

Falkirk Council

Title: Annual Accounts 2018/19
Meeting: Audit Committee
Date: 16 September 2019
Submitted By: Director of Corporate & Housing Services

1. Purpose of Report

- 1.1 The purpose of the report is to present the Audited Accounts of the Council for the year to 31 March 2019.

2. Recommendation

- 2.1 **The Committee is asked to consider and recommend to Council that the Audited Annual Accounts of the Council to 31 March 2019 are approved.**

3. Background

- 3.1 The Local Authority Accounts (Scotland) Regulations 2014 require the Council to submit annual accounts to our External Auditor no later than 30 June following the financial year to which the accounts relate. Following the audit process a local authority, or Committee of that authority must meet to consider the audited Annual Accounts and approve these accounts for signature.
- 3.2 In accordance with the Council's Standing Orders, the Audit Committee is asked to review the audited Annual Accounts and recommend approval to the Council

4. Considerations

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

5. Consultation

- 5.1 This report does not require consultation. The approved accounts will be made available on the Council's website.

6. Implications

Financial

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

Resources

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

Legal

- 6.3 The consideration and approval of the audited accounts ensures compliance with the Local Authority Accounts (Scotland) Regulations 2014.

Risk

- 6.4 There are no risks arising from the report recommendations.

Equalities

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

Sustainability/Environmental Impact

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

7. Conclusions

- 7.1 The Annual Accounts 2018/19 for Falkirk Council have been audited by Ernst & Young and the auditor's certificate is expected to be free from qualification.

Director of Corporate & Housing Services

Author –Danny Cairney, Senior Corporate Finance Manager 01324 506388,
danny.cairney@falkirk.gov.uk

Date: 2 September 2019

Appendices

1. Annual Accounts 2018/19

List of Background Papers:

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

- Final Accounts Working Papers

Falkirk Council

**Audited Annual Report and Accounts
2018/19**



Falkirk Council



Table of Contents

| | |
|---|----------|
| Introduction to the Accounts..... | 3 |
| Management Commentary | 4 |
| Explanatory & Assurance Statements..... | |
| Statement of Responsibilities for the Annual Accounts | 16 |
| Annual Governance Statement | 17 |
| Annual Remuneration Report..... | 23 |
| Financial Statements | |
| Comprehensive Income and Expenditure Statement | 34 |
| Movement in Reserves Statement | 35 |
| Balance Sheet | 36 |
| Cash Flow Statement | 37 |
| Supplementary Accounts | |
| Housing Revenue Account Income and Expenditure Statement..... | 38 |
| Housing Revenue Account Disclosures | 39 |
| Council Tax Account | 40 |
| Non-Domestic Rates Account | 42 |
| Non-Domestic Rates Account Disclosures | 43 |
| Common Good Funds | 44 |
| Notes to the Financial Statements | |
| Note 1 General Accounting Policies | 45 |
| Note 2 Accounting Standards that have been issued but have not yet been Adopted | 48 |
| Note 3 Critical Judgements in applying Accounting Policies..... | 49 |
| Note 4 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty | 50 |
| Note 5 Events After the Balance Sheet Date | 51 |
| Note 6 Expenditure & Funding Analysis Note (Considered as a note to the Financial Statements)..... | 52 |
| Note 7 Expenditure & Funding Analysis..... | 53 |
| Note 8 Expenditure & Income Analysed by Nature | 54 |
| Note 9 Adjustments between Accounting Basis & Funding Basis Under Regulations | 55 |
| Note 10 Unusable Reserves..... | 56 |
| Note 11 Material Items of Income and Expense | 59 |
| Note 12 Related Party Transactions..... | 59 |
| Note 13 External Audit Fee | 60 |
| Note 14 Statutory Trading Accounts..... | 60 |
| Note 15 Agency Arrangements | 60 |
| Note 16 Employee Benefits | 61 |
| Note 17 Defined Benefit Pension Schemes | 63 |
| Note 18 Leases..... | 69 |
| Note 19 Intangible Assets..... | 71 |
| Note 20 Property, Plant & Equipment | 72 |
| Note 21 Heritage Assets..... | 78 |
| Note 22 Other Capital Notes | 79 |
| Note 23 Assets Held for Sale | 80 |
| Note 24 Capital Expenditure and Capital Financing..... | 80 |
| Note 25 Private Finance Initiative (PFI) and Similar Contracts | 81 |

