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## Introduction

The statements which follow show the financial results of Falkirk Council for the year to 31 March 2019.

They comprise:

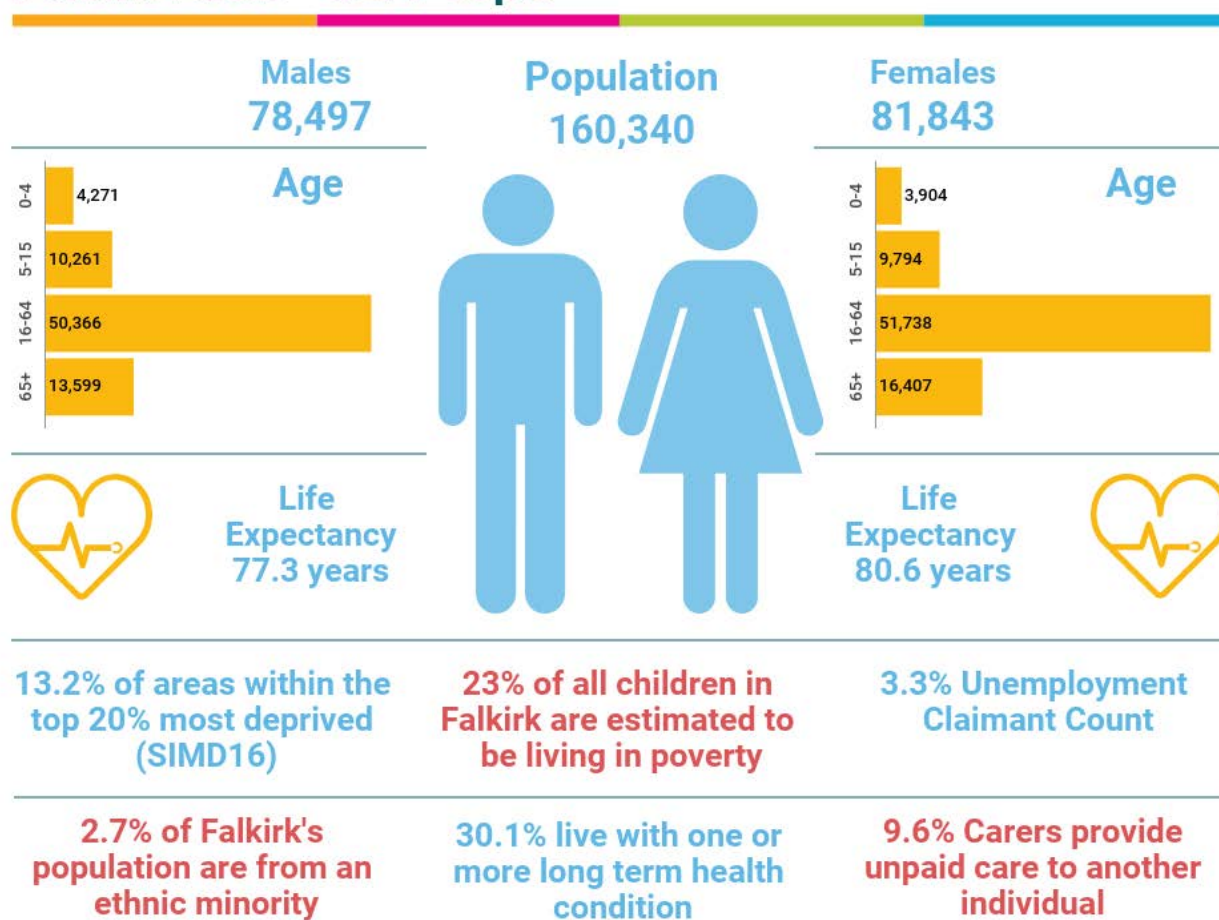
- a Management Commentary providing a summary and explanation of the Council's financial position
- a Statement of Responsibilities for the Annual Accounts
- an Annual Governance Statement
- a Remuneration Report detailing payments and pension information for senior officers and senior elected members
- the 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 Movement in Reserves Statement which shows the movement in the year of the different reserves used by the Council
- the Balance Sheet - sets out the overall financial position of the Council as at 31 March 2019
- the Cash Flow Statement - shows where the Council's money came from and how it was spent
- the Expenditure and Funding Analysis Note takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement
- Notes to the Financial Statements including the General Accounting Policies and other explanatory information
- the Group Accounts consolidate the Council's interest in other entities to provide services and improve the well-being of the local area.

## Management Commentary

The Management Commentary outlines the key messages about the Council's financial and service performance for 2018/19 and looks ahead to future challenges and risks which we will face as we strive to meet the needs of the people of the Falkirk area. The Annual Accounts report the financial performance of the Council and its Group, demonstrating the stewardship of the public funds to deliver on the Council's vision and key priorities. The format and content of the annual accounts accord with The Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Our report starts by outlining some key facts about the Falkirk area.

### Falkirk Facts - Our People



## Falkirk Facts - Our Council

### Elected Members

 **30**



● SNP ● Labour  
● Conservative ● Independent

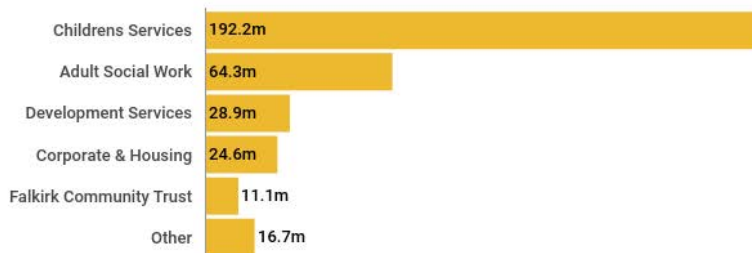
Our council has 30 elected members over 9 wards

The administration consists of SNP and 1 independent councillor

### Finance

**£337.8m**

Government Grant £273.4m  
Council Tax £63.7m  
Reserves £0.7m

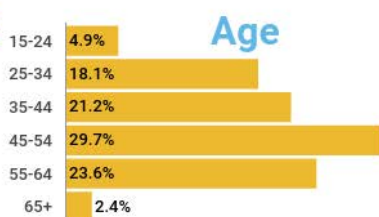


### Employees

**7,039 FTE**

 **5,161**

 **1,878**



### Age

3% of our employees have a disability

1.1% of our employees are from an ethnic minority

**4,160 Full Time**



**2,879 Part Time**

## Vision and priorities

The Council works in close partnership with a number of other public sector partners, the Third Sector and increasingly with local communities to achieve our vision for the Falkirk area as "the place to be". The plan for delivering this vision is the Strategic Outcomes and Local Delivery Plan (SOLD) which is supported and overseen by the Community Planning Partnership.

The Council's Corporate Plan was approved in September 2017 and confirms the Council's commitment to achieving the vision, priorities and outcomes which were set out in SOLD. This is illustrated below:

**The Council will be focused on improving the lives of our citizens and communities**



**people**

- Raising aspiration and ambition
- Reducing the impact of poverty of children and families



**place**

- Growing our economy
- Improving the neighbourhoods we live in
- Promoting vibrant town centres



**partnership**

- Working with communities to deliver better services
- Empowering and enabling people to be self-reliant
- Promoting stronger, more self-reliant communities

The Council's Corporate Plan is supported by a range of strategies and plans, including the Council's five year Business Plan. These plans and strategies set out what we aim to achieve, how we will do this and the resources required to deliver the outcomes.



## Highlights in 2018/19

Some of our achievements are highlighted below



Our young people continued to secure great results with the highest ever percentages leaving school with higher A and C passes. Since 2011/12 the level of educational attainment has improved by 34%, placing us in the top quartile across all councils.



Through the concerted efforts of the Visit Falkirk team working in a public/private partnership the Visit Falkirk brand has been developed significantly since 2013 and has resulted in a growth in visitors to the area of 53% between 2009 to 2017. This was developed further in 2017 & 2018 when a marketing campaign was produced using Visit Scotland Growth Fund monies. This received over 1.5 millions views and was held up as an exemplar of best practice by Visit Scotland in June 2018.



We introduced an online application process to the Council website so that young people could apply for Education Maintenance Allowance. Almost all our applicants used the online process and following recent consultation, young people expressed their satisfaction with the digitalisation of the process. We are delighted with this improvement and the positive feedback received.



Carronbank House in Denny offering better services to communities. The new facility will act as the main access point for Council services in the west where visitors can access housing, finance and children's services all in one location. The Hub will provide a number of face to face services, acting as a location for assisting those who need our support most.



Introduced one single Council contact number enabling customers to get in touch quicker, reducing double handling of calls and allowing customers to self-serve where possible.



We were one of the first councils to consider a range of actions to reduce single plastic use. This was introduced in a bid to reduce the harmful impact on wildlife, marine life and the wider environment. The agreement will see us stop buying specific plastic items, look at alternative products and continue to reuse wherever possible plastic materials we already have.



The expansion of early learning and childcare (ELC) has provided the opportunity to adopt new, innovative ways of working. One such initiative: Marvellous Mealtimes ensures that snack and mealtimes for young children offer rich social and learning opportunities. Led by Falkirk's ELC additional graduates (named locally Early Years Pedagogues) and supported by on-site catering staff, two of Falkirk's ELC settings have completely transformed their approach ensuring that children's full day at nursery is homely, comforting and personal.



The successful delivery of the Falkirk Townscape provided repairs to over 80 individual properties to a conservation standard, including the Steeple, restoration or improvement of 15 shopfronts, improvement of over 6,500sqm of public realm, with conservation materials and 15 vacant units brought back into use.



Falkirk's Instrumental Music Service has been working with over 1900 young musicians to create exceptional performance opportunities and experiences for our young people. Our annual concerts were held in April 2019 and were a collaboration of the quality of teaching provided by our instructors and the commitment and dedication of their pupils. We have provided opportunities to participate in workshops at the Royal Conservatoire of Scotland and Celtic Connections in Glasgow as well as holding our annual residential trip for our regional ensembles and increasing participation figures and access to music through our class bands.



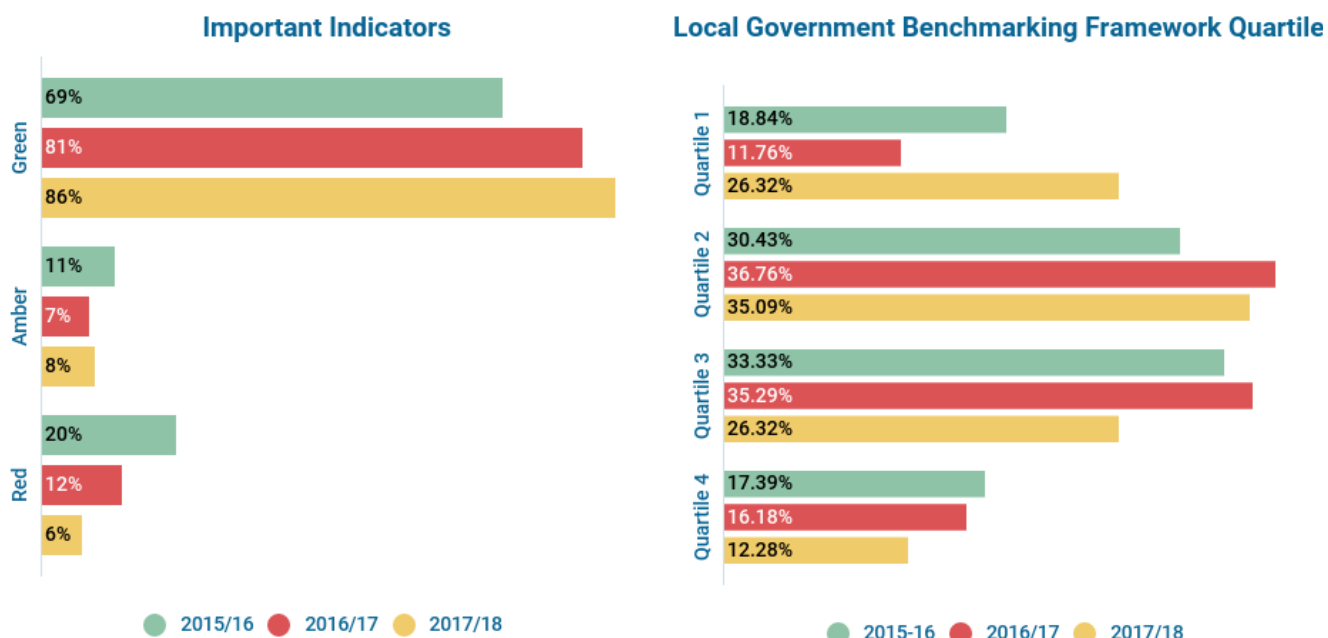
The Council completed the build of a further 19 houses during 2018/19, with plans to complete a further 598 by the end of 2023/24. This is in addition to 364 new houses already completed.

