

**Annual Report  
& Accounts**

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2011/2012



**Falkirk Council**

# FALKIRK COUNCIL

## ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012

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**INTRODUCTION TO THE ACCOUNTS**

The statements which follow, show the financial results of Falkirk Council for the year to 31 March 2012.

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 senior 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 2012.
- ◆ 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 & Rescue and Valuation Joint Boards, FCSL (Holdings) Ltd, Falkirk Community Stadium Limited, Falkirk Community Trust 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 2012.

The results for 2011/12 are set out on pages 48 to 120 and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12. The Statement of Accounting Policies on pages 10 to 29 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 118 to 120.

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

The 2011/12 Code of Practice on Local Authority Accounting (Code) requires local authorities to produce Accounts on an International Financial Reporting Standards (IFRS) basis. 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 36 to 43)**

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 give 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 four limited companies and further information on these can be found on page 112. 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 2011/12. It highlights areas of improvement that have been identified to enhance existing governance arrangements, and is consistent with the Council's established improvement agenda.

**Remuneration Report**

The Remuneration Report on pages 36 to 47 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.

The Remuneration Report contains prescribed information on remuneration as well as pension rights that have been accrued or acquired. The 2011/12 code has also introduced a requirement to disclose the number and cost of exit packages agreed.

### **3. FINANCIAL PERFORMANCE**

#### **General Fund**

The General Fund Balance detailed in Note 1 has decreased by £4.482m, compared to a budgeted deficit of £1.224m giving a total movement of £3.258m. The main reasons for this reduction are summarised below:

	<u>£'000</u>
Increased Council Tax	227
Decreased Trading Account Surpluses	(207)
Savings on Loan Charges	382
Decreased cost of service delivery in several Services	4,406
Offsetting costs in other General Fund Services	(30)
Severance Payments	(1,261)
Appropriation from Earmarked Funds	3,010
Increased Equal Pay Provision	<u>(2,000)</u>
Net variance in Uncommitted General Fund	4,527
Reduced costs in the Housing Revenue Account	2,244
Savings in Debt Repayments not charged to Revenue	1,598
Savings on Loan Charges relating to New Schools Project	52
Payment from NPDO Reserve	(12,000)
Increased Contributions to Earmarked Funds	<u>321</u>
	<u>(3,258)</u>

Note 1 also shows that the uncommitted general fund balance has increased by £4.227m from £11.330m to £15.557m, which represents 4.56% of annual budgeted net expenditure.

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 £1.624m which represents 1.0% 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, government grants and the NHS. The net underspend was £0.451m which represents 0.5% 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 £0.857m which is 3.8% of budget.
4. In Corporate and Neighbourhood Services, increased refuse collection costs were more than offset by reduced Housing Benefit costs and reduced grounds maintenance costs. The net underspend was £0.502m which represents 3.5% of budget.
5. In Miscellaneous Services, non-recurring VAT refunds and reduced grants to third parties contributed to an underspend of £0.972m which represents 10.9% of budget.

The offsetting costs of £0.030m were incurred in Development Services.

In the Housing Revenue Account, there were significant savings in employee costs, support services, capital charges and increased property costs were offset by insurance receipts. There was also increased income from commercial properties. The final outturn was a surplus of £1.320m, which gave an underspend of £2.244m when compared to the budgeted deficit of £0.924m.

A Capital Fund (Capital Receipts Reserve) was used to repay loans, resulting in savings in debt repayment of £1.598m. These savings, together with associated interest will be used as a contribution towards the New Schools Project in 2012 (see Note 1). The sum of £12m was paid from this reserve in 2011/12. The payment 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 £32.2m. The table at Note 1 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 £15.557m is greater than the level of uncommitted General Fund reserves of between £6.9m and £9.9m referred to in the Council's Reserves Strategy. However, it should be noted that around £3.4m of balances has been applied as part of the Budget for 2012/13.

The Council made payments totalling £2.784m in respect of backdated equal pay claims and it received government consent to borrow £1m towards this cost. Whilst the eventual cost of settling these claims cannot be fully quantified at this time, it is considered appropriate to retain a provision of £5.2m in the 2011/12 accounts.

The sum of £1m referred to above, along with the £2m required to bring the provision for equal pay to the £5.2m also referred to above, are shown as Exceptional Items 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 36 to the Core Finance Statements, includes depreciation and impairment on housing assets totalling £27.641m. 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 £0.924m, the overall position was a net surplus of £1.320m. This was transferred to the earmarked Housing Revenue Account balance resulting in a cumulative balance going forward of £7.712m (see Note 37). It should be noted that around £2.6m of balances has been earmarked to restrict house rent levels in 2012/13.

### **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 2011/12, the Council incurred capital expenditure of £23m on areas such as Education, Social Work, Leisure, Economic Development and Roads infrastructure and a further £27m on Council Housing. Major investment by the Council included:

- £9m on school buildings
- £6m on roads and infrastructure in the Falkirk area
- £5m on the Council's commercial property portfolio and other community assets
- £2m on vehicle, plant and equipment purchases
- £1m on various Social Work properties
- £7m on new build housing

The Council's investment programme was funded from capital grants and other contributions (£21m), capital receipts including sale of assets (£2.5m), borrowing (£24m) and funding from revenue (£2.5m). At the end of the year, Council borrowing totalled £152.270m as shown in note 23. The external borrowing figures remain within the limits set by the Council in line with the Prudential Code requirements.

### **Ratio Analysis and the Prudential Code**

The Prudential Code was developed by CIPFA, as a professional code of practice to support local authorities in taking their capital investment decisions. It applies to all local authorities, including police and fire boards. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities, including police and fire boards, are affordable, prudent and sustainable. In order to demonstrate that the Council has fulfilled these objectives, a number of Prudential Indicators are calculated, details of which are as follows:-

#### Capital Financing Requirement

General Fund	£320.6m
Housing Revenue Account	£ 56.4m
<b>Total</b>	<b>£377.0m</b>

This indicator reflects the Council's underlying need to borrow for a capital purpose. It increases as capital expenditure is incurred but reduces when the expenditure is funded from capital receipts/grants etc and is further reduced by loans fund repayments.

#### External Debt Levels - £284.8m

This indicator reflects the actual External Debt (£152.6m) and Long Term Liabilities (£132.2m) of the Council. This indicator is measured against the predetermined Authorised Limit (£335m) and Operational Limit (£330m) which the Council has set in accordance with its capital expenditure plans. It should never exceed the Authorised Limit (£335m).

#### Ratio of Financing Costs to Net Revenue Stream

General Fund	5%
Housing Revenue Account	18%

This indicator is a measure of how affordable the Council's capital plans are. It is calculated by taking actual finance costs as a percentage of net revenue of the General Fund or Housing Revenue Account. Thereafter, it is measured against predetermined ratios which the Council has set in accordance with its capital expenditure plans. As the predetermined levels for 2011/12 were 5% for General Fund and 18% for the Housing Revenue Account, the actual 2011/12 ratio is within the limits which have been set.

#### Impact of Capital Investment on Council Tax and Housing Rents

Council Tax	- £4.73 per Band D Council Tax
Housing Rents	- £3.51 per week/per house

This indicator measures the impact of capital investment decisions on the Council's "bottom line" in terms of Council Tax and also rent levels in terms of the average weekly rent.

#### **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 £0.813m and Roads Maintenance achieved a surplus for the year of £0.497m. Both Statutory Trading Accounts exceeded the minimum financial requirement to break-even over a three year rolling period.

### **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 2011/12, £13.021m 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 2011/12, £11.441m was paid to the contractor under the terms of the agreement for these schools for the basic annual payment and the sum of £12m was also paid from the New Schools Reserve (see note 1).

### **6. BALANCE SHEET**

The Balance Sheet on Page 49 summarises the assets and liabilities of the Council as at 31 March 2012, with explanatory notes also being provided. Total net assets have decreased by £35.834m from £205.409m to £169.575m. This decrease is summarised in the Movement in Reserves Statement on Page 51, with the main reason being an increase 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 23.



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

The principal sources of finance utilised by the Council in 2011/12 were as follows:

Revenue Support Grant	£225.69m	Provided by the Scottish Government
Ring-Fenced Government Grants	£13.02m	Provided by the Scottish Government
Non-Domestic Rates Income	£55.52m	Provided by the Scottish Government*
Council Tax	£60.04m	Raised from local taxpayers
Housing Rents	£44.03m	Raised from tenants
Other Income	£102.20m	Sales, fees, charges and other contributions for services

The in-year collection rate for Council Tax was 96.1%. Council Tax income represents 17.59% of the overall level of funding received from Revenue Support Grant, Non-Domestic Rates income and Council Tax. This demonstrates that 82.41% of the Council's principal source of finance is outwith its control which is a major factor to be taken account of when expenditure plans are being considered.

\* Although the Council was due £55.52m of non-domestic rate income from the Scottish Government, £62.83m was due to be paid to the Government from non-domestic rates raised in the Falkirk Council area which represents a net contribution by the Council of £7.31m (£0.35m draw in 2010/11).

## **9. PENSION LIABILITIES**

In terms of International Accounting Standard 19 "Employee Benefits" (IAS19), the Council is required to show the actuarially assessed net pension deficit/liability within the Balance Sheet. The deficit is assessed as £214.510m as at 31 March 2012 (£171.869m as at 31 March 2011). Pension Fund deficits have increased significantly since last year due to the fact that the discount rate has reduced by 0.7% to 4.8%, and the return on assets has also reduced by 1.2% to 5.7% reflecting the less favourable market conditions. 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 reduced from £1.078m in 2010/11 to £1.076m in 2011/12. Further information can be found in note 43.

## **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 101 to 117) which consolidate the results of the Council with its share of the following entities – the Police, Fire & Rescue and Valuation Joint Boards, FCSL (Holdings) Ltd, Falkirk Community Stadium Limited, Falkirk Community Trust 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 £288.9m. The main reason for this reduction is the inclusion of pension fund deficits attributable to the Police, Fire & Rescue and Valuation Joint Boards. Pension Fund deficits have increased since last year due to the fact that the discount rate has reduced from 5.5% to 4.8%. 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 POLICIES**

The 2011/12 Code of Practice requires local authorities to account for heritage assets in accordance with FRS30 Heritage Assets. Heritage assets are defined as assets which have historical, artistic, scientific, technological or environmental qualities and are held and maintained principally for their contribution to knowledge and culture. The adoption of the revised requirements for accounting for heritage assets amounts to a change in accounting policy and a restated opening Balance Sheet is required where adoption results in a material restatement. The total value of heritage assets recognised in the 2011/12 financial statements is £0.211m which is deemed not to be material and as such a restated opening Balance Sheet has not been prepared.

### **13. 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. The grant settlement includes continued funding of £0.6m to address the threat of flooding and whilst this funding is not ring-fenced, the Council has been able to retain this money within the Development Services budget. The Revenue Budget also includes a continuation of resources to deliver key government policies and programmes specified in the 2011 Spending Review such as maintaining teacher numbers, freezing council tax and maintaining the grant for the Police Service.

In addition to the above, the Scottish Government has continued provision 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 the years 2012/13 to 2014/15 is £2.154m/£2.154m/£1.885m in each of the three years respectively.

The Scottish Government has also introduced the Early Years Change Fund to finance a shift towards a preventative model of service delivery. Falkirk Council's allocations for the years 2012/13 to 2014/15 are £0.622m/£1.093m/£1.558m.

In recognition of the need for ongoing efficiency savings, a below inflation increase in government grant and additional cost pressures of £9.9m, the Council's budget strategy required all areas of expenditure and income to be subject to detailed scrutiny. This included:

- A contribution of £3.4m from reserves
- Savings of £6.6m identified across all Services whilst minimising the impact on Service delivery

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. To this end, a corporate working group has been established to further develop the Council's approach to medium term financial planning.

Notwithstanding the above, the 2012/13 budget includes funding for a number of priority areas including:

- Tackling the unacceptable level of unemployment amongst young people (£0.690m)
- Falkirk Employability award (£0.160m)
- Employment of 3 additional Welfare Advice staff (£0.100m)
- Roads Maintenance (£0.500m)
- Introduction of nurture groups in Primary Schools (£0.180m)
- Environmental community enhancements (£0.100m)
- Parks strategy (£0.160m)
- Sports initiatives for young people (£0.180m)
- Net effect of introducing the Living Wage (£0.230m)

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 Service 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 318 houses.

### **14. 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 2012/13 have anticipated an ongoing lower level of receipts from asset disposals and this will be monitored on an ongoing basis.

Government grant levels are set to rise at levels below the rate of inflation 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. As mentioned above, a corporate working group has been established to further develop the Council's approach to medium term financial planning.

As mentioned above, the 2012/13 budget includes provision for circa £2.3m on priority areas which includes expenditure targeted at youth unemployment, additional resources for welfare advice staff and additional expenditure on roads maintenance. In addition, the new house building programme, also mentioned above, will contribute towards the local economy.

## **15. FALKIRK COMMUNITY TRUST LTD**

Falkirk Community Trust Limited and its trading subsidiary, Falkirk Community Trading Limited, were established by Falkirk Council on 1 July 2011 to undertake responsibility for the management and provision of sport, culture and library services. Employees were transferred to the Trust under TUPE regulations while assets such as plant, equipment and vehicles were transferred for a peppercorn consideration. The Council also lease to the Trust the properties occupied by them for a peppercorn rent. Under the funding agreement, the Council agreed to make a quarterly payment for the services provided by the Trust which for the period to March 2012 amounted to £9.4m.

## **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 MBA  
Chief Finance Officer  
25 September 2012

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

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. 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 2011/12 (the Code) and the Service Reporting Code of Practice 2011/12 (SERCOP), supported by International Financial Reporting Standards (IFRS).

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

The Accounts are designed to illustrate the financial performance in the year as well as the position of the Council as at 31 March 2012. Comparative figures for the previous financial year are also provided.

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

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

The 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, Falkirk Community Trust Limited and Common Good Funds.

**2. 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 2012.

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.

### **3. 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.

### **4. 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.

### **5. 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.

**6. 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.

**7. 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.

**8. 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.

**9. 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.

**10. 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.

**11. 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 20.



**12. 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 20.

**13. 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 25.

**14. 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 36-38.

Other Usable Reserves

These comprise:

Insurance Fund

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

Repairs and Renewals Fund

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

Unusable ReservesPensions 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 2012 will be charged to the General Fund over the next 41 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.



**15. 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.

**16. 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.

**17. INVENTORIES**

All inventories have been valued in accordance with International Accounting Standard 2 "Inventories" (IAS 2) 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 27. Work in progress is subject to a valuation of the cost of work completed to 31 March 2012. It is recorded in the Balance Sheet at cost plus an appropriate proportion of overheads, together with attributable profits and allowances for foreseeable losses.

**18. 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.

## **19. 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 101 to 117) which reflect the Council's interest in the Central Scotland Police, Fire & Rescue and Valuation Joint Boards, FCSL (Holdings) Ltd, Falkirk Community Stadium Limited, Falkirk Community Trust 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 £288.9m.

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.

## **20. 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.

## **21. OVERHEADS AND SUPPORT SERVICES**

The costs of Central Support Services have been fully allocated to all Services and Trading Accounts in accordance with the CIPFA Service Reporting Code of Practice 2011/12 (SERCORP) 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

## **22. CORPORATE AND DEMOCRATIC CORE AND NON-DISTRIBUTED COSTS**

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

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

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

- (i) The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. Section 2 of SERCOP 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.
- (ii) 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.

### **23. 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.

### **24. 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.

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).

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.

## **25. 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. A valuation at 31 March 2009 was scheduled but following an instruction from HM Treasury relating to pensions reform, the process was put on hold. 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 discount rate of 4.8% (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 – charged 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.

## **26. 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. Where material, 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. Where material, 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.

## **27. FINANCIAL INSTRUMENTS**

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

#### Financial Liabilities

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

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

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

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

#### Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- 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).

**28. 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 a valuation in excess of £1.0m and has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

### Disposals and Non-current Assets Held for Sale

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as 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.

## **29. HERITAGE ASSETS**

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

### Recognition

Heritage Assets are recognised where cost or valuation information is available. Where the cost or value is not available, and the cost of obtaining the information is disproportionate in terms of the benefit derived, the Code does not require that the assets are recognised on the Balance Sheet. Heritage Assets recognised in 2011/12, have been recognised through the Revaluation Reserve.

### Measurement

The Code following the requirements of FRS30, has relaxed its valuation approach for Heritage Assets and it specifies that:

- valuations may be made by any method that is appropriate and relevant; this may include, for example, insurance valuations.
- valuations need not be carried out by external valuers, and neither is there a requirement for valuations to be verified by external valuers
- a full valuation every 5 years is not required; there is no prescribed minimum period between valuations

Assets are either measured at valuation or at cost if valuation information is not available. Where valuation is available this is based on insurance valuation. Any increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains. Any decrease in value is accounted for by writing down the gain against the balance on the Revaluation Reserve for that asset, or where there is no balance on the Revaluation Reserve, writing down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

### Impairment

Heritage Assets are reviewed periodically where there is evidence of physical deterioration or breakage. Where impairment losses are identified, they are accounted for, by writing down the loss against the balance on the Revaluation Reserve for that asset, or where there is no balance on the Revaluation Reserve, writing down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

### Depreciation

The Council does not consider it appropriate to charge depreciation in respect of Heritage Assets due to the undetermined levels and high residual values.

Falkirk Council holds 6 different categories of Heritage Assets which are as follows:

- Museums Collection
- Archives Collection
- Art Collection
- Libraries Local History Collection
- Civic Regalia
- War Memorials and Town Clocks

Further information regarding these assets is detailed in note 15(a).

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

The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October) 2010 by the Code will result in a change in accounting policy that requires disclosure.

The amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including the possible effects of any risks that may remain with the entity that transferred the assets. It also includes additional disclosure requirements where there is a disproportionate amount of transfer transactions around the end of the reporting period. The effective date of the standard was 1 July 2011 but the Council is not required by the Code to implement this amended disclosure requirement until 1 April 2012.

Following a review of the authority's financial assets and liabilities at 31 March 2012, it is considered unlikely that the IFRS 7 accounting standard will have a material impact on the financial statements of the Council.

### **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 2012 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 £5.2m 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. 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 £0.52m 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 £64m.

However, the assumptions interact in complex ways. During 2011/12, the Council's actuaries advised that the net pensions liability had increased by £43m since March 2011. This includes an increase of £13m, as the estimated actual return on assets was 4.0%, less than the expected return on assets of 6.9%, an increase of £18m arising from the rebasing of assumptions and an increase of £9m as a result of rebasing the calculations on the new formal valuation as at 31 March 2011.

#### Arrears

At 31 March 2012, the Council had a balance of sundry debtors of circa £9.4m, council tax circa £8.5m and house rents of circa £2.1m. Provision for doubtful debts amount to circa £3.1m, £8.1m and £1.7m respectively. An increase of 10% in the value of these would amount to £0.3m, £0.8m and £0.2m respectively.

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

The Council made payments totalling £2.784m in respect of backdated equal pay claims and it received government consent to borrow £1m of this. 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 £5.2m in the 2011/12 accounts.

### **34. ACCOUNTING FOR THE COSTS OF THE CARBON REDUCTION COMMITMENT SCHEME**

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The scheme is currently in its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

**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 2011/12, 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 2012.

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.

**STATEMENT OF ACCOUNTS**

The Statement of Accounts presents a true and fair view of the financial position of the Council as at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.