Table of Contents

| | | |
|---------|--|----|
| Note 26 | Contingent Assets and Liabilities | 83 |
| Note 27 | Long-Term Investments in Associates and Joint Ventures | 84 |
| Note 28 | Loans Outstanding | 85 |
| Note 29 | Insurance Fund | 85 |
| Note 30 | Provisions..... | 85 |
| Note 31 | Long-Term Debtors..... | 86 |
| Note 32 | Inventories | 86 |
| Note 33 | Construction Contracts | 87 |
| Note 34 | Debtors..... | 87 |
| Note 35 | Creditors..... | 87 |
| Note 36 | Cash and Cash Equivalents | 87 |
| Note 37 | Trust & Third Party Funds..... | 88 |
| Note 38 | Government Grants and Contributions | 89 |
| Note 39 | Financial Instruments..... | 90 |
| Note 40 | Other Long Term Liabilities..... | 98 |
| Note 41 | Interest Payable | 98 |

Group Accounts.....

| | |
|--|-----|
| Group Movement in Reserves Statement | 99 |
| Group Comprehensive Income and Expenditure Statement | 100 |
| Group Balance Sheet | 101 |
| Group Cash Flow Statement..... | 102 |
| Notes to the Group Accounts | 103 |

Glossary of Terms 107

Independent Auditor's Report 109

Introduction

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

They comprise:

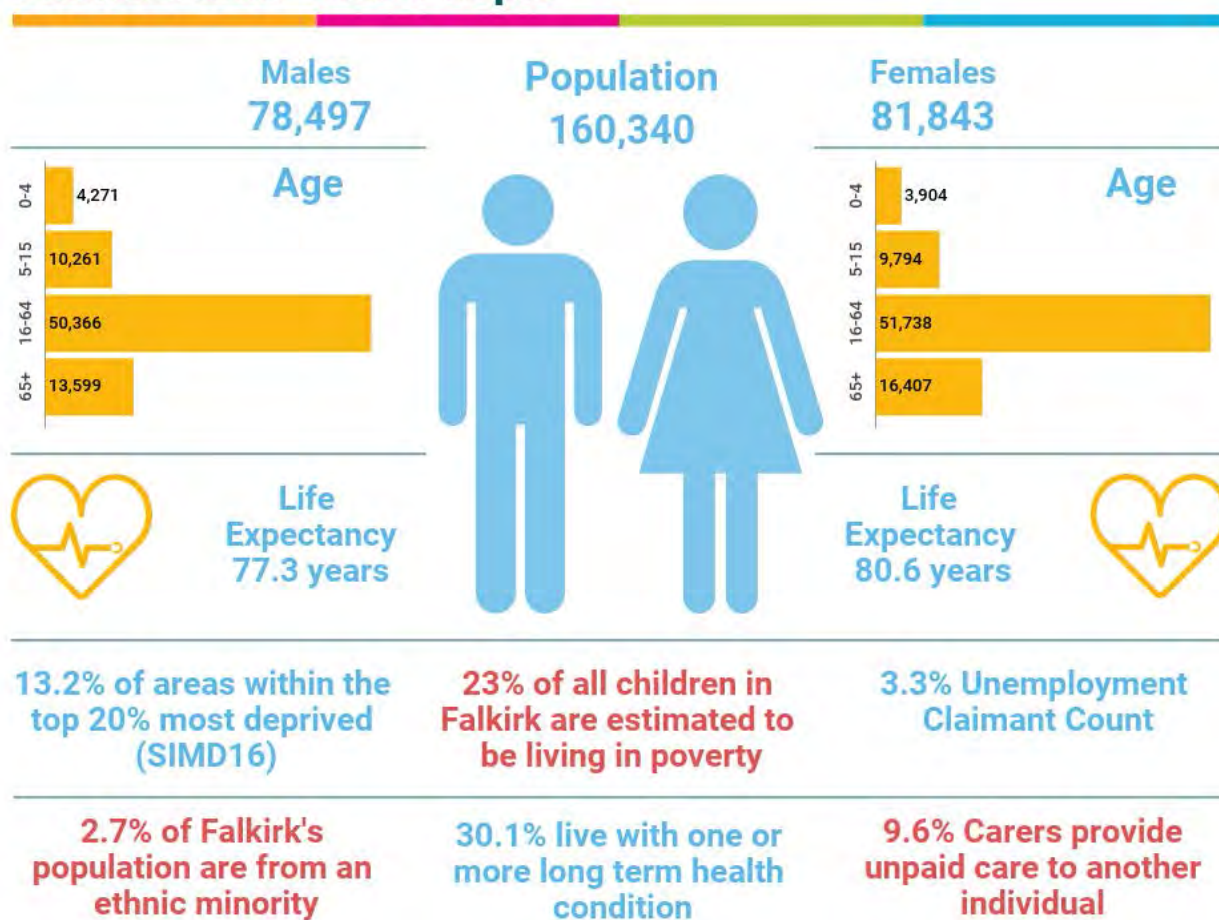
- a Management Commentary providing a summary and explanation of the Council's financial position
- a Statement of Responsibilities for the Annual Accounts
- an Annual Governance Statement
- a Remuneration Report detailing payments and pension information for senior officers and senior elected members
- 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

