Revaluation Reserve £'000	Pension Reserve £'000	Accumulated Absences Account £'000	Financial Instruments Adjust. Account £'000	Total Unusable Reserves £'000	Total Reserves £'000	Council's Share of Subsidiaries, Associates and Joint Ventures £'000	Total Group Reserves £'000
<b>2b. Insertion of items not debited or credited to the CIES</b>															
Statutory Repayment of Debt (Loans Fund Advances)	(9,738)	(6,404)	-	-	-	(16,142)	16,142	-	-	-	-	16,142	-	-	-
Capital expenditure charged to the General Fund Balance (CFCR)	(1,445)	(2,155)	-	-	-	(3,600)	3,600	-	-	-	-	3,600	-	-	-
Statutory Repayment of Debt (Finance Lease Liabilities)	(106)	(1,700)	-	-	-	(1,806)	1,806	-	-	-	-	1,806	-	-	-
Statutory Repayment of Debt (PFI)	(2,015)	-	-	-	-	(2,015)	2,015	-	-	-	-	2,015	-	-	-
Statutory Charge for Lifecycle Capital (PFI)	(1,015)	-	-	-	-	(1,015)	1,015	-	-	-	-	1,015	-	-	-
<b>2c. Adjustments involving the Capital Receipts Reserve</b>															
Capital Receipts applied to fund Capital Expenditure	-	-	(5,423)	-	-	(5,423)	5,423	-	-	-	-	5,423	-	-	-
<b>2d. Adjustments involving the Capital Grants Unapplied Account</b>															
Reversal of unapplied capital grants and contributions credited to the CIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Application of grants to capital financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2e. Adjustments involving the Financial Instruments Adjustment Account</b>															
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	(268)	(64)	-	-	-	(332)	-	-	-	-	332	332	-	-	-

**FALKIRK COUNCIL**

**GROUP MOVEMENT IN RESERVES STATEMENT – 2009/10**

	Usable Reserves						Unusable Reserves								
	General Fund Balance (excl HRA) £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Other Reserves £'000	Total Usable Reserves £'000	Capital Adjustment Account £'000	Revaluation Reserve £'000	Pension Reserve £'000	Accumu- lated Absences Account £'000	Financial Instru- ments Adjust. Account £'000	Total Unusable Reserves £'000	Total Reserves £'000	Council's Share of Subsidiaries, Associates and Joint Ventures £'000	Total Group Reserves £'000
<b>2f. Adjustments involving the Pensions Reserve</b>															
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	8,151	563	-	-	-	8,714	-	-	(8,714)	-	-	(8,714)	-	-	-
<b>2g. Adjustments involving the Accumulated Absences Account</b>															
Net transfer to or from earmarked reserves required by legislation	519	25	-	-	-	544	-	-	-	(544)	-	(544)	-	-	-
<b>2h Other Adjustments</b>															
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost	-	-	-	-	-	-	3,985	(3,985)	-	-	-	-	-	-	-
Other Transfers	2,899	(2,899)	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,833</b>	<b>1,888</b>	<b>(5,423)</b>	<b>1,690</b>	<b>-</b>	<b>(12)</b>	<b>12,802</b>	<b>(3,864)</b>	<b>(8,714)</b>	<b>(544)</b>	<b>332</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>3. Analysis of transfers to/from Other Statutory Reserves</b>															
Transfer to Insurance Fund	(108)	-	-	-	108	-	-	-	-	-	-	-	-	-	-
Transfer from Repairs and Renewals Fund	1,044	-	-	-	(1,044)	-	-	-	-	-	-	-	-	-	-
Use of Capital Receipts to Repay Debt	1,338	-	(1,338)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,274</b>	<b>-</b>	<b>(1,338)</b>	<b>-</b>	<b>(936)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**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.