Bryan Smail, CPFA MBA  
Chief Finance Officer  
25 September 2012



**ANNUAL GOVERNANCE STATEMENT 2011/12****Introduction**

1. Falkirk Council has a duty under the Local Government in Scotland Act 2003 to secure best value and ensure continuous improvement in the Services it delivers. The Council must ensure that public money is used economically, efficiently, and effectively, with due regard to the achievement of sustainability. To help ensure that these responsibilities are met, the Council must put in place robust governance arrangements, ensuring that these are properly applied.
2. Responsibility for ensuring good governance is shared by all Council employees and elected Members. To demonstrate Falkirk Council's commitment to ensuring good governance, this Annual Governance Statement (the Statement) has been prepared on the basis of the principles set out in the CIPFA / SOLACE Framework '*Delivering Good Governance in Local Government*'. It should be noted that any review of governance arrangements can provide reasonable (not absolute) assurance that policies, aims, and objectives are being applied and implemented as intended.
3. 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.
4. Preparation of this Statement meets the requirements of Section 3.7 of the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

**Falkirk Council's Governance Framework**

5. As well as the clear budgetary and expenditure pressures brought to bear by the global financial climate, 2011/12 has been a year of change and challenge for Falkirk Council with the finalisation of the senior management structure review, the formation of Falkirk Community Trust, preparation for Welfare Reform, and changes to the way in which Fire and Police services are to be delivered. In addition, the need to move towards a more partnership focussed approach to service delivery, as recommended in the report on the Future Delivery of Public Services by the Commission chaired by the late Dr Campbell Christie, requires that Falkirk, like all Councils, demonstrably focuses on clear, preventative approaches to delivering outcomes, priorities, and targets.
6. Against this backdrop of change and uncertainty, robust and transparent governance arrangements take on a heightened profile and priority. The following sections summarise the key elements of Falkirk Council's governance framework, set out within the context of the CIPFA / SOLACE Principles.

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

7. The Council must communicate its vision, purpose, and intended outcomes for citizens and service users. It does this via its Corporate Plan and the wider Strategic Community Plan, which are underpinned by the well established Strategic Planning and Management Framework (SPMF). The SPMF is fundamental to ensuring that the Council undertakes its business in a focussed, efficient, and effective way.
8. Related to that, the need to ensure continued improvement and efficiency in the way the Authority delivers its services has prompted a review of the linkages between the Council's financial and business planning processes with a view to building a robust and reliable Medium Term Financial Strategy with clear reference to strategic service delivery aims and objectives.
9. Financial performance continues to be reported via Annual Report and Accounts, which were again prepared within the required timescales and are available on the Council's website ([www.falkirk.gov.uk](http://www.falkirk.gov.uk)). The website also includes a 'Performance Zone' bringing together the various outputs from the Council's public performance reporting systems, including statutory and non-statutory performance indicators.



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

10. This principle focuses on ensuring effective leadership and on the clarity and consistency of roles and responsibilities.
11. The Council's Standing Orders are a key component of how the Council conducts its business at elected Member and Officer level. These comprise procedures for Committee meetings, a Scheme of Delegation to Committees and Officers, Contract Standing Orders, and Financial Regulations.
12. These documents are periodically reviewed to ensure that they remain current. For example, Contract Standing Orders and Financial Regulations have recently been reviewed, updated, and approved by Council, to reflect procurement legislation and best practice.
13. In February 2010 a revised Service Structure was agreed by Council. Since this was agreed, work has been ongoing to make appointments to Chief Officer posts and, over the course of 2011/12, this process has been completed. Work towards finalising the Council's middle management structure is also underway.

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

14. The Council has a Code of Conduct for Members and Officers and all elected Members are expected to abide by the Standards Commission Scotland's Councillors' Code of Conduct. In addition, Protocols are in place setting out arrangements for governing Member / Officer Relations and Officer / Convener Relationships. Taken together, these help ensure that all Officers and Members demonstrate and maintain the appropriate levels of leadership and good governance.
15. The Council collects and processes significant volumes of information and data, and has an Information Security Policy (updated in May 2011) that sets the framework for ensuring the confidentiality, security, and integrity of information held. This is supported by Data Protection Guidelines, an Acceptable Use Policy, and guidance for Officers and Members on the risks associated with the use of Social Media. In addition, work is underway to establish Data Handling registers as an up to date record of data held and of all internal and external information and data transfers.
16. Arrangements are in place to document and record extra-mural employment, and registers of gifts and hospitality are maintained. The Council has a Confidential Reporting Policy and Procedure and an Anti-Fraud and Corruption Strategy. In addition, an Anti-Fraud and Prosecution Policy is in place within the Revenues and Benefits Division of Finance Services. These policies and guidance help foster a corporate culture of fraud awareness, prevention, and detection, and sit alongside the Authority's participation in wider anti-fraud programmes such as the National Fraud Initiative.

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

17. The Audit Committee is now well embedded, and is a key element of the Council's governance and accountability structures. Since March 2011 the Committee has been chaired by an external lay member and, in line with good practice, the Committee has held a formal roundtable discussion to consider its own effectiveness, role, and remit.
18. As well as inspection and scrutiny via Internal and External Audit, Council activities are subject to review from various other external agencies. For example, during 2011/12, reports have been received from the Scottish Housing Regulator on the effectiveness of housing service delivery, and from Social Care and Social Work Improvement Scotland on services to protect children and young people. Action to address matters arising from internal and external scrutiny and inspection is reported to, and considered by, Members on an ongoing basis, as part of the Council's continuous improvement agenda.
19. Efforts continue to be made to equip Officers and Members to make the right decisions in an efficient and considered way. For example, in relation to the procurement of goods and services, training has been delivered to all Services on their requirement to comply with Contract Standing Orders and Financial Regulations. Both documents have, themselves, also been reviewed and refreshed during 2011/12.

20. Related to that, self assessment assurance in areas such as gas safety and premises management, linking into the Council's Corporate Risk Management Group, supplements the internal and external scrutiny referred to above. There does, however, remain work to be done on fully embedding risk management and on linking this into the financial and business planning process. Work in relation to the development of a Medium Term Financial Strategy (see paragraph 8), offers the opportunity to do this, and the Audit Committee has a key role in scrutinising and reviewing risk management arrangements.

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

21. To effectively fulfil their roles and responsibilities Officers and Members must have the appropriate knowledge and skill and be provided with the right support. This is particularly important in an election year, which has seen changes to the elected Member group and in Committee roles and remits.
22. A programme of elected Member induction training will be delivered following the election, and Members will continue to be encouraged to undertake Continuing Professional Development to ensure their skills remain commensurate with their role. As the Council moves through a period of change and budgetary pressure, with financial and investment (including infrastructure investment) arrangements taking on heightened complexity and priority, it is important that Officers and Members continue to be supported.
23. The Achievement and Professional Development scheme has been widely adopted. In addition, business areas are encouraged to work towards Investors in People standards and accreditation, to help ensure that the necessary staff development framework is in place across the organisation.
24. Falkirk Council has always been committed to developing and supporting Officers and Members, and continues to provide robust induction programmes for new staff and a corporate 'Learning Zone' for existing staff, as well as structured training programmes (in areas such as leadership and coaching) for those moving into management roles across the Council.

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

25. The Council adopts an open and inclusive approach to engaging with stakeholders. A revised and updated Community Participation Strategy was approved by the Leisure, Tourism, and Community Committee in April 2011, with a Community Participation database maintained as a record of all consultation and community engagement undertaken.
26. Agendas and minutes of all Council meetings are available on-line, with meetings held in public. The Council's website complies with relevant web accessibility guidelines, and allows users to interact and transact with the Council via the 'On-Line services' section.
27. The 'Citizens Panel' continues to play an important role in gathering information from stakeholders to help ensure that services are continuously improving and that they meet the needs of citizens. Recent panel activity has focussed on areas such as the Council's Waste Strategy, the Antonine Wall, Community Participation, and Roads and Footways.
28. A revised and updated Scheme of Decentralisation was approved by Council in June 2011. This sets out arrangements for localised decision making, and fits with the wider Community Participation Strategy (as per paragraph 25 above).

**Monitoring and Review of Governance Arrangements**

29. Falkirk Council's governance arrangements are formally monitored via:
- the Committee framework, including the Audit Committee;
  - Best Value Forum;
  - Corporate and Departmental Management Teams;
  - Internal and External Audit work; and
  - the work of Falkirk Council's Best Value 2 Local Area Network.
30. This monitoring is done within the context of the Delivering Good Governance guidance, the Council's Corporate Plan, Strategic Community Plan, agreed Single Outcome Agreement, and the fundamental statutory requirement to demonstrate and achieve best value.

## **System of Internal Financial Control**

31. This section of the 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 2012.
32. The Chief Finance Officer is responsible for ensuring the operation and maintenance of an effective system of internal financial control. It should, however, be noted that the system of internal financial control can provide only reasonable (not absolute) assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or detected.
33. The system of internal financial control is based on a framework of risk management; Contract Standing Orders, Financial Regulations, and associated guidance; proper delegation and accountability; comprehensive budgeting systems; clear financial targets; and robust management information.
34. 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.
35. 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 (the Code), and formally place reliance on work undertaken by the Section. In addition, an independent assessment has been undertaken by West Lothian Council's Audit and Risk Manager, who confirmed the Section's compliance with the Code.
36. All Internal Audit reports are brought to the attention of management and include recommendations and agreed action plans. It is then management's responsibility to ensure that appropriate action is taken to address these recommendations. Significant matters arising are reported to the Council's Audit Committee.
37. The Audit Committee, which was set up on the basis of a decision by Council in June 2008, operates in accordance with relevant CIPFA guidance. 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 Authority's financial and non-financial performance to the extent that it affects risk exposure and weakens the control environment; and
  - assurance that any issues arising from the process of drawing up, auditing, and certifying the Authority's annual accounts are properly dealt with.
38. Part of the role of the Committee is to consider the Internal Audit Manager's Annual Assurance Report. 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 2011/12 Report the Internal Audit Manager concluded that he was able to provide substantial assurance on the Council's overall framework of control for the year to 31 March 2012.
39. 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. Based on consideration of this work, 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 2012.
40. 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 and Central Scotland Valuation Joint Board;
  - Statement on the System of Internal Financial Control included within the Annual Accounts of Central Scotland Joint Police Board; and
  - work of these bodies' respective External Auditors (and, where relevant, Internal Auditors) and other interim reports.
41. 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.


42. As part of the 2010/11 Annual Governance Statement, a commitment was made to undertake assessments of compliance with the principles set out in the 2010 CIPFA Statements on 'the Role of the Chief Financial Officer (CFO) in Local Government' and 'the Role of the Head of Internal Audit in Public Service Organisations'. Assessments against these Statements have now been undertaken, confirming broad compliance with both.

#### **Governance Arrangements – Areas for Improvement**

43. 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:
- continue to work towards building a robust Medium Term Financial Strategy;
  - establish Data Handling Registers across all Council Services;
  - further embed corporate risk management arrangements;
  - continue to provide support and development opportunities to Officers and elected Members, particularly in the period following the Local Government elections.

#### **Conclusion**

44. 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 2011/12 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**  
**29 June 2012**



**Mary Pitcaithly**  
**Chief Executive**  
**29 June 2012**

## FALKIRK COUNCIL

### FALKIRK COUNCIL ANNUAL REMUNERATION REPORT

The Local Authority Accounts (Scotland) Regulations 1985 as amended by the Local Authority Accounts (Scotland) Regulations 2011 require the accounts of the Council to contain a Remuneration Report. This Report for the financial year 2011/12 contains the information specified in the Schedule to the above Regulations.

All information disclosed in the tables at [2.1, 4.2, 5.9 and 6.1] 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 2011/12 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 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 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 2011/12 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 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.

## FALKIRK COUNCIL

### 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. There was no SJNC pay award agreed in 2011/12.

The salaries of Service Directors and Chief Officers are based on a fixed percentage of the Chief Executive's salary as shown in the following table:

Senior Employee Post	Percentage of Chief Executive's Salary
Director	78%
Chief Finance Officer	68%
Chief Governance Officer	68%

The above arrangements were approved at a meeting of full Council on 22 June 2011 and came into operation on 1 August 2011.

- 1.10 Senior employees also receive a fixed car allowance. This allowance was agreed by the Resources Committee on 18 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.
- 1.12 In terms of Falkirk Community Trust Limited (FCT), a company limited by guarantee with charitable status established by the Council in summer 2011 to deliver cultural and leisure services for the Falkirk Council area, the Funding Agreement between the Council and FCT provides that FCT is to provide terms and conditions to its employees (including remuneration) no less favourable than the relevant corresponding terms and conditions of employment enjoyed by employees of the Council at any time.

## 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 2011/12 is disclosed in bands of £5,000 in the following table:

Remuneration Bands	Number of Employees		Chief Officials		Teachers		SJC Employees	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£50,000 - £54,999	61	61	0	0	50	49	11	12
£55,000 - £59,999	21	26	0	2	17	17	4	7
£60,000 - £64,999	4	8	3	0	0	0	1	8
£65,000 - £69,999	7	7	4	3	2	2	1	2
£70,000 - £74,999	12	16	9	11	3	3	0	2
£75,000 - £79,999	4	4	0	0	4	4	0	0
£80,000 - £84,999	0	5	0	1	0	0	0	4
£85,000 - £89,999	1	1	1	1	0	0	0	0
£90,000 - £94,999	5	0	5	0	0	0	0	0
£95,000 - £99,999	1	3	1	3	0	0	0	0
£100,000 - £104,999	0	1	0	0	0	0	0	1
£110,000 - £114,999	0	1	0	0	0	0	0	1
£125,000 - £129,999	1	1	1	1	0	0	0	0
Totals	117	134	24	22	76	75	17	37

Note these figures exclude payments for election duties which are included (for Senior Employees) in the table at 4.2.

**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:

- a) the Chief Executive is Mr Peter Eadie;
- b) there were no Councillors of Falkirk Council remunerated by the body in 2011/2012; and
- c) there were no employees of the body whose remuneration in 2011/2012, including any annual remuneration from Falkirk Council, was £150,000 or more.

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

- a) the Chief Executive is Ms Maureen Campbell;
- b) there were no Councillors of Falkirk Council remunerated by the body in 2011/12; and
- c) there were no employees of the body whose remuneration in 2011/2012, 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 or Falkirk Community Trust Ltd.

4.2 The information is provided in separate tables as follows:

- a) Senior Councillors of Falkirk Council;
- b) Senior employees of Falkirk Council;
- c) Relevant persons of Falkirk Community Stadium Ltd; and
- d) Relevant persons of Falkirk Community Trust Ltd.



# FALKIRK COUNCIL

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

Surname	Forename	Post	2011/12				2010/11
			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	-	-	18,280	18,280
BLACK	ALLYSON	Depute Provost, Depute Convener of Civic Events Panel and of Investment Committee	21,803	-	-	21,803	21,803
BLACKWOOD	JAMES	Convener of Housing & Social Care Committee Depute Convener Central Scotland Joint Police Board	21,803	-	-	21,803	21,803
BUCHANAN	WILLIAM	Convener of Planning Committee	21,803	-	-	21,803	21,803
FRY	STEPHEN	Depute Convener Policy & Resources Committee	16,234	-	-	16,234	16,234
GOLDIE	GERALD	Convener of Joint Consultative Committee (from 28/04/2010)	18,280	-	-	18,280	18,127
LEMETTI	JOE	Depute Convener of Economic Strategy & Development Committee	18,280	-	-	18,280	18,280
MACDONALD	CHARLES	Convener of Environmental & Community Safety Committee Depute Convener of Appointments Committee	21,803	-	-	21,803	21,803
MAHONEY	ADRIAN	Convener of Economic Strategy & Development Committee Convener of Leisure, Tourism & Community Committee	21,803	-	-	21,803	21,803



# FALKIRK COUNCIL

Surname	Forename	Post	2011/12				2010/11
			Salary, Fees and Allowances £	Taxable Expenses £	Non-cash Expenses & benefits-in-kind £	Total Remuneration £	Total Remuneration £
MARTIN	CRAIG	Leader of the Council Convener of Policy & Resources Committee Convener of Appointments Committee	32,470	-	-	32,470	32,470
MARTIN	CRAIG R	Depute Convener Environment & Community Safety Committee	18,280	-	-	18,280	18,280
MCLUCKIE	JOHN	Depute Convener of Housing & Social Care Committee Depute Convener of Appeals Committee	18,280	-	-	18,280	18,280
MCNEILL	ALASTAIR	Depute Convener of Housing & Social Care Committee Depute Convener of Appeals Committee	18,280	-	-	18,280	18,280
NICOL	MALCOLM	Convener of Licensing Board Convener of Civic Licensing Committee	21,803	-	-	21,803	21,803
NIMMO	ALAN	Convener of Central Scotland Joint Fire & Rescue Board	24,353	-	-	24,353	24,451
PATRICK	JOHN	Convener of Investment Committee Depute Convener of Education Committee	18,280	-	-	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	-	-	23,179	23,179
WADDELL	ALEXANDER	Convener of Education Committee	21,803	-	-	21,803	21,803
		TOTALS	376,817	-	-	376,817	376,762

The amount recharged to Central Scotland Fire & Rescue Joint Board in 2011-2012 was £10,506 (2010-2011 £8,512).

# FALKIRK COUNCIL

## b) Remuneration of Senior Employees of Falkirk Council

Name	Post Title	Salary, Fees and Allowances £	Other Amounts £	Total Remuneration 2011/12 £	Total Remuneration 2010/11 £
Margaret Anderson	Acting Director of Social Work Services (until 04/12/11)	65,362	-	65,362	-
Margaret Anderson	Director of Social Work Services (from 05/12/11 - FT Salary is £98,745)	32,648	-	32,648	-
Margaret Anderson	Total	98,010	-	98,010	92,574
Maureen Campbell	Director of Community Services (until 30/06/11 – FT salary was £91,041)	23,376	-	23,376	93,506
Rhona Geisler	Director of Development Services	98,263	430	98,693	93,506
Rose Mary Glackin	Acting Director of Law & Administration Services (Monitoring Officer) (until 31/07/2011)	29,361	1,130	30,491	-
Rose Mary Glackin	Chief Governance Officer (Monitoring Officer) (from 01/08/2011 - FT Salary is £86,086)	58,082	-	58,082	-
Rose Mary Glackin	Total	87,443	1,130	88,573	88,082
Alex Jannetta	Director of Finance (Section 95 Officer) (Until 31/03/2011)	-	-	-	97,007
Mary Pitcaithly	Chief Executive	128,576	9,807	138,383	131,956
Stuart Ritchie	Director of Corporate & Neighbourhood Services	98,642	900	99,542	93,506
Bryan Smail	Acting Chief Finance Officer (Section 95 Officer)(until 08/09/2011)	35,004	-	35,004	-
Bryan Smail	Chief Finance Officer (Section 95 Officer) (from 09/09/2011 - FT Salary is £86,086)	49,164	-	49,164	-
Bryan Smail	Total	84,168	-	84,168	73,213
Andrew Sutherland	Director of Education Services (from 04/01/2012 - FT Salary is £98,745)	24,486	-	24,486	-
Julia Swan	Director of Education Services (until 31/12/2011)	73,339	-	73,339	93,506
<b>TOTAL</b>		716,303	12,267	728,570	856,856

## FALKIRK COUNCIL

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

The “Other Amounts” value above relates to election duties and related fees received during 2011-2012 (2010-2011 £5,564).

