Agenda Item 5

Annual Accounts 2019/20

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Falkirk Council

Title:	**Annual Accounts 2019/20**
Meeting:	**Audit Committee**
Date:	**9 November 2020**
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 2020.

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 2020 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 normally by 30 September 2020. Due to the ongoing difficulties arising from Covid-19, guidance issued by the Scottish Government allowed this date to be extended to 30 November 2020.

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 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 2019/20 for Falkirk Council have been audited by Ernst & Young and the auditor's certificate is free from qualification.

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Director of Corporate & Housing Services

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danny.cairney@falkirk.gov.uk
Date: 26 October 2020

Appendices

1. Annual Accounts 2019/20

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

Appendix 1

Falkirk Council

FALKIRK COUNCIL

ANNUAL ACCOUNTS

2019/20

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Introduction to the Accounts

Introduction

The statements which follow show the financial results of Falkirk Council for the year to 31 March 2020.

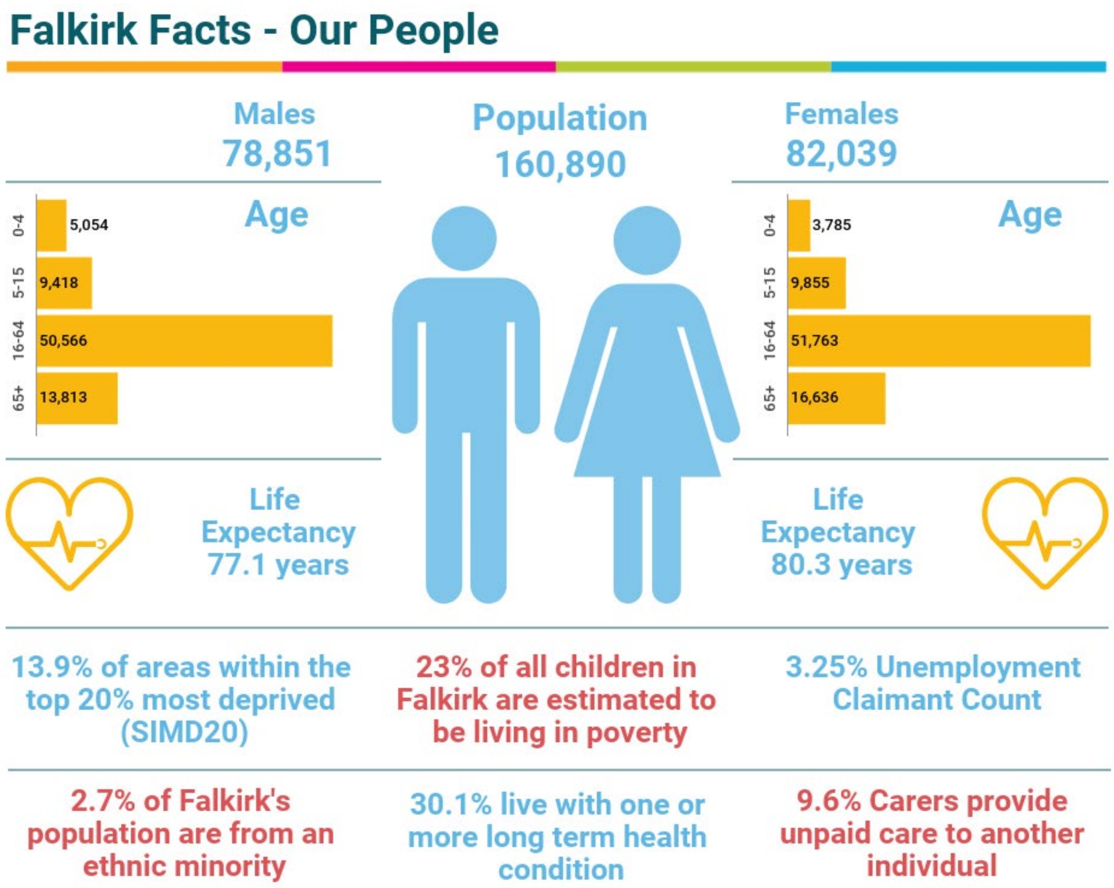
They comprise:

- 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 2020
- 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.

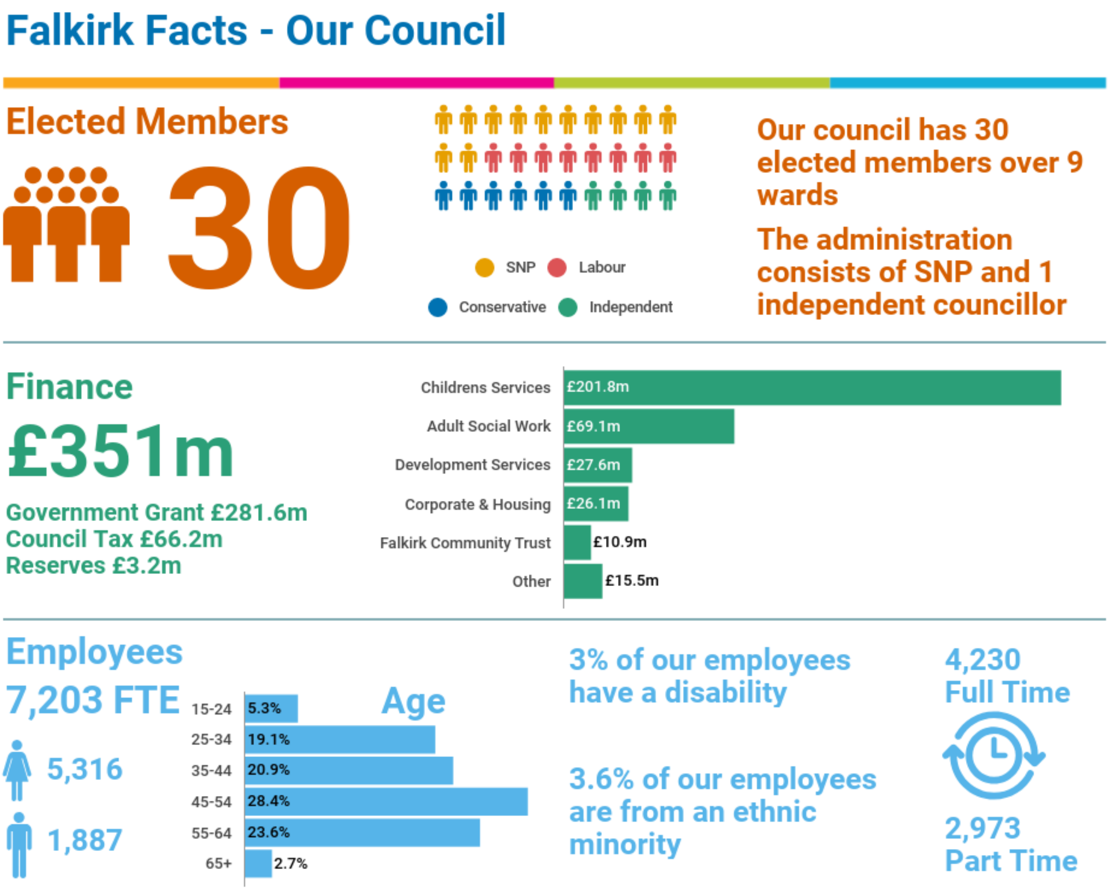
Management Commentary

The Management Commentary outlines the key messages about the Council's financial and service performance for 2019/20 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. A key risk is the emergence of Covid-19 in the first quarter of 2020 which is having an ongoing impact on the delivery of council services. 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.



Management Commentary



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 and illustrated below. A review has begun on creating a new vision framework for Falkirk Council as part of a refresh of the Council's strategic plans. Clearly this review will also have to consider and incorporate the ongoing impact of COVID-19. It is anticipated the Council's new strategic plans will be published in the autumn of this year.

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

people

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

place

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

partnership

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

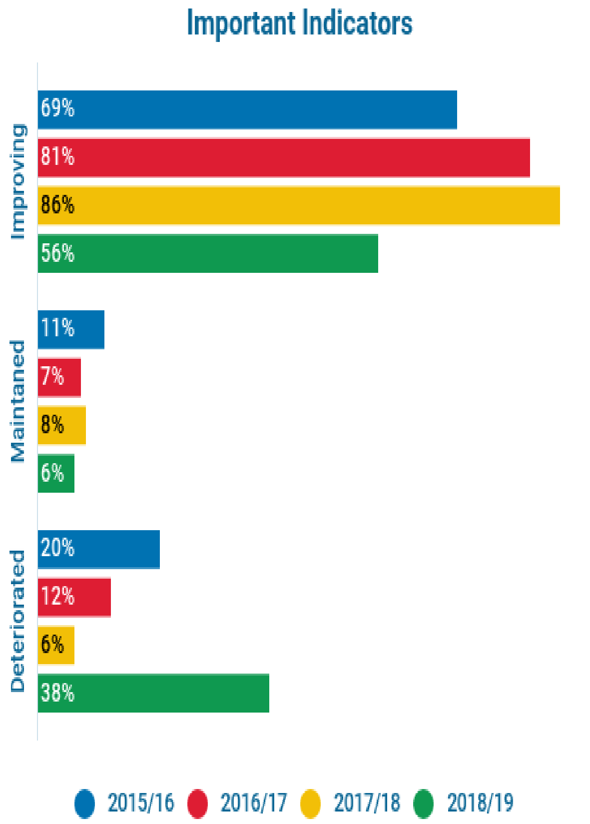
Management Commentary

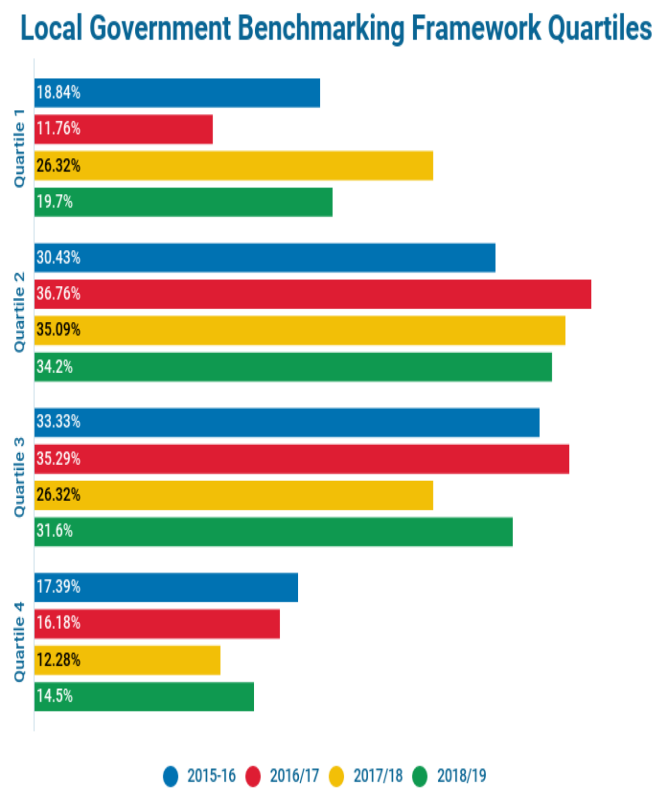
How are we doing?