**2. Analysis of Resources (Group Entities)**

<b>Total 2009/10 £'000</b>		<b>Fire and Rescue Board £'000</b>	<b>Police Board £'000</b>	<b>Valuation Board £'000</b>	<b>Falkirk Community Stadium £'000</b>	<b>Common Good Funds £'000</b>	<b>Total 2010/11 £'000</b>
(640)	Accumulated Absences Account	(68)	(487)	(14)	-	-	(569)
295	Other Usable Reserves	438	20	-	-	-	458
(320,175)	Pensions Reserve	(61,238)	(209,969)	(1,801)	-	-	(273,008)
	Employee Statutory Adjustment						
(12,298)	Account (Injury Benefits)	(3,086)	(6,980)	-	-	-	(10,066)
3,423	Share Capital	-	-	-	3,423	-	3,423
3,811	Revaluation Reserve	1,725	1,068	-	-	-	2,793
17,590	Capital Adjustment Account	5,205	12,168	13	-	235	17,621
392	Capital Receipts Reserve	396	75	-	-	-	471
(1,292)	Revenue Account Surplus	706	506	146	(3,686)	843	(1,485)
(308,894)		(55,922)	(203,599)	(1,656)	(263)	1,078	(260,362)

The total Pensions Liability relating to Central Scotland Joint Fire and Rescue Board is £122.992m, as per the latest valuation.

The total Pensions Liability relating to Central Scotland Joint Police Board is £419.628m, as per the latest valuation.

**3. 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 associates.

The Financial Statements in the Group Accounts have been prepared in accordance with the Accounting Policies set out in the Accounting Policies on pages 10 to 27.

**4. Group Entities**

For the purpose of consolidation and incorporation within the Group Accounts, the Council has one Subsidiary Company (Falkirk Community Stadium Limited) and three Associates (Central Scotland Joint Fire and Rescue Board, Central Scotland Joint Police Board and Central Scotland Joint Valuation Board).

Central Scotland Joint Fire and Rescue Board

This Board is jointly administered by the Councils of Clackmannanshire, Falkirk and Stirling and provides fire and rescue services to the constituent authorities. The accounting period is to 31 March. Falkirk Council is requisitioned for 52.3% of expenditure, based on adjusted population. The accounts are available on the Board's website ([www.centralscotlandfire.gov.uk](http://www.centralscotlandfire.gov.uk)).

Central Scotland Joint Police Board

This Board is jointly administered by the Councils of Clackmannanshire, Falkirk and Stirling and provides police services to the constituent authorities. The accounting period is to 31 March. Falkirk Council is requisitioned for 51.7% of expenditure, based on Grant Aided Expenditure. The accounts are available on the Board's website ([www.centralscotland.police.uk](http://www.centralscotland.police.uk)).

Central Scotland Joint Valuation 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. The accounting period is to 31 March. Falkirk Council is requisitioned for 49.2% of expenditure, based on adjusted population. The accounts are available from Clackmannanshire Council.

FCSL (Holdings) Ltd and Falkirk Community Stadium Limited (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. The accounts are available from the FCSL Company Secretary, Municipal Buildings, Falkirk. The accounting period is to 31 March.



**NOTES TO THE GROUP ACCOUNTS****Common Good Funds**

Falkirk Council administers the Common Good Account 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 is to 31 March.

**5. Nature of Combination**

The Council has accounted for its interest in each Associate by the merger method of accounting.

With regard to the three Joint Boards, 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 Subsidiary 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.

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

**6. Financial Impact of Consolidation**

By including the associate bodies (details of which are shown in Note 4 above), the effect on the Group Balance Sheet is a reduction in both Reserves and Net Assets of £260.362m. This represents the Council's share of the net liabilities in those entities.

**7. Falkirk Community Trust**

Falkirk Council has agreed to establish Falkirk Community Trust Ltd and its trading subsidiary, Falkirk Community Trading Ltd to deliver services on behalf of the Council. From 2012/13 the Trust will require to be considered for incorporation into the Group Accounts.