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

- o Who has responsibility for management of the local authority to the extent that the person has power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons;
- o 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
- o Whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.

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

Name	Post Title	Salary, Fees and Allowances £	Benefits other than in cash £	Total Remuneration 2011/12 £	Total Remuneration 2010/11 £
Peter Eadie	Chief Executive	55,821	1,930	57,751	57,949
<b>TOTAL</b>		55,821	1,930	57,751	57,949

### d) Remuneration paid to relevant persons of Falkirk Community Trust Ltd

Name	Post Title	Salary, Fees and Allowances £	Other Amounts £	Total Remuneration 2011-12 £	Total Remuneration 2010-11 £
Maureen Campbell	Chief Executive (from 01/07/2011 - FT salary is £91,041)	70,129	-	70,129	-
<b>TOTAL</b>		70,129	-	70,129	-

**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 2011-12 were revised from April 2011 to reflect a 3.1% increase in the cost of living index and are as follows:

Wholtime Pay	Contribution Rate	
	2010-11	2011-12
On earnings up to and including £18,000	5.50%	
On earnings up to and including £18,500		5.50%
On earnings above £18,000 and up to £22,000	7.25%	
On earnings above £18,500 and up to £22,600		7.25%
On earnings above £22,000 and up to £30,000	8.50%	
On earnings above £22,600 and up to £30,900		8.50%
On earnings above £30,000 and up to £40,000	9.50%	
On earnings above £30,900 and up to £41,200		9.50%
On earnings above £40,000	12%	
On earnings above £41,200		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. Scheme members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).
- 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 relate to the benefits that the person has accrued as consequence of their total pensionable service, which may include service derived from other employments, and not just their current appointment.

# FALKIRK COUNCIL

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

The pension entitlements for Senior Councillors for the year to 31 March 2012 are shown in the table below, together with the contribution made by the Council to each Senior Councillor's pension during the year.

Surname	Forename	Post	In-Year Pension Contributions		Accrued Pension Benefits			
			For year to 31/03/2011 £	For year to 31/03/2012 £	Benefit Type	As at 31/03/2011 £'000	As at 31/03/2012 £'000	Difference from 31/03/2011 £'000
Alexander	David	Leader of the Main Opposition Group	3,382	3,473	Pension Lump Sum	5 13	6 14	1 1
Black	Allyson	Depute Provost, Depute Convener of Civic Events Panel and of Investment Committee	4,033	4,142	Pension Lump Sum	1 2	2 2	1 -
Blackwood	James	Convener of Housing & Social Care Committee Depute Convener Central Scotland Police Board	4,033	4,142	Pension Lump Sum	1 1	2 2	1 1
Goldie	Gerald	Convener of Joint Consultative Committee (from 24/04/2010)	3,353	3,473	Pension Lump Sum	8 22	9 23	1 1
Martin	Craig R	Depute Convener Environment & Community Safety Committee	3,382	3,473	Pension Lump Sum	1 1	1 1	- -
McLuckie	John	Depute Convener of Housing & Social Care Committee Depute Convener of Appeals Committee	3,382	3,473	Pension Lump Sum	1 1	1 1	- -
McNeill	Alistair	Depute Convener of Housing & Social Care Committee Depute Convener of Appeals Committee	3,382	3,473	Pension Lump Sum	1 1	1 1	- -
Nicol	Malcolm	Convener of Licensing Board Convener of Civic Licensing Committee	4,034	4,142	Pension Lump Sum	1 2	2 2	1 -
Nimmo	Alan	Convener of Central Scotland Joint Fire & Rescue Board	-	4,627	Pension Lump Sum	- -	- -	- -
Patrick	John	Convener of Investment Committee Depute Convener of Education Committee	3,382	3,473	Pension Lump Sum	1 1	1 1	- -
<b>TOTALS</b>			<b>32,363</b>	<b>37,891</b>	<b>Pension Lump Sum</b>	<b>20 44</b>	<b>25 47</b>	<b>5 3</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 2012 are shown in the table below, together with the contribution made by the Council to each Senior Employees' pension during the year.

Name	Post Title	In-Year Pension Contributions		Accrued Pension Benefits			
		For year to 31/03/2011 £	For year to 31/03/2012 £	Benefit Type	As at 31/03/2011 £'000	As at 31/03/2012 £'000	Difference from 31/03/2011 £'000
Margaret Anderson	Director of Social Work (Acting until 04/12/11)	16,843	18,274	Pension	34	38	4
				Lump Sum	93	99	6
Maureen Campbell	Director of Community Services (until 30/06/11)	16,843	4,324	Pension	28	29	1
				Lump Sum	76	76	-
Rhona Geisler	Director of Development Services	16,843	18,202	Pension	36	40	4
				Lump Sum	99	105	6
Rose Mary Glackin	Chief Governance Officer (Acting until 31/07/11)	16,012	16,323	Pension	32	33	1
				Lump Sum	86	86	-
Alex Jannetta	Director of Finance (Until 31/03/2011)	*48,692	-	Pension	47	-	(47)
				Lump Sum	131	-	(131)
Mary Pitcaithly	Chief Executive	23,420	23,961	Pension	49	50	1
				Lump Sum	132	132	-
Mary Pitcaithly	Returning Officer duties	536	1,863	Pension	0	1	1
				Lump Sum	1	2	1
Stuart Ritchie	Director of Corporate & Neighbourhood Services	16,843	18,274	Pension	34	37	3
				Lump Sum	93	98	5
Bryan Smail	Chief Finance Officer (Acting until 08/09/11)	-	15,701	Pension	24	29	5
				Lump Sum	66	76	10
Andrew Sutherland	Director of Education (from 04/01/12)	-	4,539	Pension	-	-	-
				Lump Sum	-	-	-
Julia Swan	Director of Education (until 31/12/11)	16,843	13,583	Pension	40	43	3
				Lump Sum	111	115	4
<b>TOTAL</b>		<b>172,875</b>	<b>135,044</b>	<b>Pension</b>	<b>324</b>	<b>300</b>	<b>(24)</b>
				<b>Lump Sum</b>	<b>888</b>	<b>789</b>	<b>(99)</b>

\* 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.

# FALKIRK COUNCIL

**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.

**d) Pension Rights of relevant persons of Falkirk Community Trust Ltd**

The pension entitlement of the Chief Executive for the year to 31 March 2012 is shown in the table below, together with the contribution made by the Trust during the year.

Name	Post Title	In-year Pension Contributions		Accrued Pension Benefits			
		For year to 31/03/2011 £	For year to 31/03/2012 £	Benefit Type	As at 31/03/2011 £000	As at 31/03/2012 £000	Difference from 31/03/2011 £000
Maureen Campbell	Chief Executive (from 01/07/2011) (Accrued benefits for 2011/12 include those earned with Falkirk Council.)	-	12,973	Pension	28	30	2
				Lump Sum	76	76	-



## 6. Exit Packages

- 6.1 The Code of Practice on Local Authority Accounting has introduced from 2011/12, a new requirement to disclose in bands the numbers of exit packages agreed and the cost of those packages to the authority in the financial year, in accordance with the requirements of paragraph 3.4.4.1, 7(b) of the Code.

The total cost shown in the following tables is for exit packages that have been agreed, accrued for and charged to the Comprehensive Income and Expenditure Statement or equivalent statements in 2011/12.

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

There were no compulsory redundancies in either 2011/12 or 2010/11.

### a) Payments made to former employees of Falkirk Council

Bands	Number of Exit Packages			
	2010/11	Total Payments	2011/12	Total Payments
		£		£
Up to £20k	99	550,422	67	353,999
Over £20k up to £40k	30	831,829	25	784,064
Over £40k up to £60k	14	686,801	25	1,260,379
Over £60k up to £80k	17	1,151,490	10	674,135
Over £80k up to £100k	2	179,188	9	780,668
Over £100k up to £150k	11	1,363,919	3	363,123
Over £150k up to £200k	5	822,898	2	329,387
Over £200k	-	-	-	-
<b>Number of Packages</b>	<b>178</b>	<b>5,586,547</b>	<b>141</b>	<b>4,545,755</b>

### b) Payments made to former employees of Falkirk Community Stadium Ltd


There were no exit packages agreed in either 2011/12 or 2010/11.

### c) Payments made to former employees of Falkirk Community Trust Ltd

Bands	Number of Exit Packages			
	2010/11	Total Payments	2011/12	Total Payments
		£		£
Up to £20k	-	-	5	49,239
Over £20k up to £40k	-	-	5	155,171
Over £40k up to £60k	-	-	1	56,505
Over £60k up to £80k	-	-	-	-
Over £80k up to £100k	-	-	2	191,178
Over £100k up to £150k	-	-	-	-
Over £150k up to £200k	-	-	-	-
Over £200k	-	-	-	-
<b>Number of Packages</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>452,093</b>

Falkirk Community Trust Ltd. came into existence on 1<sup>st</sup> July 2011.

  
**Councillor Craig Martin**  
**Leader of Falkirk Council**  
**29 June 2012**

  
**Mary Pitcaithly**  
**Chief Executive**  
**29 June 2012**

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2012**

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.

2010/11			2011/12			Notes	
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		
168,151	(6,675)	161,476	Education Services	148,353	(6,050)	142,303	
129,602	(87,784)	41,818	Housing Services	108,050	(92,253)	15,797	
24,365	(5,865)	18,500	Cultural and Related Services	22,768	(3,149)	19,619	
19,995	(3,475)	16,520	Environmental Services	19,720	(4,017)	15,703	
8,053	-	8,053	Fire Services	7,811	-	7,811	
18,548	(1,902)	16,646	Roads & Transport Services	18,402	(1,772)	16,630	
12,879	-	12,879	Police Services	13,158	-	13,158	
22,426	(8,089)	14,337	Planning and Development Services	16,998	(8,108)	8,890	
108,196	(24,208)	83,988	Social Work	111,605	(25,653)	85,952	
15,648	(11,399)	4,249	Central Services to the Public	16,838	(12,933)	3,905	
3,217	-	3,217	Corporate & Democratic Core	2,873	-	2,873	
(51,380)	-	(51,380)	Non-Distributed Costs	2,248	-	2,248	
3,629	-	3,629	Exceptional Items	3,000	-	3,000	
<b>483,329</b>	<b>(149,397)</b>	<b>333,932</b>	<b>Cost of Services</b>	<b>491,824</b>	<b>(153,935)</b>	<b>337,889</b>	
			<u>Other Operating Expenditure</u>				
-	(131)	(131)	(Gains) or Losses on disposal of Non-Current and Current Assets	-	(1,324)	(1,324)	
			<u>Financing and Investment Income and Expenditure</u>				
38,252	(39,029)	(777)	Surplus or deficit on trading undertakings	41,223	(42,533)	(1,310)	
23,124	-	23,124	Interest Payable and Similar Charges	22,561	-	22,561	
-	(478)	(478)	Interest & Investment Income	-	(582)	(582)	
35,624	(28,796)	6,828	Pensions interest cost & expected return on pensions assets	33,651	(30,370)	3,281	
<b>580,329</b>	<b>(217,831)</b>	<b>362,498</b>		<b>589,259</b>	<b>(228,744)</b>	<b>360,515</b>	
			<u>Taxation and Non-Specific Grant Income</u>				
-	(59,643)	(59,643)	Council Tax	-	(60,041)	(60,041)	40
-	(222,460)	(222,460)	Government Grants	-	(225,691)	(225,691)	
-	(13,054)	(13,054)	Capital Grants, Contributions & Donations	-	(20,999)	(20,999)	32
-	(60,652)	(60,652)	Non-Domestic Rate redistribution	-	(55,518)	(55,518)	42
-	<b>(355,809)</b>	<b>(355,809)</b>		-	<b>(362,249)</b>	<b>(362,249)</b>	
<b>580,329</b>	<b>(573,640)</b>	<b>6,689</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>589,259</b>	<b>(590,993)</b>	<b>(1,734)</b>	
		(2,160)	Surplus or deficit on revaluation of non-current assets and current assets			(674)	
		(69,716)	Actuarial (gains)/losses on pension assets/ liabilities			39,834	
		(2,148)	Other unrealised (gains)/losses			(1,592)	
		<b>(74,024)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>37,568</b>	
		<b>(67,335)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>35,834</b>	

**BALANCE SHEET AS AT 31 MARCH 2012**

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

2010/11 * (Restated)		2011/12	Notes
£'000		£'000	
718,797	<b>Non-Current Assets</b>	714,994	14
-	Property, Plant & Equipment	211	15
79	Heritage Assets	38	11
507	Intangible Assets	279	17
9,340	Assets Held for Sale	9,341	22
6,200	Long Term Investments	5,846	22
1,227	Investments in Associates and Joint Ventures	2,187	26
	Long Term Debtors		
736,150		732,896	
	<b>Current Assets</b>		
872	Inventories	923	27
16,332	Short Term Debtors	18,559	29
35,941	Cash and Cash Equivalents	140	
390	Assets Held for Sale	476	17
53,535		20,098	
-	<b>Current Liabilities</b>		
(25,112)	Bank Overdraft	(306)	
(90,180)	Short Term Borrowing	(29,164)	
(5,000)	Short Term Creditors	(67,131)	30
(120,292)	Provisions	(5,216)	25
		(101,817)	
	<b>Long Term Liabilities</b>		
(149,922)	Long Term Borrowing	(129,311)	23
(171,869)	Defined Benefit Pension Scheme Liability	(214,510)	9
(139,667)	Other Long Term Liabilities	(133,847)	34
(2,526)	Capital Grants Received in Advance	(3,934)	32
(463,984)		(481,602)	
205,409	<b>NET ASSETS</b>	169,575	21
	<b>Usable Reserves</b>		
5,342	Capital Receipts Reserve	5,172	
5,067	Capital Grants Unapplied Account	4,737	
36,716	General Fund	32,234	1
5,588	Other Usable Reserves	7,446	
52,713		49,589	
	<b>Unusable Reserves</b>		
197,745	Capital Adjustment Account	206,660	
(7,057)	Financial Instruments Adjustment Account	(6,719)	
144,375	Revaluation Reserve	140,533	
(171,869)	Pensions Reserve	(214,510)	
(10,498)	Accumulated Absences Account	(5,978)	
152,696		119,986	
205,409	<b>TOTAL RESERVES</b>	169,575	

Bryan Smail, CPFA MBA  
Chief Finance Officer

\* The 2010/11 figures for "Cash and Cash Equivalents" and "Short Tern Creditors" have both been increased by £14.4m.

The unaudited accounts were issued on 29 June 2012 and the audited accounts were authorised for issue on 25 September 2012.

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2012**

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>2010/11 (Restated) £'000</b>		<b>2011/12 £'000</b>
6,689	Net (surplus) or deficit on the provision of services	(1,734)
(63,146)	Adjust net surplus or deficit on the provision of services for non-cash movements	(46,550)
13,054	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	20,999
(43,403)	<b>Net cash flows from operating activities</b>	(27,285)
	<b>Investing Activities</b>	
36,758	Purchase of property, plant & equipment, investment property and intangible assets	50,949
-	Other payments for investing activities	-
(5,804)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(4,173)
(13,835)	Other receipts and investing activities	(23,003)
17,119	<b>Net cash flows from investing activities</b>	23,773
	<b>Financing Activities</b>	
(23,573)	Cash receipts of short and long-term borrowing	(2,063)
3,984	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	28,699
17,306	Repayments of short and long-term borrowing	12,983
(2,283)	<b>Net cash flows from financing activities</b>	39,619
(28,567)	<b>Net (increase) or decrease in cash and cash equivalents</b>	36,107
	<b>Cash and cash equivalents</b>	
(7,374)	Cash and cash equivalents at the beginning of the reporting period	(35,941)
	<b>Cash and cash equivalents at the end of the reporting period</b>	
(42)	Cash held by Officers	(38)
(25,544)	Bank Current Accounts	204
(10,355)	Short-term deposits	-
(35,941)		166

The cash flows for operating activities include interest paid of £22.561m (2010/11 £23.124m) and interest received of £0.582m (2010/11 £0.478m).

# FALKIRK COUNCIL

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

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) £'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 Adjustment Account £'000	Total Unusable Reserves £'000	Total Reserves £'000	Notes shown below
<b>Balance at 31 March 2011</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>	
Surplus or (deficit) on provision of services (accounting basis)	12,726	(10,992)	-	-	-	1,734	-	-	-	-	-	-	1,734	
Other Comprehensive Expenditure and Income	(17,394)	(4,853)	4,173	(232)	-	(18,306)	20,548	24	(39,834)	-	-	(19,262)	(37,568)	1
<b>Total Comprehensive Expenditure and Income</b>	<b>(4,668)</b>	<b>(15,845)</b>	<b>4,173</b>	<b>(232)</b>	<b>-</b>	<b>(16,572)</b>	<b>20,548</b>	<b>24</b>	<b>(39,834)</b>	<b>-</b>	<b>-</b>	<b>(19,262)</b>	<b>(35,834)</b>	
Adjustments between accounting basis and funding basis under regulations	(663)	17,165	(2,843)	-	(211)	13,448	(11,633)	(3,866)	(2,807)	4,520	338	(13,448)	-	2
<b>Net Increase/Decrease before Transfers to Other Statutory Reserves</b>	<b>(5,331)</b>	<b>1,320</b>	<b>1,330</b>	<b>(232)</b>	<b>(211)</b>	<b>(3,124)</b>	<b>8,915</b>	<b>(3,842)</b>	<b>(42,641)</b>	<b>4,520</b>	<b>338</b>	<b>(32,710)</b>	<b>(35,834)</b>	
Transfers to/from Other Statutory Reserves	(471)	-	(1,500)	(98)	2,069	-	-	-	-	-	-	-	-	3
<b>Increase/Decrease in Year 2011/12</b>	<b>(5,802)</b>	<b>1,320</b>	<b>(170)</b>	<b>(330)</b>	<b>1,858</b>	<b>(3,124)</b>	<b>8,915</b>	<b>(3,842)</b>	<b>(42,641)</b>	<b>4,520</b>	<b>338</b>	<b>(32,710)</b>	<b>(35,834)</b>	
<b>Balance at 31 March 2012 carried forward</b>	<b>24,522</b>	<b>7,712</b>	<b>5,172</b>	<b>4,737</b>	<b>7,446</b>	<b>49,589</b>	<b>206,660</b>	<b>140,533</b>	<b>(214,510)</b>	<b>(5,978)</b>	<b>(6,719)</b>	<b>119,986</b>	<b>169,575</b>	