## How are we doing?

The performance of the Council is reported on the Council's website. This includes information on our statutory performance, key performance indicators and benchmarking to compare performance with other organisations. External scrutiny and audit reports, are also used as a means of identifying best practice and securing improvement.

Each of the Council Services also reports to the Scrutiny Committee. These reports identify key priorities, areas for improvement and the important indicators that the Service has identified. Performance and progress for each of these areas is reported and where appropriate improvement actions are identified. Work is ongoing to address any aspects where performance is below the target level.

The two charts below summarise our performance trends. In 2017/18, 86% of our important indicators were on target, 8% slightly below target and 6% significantly below target. Our quartile analysis of the local government benchmarking framework (LGBF) indicators shows improved performance, despite the challenging financial environment, with more indicators in quartile 1 and less in quartiles 3 and 4 than in comparison with the last two years.





## Financial Planning

A robust financial framework ensures resources are targeted to our outcomes. The key financial plans are shown in diagram opposite.

Most day to day revenue spending and income on our services is recorded within the General Fund (pages 34 to 37), with housing revenue income and expenditure managed in the Housing Revenue Account (pages 38 to 39). In addition to day to day expenditure, we have capital investment in our assets, including schools, houses and infrastructure.



## Financial Performance

Financial information is part of the Council's performance framework with regular reporting to Elected Members. This section summarises our financial performance for 2018/19.

### (a) General Fund Revenue Expenditure 2018/19

The income received and expenditure incurred during 2018/19 is highlighted in the diagram below. For 2018/19 the final expenditure was £337.8m which was funded from Government Grant and Council Tax and a contribution of £0.7m from reserves.



# Management Commentary

The main variances in 2018/19 included an overspend of £1.9m within Children's Services, primarily due to higher costs of providing external residential care for children. Our Closer to Home Strategy is aimed at reducing these costs and providing better outcomes for children by shifting the balance of care from external to internal and local provision. This overspend was offset by lower staffing costs within Corporate and Housing Services and reduced debt repayment charges.

In addition Scottish Government Funding was £1m less than budgeted. This was due to the £1m being received in 2017/18, with the resources carried forward with the general Fund and applied in 2018/19 to fund Council service expenditure.

## (b) General Fund Capital Programme 2018/19

In 2018/19 the final Council budget for capital investment was £48.7m, with 67.2% of this being delivered. It should be noted that the 2018/19 General Fund Capital Programme is part of a three year plan and as such it is expected that there will be movement in spend across the years. Projects not delivered in 2018/19 will be completed in forthcoming financial years. The diagrams below identify the key projects and how these were funded. Further details are provided at Note 24.

### General Fund Capital Expenditure £30.7m



### General Fund Capital Resources £30.7m



## (c) Useable Revenue Reserves

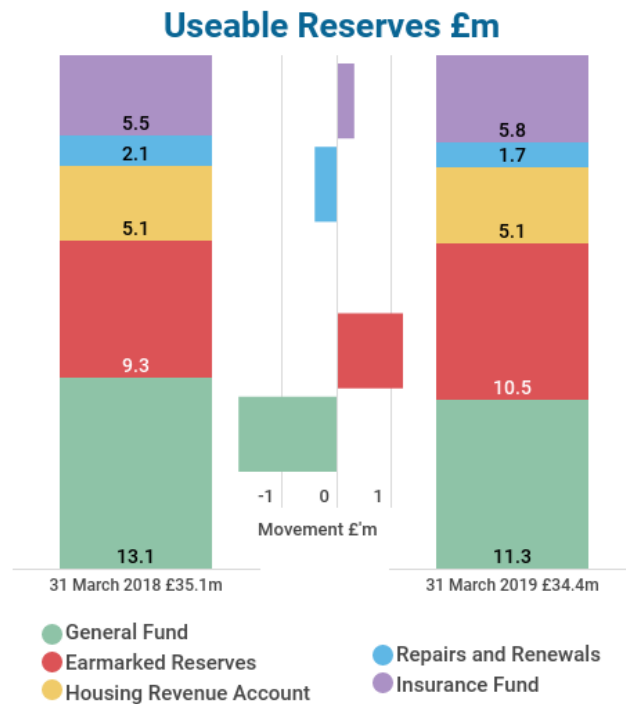
The Council's budget for 2018/19 included the use of £2.3m of reserves in order to achieve a balanced budget. The actual application of reserves, after transfers from other reserves was £1.8m, leaving an uncommitted General Fund balance of £11.3m. The Council's Reserve Policy provides for 2% of annual revenue expenditure (giving a range of £7.5m - £11m) to be held as a contingency against unforeseen events and emergencies. The balance of £11.3m is marginally above the higher figure of £11m. As part of the 2019/20 budget process, Elected Members agreed to apply £1m of reserves to help bridge the funding gap and cover a shortfall in the savings from Falkirk Community Trust. Both the Council and the Trust are jointly working on a management plan to cover the shortfall going forward.

The Council has also a number of earmarked and other reserves to deliver specific commitments. The most significant in terms of value includes:

- Earmarked Reserves of £10.3m, with £5m relating to grant income carried forward into the next financial year, spend to save funding of £2.3m principally earmarked to cover the costs of voluntary severance and £1.1m of balances delegated to Headteachers under the Devolved Schools Management System
- Housing Revenue Account, with £5.1m available as a contingency to meet future revenue and capital investment requirements. The level of reserves is in line with the Scottish average of c10% of annual expenditure
- Insurance Fund of £5.8m is available to meet outstanding claims against the Council and is subject to valuation by an independent actuary.

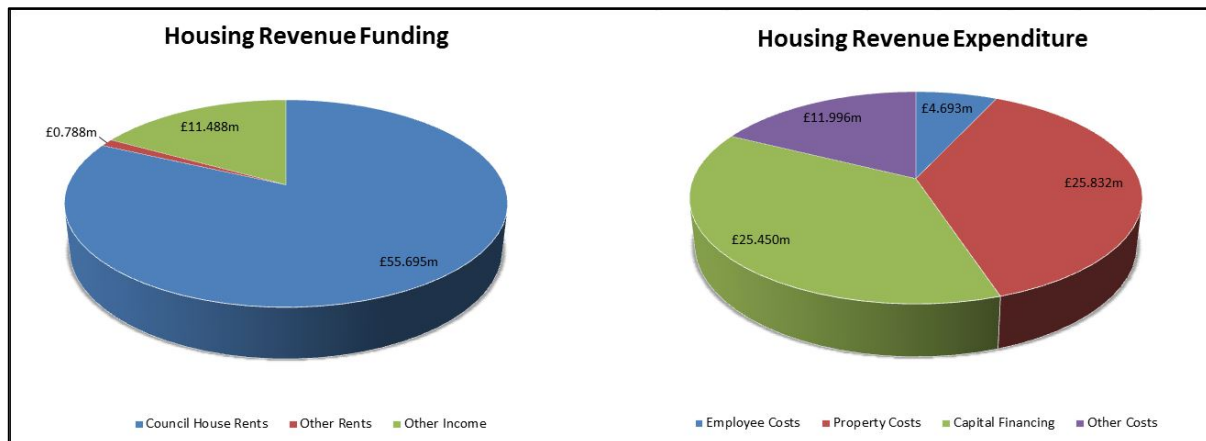
# Management Commentary

The diagram below summarises the movement in useable revenue reserves during 2018/19.



## (d) Housing Revenue Account 2018/19

For 2018/19 the Council spent £68.0m on Housing Revenue Services. Funding of this and an analysis of expenditure is provided below.

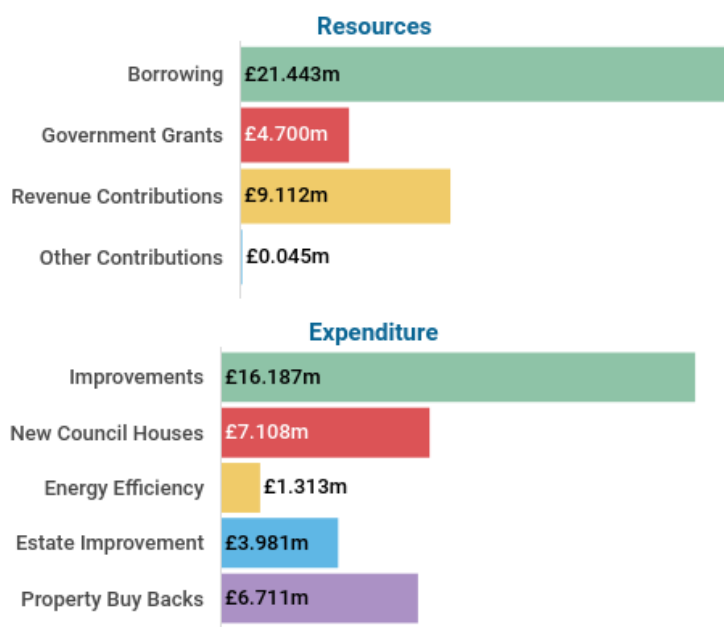


Overall, the HRA spending of £67.971m is in line with budget. Savings in staff costs and central support costs provide additional Capital Financed from Current Revenue [CFCR] to augment the resources available to undertake housing investment. The figure for the HRA incorporates a payment of £1.414m to the IJB for in scope services e.g. garden aid and adaptation expenditure.

## (e) Housing Capital Programme 2018/19

In 2018/19 the final Housing budget for capital investment was £38.5m, with 91.7% of this being delivered. The exhibit below identifies the key projects and how these were funded.

### Housing Capital Programme 2018/19



## (f) The Balance Sheet

The diagram below summarises the Council's Balance Sheet as at 31 March 2019, with comparatives provided for the last financial year. The Balance Sheet provides a snapshot of the Council's financial position detailing assets, liabilities and reserves. More information on the Balance Sheet is provided on page 36.

### The Balance Sheet

	March 2018	March 2019
<b>Net Assets</b>	<b>£401.6m</b>	<b>£350.4m</b>
Non Current Assets	£1,032.2m	£1,044.1m
Current Assets	£60.1m	£70.7m
Current Liabilities	£-96.8m	£-103.3m
Long Term Liabilities	£-593.9m	£-661.1m
<b>Reserves</b>	<b>£401.6m</b>	<b>£350.4m</b>
Useable Reserves	£44.3m	£40.3m
Unuseable Reserves	£357.3m	£310.1m

# Management Commentary

The net assets of the Council have decreased by £51.8m. The main reason for the movement is an increase in the pension liabilities of £57.4m. There has been an increase in IAS19 liabilities of £57.4m. This is mainly due to an increase in the value of liabilities as a result of a decrease in the net discount rate and an increased pension rate based on CPI, which has been partly offset by higher than expected asset returns. Further information on accounting arrangements for retirement benefits can be found in note 17. The increase in pension liabilities however has no impact on the Council's General Fund balance. Scottish Government regulations require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to accounting standards.

The amount of pension contribution payable by the Council in respect of the Local Government Pension Scheme is set every three years following a valuation of the Pension Fund carried out by an independent actuary. The contribution rate was set as a result of valuation as at 31 March 2017 for the next three years from April 2018. The contribution rate was set with the aim of ensuring that payments are sufficient to meet the cost of future benefit accrual and the Council's share of the Fund deficit. An assessment of Fund assets and liabilities is also undertaken on an annual basis by the Actuary to ensure that the contribution rates remain appropriate.

## (g) Financial Indicators

The Chartered Institute of Public Finance and Accountancy (CIPFA) Directors of Finance Section recommends the inclusion of certain "financial ratios" in the Management Commentary to assist the reader to assess the performance of Falkirk Council over the financial year and the affordability of its ongoing commitments. The following table provides the indicators with an explanation of each, grouped into CIPFA categories for the various areas of financial activity.