# FALKIRK COUNCIL

## NOTES TO THE GROUP ACCOUNTS

### 7(a). Amounts Reported for Resource Allocation Decisions 2010/11

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

- the cost of retirement benefits is based on cashflows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:-

Portfolio Income and Expenditure	Education	Social Work	Development Services	Community Services	Corporate & N'hood Services	Miscell. Services	Joint Boards	Trading Accounts	HRA	Other Costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2010/11</b>											
Income	(22,733)	(32,172)	(19,352)	(9,628)	(62,725)	(4,472)	-	(39,011)	(49,431)	-	(239,524)
<b>Total Income</b>	<b>(22,733)</b>	<b>(32,172)</b>	<b>(19,352)</b>	<b>(9,628)</b>	<b>(62,725)</b>	<b>(4,472)</b>	<b>-</b>	<b>(39,011)</b>	<b>(49,431)</b>	<b>-</b>	<b>(239,524)</b>
Employee Expenses	97,351	37,665	15,161	13,270	17,400	3,951	-	16,418	6,483	-	207,699
Property Expenses	11,973	2,265	3,062	4,731	1,620	707	-	391	22,155	-	46,904
Transport Expenses	3,132	1,116	666	180	7,632	-	-	3,957	34	-	16,717
Supplies & Services	12,618	2,923	5,429	3,784	5,334	1,276	-	7,460	3,192	-	42,016
Third Party Expenses	29,853	59,318	15,374	557	1,307	3,707	22,297	8,021	1,288	-	141,722
Transfer Payments	757	3,371	446	-	38,684	-	-	-	-	-	43,258
Support Costs	19,166	7,058	4,827	3,702	4,325	5,471	-	1,241	3,528	(466)	48,852
Capital Charges	8,026	584	3,601	2,027	2,062	15	-	143	12,294	1,134	29,886
Exceptional Item	-	-	-	-	-	3,629	-	-	-	-	3,629
<b>TOTAL EXPENDITURE</b>	<b>182,876</b>	<b>114,300</b>	<b>48,566</b>	<b>28,251</b>	<b>78,364</b>	<b>18,756</b>	<b>22,297</b>	<b>37,631</b>	<b>48,974</b>	<b>668</b>	<b>580,683</b>
<b>NET EXPENDITURE</b>	<b>160,143</b>	<b>82,128</b>	<b>29,214</b>	<b>18,623</b>	<b>15,639</b>	<b>14,284</b>	<b>22,297</b>	<b>(1,380)</b>	<b>(457)</b>	<b>668</b>	<b>341,159</b>

### Reconciliation of Portfolio Income and Expenditure to Cost of Services in Comprehensive Income and Expenditure Statement

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

Net Expenditure in the Portfolio Analysis	£'000
	341,159
Net expenditure of services and support services not included in the Analysis	1,379
Amount of Subsidiaries consolidated on a line by line basis	217
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(4,832)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(3,774)
<b>Cost of Services</b>	<b>334,149</b>

# FALKIRK COUNCIL

## NOTES TO THE GROUP ACCOUNTS

### Reconciliation to Subjective Analysis

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

	Portfolio Analysis £'000	Services not in Analysis £'000	Not reported to Management £'000	Not included in CIES £'000	Allocation of Recharges £'000	Allocation of Supp Services £'000	Effect of Including Group Accounts £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Income	(239,524)	39,011	2,702	371	48,043	-	(503)	(149,900)	(67,956)	(217,856)
Surplus or (Deficit) on associates and joint ventures	-	-	-	-	-	-	(19,513)	(19,513)	-	(19,513)
Interest and investment income	-	-	-	-	-	-	-	-	(478)	(478)
Government grants and contributions	-	-	-	-	-	-	-	-	(296,166)	(296,166)
Income from council tax	-	-	-	-	-	-	-	-	(59,643)	(59,643)
<b>Total Income</b>	<b>(239,524)</b>	<b>39,011</b>	<b>2,702</b>	<b>371</b>	<b>48,043</b>	<b>-</b>	<b>(20,016)</b>	<b>(169,413)</b>	<b>(424,243)</b>	<b>(593,656)</b>
Employee Expenses	207,699	(16,419)	(52,573)	243	(8,293)	14,340	120	145,117	16,419	161,536
Property Expenses	46,904	(391)	(668)	-	(823)	1,373	213	46,608	391	46,999
Transport Expenses	16,717	(3,957)	-	-	(5,194)	29	5	7,600	3,957	11,557
Supplies & Services	42,016	(7,460)	(53)	(4,388)	(1,411)	3,144	101	31,949	9,321	41,270
Third Party Expenses	141,722	(8,021)	(16,915)	-	(2,515)	274	-	114,545	8,021	122,566
Transfer Payments	43,258	-	-	-	(53)	-	-	43,205	-	43,205
Support Service recharges	48,852	(1,241)	102	-	(28,553)	(19,160)	-	-	-	-
Depreciation, amortisation and impairment	29,886	(143)	62,573	-	(1,201)	-	281	91,396	143	91,539
Interest Payments	-	-	-	-	-	-	18	18	58,748	58,766
Gain or Loss on Disposal of Non-Current Assets	3,629	-	-	-	-	-	-	3,629	-	3,629
<b>Total Expenditure</b>	<b>580,683</b>	<b>(37,632)</b>	<b>(7,534)</b>	<b>(4,145)</b>	<b>(48,043)</b>	<b>-</b>	<b>738</b>	<b>484,067</b>	<b>97,000</b>	<b>581,067</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>341,159</b>	<b>1,379</b>	<b>(4,832)</b>	<b>(3,774)</b>	<b>-</b>	<b>-</b>	<b>(19,278)</b>	<b>314,654</b>	<b>(327,243)</b>	<b>(12,589)</b>