**FALKIRK COUNCIL**

**MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2012**

**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	316	(1,640)	-	-	-	(1,324)	-	-	-	-	-	-	(1,324)
Capital Receipts Received	-	-	4,173	-	-	4,173	-	-	-	-	-	-	4,173
Capital Grants Received	(17,786)	(3,213)	-	(232)	-	(21,231)	21,238	-	-	-	-	21,238	7
Net Book Value of Asset Disposals	-	-	-	-	-	-	(1,139)	(201)	-	-	-	(1,340)	(1,340)
Long Term Debtor	76	-	-	-	-	76	-	-	-	-	-	-	76
Deficit on Revaluation of Fixed Assets	-	-	-	-	-	-	449	225	-	-	-	674	674
Actuarial Loss on Pension Fixed Assets and Liabilities	-	-	-	-	-	-	-	-	(39,834)	-	-	(39,834)	(39,834)
<b>Total</b>	<b>(17,394)</b>	<b>(4,853)</b>	<b>4,173</b>	<b>(232)</b>	<b>-</b>	<b>(18,306)</b>	<b>20,548</b>	<b>24</b>	<b>(39,834)</b>	<b>-</b>	<b>-</b>	<b>(19,262)</b>	<b>(37,568)</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	26,107	27,641	-	-	-	53,748	(53,708)	(40)	-	-	-	(53,748)	-
Amortisation of intangible assets	79	-	-	-	-	79	(79)	-	-	-	-	(79)	-
<b>2b. Insertion of items not debited or credited to the CIES</b>													
Statutory Repayment of Debt (Loans Fund Advances)	(9,689)	(7,458)	-	-	-	(17,147)	17,147	-	-	-	-	17,147	-
Capital expenditure charged to the General Fund Balance (CFCR)	-	(1,755)	-	-	-	(1,755)	1,755	-	-	-	-	1,755	-
Statutory Repayment of Debt (Finance Lease Liabilities)	-	(1,462)	-	-	-	(1,462)	1,462	-	-	-	-	1,462	-
Statutory Repayment of Debt (PFI)	(15,312)	-	-	-	-	(15,312)	15,312	-	-	-	-	15,312	-
Borrowing Consent	1,000	-	-	-	-	1,000	(1,000)	-	-	-	-	(1,000)	-

**FALKIRK COUNCIL**

**MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2012**

	Usable Reserves						Unusable Reserves					Total	
	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 Adjustment Account £'000	Total Unusable Reserves £'000	Total Reserves £'000
<b>2c. Adjustments involving the Capital Receipts Reserve</b>													
Capital Receipts applied to fund Capital Expenditure	-	-	(2,843)	-	-	(2,843)	2,843	-	-	-	-	2,843	-
<b>2d. Adjustments involving the Repairs and Renewals Fund and Devolved Management Reserve (DMR)</b>													
Use of the Repairs & Renewals Fund & DMR to Finance new capital expenditure	(598)	-	-	-	(211)	(809)	809	-	-	-	-	809	-
<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	(273)	(65)	-	-	-	(338)	-	-	-	-	338	338	-
<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	2520	287	-	-	-	2,807	-	-	(2,807)	-	-	(2,807)	-
<b>2g. Adjustments involving the Accumulated Absences Account</b>													
Net transfer to or from earmarked reserves required by legislation	(4,497)	(23)	-	-	-	(4,520)	-	-	-	4520	-	4,520	-



# FALKIRK COUNCIL

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

	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	-	-	-	-	-	-	3,826	(3,826)	-	-	-	-	-
<b>Total</b>	<b>(663)</b>	<b>17,165</b>	<b>(2,843)</b>	<b>-</b>	<b>(211)</b>	<b>13,448</b>	<b>(11,633)</b>	<b>(3,866)</b>	<b>(2,807)</b>	<b>4,520</b>	<b>338</b>	<b>(13,448)</b>	<b>-</b>
<b>3. Analysis of transfers to/from Other Statutory Reserves</b>													
Transfer to Insurance Fund	(213)	-	-	-	213	-	-	-	-	-	-	-	-
Transfer from Repairs and Renewals Fund	(1,856)	-	-	-	1856	-	-	-	-	-	-	-	-
Capital Receipts	1,598	-	(1,500)	(98)	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>(471)</b>	<b>-</b>	<b>(1,500)</b>	<b>(98)</b>	<b>2,069</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 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 Reserves	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 Reserves	Notes shown below
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Balance at 31 March 2010</b>	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	
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 (CFCR)	-	(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 and Devolved Management Reserve (DMR)</b>													
Use of the Repairs & Renewals Fund & DMR 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 Pension 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) £'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 Adjustment Account £'000	Total Unusable Reserves £'000	Total Reserves £'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 to Repairs and Renewals Fund	(715)	-	-	-	715	-	-	-	-	-	-	-	-
Capital Receipts	1,521		(1,521)	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>141</b>	<b>-</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>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**1. Analysis of General Fund Balance**

	<b>General (1) £'000</b>	<b>Housing (1) £'000</b>	<b>Devolved Schools (2) £'000</b>	<b>Economic Development (3) £'000</b>	<b>Central Energy Efficiency Fund (4) £'000</b>	<b>New Schools Project (5) £'000</b>	<b>Total £'000</b>
Balance at beginning of year	(11,330)	(6,392)	(7,390)	(915)	(339)	(10,350)	(36,716)
(Surplus)/Deficit for the year	4,482	-	-	-	-	-	4,482
Appropriation to General Fund	(15,608)	-	3,608	-	-	12,000	-
Appropriation from General Fund	6,899	(1,320)	(3,608)	(290)	(31)	(1,650)	-
Balance at end of year	(15,557)	(7,712)	(7,390)	(1,205)	(370)	-	(32,234)

- (1) The deficit of £4.482m 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, £3.4m of General Fund Reserve have been deployed in the year 2012/13. Housing Reserves of £2.6m have been deployed in 2012/13 with a further £3.3m earmarked 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.

**2. Exceptional Items**

Exceptional Items of £3.000m have been included in the Comprehensive Income and Expenditure Statement. The details of which are:-

- (i) The Council was granted consent to borrow £1.0m for equal pay claims, in 2011/12. In addition, the Council contributed a further £2.000m to the existing provision for equal pay claims. A further £1.784m was incurred in respect of equal pay claims and this was charged against the provision.

# FALKIRK COUNCIL

## 3.(a) Amounts Reported for Resource Allocation Decisions 2011/12

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 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 2011/12	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	(8,170)	(32,410)	(18,429)	(1,624)	(66,896)	(4,985)	-	(42,512)	(52,305)	-	(227,331)
<b>Total Income</b>	<b>(8,170)</b>	<b>(32,410)</b>	<b>(18,429)</b>	<b>(1,624)</b>	<b>(66,896)</b>	<b>(4,985)</b>	<b>-</b>	<b>(42,512)</b>	<b>(52,305)</b>	<b>-</b>	<b>(227,331)</b>
Employee Expenses	99,438	38,511	15,790	2,427	17,156	4,049	-	17,130	6,268	-	<b>200,769</b>
Property Expenses	12,653	2,499	3,999	1,164	2,330	188	-	357	23,736	-	<b>46,926</b>
Transport Expenses	3,047	1,096	685	39	8,071	-	-	3,991	32	-	<b>16,961</b>
Supplies & Services	12,632	3,009	5,679	1,317	4,960	1,355	-	8,263	3,441	-	<b>40,656</b>
Third Party Expenses	31,168	61,567	14,112	234	857	3,203	31,638	10,470	1,302	-	<b>154,551</b>
Transfer Payments	712	3,329	678	-	40,951	-	-	-	-	-	<b>45,670</b>
Support Costs	4,794	5,771	4,233	194	4,074	5,343	-	1,013	3,620	(857)	<b>28,185</b>
Capital Charges	12,619	2,433	6,080	3,255	2,433	79	-	148	12,586	(9,308)	<b>30,325</b>
Exceptional Item	-	-	-	-	-	3,000	-	-	-	-	<b>3,000</b>
<b>Total Expenditure</b>	<b>177,063</b>	<b>118,215</b>	<b>51,256</b>	<b>8,630</b>	<b>80,832</b>	<b>17,217</b>	<b>31,638</b>	<b>41,372</b>	<b>50,985</b>	<b>(10,165)</b>	<b>567,043</b>
<b>Net Expenditure</b>	<b>168,893</b>	<b>85,805</b>	<b>32,827</b>	<b>7,006</b>	<b>13,936</b>	<b>12,232</b>	<b>31,638</b>	<b>(1,140)</b>	<b>(1,320)</b>	<b>(10,165)</b>	<b>339,712</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		339,712
Net Expenditure of Services (Trading Accounts) not included in the net cost of services		1,310
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis		
• Pension Adjustments in accordance with IAS 19	2,441	
• Accumulated Absence Accrual	(4,497)	
• PPP Adjustments for Interest and Principal	(16,955)	
• Adjustments for Depreciation and Revaluation	19,516	
• Miscellaneous Adjustments	(36)	469
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement		
• Appropriation to Earmarked General Fund Reserves	(4,099)	
• Miscellaneous Adjustments	497	(3,602)
<b>Cost of Services</b>		<b>337,889</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 Service £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Income	(227,331)	42,533	371	3,156	27,336	-	(153,935)	(74,227)	(228,162)
Interest and investment income	-	-	-	-	-	-	-	(582)	(582)
Government grants and contributions	-	-	-	-	-	-	-	(302,208)	(302,208)
Income from council tax	-	-	-	-	-	-	-	(60,041)	(60,041)
<b>Total Income</b>	<b>(227,331)</b>	<b>42,533</b>	<b>371</b>	<b>3,156</b>	<b>27,336</b>	<b>-</b>	<b>(153,935)</b>	<b>(437,058)</b>	<b>(590,993)</b>
Employee Expenses	200,769	(17,135)	(4,072)	-	(7,264)	14,308	186,606	17,135	203,741
Property Expenses	46,926	(357)	(2,086)	-	(606)	1,431	45,308	357	45,665
Transport Expenses	16,961	(3,991)	-	-	(5,437)	37	7,570	3,991	11,561
Supplies & Services	40,656	(8,263)	(117)	(4,758)	(1,114)	2,030	28,434	8,263	36,697
Third Party Expenses	154,551	(10,470)	(17,229)	-	(2,270)	278	124,860	10,470	135,330
Transfer Payments	45,670	-	-	-	(54)	-	45,616	-	45,616
Support Service recharges	28,185	(874)	139	-	(9,227)	(18,084)	139	874	1,013
Depreciation, amortisation and impairment	30,325	(133)	21,463	-	(1,364)	-	50,291	133	50,424
Interest Payments	-	-	-	-	-	-	-	56,212	56,212
Exceptional Item	3,000	-	-	-	-	-	3,000	-	3,000
<b>Total Expenditure</b>	<b>567,043</b>	<b>(41,223)</b>	<b>(1,902)</b>	<b>(4,758)</b>	<b>(27,336)</b>	<b>-</b>	<b>491,824</b>	<b>97,435</b>	<b>589,259</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>339,712</b>	<b>1,310</b>	<b>(1,531)</b>	<b>(1,602)</b>	<b>-</b>	<b>-</b>	<b>337,889</b>	<b>(339,623)</b>	<b>(1,734)</b>

# FALKIRK COUNCIL

## 3(b). 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:

- 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 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 Accounts) 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)	
• PPP 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

	<b>Portfolio Analysis £'000</b>	<b>Not in net cost of Services £'000</b>	<b>Not reported to Management £'000</b>	<b>Not included in CIES £'000</b>	<b>Allocation of Recharges £'000</b>	<b>Allocation of Supp Service £'000</b>	<b>Net Cost of Services £'000</b>	<b>Corporate Amounts £'000</b>	<b>Total £'000</b>
Income	(239,524)	39,011	2,702	371	48,043	-	(149,397)	(67,956)	<b>(217,353)</b>
Interest and investment income	-	-	-	-	-	-	-	(478)	<b>(478)</b>
Government grants and contributions	-	-	-	-	-	-	-	(296,166)	<b>(296,166)</b>
Income from council tax	-	-	-	-	-	-	-	(59,643)	<b>(59,643)</b>
<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	<b>161,416</b>
Property Expenses	46,904	(391)	(668)	-	(823)	1,373	46,395	391	<b>46,786</b>
Transport Expenses	16,717	(3,957)	-	-	(5,194)	29	7,595	3,957	<b>11,552</b>
Supplies & Services	42,016	(7,460)	(53)	(4,388)	(1,411)	3,144	31,848	9,321	<b>41,169</b>
Third Party Expenses	141,722	(8,021)	(16,915)	-	(2,515)	274	114,545	8,021	<b>122,566</b>
Transfer Payments	43,258	-	-	-	(53)	-	43,205	-	<b>43,205</b>
Support Service recharges	48,852	(1,241)	102	-	(28,553)	(19,160)	-	-	<b>-</b>
Depreciation, amortisation and impairment	29,886	(143)	62,573	-	(1,201)	-	91,115	143	<b>91,258</b>
Interest Payments	-	-	-	-	-	-	-	58,748	<b>58,748</b>
Exceptional Item	3,629	-	-	-	-	-	3,629	-	<b>3,629</b>
<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>333,932</b>	<b>(327,243)</b>	<b>6,689</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**4. Related Party Transactions**

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

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

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

		Receipts £'000	Payments £'000
<b>Falkirk and District Business Park Ltd</b>	Income and expenses from rental of commercial premises	-	233
<b>Falkirk and District Town Centre Management Ltd</b>	Promotion of Town Centres	-	189
<b>Falkirk Council Pension Fund</b>	Charge for Support Services (Also see Note 9 – Defined Benefit Pension Schemes)	466	-
<b>Falkirk Community Stadium Ltd</b>	Repayment of expenses and Professional Fees	385	-
<b>Fairer Scotland Fund</b>	Contribution to project costs per funding agreements	-	567
<b>Family Centres</b>	Funding provided per Service Level Agreement	-	685
<b>Central Scotland Fire &amp; Rescue Service</b>	Contribution to running costs	-	7,811
<b>Central Scotland Police</b>	Contribution to running costs	-	13,671
<b>Central Scotland Valuation Joint Board</b>	Contribution to running costs	-	1,313
<b>Central Scotland Fire &amp; Rescue Service</b>	Charge for Support Services	147	-
<b>Falkirk Schools Gateway</b>	Contribution to operating costs	-	3,341
<b>Falkirk Community Trust</b>	Contribution to Community Trust	-	9,356

Amounts due to or from related parties were as follows:

2010/11			2011/12	
Amount Due From £'000	Amount Due to £'000		Amount Due From £'000	Amount Due To £'000
71	36	Joint Boards	52	25
1,309	16	Falkirk Community Stadium Ltd	1,314	2
-	-	Falkirk and District Town Centre Management Ltd	-	5
-	-	Helix Trust	658	110
-	-	Falkirk Community Trust	19	700
-	-	Fairer Falkirk Fund	-	19
-	-	Falkirk & District Women's Aid	-	62
20	-	Falkirk Schools Gateway	33	-

**5. External Audit Fee**

The agreed external audit fee for Falkirk Council for 2011/12 was £333,970 (£359,000 in 2010/11). A further £23,260 (£25,000 in 2010/11) 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**

**6.(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 2009/10 are based on UK Generally Accepted Accountancy Practices in line with the legislative requirements for that year. The figures for 2010/11 and 2011/12 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 31/03/10 £'000</b>	<b>Actual Year to 31/03/11 £'000</b>		<b>Actual Year to 31/03/12 £'000</b>	<b>3 Year Total £'000</b>
25,507	27,007	Turnover	31,458	83,972
24,070	26,878	Expenditure	30,645	81,593
1,437	129	Surplus per CIES	813	2,379
(56)	(59)	Interest	(66)	(181)
1,381	70	Surplus for Financial Return Purposes	747	2,198

The Building Maintenance Division is primarily responsible for providing a repairs and maintenance service for the Council's housing stock, which at 31 March 2012 amounted to 16,152 houses. The Division also includes a Joinery Manufacturing Unit which manufactures doors as part of the Council's Door Replacement Programme and is responsible for providing a repairs and maintenance service for the Council's operational and administrative buildings.

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

**ROADS MAINTENANCE  
TRADING ACCOUNT**

<b>Actual Year to 31/03/10 £'000</b>	<b>Actual Year to 31/03/11 £'000</b>		<b>Actual Year to 31/03/12 £'000</b>	<b>3 Year Total £'000</b>
10,517	12,022	Turnover	11,075	33,614
9,705	11,615	Expenditure	10,578	31,898
812	407	Surplus per CIES	497	1,716
(47)	(53)	Interest	(61)	(161)
765	354	Surplus for Financial Return Purposes	436	1,555

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 945.06 kilometres.

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

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**7. 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 2011/12 was £440,857 (£422,616 in 2010/11).

**8. Members Remuneration**

Remuneration paid to Members in 2011/12 was:

2010/11 £'000		2011/12 £'000
604	Salaries	601
12	Allowances (Mileage)	11
7	Expenses	2
623		614

The annual return of Councillors' salaries and expenses for 2011/12 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.

**9. 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 and is administered locally by the Council. The scheme is funded which means that the Council and the scheme members pay contributions into a fund, calculated at a level that is intended to balance the pensions liabilities with investment assets. The contribution rate for the majority of employees is between 5.5% and 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.

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

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

Participating employers include Clackmannanshire, Falkirk and Stirling Councils, Falkirk Community Trust, Central Scotland Police, Central Scotland Fire & 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 starting from 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

**NOTES TO THE CORE FINANCIAL STATEMENTS**

- 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 2011/12 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.

• **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. Annual reports in respect of the STSS (Scottish Teachers' Superannuation Scheme) are available from:

[http://www.sppa.gov.uk/index.php?option=com\\_content&view=article&id=323&Itemid=840](http://www.sppa.gov.uk/index.php?option=com_content&view=article&id=323&Itemid=840)

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

In addition to both of the schemes above, the Council has powers to grant additional benefits under Discretionary Payments Regulations relating to teaching and non-teaching employees. 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. These benefits have been accounted for on a defined benefit basis.

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 2012 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>31/03/11</b>	<b>31/03/12</b>
	<b>£'000</b>	<b>£'000</b>
Current Service Cost	20,720	18,170
Interest Cost	35,624	33,651
Expected Return on Employer Assets	(28,796)	(30,370)
Past Service Costs/(Gains)	(54,323)	2,441
Losses/(Gains) on Curtailments and Settlements	-	-
<b>Total</b>	<b>(26,775)</b>	<b>23,892</b>



**NOTES TO THE CORE FINANCIAL STATEMENTS**

**Reconciliation of defined benefit obligation**

<b>Year Ended:</b>	<b>31/03/11</b>	<b>31/03/12</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening Defined Benefit Obligation</b>	<b>684,982</b>	<b>610,887</b>
Current Service Cost	20,720	18,170
Interest Cost	35,624	33,651
Contributions by Members	5,824	5,765
Actuarial Losses/(Gains)	(63,871)	32,782
Past Service Costs/(Gains)	(54,323)	2,441
Estimated Unfunded Benefits Paid	(3,335)	(2,817)
Estimated Benefits Paid	(14,734)	(21,631)
<b>Closing Defined Benefit Obligation</b>	<b>610,887</b>	<b>679,248</b>

**Reconciliation of fair value of employer assets**

<b>Year Ended:</b>	<b>31/03/11</b>	<b>31/03/12</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening Fair Value of Employer Assets</b>	<b>395,729</b>	<b>439,018</b>
Expected Return on Assets	28,796	30,370
Contributions by Members	5,824	5,765
Contributions by the Employer	17,558	18,268
Contributions in respect of Unfunded Benefits	3,335	2,817
Actuarial Gains/(Losses)	5,845	(7,052)
Estimated Unfunded Benefits Paid	(3,335)	(2,817)
Estimated Benefits Paid	(14,734)	(21,631)
<b>Closing Fair Value of Employer Assets</b>	<b>439,018</b>	<b>464,738</b>

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

<b>Year Ended:</b>	<b>31/03/08</b>	<b>31/03/09</b>	<b>31/03/10</b>	<b>31/03/11</b>	<b>31/03/12</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fair Value of Employer Assets	364,555	286,577	395,729	439,018	464,738
Present Value of Defined Benefit Obligation	(423,666)	(410,684)	(684,982)	(610,887)	(679,248)
Surplus/(Deficit)	(59,111)	(124,107)	(289,253)	(171,869)	(214,510)
Experience Gains/(Losses) on Assets	(36,383)	(110,957)	81,272	5,845	(7,052)
Experience Gains/(Losses) on Liabilities	2,988	2,378	(2,223)	4,028	(14,521)
Experience Gains/(Losses) as % of Schemes Assets	(9.98)%	(38.72)%	20.54%	1.33%	(1.52)%
Experience Gains/(Losses) as % of Schemes Liability	(0.71)%	(0.58)%	0.32%	(0.66)%	2.14%

**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 2012 are as follows:

	<b>31/03/11</b>	<b>31/03/12</b>
	<b>£'000</b>	<b>£'000</b>
Net asset/(liability)	(171,869)	(214,510)

The net liability above includes the sum of £46.8m for year ended 31 March 2012 (£38.8m for 31 March 2011) being unfunded liabilities related to the award of discretionary benefits.