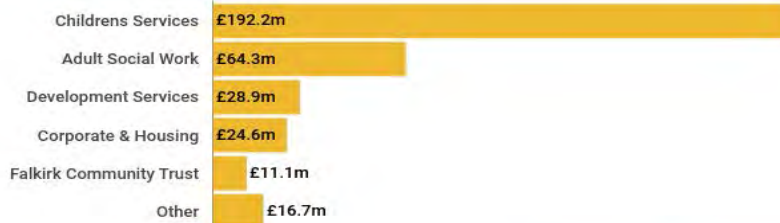
Our council has 30 elected members over 9 wards

The administration consists of SNP and 1 independent councillor

Finance

£337.8m

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

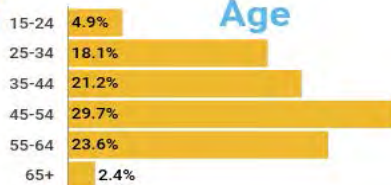


Employees

7,039 FTE

 **5,161**

 **1,878**



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



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



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



- 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.



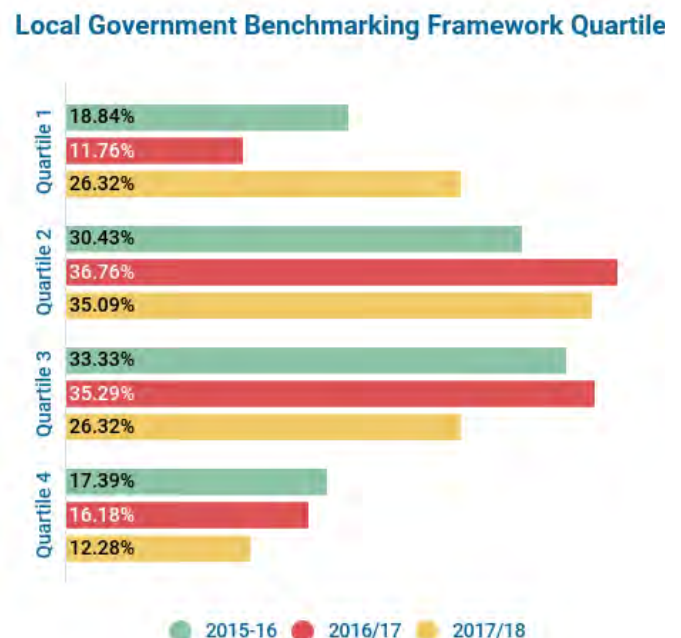
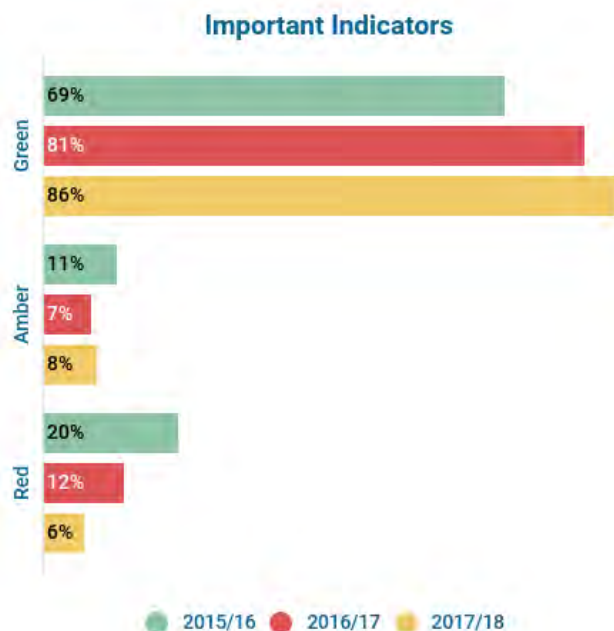
The Council completed the build of a further 19 houses during 2018/19, with plans to complete a further 598 by the end of 2023/24. This is in addition to 364 new houses already completed.