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 2018/19, 62% of our important indicators were improving or maintained at the same level with a deterioration in 38% of the key indicators. Our quartile analysis of the Local Government Benchmarking Framework (LGBF) indicators shows performance deteriorated in 2018/19 compared with 2017/18, however, performance remained higher than 2015-16 and 2016-17. In 2018/19 53.9% of indicators were within quartiles 1 and 2.





Financial Planning

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

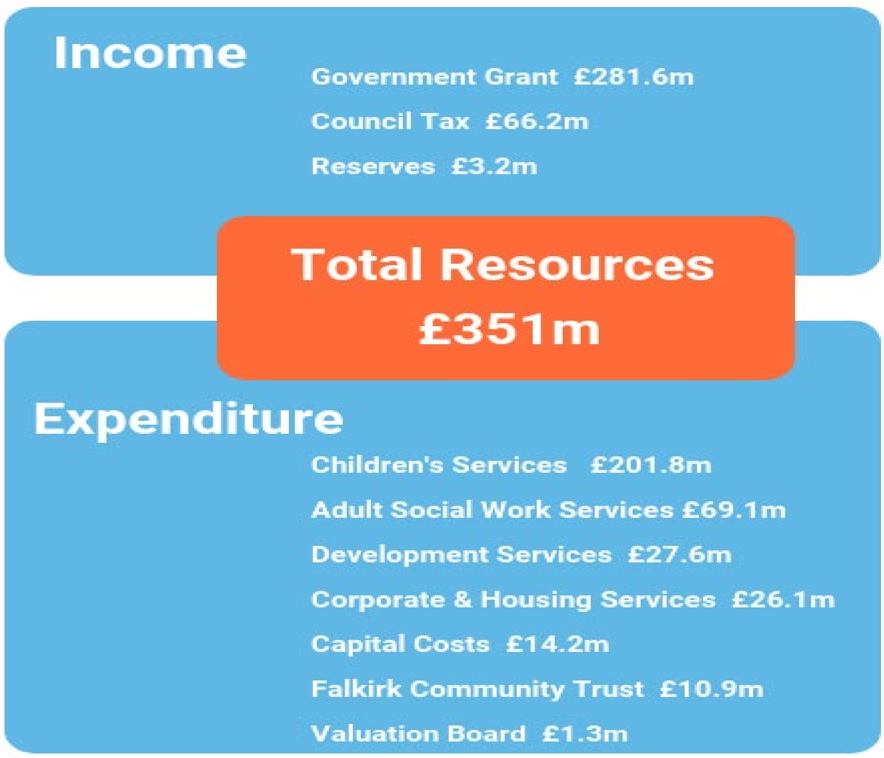
Most day to day revenue spending and income on our services is recorded within the General Fund (pages 32 to 35), with housing revenue income and expenditure managed in the Housing Revenue Account (pages 36 to 37). In addition to day to day expenditure, we have capital investment in our assets, including 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 2019/20.

(a) General Fund Revenue Expenditure 2019/20

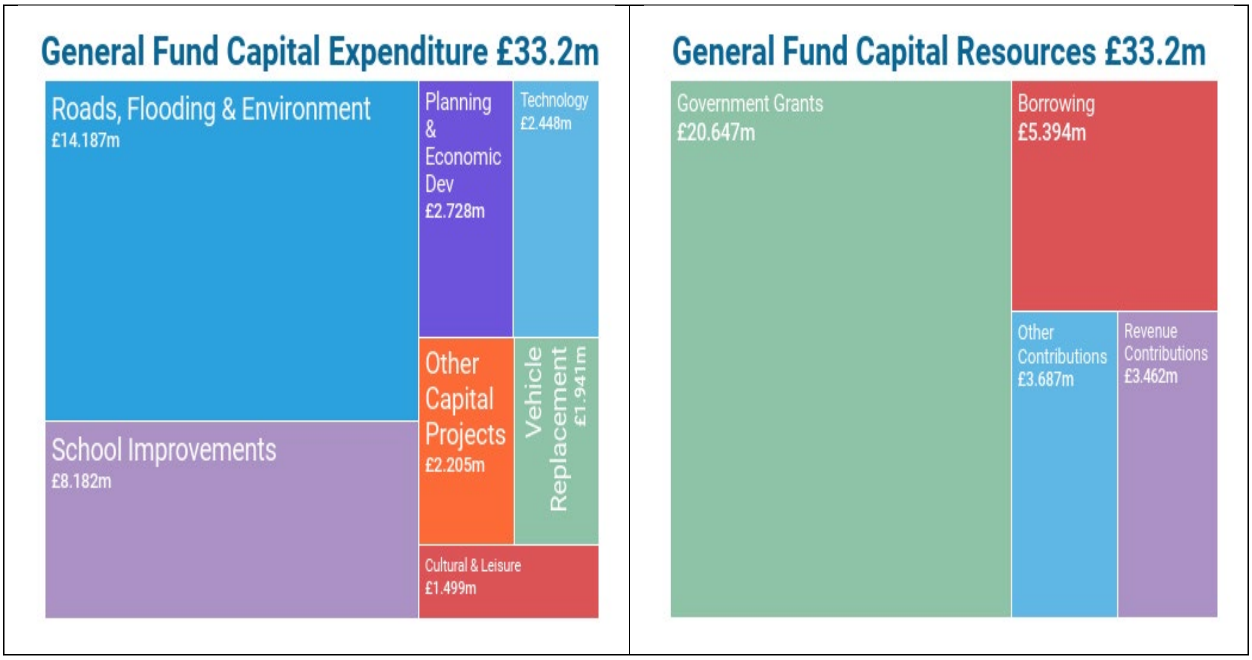
The income received and expenditure incurred during 2019/20 is highlighted in the diagram below. For 2019/20 the final expenditure was £351m (2018/19 £337.8m) which was funded from Government Grant and Council Tax and a contribution of £3.2m from reserves.



The main budget variance in 2019/20 was an overspend of £5.7m 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. In addition planned budget savings of £1.7m from a refinancing deal for one of the Council's PFI projects was not achieved due to the complexity of the contract and challenging engagement with senior debt lenders. This overspend was offset by lower debt repayment charges and additional Scottish Government funding.

(b) General Fund Capital Programme 2019/20

In 2019/20 the final Council budget for capital investment was £54.1m (2018/19 budget £45.7m) with 61.4% of this being delivered. It should be noted that the 2019/20 General Fund Capital Programme is part of a five year plan and as such it is expected that there will be movement in spend across the years. Projects not delivered in 2019/20 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.



(c) Useable Revenue Reserves

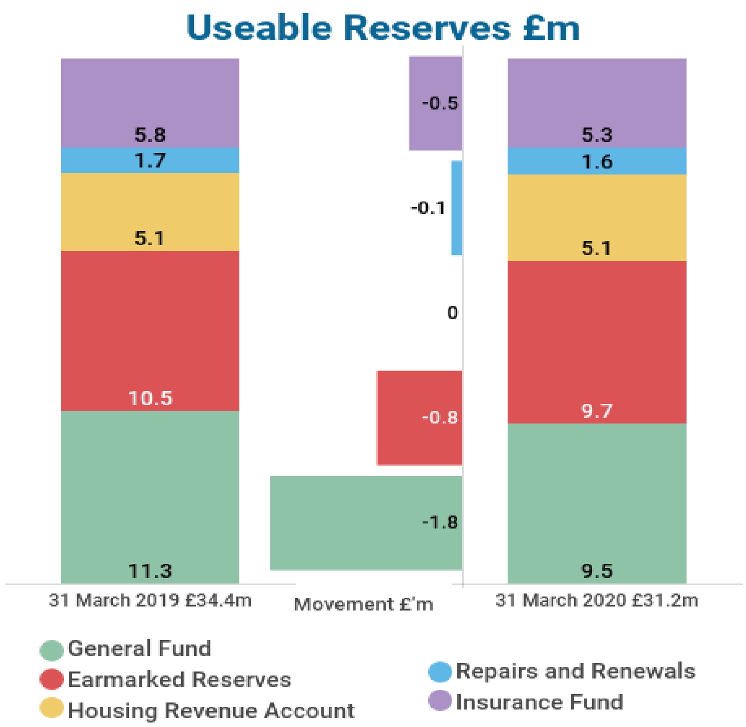
The Council's budget for 2019/20 included the use of £0.950m of reserves in order to achieve a balanced budget. The actual application of reserves, after transfers from other reserves was £1.8m, leaving an uncommitted General Fund balance of £9.5m. The Council's Reserve Policy provides for 2% of annual revenue expenditure (giving a range of £7.5m - £11m) to be held as a contingency against unforeseen events and emergencies. The balance of £9.5m is comfortably within the 2% policy range. As part of the 2020/21 budget process, Elected Members agreed not to apply any reserves to help balance the budget. However, the financial pressures arising from the COVID-19 crisis, including loss of income, additional costs and difficulty with achieving planned budget savings will put pressure on our reserves in 2020/21 and going forward. The impact of COVID-19 is detailed more fully within the Annual Governance Statement on pages 15-17 and Note 5 of the accounts.

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 £9.7m, with £4.8m relating to grant income carried forward into the next financial year, spend to save funding of £1.5m principally earmarked to cover the costs of voluntary severance and £1.6m 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 c13% of annual expenditure

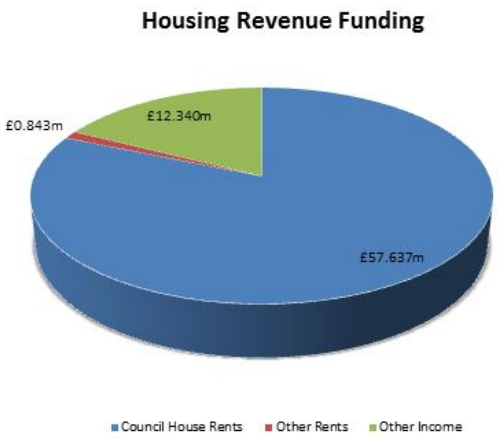
- Insurance Fund of £5.3m is available to meet outstanding claims against the Council and is subject to valuation by an independent actuary.

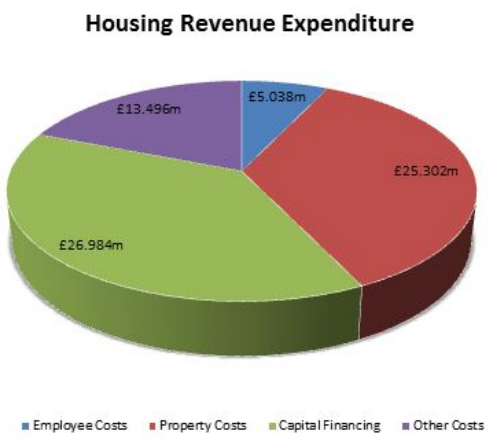
The diagram below summarises the movement in useable revenue reserves during 2019/20.



(d) Housing Revenue Account 2019/20

For 2019/20 the Council spent £71m (2018/19 £68m) on Housing Revenue Services. Funding of this and an analysis of expenditure is provided below.