Liabilities have been assessed on an actuarial basis using the projected unit credit 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 increase in IAS19 liabilities as at 31 March 2012 compared with the liabilities as at 31 March 2011. This is principally due to the fact that the financial assumptions at 31 March 2012 are less favourable than they were at 31 March 2011. The expected return on assets has reduced by 1.2% compared to 31 March 2011 reflecting the continuing challenging investment environment and the discount rate has also reduced by 0.7% to 4.8% which leads to a higher value being placed on the funds liabilities. Both of these factors have increased the fund's deficit.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

The salary increase assumption has reduced this year to reflect the extension to the public sector pay restrictions announced in the Chancellor's Statement in November, 2011 until 2015 compared to 2013 end date assumed last year. This change has led to a reduction in the value of active members' liabilities.

In summary, the IAS19 balance sheet this year has deteriorated from last year with IAS19 liabilities increasing in monetary terms reflecting market conditions.

<b><u>Fair Value of employer assets</u></b>		
<b>Year Ended:</b>	<b>31/03/11</b>	<b>31/03/12</b>
	<b>£'000</b>	<b>£'000</b>
Equities	333,654	367,143
Bonds	57,072	32,532
Property	35,121	37,179
Cash	13,171	27,884
<b>Total</b>	<b>439,018</b>	<b>464,738</b>

The main assumptions used in the calculations have been: -

**Financial assumptions**

<b>Year Ended:</b>	<b>31/03/11</b>	<b>31/03/12</b>
	<b>% p.a.</b>	<b>% p.a.</b>
Inflation/Pension Increase Rate	2.8	2.5
Salary Increase Rate	5.1	4.8
Expected Return on Assets	6.9	5.7
Discount Rate	5.5	4.8

**Return on Assets**

The assets held by the Pensions Fund are primarily a mixture of equities, bonds and property. Following discussions with our actuary, an expected rate of return has been derived by considering the likely return on each of the asset classes. The return on bonds is assumed to be in line with market redemption yields whilst the return on equities and property have been derived from our actuary's proprietary asset model.

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

<b>Year Ended:</b>	<b>31/03/11</b>	<b>31/03/12</b>
	<b>% p.a.</b>	<b>% p.a.</b>
Equities	7.5	6.2
Bonds	4.9	3.7
Property	5.5	4.4
Cash	4.6	3.5

**Demographic assumptions**

**Mortality**

Life expectancy is based on the PXA92 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	23.0 years	25.8 years
Future Pensioners	24.9 years	27.7 years

Current pensioners life expectancy shown is based on age 65 as at formal valuation, i.e. Year of Birth 1946. Future pensioners are assumed to be age 45 as at the last formal valuation in 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 2008 service and 75% for post-April 2008 service.

**Projected pension expense for the year to 31 March 2013**

The following table sets out the estimation of the pension cost for 2012/13, based on the assumptions as at 31 March 2012 (the start of the period).

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**Analysis of projected amount to be charged to operating profit for the year to 31 March 2013**

<b>Year Ended:</b>	<b>£'000</b>
Projected Current Service Cost	19,308
Interest on Obligation	32,614
Expected Return on Plan Assets	(26,546)
Past Service Cost	-
<b>Total</b>	<b>25,376</b>

The estimated Employer's contributions for the year to 31 March 2013 will be approximately £18.107m.

**Teachers' Pension Scheme**

During the year, the Council paid £8.723m (£8.804m in 2010/11) to the Scottish Government in respect of teachers' pension costs. This represents 14.9% of teachers' pensionable pay (14.9% in 2010/11).

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 2011/12, these amounted to £1.046 million, representing 1.79% of pensionable pay (£1.101 million, representing 1.86% of pensionable pay in 2010/11).

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

**10. 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 2011</b></u> <u><b>£'000</b></u>	<u><b>31 March 2012</b></u> <u><b>£'000</b></u>
Finance lease liabilities (net present value of minimum lease payments):		
• Current	1,462	1,193
• Non-Current	2,196	1,003
Finance costs payable in future years	148	61
Minimum lease payments	<u>3,806</u>	<u>2,257</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 2011</b></u> <u><b>£'000</b></u>	<u><b>31 March 2012</b></u> <u><b>£'000</b></u>	<u><b>31 March 2011</b></u> <u><b>£'000</b></u>	<u><b>31 March 2012</b></u> <u><b>£'000</b></u>
Not later than one year	1,549	1,230	1,462	1,193
Later than one year and not later than 5 years	2,257	1,027	2,196	1,003
Later than five years	-	-	-	-
<b>TOTAL</b>	<u>3,806</u>	<u>2,257</u>	<u>3,658</u>	<u>2,196</u>

There are no contingent rentals on these leases.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

(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:

	<b>31 March 2011</b>	<b>31 March 2012</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	2,276	2,469
Later than one year and not later than 5 years	8,491	9,917
Later than five years	4,938	3,465
<b>TOTAL</b>	<b>15,705</b>	<b>15,851</b>

The total of future minimum sub-lease payments expected to be received as at 31 March 2012 is £2.782m (£2.409m as at 31 March 2011).

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

	<b>31 March 2011</b>	<b>31 March 2012</b>
	<b>£'000</b>	<b>£'000</b>
Minimum lease payments	2,273	2,382
Contingent rents	54	38
(Sub-lease payments receivable)	(647)	(932)
<b>TOTAL</b>	<b>1,680</b>	<b>1,488</b>

**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 16 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:

	<b>31 March 2011</b>	<b>31 March 2012</b>
	<b>£'000</b>	<b>£'000</b>
Finance lease debtor (net present value of minimum lease payments);		
• Current	31	33
• Non-Current	1,027	994
Unearned finance income	771	697
Unguaranteed residual value of property	-	-
<b>Gross investment in the lease</b>	<b>1,829</b>	<b>1,724</b>

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

	<b>Gross Investment in the Lease</b>		<b>Minimum Lease Payments</b>	
	<b>31 March 2011</b>	<b>31 March 2012</b>	<b>31 March 2011</b>	<b>31 March 2012</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Not later than one year	105	105	31	33
Later than one year and not later than 5 years	528	528	194	210
Later than five years	1,196	1,091	833	784
<b>TOTAL</b>	<b>1,829</b>	<b>1,724</b>	<b>1,058</b>	<b>1,027</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

(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 2011</u>	<u>31 March 2012</u>
	<u>£'000</u>	<u>£'000</u>
Not later than one year	4,509	4,652
Later than one year and not later than five years	11,311	12,233
Later than five years	30,775	29,931
<b>TOTAL</b>	<b>46,595</b>	<b>46,816</b>

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 2011/12 £0.038m contingent rents were receivable by the Council (2010/11 £0.054m).

**11. 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>Internally Generated Assets</u>	<u>Other Assets</u>
3 years	-	Benefit & Rates Software
3 years	-	Remote Access Software
3 years	-	Application Server Software
5 years	-	Server Consolidation Software

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.079m was charged to revenue in 2011/12.

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

	<u>2010/11 Other Assets £'000</u>	<u>2011/12 Other Assets £'000</u>
Balance at start of year:		
• Gross carrying amounts	514	514
• Accumulated amortization	(323)	(435)
Net carrying amount at start of year	191	79
Additions:		
• Internal development	-	-
• Purchases	-	38
Amortisation for the period	(112)	(79)
Net carrying amount at end of year	79	38
Comprising:		
• Gross carrying amounts	514	552
• Accumulated amortization	(435)	(514)
	79	38

**NOTES TO THE CORE FINANCIAL STATEMENTS**

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

	Carrying Amount		Remaining Amortisation Period
	31 March 2011 £000	31 March 2012 £000	
Server Consolidation	-	38	5 years

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

**12. Impairment Losses**

The Council's Social Work Land and Building assets were revalued as at 1 April 2011, together with some other assets mainly within Education and Community Services. In addition, impairment for non-enhancing capital expenditure was also accounted for in 2011/12. The overall impairment was £31.606m, of which £0.079m was written out to the Revaluation Reserve and £31.685m to the Provision of Services in the Comprehensive Income and Expenditure Statement.

**13. Capitalisation of Borrowing Costs**

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

	Consent Granted £'000	Costs Capitalised £'000
Equal Pay Costs	1,000	1,000

# FALKIRK COUNCIL

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14.(a) Property, Plant & Equipment Movements in 2011/12

	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 2011	84,822	703,428	20,699	101,999	2,910	7,210	28,440	949,508
Additions	27,359	5,015	2,303	5,650	-	10,661	-	50,988
Revaluations:-								
<input type="checkbox"/> Recognised in Revaluation Reserve	-	2,697	-	-	-	-	18	2,715
<input type="checkbox"/> Recognised in Provision of Services	-	663	-	-	-	-	-	663
De-recognition:-								
<input type="checkbox"/> Disposals	(202)	(561)	(1,327)	-	-	-	-	(2,090)
Assets reclassified to/from Held for Sale	-	(314)	-	-	-	-	(26)	(340)
Other Movements in Cost or Valuation	-	923	-	-	-	(923)	-	-
As at 31 March 2012	111,979	711,851	21,675	107,649	2,910	16,948	28,432	1,001,444
<u>Accumulated Depreciation and Impairment</u>								
As at 1 April 2011	30,626	149,665	9,526	20,632	1,092	13	19,157	230,711
Depreciation:								
<input type="checkbox"/> Charge for Year	-	15,820	2,869	3,233	66	-	-	21,988
Impairment:								
<input type="checkbox"/> Written Out to Revaluation Reserve	-	2,377	-	-	-	-	275	2,652
<input type="checkbox"/> Written Out to Provision of Services	26,972	5,312	-	-	-	-	-	32,284
De-recognition:-								
<input type="checkbox"/> Disposals	-	(161)	(1,024)	-	-	-	-	(1,185)
As at 31 March 2012	57,598	173,013	11,371	23,865	1,158	13	19,432	286,450
Net Book Value								
31 March 2011	54,196	553,763	11,173	81,367	1,818	7,197	9,283	718,797
31 March 2012	54,381	538,838	10,304	83,784	1,752	16,935	9,000	714,994

### Note

The net book value of Council Dwelling at 31 March 2012 and 31 March 2011, includes the valuation of windows within the housing stock which were acquired by a finance lease (see note 10a).

# FALKIRK COUNCIL

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14.(b) 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	102,164	692,935	17,816	94,194	2,610	4,947	24,916	939,582
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	84,822	703,428	20,699	101,999	2,910	7,210	28,440	949,508
<u>Accumulated Depreciation and Impairment</u>								
As at 1 April 2010	13,855	120,337	7,298	17,659	1,026	-	-	160,175
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	30,626	149,665	9,526	20,632	1,092	13	19,157	230,711
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

#### Note

The net book value of Council Dwelling at 31 March 2011 and 31 March 2010, includes the valuation of windows within the housing stock which were acquired by a finance lease (see note 10a).



**NOTES TO THE CORE FINANCIAL STATEMENTS****15.(a) Heritage Assets**

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

Falkirk Council holds 6 different categories of Heritage Assets. The first 4 categories are as follows:

- Museums Collection
- Archives Collection
- Art Collection
- Libraries Local History Collection

All of the above Heritage Assets are held by Falkirk Community Trust on behalf of the Council and are held within the local museums and libraries in support of the primary cultural objective i.e. increasing the knowledge, understanding and appreciation of Falkirk's history and local area.

The remaining 2 categories are:-

- Civic Regalia
- War Memorials & Town Clocks

Falkirk Council's collections of Heritage Assets are accounted for as follows:-

**Museums Collection & Arts Collection**

The Council holds over 35,500 museum items recorded in the museums collections management database including archaeological items, industry related objects, natural history, costume and religion related items.

There are a number of items of particular significance:-

The Council's Roman Collection is considered to be third best in the country

The Council's collection of Communion tokens is also among the best in the country

John Baird Television transmitter c.1926

The visual arts collection currently consists of documentary views and portraits connected with the locality. Contemporary art works, sculptures and design by established and emerging artists with connections to the area are also included.

The museum objects are currently being inventoried and it is hoped to repack the full collection and complete a full condition inventory next year when further staff resources are available.

The authority does not consider that reliable cost or valuation information can be obtained for the items held in the collection. This is because of the nature of the assets held and lack of comparable market values. Consequently the authority does not recognise these assets on the balance sheet.

**Archives Collection**

There are currently 1483 linear metres and 29.5GB of archives collection which encompass records of local authorities, local businesses and industries, local organisations and memorabilia of private individuals and families. There is an extensive photographic archive of approximately 43,000 items relating to most aspects of life within the district. All the collections are of historical and evidential value but there are a number of collections of particular historical value. These include:-

- Records of the Church of Scotland Presbytery of Falkirk 1617-2003 which are held under the charge and superintendence of National Records of Scotland
- The Forbes and Callendar papers 1531 – 1974
- The Russell & Aitken papers 1493 – 1967

Access to the Archives collection is described in the Archives Access Statement of Practice. A self-assessment Benchmarks in Collections Care survey is undertaken every 3 years to form an Archives Preservation Strategy and Digital Preservation Strategy. There is a Collections Development Policy underway.

Most of these items were, when originally purchased, of small monetary value, albeit important historical value. The authority therefore considers that the cost of obtaining valuations for this collection are disproportionate in terms of the benefits to the users of the Authority's financial statements. Therefore this collection of Heritage Assets is not held on the Balance Sheet.

**Libraries Local History Collection**

The libraries local history collection is vast and contains items such as:-

**NOTES TO THE CORE FINANCIAL STATEMENTS**

- Falkirk Newspapers – various original Falkirk newspapers from 1845 onwards, original bound volumes and microfilms.
- Pre Ordnance survey maps (e.g Stirlingshire 1817, Falkirk 1832 plus street plans c.1890/1900)
- Miscellaneous plans, prints, paintings and drawings
- Films on reels (for example Bo'ness Fair films)
- Robert Dollar letters which have been encapsulated to protect them
- Aeneas MacKay Collection, a Stirling publisher
- First World War DCM awarded to a local man Private James MacIntosh and his mentioned in despatch letter signed by Winston Churchill.

Most of these items were either donated, or, when originally purchased, of small monetary value, albeit important historical value. The authority therefore considers that the cost of obtaining valuations for this collection are disproportionate in terms of the benefits to the users of the Authority's financial statements. Therefore this collection of Heritage Assets is not held on the Balance Sheet.

**War Memorials and Town Clocks**

The authority holds 15 War Memorials and 12 Town Clocks at various locations throughout the authority area.

The authority does not consider that reliable cost or valuation information can be obtained for these items. This is because of the nature of the assets held and lack of comparable market values. Consequently the authority does not recognise these assets on the Balance Sheet.

**Civic Regalia**

The authority holds various items of Civic Regalia such as the Provost's chain. These items are reported in the Balance Sheet at insurance valuation which is based on market values. The valuation was carried out by Lyon and Turnbull, a firm of auctioneers who specialise in the valuation of Fine Arts and Antiques. The carrying amount of these items is reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the authority's general policies on impairment.

**15.(b) The movement on the Civic Regalia category of Heritage Assets is as follows:-**

	<b>2010/11 Civic Regalia £'000</b>	<b>2011/12 Civic Regalia £'000</b>
Cost or Valuation as at 1 April 2011	-	-
Additions	-	-
Revaluations:-		
<input type="checkbox"/> Recognised in Revaluation Reserve	-	211
<input type="checkbox"/> Recognised in Provision of Services	-	-
De-recognition:-		
<input type="checkbox"/> Disposals	-	-
Assets reclassified to/from Held for Sale	-	-
Other Movements in Cost or Valuation	-	-
As at 31 March 2012	-	211
<u>Accumulated Depreciation and Impairment</u>		
As at 1 April 2011	-	-
Depreciation:		
<input type="checkbox"/> Charge for Year	-	-
Impairment:		
<input type="checkbox"/> Written Out to Revaluation Reserve	-	-
<input type="checkbox"/> Written Out to Provision of Services	-	-
De-recognition:-		
<input type="checkbox"/> Disposals	-	-
As at 31 March 2012	-	-
Net Book Value 31 March 2012	-	211

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

**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 2011 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>2010/11</b>		<b>2011/12</b>	
16,103	Council Dwellings	16,152	30 years
20	Other Land & Buildings	32	n/a years
10	Surface Car Parks	10	12-22 years
2	Depots	2	13-28 years
11	Strategic Business Parks	11	17-27 years
49	Nursery Schools/Day Nurseries	49	13-44 years
8	Primary Schools	8	37-39 years
4	Secondary Schools	4	20-40 years
6	Special Schools	6	25-40 years
11	Homes for the Elderly	11	11-41 years
8	Sports Centres	8	11-47 years
3	Libraries	3	16-96 years
3	Museums	3	16-26 years
35	Town Halls	35	11-36 years
1	Community Halls/Social Halls	1	16 years
171	Crematorium	183	
279	Community Assets	76	
751	Non-Operational Properties	693	23-37 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 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.

Land and Buildings owned by Social Work have been valued as at 1 April 2011 and were valued on the basis of open market value for existing use. A small number of Land & Buildings assets which were completed in 2010/11 have been revalued at 1 April 2011 and were valued on the basis of depreciated replacement cost. These assets are owned by Education Services & Community Services.