# FALKIRK COUNCIL

## NOTES TO THE GROUP ACCOUNTS

### 7(b). Amounts Reported for Resource Allocation Decisions 2009/10

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

- the cost of retirement benefits is based on cashflows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:-

Portfolio Income and Expenditure	Education	Social Work	General Fund Housing	Development Services	Community Services	Corporate & N'hood Services	Miscell. Services	Joint Boards	Trading Accounts	HRA	Other Costs	Total
2009/10	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	(13,224)	(30,610)	(38,878)	(8,698)	(16,220)	(14,038)	(5,236)	-	-	(48,069)	(503)	(175,476)
<b>Total Income</b>	<b>(13,224)</b>	<b>(30,610)</b>	<b>(38,878)</b>	<b>(8,698)</b>	<b>(16,220)</b>	<b>(14,038)</b>	<b>(5,236)</b>	<b>-</b>	<b>-</b>	<b>(48,069)</b>	<b>(503)</b>	<b>(175,476)</b>
Employee Expenses	97,162	37,111	1,374	11,882	17,057	11,575	2,926	-	-	6,529	-	185,616
Property Expenses	11,908	1,928	673	1,723	5,776	837	196	-	-	21,648	-	44,689
Transport Expenses	3,274	1,082	50	466	312	6,731	-	-	-	64	-	11,979
Supplies & Services	9,513	2,903	2,084	5,088	4,750	1,937	1,464	-	-	3,635	-	31,374
Third Party Expenses	28,257	59,498	490	10,401	4,103	203	1,609	25,079	(1,353)	1,031	-	129,318
Transfer Payments	885	3,379	36,485	-	-	-	-	-	-	-	-	40,749
Support Costs	9,646	6,843	1,161	3,087	2,998	2,418	5,299	-	-	3,761	(379)	34,834
Capital Charges	12,229	491	78	2,275	4,113	1,705	52	-	-	12,010	(3,399)	29,554
<b>TOTAL EXPENDITURE</b>	<b>172,874</b>	<b>113,235</b>	<b>42,395</b>	<b>34,922</b>	<b>39,109</b>	<b>25,406</b>	<b>11,546</b>	<b>25,079</b>	<b>(1,353)</b>	<b>48,678</b>	<b>(3,778)</b>	<b>508,113</b>
<b>NET EXPENDITURE</b>	<b>159,650</b>	<b>82,625</b>	<b>3,517</b>	<b>26,224</b>	<b>22,889</b>	<b>11,368</b>	<b>6,310</b>	<b>25,079</b>	<b>(1,353)</b>	<b>609</b>	<b>(4,281)</b>	<b>332,637</b>

### Reconciliation of Portfolio Income and Expenditure to Cost of Services in Comprehensive Income and Expenditure Statement