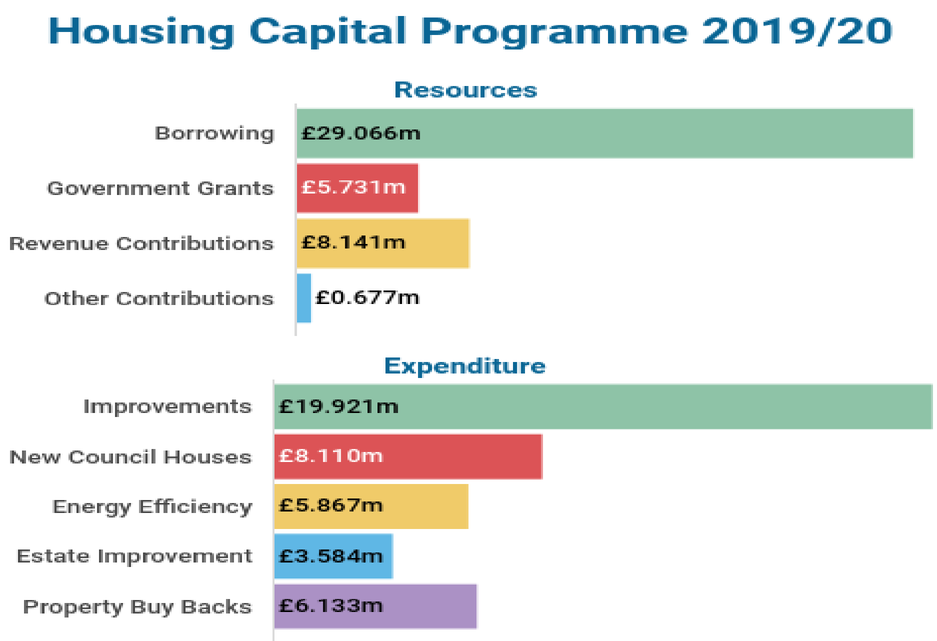




Overall, the HRA spending of £70.820m (2018/19 £67.971m) is in line with budget. Savings in staff costs and loans charges provide additional Capital Financed from Current Revenue [CFCR] to augment the resources available to undertake housing investment. The figure for the HRA incorporates a payment of £1.414m to the IJB for in scope services e.g. garden aid and adaptation expenditure.

(e) Housing Capital Programme 2019/20

In 2019/20 the final Housing budget for capital investment was £47.7m (2018/19 budget £38.5m) with 91.4% of this being delivered. The exhibit below identifies the key projects and how these were funded.



(f) The Balance Sheet

The diagram below summarises the Council's Balance Sheet as at 31 March 2020, 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 34.

The Balance Sheet

	March 2019	March 2020
Net Assets	**£337.1m**	**£395.9m**
Non Current Assets	£1,043.6m	£1,055.4m
Current Assets	£72.0m	£63.5m
Current Liabilities	£-104.6m	£-106.0m
Long Term Liabilities	£-673.9m	£-617.0m
Reserves	**£337.1m**	**£395.9m**
Useable Reserves	£40.3m	£35.4m
Unuseable Reserves	£296.8m	£360.5m

The net assets of the Council have increased by £58.7m (2018/19 decrease of £64.5m). The main reason for the movement is a decrease in the pension liabilities. There has been a decrease in IAS19 liabilities of £62m as at 31 March 2020 compared with the liabilities as at 31 March 2019. This is mainly due to a decrease in the value of liabilities as a result of reductions in the net discount rate, the salary increase rate and the pension increase rate based on CPI, which has been partly offset by lower than expected asset returns. In addition to this the liability has also reduced due to revised demographic assumptions. 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 Hymans Robertson, an independent actuary. Contribution rates are set in accordance with the Fund's funding strategy, which states that the Fund will take a prudent, long term approach to maintaining its solvency; will strive to keep contributions rates reasonably stable; and will recognise the different characteristics of Fund employers when agreeing contribution rates. For the Council, the Actuary has set contribution rates to cover the cost of ongoing benefit accrual and the deficit contributions needed to move the Council to a fully funded position over a 20 year period. Before setting contribution rates, the Actuary undertakes economic scenario analysis to ensure that each employer's funding plan will give at least a 2/3rds chance of being successful after the 20 year recovery period.

The contribution rates for the three years from April 2018, including financial year 2019/20, were set as a result of a valuation as at 31 March 2017. The next Fund valuation is scheduled to take place as at 31 March 2020 and will set contribution rates for the 3 years starting with financial year 2021/22.

(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	2018-19	2019-20
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)	3.32%	2.75%
In year council tax collection	Reflects Falkirk Council's effectiveness in collecting council tax debt (2018/19 Scottish Average – 96%)	96.64%	96.43%
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%)	99.95%	100.85%
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%	3.4%
Capital Financing Requirement	The Capital Financing Requirement reflects the underlying need to borrow for Capital Investment (Budget £259.8m)	£245.0m	£229.9m
External Debt Levels	The actual external debt and long term liabilities of Falkirk Council. This should never exceed Falkirk Council's authorised limit (Budget £395m)	£425m (Limit) £362m (Actual)	£440m (Limit) £373m (Actual)

Risks

The Council has a well embedded approach to the management of risk, and this is summarised in the Annual Governance Statement (see pages 15 to 21). The Council recognises that evaluation and monitoring of corporate and strategic risk is a key part of its role, and the Audit and Executive Committees consider reports on the Council's Corporate Risk Register as part of their annual workplans. Risk management is also routinely considered by Service Management Teams over the course of the year, with oversight and co-ordination by the Corporate Risk Management Group, which is chaired by the Chief Finance Officer. The Corporate Risk Register captures all the high level risks. The table below shows three high risk areas alongside the mitigating actions. Financial challenges remains a key risk which has been considerably impacted by Brexit and the ongoing

COVID-19 pandemic, with the implications summarised below in the Outlook Section and detailed more fully in the Annual Governance Statement on pages 15-17.

Financial	Public Protection	Transformational Change
• Medium Term Financial Planning; • Robust and inclusive budget process; • Budget linked to Business Plan and the Council of the Future programme.	• Sound governance framework; • Robust processes with partners regarding sharing of information; • Training programme for all Council and partner agency staff.	• Officer and Member Board governance; • Established monitoring regime; • Links to Medium Term Financial Plan; • Programme Management Office support.

Outlook

Everyone will be very aware of the global and national impact of COVID-19 which has impacted on all our lives in an unprecedented way. To date the Council has played a significant role in responding to the crisis. While some services have been suspended, work has continued to protect the most vulnerable in the community, particularly through the provision of free school meals and food vouchers and the payment of grants to support businesses. The Council has also continued to honour contractual agreements with critical suppliers, such as transport and care providers, even though services have not been provided in full during the lockdown period.

At the time of writing, the country is now tentatively emerging from the lockdown in line with the Scottish Government's Route Map. We will continue to face considerable and unknown challenges with containing the virus, preventing a significant second spike in cases and trying to get back to a normal way of life. Each Council Service, together with the Health and Social Care Partnership and Falkirk Community Trust are working on their respective recovery plans to get back to normal working, even though normal might be different than it was before. These recovery plans will be integrated into the Council's overall strategic planning framework and linking with the Council's Medium Term Financial Plan and Budget.

Scottish local authorities have been faced with considerable financial challenges for a number of years. The impact of COVID-19, coupled with ongoing uncertainty surrounding Brexit, has significantly added to these challenges. Before COVID-19, the Council's funding gap over the next 3 years was £26m. While there remains uncertainty around Covid-19 implications going forward, the September update to Council forecast an additional net cost of c£1m. This includes COVID-19 response costs of c£7m, a c£3m loss in income, unachieved planned savings of c£3.2m and a projected Falkirk Community Trust deficit of c£1.4m. These costs are offset by additional Government funding of c£14.5m. As a result, the Medium Term Financial Plan presented to the Council in September 2020 notes that the budget gap for the next 3 years has increased to c£29m.

The Council has established a minimum uncommitted general fund target of £7.5 m. The uncommitted general fund balance at 31 March 2020 is £9.5m. The most recent budget monitoring update for 2020/21 reported to Council in September 2020 forecasts an overspend of c£1m which without further action would result in an uncommitted general fund balance of c£8.5m at 31 March 2021. This provides a limited opportunity to use some of the balance to support further net costs associated with the pandemic in 2020/21.

There is also a high risk that further significant costs will continue to be incurred beyond 2020/21. The possibility of a deep recession and slow economic growth will significantly impact on the amount generated from tax revenues which are required to fund all public services. For local government, any reduction in resources is further compounded by the protection of other public sector bodies, such as health, defence and police services and the implementation of new policy initiatives.

COSLA and all 32 Councils have been identifying emerging risks and collating the financial pressures arising from COVID-19. This will be an ongoing process that will inform discussions with the Scottish Government over funding now and going forward. Both the UK and Scottish Governments efforts to prevent a recession and boosting the economy, including maintaining and enhancing public sector spending, will be critical to the financial prospects of all councils. Inevitably though, the Council will still be faced with difficult decisions to manage and reduce expenditure over several years to come.

The Council continues to regularly monitor its financial position and provide full financial updates to Council Management Team and the Council as appropriate, including options on addressing any new budget gaps and spending pressures. A range of savings options will also be identified for elected member consideration within Member Budget Working Groups that are convened to allow the Council to set a balanced budget for 2021/22 in February 2021.

Plans for the future

Between January and March 2020, a review had begun on creating a new vision framework for Falkirk Council as part of a refresh of the Council's Corporate Plan and Five Year Business Plan. Since then the priority has been the response to and recovery from the COVID-19 crisis. The revised framework will bring together the Council's strategic plans to ensure there is a clear reference point for decision making and build on the opportunities emerging from the recovery process to support our communities in these challenging times now and in the future. The Council's new framework and revised strategic plans, including the Medium Term Financial Plan, were published in September 2020.

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 £4.03m (2018/19 £3.33m). 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 marginally above its budget for 2019/20 and maintain service provision. This was achieved by a contribution of £1.8m from the uncommitted General Fund in comparison with the budgeted contribution of £0.950m. However, it is clear that challenging times remain ahead and difficult decisions will need to be taken. The Council's revised planning framework, incorporating the COVID-19 recovery plans, will help to ensure that the Council responds to these challenges and continue to ensure the desired outcomes for the Council area are delivered.

Bryan Smail, CPFA MBA
Chief Finance Officer
9 November 2020

Councillor Cecil Meiklejohn
Leader of Falkirk Council
9 November 2020

Kenneth Lawrie
Chief Executive of Falkirk Council
9 November 2020

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), the Coronavirus (Scotland) Act 2020 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 *** 2020.

Signed on behalf of Falkirk Council

Councillor Cecil Meiklejohn
Leader of Falkirk Council
9 November 2020

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 2020 and the transactions of the Council and its group for year ended 31 March 2020.

Bryan Smail, CPFA MBA
Chief Finance Officer
9 November 2020

Annual Governance Statement 2019/20

Introduction

The Local Government in Scotland Act 2003 requires the Council to secure Best Value and ensure continuous improvement in its delivery of services. To do that, the Council must establish and apply good 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 the Council continues to be committed to the principles set out in the CIPFA guidance '*Delivering Good Governance in Local Government: A Framework*'. This positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures.