How are we doing?

The performance of the Council is reported on the Council's website, [here](#). This includes information on our statutory performance, important 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.

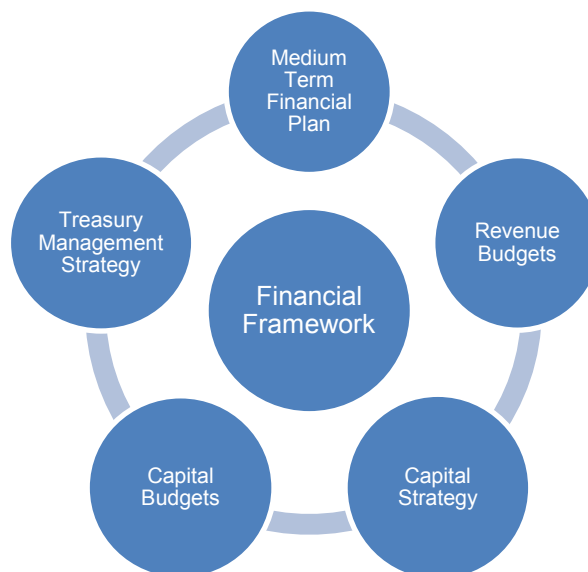
The two charts below summarise our performance trends. In 2017/18, 86% of our important indicators were on target, 8% slightly below target and 6% significantly below target. Our quartile analysis of the local government benchmarking framework (LGBF) indicators shows improved performance, despite the 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 (2017/18 £330.1m) 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 £45.7m (2017/18 budget £37.8m) 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



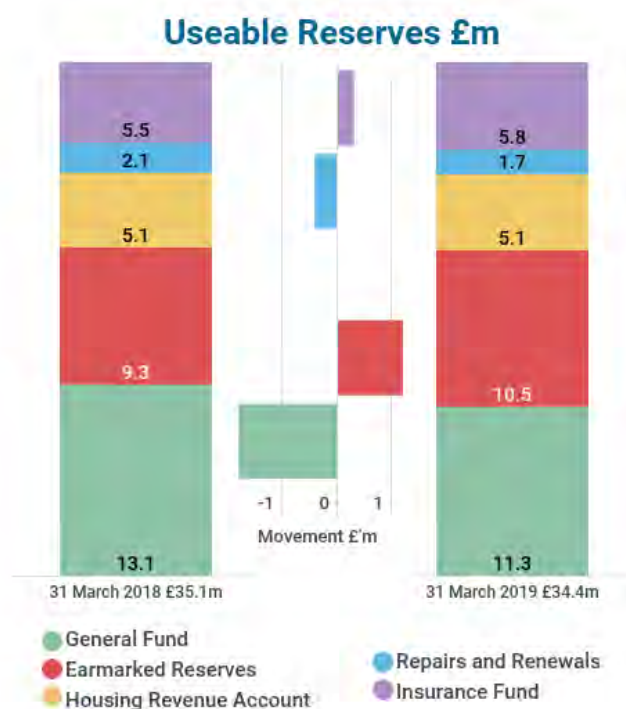
(c) Useable Revenue Reserves

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:

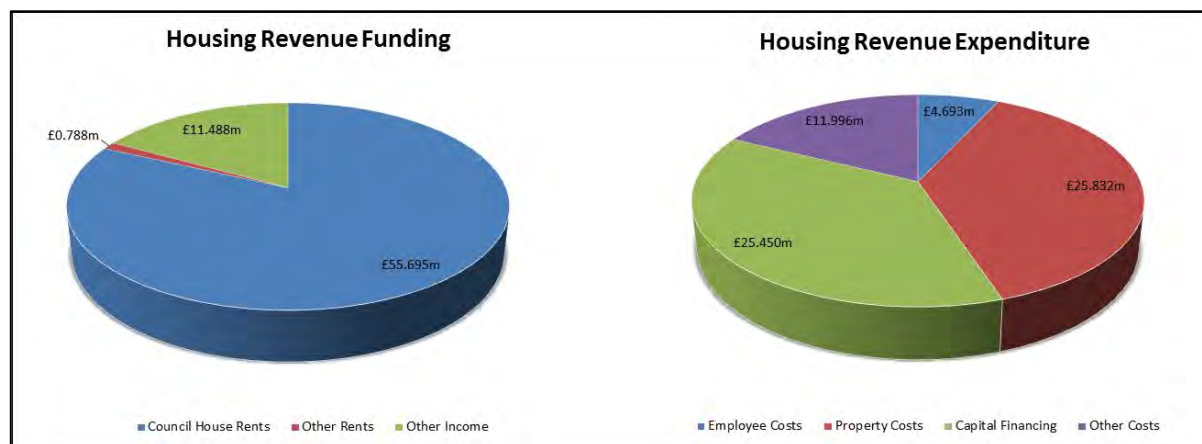
- Earmarked Reserves of £10.5m, with £5m relating to grant income carried forward into the next financial year, spend to save funding of £2.3m principally earmarked to cover the costs of voluntary severance and £1.1m of balances delegated to Headteachers under the Devolved Schools Management System
- 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.

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 £68m (2017/18 £61m) on Housing Revenue Services. Funding of this and an analysis of expenditure is provided below.

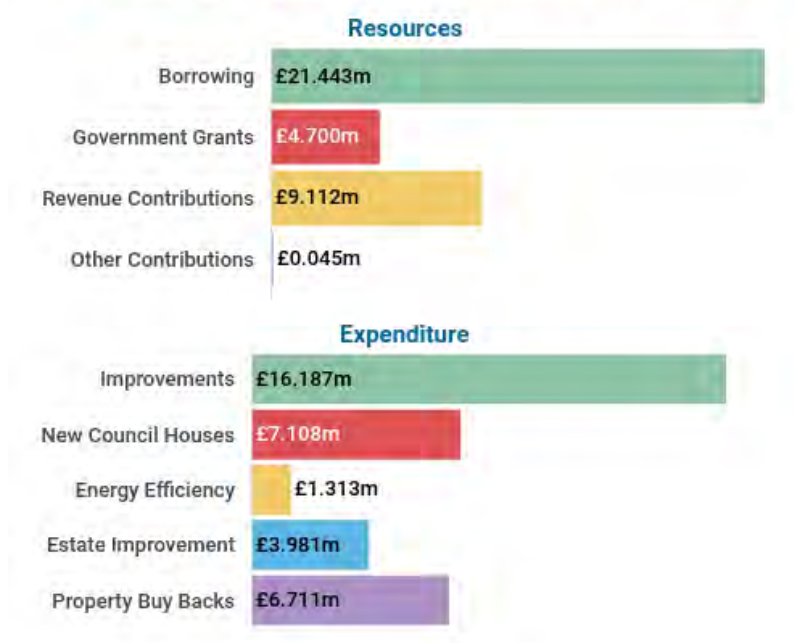


Overall, the HRA spending of £67.971m (2017/18 £60.864m) is in line with budget. Savings in staff costs and central support costs provide additional Capital Financed from Current Revenue [CFCR] to augment the resources available to undertake housing investment. The figure for the HRA incorporates a payment 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 (2017/18 budget £31.2m) 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 |
|-----------------------|----------------|----------------|
| Net Assets | £401.6m | £337.1m |
| Non Current Assets | £1,032.2m | £1,043.6m |
| Current Assets | £60.1m | £72.0m |
| Current Liabilities | £-96.8m | £-104.6m |
| Long Term Liabilities | £-593.9m | £-673.9m |
| Reserves | £401.6m | £337.1m |
| Useable Reserves | £44.3m | £40.3m |
| Unuseable Reserves | £357.3m | £296.8m |

Management Commentary

The net assets of the Council have decreased by £64.5m (2017/18 increase of £225m). The main reason for the movement is an increase in the pension liabilities. There has been an increase in IAS19 liabilities of £70.2m (2017/18 decrease of £197.7m). 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 along with the anticipated impact of “McCloud” judgement and GMP equalisation changes, 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 (see pages 17 to 22). 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.