Financial Indicator	Commentary	2017-18	2018-19
Uncommitted general fund reserve as a % of annual net budget	Reflects the amount of funding available to manage unplanned events (Target – 2% of Revenue Expenditure)	3.92%	3.32%
In year council tax collection	Reflects Falkirk Council's effectiveness in collecting council tax debt (2016/17 Scottish Average – 95.98%)	96.62%	96.64%
Actual outturn compared to budgeted expenditure	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management (Target – 98%-100%)	98.98%	99.95%
Ratio of Financing Costs to Net Revenue Stream	Shows how much of the Council's income is committed to repaying debt arising from the capital investment (Budget 4%)	5%	5%
Incremental Impact of Capital Expenditure on Council Tax	Affordability Indicator showing implications of capital expenditure and its financing on the "bottom-line" (Budget £12.53)	£22.71	£23.41
Capital Financing Requirement	The Capital Financing Requirement reflects the underlying need to borrow for Capital Investment (Budget £265.3m)	£257.6m	£245.0m
External Debt Levels	The actual external debt and long term liabilities of Falkirk Council. This should never exceed Falkirk Council's authorised limit (Budget £375m)	£415m (Limit) £356m (Actual)	£425m (Limit) £362m (Actual)

## Risks

The Council's approach to risk is included in the Annual Governance Statement within these accounts. This statement also explains the system of Internal Control in place along with some improvement actions identified. The Council recognises that evaluation and monitoring of corporate and strategic risk is a key part of its role. The Corporate Risk Register records all the high level risks facing the Council and is regularly reviewed through the Corporate Risk Working Group. This work is regularly reported to the Council's Corporate Management Team and six monthly reports are presented to the Audit Committee.



The table below summarises the top 3 risk areas facing the Council and its Partners alongside mitigating actions.

Financial	Workforce	Data Security
<ul style="list-style-type: none"> <li>• Medium Term Financial Planning</li> <li>• Robust and inclusive budget process</li> <li>• Budget linked to Business Plan and the Council of the Future programme.</li> </ul>	<ul style="list-style-type: none"> <li>• Workforce Strategy and Planning Framework</li> <li>• Robust Human Resources and Organisational Development Policies</li> <li>• Effective employee and Trade Union engagement.</li> </ul>	<ul style="list-style-type: none"> <li>• Clear information governance structure and roles</li> <li>• Annual data Protection training for staff</li> <li>• Framework of up to date Policies</li> <li>• Public Services Network compliance.</li> </ul>

## Outlook

Scottish local authorities have been faced with funding reductions for a numbers of years. The financial challenges facing local authorities and indeed the public sector as a whole are set to continue, with gloomy predications of slow economic growth over the coming years. The ongoing uncertainty surrounding Brexit significantly adds to these challenges with an increased risk of recession if the UK leaves the EU without a deal and with no transition arrangements.

Slow economic growth adversely impacts on the amount generated from tax revenues which are required to fund all public services. For local government the overall reduction in resources is further compounded by the protection of other public sector portfolios, such as health, defence and police services, the implementation of new policy initiatives, including the significant expansion of early years provision, and the lifting of the public sector pay cap.

Taking the above factors into account, along with the demographic pressures of an increasing and aging population, the Council's Medium Term Financial Plan highlights a funding gap of £76m over the next five years.

Other challenges and considerations facing the Council include:

- The Council and its partners have commenced a programme of locality planning, where local communities work together with public and third sector organisations to improve residents' lives and the areas they live in. Through locality planning we will be encouraging public and community participation in services and decisions which affect local communities such as improvements to local services, public buildings and facilities
- As part of the commitment to locality planning and community empowerment the Council is looking to develop more localised decision making supported by Participatory Budgeting. By 2020 at least 1% of the budget must be subject to Participatory Budgeting
- The Scottish Government has also launched a Local Governance Review with COSLA to ensure Scotland's diverse communities and different places have greater control and influence over decisions that affect them most. It is intended the review will do this by considering how powers, responsibilities and resources are shared across national and local spheres of government, and with communities
- Over the last three years the Scottish Government has managed to find significant additional funding for councils at the last minute. While this funding is welcome, it results in contradictory and confusing messages to stakeholders, especially the public and Council employees, as the financial plans leading up to the budget are based on scenarios of significantly reduced government funding and service provision. The Scottish Government are looking to bring forward a three year funding settlement for local government from 2020-21 budget onwards. While this will not make the financial challenges disappear, it will enable a longer term view to be taken on the sustainable actions required to deal with these challenges
- The Scottish Government has proposed to enter into cross party talks to find a replacement for the Council Tax system by the end of the current parliament, with the replacement system being taken forward in the following parliament.

## Plans for the future

In May the Council approved a Five Year Business Plan as the framework for future planning and transformation. This plan, together with our key strategies, is focussed on continuing to deliver our priorities and is critical to ensure the ongoing sustainability of our services and the financial stability of the Council.

## Supplementary information

### Group Accounts

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 Accounts have been prepared (see pages 99 to 106) which consolidate the results of the Council and its interest in associated entities. The effect of the inclusion of the Council's interests on the Group Balance Sheet is to reduce both Reserves and Net Assets by £4.25m. This represents the Council's share of the net liabilities in those entities.

### Pension Fund

Falkirk Council is classed by statute as an administering authority and therefore has responsibility for operating and maintaining a pension fund for its own employees and those of constituent fund employers. Under the Council's governance arrangements, pension fund business has been delegated to a representative Pensions Committee and is overseen by a statutory Pensions Board. The Fund produces its own Annual Report and Accounts separate from those of the Council. These can be viewed at [www.falkirkpensionfund.org](http://www.falkirkpensionfund.org).

## Conclusion

Despite the financial challenges, the Council has managed to operate within its budget for 2018/19 and improve and enhance service provision. However, it is clear that challenging times remain ahead and difficult decisions will need to be taken. The Council of the Future transformation framework will help to ensure that the changes ahead reflect the priorities of the Council and that the desired outcomes for the Council area are delivered.

**Bryan Smail, CPFA MBA**  
Chief Finance Officer

**Councillor Cecil Meiklejohn**  
Leader of Falkirk Council

**Kenneth Lawrie**  
Chief Executive of Falkirk Council

## Statement of Responsibilities for the Annual Accounts

### Falkirk Council Responsibilities

The Council is required to:

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

I can confirm that these Annual Accounts were approved for signature by the Council at its meeting of \*\*\* 2019.

**Signed on behalf of Falkirk Council**

**Councillor Cecil Meiklejohn**  
**Leader of Falkirk Council**

### The Chief Finance Officer Responsibilities

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

In preparing the Annual Accounts the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

I certify that the accounts give a true and fair view of the financial position of the Council and its group as at 31 March 2019 and the transactions of the Council and its group for year ended 31 March 2019.

**Bryan Smail, CPFA MBA**  
**Chief Finance Officer**  
**17 June 2019**

## Annual Governance Statement 2018/19

### Introduction

The Local Government in Scotland Act 2003 places a duty on Falkirk Council to secure best value and ensure continuous improvement in service delivery. To do that, the Council must establish, and apply, robust governance arrangements, and make sure that public money is used economically, efficiently, effectively, and sustainably.

All Council employees and elected Members are responsible for ensuring good governance, and Falkirk Council is committed to the principles set out in the CIPFA guidance '*Delivering Good Governance in Local Government: A Framework*'. This positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures.

The Local Authority Accounting (Scotland) Regulations 2014 require all Councils to conduct a review, at least once in each financial year, of the effectiveness of the system of internal control <sup>1</sup>, and that an Annual Governance Statement is included in the Annual Accounts.

Preparation of this Statement also meets the requirements of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

### Falkirk Council's Governance Framework

This Statement aims to summarise the key elements of Falkirk Council's governance framework, set out within the context of the 'Delivering Good Governance' principles:

- behaving with integrity, demonstrating strong commitment to ethical values, and respecting rules of law;
- ensuring openness and comprehensive stakeholder engagement;
- defining outcomes in terms of sustainable economic, social, and environmental benefits;
- determining the interventions necessary to optimise the achievement of intended outcomes;
- developing the entity's capacity, including the capability of its leadership and the individuals within it;
- managing risks and performance through robust internal control and strong public financial management; and
- implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

On 27 February 2019 the Council agreed a balanced budget, encompassing revenue and capital budgets for the year, and sums to be transferred to Falkirk Community Trust and to Falkirk Health and Social Care Integration Joint Board. The agreed budget once again provides clarity on the allocation of resource and on savings to be achieved, and empowers Directors to deliver services within an agreed financial envelope.

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

## Explanatory & Assurance Statements

As part of that, the Council, and its partners, are progressing a programme of locality planning, to ensure that services delivered are achieving the best outcomes for individuals, families, and communities. This includes a commitment to community empowerment and localised decision making supported by participatory budgeting. By 2020, at least 1% of the Council's budget must be subject to participatory budgeting, and options are being developed around small grants, locality based budgets, and co-designing and co-producing services.

Much work has been undertaken in recent years on the Council's approach to Medium Term Financial Planning. Over the course of 2018/19, this has been streamlined further by better aligning financial, workforce, and transformational plans. Officers and Members have worked together to program and plan for scenarios driven by the local and national political, economic, and demographic context.

The Council faces unprecedented financial pressure over the short to medium term. The alignment of financial and resource planning is vital to ensuring that the right services are provided, to the right people, at the right time. To do this, the Council must not only continue to engage with communities, it must change the way it thinks about, and delivers, services. The Council of the Future (COTF) transformation programme is the means of driving the required change, both cultural and operational, and is intrinsically linked to the financial and resource planning process.

The governance of the COTF programme, which was agreed by Council in September 2017, is continuously under review. During 2018/19 the Audit Committee received updates on the programme Risk Register, and agreed an updated COTF Risk and Opportunities Management Strategy. The COTF Board continues to meet to monitor programme and project progress, with Project Leads required to attend and update as appropriate. Updates are also shared with staff via leadership development events, on the Council's Intranet, and within the recently launched staff newsletter. This helps ensure that all staff are sighted on, and involved in, the Council's transformation programme.

Falkirk Council aims to be a Responsive, Innovative, Trusted, and Ambitious organisation. Significant work is being undertaken to ensure that our workforce displays and demonstrates these behaviors, and a 5 year Corporate Business Plan has been developed to demonstrate how the Council will meet its objective of making the Falkirk Council area 'the place to be'. The Plan was approved by the Executive Committee in May, and will form the basis of what the Council will look like by 2024.

Key to this is the scaling up of the COTF programme, which is now moving into 'Wave 2', to make more ambitious transformational change happen, and deliver on the year-on-year savings outlined in the Medium Term Financial Plan. Wave 2 builds on each COTF 'Capability', with corresponding 'Workstreams', each of which comprise a suite of specific projects:

Council of the Future Capability	Workstream
<ul style="list-style-type: none"><li>One Council</li></ul>	<ul style="list-style-type: none"><li>Entrepreneurial Services</li></ul>
<ul style="list-style-type: none"><li>Enabled and Empowered Communities</li></ul>	<ul style="list-style-type: none"><li>Enabled Communities</li></ul>
<ul style="list-style-type: none"><li>Modern and Digital</li></ul>	<ul style="list-style-type: none"><li>Digital</li></ul>
<ul style="list-style-type: none"><li>Data</li></ul>	<ul style="list-style-type: none"><li>Services of the Future</li><li>Transformational Enablers</li></ul>

With a refreshed focus on increasing the pace of change, priority projects will be identified within these Workstreams. These projects will be determined by a framework of principles based on:

- high value savings / income generation projects;
- projects with community empowerment / Council priority benefits;
- projects with investment requirements.

This approach is in line with recommendations from external audit, who emphasised the need for pace, financial sustainability / value for money, and the delivery of Council of the Future and the Medium Term Financial Plan.



## Explanatory & Assurance Statements

To take account of this significant evolution of the COTF programme, and its intrinsic linkages into the wider financial and business planning processes, the COTF programme Risk Register will be reviewed and updated by the COTF Board during 2019/20. Subsequent to that, it will be considered by Audit Committee and approved by Executive.

To provide independent assurance on the Council's overall savings programme, Internal Audit will, as part of its 2019/20 Plan, review arrangements for tracking, and reporting on, the achievement of savings, including those attributable to COTF projects.

Processes for undertaking Equality and Poverty Impact Assessments, and Data Protection Impact Assessments, are now well embedded. These are undertaken to ensure that all savings proposals, and policy decisions, are balanced and properly informed. Related to that, the Council's Poverty Strategy, 'Towards a Fairer Falkirk', was refreshed and approved by Executive in February 2019.