The Local Authority Accounting (Scotland) Regulations 2014 require all Councils to conduct a review, at least once in each financial year, of the effectiveness of the system of internal control [1], and that an Annual Governance Statement (the Statement) is included in the Annual Accounts. These Regulations require that the Statement comments on significant governance developments during the previous financial year and in the period between the end of the financial year and the date of publication of the Annual Governance Statement.

This Statement, therefore, includes a section setting out the impact of the COVID-19 outbreak on the governance of the Council, and the work being undertaken to respond to, and recover from, the outbreak.

Preparation of this Statement meets the requirements of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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.

However, prior to commenting on key governance developments over the course of 2019/20, it is important to highlight the impact the COVID-19 outbreak has had on the Council and its activities.

The COVID-19 outbreak has had a truly global impact. Individuals, organisations, and Governments have had to fundamentally change behaviours and revisit priorities, and Falkirk Council is no different. While the effects of the outbreak were already beginning to be felt locally, the last conventional meeting of Falkirk Council was held on 09 March 2020, after which all Committee meetings were put on hold.

Since the UK Government's introduction of Phase 1 'Delay' measures on 03 March the way in which the Council has gone about its business, politically and operationally, has been under constant review, and subject to constant change.

In early March a COVID-19 Core Group was established, chaired by the Director of Development Services and with representation from across all Services. Crucially, the Council's Resilience team were at the heart of that, and acted as a conduit into local and national resilience partnerships and fora.

[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.

As the outbreak worsened the Core Team, via Resilience colleagues, retained its role of linking into wider resilience networks and of co-ordinating local resilience arrangements. Corporate co-ordination of the Council's wider response was, however, assumed by the Corporate Management Team (CMT), which met on a daily basis. These meetings, held via teleconference, allowed Council Services to work in a co-ordinated way, identifying priorities, and allocating resource, in line with both national guidance and local priorities.

Existing Business Continuity Plans and Business Impact Assessments were used to inform CMT's decision making, which was done at unprecedented speed given the escalation of the outbreak and the need to both continue delivering key services while keeping the public accessing those services, and the staff delivering those services, safe.

Within Children's Services the establishment of childcare hubs, catering services, and the rapid harnessing of online platforms to support digital learning were crucial in supporting the health, wellbeing, and education of young people and their carers. Children and Families Social Work continued to deliver critical front line services to the most vulnerable young people, drawing on effective partnership working with health and Police colleagues.

Related to that, staff across the Falkirk Health and Social Care Partnership, including Falkirk Council Adult Social Work Services, were re-deployed to ensure that care home and care at home services were maintained. While day care services were stopped due to the need to ensure proper social distancing, teams remained in contact with families and continued to provide support. In addition, staffing in the Mobile Emergency Care Service was increased to extend care at home.

Care for people, including support to those who are shielded, has been provided by the Support for People team, in partnership with the voluntary sector. This has involved the provision of food, medicines, and basic supplies and services to those who need it most.

The Human Resources team, within Corporate and Housing Services, have provided support by providing clear guidance to staff, and through the strengthening of staff welfare arrangements including a staff counselling service. Traditionally office based services such as Payroll, Pensions, and the Council's contact centre have been delivered remotely, and the IT team has worked to ensure that teams are able to stay connected, and have access to the required equipment.

Some services were paused, including the housing allocation scheme, and others, such as the housing repair service, were restricted to essential functions like emergency repairs and gas maintenance.

Support to the business sector via, for example, Business Support Grants and the Self Employed Hardship Fund, was delivered by new teams, brought together across Corporate and Housing and Development Services. Waste services were reduced, and re-introduced, on a phased basis and in a managed way taking account of guidance from Scottish Government.

The financial implications of the COVID-19 outbreak are wide ranging, at a national level and for Falkirk Council. The Corporate Finance team have put in place arrangements for recording, monitoring, and reporting on COVID-19 related spend, including monies paid to Council Suppliers utilising the powers set out in Scottish Public Procurement Notice 05/2020 on Supplier Relief. This allowed the Council to continue to make payments to suppliers with a view to ensuring that sufficient market capacity remains in place following the outbreak. This has been applied in areas such as the social care sector and in relation to providers of school transport.

There are also areas where income that would otherwise have been collected has been lost. This is a significant financial risk. For example, Falkirk Community Trust closed all of its facilities and furloughed 80% of its staff, and the financial impact of the outbreak on individuals flowed through to the levels of Council Tax and Council house rent collection.

The opportunity to realise the financial savings set out in the 2020/21 budget agreed by Council on 26 February 2020 has also been affected, and this will require a re-calibration of the Council's Medium Term Financial Plan. It is vital, therefore, that the lessons arising as a result of this outbreak are learned, and that new ways of working are properly captured within the Council's transformation programme.

Since the cessation of formal Council Committee meetings in March, elected Members have received regular briefings and updates on all Council activities. This includes twice weekly briefings from the Chief Executive for the three political Group Leaders. While many decisions in the intervening period have been made using powers delegated to the Council's Chief Executive, there are statutory matters which rely on the decision of elected Members.

On that basis, at a ‘virtual’, and specially convened, meeting of Council on 06 May 2020, an Interim Decision Making Structure was agreed, forming an Emergency Executive Committee, to meet remotely, by video conference, on a fortnightly basis until 25 June 2020. While these meetings could not be held in public, video recordings were made available following the meetings, and reports were published on line, in the normal way, in advance. A fuller schedule of Council Committee meetings resumed in August 2020.

Governance Developments during 2019/20

On 26 February 2020 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 set out the allocation of resource and savings to be achieved, and empowered Directors to deliver services within an agreed financial envelope.

This budget was set against a backcloth of change and uncertainty.

Perhaps the most obvious example of that related to BREXIT, the UK’s withdrawal from the EU on 31 January 2020. This has had, and will continue to have, significant implications for the Council. In preparation for BREXIT a Core Group of Officers was formed, led by the Director of Development Services. The Group’s role covered risk and resilience, with regular updates on the Council’s ‘readiness’ provided to Corporate Management Team and elected Members.

The Group also linked into regional, and national, Resilience partnerships, as well as colleagues across Scottish Government, COSLA, Scotland Excel and suppliers of goods and services to the Council, local Community Planning Partners, and the Council’s 7000 employees. BREXIT continues to be considered a High Risk on the Council’s Corporate Risk Register, and its implications will continue to be closely monitored and managed by Officers and elected Members.

Linking into that, the Council has well developed, and proportionate, arrangements in place in relation to the management of risk. The Corporate Risk Management Group, chaired by the Chief Finance Officer, oversees the way in which Services identify, monitor, and manage risk. The Group is supported by the Corporate Risk team, and each Service management team considers an assurance statement, capturing corporate, Service, and emerging risks, on a quarterly basis.

Corporate Risk Management Group is accountable to the Corporate Management Team, and update reports are submitted to the Audit and Executive Committees throughout the year. In addition, a risk workshop was run by the Corporate Risk team in August 2019, attended by elected Members and senior managers from across all Council Services, and the corporate Pentana system continues to be the means by which managers record actions taken to manage key risks.

A number of ‘Governance Groups’ are in place to deliver policy outcomes, monitor compliance, or implement new systems or ways of working. Examples include the Procurement Board, Corporate Sustainability Group, Strategic Housing Group, and Performance Management Group. All Governance Groups undertook a self assessment during 2019/20, including reflection on their arrangements for managing risk.

The Council faces unprecedented financial pressure over the short to medium term, exacerbated by the current COVID-19 outbreak. The Council’s Medium Term Financial Plan, which links closely to the 5 Year Business Plan, continues to underpin the longer term approach to financial planning. As with previous years, there was effective engagement with elected Members across all political groups over the year, culminating in the balanced budget agreed in February. Work to further refine the approach to medium and longer term financial planning is ongoing, with innovative processes such as elements of zero based budgeting being deployed as tools to manage the budgeting process and subsequent expenditure.

Aligned to that, the Council of the Future (COTF) programme continues to be the means of delivering large scale transformational change across the Council. In March 2020 an update on Wave 2 of the programme, which comprises 50 projects across 5 discrete, cross cutting, workstreams was considered by the Executive Committee.

This also proposed 10 priority projects which will shape the significance of transformation in coming years. An example of these is the Closer to Home strategy, which aims to build resilience within families to help maintain strong relationships at home. Where a young person is unable to be looked after by their parents, they will be placed in a family environment which is safe, and meets their specific needs. This will deliver better outcomes for our young people, at a cheaper cost. The project also include transitions into adulthood, and care leavers will have the opportunity to gain the skills (e.g. managing their own tenancies) to effectively transition into adulthood.

As part of the COTF Entrepreneurial Services workstream a group of employees participated in a series of externally facilitated workshops designed to develop entrepreneurial and commercial skills. These workshops encouraged participants to seek out opportunities to think differently about the delivery of services. An example of the positive outcomes from these workshops was the awarding, by Strathcarron Hospice, of their Internal Audit contract to the Council's Internal Audit team, following a tendering process.

The Council has recognised that, at a time of unprecedented change, the health and wellbeing of its 7000 employees has never been more important. The Chief Executive is the Council's Wellbeing champion, and the risks relating to staff wellbeing have been captured as a High risk on the Corporate Risk Register. As referred to earlier in this Statement, the support to staff has been significantly improved and enhanced over the course of 2019/20, rooted in the approval of an employee Wellbeing Strategy by Executive in October 2019. While this support to staff is particularly important during crises like the COVID-19 outbreak, the shift towards more mobile and flexible working re-iterates the need for the Council to look after the physical and mental wellbeing of its workforce.

As part of their Internal Audit Plan for 2020/21, Internal Audit will review the progress made with establishing the principles and practices set out in the Wellbeing Strategy.

The responsibility for wellbeing extends to the work done across the Health and Social Care Partnership and the delivery of Adult Social Work Services. The Council continues to be an active participant in the delivery of services across the Partnership, within the context and governance of the Falkirk Integration Joint Board. Clearly, the COVID-19 outbreak has had a fundamental impact across the health and social care sectors, and that will shape how services are delivered in future.

That said, the significant groundwork undertaken during 2019/20, including the move to delivery of services within a locality structure, and the appointment of staff across that structure, provides a solid foundation for delivering within the 'new normal'. A root and branch review of the staff scheduling and rota processes across the in house Homecare team, supported by staff engagement, helped deliver significant improvements in the continuity of care and, therefore, better outcomes for service users.

Related to that, work continues on the implementation of a new Social Work Information system. This is a complex project that will fundamentally change and improve how staff across the Adult, and Children and Families, Social Work teams operate. A Project Board oversees progress, though the COVID-19 outbreak has impacted on this.

Within Children's Services, an Early Learning Centres (ELC) Project Team has been established to help deliver the early years estate and staffing levels to accommodate the move to provision of 1,140 hours of early years provision. Although, due to the COVID-19 outbreak, the statutory duty to deliver this provision by August 2020 has been removed, updates were provided to the Education, Children, and Young People Executive during 2019/20, and the Children's Services Senior Leadership team continuously monitors this, along with the achievement of Pupil / Teacher ratio targets and, more generally, the Service's financial performance.