Management Commentary

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

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. In light of this, the Council has established a Brexit Core Group, chaired by the Director of Development Services. The Group is considering the implications of Brexit from both a risk and resilience perspective, and a Brexit risk register has been developed, in conjunction with Services and taking account of national and sector specific guidance. This sets out the Council's position in relation to mitigating the potential impacts of a no-deal Brexit, and a summary position is included in the Council's Corporate Risk Register.

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 (2017/18 £2.37m). 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.

Conclusion

Despite the financial challenges, the Council has managed to operate within its budget for 2018/19 and improve and enhance service provision. A balanced budget was achieved with the agreed use of £2.3m of reserves. 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
25 September 2019

Councillor Cecil Meiklejohn
Leader of Falkirk Council
25 September 2019

Kenneth Lawrie
Chief Executive of Falkirk Council
25 September 2019

Explanatory & Assurance Statements

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 25 September 2019.

Signed on behalf of Falkirk Council

Councillor Cecil Meiklejohn
Leader of Falkirk Council
25 September 2019

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
25 September 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 control¹, 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.

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

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">One Council | <ul style="list-style-type: none">Entrepreneurial Services |
| <ul style="list-style-type: none">Enabled and Empowered Communities | <ul style="list-style-type: none">Enabled Communities |
| <ul style="list-style-type: none">Modern and Digital | <ul style="list-style-type: none">Digital |
| <ul style="list-style-type: none">Data | <ul style="list-style-type: none">Services of the FutureTransformational Enablers |

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.

Explanatory & Assurance Statements

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
25 September 2019

.....
Kenneth Lawrie
Chief Executive of Falkirk Council
25 September 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 | - | - | - | - | - | - | - | - |
| Total | 183 | 188 | 19 | 17 | 118 | 120 | 46 | 51 |

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 |
| Total | | 308,547 | 286,755 |

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 |
| 587 | | 605 |

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. 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) |
| Total | | 651,718 | 3,624 | 655,342 | 701,795 |

* 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 |
| Total | | 39,345 | - | 39,345 | 15,429 |

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 |
| Total | | 92,509 | - | 92,509 | 91,041 |

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 | - | - |
| Total | 58,085 | 35,000 | 18,000 | 7,000 | - |

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

Pension Rights of 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 |
| Total | | 172,192 | 418,000 | 591,000 | 20,000 | 5,000 |

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

Pension Rights of relevant persons of Falkirk Community Stadium Ltd

The 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 |
| Number of Packages | 26 | 577,126 | 18 | 421,601 |

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 | - | - |
| Number of Packages | 2 | 42,894 | 2 | 24,598 |

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% |
|--|--------|

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?

| | |
|---|-----|
| <p>Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as:</p> <p>(total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100</p> | 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 |
|----------------------------|-------------------------------------|-----------------------------|--|----------------------------|-------------------------------------|-----------------------------|-------|
| 197,354 | (14,731) | 182,623 | Children's Services | 241,953 | (17,235) | 224,718 | |
| 163,403 | (97,626) | 65,777 | Social Work Adult Services | 168,503 | (100,769) | 67,734 | |
| 57,228 | (13,577) | 43,651 | Development Services | 60,930 | (16,136) | 44,794 | |
| 72,824 | (45,760) | 27,064 | Corporate & Housing Services | 78,562 | (43,474) | 35,088 | |
| 57,994 | (59,218) | (1,224) | Housing Revenue Account | 64,730 | (61,676) | 3,054 | |
| 1,214 | - | 1,214 | Valuation Joint Board | 1,215 | - | 1,215 | |
| 11,433 | - | 11,433 | Falkirk Community Trust | 11,087 | - | 11,087 | |
| 561,450 | (230,912) | 330,538 | Net Cost of Services | 626,980 | (239,290) | 387,690 | |
| - | (892) | (892) | Other Operating Expenditure (Gains) or Losses on disposal of Non-Current and Current Assets | 231 | - | 231 | |
| 34,999 | (35,550) | (551) | Financing and Investment Income and Expenditure (Surplus) or deficit on trading undertakings | 36,711 | (37,432) | (721) | 14 |
| 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 | 30,074 | (22,752) | 7,322 | 17 |
| 94,368 | (57,744) | 36,624 | | 90,942 | (60,647) | 30,295 | |
| - | (61,682) | (61,682) | Taxation and Non-Specific Grant Income 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 | - | - | - | |
| - | (359,840) | (359,840) | | - | (364,492) | (364,492) | |
| 655,818 | (649,388) | 6,430 | (Surplus) or Deficit on Provision of Services | 718,153 | (664,429) | 53,724 | |
| | | (9,078) | Items that will not be reclassified to the (Surplus)/Deficit on the Provision of Services (Surplus) or deficit on revaluation of non-current assets and current assets | | | (29,798) | |
| | | (222,786) | Remeasurements of pension assets/liabilities | | | 40,624 | 10 |
| | | (231,864) | Other Comprehensive Income and Expenditure | | | 10,826 | |
| | | (225,434) | Total Comprehensive Income and Expenditure | | | 64,550 | |