A new online consultation portal, called 'Citizen Space' has been implemented to centralise all public consultation and better facilitate the reporting of consultation results. This has been used to undertake consultation on various issues, such as fly tipping, the proposed Council house rent increase for 2019/20, transport and travel in the Falkirk Council area and on the Council's planned spending for 2019/20.

The new portal is consistent with the move towards becoming a modern and digital Council. A key element of that relates to how we store, process, and secure the information we hold. The General Data Protection Regulation came into force in May 2018, via the Data Protection Act 2018. The Council appointed an Information Governance Manager, with an early focus on ensuring compliance with the GDPR, and an Information Management Group has been established to promote the effective management of Council information, support the identification of information needs and risks, ensure an Information Management Strategy / Policy / Framework is in place, and to oversee how the Council shares its information and data.

During 2018/19 the Internal Audit team reviewed the Council's GDPR readiness, and were able to provide Substantial Assurance.

Building on a commitment made in last year's Annual Governance Statement, the harnessing of technology has been a theme during 2018/19. For example, work is well progressed to procure and implement a new Social Work Information System. This will improve the way in which data is captured and stored, and will help staff providing, and those benefitting from, Social Work services.

Related to that, work is underway to understand and address the way in which telecommunications providers' shift from analogue to digital technology will impact on the Council, and the users of our services. While this change will be phased over a number of years, horizon scanning is inherent within the COTF programme, and within our wider risk management approach.

Effective risk management has also been a key element of our preparations for the possibility of a 'no deal' Brexit. A core group of officers was established to consider preparedness from both an operational and resilience perspective, with briefings held with senior Officers and elected Members. This work has also allowed Services to re-consider and improve their business continuity arrangements, and work is underway to reflect this within business continuity plans.

As well as considering the potential impact of Brexit on the Council's supply chain, the Procurement team submitted an annual report to the Scottish Government in August 2018, and underwent a Procurement and Commercial Improvement Programme (PCIP) review in September. The Annual Report set out the Council's procurement compliance, performance, and achievements, led by a Procurement Board, and the outcome of the PCIP review evidenced the Council's 'superior' performance. Continuous improvement in relation to procurement practices is being progressed via the 'Procuring for the Future' programme, which forms part of the 'Data' strand of the wider Council of the Future agenda.

The Procurement Board is one of several 'Governance Groups' set up to deliver policy outcomes, monitor compliance, or implement new systems or ways of working. Other Groups include the Corporate Sustainability Group, Information Management Group, Fairer Falkirk Partnership, Strategic Housing Group, and the Social Work Information System Programme Board. The Corporate Risk Management Group has, over the course of the year, sought assurance on the role and effectiveness of each 'Governance Group', and this will continue into the current year.

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The Corporate Risk Management Group is accountable to the Corporate Management Team, and reports on Risk Management (along with those on Internal and External Audit activity) are considered by the Council's Audit Committee. The Audit Committee has, since March 2011, been chaired by an independent, external, Convenor, with a new appointment to this role made in April 2019. The committee structure within which the Audit Committee sits remained unchanged over the course of 2018/19. This is reflective of political stability and, while the Council is led by a minority administration, political groups have sought to work positively to reach informed and evidence based decisions.

Elected Members are supported by a Corporate Management Team, led by a new Chief Executive who took up post in August 2018. All Officers and Members are required to comply with the Code of Conduct for Members and Officers, and there is a framework of Policies and procedures, including Contract Standing Orders and Financial Regulations, in place to direct staff.

The Corporate Fraud team has continued to promote a message of fraud prevention, actively engaging with staff across all Services, and reacting to referrals received. The team works closely with Services, and with colleagues in the Human Resources team, and has a key role in ensuring that new and emerging fraud risks are shared to minimise the Council's exposure. This is consistent with the commitment set out in the Anti Fraud and Corruption Strategy that practices aimed at bypassing our framework of internal control will be rejected.

### Monitoring and Review of Governance Arrangements

Falkirk Council's governance arrangements are formally monitored via:

- the Committee framework, including the Audit Committee;
- Corporate and Service Management Teams;
- Corporate Risk Management Group and other Governance Groups, including the Council of the Future Board;
- Internal and External Audit work; and
- the work of Falkirk Council's Local Area Network.

This monitoring is done within the context of the Delivering Good Governance guidance, the Council's Corporate Plan 2017-2022, the Strategic Outcomes and Local Delivery Plan 2016-2020, and the fundamental statutory requirement to demonstrate and achieve best value.

### System of Internal Financial Control

This section of the Annual Governance Statement relates to the systems of internal financial control of the Council and of the consolidated entries in the Council's group accounts for the year to 31 March 2019. The Chief Finance Officer is responsible for ensuring the operation and maintenance of an effective system of internal financial control that provides reasonable (not absolute) assurance that: assets are safeguarded; transactions are authorised and properly recorded; and material errors or irregularities are either prevented or detected.

The system of internal financial control is based on a framework of risk management; Contract Standing Orders, Financial Regulations, and related guidance; delegation and accountability; budgeting systems; clear financial targets; and reliable and timely management information.

The Council's Internal Audit Section provides assurance on arrangements for risk management, governance, and control, and undertakes an annual, risk based, programme of work approved by the Chief Executive, Chief Finance Officer, and Audit Committee.

The Internal Audit, Risk, and Corporate Fraud Manager has established a Quality Assurance and Improvement Programme for the Section, including annual self assessment and periodic external assessment of compliance with the Public Sector Internal Audit Standards. Annual self assessments have confirmed broad compliance, and this was independently verified via a peer review undertaken by the Scottish Prison Service's Head of Audit and Assurance in May 2018. The outcomes of this peer review were considered by Audit Committee in June 2018.

All Internal Audit reports are issued to the relevant managers, and include recommendations and agreed action plans. It is management's responsibility to ensure that appropriate action is taken to address recommendations. Significant matters arising, and recommendations which remain outstanding beyond their agreed implementation date, are reported to the Audit Committee.

# Explanatory & Assurance Statements

The Audit Committee operates in accordance with relevant guidance and has a remit to provide:

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

The Committee considers the Internal Audit, Risk, and Corporate Fraud Manager's Annual Assurance Report, which provides an independent opinion on the adequacy and effectiveness of the Council's arrangements for risk management, governance, and control. In his 2018/19 report, which was considered by Audit Committee on 17 June 2019, he concluded that he was able to provide substantial assurance on the Council's overall framework of control for the year to 31 March 2019.

The Local Authority Accounting (Scotland) Regulations 2014 require that a review is undertaken, at least once in each financial year, of the effectiveness of the system of internal control. In practice, the Chief Finance Officer considers the work of managers, Internal Audit, and External Audit. Based on his considerations, the Chief Finance Officer has concluded that substantial assurance can be placed on the adequacy and effectiveness of the Council's internal control systems for the year to 31 March 2019.

In relation to other entities that fall within the Council's group boundary, the Chief Finance Officer's review is informed by the:

- Annual Governance Statements included within the Annual Accounts of Falkirk Integration Joint Board and Central Scotland Valuation Joint Board;
- Statements of Assurance from the Chief Executives of Falkirk Community Trust and Falkirk Community Stadium Limited; and
- work of these bodies' respective External Auditors (and, where relevant, Internal Auditors).

Based on consideration of the above, the Chief Finance Officer has concluded that, on the whole, substantial assurance can be placed on the internal financial control systems of other bodies falling within the Council's group boundary.

In undertaking his duties, and in forming the above opinions, the Chief Finance Officer worked in conformance with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2016.

## Governance Arrangements – Areas for Improvement

Falkirk Council is committed to ensuring robust and proportionate governance. Clearly, though, as the context within which the Council operates continues to change, there will always be scope for further improvement.

Areas that will be addressed over the coming year include:

- The 5 year Business Plan will be used as the basis for moving towards becoming the Council of the Future;
- The COTF Risk Register will be reviewed and updated to take account of new and emerging risks as the programme enters Wave 2;
- Procurement and implementation of a new Social Work Information system will be completed;
- Business Continuity Plans will be reviewed, updated, and tested;
- The Corporate Risk Management Group will continue to seek assurance on the role and effectiveness of each 'Governance Group'.

# Explanatory & Assurance Statements

## Conclusion

This Annual Governance Statement summarises, openly and transparently, arrangements established by Falkirk Council for 2018/19 and the period to date. It highlights areas for improvement, and is consistent with the Council's established improvement agenda.

.....  
**Councillor Cecil Meiklejohn**  
**Leader of Falkirk Council**  
**17 June 2019**

.....  
**Kenneth Lawrie**  
**Chief Executive of Falkirk Council**  
**17 June 2019**

## Annual Remuneration Report 2018/19

The Local Authority Accounts (Scotland) Regulations 2014 require the annual accounts of the Council to contain a Remuneration Report. This Report for the financial year 2018/19 contains the information specified in the Schedule to the above Regulations.

All information disclosed in the tables below will be audited by Ernst & Young LLP. The other sections of this Report will be reviewed by Ernst & Young LLP to ensure that they are consistent with the accounts.

### Senior Councillors' Remuneration Arrangements

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007, as amended by the Local Governance (Scotland) Act 2004 (Remuneration and Severance payments) Amendment Regulations 2018. 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.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2018/19 the salary for the Leader of Falkirk Council is £33,992. The Regulations permit the Council to remunerate one Civic Head. The Regulations set out the maximum salary that may be paid to that Civic Head as £25,494. On 7 March 2018 the Council agreed that the remuneration paid to the Civic Head would be £23,272.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council (£25,494). 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 £297,416. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The Council agreed on 7 March 2018 that there will be 9 level 1 Senior Councillors each with a salary of £22,780 and 2 level 2 Senior Councillors each with a salary of £19,096.

The Joint Consultative Committee was formally dissolved by Council on 27 June 2018 thereby reducing the number of Senior Councillors to 10 (9 Level 1 Senior Councillors and 1 Level 2 Senior Councillor).

In 2018/19 Falkirk Council had 11 Senior Councillors until 27 June 2018 when it reduced to 10 Senior Councillors and the remuneration paid to these Councillors totalled £230,038. 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.

In addition to the Senior Councillors of the Council the Regulations also set out the remuneration payable to Councillors with responsibility of a Convener or Vice-Convener of a Joint Board such as a Joint Valuation Board. The Regulations specify 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.

The Council is reimbursed by the Joint Board for any additional remuneration paid to the member from being a Convener or Vice-Convener.

### Senior Employees' Remuneration Arrangements

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/150 sets the amount of salary for the Chief Executive of Falkirk Council for the period 2018/19.

The salaries for Chief Officers are evaluated using the Hays Grading Scheme.

The Council does not have a role in determining the remuneration policy of Falkirk Community Stadium Ltd., a subsidiary of the Council.



# Explanatory & Assurance Statements

In terms of Falkirk Community Trust Ltd (FCT), a company limited by guarantee with charitable status established by the Council in summer 2011 to deliver cultural and leisure services for the Falkirk Council area, the Funding Agreement between the Council and FCT provides that FCT is to provide terms and conditions to its employees (including remuneration) no less favourable than the relevant corresponding terms and conditions of employment enjoyed by employees of the Council at any time.