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 2012 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £20.9m. Similar commitments at 31 March 2011 were £21.2m. The major commitments are:-

Helix	£5.6m
Glenbervie Slip Road	£2.3m
St Bernadettes Primary School	£1.6m
High Rise Flats	£1.8m
New Build Housing	£2.1m
External Fabric Improvements	£1.6m

(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>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>	<u>2010/11</u> <u>£'000</u>	<u>2011/12</u> <u>£'000</u>
<b>Balance at start of year</b>	225	390	-	507
Assets newly classified as held for sale:	301	340	178	-
Revaluation losses	(4)	(91)	-	(114)
Revaluation gains	219	157	-	-
Assets sold	(22)	(320)	-	(114)
Transfers from/to non-current/current	(329)	-	329	-
<b>Balance outstanding at year-end</b>	390	476	507	279

**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>2010/11</b></u> <u><b>£'000</b></u>	<u><b>2011/12</b></u> <u><b>£'000</b></u>
Opening Capital Financing Requirement	395,537	385,855
<u>Capital Investment</u>		
Property, Plant and Equipment	38,342	50,680
Intangible Assets	-	38
Revenue Expenditure Funded from Capital under Statute	5,010	1,903
<u>Sources of finance</u>		
Capital receipts	(3,696)	(2,543)
Government grants and other contributions	(14,435)	(23,250)
Sums set aside from revenue:		
Direct revenue contributions	(1,955)	(1,755)
MRP/loans fund principal	(32,948)	(33,914)
Closing Capital Financing Requirement	385,855	377,014
<u>Explanation of movements in year</u>		
Increase in underlying need to borrow (unsupported by government financial assistance)	6,646	7,936
Assets acquired under finance leases	(2,024)	(1,462)
Assets acquired under PFI/PPP contracts	(14,304)	(15,315)
Increase/(decrease) in Capital Financing Requirement	(9,682)	(8,841)

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**19. PFI Schemes and Similar Contracts**

	Class 98 £'000	Falkirk Schools Gateway Ltd £'000	2011/12 £'000	
(a) <u>Movement in Assets</u>				
Balance as at 1 April 2011	99,638	116,556	216,194	
Net Additions during year	-	-	-	
Revaluation	-	-	-	
Depreciation	(2,465)	(2,833)	(5,298)	
Net Book Value 31 March 2012	97,173	113,723	210,896	
(b) <u>Movement in Liabilities</u>				
Balance as at 1 April 2011	50,545	100,462	151,007	
Additions during year	-	-	-	
Repaid during year	(1,648)	(13,578)	(15,226)	
Balance as at 31 March 2012	48,897	86,884	135,781	
of which				
Current	2,502	2,038	4,540	
Long Term	46,395	84,846	131,241	
	48,897	86,884	135,781	
	Service Charges £'000	Interest £'000	Finance Lease Repayment £'000	2011/12 £'000
(c) <u>Estimated Future Unitary Payment Obligations</u>				
<u>Basic Annual Payments – Class 98</u>				
Within one year	2,722	7,797	2,502	13,021
In the second to fifth years inclusive	16,673	27,421	8,724	52,818
In the sixth to tenth years inclusive	19,598	29,795	18,328	67,721
In the eleventh to fifteenth years inclusive	10,124	16,129	19,343	45,596
	49,117	81,142	48,897	179,156

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>2011/12 £'000</b>
<u>Basic Annual Payments – Falkirk Schools Gateway Ltd</u>				
Within one year	3,425	5,978	2,038	11,441
In the second to fifth years inclusive	15,835	24,566	8,296	48,697
In the sixth to tenth years inclusive	22,809	32,284	12,947	68,040
In the eleventh to fifteenth years inclusive	31,699	32,433	12,848	76,980
In the sixteenth to twentieth years inclusive	39,333	32,853	14,911	87,097
In the twenty first to twenty fifth years inclusive	42,791	35,255	20,496	98,542
In the twenty sixth to twenty ninth year inclusive	15,092	19,940	15,348	50,380
	170,984	183,309	86,884	441,177

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. Following an application by the purchaser for judicial review of the third party determination, the outcome of the determination was subsequently upheld by the Court, however this decision is subject to appeal by the purchaser. There accordingly remains 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 2012, this totalled £50m (£54m as at March 2011).
- (iii) Note 25 includes provision of £5.216m 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.
- (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.
- (v) Falkirk Community Trust is a member of the Falkirk Pension Fund, a Local Government Pension Scheme, which is a defined benefit scheme and provides benefits based on final pensionable pay. As part of the Admission Agreement to the Scheme both Falkirk Community Trust and Falkirk Council agreed that assets of the Pension Fund in respect of Trust employees and former employees shall, at all times, be notionally allocated to Falkirk Council and the liabilities of the Pension Fund shall, at all times, be the responsibility of Falkirk Council and not Falkirk Community Trust. At this stage, it has not been possible to quantify this potential liability as no separate valuation was undertaken.

**21. Net Assets**

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

2010/11 £'000		2011/12 £'000
174,703	General Fund	149,735
30,706	Housing Revenue Account	19,840
205,409		169,575

**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 £5.846m to Central Scotland Joint Fire & Rescue Board to finance the Board's debt (2010/11 £6.200m).

**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 2012 was as follows:-

<b>2010/11</b>		<b>2011/12</b>
<b>£'000</b>	<b>BORROWING REPAYABLE ON DEMAND OR WITHIN 12 MONTHS</b>	<b>£'000</b>
10,600	Temporary Borrowing	20,100
534	Other Loans	582
11,134		20,682
2,132	Accrued Interest	2,277
13,266	Total	22,959
	<b>LONG TERM</b>	
121,630	Public Works Loan Board	101,630
581	European Investment Bank	-
26,000	Market Bonds	26,000
148,211		127,630
1,711	Accrued Interest	1,681
149,922	Total	129,311

**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 2012 is £3.896m. (£3.683m as at 31 March 2011).

**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 and the actual cost of these claims is unknown at this time. Provision for these costs at 1 April 2011 was £5.000m and costs of £1.784m were charged against this. The Council contributed a further £2.000m to the provision during the year which resulted in a closing balance of £5.216m at 31 March 2012.

**26. Long-Term Debtors**

	<b>Balance</b>	<b>Advanced</b>	<b>Repaid</b>	<b>Balance</b>
	<b>01/04/11</b>	<b>2011/12</b>	<b>2011/12</b>	<b>31/03/12</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Northfield Quarry	1,058	-	(31)	1,027
Falkirk Community Stadium Ltd	1,011	-	-	1,011
Loan Arrears	5	-	-	5
Housing Loans	66	-	(19)	47
Car Loans	98	112	(113)	97
<b>Total</b>	<b>2,238</b>	<b>112</b>	<b>(163)</b>	<b>2,187</b>



**NOTES TO THE CORE FINANCIAL STATEMENTS**

**27.(a) Inventories**

An analysis of stocks as at 31 March 2012 is shown below with the basis of valuation:-

	2011/12 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	340	1,801	-	(1,791)	350	average cost
Transport	49	1,823	-	(1,780)	92	average cost
Cleansing	84	195	-	(215)	64	lower of cost and net realisable value
Grounds Maintenance	59	70	-	(73)	56	lower of cost and net realisable value
Catering	63	1,317	-	(1,330)	50	average cost
Street Lighting	45	19	-	(42)	22	average cost
Sign Factory	91	105	(6)	(101)	89	lower of cost and net realisable value
Pest Control	10	22	-	(20)	12	lower of cost and net realisable value
Road Salt	-	271	-	(142)	129	Latest invoice price
<b><u>Community Services</u></b>						
Leisure Facilities	34	-	-	(34)	-	lower of cost and net realisable value/latest invoice price
Museums	18	-	-	(18)	-	lower of cost and net realisable value/latest invoice price
Parks	1	-	-	(1)	-	latest invoice price
<b><u>Development Services</u></b>						
Strategic Waste	48	278	-	(290)	36	latest invoice price
<b><u>Housing</u></b>	6	-	-	(3)	3	latest invoice price
<b><u>Central Support Services</u></b>	13	192	-	(189)	16	latest invoice price
<b>TOTAL STOCKS</b>	<b>861</b>	<b>6,093</b>	<b>(6)</b>	<b>(6,029)</b>	<b>919</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	11	4	-	(11)	4	
<b>TOTAL WORK IN PROGRESS</b>	<b>11</b>	<b>4</b>	<b>-</b>	<b>(11)</b>	<b>4</b>	
<b>TOTAL STOCKS &amp; WORK IN PROGRESS</b>	<b>872</b>	<b>6,097</b>	<b>(6)</b>	<b>(6,040)</b>	<b>923</b>	

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**27.(b) 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	average cost
Transport	59	1,547	-	(1,557)	49	average cost
Cleansing	75	137	-	(128)	84	lower of cost and net realisable value
Grounds Maintenance	60	78	-	(79)	59	lower of cost and net realisable value
Catering	63	1,433	-	(1,433)	63	average cost
Street Lighting	44	12	-	(11)	45	average cost
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**

**28. Construction Contracts**

As at 31 March 2012, the Council had several construction contracts in progress. The value of work completed at 31 March 2012 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 2012.

**29. Debtors**

	<b>2010/11</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
Central government bodies	3,383	3,546
Other local authorities	1,025	199
NHS Bodies	1,036	1,401
Public corporations and trading funds	45	39
Other entities and individuals	22,653	26,368
Falkirk Community Trust	-	17
	28,142	31,570
Provision for Bad Debts	(11,810)	(13,011)
<b>Total Debtors</b>	<b>16,332</b>	<b>18,559</b>

**30. Creditors**

	<b>2010/11</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
Central government bodies	10,960	15,071
Other local authorities	111	654
NHS Bodies	131	847
Public corporations and trading funds	297	500
Other entities and individuals	78,681	49,442
Falkirk Community Trust	-	617
<b>Total Creditors</b>	<b>90,180</b>	<b>67,131</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**31. Trust & Third Party Funds**

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

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

**(i) Funds for which the Council Acts as Sole Trustee**

Provost's Fund for Necessitous Poor (£53,927) - to provide donations to residents of the former Burgh of Falkirk at the sole discretion of the Provost.

Shank's Bequest (£27,036) - to provide donations to the needy of Denny.

Grangemouth Childrens' Day Committee (£22,543) - to provide a donation to the annual cost of the Grangemouth Childrens' Day.

Candyend Trust (£70,066) - to provide donations to specific organisations assisting the elderly in the Muiravonside area.

Alexander Douglas King Bequest (£31,773) – new bequest for the promotion and advancement of education of art at Bo'ness Academy.

**(ii) Funds for what the Council is not Sole Trustee**

Scottish Veterans' Garden City Association (SVGCA) (£55,453) - to manage the Association's housing in the Falkirk Council area. The Council's main role is to manage the properties including collection of rental and undertake repairs on behalf of the Association.

Odenwald Trust (£27,361) - to foster twinning exchanges between the Council and the Odenwald region in Germany. The Fund is managed by the three successor Councils of Central Regional Council who previously administered it. Each of the Council's from Stirling, Falkirk and Clackmannanshire have appointed one Trustee along with one appointed from the Odenwald Association.

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>Income and Expenditure Account</b>		
<b>2010/11</b>		<b>2011/12</b>
<b>£'000</b>		<b>£'000</b>
	<b>Income</b>	
(5)	Investment Income	(6)
	<b>Expenditure</b>	
18	Awards and Other Expenses	6
13	<b>(Surplus)/Deficit for the Year</b>	-
<b>Balance Sheet</b>		
	<b>Fixed Assets</b>	
6	External Investments	6
364	Internal Investments	364
370	<b>Net Assets</b>	370
(383)	Fund Balance at 1 April 2011	(370)
13	(Surplus)/Deficit for Year	-
(370)	<b>Fund Balance at 31 March 2012</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>2010/11</b>		<b>2011/12</b>
<b>£'000</b>		<b>£'000</b>
	<u>Credited to Services</u>	
2,773	Criminal Justice	3,415
497	Council Tax DWP Subsidy	455
38,203	Housing DWP Subsidy	41,340
554	Education Maintenance Allowances	509
501	Determined to Succeed	-
621	Improvement Repair Grant	390
663	Hostels Grant	545
2,087	Other Grants	1,897
<u>45,899</u>		<u>48,551</u>
<b>2010/11</b>		<b>2011/12</b>
<b>£'000</b>		<b>£'000</b>
	<u>Credited to Taxation and Non-Specific Grant Income</u>	
6,292	Scottish Government – General Capital Grant	11,897
267	Scottish Government – Specific Capital Grants	219
2,314	Scottish Government – Other Grants	6,535
434	Other Grants	175
1,811	Developers Contributions	11
1,936	Other Contributions	2,162
<u>13,054</u>		<u>20,999</u>
<b>2010/11</b>		<b>2011/12</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:	
1,146	Scottish Government	1,620
1,329	Developers Contributions	1,758
51	Other Contributions	556
<u>2,526</u>		<u>3,934</u>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

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

	<b>2010/11 £'000</b>	<b>2011/12 £'000</b>
De-recognition of Premiums from Debt Restructuring	5,678	5,362
Annual Amortisation	(316)	(316)
	<u>5,362</u>	<u>5,046</u>
De-recognition of Discounts from Debt Restructuring	(288)	(281)
Annual Amortisation	7	7
	<u>(281)</u>	<u>(274)</u>
Re-measurement of Market LOBO's	1,999	1,975
Annual Amortisation	(24)	(28)
	<u>1,975</u>	<u>1,947</u>
	<u>7,056</u>	<u>6,719</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>31/03/11 £'000</b>	<b>31/03/12 £'000</b>	<b>31/03/11 £'000</b>	<b>31/03/12 £'000</b>
Financial liabilities (principal amount)	148,211	127,630	11,134	20,682
Financial liabilities at amortised cost	149,922	129,311	13,266	22,959
Loans and receivables (principal amount)	-	-	10,352	101
Loans and receivables at amortised cost	-	-	10,355	102
Unquoted investments at cost	9,340	9,340	-	-

The Council does not have any soft loans.

**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	(8,743)	-	(8,743)
Interest Income	-	582	582
Net gain/(loss) for the year	(8,743)	582	(8,161)

**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:

	31/03/11		31/03/12	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
PWLB debt	123,485	163,726	123,637	183,823
Non-PWLB debt	39,438	41,943	28,366	29,071
Total debt	162,923	205,669	152,003	212,894
Trade creditors	5,621	5,621	5,515	5,515
Total Financial Liabilities	168,544	211,290	157,518	218,409

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.

	31/03/11		31/03/12	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Money market deposits < 1 year	10,355	10,355	102	102
Long-Term Investments	9,340	9,340	9,340	9,340
Trade debtors	8,112	8,112	8,204	8,204
Loans and receivables	-	-	-	-
Total Loans and Receivables	27,807	27,807	17,646	17,646

**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 2011/12 – 2013/14, incorporating the suite of prudential indicators (09/02/11) and the Annual Treasury Management Strategy 2011/12 (08/03/11) were approved by Council prior to the start of the financial year and are available on the Council website. The key 2011/12 controls and treasury issues arising were:-

- The Authorised Limit for 2011/12 was set at £335m. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary for 2011/12 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 £10.3m.

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 31/03/12	Historical experience of default	Adjustment for market conditions at 31/03/12	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	101	0.03	0.03	-
A rated counterparties	-	0.08	0.08	-
Trade debtors	8,204	5.00	5.00	410
	<u>8,305</u>			<u>410</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 £8.2m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£'000
Less than 30 days	1,043
31 – 60 days	308
61 – 90 days	67
More than 91 days	3,848
	<u>5,266</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 2012 was £0.5m.

**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>31/03/11</b>	<b>31/03/12</b>
	<b>£'000</b>	<b>£'000</b>
Less than one year	10,352	101

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>31/03/11</b>	<b>31/03/12</b>
	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Less than one year	25	37,078	0	-	11,135	20,682
Between one and two years	25	37,078	0	-	20,581	10,000
Between two and five years	50	74,156	0	-	10,000	-
Between five and ten years	75	111,234	0	-	7,429	9,429
More than ten years	75	111,234	0	-	110,202	108,201
					159,347	148,312

**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	201
Increase in interest receivable on variable rate investments	(1)
Impact on Other Comprehensive Income and Expenditure	200
Share of overall impact debited to the HRA	37
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	-
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)	25,965

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

**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**

<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
137,471	PFI Finance Lease Liabilities	132,844
2,196	HRA Window Leasing Finance Lease Liability	1,003
<u>139,667</u>		<u>133,847</u>

**35. Financial Guarantees**

During 2011/12 Falkirk Community Trust was granted admission to the Falkirk Council Pension Fund. The Council in its capacity as an employer has agreed to underwrite any potential pensions liabilities of Falkirk Community Trust.

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

- (i) The Police and Fire Reform (Scotland) Act 2012 received royal consent on 9 August 2012. As such, a single Police Service of Scotland and single Scottish Fire & Rescue Service will become operational from 1 April 2013. This will mean that the Central Scotland Fire & Rescue Service and Central Scotland Police Service will not form part of the Council's Group Accounts from that date.
- (ii) The Audited Accounts were authorised by the Chief Finance Officer for issue on 25 September 2012. There were no events that occurred between 1 April and 25 September 2012 that would have an impact on the 2011/12 financial statements.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**37. 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.

2010/11 £'000		2011/12 £'000
(42,482)	Dwelling Rents	(44,026)
(1,558)	Non-Dwelling Rents	(1,781)
(625)	Hostels	(569)
(663)	Housing Support Grant	(545)
(1,450)	Other Income	(1,353)
<b>(46,778)</b>	<b>TOTAL INCOME</b>	<b>(48,274)</b>
19,149	Repairs and Maintenance	19,812
11,260	Supervision and Management	13,237
53,812	Depreciation and Impairment of Non-Current Assets	27,641
643	Other Expenditure	966
180	Increase/(Decrease) in Bad Debts Provision	310
<b>85,044</b>	<b>TOTAL EXPENDITURE</b>	<b>61,966</b>
	Net Expenditure of HRA Services as included in the Comprehensive	
38,266	Income and Expenditure Statement	13,692
265	HRA Services Share of Corporate and Democratic Core	236
<b>38,531</b>	<b>Net Expenditure of HRA Services</b>	<b>13,928</b>
	<b>HRA Share of Operating Income and Expenditure included in</b>	
	<b>the Comprehensive Income and Expenditure Statement:</b>	
(2,262)	(Gain)/Loss on Sale of HRA Non-Current Assets	(1,640)
1,562	Interest Payable and similar charges	1,823
(72)	Interest and Investment Income	(74)
348	Pensions Interest Cost and Expected Return on Pension Assets	168
(933)	Recognised Capital Grant Income	(3,213)
<b>37,174</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>	<b>10,992</b>

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

2010/11 £'000		2011/12 £'000
(5,935)	Balance on the HRA at the end of the previous year	(6,392)
37,174	(Surplus) or Deficit for the year on HRA Income and Expenditure Statement	10,992
(37,631)	Adjustments between Accounting Basis and Funding Basis under Statute	(12,312)
(457)	Net (Increase) or Decrease before transfers to or from Reserves	(1,320)
-	Transfers (to) or from Reserves	-
(457)	(Increase) or Decrease in Year on the HRA	(1,320)
<b>(6,392)</b>	<b>Balance on the HRA at the end of the Current Year</b>	<b>(7,712)</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**39. Housing Revenue Account Disclosures**

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

2010/11 £'000		2011/12 £'000
2,262	Gain or (loss) on sale of HRA non-current assets	1,640
1,955	Capital expenditure charged to the HRA	1,755
1,786	Statutory Repayment of Debt (Finance Lease Liabilities)	1,462
(53,812)	Depreciation and Impairment	(27,641)
6,925	Statutory Repayment of Debt (Loans Fund Advances)	7,458
2,256	HRA share of contributions to or from the Pensions Reserve	(287)
-	Accumulated Absences Account	23
	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	
64		65
933	Recognised Capital Grant Income	3,213
<u>(37,631)</u>	<b>Total</b>	<u>(12,312)</u>

b) **Housing Stock**

The Council Housing Stock at 31 March 2012 was 16,152 properties in the following categories:-

2010/11 Number		2011/12 Number
86	One apartment	85
2,524	Two apartments	2,543
8,432	Three apartments	8,475
4,601	Four apartments	4,585
456	Five apartments	460
4	Six apartments or larger	4
<u>16,103</u>	<b>TOTAL</b>	<u>16,152</u>
£51.57	<b>Average Weekly rent (52 week basis)</b>	£53.43

c) **Rent Arrears**

Rent Arrears at 31 March 2012 were £2,136,935 (£1,830,004 in 2010/11).

d) **Impairment of Debtors**

A impairment of £1,740,000 has been provided in the Balance Sheet for irrecoverable rents, an increase of £310,000 from the provision in 2010/11

e) **Losses on Void Properties**

2010/11 £'000		2011/12 £'000
409	Dwelling Rents	393
64	Non-Dwelling Rents	93
<u>473</u>		<u>486</u>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**40. 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.