Significant work has also been undertaken to define governance and planning structures across the Housing Service. A Local Housing Strategy 2017-2022 Annual Review was considered by Executive in June 2019; the Strategic Housing Investment Plan 2020/21 - 2024/25 was approved in October 2019; a Housing Services' Tenant and Customer Participation Strategy (2019 – 2022) was approved in December 2019; and the Housing Investment Programme for 2020/21 to 2024/25 was approved in January 2020. Most recently, the Council's Housing Allocations Policy was reviewed, following public consultation, with the changes approved by Emergency Executive Committee in June 2020.

Related to that, the Rapid Rehousing Transition Plan will significantly help with the rehousing of those who have experienced homelessness as quickly as possible, reducing the time and trauma of being in temporary accommodation.

This Annual Governance Statement, and the Management Commentary elsewhere in this Annual Report, seek to demonstrate the significant challenges the Council has faced, and some of the actions taken to ensure that governance and operational processes are fit for purpose.

Explanatory & Assurance Statements

The Council was scheduled to be the subject of a Best Value Assurance Review during the early part of 2020/21, which would have independently assessed some of these processes. Best Value Reviews are undertaken by Audit Scotland, on behalf of the Accounts Commission, and assess how Councils demonstrate Best Value by showing that they are continuously improving how they deliver on their priorities. Due to the COVID-19 outbreak, however, the planned review has been rescheduled into 2021. The Council will continue to be relentless in its pursuit of best value, and in the delivery of the best possible services, ensuring that this is done within the context of both the political, and operational, governance frameworks.

In terms of that political framework, the committee structure has remained unchanged over the course of 2019/20, which is reflective of continued political stability. The Audit Committee, which sits within that structure, considers reports on risk management, as well as from the Council's Internal and External Auditors. It has, since March 2011, been chaired by an independent, external, Convener, with a new appointment to this role made in April 2019.

Elected Members are supported by Corporate Management Team, led by the Chief Executive and comprising Directors and Chief Officers from across Council Services. 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 Police Scotland, with managers across all Services, and with colleagues in the Human Resources team, and its work is consistent with the commitment set out in the Anti Fraud and Corruption Strategy that practices aimed at bypassing the framework of internal control will not be tolerated.

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 2020. 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. The Internal Audit Manager undertook a detailed self assessment against the Standards in February 2020. This confirmed continuing compliance with the Standards, and will be subject to independent, external validation as part of a national review process established by the Scottish Local Authorities Chief Internal Auditors' Group.

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 are reported to the Audit Committee.

The Audit Committee operates in accordance with relevant guidance. It has, since 2010, been chaired by an external (lay) member rather than an elected Member of the Council. In late summer the external Convener intimated her intention to step down. At its meeting on 30 September 2020, Council appointed a new Convenor from within its existing membership, for the remainder of the current Council term. The Committee 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.

Ordinarily, 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. For 2019/20, given the moratorium on Council Committee meetings, alternative arrangements have been established to allow this report to be considered by Members. In his 2019/20 report, the Internal Audit, Risk, and Corporate Fraud Manager concluded that he was able to provide Substantial Assurance on the Council's overall framework of control for the year to 31 March 2020.

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 2020.

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

Ordinarily, the Annual Governance Statement sets out a number of key governance actions to be progressed over the coming year. The statutory duty on Local Authorities to achieve best value remains and, clearly, work will continue over the course of the year to transform the way in which services are delivered, within the context of our Business Plan and Medium Term Financial Plans.

A clear focus over the year will, however, be on moving through the recovery and renew stages of the response to the COVID-19 outbreak.

This will require the Council to work closely with local and national partners in a constructive and joined up way. Fundamentally, there will be a focus on collectively learning the lessons flowing from the outbreak, and to take action to act on the opportunities for changing and improving how services are provided, accelerating the existing transformation agenda. This will require focus, commitment, and a shared mindset across the Council and its partners, along with a harnessing of technology and new ways of working at a pace never before experienced.

It's on that basis that, rather than set out individual actions to be progressed over the coming year, this Annual Governance Statement commits the Council to working towards ensuring that all lessons, both positive and negative, are considered in shaping how services will be transformed and provided in the coming years.

Conclusion

This Annual Governance Statement summarises, openly and transparently, arrangements established by Falkirk Council for 2019/20 and the period to date. It highlights areas for improvement, and is consistent with the Council's established improvement agenda.

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Councillor Cecil Meiklejohn
Leader of Falkirk Council
9 November 2020

……………………………………………...

Kenneth Lawrie
Chief Executive of Falkirk Council
9 November 2020

Annual Remuneration Report 2019/20

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 2019/20 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 2019. The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head, who is the Provost, 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 2019/20 the salary for the Leader of Falkirk Council is £34,944. 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 £26,208. On 6 March 2019 the Council agreed that the remuneration paid to the Civic Head would be £26,208.

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 (£26,208). 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 £305,746. 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 and 2 level 2 Senior Councillors however, 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 2019/20 Falkirk Council had 9 Level 1 Senior Councillors each with a salary of £23,418 and 1 Level 2 Senior Councillor with a salary of £19,631 and the remuneration paid to these Councillors totalled £230,393. 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 2019/20.

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 2019/20 is as follows:

Remuneration Bands	Number of Employee		Chief Officials		Teachers		SJC Employees	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£50,000 - £54,999	108	129	-	-	71	106	37	23
£55,000 - £59,999	45	103	-	-	35	75	10	28
£60,000 - £64,999	9	57	-	1	6	48	3	8
£65,000 - £69,999	-	18	-	-	-	15	-	3
£70,000 - £74,999	3	3	1	-	2	3	-	-
£75,000 - £79,999	10	4	9	2	1	1	-	1
£80,000 - £84,999	4	7	-	6	4	1	-	-
£85,000 - £89,999	2	2	1	-	1	2	-	-
£90,000 - £94,999	3	2	3	-	-	2	-	-
£95,000 - £99,999	1	4	-	3	-	1	1	-
£100,000 - £104,999	-	1	-	1	-	-	-	-
£105,000 - £109,999	3	3	3	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	-	-	-	-	-	-	-	-
£140,000 - £144,999	-	-	-	-	-	-	-	-
£145,000 - £149,999	-	1	-	1	-	-	-	-
£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	**188**	**334**	**17**	**17**	**120**	**254**	**51**	**63**

Note these figures do not include employees of Falkirk Community Trust (2 Chief Officials and 3 SJC employees).

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 2019/20
- there were no employees of the body whose remuneration in 2019/20, 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 2019/20
- there were no employees of the body whose remuneration in 2019/20 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 2019/20 £	2018/19 £
David Alexander	Portfolio Holder, Economic Development.	23,418	22,780
David Balfour	Convener of Central Scotland Valuation Joint Board.	21,840	21,245
Robert Bissett	Leader of the Opposition from 11/02/19.	19,631	2,614
Gary Bouse	Portfolio Holder, Resources.	23,418	22,780
William Buchanan	Provost.	26,208	23,272
Fiona Collie	Portfolio Holder, Health and Social Care.	23,418	22,780
Paul Garner	Portfolio Holder, Environment.	23,418	22,780
Gordon Hughes	Portfolio Holder, Housing.	23,418	22,780
Adanna McCue	Portfolio Holder, Education.	23,418	22,780
Cecil Meiklejohn	Leader of the Council.	34,944	33,992
Laura Murtagh	Portfolio Holder, Public Protection.	23,418	22,780
Ann Ritchie	Depute Provost.	23,418	22,780
Robert Spears	Portfolio Holder, Culture, Leisure & Tourism.	23,418	22,780
Total		**313,385**	**286,143**

The amount recharged to Central Scotland Valuation Joint Board in 2019/20 was £5,978 (2018/19 £5,794).

There were no taxable expenses and no non-cash expenses and benefits in kind in 2019/20 (2018/19, nil)

Remuneration paid to all Members in 2019/20 was:

2018/19 £'000		2019/20 £'000
593	Salaries	610
8	Allowances (Mileage)	8
4	Expenses	2
605		**620**

The annual return of Councillors' salaries and expenses for 2019/20 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 2019/20 £	Total Remuneration 2018/19 £
K Lawrie	Chief Executive (started 01/08/18)	137,368	9,867	147,235	86,312 (full year equivalent 131,421)
R Geisler	Director of Development Services	109,073	-	109,073	105,896
S Ritchie	Director of Corporate & Housing Services	109,073	-	109,073	106,016
R Naylor	Director of Children's Services*	109,073	-	109,073	105,896
B Smail	Chief Finance Officer (Section 95 Officer)	95,108	-	95,108	92,338
S Lacey	Head of Social Work Children's Services (CSWO) Joint Acting Director of Children's Services from 13/11/17 to 13/05/18*	95,108	-	95,108	92,885 (full year equivalent 96,857)
Total		**654,803**	**9,867**	**664,670**	**589,343**

* 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 received responsibility payments to cover the period of this secondment. Agreement was reached and all of the additional costs incurred during the secondment period were 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 2019/20 (2018/19 £3,624). These payments are reimbursed by either the Scottish Government or the Government of the United Kingdom.

Explanatory & Assurance Statements

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 2019/20 £	Total Remuneration 2018/19 £
D Hanley	Stadium Manager	42,765	-	42,765	39,345
Total		**42,765**	**-**	**42,765**	**39,345**

Remuneration paid to relevant persons of Falkirk Community Trust Ltd

Name	Post Title	Salary, Fees and Allowances £	Benefits other than in cash £	Total Remuneration 2019/20 £	Total Remuneration 2018/19 £
M Campbell	Chief Executive	95,284	-	95,284	92,509
Total		**95,284**	**-**	**95,284**	**92,509**

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 2019/20 are as follows:

Wholetime Pay	Contribution Rate 2018-19	Contribution Rate 2019-20
On earnings up to and including £21,800	5.50%	5.50%
On earnings above £21,800 and up to £26,700	7.25%	7.25%
On earnings above £26,700 and up to £36,600	8.50%	8.50%
On earnings above £36,600 and up to £48,800	9.50%	9.50%
On earnings above £48,800	12.00%	12.00%

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

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.

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 2020 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 31/03/2020 £	Accrued Pension Benefits: As at 31/03/2020 Pension £	Accrued Pension Benefits: As at 31/03/2020 Lump Sum £	Accrued Pension Benefits: Difference from 31/03/2019 Pension £	Accrued Pension Benefits: Difference from 31/03/2019 Lump Sum £
David Alexander	5,269	10,000	17,000	1,000	1,000
David Balfour	4,914	3,000	-	-	-
Robert Bissett Leader of the Opposition from 11/02/19	4,417	1,000	-	-	-
Gary Bouse	5,269	1,000	-	-	-
Fiona Collie	5,269	1,000	-	-	-
Paul Garner	5,269	2,000	-	-	-
Gordon Hughes	5,269	5,000	2,000	1,000	1,000
Adanna McCue	5,269	1,000	-	-	-
Cecil Meiklejohn	7,862	7,000	-	2,000	-
Laura Murtagh	5,269	1,000	-	-	-
Robert Spears	5,269	5,000	2,000	1,000	1,000
Total	**59,345**	**37,000**	**21,000**	**5,000**	**3,000**

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

Pension Rights of Senior Employees of Falkirk Council

The pension entitlements of Senior Employees for the year to 31 March 2020 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.