## General Disclosure by Pay Band

The number of employees whose remuneration was £50,000 or more in 2018/19 is as follows:

Remuneration Bands	Number of Employee		Chief Officials		Teachers		SJC Employees	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£50,000 - £54,999	98	108	-	-	67	71	31	37
£55,000 - £59,999	51	45	1	-	38	35	12	10
£60,000 - £64,999	8	9	-	-	5	6	3	3
£65,000 - £69,999	1	-	1	-	-	-	-	-
£70,000 - £74,999	3	3	1	1	2	2	-	-
£75,000 - £79,999	10	10	7	9	3	1	-	-
£80,000 - £84,999	5	4	2	-	3	4	-	-
£85,000 - £89,999	-	2	-	1	-	1	-	-
£90,000 - £94,999	2	3	2	3	-	-	-	-
£95,000 - £99,999	-	1	-	-	-	-	-	1
£100,000 - £104,999	2	-	2	-	-	-	-	-
£105,000 - £109,999	2	3	2	3	-	-	-	-
£110,000 - £114,999	-	-	-	-	-	-	-	-
£115,000 - £119,999	-	-	-	-	-	-	-	-
£120,000 - £124,999	-	-	-	-	-	-	-	-
£125,000 - £129,999	-	-	-	-	-	-	-	-
£130,000 - £134,999	-	-	-	-	-	-	-	-
£135,000 - £139,999	1	-	1	-	-	-	-	-
£140,000 - £144,999	-	-	-	-	-	-	-	-
£145,000 - £149,999	-	-	-	-	-	-	-	-
£150,000 - £154,999	-	-	-	-	-	-	-	-
£155,000 - £159,999	-	-	-	-	-	-	-	-
£160,000 - £164,999	-	-	-	-	-	-	-	-
£165,000 - £169,999	-	-	-	-	-	-	-	-
£170,000 - £174,999	-	-	-	-	-	-	-	-
£175,000 - £179,999	-	-	-	-	-	-	-	-
£180,000 - £184,999	-	-	-	-	-	-	-	-
£185,000 - £189,999	-	-	-	-	-	-	-	-
£190,000 - £194,999	-	-	-	-	-	-	-	-
£195,000 - £199,995	-	-	-	-	-	-	-	-
<b>Total</b>	<b>183</b>	<b>188</b>	<b>19</b>	<b>17</b>	<b>118</b>	<b>120</b>	<b>46</b>	<b>51</b>

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

# Explanatory & Assurance Statements

## Disclosure – Local Authority Subsidiary Bodies

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

- the Stadium Manager is Dougie Hanley
- there were no Councillors of Falkirk Council remunerated by the body in 2018/19
- there were no employees of the body whose remuneration in 2018/19, including any annual remuneration from Falkirk Council, was £150,000 or more.

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

- the Chief Executive is Maureen Campbell
- there were no Councillors of Falkirk Council remunerated by the body in 2018/19
- there were no employees of the body whose remuneration in 2018/19 including any annual remuneration from Falkirk Council, was £150,000 or more.

## Disclosure of Remuneration for Relevant Persons

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.

The information is provided in separate tables as follows:

### Remuneration paid to Falkirk Council's Senior Councillors

Name	Position(s)	Salary, Fees & Allowances	
		2018/19 £	2017/18 £
David Alexander	Vice Convener of Community Justice Authority to 03/05/17, Portfolio Holder, Public Protection from 24/05/17 to 07/03/18, Portfolio Holder, Economic Development from 07/03/18.	22,780	21,229
David Balfour	Convener of Central Scotland Valuation Joint Board from 23/06/17.	21,245	16,340
Lorna Binnie	Convener, Joint Consultative from 24/05/17 to 27/06/18.	6,320	16,259
Robert Bissett	Leader of the Opposition from 11/02/19.	2,614	-
James Blackwood	Portfolio Holder, Public Protection to 03/05/17.	-	2,074
Gary Bouse	Portfolio Holder, Resources from 24/05/17.	22,780	19,395
William Buchanan	Provost from 15/01/18. Convener of Planning to 03/05/17.	23,272	6,996
Thomas Coleman	Provost and Portfolio Holder, Economic Development from 24/05/17 to 30/11/17	-	12,088
Fiona Collie	Portfolio Holder, Health and Social Care from 24/05/17.	22,780	19,395
Joan Coombes	Depute Leader of the Council to 03/05/17.	-	2,074
Paul Garner	Portfolio Holder, Environment from 24/05/17.	22,780	19,395
Dennis Goldie	Portfolio Holder, Economic Development to 03/05/17 and Leader of the Opposition from 24/05/17 to 03/02/19.	16,084	18,333
Gerald Goldie	Portfolio Holder, Housing to 03/05/17.	-	2,074
Gordon Hughes	Portfolio Holder, Housing from 24/05/17.	22,780	19,395
Charles MacDonald	Convener of Joint Valuation Board to 03/05/17.	-	1,930
Adrian Mahoney	Portfolio Holder, Culture, Leisure & Tourism to 03/05/17.	-	2,074
Craig Martin	Leader of the Council to 03/05/17.	-	3,088
Craig R Martin	Portfolio Holder, Environment to 03/05/17.	-	2,074
Adanna McCue	Portfolio Holder, Education from 24/05/17.	22,780	19,395
John McLuckie	Convener, Appeals to 03/05/17.	-	2,074
Cecil Meiklejohn	Leader of the Opposition to 03/05/17 and Leader of the Council from 24/05/17.	33,992	30,680

## Explanatory & Assurance Statements

Name	Position(s)	Salary, Fees & Allowances	
		2018/19 £	2017/18 £
Rosemary Murray	Convener, Joint Consultative to 03/05/17.	-	1,738
Laura Murtagh	Portfolio Holder, Public Protection from 07/03/18.	22,780	1,525
Malcolm Nicol	Convener, Licensing to 03/05/17.	-	2,074
Alan Nimmo	Portfolio Holder, Education to 03/05/17.	-	2,074
John Patrick	Depute Provost to 03/05/17	-	2,074
Patrick Reid	Provost to 03/05/17.	-	2,118
Ann Ritchie	Depute Provost from 24/05/17.	22,780	19,395
Robert Spears	Portfolio Holder, Culture, Leisure & Tourism from 24/05/17.	22,780	19,395
<b>Total</b>		<b>308,547</b>	<b>286,755</b>

The amount recharged to Central Scotland Valuation Joint Board in 2018/19 was £5,794 (2017/18 £4,565).

There were no taxable expenses and no non-cash expenses and benefits in kind in 2018/19.

### Remuneration paid to all Members in 2018/19 was:

2017/18 £'000		2018/19 £'000
578	Salaries	593
7	Allowances (Mileage)	8
2	Expenses	4
<b>587</b>		<b>605</b>

The annual return of Councillors' salaries and expenses for 2018/19 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.

### Remuneration of Senior Employees of Falkirk Council

Name	Post Title	Salary, Fees and Allowances £	Other Amounts £	Total Remuneration 2018/19 £	Total Remuneration 2017/18 £
M Pitcaithly	Chief Executive (left 30/06/18)	42,267	3,504	45,771 (full year equivalent 133,713)	137,763
K Lawrie	Chief Executive (started 01/08/18 )	86,312	-	86,312 (full year equivalent 131,421)	-
R Geisler	Director of Development Services	105,896	-	105,896	105,106
S Ritchie	Director of Corporate & Housing Services	105,896	120	106,016	105,456
R Naylor	Director of Children's Services*	105,896	-	105,896	104,296
B Smail	Chief Finance Officer (Section 95 Officer)	92,338	-	92,338	90,738
K McCarroll	Head of Social Work Children's Services (CSWO) (left 06/08/17)	-	-	-	32,058 (full year equivalent 90,738)
G Greenhorn	Joint Acting Director of Children's Services from 13/11/17 to 13/05/18*	10,114	-	10,114 (full year equivalent 87,833)	32,780 (full year equivalent 85,523)

# Explanatory & Assurance Statements

Name	Post Title	Salary, Fees and Allowances £	Other Amounts £	Total Remuneration 2018/19 £	Total Remuneration 2017/18 £
D McKay	Joint Acting Director of Children's Services from 13/11/17 to 13/05/18*	10,114	-	10,114 (full year equivalent 87,833)	32,780 (full year equivalent 85,523)
S Lacey	Head of Social Work Children's Services (CSWO) (started 05/08/17) Joint Acting Director of Children's Services from 13/11/17 to 13/05/18*	92,885	-	92,885 (full year equivalent 96,857)	60,818 (full year equivalent 95,257)
<b>Total</b>		<b>651,718</b>	<b>3,624</b>	<b>655,342</b>	<b>701,795</b>

\* The Director of Children's Services was seconded to be the Lead Officer for the local Regional Improvement Collaborative from 13 November 2017 until 13 May 2018, to support the Scottish Government's Education Governance review. The Forth Valley and West Lothian Improvement Collaborative comprises Falkirk, Stirling, Clackmannanshire and West Lothian Councils and aims to facilitate collaborative working across the partnership areas. From 13 November 2017 to 13 May 2018, the three Heads of Service within Children's Services have received responsibility payments to cover the period of this secondment. Agreement has been reached that all of the additional costs incurred during the secondment period will be recharged to the local Regional Improvement Collaborative.

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

The "Other Amounts" value above covers election duties and related fees received during 2018/19 (2017/18 £6,020). These payments are reimbursed by either the Scottish Government or the Government of the United Kingdom.

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

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

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

Name	Post Title	Salary, Fees and Allowances £	Benefits other than in cash £	Total Remuneration 2018/19 £	Total Remuneration 2017/18 £
D Hanley	Stadium Manager from 06/02/18	39,345	-	39,345	5,833
L Burns	Stadium Manager until 27/06/17	-	-	-	9,596
<b>Total</b>		<b>39,345</b>	<b>-</b>	<b>39,345</b>	<b>15,429</b>

# Explanatory & Assurance Statements

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

Name	Post Title	Salary, Fees and Allowances £	Benefits other than in cash £	Total Remuneration 2018/19 £	Total Remuneration 2017/18 £
M Campbell	Chief Executive	92,509	-	92,509	91,041
<b>Total</b>		<b>92,509</b>	<b>-</b>	<b>92,509</b>	<b>91,041</b>

## Pension Benefits

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

The terms of the LGPS were changed from 1 April 2015. Prior to this date the scheme operated on a final salary basis meaning benefits were based on the final year's salary and number of years of membership of the scheme. Benefits are now based on a combination of a final salary pension scheme for membership accrued to 31/03/15, and a career average pay for membership accrued after 31/03/15.

Councillors' pension benefits are now 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.

The scheme's normal retirement age for both Councillors and employees is 65.

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.

The tiers and members contribution rates for 2018/19 are as follows:

Wholetime Pay	Contribution Rate	
	2017-18	2018-19
On earnings up to and including £21,300	5.50%	5.50%
On earnings above £21,300 and up to £26,100	7.25%	7.25%
On earnings above £26,100 and up to £35,700	8.50%	8.50%
On earnings above £35,700 and up to £47,600	9.50%	9.50%
On earnings above £47,600	12.00%	12.00%

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

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).

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.



## Explanatory & Assurance Statements

The pension figures shown relate to the benefits that the person has accrued as consequence of their total pensionable service, which may include service derived from other employments, and not just their current appointment. The pension figures shown must be rounded to the nearest £1,000.

### Pension Rights of Senior Councillors of Falkirk Council

The pension entitlements for Senior Councillors for the year to 31 March 2019 are shown in the table below, together with the contribution made by the Council to each Senior Councillor's pension during the year.

Name	In-Year Pension Contributions For year to 31/03/2019 £	Accrued Pension Benefits			
		As at 31/03/2019		Difference from 31/03/2018	
		Pension £	Lump Sum £	Pension £	Lump Sum £
David Alexander	5,012	9,000	16,000	-	-
David Balfour	4,674	3,000	-	1,000	-
Lorna Binnie Convenor of Joint Consultative Committee to 27/06/18	1,389	-	-	-	-
Robert Bissett Leader of the Opposition from 11/02/19	575	1,000	-	1,000	-
Gary Bouse	5,012	1,000	-	1,000	-
Fiona Collie	5,012	1,000	-	1,000	-
Paul Garner	5,012	2,000	-	1,000	-
Dennis Goldie Leader of the Opposition until 03/02/19	3,538	3,000	-	-	-
Gordon Hughes	5,012	4,000	1,000	-	-
Adanna McCue	5,012	1,000	-	1,000	-
Cecil Meiklejohn	7,478	5,000	-	-	-
Laura Murtagh	5,347	1,000	-	1,000	-
Robert Spears	5,012	4,000	1,000	-	-
<b>Total</b>	<b>58,085</b>	<b>35,000</b>	<b>18,000</b>	<b>7,000</b>	<b>-</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.

### Pension Rights of Senior Employees of Falkirk Council

The pension entitlements of Senior Employees for the year to 31 March 2019 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.