2010/11 £'000	2010/11 £'000		2011/12 £'000	2011/12 £'000
		<b>EXPENDITURE</b>		
	1,592	Exemptions		1,589
	6,191	Discounts		6,319
8,777		Council Tax Benefit	8,817	
<u>(8,899)</u>	(122)	Less: Government Subsidy	<u>(8,970)</u>	(153)
	70	Relief (Persons with a Disability)		68
	191	Prior Year Adjustments		129
	957	Provisions Against Bad and Doubtful Debts		1,050
	<b>8,879</b>	<b>TOTAL EXPENDITURE</b>		<b>9,002</b>
		<b>INCOME</b>		
	68,522	Gross Council Tax Levied		69,043
	<b>68,522</b>	<b>TOTAL INCOME</b>		<b>69,043</b>
	59,643	SURPLUS FOR YEAR		60,041
		<b>APPROPRIATED AS FOLLOWS</b>		
	59,643	General Fund		60,041

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**41. 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 2011/12 Budget)**

	Band A *	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	TOTAL
No. of Dwellings	-	22,262	19,111	6,417	8,198	8,081	4,749	2,132	60	71,010
Exempt Dwellings	-	806	353	100	103	54	38	15	1	1,470
Chargeable Dwellings	-	21,456	18,758	6,317	8,095	8,027	4,711	2,117	59	69,540
Disabled Reduction	-	105	108	57	62	76	34	13	1	456
Adjusted Chargeable Dwellings	105	21,459	18,707	6,322	8,109	7,985	4,690	2,105	58	69,540
Discounts (25%)	38	12,323	6,740	2,412	2,227	1,543	606	203	6	26,098
Discounts (due to being second homes)	-	241	144	75	61	61	18	11	3	614
Discount (long term empty properties)	-	179	62	38	23	30	3	10	1	346
Discount (occupied by disregarded adults)	1	59	52	23	13	13	6	1	0	168
Not entitled to Discount	66	8,657	11,709	3,774	5,785	6,338	4,057	1,880	48	42,314
Effective Dwellings	95	18,139	16,893	5,651	7,504	7,547	4,525	2,043	55	62,452
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	12,093	13,139	5,023	7,504	9,224	6,536	3,405	110	57,087
Add: Estimated Growth in tax base										246
										57,333
Less: Dwellings for which collection of Council Tax is considered to be doubtful – 97.5% collection										1,433
<b>BUDGETED COUNCIL TAX BASE</b>										<b>55,900</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 2011/12 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**

**42. 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 42.6 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 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.

2010/11 £'000	INCOME	2011/12 £000
71,385	Rate Levied (Net of Small Property Relief)	75,070
71,385	<b>TOTAL INCOME</b>	75,070
	<b>EXPENDITURE</b>	
-	Small Business Relief (Excludes Small Property Relief)	-
2,876	Small Business Bonus Scheme	3,222
1,378	Rating (Disabled Persons) Relief	1,450
1,683	Mandatory Relief	2,411
209	Discretionary Relief	343
87	Sports Club Relief	85
3,073	Void and Empty Periods	2,818
806	Write-Off of Uncollectable Debts	836
12	Other Adjustments	-
-	Interest on Overpaid Rates	-
10,124	<b>TOTAL EXPENDITURE</b>	11,165
61,261	Net Non-Domestic Rate Income	63,905
(963)	Adjustments to previous years National Non Domestic Rates	(1,077)
60,298	<b>CONTRIBUTION TO NON-DOMESTIC RATE POOL</b>	62,828
60,652	Distribution from Non-Domestic Rate Pool	55,518
	<b>INCOME CREDITED TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>	55,518

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

**a) Analysis of Rateable Values as at 1 April, 2011**

	<u>No. of Premises</u>	<u>Rateable Value</u> £'000	<u>%</u>
Shops	1,316	40,316	23.1
Hotels and Public Houses	139	4,935	2.8
Offices	886	13,897	7.9
Industrial – Factories, Warehouses, Stores and Workshops	1,263	39,433	22.5
Sports, Leisure, Cultural, Entertainment, Caravans, Holiday Sites	189	4,763	2.7
Garages and Petrol Stations	78	2,364	1.4
Education and Training	87	11,987	6.9
Public Service Subjects	168	6,507	3.7
Quarries and Mines	18	2,254	1.3
Petrochemical	15	29,555	16.9
Religious	156	1,167	0.7
Health/Medical and Care Facilities	155	9,444	5.4
Utilities	20	7,130	4.1
Communications, Advertising and Other	217	992	0.6
Total	4,707	174,744	100.0

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

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



**NOTES TO THE CORE FINANCIAL STATEMENTS**

**44. 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.

2010/11 £'000	Income and Expenditure Account	Former Bo'ness Town Council 2011/12 £'000	Former Denny Town Council 2011/12 £'000	Former Grangemouth Town Council 2011/12 £'000	Former Falkirk Town Council 2011/12 £'000	TOTAL £'000
	<b>Income</b>					
(22)	Rents Received	(1)	-	-	(21)	(22)
(4)	Interest	-	-	-	(4)	(4)
(26)		(1)	-	-	(25)	(26)
	<b>Expenditure</b>					
-	Depreciation	-	-	-	28	28
25	Other	-	-	-	-	-
25		-	-	-	28	28
(1)	<b>(Surplus)/Deficit for Year</b>	(1)	-	-	3	2
	<b>Balance Sheet</b>					
235	Fixed Assets	-	-	-	207	207
843	Investments	59	6	26	778	869
1,078	Net Assets	59	6	26	985	1,076
	<b>Financed by:-</b>					
235	Asset Revaluation Reserve	-	-	-	207	207
843	Revenue Reserve	59	6	26	778	869
1,078		59	6	26	985	1,076



Bryan Smail, CPFA MBA  
Chief Finance Officer  
25 September 2012

# FALKIRK COUNCIL

## 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.

2010/11				2011/12		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
168,149	(6,675)	161,474	Education Services	148,345	(6,050)	142,295
129,602	(87,784)	41,818	Housing Services	108,050	(92,253)	15,797
25,064	(6,368)	18,696	Cultural and Related Services	26,791	(7,259)	19,532
19,995	(3,475)	16,520	Environmental Services	19,720	(4,017)	15,703
8,053	-	8,053	Fire Services	7,811	-	7,811
18,548	(1,893)	16,655	Roads & Transport Services	18,402	(1,751)	16,651
12,879	-	12,879	Police Services	13,158	-	13,158
22,423	(8,089)	14,334	Planning and Development Services	16,994	(8,108)	8,886
108,193	(24,208)	83,985	Social Work	111,603	(25,653)	85,950
15,673	(11,404)	4,269	Central Services to the Public	16,838	(12,937)	3,901
3,217	-	3,217	Corporate & Democratic Core	2,873	-	2,873
(51,380)	-	(51,380)	Non-Distributed Costs	2,248	-	2,248
3,629	-	3,629	Exceptional Items	3,000	-	3,000
<b>484,045</b>	<b>(149,896)</b>	<b>334,149</b>	<b>Cost of Services</b>	<b>495,833</b>	<b>(158,028)</b>	<b>337,805</b>
			<u>Other Operating Expenditure</u>			
-	(131)	(131)	Gains or Losses on disposal of non-current Assets	-	(1,324)	(1,324)
			<u>Financing and Investment Income and Expenditure</u>			
38,252	(39,029)	(777)	Surplus or deficit on trading undertakings	41,223	(42,533)	(1,310)
23,142	-	23,142	Interest Payable and Similar Charges	22,579	-	22,579
-	(478)	(478)	Interest & Investment Income	-	(582)	(582)
35,624	(28,796)	6,828	Pensions interest cost & expected return on pensions assets	33,651	(30,370)	3,281
<b>581,063</b>	<b>(218,330)</b>	<b>362,733</b>		<b>593,286</b>	<b>(232,837)</b>	<b>360,449</b>
			<u>Taxation and Non-Specific Grant Income</u>			
-	(59,643)	(59,643)	Council Tax	-	(60,041)	(60,041)
-	(222,460)	(222,460)	Government Grants	-	(225,691)	(225,691)
-	(13,054)	(13,054)	Capital Grants, Contributions & Donations	-	(20,999)	(20,999)
-	(60,652)	(60,652)	Non-Domestic Rate redistribution	-	(55,518)	(55,518)
<b>-</b>	<b>(355,809)</b>	<b>(355,809)</b>		<b>-</b>	<b>(362,249)</b>	<b>(362,249)</b>
<b>581,063</b>	<b>(574,139)</b>	<b>6,924</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>593,286</b>	<b>(595,086)</b>	<b>(1,800)</b>
		(19,513)	Associates and Joint Ventures accounted for on an equity basis			21,976
		<b>(12,589)</b>	<b>Group Surplus or Deficit</b>			<b>20,176</b>
		(2,160)	Surplus or deficit on revaluation of non-current assets			(674)
		(69,716)	Actuarial gains/losses on pension assets/liabilities			39,834
		(2,148)	Other unrealised gains/losses			(1,592)
		(29,254)	Share of Other Comprehensive Income & Expenditure of associates & joint ventures			6,632
		<b>(103,278)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>44,200</b>
		<b>(115,867)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>64,376</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".

<b>2010/11</b>		<b>2011/12</b>
<b>*(Restated)</b>		
<b>£'000</b>		<b>£'000</b>
	<b>Non-Current Assets</b>	
726,645	Property, Plant & Equipment	722,644
-	- Investment Property	207
-	- Heritage Assets	211
79	Intangible Assets	38
507	Assets Held for Sale	279
3,106	Long Term Investments	3,107
6,200	Investments in Associates and Joint Ventures	5,846
1,227	Long Term Debtors	165
737,764		732,497
	<b>Current Assets</b>	
872	Inventories	990
15,182	Short Term Debtors	18,634
36,042	Cash and Cash Equivalents	1,378
390	Assets Held for Sale	476
52,486		21,478
	<b>Current Liabilities</b>	
-	Bank Overdraft	(306)
(24,269)	Short Term Borrowing	(29,306)
(89,279)	Short Term Creditors	(66,350)
(5,000)	Provisions	(5,216)
(118,548)		(101,178)
	<b>Long Term Liabilities</b>	
(151,416)	Long Term Borrowing	(129,812)
(171,869)	Defined Benefit Pension Scheme Liability	(214,510)
(139,667)	Other Long Term Liabilities	(133,847)
(2,526)	Capital Grants Received in Advance	(3,934)
(261,177)	Liabilities in Associates	(290,023)
(726,655)		(772,126)
(54,953)	<b>NET ASSETS</b>	(119,329)
	<b>Usable Reserves</b>	
5,342	Capital Receipts Reserve	5,172
5,067	Capital Grants Unapplied Account	4,737
36,716	General Fund	32,234
5,588	Other Usable Reserves	7,446
(556)	Usable Reserves of Other Group Entities	255
52,157		49,844
	<b>Unusable Reserves</b>	
197,745	Capital Adjustment Account	206,660
(7,057)	Financial Instruments Adjustment Account	(6,719)
144,375	Revaluation Reserve	140,533
(171,869)	Pensions Reserve	(214,510)
(10,498)	Accumulated Absences Account	(5,978)
(259,806)	Unusable Reserves of Other Group Entities	(289,159)
(107,110)		(169,173)
(54,953)	<b>TOTAL RESERVES</b>	(119,329)

  
 Bryan Smail, CPFA MBA  
 Chief Finance Officer

\* The 2010/11 figures for "Cash and Cash Equivalents" and "Short Term Creditors" have both been increased by £14.4m.

The unaudited accounts were issued on 29 June 2012 and the audited accounts were authorised for issue on 25 September 2012.

**GROUP CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2012**

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>2010/11 (Restated) £'000</b>	<b>2011/12 £'000</b>
(12,589) Net (surplus) or deficit on the provision of services	20,176
(43,910) Adjust net surplus or deficit on the provision of services for non-cash movements	(69,597)
13,054 Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	20,999
<b>(43,445) Net cash flows from operating activities</b>	<b>(28,422)</b>
<b>Investing Activities</b>	
36,758 Purchase of property, plant & equipment, investment property and intangible assets	50,949
- Other payments for investing activities	-
(5,804) Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(4,173)
<b>(13,835) Other receipts and investing activities</b>	<b>(23,003)</b>
<b>17,119 Net cash flows from investing activities</b>	<b>23,773</b>
<b>Financing Activities</b>	
(23,573) Cash receipts of short and long-term borrowing	(2,063)
3,984 Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	28,699
<b>17,306 Repayments of short and long-term borrowing</b>	<b>12,983</b>
<b>(2,283) Net cash flows from financing activities</b>	<b>39,619</b>
<b>(28,609) Net (increase) or decrease in cash and cash equivalents</b>	<b>34,970</b>
<b>Cash and cash equivalents</b>	
(7,433) Cash and cash equivalents at the beginning of the reporting period	(36,042)
<b>Cash and cash equivalents at the end of the reporting period</b>	
(42) Cash held by Officers	(38)
(25,645) Bank current accounts	(1,034)
<b>(10,355) Short-term deposits</b>	<b>-</b>
<b>(36,042)</b>	<b>(1,072)</b>

The cash flows for operating activities include interest paid of £22.579m (2010/11 £23.124m) and interest received of £0.583m (2010/11 £0.478m).

# FALKIRK COUNCIL

## GROUP MOVEMENT IN RESERVES STATEMENT 2011/12

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	Notes Shown Below
	General Fund Balance (excl HRA)	HRA Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Other Reserves	Usable Reserves of Other Group Entities	Total Group Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Pension Reserve	Accumu- lated Absences Account	Financial Instru- ments Adjust. Account	Unusable Reserves of Group Entities	Total Group Unusable Reserves	Total Group Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£,000	£'000	£'000	
<b>Balance at 31 March 2011</b>	<b>30,324</b>	<b>6,392</b>	<b>5,342</b>	<b>5,067</b>	<b>5,588</b>	<b>(556)</b>	<b>52,157</b>	<b>197,745</b>	<b>144,375</b>	<b>(171,869)</b>	<b>(10,498)</b>	<b>(7,057)</b>	<b>(259,806)</b>	<b>(107,110)</b>	<b>(54,953)</b>	
Surplus or (deficit) on provision of services (accounting basis)	12,726	(10,992)	-	-	-	(21,908)	(20,174)	-	-	-	-	-	-	-	(20,174)	
Other Comprehensive Expenditure and Income	(17,394)	(4,853)	4,173	(232)	-	(1,009)	(19,315)	20,548	24	(39,834)	-	-	(5,625)	(24,887)	(44,202)	1
<b>Total Comprehensive Expenditure and Income</b>	<b>(4,668)</b>	<b>(15,845)</b>	<b>4,173</b>	<b>(232)</b>	<b>-</b>	<b>(22,917)</b>	<b>(39,489)</b>	<b>20,548</b>	<b>24</b>	<b>(39,834)</b>	<b>-</b>	<b>-</b>	<b>(5,625)</b>	<b>(24,887)</b>	<b>(64,376)</b>	
Adjustments between Group Accounts and Council Accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Net Increase/Decrease before Transfers</b>	<b>(4,668)</b>	<b>(15,845)</b>	<b>4,173</b>	<b>(232)</b>	<b>-</b>	<b>(22,917)</b>	<b>(39,489)</b>	<b>20,548</b>	<b>24</b>	<b>(39,834)</b>	<b>-</b>	<b>-</b>	<b>(5,625)</b>	<b>(24,887)</b>	<b>(64,376)</b>	
Adjustments between accounting basis and funding basis under regulations	(663)	17,165	(2,843)	-	(211)	23,728	37,176	(11,633)	(3,866)	(2,807)	4,520	338	(23,728)	(37,176)	-	2
<b>Net Increase/Decrease before Transfers to Other Statutory Reserves</b>	<b>(5,331)</b>	<b>1,320</b>	<b>1,330</b>	<b>(232)</b>	<b>(211)</b>	<b>811</b>	<b>(2,313)</b>	<b>8,915</b>	<b>(3,842)</b>	<b>(42,641)</b>	<b>4,520</b>	<b>338</b>	<b>(29,353)</b>	<b>(62,063)</b>	<b>(64,376)</b>	
Transfers to/from Other Statutory Reserves	(471)	-	(1,500)	(98)	2,069	-	-	-	-	-	-	-	-	-	-	3
<b>Increase/Decrease in Year 2011/12</b>	<b>(5,802)</b>	<b>1,320</b>	<b>(170)</b>	<b>(330)</b>	<b>1,858</b>	<b>811</b>	<b>(2,313)</b>	<b>8,915</b>	<b>(3,842)</b>	<b>(42,641)</b>	<b>4,520</b>	<b>338</b>	<b>(29,353)</b>	<b>(62,063)</b>	<b>(64,376)</b>	
<b>Balance at 31 March 2012 carried forward</b>	<b>24,522</b>	<b>7,712</b>	<b>5,172</b>	<b>4,737</b>	<b>7,446</b>	<b>255</b>	<b>49,844</b>	<b>206,660</b>	<b>140,533</b>	<b>(214,510)</b>	<b>(5,978)</b>	<b>(6,719)</b>	<b>(289,159)</b>	<b>(169,173)</b>	<b>(119,329)</b>	

# FALKIRK COUNCIL

## GROUP MOVEMENT IN RESERVES STATEMENT – 2011/12

### NOTES

	Usable Reserves							Unusable Reserves							Total
	General Fund Balance (excl HRA)	HRA Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Other Reserves	Usable Reserves of Other Group Entities	Total Group Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Pension Reserves	Accumulated Absences Account	Financial Instruments Adjust. Account	Unusable Reserves of Group Entities	Total Group Unusable Reserves	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	316	(1,640)	-	-	-	120	(1,204)	-	-	-	-	-	(24)	(24)	(1,228)
Capital Receipts Received	-	-	4,173	-	-	2	4,175	-	-	-	-	-	-	-	4,175
Capital Grants Received	(17,786)	(3,213)	-	(232)	-	(1,131)	(22,362)	21,238	-	-	-	-	1,131	22,369	7
Net Book Value of Asset Disposals	-	-	-	-	-	-	-	(1,139)	(201)	-	-	-	(98)	(1,438)	(1,438)
Long Term Debtor	76	-	-	-	-	-	76	-	-	-	-	-	-	-	76
Deficit on Revaluation of Fixed Assets	-	-	-	-	-	-	-	449	225	-	-	-	(326)	348	348
Actuarial Loss on Pension Fixed Assets and Liabilities	-	-	-	-	-	-	-	-	-	(39,834)	-	-	(6,308)	(46,142)	(46,142)
<b>Total</b>	<b>(17,394)</b>	<b>(4,853)</b>	<b>4,173</b>	<b>(232)</b>	<b>-</b>	<b>(1,009)</b>	<b>(19,315)</b>	<b>20,548</b>	<b>24</b>	<b>(39,834)</b>	<b>-</b>	<b>-</b>	<b>(5,625)</b>	<b>(24,887)</b>	<b>(44,202)</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	26,107	27,641	-	-	-	1,465	55,213	(53,708)	(40)	-	-	-	(1,465)	(55,213)	-
Amortisation of intangible assets	79	-	-	-	-	50	129	(79)	-	-	-	-	(50)	(129)	-
<b>2b. Insertion of items not debited or credited to the CIES</b>															
Statutory Repayment of Debt (Loans Fund Advances)	(9,689)	(7,458)	-	-	-	(317)	(17,464)	17,147	-	-	-	-	317	17,464	-
Capital expenditure charged to the General Fund Balance (CFCR)	-	(1,755)	-	-	-	-	(1,755)	1,755	-	-	-	-	-	1,755	-