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

	£'000	Adj. for Trading £'000	£'000
Net Expenditure in the Portfolio Analysis	332,637	-	332,637
Net expenditure of services and support services not included in the Analysis	-	-	-
Amount of Subsidiaries consolidated on a line by line basis	201	-	201
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(12,400)	(71)	(12,471)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	6,739	-	6,739
<b>Cost of Services</b>	<b>327,177</b>	<b>(71)</b>	<b>327,106</b>

# FALKIRK COUNCIL

## NOTES TO THE GROUP ACCOUNTS

### Reconciliation to Subjective Analysis

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

	Portfolio Analysis £'000	Services not in Analysis £'000	Not reported to management £'000	Not included In CIES £'000	Allocation of Recharges £'000	Allocation of Supp Services £'000	Effect of Including Group Accounts £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Income	(174,044)	-	420	503	33,287	-	(444)	(140,278)	(65,151)	(205,429)
Surplus or Deficit on associates and joint ventures	-	-	-	-	-	-	13,951	13,951	-	13,951
Interest and investment income	-	-	-	-	-	-	-	-	(527)	(527)
Government grants and contributions	-	-	1,267	-	-	-	-	1,267	(291,374)	(290,107)
Income from council tax	-	-	-	-	-	-	-	-	(59,364)	(59,364)
<b>Total Income</b>	<b>(174,044)</b>	<b>-</b>	<b>1,687</b>	<b>503</b>	<b>33,287</b>	<b>-</b>	<b>13,507</b>	<b>(125,060)</b>	<b>(416,416)</b>	<b>(541,476)</b>
Employee Expenses	184,184	-	(1,519)	1,419	(5,846)	6,442	139	184,819	3,004	187,823
Property Expenses	44,689	-	-	-	(1,116)	1,229	178	44,980	-	44,980
Transport Expenses	11,979	-	-	-	(4,566)	5,030	4	12,447	-	12,447
Supplies & Services	31,374	-	642	-	(1,707)	1,880	90	32,279	-	32,279
Third Party Expenses	129,318	-	(16,959)	1,430	(3,222)	3,549	-	114,116	41,010	155,126
Transfer Payments	40,749	-	-	-	(150)	165	-	40,764	-	40,764
Support Service recharges	34,834	-	258	(12)	(15,642)	(19,438)	-	-	-	-
Depreciation, amortisation and impairment	29,554	-	3,420	3,399	(1,038)	1,143	229	36,707	-	36,707
Interest Payments	-	-	-	-	-	-	15	15	50,749	50,764
Gain or Loss on Disposal of Non-Current Assets	-	-	-	-	-	-	-	-	(3,004)	(3,004)
<b>Total Expenditure</b>	<b>506,681</b>	<b>-</b>	<b>(14,158)</b>	<b>6,236</b>	<b>(33,287)</b>	<b>-</b>	<b>655</b>	<b>466,127</b>	<b>91,759</b>	<b>557,886</b>
<b>Group Surplus or Deficit</b>	<b>332,637</b>	<b>-</b>	<b>(12,471)</b>	<b>6,739</b>	<b>-</b>	<b>-</b>	<b>14,162</b>	<b>341,067</b>	<b>(324,657)</b>	<b>16,410</b>

**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****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 2011 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets and Cash-Flow Statements, 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 2010/11 (the 2010/11 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 123 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, 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 group's and Falkirk Council's circumstances 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 to identify material inconsistencies with the audited financial statements. 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 2010/11 Code of the state of the affairs of the group and Falkirk Council as at 31 March 2011 and of the income and expenditure of the group and Falkirk Council 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 2010/11 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

**Opinion on other prescribed matters**

In my opinion:

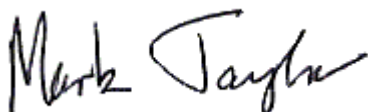
- the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Foreword by the Chief Finance Officer for the financial year for which the financial statements are prepared is 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 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 does not comply 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.



Mark Taylor CPFA  
Assistant Director  
Audit Scotland  
Osborne Terrace  
1/5 Osborne House  
Edinburgh EH12 5HG

30 September 2011