Name	Post Title	In-Year Pension Contributions For year to 31/03/20 £	Accrued Pension Benefits			
			As at 31/03/2020		Difference from 31/03/2019	
			Pension £	Lump Sum £	Pension £	Lump Sum £
R Geisler	Director of Development Services	24,541	62,000	119,000	4,000	3,000
S Lacey	Head of Social Work, Children's Services (CSWO) Joint Acting Director of Children's Services until 13/05/18	21,399	7,000	-	2,000	-
K Lawrie	Chief Executive from 01/08/18	30,908	51,000	75,000	6,000	6,000
K Lawrie	Returning Officer from 01/08/18	2,220	1,000	-	1,000	-
R Naylor	Director of Children's Services	24,541	66,000	5,000	4,000	-
S Ritchie	Director of Corporate & Housing Services	24,541	59,000	111,000	4,000	3,000
B Smail	Chief Finance Officer (Section 95 Officer)	21,399	50,000	87,000	5,000	3,000
Total		**149,549**	**296,000**	**397,000**	**26,000**	**15,000**

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 2020 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 31/03/2020 £	Accrued Pension Benefits			
			As at 31/03/2020		Difference from 31/03/2019	
			Pension £	Lump Sum £	Pension £	Lump Sum £
D Hanley	Stadium Manager	9,649	8,000	-	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 2020 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 31/03/20 £	Accrued Pension Benefits As at 31/03/2020 Pension £	Accrued Pension Benefits As at 31/03/2020 Lump Sum £	Difference from 31/03/2019 Pension £	Difference from 31/03/2019 Lump Sum £
M Campbell	Chief Executive	21,439	46,000	79,000	3,000	2,000

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 2019/20.

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 2019/20 or 2018/19.

Exit Packages agreed with former employees of Falkirk Council

Bands	Number of Exit Packages 2018/19	Total Payments £	2019/20	Total Payments £
Up to £20k	14	152,520	18	192,243
Over £20k up to £40k	1	26,637	9	254,606
Over £40k up to £60k	1	45,390	6	279,173
Over £60k up to £80k	1	77,474	6	403,989
Over £80k up to £100k	-	-	3	275,465
Over £100k up to £150k	1	119,580	3	339,370
Over £150k up to £200k	-	-	1	150,346
Over £250k up to £300k	-	-	1	278,121
Number of Packages	**18**	**421,601**	**47**	**2,173,313**

Exit Packages agreed with former employees of Falkirk Community Stadium Ltd

There were no exit packages agreed in either 2019/20 or 2018/19.

Exit Packages agreed with former employees of Falkirk Community Trust Ltd

Bands	Number of Exit Packages 2018/19	Total Payments £	2019/20	Total Payments £
Up to £20k	2	24,598	3	24,406
Number of Packages	**2**	**24,598**	**3**	**24,406**

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 2019 – 31 March 2020

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
31	29.5

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) 1-50%, c) 51%- 99% or d) 100% of their working hours on facility time?

Percentage of Time	Number of employees
0%	8
1% - 50%	18
51% - 99%	4
100%	1

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

Total cost of facility time	Total pay bill	Percentage
£114,606	£118,448,450	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	5%*

*The data was compiled in line with normal arrangements but Due to COVID-19 it was not been possible to undertake the usual verification checks prior to submission to the Government.

Explanatory & Assurance Statements

Falkirk Council – Facility Time Report for 1 April 2019 – 31 March 2020 (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
16	14.7

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) 1-50%, c) 51%- 99% or d) 100% of their working hours on facility time?

Percentage of Time	Number of employees
0%	-
1% - 50%	15
51% - 99%	-
100%	1

Table 3 - Percentage of pay bill spent on facility time

Total cost of facility time	Total pay bill	Percentage
£69,436	£123,983,009	0.06%

Table 4 - Paid trade union activities

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

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: **(total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100**	20%*

*The data was compiled in line with normal arrangements but Due to COVID-19 it was not been possible to undertake the usual verification checks prior to submission to the Government.

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.

2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure £'000		2019/20 Gross Expenditure £'000	2019/20 Gross Income £'000	2019/20 Net Expenditure £'000	Notes
241,953	(17,235)	224,718	Children's Services	233,639	(23,182)	210,457	
168,503	(100,769)	67,734	Social Work Adult Services	178,181	(104,457)	73,724	
60,930	(16,136)	44,794	Development Services	60,946	(14,707)	46,239	
78,562	(43,474)	35,088	Corporate & Housing Services	67,112	(34,764)	32,348	
64,730	(61,676)	3,054	Housing Revenue Account	68,535	(62,860)	5,675	
1,215	-	1,215	Valuation Joint Board	1,257	-	1,257	
11,087	-	11,087	Falkirk Community Trust	10,899	-	10,899	
626,980	**(239,290)**	**387,690**	**Net Cost of Services**	**620,569**	**(239,970)**	**380,599**	
			Other Operating Expenditure				
231	**-**	**231**	(Gains) or Losses on disposal of Non-Current and Current Assets	**-**	**(1,984)**	**(1,984)**	
			Financing and Investment Income and Expenditure				
36,711	(37,432)	(721)	(Surplus) or deficit on trading undertakings	35,577	(36,414)	(837)	14
24,157	-	24,157	Interest Payable and Similar Charges	24,451	-	24,451	41
-	(463)	(463)	Interest & Investment Income	-	(780)	(780)	
30,074	(22,752)	7,322	Pensions interest cost & interest income on plan assets	30,401	(22,127)	8,274	17
90,942	**(60,647)**	**30,295**		**90,429**	**(59,321)**	**31,108**	
			Taxation and Non-Specific Grant Income				
-	(63,704)	(63,704)	Council Tax	-	(66,217)	(66,217)	
-	(207,414)	(207,414)	Government Grants	-	(211,868)	(211,868)	
-	(25,926)	(25,926)	Capital Grants, Contributions & Donations	-	(30,359)	(30,359)	38
-	(65,958)	(65,958)	Non-Domestic Rates redistribution	-	(69,739)	(69,739)	
-	(1,490)	(1,490)	Non-Domestic Rates – TiF	-	(1,454)	(1,454)	
-	**(364,492)**	**(364,492)**		**-**	**(379,637)**	**(379,637)**	
718,153	**(664,429)**	**53,724**	**(Surplus) or Deficit on Provision of Services**	**710,998**	**(680,912)**	**30,086**	
			Items that will not be reclassified to the (Surplus)/Deficit on the Provision of Services				
		(29,798)	(Surplus) or deficit on revaluation of non-current assets and current assets			(87,239)	
		40,624	Remeasurements of pension assets/liabilities			(91,267)	10
		10,826	**Other Comprehensive Income and Expenditure**			**(178,506)**	
		64,550	**Total Comprehensive Income and Expenditure**			**(148,420)**	

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 2020

	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 31/3/19	**(21,902)**	**(5,093)**	**(4,351)**	**(1,425)**	**(1,686)**	**(5,803)**	**(40,260)**	**(296,835)**	**(337,095)**	
Movement in reserves during 2019/20										
Total Comprehensive Income and Expenditure	24,302	5,784	-	-	-	-	30,086	(178,506)	(148,420)	**CIES**
Adjustments between accounting basis and funding basis under regulations	(21,097)	(5,734)	422	1,185	-	-	(25,224)	25,224	-	9
Transfers to/from Other Statutory Reserves	(496)	(50)	-	-	80	466	-	-	-	
(Increase)/Decrease in 2019/20	**2,709**	**-**	**422**	**1,185**	**80**	**466**	**4,862**	**(153,282)**	**(148,420)**	
Balance at 31/3/20	**(19,193)**	**(5,093)**	**(3,929)**	**(240)**	**(1,606)**	**(5,337)**	**(35,398)**	**(450,117)**	**(485,515)**	

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)**	

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”.

2018/19 £’000		2019/20 £’000	Notes
	Non-Current Assets		
1,029,242	Property, Plant & Equipment	1,133,619	20
266	Heritage Assets	266	21
1,719	Intangible Assets	1,574	19
4,221	Long Term Investments	4,097	27,39
8,112	Long Term Debtors	5,429	31
1,043,560		**1,144,985**	
	Current Assets		
225	Inventories	260	32
25,684	Short Term Debtors	26,978	34
41,798	Cash and Cash Equivalents	34,379	36
4,313	Assets Held for Sale	1,917	23
72,020		**63,534**	
	Current Liabilities		
(34,198)	Short Term Borrowing	(43,159)	28
(70,384)	Creditors (including provisions)	(62,884)	30,35
(104,582)		**(106,043)**	
	Long Term Liabilities		
(232,099)	Long Term Borrowing	(239,590)	28
(334,162)	Defined Benefit Pension Scheme Liability	(272,489)	17
(97,518)	Other Long Term Liabilities	(90,717)	40
(10,124)	Capital Grants Received in Advance	(14,165)	38
(673,903)		**(616,961)**	
337,095	**Net Assets**	**485,515**	
	Usable Reserves		
(4,351)	Capital Receipts Reserve	(3,929)	
(1,425)	Capital Grants Unapplied Account	(240)	
(26,995)	General Fund	(24,286)	6
(1,686)	Repairs & Renewals	(1,606)	
(5,803)	Insurance Fund	(5,337)	29
(40,260)		**(35,398)**	
	Unusable Reserves		
(214,772)	Capital Adjustment Account	(235,713)	10(a)
4,405	Financial Instruments Adjustment Account	4,066	10(e)
(427,637)	Revaluation Reserve	(498,447)	10(b)
334,162	Pensions Reserve	272,489	10(c)
7,007	Accumulated Absences Account	7,488	10(d)
(296,835)		**(450,117)**	
(337,095)	**Total Reserves**	**(485,515)**	

The unaudited accounts were issued on 29 June 2020 and the audited financial statements were authorised for issue on 9 November 2020.

Bryan Smail, CPFA MBA
Chief Finance Officer
9 November 2020

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.

2018/19 £'000		2019/20 £'000
53,724	Net (surplus) or deficit on the provision of services	30,086
(114,980)	Adjust net surplus or deficit on the provision of services for non-cash movements	(83,257)
25,926	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	30,359
(35,330)	**Net cash flows from operating activities**	**(22,812)**
	Investing Activities	
66,557	Purchase of property, plant & equipment, investment property and intangible assets	77,472
-	Other payments for investing activities	-
(1,422)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(3,885)
(29,492)	Other receipts and investing activities	(33,680)
35,643	**Net cash flows from investing activities**	**39,907**
	Financing Activities	
(47,067)	Cash receipts of short and long-term borrowing	(50,418)
5,475	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	6,775
30,972	Repayments of short and long-term borrowing	33,967
(10,620)	**Net cash flows from financing activities**	**(9,676)**
(10,307)	**Net (increase) or decrease in cash and cash equivalents**	**7,419**
(31,491)	Cash and cash equivalents at the beginning of the reporting period	(41,798)
	Cash and cash equivalents at the end of the reporting period	
(44)	Cash held by Officers	(47)
(8,745)	Bank Current Accounts	(815)
(33,009)	Short-term deposits	(33,517)
(41,798)		**(34,379)**

The cash flows for operating activities include interest paid of £24.451m (2018/19 £24.157m) and interest received of £0.780m (2018/19 £0.463m).