**FALKIRK COUNCIL**

**GROUP MOVEMENT IN RESERVES STATEMENT – 2011/12**

	Usable Reserves							Unusable Reserves							Total
	General Fund Balance (excl HRA)	HRA Balance	Capital Receipts Reserves	Capital Grants Unapplied Account	Other Reserves	Usable Reserves of Other Group Entities	Total Group Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Pension Reserve	Accumulated Absences Account	Financial Instruments Adjust. Account	Unusable Reserves of Group Entities	Total Group Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Statutory Repayment of Debt (Finance Lease Liabilities)	-	(1,462)	-	-	-	-	(1,462)	1,462	-	-	-	-	-	1,462	-
Statutory Repayment of Debt (PFI)	(15,312)	-	-	-	-	-	(15,312)	15,312	-	-	-	-	-	15,312	-
Borrowing Consent	1,000	-	-	-	-	-	1,000	(1,000)	-	-	-	-	-	(1,000)	-
<b>2c. Adjustments involving the Capital Receipts Reserve</b>															
Capital Receipts applied to fund Capital Expenditure	-	-	(2,843)	-	-	(117)	(2,960)	2,843	-	-	-	-	117	2,960	-
<b>2d. Adjustments involving the Repairs and Renewals Fund and Devolved Management Reserve (DMR)</b>															
Use of the Repairs & Renewals Fund & DMR to Finance new capital expenditure	(598)	-	-	-	(211)	(50)	(859)	809	-	-	-	-	50	859	-
<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	(273)	(65)	-	-	-	-	(338)	-	-	-	-	338	-	338	-
<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	2,520	287	-	-	-	22,959	25,766	-	-	(2,807)	-	-	(22,959)	(25,766)	-

# FALKIRK COUNCIL

## GROUP MOVEMENT IN RESERVES STATEMENT – 2011/12

	Usable Reserves							Unusable Reserves							Total
	General Fund Balance (excl HRA)	HRA Balance	Capital Receipts Reserves	Capital Grants Unapplied Account	Other Reserves	Usable Reserves of Other Group Entities	Total Group Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Pension Reserve	Accumulated Absences Account	Financial Instruments Adjust. Account	Unusable Reserves of Group Entities	Total Group Unusable Reserves	Total Group Reserves
	£'000	£'000	£'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	(4,497)	(23)	-	-	-	(262)	(4,782)	-	-	-	4,520	-	262	4,782	-
<b>2h. Other Adjustments</b>															
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost	-	-	-	-	-	-	-	3,826	(3,826)	-	-	-	-	-	-
<b>Total</b>	<b>(663)</b>	<b>17,165</b>	<b>(2,843)</b>	<b>-</b>	<b>(211)</b>	<b>23,728</b>	<b>37,176</b>	<b>(11,633)</b>	<b>(3,866)</b>	<b>(2,807)</b>	<b>4,520</b>	<b>338</b>	<b>(23,728)</b>	<b>(37,176)</b>	<b>-</b>
<b>3. Analysis of transfers to/from Other Statutory Reserves</b>															
Transfer to Insurance Fund	(213)	-	-	-	213	-	-	-	-	-	-	-	-	-	-
Transfer from Repairs and Renewals Fund	(1,856)	-	-	-	1,856	-	-	-	-	-	-	-	-	-	-
Other Transfers	1,598	-	(1,500)	(98)	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>(471)</b>	<b>-</b>	<b>(1,500)</b>	<b>(98)</b>	<b>2,069</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 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							Total	
	General Fund Balance (excl HRA)	HRA Balance	Capital Receipts Reserves	Capital Grants Unapplied Account	Other Reserves	Usable Reserves of Other Group Entities	Total Group Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Pension Reserve	Accumulated Absences Account	Financial Instruments Adjust. Account	Unusable Reserves of Group Entities	Total Group Unusable Reserves	Total Group Reserves	Notes shown below
	£'000	£'000	£'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>(605)</b>	<b>51,495</b>	<b>243,492</b>	<b>149,254</b>	<b>(289,253)</b>	<b>(10,130)</b>	<b>(7,389)</b>	<b>(308,289)</b>	<b>(222,315)</b>	<b>(170,820)</b>	
Surplus or (deficit) on provision of services (accounting basis)	30,485	(37,174)	-	-	-	19,279	12,590	-	-	-	-	-	-	-	12,590	
Other Comprehensive Expenditure and Income	(9,883)	(3,195)	5,804	124	-	(1,087)	(8,237)	12,309	(851)	69,716	-	-	30,340	111,514	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>18,192</b>	<b>4,353</b>	<b>12,309</b>	<b>(851)</b>	<b>69,716</b>	<b>-</b>	<b>-</b>	<b>30,340</b>	<b>111,514</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>18,192</b>	<b>4,353</b>	<b>12,309</b>	<b>(851)</b>	<b>69,716</b>	<b>-</b>	<b>-</b>	<b>30,340</b>	<b>111,514</b>	<b>115,867</b>	
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>(22,434)</b>	<b>40,826</b>	<b>(3,840)</b>	<b>-</b>	<b>(100)</b>	<b>(18,143)</b>	<b>(3,691)</b>	<b>(58,056)</b>	<b>(4,028)</b>	<b>47,668</b>	<b>(368)</b>	<b>332</b>	<b>18,143</b>	<b>3,691</b>	<b>-</b>	<b>2</b>
<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>49</b>	<b>662</b>	<b>(45,747)</b>	<b>(4,879)</b>	<b>117,384</b>	<b>(368)</b>	<b>332</b>	<b>48,483</b>	<b>115,205</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>49</b>	<b>662</b>	<b>(45,747)</b>	<b>(4,879)</b>	<b>117,384</b>	<b>(368)</b>	<b>332</b>	<b>48,483</b>	<b>115,205</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>(556)</b>	<b>52,157</b>	<b>197,745</b>	<b>144,375</b>	<b>(171,869)</b>	<b>(10,498)</b>	<b>(7,057)</b>	<b>(259,806)</b>	<b>(107,110)</b>	<b>(54,953)</b>	

# FALKIRK COUNCIL

## GROUP MOVEMENT IN RESERVES STATEMENT – 2010/11

### NOTES

Usable Reserves								Unusable Reserves							Total
	General Fund Balance (excl HRA)	HRA Balance	Capital Receipts Reserves	Capital Grants Unapplied Account	Other Reserves	Usable Reserves of Other Group Entities	Total Group Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Pension Reserve	Accumulated Absences Account	Financial Instruments Adjust. Account	Unusable Reserves of Group Entities	Total Group Unusable Reserves	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)	-	-	-	(159)	(290)	-	-	-	-	-	-	-	(290)
Capital Receipts Received	-	-	5,804	-	-	159	5,963	-	-	-	-	-	-	-	5,963
Capital Grants Received	(12,121)	(933)	-	124	-	(1,172)	(14,102)	12,930	-	-	-	-	1,172	14,102	-
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	-	-	-	-	-	85	85	2,715	(555)	-	-	-	(1,049)	1,111	1,196
Actuarial Loss on Pension Fixed Assets and Liabilities	-	-	-	-	-	-	-	-	-	69,716	-	-	30,217	99,933	99,933
<b>Total</b>	<b>(9,883)</b>	<b>(3,195)</b>	<b>5,804</b>	<b>124</b>	<b>-</b>	<b>(1,087)</b>	<b>(8,237)</b>	<b>12,309</b>	<b>(851)</b>	<b>69,716</b>	<b>-</b>	<b>-</b>	<b>30,340</b>	<b>111,514</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	-	-	-	1,632	98,437	(96,805)	-	-	-	-	(1,632)	(98,437)	-
Amortisation of intangible assets	113	-	-	-	-	41	154	(113)	-	-	-	-	(41)	(154)	-
<b>2b. Insertion of items not debited or credited to the CIES</b>															
Statutory Repayment of Debt (Loans Fund Advances)	(9,673)	(6,925)	-	-	-	(472)	(17,070)	16,598	-	-	-	-	472	17,070	-
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
	General Fund Balance (excl HRA)	HRA Balance	Capital Receipts Reserves	Capital Grants Unapplied Account	Other Reserves	Usable Reserves of Other Group Entities	Total Group Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Pension Reserve	Accumulated Absences Account	Financial Instruments Adjust. Account	Unusable Reserves of Group Entities	Total Group Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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)	-	-	(91)	(3,931)	3,840	-	-	-	-	91	3,931	-
<b>2d. Adjustments involving the Repairs and Renewals Fund and Devolved Management Reserve (DMR)</b>															
Use of the Repairs & Renewals Fund & DMR 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)	-	-	-	(19,182)	(66,850)	-	-	47,668	-	-	19,182	66,850	-

# FALKIRK COUNCIL

## GROUP MOVEMENT IN RESERVES STATEMENT – 2010/11

	Usable Reserves							Unusable Reserves							Total
	General Fund Balance (excl HRA)	HRA Balance	Capital Receipts Reserves	Capital Grants Unapplied Account	Other Reserves	Usable Reserves of Other Group Entities	Total Group Usable Reserves	Capital Adjustment Account	Revaluation Reserve	Pension Reserve	Accumulated Absences Account	Financial Instruments Adjust. Account	Unusable Reserves of Group Entities	Total Group Unusable Reserves	Total Group Reserves
	£'000	£'000	£'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	368	-	-	-	-	(71)	297	-	-	-	(368)	-	71	(297)	-
<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>(18,143)</b>	<b>(3,691)</b>	<b>(58,056)</b>	<b>(4,028)</b>	<b>47,668</b>	<b>(368)</b>	<b>332</b>	<b>18,143</b>	<b>3,691</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	-	-	-	-	-	-	-	-	-	-
Other Transfers	1,521	-	(1,521)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>141</b>	<b>-</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>	<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)**

Total 2010/11 £'000		Fire and Rescue Board £'000	Police Board £'000	Valuation Board £'000	Falkirk Communit y Stadium Ltd £'000	Common Good Funds £'000	Falkirk Communit y Trust Ltd £'000	Total 2011/12 £'000
(569)	Accumulated Absences Account	(95)	(199)	(13)	-	-	-	(307)
458	Other Usable Reserves	389	52	-	-	-	-	441
(273,008)	Pensions Reserve	(67,635)	(231,667)	(2,247)	-	-	-	(301,549)
(10,066)	Employee Statutory Adjustment Account (Injury Benefits)	(3,347)	(7,445)	-	-	-	-	(10,792)
3,423	Share Capital	-	-	-	3,423	-	-	3,423
2,793	Revaluation Reserve	1,153	1,028	-	-	-	264	2,445
17,621	Capital Adjustment Account	5,345	12,061	8	-	207	-	17,621
471	Capital Receipts Reserve	300	148	-	-	-	-	448
(1,485)	Revenue Account Surplus	911	1,017	213	(3,999)	869	355	(634)
(260,362)		(62,979)	(225,005)	(2,039)	(576)	1,076	619	(288,904)

The total Pensions Liability relating to Central Scotland Joint Fire and Rescue Board is £135.722m, as per the latest valuation.

The total Pensions Liability relating to Central Scotland Joint Police Board is £462.498m, 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 29.

**4. Group Entities**

For the purpose of consolidation and incorporation within the Group Accounts, the Council has two Subsidiaries Company (Falkirk Community Stadium Ltd and Falkirk Community Trust Ltd) and three Associates (Central Scotland Joint Fire & 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.

**NOTES TO THE GROUP ACCOUNTS****FCSL (Holdings) Ltd and Falkirk Community Stadium Ltd (FCSL)**

The Council owns 100% of the share capital of FCSL (Holdings) Ltd, which in turn owns all of the share capital of Falkirk Community Stadium Ltd. The principal activity of both companies is the operation of a stadium at Westfield, Falkirk. The accounts are available from the FCSL Company Secretary, Municipal Buildings, Falkirk. The accounting period is to 31 March. The financial results for FCSL (Holdings) Ltd are included in the figures shown for Falkirk Community Stadium Ltd in note 2.

**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.

**Falkirk Community Trust Ltd and Falkirk Community Trading Ltd**

Falkirk Community Trust Ltd was established by Falkirk Council on 1 July 2011 to take responsibility for the management and operation of a range of community sport, recreation, arts, heritage and library services. The company has charitable status and the Scottish Charity Number is SC042403. A wholly owned subsidiary, Falkirk Community Trading Ltd has been established to govern those activities which are not recognised as charitable. The accounting period is to 31 March. The accounts are available from Falkirk Council. The financial results for Falkirk Community Trading Ltd are included in the figures shown for Falkirk Community Trust Ltd in note 2.

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

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

**6. Financial Impact of Consolidation**

By including the Associate and Subsidiary bodies (details of which are shown in Note 2 above), the effect on the Group Balance Sheet is a reduction in both Reserves and Net Assets of £288.904m. This represents the Council's share of the net liabilities in those entities.

**7. Non-Material Interest in Other Entities**

The Council has a relationship with the following entities which have been set up for specific purposes. They are not consolidated into the Group Accounts as they are not considered to be a material part of the Group.

- The Helix Project (transforming land between Grangemouth and Falkirk into an exciting outdoor recreational area)
- Trust Funds (administered by Falkirk Council)
- The Hub Initiative (established to aid delivery of capital investment projects)

# FALKIRK COUNCIL

## NOTES TO THE GROUP ACCOUNTS

### 8(a). Amounts Reported for Resource Allocation Decisions 2011/12

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 2011/12	Education £'000	Social Work £'000	Development Services £'000	Community Services £'000	Corporate & N'hood Services £'000	Miscell. Services £'000	Joint Boards £'000	Trading Accounts £'000	HRA £'000	Other Costs £'000	Total £'000
Income	(8,170)	(32,410)	(18,429)	(1,624)	(66,896)	(4,985)	-	(42,512)	(52,305)	-	(227,331)
<b>Total Income</b>	<b>(8,170)</b>	<b>(32,410)</b>	<b>(18,429)</b>	<b>(1,624)</b>	<b>(66,896)</b>	<b>(4,985)</b>	<b>-</b>	<b>(42,512)</b>	<b>(52,305)</b>	<b>-</b>	<b>(227,331)</b>
Employee Expenses	99,438	38,511	15,790	2,427	17,156	4,049	-	17,130	6,268	-	200,769
Property Expenses	12,653	2,499	3,999	1,164	2,330	188	-	357	23,736	-	46,926
Transport Expenses	3,047	1,096	685	39	8,071	-	-	3,991	32	-	16,961
Supplies & Services	12,632	3,009	5,679	1,317	4,960	1,355	-	8,263	3,441	-	40,656
Third Party Expenses	31,168	61,567	14,112	234	857	3,203	31,638	10,470	1,302	-	154,551
Transfer Payments	712	3,329	678	-	40,951	-	-	-	-	-	45,670
Support Costs	4,794	5,771	4,233	194	4,074	5,343	-	1,013	3,620	(857)	28,185
Capital Charges	12,619	2,433	6,080	3,255	2,433	79	-	148	12,586	(9,308)	30,325
Exceptional Item	-	-	-	-	-	3,000	-	-	-	-	3,000
<b>TOTAL EXPENDITURE</b>	<b>177,063</b>	<b>118,215</b>	<b>51,256</b>	<b>8,630</b>	<b>80,832</b>	<b>17,217</b>	<b>31,638</b>	<b>41,372</b>	<b>50,985</b>	<b>(10,165)</b>	<b>567,043</b>
<b>NET EXPENDITURE</b>	<b>168,893</b>	<b>85,805</b>	<b>32,827</b>	<b>7,006</b>	<b>13,936</b>	<b>12,232</b>	<b>31,638</b>	<b>(1,140)</b>	<b>(1,320)</b>	<b>(10,165)</b>	<b>339,712</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
Net Expenditure in the Portfolio Analysis	339,712
Net expenditure of services and support services not included in the Analysis	1,310
Amount of Subsidiaries consolidated on a line by line basis	(84)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	469
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(3,602)
<b>Cost of Services</b>	<b>337,805</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	(227,331)	42,533	371	3,156	27,336	-	(4,097)	(158,032)	(74,227)	(232,259)
Surplus or (Deficit) on associates and joint ventures	-	-	-	-	-	-	21,976	21,976	-	21,976
Interest and investment income	-	-	-	-	-	-	-	-	(582)	(582)
Government grants and contributions	-	-	-	-	-	-	-	-	(302,208)	(302,208)
Income from council tax	-	-	-	-	-	-	-	-	(60,041)	(60,041)
<b>Total Income</b>	<b>(227,331)</b>	<b>42,533</b>	<b>371</b>	<b>3,156</b>	<b>27,336</b>	<b>-</b>	<b>17,879</b>	<b>(136,056)</b>	<b>(437,058)</b>	<b>(573,114)</b>
Employee Expenses	200,769	(17,135)	(4,072)	-	(7,264)	14,308	(1,789)	184,817	17,135	201,952
Property Expenses	46,926	(357)	(2,086)	-	(606)	1,431	1,621	46,929	357	47,286
Transport Expenses	16,961	(3,991)	-	-	(5,437)	37	159	7,729	3,991	11,720
Supplies & Services	40,656	(8,263)	(117)	(4,758)	(1,114)	2,030	3,738	32,172	8,263	40,435
Third Party Expenses	154,551	(10,470)	(17,229)	-	(2,270)	278	-	124,860	10,470	135,330
Transfer Payments	45,670	-	-	-	(54)	-	-	45,616	-	45,616
Support Service recharges	28,185	(874)	139	-	(9,227)	(18,084)	-	139	874	1,013
Depreciation, amortisation and impairment	30,325	(133)	21,463	-	(1,364)	-	284	50,575	133	50,708
Interest Payments	-	-	-	-	-	-	18	18	56,212	56,230
Gain or Loss on Disposal of Non-Current Assets	3,000	-	-	-	-	-	-	3,000	-	3,000
<b>Total Expenditure</b>	<b>567,043</b>	<b>(41,223)</b>	<b>(1,902)</b>	<b>(4,758)</b>	<b>(27,336)</b>	<b>-</b>	<b>4,031</b>	<b>495,855</b>	<b>97,435</b>	<b>593,290</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>339,712</b>	<b>1,310</b>	<b>(1,531)</b>	<b>(1,602)</b>	<b>-</b>	<b>-</b>	<b>21,910</b>	<b>359,799</b>	<b>(339,623)</b>	<b>20,176</b>



# FALKIRK COUNCIL

## NOTES TO THE GROUP ACCOUNTS

### 8(b). 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 Expenditure 2010/11	Income and	Education £'000	Social Work £'000	Development Services £'000	Community Services £'000	Corporate & N'hood Services £'000	Miscell. 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>

### 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 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	Allocatio n 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>

**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 2012 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and the authority Comprehensive Income and Expenditure Statements, Balance Sheets, Cash-Flow Statements and Movement in Reserves Statements, the Trust and Third Party Funds, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Statement, the Council Tax Income Account, the Non-Domestic Rates Account, the Common Good Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 2011/12 Code).

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

**Respective responsibilities of the Chief Finance Officer and auditor**

As explained more fully in the Statement of Responsibilities, 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 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 statement of accounts 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 2011/12 Code of the state of the affairs of the group and Falkirk Council as at 31 March 2012 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 2011/12 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 Explanatory Foreword 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.



**Fiona Mitchell Knight, FCA**  
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25 September 2012