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 |
|--|-------------------------------|----------------------|-----------------------------------|---|-----------------------------|-------------------------|--------------------------------|----------------------------|-------------------------|-------------|
| Balance at 31/3/18 | (22,381) | (5,093) | (7,469) | (1,788) | (2,108) | (5,515) | (44,354) | (357,291) | (401,645) | |
| Movement in reserves during 2018/19 | | | | | | | | | | |
| Total Comprehensive Income and Expenditure | 49,722 | 4,002 | - | - | - | - | 53,724 | 10,826 | 64,550 | CIES |
| Adjustments between accounting basis and funding basis under regulations | (49,044) | (4,067) | 3,118 | 363 | - | - | (49,630) | 49,630 | - | 9 |
| Transfers to/from Other Statutory Reserves | (199) | 65 | - | - | 422 | (288) | - | - | - | |
| (Increase)/Decrease in 2018/19 | 479 | - | 3,118 | 363 | 422 | (288) | 4,094 | 60,456 | 64,550 | |
| Balance at 31/3/19 | (21,902) | (5,093) | (4,351) | (1,425) | (1,686) | (5,803) | (40,260) | (296,835) | (337,095) | |

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 |
|--|-------------------------------|----------------------|-----------------------------------|---|-----------------------------|-------------------------|--------------------------------|----------------------------|-------------------------|-------------|
| Balance at 31/3/17 | (19,981) | (5,093) | (8,031) | (1,822) | (2,151) | (5,200) | (42,278) | (133,933) | (176,211) | |
| Movement in reserves during 2017/18 | | | | | | | | | | |
| 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) | - | - | - | |
| (Increase)/Decrease in 2017/18 | (2,400) | - | 562 | 34 | 43 | (315) | (2,076) | (223,358) | (225,434) | |
| Balance at 31/3/18 | (22,381) | (5,093) | (7,469) | (1,788) | (2,108) | (5,515) | (44,354) | (357,291) | (401,645) | |

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 |
|------------------------------|--|------------------|-------|
| Non-Current Assets | | | |
| 1,016,914 | Property, Plant & Equipment | 1,029,242 | 20 |
| 266 | Heritage Assets | 266 | 21 |
| 1,819 | Intangible Assets | 1,719 | 19 |
| 4,784 | Long Term Investments | 4,221 | 27,39 |
| 8,444 | Long Term Debtors | 8,112 | 31 |
| 1,032,227 | | 1,043,560 | |
| Current Assets | | | |
| 362 | Inventories | 225 | 32 |
| 25,220 | Short Term Debtors | 25,684 | 34 |
| 31,491 | Cash and Cash Equivalents | 41,798 | 36 |
| 3,012 | Assets Held for Sale | 4,313 | 23 |
| 60,085 | | 72,020 | |
| Current Liabilities | | | |
| (32,067) | Short Term Borrowing | (34,198) | 28 |
| (64,709) | Creditors (including provisions) | (70,384) | 30,35 |
| (96,776) | | (104,582) | |
| Long Term Liabilities | | | |
| (218,135) | Long Term Borrowing | (232,099) | 28 |
| (263,978) | Defined Benefit Pension Scheme Liability | (334,162) | 17 |
| (104,289) | Other Long Term Liabilities | (97,518) | 40 |
| (7,489) | Capital Grants Received in Advance | (10,124) | 38 |
| (593,891) | | (673,903) | |
| 401,645 | Net Assets | 337,095 | |
| Usable Reserves | | | |
| (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 |
| (44,354) | | (40,260) | |
| Unusable Reserves | | | |
| (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 | 334,162 | 10(c) |
| 5,951 | Accumulated Absences Account | 7,007 | 10(d) |
| (357,291) | | (296,835) | |
| (401,645) | Total Reserves | (337,095) | |