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

(230)	Net Gain/(Loss)	1,967
(767)	Amortisation of Intangible Assets	(978)
(79,408)	Depreciation & Impairment of Fixed Assets	(59,042)
(29,559)	Net Charges for Retirement Benefits	(29,594)
1,064	Movement in Debtors	(2,005)
(5,943)	Movement in Creditors	6,360
(137)	Movement in Stock	35
(114,980)		**(83,257)**

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

21,181	Capital Grants General Fund	23,951
4,745	Capital Grants HRA	6,408
25,926		**30,359**

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.

2018/19 £'000		2019/20 £'000
(56,230)	Dwelling Rents	(58,234)
(1,608)	Non-Dwelling Rents	(1,571)
(3,511)	Other Income	(2,482)
(61,349)	**Total Income**	**(62,287)**
25,043	Repairs and Maintenance	24,481
15,806	Supervision and Management	18,093
21,350	Depreciation and Impairment of Non-Current Assets	23,209
1,622	Other Expenditure	1,721
349	Increase/(Decrease) in Bad Debts Provision	206
64,170	**Total Expenditure**	**67,710**
2,821	Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement	5,423
233	HRA Services Share of Corporate and Democratic Core	252
3,054	**Net Expenditure of HRA Services**	**5,675**
	HRA Share of Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:	
19	(Gain)/Loss on Sale of HRA Non-Current Assets	(3)
5,545	Interest Payable and similar charges	6,332
(145)	Interest and Investment Income	(157)
274	Pensions Interest Cost and Expected Return on Pension Assets	343
(4,745)	Recognised Capital Grant Income	(6,408)
4,002	**(Surplus)/Deficit for the Year**	**5,782**

Movement on the Housing Revenue Account Statement

2018/19 £'000		2019/20 £'000
(5,093)	**Balance on the HRA at the end of the previous year**	**(5,093)**
4,002	(Surplus) or Deficit for the year on HRA Income and Expenditure Statement	5,782
(4,067)	Adjustments between Accounting Basis and Funding Basis under Statute	(5,732)
(65)	**Net (Increase) or Decrease before transfers to or from Reserves**	**50**
65	Transfers (to) or from Reserves	(50)
-	**(Increase) or Decrease in Year on the HRA**	**-**
(5,093)	**Balance on the HRA at the end of the Current Year**	**(5,093)**

Housing Revenue Account Disclosures

Adjustments between Accounting Basis and Funding Basis under Statute

2018/19 £'000		2019/20 £'000
(19)	Gain or (loss) on sale of HRA non-current assets	3
9,112	Capital expenditure charged to the HRA	8,141
(21,350)	Depreciation and Impairment	(23,209)
5,901	Statutory Repayment of Debt (Loans Fund Advances)	5,971
(2,538)	HRA share of contributions to or from the Pensions Reserve	(3,107)
18	Accumulated Absences Account	(4)
64	Difference between any other item of income and expenditure determined in accordance with the Code and statutory HRA requirements	65
4,745	Recognised Capital Grant Income	6,408
(4,067)	**Total**	**(5,732)**

Housing Stock

The Council Housing Stock at 31 March 2020 was 16,509 properties in the following categories.

2018/19 Number		2019/20 Number
2,697	One bedroom and under	2,719
8,751	Two bedrooms	8,823
4,462	Three bedrooms	4,472
476	Four bedrooms	477
18	Five bedrooms and larger	18
16,404	**Total**	**16,509**
£66.36	**Average Weekly rent (52 week basis)**	£68.35

Rent Arrears

Rent Arrears at 31 March 2020 were £4,327,021 (£4,163,702 in 2018/19).

Bad Debt Provision

An impairment of £3.42m has been provided in the Balance Sheet for irrecoverable rents, an increase of £0.206m from the provision in 2018/19.

Losses on Void Properties

2018/19 £'000		2019/20 £'000
577	Dwelling Rents	746
226	Non-Dwelling Rents	255
803	**Total**	1,001

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.

2018/19 £'000		2019/20 £'000
81,509	Gross Council Tax Levied	84,605
(106)	Prior Year Adjustments	(153)
81,403	**Total Income**	**84,452**
7,890	Council Tax Reduction	7,966
789	Provisions Against Bad and Doubtful Debts	810
9,019	Other Discounts and Reductions	9,460
17,698	**Total Expenditure**	**18,236**
63,705	**Net Council Tax Income transferred to General Fund**	**66,216**

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 2019/20 are as follows:

Band	£ per Dwelling
A*	£649.44
A	£779.33
B	£909.22
C	£1,039.11
D	£1,169.00
E	£1,535.94
F	£1,899.63
G	£2,289.29
H	£2,864.05

* Band 'A' with Disabled Persons Relief

Calculation of the Council Tax Base per 2019/20 Budget

	Band A*	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
No. of Dwellings	n/a	22,224	19,429	6,941	9,014	8,946	5,723	2,882	67	**75,226**
Exempt Dwellings	n/a	967	485	164	133	82	45	20	2	**1,898**
Chargeable Dwellings	n/a	21,257	18,944	6,777	8,881	8,864	5,678	2,862	65	**73,328**
Disabled Reduction	n/a	73	86	52	49	84	51	19	-	**414**
Adjusted Chargeable Dwellings	73	21,270	18,910	6,774	8,916	8,831	5,646	2,843	65	**73,328**
Discounts (25%)	31	12,680	7,360	2,920	2,765	1,793	742	281	9	**28,581**
Discounts (due to being second homes)	-	-	-	1	-	1	-	-	-	**2**
Discount (long term empty properties)	-	302	207	91	73	58	20	20	3	**774**
Discount (occupied by disregarded adults)	-	10	3	4	6	3	2	1	-	**29**
Not entitled to discount	42	8,278	11,340	3,758	6,072	6,976	4,882	2,541	53	**43,942**
Effective Dwellings	65	17,944	16,965	5,996	8,185	8,352	5,450	2,762	60	**65,779**
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	36	11,963	13,195	5,330	8,185	10,973	8,855	5,409	149	**64,095**
Add: Estimated Growth in tax base										**172**
Less: Dwellings for which collection of Council Tax is considered to be doubtful - 98% collection offset by prior year collection										**810**
Council Tax (£'000)										**74,182**
Less: Impact of Council Tax Reduction Scheme (£'000)										**7,966**
Budgeted Council Tax Base (£'000)										**66,216**

Non-Domestic Rates Account

Non-Domestic Rates are a tax levied by local authorities on the occupiers of commercial, industrial and other non-domestic properties within their area, as distinct from a charge for their use of services. The rates charge for each property is determined by the rateable value placed upon it by the Assessor, multiplied by the National Rate Poundage which is set by Scottish Ministers. The Rate Poundage was set at 49 pence. The small business bonus scheme provides relief ranging from 25% to 100% for properties with rateable values of £18,000 and less. The cost of the small business bonus scheme was met from a supplement of 2.6 pence on properties with rateable values in excess of £51,000. Although councils bill and collect the sums due, these are paid into the National Non-Domestic Rate Pool and allocated back to councils by the Scottish Government.

2018/19 £'000		2019/20 £'000
93,154	Rate Levied (including large Business Supplement)	93,536
	Less:	
(15,002)	Reliefs and Other Deductions	(15,317)
(894)	Write-Off of Uncollectable Debts	(1,081)
77,258	**Net Non-Domestic Rate Income**	**77,138**
470	Adjustments to previous years National Non Domestic Rates	(3,042)
-	Non-Domestic Rate Income Retained by Authority (BRIS)	-
(1,490)	Non-Domestic Rate Income Retained by Authority (TIF)	(1,426)
76,238	**Contribution to Non-Domestic Rate Pool**	72,670
65,958	Distribution from Non-Domestic Rate Pool	69,739
65,958	**Income Credited to the Comprehensive Income and Expenditure Statement**	**69,739**

The Business Rate Incentivisation Scheme (BRIS) permits local authorities to retain half of the NDR Income which exceeds the buoyancy rate target set by the Scottish Government. The BRIS buoyancy rate target as set out in the Scottish Government Local Government Finance Circular is based on audited contributable amounts. The determinant of whether a council has achieved the BRIS target will therefore be based on the audited 'Contributable Amount' figure reported in the Non-Domestic Rates Income Return for 2019/20, which will not be completed until June 2020. Based on figures to date noted in the table below it is calculated that the Council will not exceed the target once verified by Scottish Government.

	%
BRIS target	1
Actual Buoyancy rate	0.01
Excess over target	0
50% retained	0

Non-Domestic Rates Account Disclosures

Analysis of Rateable Values as at 1 April, 2019

	No. of Premises	Rateable Value £'000	%
Shops	1,373	34,513	18.44
Hotels and Public Houses	122	6,033	3.22
Offices	997	12,597	6.73
Industrial – Factories, Warehouses, Stores and Workshops	1,389	43,403	23.19
Sports, Leisure, Cultural, Entertainment, Caravans, Holiday Sites	349	5,657	3.02
Garages and Petrol Stations	70	2,596	1.39
Education and Training	82	12,603	6.73
Public Service Subjects	162	8,005	4.28
Quarries and Mines	17	2,006	1.08
Petrochemical	15	32,019	17.11
Religious	114	1,611	0.86
Health/Medical and Care Facilities	157	13,484	7.20
Utilities	38	10,431	5.58
Communications, Advertising and Other	366	2,200	1.17
Total	**5,251**	**187,158**	**100**

National Non-Domestic Rates Pool

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

Supplementary Accounts

Common Good Funds

Common Good Funds were inherited from the former burgh authorities of Bo'ness, Denny, Grangemouth and Falkirk in 1975 and are used solely for the benefit of the residents of these areas. Kilns House is part of the former Falkirk Town Council and was revalued at 1 April 2016.

2018/19 £'000		Former Bo'ness Town Council 2019/20 £'000	Former Denny Town Council 2019/20 £'000	Former Grangemouth Town Council 2019/20 £'000	Former Falkirk Town Council 2019/20 £'000	Total £'000
	Income and Expenditure Account					
	Income					
(23)	Rents Received	-	-	-	(23)	(23)
(6)	Interest	-	-	-	(5)	(5)
(29)	**Total Income**	**-**	**-**	**-**	**(28)**	**(28)**
	Expenditure					
10	Depreciation	-	12	-	12	24
30	Other	-	-	-	99	99
-	Revaluation Impairment	(7)	(275)	-	(653)	(935)
40	**Total Expenditure**	**(7)**	**(263)**	**-**	**(542)**	**(812)**
11	**(Surplus)/Deficit for Year**	**(7)**	**(263)**	**-**	**(570)**	**(840)**
	Balance Sheet					
147	Fixed Assets	7	263	-	787	1,057
849	Investments	53	6	23	697	779
-	Creditors	-	-	-	-	-
996	**Net Assets**	**60**	**269**	**23**	**1,484**	**1,836**
	Financed by:					
-	Asset Revaluation Reserve	5	172	-	27	204
147	Capital Adjustment Account	2	91	-	760	853
849	Revenue Reserve	53	6	23	697	779
996		**60**	**269**	**23**	**1,484**	**1,836**

Bryan Smail, CPFA MBA
Chief Finance Officer
9 November 2020

Note 1: General Accounting Policies

General Principles and Accounting Concepts

The Annual Accounts summarise the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires that the accounts are prepared in accordance with proper accounting practices. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and the Service Reporting Code of Practice 2019/20 (SERCOP), supported by International Financial Reporting Standards (IFRS).