## Explanatory & Assurance Statements

Name	Post Title	In-Year Pension Contributions For year to 31/03/19 £	Accrued Pension Benefits			
			As at 31/03/2019		Difference from 31/03/2018	
			Pension £	Lump Sum £	Pension £	Lump Sum £
R Geisler	Director of Development Services	23,297	58,000	116,000	3,000	2,000
G Greenhorn	Joint Acting Director of Children's Services until 13/05/18	17,580	37,000	69,000	1,000	-
S Lacey	Head of Social Work, Children's Services (CSWO) Joint Acting Director of Children's Services until 13/05/18	20,432	5,000	-	2,000	-
K Lawrie	Chief Executive from 01/08/18	18,989	45,000	69,000	2,000	-
D Mackay	Joint Acting Director, Children's Services until 13/05/18	17,580	41,000	-	2,000	-
R Naylor	Director of Children's Services	23,297	62,000	5,000	3,000	-
M Pitcaithly	Chief Executive until 30/06/18	7,354	69,000	139,000	1,000	-
M Pitcaithly	Returning Officer until 30/06/18	52	1,000	1,000	-	-
S Ritchie	Director of Corporate & Housing Services	23,297	55,000	108,000	3,000	2,000
B Smail	Chief Finance Officer (Section 95 Officer)	20,314	45,000	84,000	3,000	1,000
<b>Total</b>		<b>172,192</b>	<b>418,000</b>	<b>591,000</b>	<b>20,000</b>	<b>5,000</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.

### Pension Rights of relevant persons of Falkirk Community Stadium Ltd

The pension entitlement of the Stadium Manager for the year to 31 March 2019 is shown in the table below, together with the contribution made by Falkirk Community Stadium Ltd.

Name	Post Title	In-Year Pension Contributions For year to 31/03/19 £	Accrued Pension Benefits			
			As at 31/03/2019		Difference from 31/03/2018	
			Pension £	Lump Sum £	Pension £	Lump Sum £
D Hanley	Stadium Manager	8,887	7,000	-	1,000	-

# Explanatory & Assurance Statements

## Pension Rights of relevant persons of Falkirk Community Trust Ltd

The Pension entitlement of the Chief Executive for the year to 31 March 2019 is shown in the table below, together with the contribution made by the Trust during the year.

Name	Post Title	In-Year Pension Contributions For year to 31/03/19 £	Accrued Pension Benefits			
			As at 31/03/2019		Difference from 31/03/2018	
			Pension £	Lump Sum £	Pension £	Lump Sum £
M Campbell	Chief Executive	20,352	43,000	77,000	3,000	1,000

## Exit Packages

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

The total cost shown in the following tables is for exit packages that have been agreed, accrued for and charged to the Comprehensive Income and Expenditure Statement or equivalent statements in 2018/19.

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 2018/19 or 2017/18.

## Exit Packages agreed with former employees of Falkirk Council

Bands	Number of Exit Packages			
	2017/18	Total Payments £	2018/19	Total Payments £
Up to £20k	15	144,465	14	152,520
Over £20k up to £40k	8	229,308	1	26,637
Over £40k up to £60k	-	-	1	45,390
Over £60k up to £80k	3	203,353	1	77,474
Over £100k up to £150k	-	-	1	119,580
<b>Number of Packages</b>	<b>26</b>	<b>577,126</b>	<b>18</b>	<b>421,601</b>

## Exit Packages agreed with former employees of Falkirk Community Stadium Ltd

There were no exit packages agreed in either 2018/19 or 2017/18.

## Exit Packages agreed with former employees of Falkirk Community Trust Ltd

Bands	Number of Exit Packages			
	2017/18	Total Payments £	2018/19	Total Payments £
Up to £20k	1	10,306	2	24,598
Over £20k up to £40k	1	32,588	-	-
<b>Number of Packages</b>	<b>2</b>	<b>42,894</b>	<b>2</b>	<b>24,598</b>

# Explanatory & Assurance Statements

## Trade Union Facility Time

In accordance with the provisions of the Trade Union (Facility Time Publication Requirements) Regulations 2017, Falkirk Council is now required to report annually on the amount of time-off granted to Trade Union representatives and the associated costs. It is a requirement of the legislation that information relating to employees of the authority's education function is reported separately.

### Falkirk Council – Facility Time Report for 1 April 2018 – 31 March 2019

**Table 1 - Relevant union officials**

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees	Full-time equivalent
38	35.14

**Table 2 - Percentage of time spent on facility time**

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 15-50%, c) 51%- 99% or d) 100% of their working hours on facility time?

Percentage of Time	Number of employees
0%	4
1% - 50%	30
51% - 99%	1
100%	3

**Table 3 - Percentage of total pay bill spent on facility time**

Total cost of facility time	Total pay bill	Percentage
£113,832	£114,458,000	0.1%

**Table 4 - Paid trade union activities**

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on trade union activities?

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as:  (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	15.35%
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# Explanatory & Assurance Statements

## Falkirk Council – Facility Time Report for 1 April 2018 – 31 March 2019 (Education)

**Table 1 - Relevant union officials**

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees	Full-time equivalent
19	17.5

**Table 2 - Percentage of time spent on facility time**

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 15-50%, c) 51%- 99% or d) 100% of their working hours on facility time?

Percentage of Time	Number of employees
0%	-
1% - 50%	18
51% - 99%	-
100%	1

**Table 3 - Percentage of pay bill spent on facility time**

Total cost of facility time	Total pay bill	Percentage
£67,646	£112,171,000	0.06%

**Table 4 - Paid trade union activities**

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on trade union activities?

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as:

(total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100

21%

**Councillor Cecil Meiklejohn**  
Leader of Falkirk Council

**Kenneth Lawrie**  
Chief Executive of Falkirk Council

## 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.

Gross Expenditure £'000	2017/18 Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	2018/19 Gross Income £'000	Net Expenditure £'000	Notes
197,348	(14,729)	182,619	Children's Services	241,953	(17,235)	224,718	
164,757	(97,662)	67,095	Social Work Adult Services	168,503	(100,769)	67,734	
57,046	(13,395)	43,651	Development Services	60,930	(16,136)	44,794	
71,474	(45,724)	25,750	Corporate & Housing Services	71,247	(43,474)	27,773	
55,886	(57,110)	(1,224)	Housing Revenue Account	64,444	(61,675)	2,769	
1,214	-	1,214	Valuation Joint Board	1,215	-	1,215	
11,433	-	11,433	Falkirk Community Trust	11,087	-	11,087	
<b>559,158</b>	<b>(228,620)</b>	<b>330,538</b>	<b>Net Cost of Services</b>	<b>619,379</b>	<b>(239,289)</b>	<b>380,090</b>	
-	<b>(892)</b>	<b>(892)</b>	<b>Other Operating Expenditure</b>	<b>231</b>	-	<b>231</b>	
			(Gains) or Losses on disposal of Non-Current and Current Assets				
34,999	(35,550)	(551)	<b>Financing and Investment Income and Expenditure</b>	36,711	(37,432)	(721)	14
			(Surplus) or deficit on trading undertakings				
25,430	-	25,430	Interest Payable and Similar Charges	24,157	-	24,157	41
-	(416)	(416)	Interest & Investment Income	-	(463)	(463)	
33,939	(21,778)	12,161	Pensions interest cost & interest income on plan assets	29,972	(22,752)	7,220	17
<b>94,368</b>	<b>(57,744)</b>	<b>36,624</b>		<b>90,840</b>	<b>(60,647)</b>	<b>30,193</b>	
			<b>Taxation and Non-Specific Grant Income</b>				
-	(61,682)	(61,682)	Council Tax	-	(63,704)	(63,704)	
-	(205,396)	(205,396)	Government Grants	-	(207,414)	(207,414)	
-	(25,816)	(25,816)	Capital Grants, Contributions & Donations	-	(25,926)	(25,926)	38
-	(65,438)	(65,438)	Non-Domestic Rates redistribution	-	(65,958)	(65,958)	
-	(1,236)	(1,236)	Non-Domestic Rates – TiF	-	(1,490)	(1,490)	
-	(272)	(272)	Non-Domestic Rates – BRIS	-	-	-	
-	<b>(359,840)</b>	<b>(359,840)</b>		-	<b>(364,492)</b>	<b>(364,492)</b>	
<b>653,526</b>	<b>(647,096)</b>	<b>6,430</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>710,450</b>	<b>(664,428)</b>	<b>46,022</b>	
			<b>Items that will not be reclassified to the (Surplus)/Deficit on the Provision of Services</b>				
		(9,078)	(Surplus) or deficit on revaluation of non-current assets and current assets			(29,798)	
		(222,786)	Remeasurements of pension assets/liabilities			35,555	10
		<b>(231,864)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>5,757</b>	
		<b>(225,434)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>51,779</b>	



## Movement in Reserves Statement

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

### Movement in Reserves Statement for the year ended 31 March 2019

	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Repairs & Renewals £'000	Insurance Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000	Notes
<b>Balance at 31/3/18</b>	<b>(22,381)</b>	<b>(5,093)</b>	<b>(7,469)</b>	<b>(1,788)</b>	<b>(2,108)</b>	<b>(5,515)</b>	<b>(44,354)</b>	<b>(357,291)</b>	<b>(401,645)</b>	
<b>Movement in reserves during 2018/19</b>										
Total Comprehensive Income and Expenditure	42,309	3,713		-			46,022	5,757	51,779	CIES
Adjustments between accounting basis and funding basis under regulations	(41,631)	(3,778)	3,118	363	-	-	(41,928)	41,928	-	9
Transfers to/from Other Statutory Reserves	(199)	65		-	422	(288)	-	-	-	
<b>(Increase)/Decrease in 2018/19</b>	<b>479</b>	<b>-</b>	<b>3,118</b>	<b>363</b>	<b>422</b>	<b>(288)</b>	<b>4,094</b>	<b>47,685</b>	<b>51,779</b>	
<b>Balance at 31/3/19</b>	<b>(21,902)</b>	<b>(5,093)</b>	<b>(4,351)</b>	<b>(1,425)</b>	<b>(1,686)</b>	<b>(5,803)</b>	<b>(40,260)</b>	<b>(309,606)</b>	<b>(349,866)</b>	

### Movement in Reserves Statement for the year ended 31 March 2018

	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Repairs & Renewals £'000	Insurance Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000	Notes
<b>Balance at 31/3/17</b>	<b>(19,981)</b>	<b>(5,093)</b>	<b>(8,031)</b>	<b>(1,822)</b>	<b>(2,151)</b>	<b>(5,200)</b>	<b>(42,278)</b>	<b>(133,933)</b>	<b>(176,211)</b>	
<b>Movement in reserves during 2017/18</b>										
Total Comprehensive Income and Expenditure	7,873	(1,443)	-	-	-	-	6,430	(231,864)	(225,434)	CIES
Adjustments between accounting basis and funding basis under regulations	(10,414)	1,312	562	34	-	-	(8,506)	8,506	-	9
Transfers to/from Other Statutory Reserves	141	131	-	-	43	(315)	-	-	-	
<b>(Increase)/Decrease in 2017/18</b>	<b>(2,400)</b>	<b>-</b>	<b>562</b>	<b>34</b>	<b>43</b>	<b>(315)</b>	<b>(2,076)</b>	<b>(223,358)</b>	<b>(225,434)</b>	
<b>Balance at 31/3/18</b>	<b>(22,381)</b>	<b>(5,093)</b>	<b>(7,469)</b>	<b>(1,788)</b>	<b>(2,108)</b>	<b>(5,515)</b>	<b>(44,354)</b>	<b>(357,291)</b>	<b>(401,645)</b>	

## Balance Sheet

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".

2017/18 £'000		2018/19 £'000	Notes
<b>Non-Current Assets</b>			
1,016,914	Property, Plant & Equipment	1,029,242	20
266	Heritage Assets	266	21
1,819	Intangible Assets	1,719	19
-	Assets Held for Sale	-	23
4,784	Long Term Investments	4,221	27,39
8,444	Long Term Debtors	8,112	31
<b>1,032,227</b>		<b>1,043,560</b>	
<b>Current Assets</b>			
362	Inventories	225	32
25,220	Short Term Debtors	24,420	34
31,491	Cash and Cash Equivalents	41,798	36
3,012	Assets Held for Sale	4,313	23
<b>60,085</b>		<b>70,756</b>	
<b>Current Liabilities</b>			
(32,067)	Short Term Borrowing	(34,198)	28
(64,709)	Creditors (including provisions)	(69,120)	30,35
<b>(96,776)</b>		<b>(103,318)</b>	
<b>Long Term Liabilities</b>			
(218,135)	Long Term Borrowing	(232,099)	28
(263,978)	Defined Benefit Pension Scheme Liability	(321,391)	17
(104,289)	Other Long Term Liabilities	(97,518)	40
(7,489)	Capital Grants Received in Advance	(10,124)	38
<b>(593,891)</b>		<b>(661,132)</b>	
<b>401,645</b>	<b>Net Assets</b>	<b>349,866</b>	
<b>Usable Reserves</b>			
(7,469)	Capital Receipts Reserve	(4,351)	
(1,788)	Capital Grants Unapplied Account	(1,425)	
(27,474)	General Fund	(26,995)	6
(2,108)	Repairs & Renewals	(1,686)	
(5,515)	Insurance Fund	(5,803)	29
<b>(44,354)</b>		<b>(40,260)</b>	
<b>Unusable Reserves</b>			
(210,719)	Capital Adjustment Account	(214,772)	10(a)
4,739	Financial Instruments Adjustment Account	4,405	10(e)
(421,240)	Revaluation Reserve	(427,637)	10(b)
263,978	Pensions Reserve	321,391	10(c)
5,951	Accumulated Absences Account	7,007	10(d)
-	Employee Liabilities Statutory Account	-	10(f)
<b>(357,291)</b>		<b>(309,606)</b>	
<b>(401,645)</b>	<b>Total Reserves</b>	<b>(349,866)</b>	

**Bryan Smail, CPFA MBA**  
Chief Finance Officer

The unaudited accounts were issued on 17 June 2019.