Bryan Smail, CPFA MBA
Chief Finance Officer

25 September 2019

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 | 53,724 |
| (62,123) | Adjust net surplus or deficit on the provision of services for non-cash movements | (114,980) |
| 25,816 | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 25,926 |
| (29,877) | Net cash flows from operating activities | (35,330) |
| | Investing Activities | |
| 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) |
| 27,816 | Net cash flows from investing activities | 35,643 |
| | Financing Activities | |
| (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 |
| (3,362) | Net cash flows from financing activities | (10,620) |
| (5,423) | Net (increase) or decrease in cash and cash equivalents | (10,307) |
| (26,068) | Cash and cash equivalents at the beginning of the reporting period | (31,491) |
| | Cash and cash equivalents at the end of the reporting period | |
| (44) | Cash held by Officers | (44) |
| 2,585 | Bank Current Accounts | (8,745) |
| (34,032) | Short-term deposits | (33,009) |
| (31,491) | | (41,798) |

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 | (29,559) |
| 2,605 | Movement in Debtors | 1,064 |
| 3,552 | Movement in Creditors | (5,943) |
| (249) | Movement in Stock | (137) |
| (62,123) | | (114,980) |
| | 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 | 21,181 |
| 4,611 | Capital Grants HRA | 4,745 |
| 25,816 | | 25,926 |

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) |
| (58,684) | Total Income | (61,349) |
| 22,047 | Repairs and Maintenance | 25,043 |
| 15,124 | Supervision and Management | 15,806 |
| 18,949 | Depreciation and Impairment of Non-Current Assets | 21,350 |
| 973 | Other Expenditure | 1,622 |
| 131 | Increase/(Decrease) in Bad Debts Provision | 349 |
| 57,224 | Total Expenditure | 64,170 |
| (1,460) | Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement | 2,821 |
| 236 | HRA Services Share of Corporate and Democratic Core | 233 |
| (1,224) | Net Expenditure of HRA Services | 3,054 |
| HRA Share of Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement: | | |
| (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 | 274 |
| (4,611) | Recognised Capital Grant Income | (4,745) |
| (1,443) | (Surplus)/Deficit for the Year | 4,002 |

Movement on the Housing Revenue Account Statement

| 2017/18 £'000 | | 2018/19 £'000 |
|------------------|---|------------------|
| (5,093) | Balance on the HRA at the end of the previous year | (5,093) |
| (1,443) | (Surplus) or Deficit for the year on HRA Income and Expenditure Statement | 4,002 |
| 1,312 | Adjustments between Accounting Basis and Funding Basis under Statute | (4,067) |
| (131) | Net (Increase) or Decrease before transfers to or from Reserves | (65) |
| 131 | Transfers (to) or from Reserves | 65 |
| - | (Increase) or Decrease in Year on the HRA | - |
| (5,093) | Balance on the HRA at the end of the Current Year | (5,093) |

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 | (2,538) |
| (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 |
| 1,312 | Total | (4,067) |

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 |
| 16,288 | Total | 16,404 |
| £64.06 | Average Weekly rent (52 week basis) | £66.36 |

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 |
| 686 | Total | 803 |

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) |
| 78,404 | Total Income | 81,403 |
| 7,838 | Council Tax Reduction | 7,890 |
| 300 | Provisions Against Bad and Doubtful Debts | 789 |
| 8,584 | Other Discounts and Reductions | 9,019 |
| 16,722 | Total Expenditure | 17,698 |
| 61,682 | Net Council Tax Income transferred to General Fund | 63,705 |

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 |
| Budgeted Council Tax Base (£'000) | | | | | | | | | | 63,704 |