## Cash Flow Statement

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.

2017/18 £'000		2018/19 £'000
6,430	Net (surplus) or deficit on the provision of services	46,022
(62,123)	Adjust net surplus or deficit on the provision of services for non-cash movements	(107,263)
25,816	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25,911
<b>(29,877)</b>	<b>Net cash flows from operating activities</b>	<b>(35,330)</b>
	<b>Investing Activities</b>	
59,931	Purchase of property, plant & equipment, investment property and intangible assets	66,557
-	Other payments for investing activities	-
(3,947)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(1,422)
(28,168)	Other receipts and investing activities	(29,492)
<b>27,816</b>	<b>Net cash flows from investing activities</b>	<b>35,643</b>
	<b>Financing Activities</b>	
(38,848)	Cash receipts of short and long-term borrowing	(47,067)
5,688	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	5,475
29,798	Repayments of short and long-term borrowing	30,972
<b>(3,362)</b>	<b>Net cash flows from financing activities</b>	<b>(10,620)</b>
<b>(5,423)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(10,307)</b>
(26,068)	Cash and cash equivalents at the beginning of the reporting period	(31,491)
	<b>Cash and cash equivalents at the end of the reporting period</b>	
(44)	Cash held by Officers	(44)
2,585	Bank Current Accounts	(8,745)
(34,032)	Short-term deposits	(33,009)
<b>(31,491)</b>		<b>(41,798)</b>

The cash flows for operating activities include interest paid of £24.157m (2017/18 £25.431m) and interest received of £0.463m (2017/18 £0.418m).

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

892	Net Gain/(Loss)	(230)
(582)	Amortisation of Intangible Assets	(767)
(43,227)	Depreciation & Impairment of Fixed Assets	(79,408)
(25,114)	Net Charges for Retirement Benefits	(20,972)
2,605	Movement in Debtors	(200)
3,552	Movement in Creditors	(5,549)
(249)	Movement in Stock	(137)
<b>(62,123)</b>		<b>(107,263)</b>
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
21,205	Capital Grants General Fund	21,166
4,611	Capital Grants HRA	4,745
<b>25,816</b>		<b>25,911</b>

## Supplementary Accounts

### 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.

2017/18 £'000		2018/19 £'000
(53,052)	Dwelling Rents	(56,230)
(1,764)	Non-Dwelling Rents	(1,608)
(3,868)	Other Income	(3,511)
<b>(58,684)</b>	<b>Total Income</b>	<b>(61,349)</b>
22,047	Repairs and Maintenance	25,043
15,124	Supervision and Management	15,521
18,949	Depreciation and Impairment of Non-Current Assets	21,350
973	Other Expenditure	1,622
131	Increase/(Decrease) in Bad Debts Provision	349
<b>57,224</b>	<b>Total Expenditure</b>	<b>63,885</b>
(1,460)	Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement	2,536
236	HRA Services Share of Corporate and Democratic Core	233
<b>(1,224)</b>	<b>Net Expenditure of HRA Services</b>	<b>2,769</b>
<b>HRA Share of Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
(1,147)	(Gain)/Loss on Sale of HRA Non-Current Assets	19
5,179	Interest Payable and similar charges	5,545
(73)	Interest and Investment Income	(145)
433	Pensions Interest Cost and Expected Return on Pension Assets	270
(4,611)	Recognised Capital Grant Income	(4,745)
<b>(1,443)</b>	<b>(Surplus)/Deficit for the Year</b>	<b>3,713</b>

### Movement on the Housing Revenue Account Statement

2017/18 £'000		2018/19 £'000
<b>(5,093)</b>	<b>Balance on the HRA at the end of the previous year</b>	<b>(5,093)</b>
(1,443)	(Surplus) or Deficit for the year on HRA Income and Expenditure Statement	3,713
1,312	Adjustments between Accounting Basis and Funding Basis under Statute	(3,778)
<b>(131)</b>	<b>Net (Increase) or Decrease before transfers to or from Reserves</b>	<b>(65)</b>
131	Transfers (to) or from Reserves	65
-	<b>(Increase) or Decrease in Year on the HRA</b>	-
<b>(5,093)</b>	<b>Balance on the HRA at the end of the Current Year</b>	<b>(5,093)</b>

# Supplementary Accounts

## Housing Revenue Account Disclosures

### Adjustments between Accounting Basis and Funding Basis under Statute

2017/18 £'000		2018/19 £'000
1,147	Gain or (loss) on sale of HRA non-current assets	(19)
11,303	Capital expenditure charged to the HRA	9,112
(18,949)	Depreciation and Impairment	(21,350)
5,349	Statutory Repayment of Debt (Loans Fund Advances)	5,901
(2,211)	HRA share of contributions to or from the Pensions Reserve	(2,249)
(2)	Accumulated Absences Account	18
64	Difference between any other item of income and expenditure determined in accordance with the Code and statutory HRA requirements	64
4,611	Recognised Capital Grant Income	4,745
<b>1,312</b>	<b>Total</b>	<b>(3,778)</b>

## Housing Stock

The Council Housing Stock at 31 March 2019 was 16,404 properties in the following categories.

2017/18 Number		2018/19 Number
2,695	One bedroom and under	2,697
8,664	Two bedrooms	8,751
4,437	Three bedrooms	4,462
474	Four bedrooms	476
18	Five bedrooms and larger	18
<b>16,288</b>	<b>Total</b>	<b>16,404</b>
<b>£64.06</b>	<b>Average Weekly rent (52 week basis)</b>	<b>£66.36</b>

## Rent Arrears

Rent Arrears at 31 March 2019 were £4,163,702 (£3,834,860 in 2017/18).

## Bad Debt Provision

An impairment of £3.214m has been provided in the Balance Sheet for irrecoverable rents, an increase of £0.349m from the provision in 2017/18.

## Losses on Void Properties

2017/18 £'000		2018/19 £'000
488	Dwelling Rents	577
198	Non-Dwelling Rents	226
<b>686</b>	<b>Total</b>	<b>803</b>

# Supplementary Accounts

## Council Tax Account

### 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.

## Council Tax Income Account

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

2017/18 £'000		2018/19 £'000
78,407	Gross Council Tax Levied	81,509
(3)	Prior Year Adjustments	(106)
<b>78,404</b>	<b>Total Income</b>	<b>81,403</b>
7,838	Council Tax Reduction	7,890
300	Provisions Against Bad and Doubtful Debts	789
8,584	Other Discounts and Reductions	9,019
<b>16,722</b>	<b>Total Expenditure</b>	<b>17,698</b>
<b>61,682</b>	<b>Net Council Tax Income transferred to General Fund</b>	<b>63,705</b>

### 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 2018/19 are as follows:

Band	£ per Dwelling
A*	£630.56
A	£756.67
B	£882.78
C	£1,008.89
D	£1,135.00
E	£1,491.26
F	£1,844.38
G	£2,222.71
H	£2,780.75

\* Band 'A' with Disabled Persons Relief



# Supplementary Accounts

## Calculation of the Council Tax Base per 2018/19 Budget

	Band A*	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
No. of Dwellings	-	22,233	19,427	6,891	8,943	8,870	5,600	2,798	64	74,826
Exempt Dwellings	-	896	436	168	140	105	34	20	1	1,800
Chargeable Dwellings	-	21,337	18,991	6,723	8,803	8,765	5,566	2,778	63	73,026
Disabled Reduction	-	75	97	60	58	89	45	18	-	442
Adjusted Chargeable Dwellings	75	21,359	18,954	6,721	8,834	8,721	5,539	2,760	63	73,026
Discounts (25%)	33	12,562	7,259	2,815	2,673	1,775	736	266	10	28,129
Discounts (due to being second homes)	-	15	21	15	10	14	4	3	-	82
Discount (long term empty properties)	-	313	216	101	77	53	17	15	2	794
Discount (occupied by disregarded adults)	-	12	6	2	8	3	3	1	-	35
Not entitled to discount	42	8,457	11,452	3,788	6,066	6,876	4,779	2,475	51	43,986
Effective Dwellings	67	18,049	17,018	5,958	8,118	8,242	5,343	2,684	60	65,539
Ratio to Band D	5/9	6/9	7/9	8/9	1	473/360	585/360	705/360	882/360	
No. of Band D Equivalents	37	12,033	13,236	5,296	8,118	10,829	8,683	5,256	147	63,635
Add: Estimated Growth in tax base										253
Less: Dwellings for which collection of Council Tax is considered to be doubtful - 98% collection offset by prior year collection										809
Council Tax (£'000)										71,594
Less: Impact of Council Tax Reduction Scheme (£'000)										7,890
<b>Budgeted Council Tax Base (£'000)</b>										<b>63,704</b>

# Supplementary Accounts

## Non-Domestic Rates Account

Non-Domestic Rates are a tax levied by local authorities on the occupiers of commercial, industrial and other non-domestic properties within their area, as distinct from a charge for their use of services. The rates charge for each property is determined by the rateable value placed upon it by the Assessor, multiplied by the National Rate Poundage which is set by Scottish Ministers. The Rate Poundage was set at 48 pence. The small business bonus scheme provides relief ranging from 25% to 100% for properties with rateable values of £18,000 and less. The cost of the small business bonus scheme was met from a supplement of 2.6 pence on properties with rateable values in excess of £51,000. 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.

2017/18 £'000		2018/19 £'000
89,735	Rate Levied (including large Business Supplement)	93,154
	<b>Less:</b>	
(13,455)	Reliefs and Other Deductions	(15,002)
(758)	Write-Off of Uncollectable Debts	(894)
<b>75,522</b>	<b>Net Non-Domestic Rate Income</b>	<b>77,258</b>
(1,880)	Adjustments to previous years National Non Domestic Rates	470
(272)	Non-Domestic Rate Income Retained by Authority (BRIS)	-
(1,236)	Non-Domestic Rate Income Retained by Authority (TIF)	(1,490)
<b>72,134</b>	<b>Contribution to Non-Domestic Rate Pool</b>	<b>76,238</b>
65,438	Distribution from Non-Domestic Rate Pool	65,958
<b>65,438</b>	<b>Income Credited to the Comprehensive Income and Expenditure Statement</b>	<b>65,958</b>

The Business Rate Incentivisation Scheme (BRIS) permits local authorities to retain half of the NDR Income which exceeds the buoyancy rate target set by the Scottish Government. The BRIS buoyancy rate target as set out in the Scottish Government Local Government Finance Circular is based on audited contributable amounts. The determinant of whether a council has achieved the BRIS target will therefore be based on the audited 'Contributable Amount' figure reported in the Non-Domestic Rates Income Return for 2018/19, which will not be completed until June 2019. Based on figures to date noted in the table below it is calculated that the Council could possibly exceed the target once verified by Scottish Government and if successful will be claimed in 2018/19 annual return.

	%
BRIS target	1.60
Actual Buoyancy rate	1.71
Excess over target	0.11
50% retained	0.055

## Non-Domestic Rates Account Disclosures

### Analysis of Rateable Values as at 1 April, 2018

	No. of Premises	Rateable Value £'000	%
Shops	1,369	34,594	18.46
Hotels and Public Houses	125	6,144	3.28
Offices	1,007	12,624	6.74
Industrial – Factories, Warehouses, Stores and Workshops	1,376	43,447	23.19
Sports, Leisure, Cultural, Entertainment, Caravans, Holiday Sites	324	5,594	2.98
Garages and Petrol Stations	72	2,582	1.38
Education and Training	83	12,642	6.75
Public Service Subjects	164	8,075	4.31
Quarries and Mines	16	2,033	1.08
Petrochemical	15	31,994	17.08
Religious	114	1,611	0.86
Health/Medical and Care Facilities	155	13,432	7.17
Utilities	37	10,437	5.57
Communications, Advertising and Other	314	2,158	1.15
<b>Total</b>	<b>5,171</b>	<b>187,367</b>	<b>100</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.

# Supplementary Accounts

## 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 2016.

2017/18 £'000	Former Bo'ness Town Council 2018/19 £'000	Former Denny Town Council 2018/19 £'000	Former Grangemouth Town Council 2018/19 £'000	Former Falkirk Town Council 2018/19 £'000	Total £'000
<b>Income and Expenditure Account</b>					
<b>Income</b>					
(23) Rents Received	-	-	-	(23)	(23)
(3) Interest	-	-	-	(6)	(6)
<b>(26) Total Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(29)</b>	<b>(29)</b>
<b>Expenditure</b>					
11 Depreciation	-	-	-	10	10
4 Other	-	-	-	30	30
<b>15 Total Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40</b>	<b>40</b>
<b>(11) (Surplus)/Deficit for Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>11</b>
<b>Balance Sheet</b>					
157 Fixed Assets	-	-	-	147	147
850 Investments	53	6	22	768	849
- Creditors	-	-	-	-	-
<b>1,007 Net Assets</b>	<b>53</b>	<b>6</b>	<b>22</b>	<b>915</b>	<b>996</b>
<b>Financed by:</b>					
157 Asset Revaluation Reserve	-	-	-	147	147
850 Revenue Reserve	53	6	22	768	849
<b>1,007</b>	<b>53</b>	<b>6</b>	<b>22</b>	<b>915</b>	<b>996</b>

Bryan Smail, CPFA MBA  
Chief Finance Officer  
17 June 2019

## Note 1: General Accounting Policies

### General Principles and Accounting Concepts

The Annual Accounts summarise the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires that the accounts are prepared in accordance with proper accounting practices. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and the Service Reporting Code of Practice 2018/19 (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 2019. Comparative figures for the previous financial year are also provided.

In accordance with IAS 8: Accounting Policies, the Council regularly reviews its accounting specific policies to ensure that they remain the most appropriate. The Code defines accounting policies as "the principles, bases, conventions, rules and practices applied by an authority in preparing and presenting accounts."

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 accounts for the year in which they occur, not in the period in which payment is made or income received. The going concern concept assumes that the Council will not significantly curtail the scale of its operation. In cases where accounting principles and legislative requirements conflict, the latter will apply.

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

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

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

### Accrual of Income and Expenditure

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

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- revenue from the provision of services is recognised when the Council can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council

# Notes to the Accounts

- 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.

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

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

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

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

## Cash and Cash Equivalents

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

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

## Charges to Revenue for Non-Current Assets

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

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

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

## Value Added Tax

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



## Revenue Expenditure Funded from Capital Under Statute

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

## Overheads and Support Services

Changes to the 2016/17 Code for Telling the Story removed the requirement to report services in the Comprehensive Income and Expenditure Statement in accordance with the specifications in the Service Reporting Code of Practice (SERCOP). As a result the costs of Central Support Services are no longer allocated out to all Services.

## Accounting for the Costs of the Carbon Reduction Commitment Scheme

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

## Reserves

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

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

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

### Usable Reserves

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

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

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

# Notes to the Accounts

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

## Other Usable Reserves

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

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

## Unusable Reserves

Certain reserves are kept to manage the accounting process for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained in Note 10.

## Note 2: Accounting Standards that have been issued but have not yet been adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2019/20 Code:

### IFRS16 Leases

This new standard eliminates nearly all off balance sheet accounting for lessees as existing rules no longer apply for treating lease transactions as operating or finance leases. All contracts that convey the right to use an asset for a period of time in exchange for consideration could meet the definition of a lease and will require to be examined. An exemption exists for low value assets such as tablets, computers and telephones, although identification is still required. The implementation and compliance with IFRS16 is recognised as potentially significant for most lessees, particularly if they do not already have an in-house lease information system.

### IFRIC 23 Uncertainty over Income Tax Treatments

Clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit/loss, tax bases, unused tax losses, unused tax credits and tax rates, where there is uncertainty over income tax treatments under IAS12.

### Amendments to IFRS9 Financial Instruments: Prepayment Features with Negative Compensation

Covers two issues: what financial assets may be measured at amortised cost, amended to allow debit instruments with negative compensation prepayment features to be measured at amortised cost or fair value through other comprehensive income, and how to account for the modification of a financial liability that does not result in derecognition, will have immediate recognition of a gain or loss.

### Amendments to IAS28: Long-term Interests in Associates and Joint Ventures

Clarifies that an entity applies IFRS9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

### Amendments to IAS19: Plan Amendment, Curtailment or Settlement

It is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. Clarifications also on the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

## Annual Improvements to IFRS Standards 2015- 2017 Cycle

Amendments made to three IFRS's as a result of the IASB's annual improvements project:

IFRS3 Business Combinations & IFRS11 Joint Arrangements – clarifies when the remeasurement of previously held business interests are required should an entity obtain control/joint control of a business that is a joint operation,

IAS12 Income Taxes – clarifies the recognition requirements of the income tax consequences of dividends,

IAS23 Borrowing Costs – clarifies the treatment of outstanding borrowing after an asset is ready for intended use or sale.

The Code requires implementation from 1 April 2019 and there is therefore no impact on the 2018/19 accounts. These new or amended standards are not expected to have a significant impact on the accounts.

## Note 3: Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Code has adopted the International Public Sector Accounting Standards (IPSAS) definition of Investment Property as one that is used solely to earn rentals or for capital appreciation, or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet with 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 Code 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 are now classified as Property, Plant and Equipment.
- The Council is deemed to control the services provided under the Private Finance Initiative agreements for the provision of school buildings, maintenance and other facilities (Class 98 and Falkirk Schools Gateway Ltd). The accounting policies for Private Finance Initiatives have been applied to these arrangements and the schools (valued at net book value of £192.5m at 31 March 2019) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.
- The Council entered into a partnership agreement with Scottish Canals to invest in The Helix project. All costs were routed through the Council and funded by external contributions from such bodies as Scottish Canals and Big Lottery with the Council contributing £6.34m over the last 11 years (£0.01m in 2018/19). The Partnership agreement allowed for the transfer of The Kelpies and canal elements of the project to Scottish Canals. The transfer was completed in 2015/16 and was accounted for as a disposal at nil receipt and as such included as a "loss on disposal of non-current and current assets" in the Comprehensive Income and Expenditure Account. The partnership agreement also allowed for the part transfer of the Visitor Centre to Scottish Canals. The agreement dictates that the Visitor Centre is jointly owned by the Council and Scottish Canals and as such 50% of the ownership had been transferred. The transfer equates to £0.79m and was completed in 2016/17. Similar to the Kelpies and the Canal elements, the transfer was accounted for as a disposal at nil receipt and included in the Comprehensive Income and Expenditure Statement as a "loss on disposal of non-current and current assets".
- The Council's housing stock is valued using the Beacon Method. The nature of capital expenditure incurred has been reviewed to determine to what extent this expenditure is deemed to enhance the value of the stock and therefore what element is treated as non-enhancing capital expenditure. In terms of New Build Housing and house purchases under the Buy-Back Scheme, the level of enhancement is based on the average net book value of a house in a particular management area, with the difference between spend and this average value being treated as non-enhancing capital expenditure. Spend incurred in relation to achieving Scottish Housing Quality Standard (SHQS) assumes that in the main 90% of these works maintain the value of the housing stock and therefore mitigates, to a certain extent, the depreciation charge for the year.

## Note 4: Assumptions Made about the Future and other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet as at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial years are as follows:

### Provisions

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

### Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £128m, whilst a 1 year increase in life expectancy would approximately add £46m to liabilities.

However, the assumptions interact in complex ways. During 2018/19, the Council's actuaries advised that the net pensions liability had decreased by £61m since March 2018. This was a result of an increase in liabilities of £61m. Had there been a 0.5% increase in the assumptions governing both salary rates and pension increase rates, this would have resulted in an increase in liabilities of £24m and £101m respectively.

The following table shows the sensitivity of the results to the changes in the principal assumptions used to measure the scheme liabilities:

Sensitivities at 31 March 2019	Approx % increase to Employer Liability	Approx monetary amount £'000
0.5% decrease in Real Discount Rate	10	127,529
0.5% increase in the Salary Increase Rate	2	23,630
0.5% increase in the Pension Increase Rate	8	101,359

### Arrears

At 31 March 2019, the Council had a balance of sundry debtors of c.£13.5m, council tax c.£13.1m and house rents of c.£4.2m. Provision for doubtful debts amount to c.£3.5m, c.£12.5m and c.£3.2m respectively. An increase of 10% in the value of these would amount to c.£0.4m, c.£1.3m and c.£0.3m respectively.

## Note 5: Events After The Balance Sheet Date

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

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

There have been no such events up to the date of authorisation.

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

## Note 6: Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a note to the financial statements to demonstrate to council tax and rent payers how the funding available to the Council (government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by Councils in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18			2018/19			
Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis (Note 7) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
184,057	(1,438)	182,619	Children's Services	192,235	32,483	224,718
63,919	3,176	67,095	Social Work Adult Services	64,259	3,475	67,734
29,095	14,556	43,651	Development Services	28,943	15,851	44,794
24,530	1,220	25,750	Corporate & Housing Services	24,630	3,143	27,773
(131)	(1,093)	(1,224)	Housing Revenue Account	(65)	2,834	2,769
1,214	-	1,214	Valuation Joint Board	1,215	-	1,215
11,433	-	11,433	Falkirk Community Trust	11,087	-	11,087
314,117	16,421	330,538	Net Cost of Services	322,304	57,786	380,090
15,999	19,733	35,732	Other Income and Expenditure	15,385	15,039	30,424
(332,788)	(27,052)	(359,840)	Taxation and Non-Specific Grant Income	(337,076)	(27,416)	(364,492)
(316,789)	(7,319)	(324,108)	Total Other Income and Expenditure	(321,691)	(12,377)	(334,068)
(2,672)	9,102	6,430	(Surplus) or Deficit	613	45,409	46,022
(25,074)			Opening General Fund & HRA Balance at 31 March 2018	(27,474)		
(2,672)			Less/(Add) Deficit or Surplus on General Fund and HRA Balance in Year	613		
272			Transfers to/(from) Other Statutory Reserves	(134)		
(27,474)			Closing General Fund and HRA Balance at 31 March 2019	26,995		

For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement.



# Notes to the Accounts

## Note 7: Expenditure and Funding Analysis

### Adjustments between Funding and Accounting Basis 2018/19

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments £'000
Children's Services	44,210	5,217	(16,944)	32,483
Social Work – Adult Services	472	2,946	57	3,475
Development Services	11,589	4,142	120	15,851
Corporate & Housing Services	2,232	354	557	3,143
Housing Revenue Account	21,350	2,249	(20,765)	2,834
<b>Net Cost of Services</b>	<b>79,853</b>	<b>14,908</b>	<b>(36,975)</b>	<b>57,786</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(57,361)</b>	<b>6,950</b>	<b>38,034</b>	<b>(12,377)</b>
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statements Surplus or Deficit on the Provision of Services	22,492	21,858	1,059	45,409

### Adjustments between Funding and Accounting Basis 2017/18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments £'000
Children's Services	12,654	4,503	(18,595)	(1,438)
Social Work – Adult Services	407	2,765	4	3,176
Development Services	10,476	3,730	350	14,556
Corporate & Housing Services	1,031	177	12	1,220
Housing Revenue Account	18,950	2,211	(22,254)	(1,093)
<b>Net Cost of Services</b>	<b>43,518</b>	<b>13,386</b>	<b>(40,483)</b>	<b>16,421</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(59,653)</b>	<b>11,728</b>	<b>40,606</b>	<b>(7,319)</b>
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statements Surplus or Deficit on the Provision of Services	(16,135)	25,114	123	9,102

#### (1) Adjustments for Capital Purposes

Adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.