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

The Accounts are designed to illustrate the financial performance in the year as well as the position of the Council as at 31 March 2020. Comparative figures for the previous financial year are also provided.

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

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

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

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

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

Basis of Preparation

The Council's financial statements for 2019/20 have been prepared on a going concern basis. The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. In accordance with the CIPFA Code of Local Government Accounting (2019/20), the Council is required to prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity. The accounts are prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

Falkirk Council considered the Medium Term Financial Plan and Revenue Budget for 2020/21 at its meeting on 26 February 2020. In order to maintain a balanced budget for 2020/21, the Council was required to bridge a budget gap of £12.8 million, including service savings of £6.1 million, which were fully identified in the revenue budget.

The Council continues to face unprecedented challenges, including the impact of COVID-19, in delivering essential services whilst resources are constrained. Over recent months substantial work has been undertaken to identify the estimated additional costs of COVID-19. While there remains uncertainty around COVID-19 implications going forward, the September update to Council forecast an additional net cost of c£0.9m. This includes COVID-19 response costs of c£7m, a c£3m loss in income, unachieved planned savings of c£3.2m and a projected Falkirk Community Trust deficit of c£1.4m. These costs are offset by additional Government funding of c£14.5m. As a result, the Medium Term Financial Plan presented to the Council in September 2020 notes that the budget gap for the next 3 years has increased to c£29m.

The Council has established a minimum uncommitted general fund target of £7.5 m. The uncommitted general fund balance at 31 March 2020 is £9.5m. The most recent budget monitoring update for 2020/21 reported to Council in September 2020 forecasts an overspend of c£1m which without further action would result in an uncommitted general fund balance of c£8.5m at 31 March 2021. This provides a limited opportunity to use some of the balance to support further net costs associated with the pandemic in 2020/21 and beyond.

COSLA and all 32 Councils have been identifying emerging risks and collating the financial pressures arising from COVID-19. This will be an ongoing process that will inform discussions with the Scottish Government over funding now and going forward. Both the UK and Scottish Governments efforts to prevent a recession and boosting the economy, including maintaining and enhancing public sector spending, will be critical to the financial prospects of all councils. Inevitably though, the Council will still be faced with difficult decisions to manage and reduce expenditure over several years to come.

The Council continues to regularly monitor its financial position and provide full financial updates to Council Management Team and the Council as appropriate, including options on addressing any new budget gaps and spending pressures. A range of savings options will also be identified for elected member consideration within Member Budget Working Groups that are convened to allow the Council to set a balanced budget for 2021/22 in February 2021. This may include fiscal flexibilities relating to the use of capital receipts, debt repayments, reprioritisation of earmarked reserves and balances, revisions to service delivery or service standards and identification of additional saving measures.

Falkirk Council has a high level of balances of cash short term investments, totalling £34 million at 31 March and £48 million at 30 September 2020. Normally when investments mature they are reinvested for periods up to a year. During the pandemic maturing investments have been retained in highly liquid instruments, such as the overnight bank account or money market funds, to ensure that the funds are available as required. Following the impact of Covid-19 the Council's cash flow position was supported by the accelerated payment of Scottish Government grant in April, May and June. The Council's cash flow is monitored daily by management and the Council does not forecast any cash flow shortage through to 30 November 2021. The Council has ready access to cash through the money market and borrowing with the PWLB and issues with access to cash are therefore a low risk for the Council.

Accrual of Income and Expenditure

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

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

- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- expenses in relation to services received (including those rendered by employees) are recorded as expenditure when the services are received, rather than when payments are made
- interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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

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

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

Cash and Cash Equivalents

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

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

Charges to Revenue for Non-Current Assets

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

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

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

Value Added Tax

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

Revenue Expenditure Funded from Capital Under Statute

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

Overheads and Support Services

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

Reserves

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

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

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

Usable Reserves

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

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

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

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

Other Usable Reserves

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

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

Unusable Reserves

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

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

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The following standards have been adopted in the 2020/21 Code and will therefore be applicable to authorities for the 2020/21 financial year reporting:-

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

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

Amendments to IAS19: Plan Amendment, Curtailment or Settlement

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

Annual Improvements to IFRS Standards 2015-2017 Cycle

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

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

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

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

IFRS16 Leases

The implementation date for IFRS16 was 1 April 2020 for local authorities but this has now been deferred until 1 April 2021. Although not yet fully through the Code adoption process it was felt appropriate to include the delay of this standard due to its potential impact on future accounting.

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

Note 3: Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Code has adopted the International Public Sector Accounting Standards (IPSAS) definition of Investment Property as one that is used solely to earn rentals or for capital appreciation, or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet with the definition of investment property under IPSAS 16 and is accounted for as Property, Plant and Equipment. The Council has examined its portfolio of property, in particular those which were classified as investment properties under the Code and concluded that they do not meet the definition of an investment property as noted above. Instead, these properties are held for economic development purposes and are now classified as Property, Plant and Equipment.
- The Council is deemed to control the services provided under the Private Finance Initiative agreements for the provision of school buildings, maintenance and other facilities (Class 98 and Falkirk Schools Gateway Ltd). The accounting policies for Private Finance Initiatives have been applied to these arrangements and the schools (valued at net book value of £183.8m at 31 March 2020) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.
- The Council entered into a partnership agreement with Scottish Canals to invest in The Helix project. All costs were routed through the Council and funded by external contributions from such bodies as Scottish Canals and Big Lottery with the Council contributing £6.34m over the last 11 years (£0.01m in 2018/19). The Partnership agreement allowed for the transfer of The Kelpies and canal elements of the project to Scottish Canals. The transfer was completed in 2015/16 and was accounted for as a disposal at nil receipt and as such included as a "loss on disposal of non-current and current assets" in the Comprehensive Income and Expenditure Account. The partnership agreement also allowed for the part transfer of the Visitor Centre to Scottish Canals. The agreement dictates that the Visitor Centre is jointly owned by the Council and Scottish Canals and as such 50% of the ownership had been transferred. The transfer equates to £0.79m and was completed in 2016/17. Similar to the Kelpies and the Canal elements, the transfer was accounted for as a disposal at nil receipt and included in the Comprehensive Income and Expenditure Statement as a "loss on disposal of non-current and current assets".
- The Council's housing stock is valued using the Beacon Method. The nature of capital expenditure incurred has been reviewed to determine to what extent this expenditure is deemed to enhance the value of the stock and therefore what element is treated as non-enhancing capital expenditure. In terms of New Build Housing and house purchases under the Buy-Back Scheme, the level of enhancement is based on the average net book value of a house in a particular management area, with the difference between spend and this average value being treated as non-enhancing capital expenditure. Spend incurred in relation to achieving Scottish Housing Quality Standard (SHQS) assumes that in the main 90% of these works maintain the value of the housing stock and therefore mitigates, to a certain extent, the depreciation charge for the year.

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

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

The items in the Council's Balance Sheet as at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial years are as follows:

Provisions

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

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which earnings are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson LLP, a firm of consulting actuaries, are engaged to provide the Council with expert advice about the assumptions to be applied.

The value of the Council's share of assets in the Falkirk Pension Fund is also subject to estimation uncertainty, which has itself increased in 2019/20 as a result of the outbreak of Covid-19. In particular, the Pension Fund has disclosed material uncertainty around the valuation of its property assets held at 31 March 2020 (approximately 7% of the total pension fund assets). This means that less certainty, and a higher degree of caution, is attached to the valuation of the fund's property assets than would normally be the case. The inclusion of the material valuation uncertainty does not mean that the valuation cannot be relied on, but rather to be clear and transparent with all parties that less certainty is attached to the stated valuations. The long term impact that COVID-19 might have on the property market is largely unknown. For that reason, the Fund will be keeping the valuation of this part of its portfolio under frequent review.

Effect if Actual Results Differ from Assumptions

The effects on the net pension liability to changes in individual assumptions can be measured. The following table shows the sensitivity of the results to the changes in the principal assumptions used to measure the scheme liabilities:

Sensitivities at 31 March 2020	Approx % increase to Employer Liability	Approx monetary amount £'000
0.5% decrease in Real Discount Rate	10	116,358
0.5% increase in the Salary Increase Rate	2	20,602
0.5% increase in the Pension Increase Rate	8	94,109

This shows that a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £116m. Had there been a 0.5% increase in the assumptions governing both salary rates and pension increase rates, this would have resulted in an increase in liabilities of £21m and £94m respectively.

In addition, the actuary has estimated that a one-year increase in life expectancy would approximately increase the Employers Defined Benefit Obligation by around 3-5%.

Property, Plant and Equipment

Assets are carried in the balance sheet using a range of measurement bases, in line with IFRS13. A number of assumptions are used in arriving at the valuation of assets which are determined by Royal Institute of Chartered Surveyors (RICS) qualified valuers that the Council contract as management specialists to provide valuations.

Assets are depreciated over useful lives that are dependent on a number of assumptions including the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance. Significant changes to the assumptions on spend for repairs and maintenance for example, could impact on the useful lives of the assets.

Consideration has been given to the effects of the Covid-19 Pandemic on the Council's property assets and their associated values. In order to take an informed view and to gauge the position of the wider valuation profession on this matter, consultation has taken place with colleagues from the Council's asset management service as well as those qualified specialists which the Council contracts to provide asset valuations.

The Covid-19 outbreak is a global pandemic. It is a fast-changing, fluid situation with government recommendations and requirements being reviewed and updated on an ongoing basis. Many business sectors have been forced to close as part of government restrictions to reduce the spread of the virus, the full effects of which on the respective property markets and the wider economy are yet to be fully understood, assessed or quantified. Currently, there is insufficient empirical data available to make an informed and evidence-based decision on whether or not there has been a significant impact on the current asset valuations. Occupancy levels, rental figures, land values and BCIS costs and indices will all require to be monitored and reviewed going forward to assess the full impact of the Covid-19 outbreak on asset valuations. In light of the foregoing, it is considered appropriate to include the following RICS approved "Material Valuation Uncertainty" statement.

Material Valuation Uncertainty Statement

"*The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a Global Pandemic on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.*

Our valuations, not including housing, are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that you keep the valuation of these properties under frequent review."

Effect if Actual Results Differ from Assumptions

The net book value of all Council property, plant and equipment subject to revaluation through the 5 year revaluation cycle is £1.134 billion. Assets revalued in 2019/20 totalled £406 million before revaluation. The impact of a 5% change in valuation of these would be £20.3 million, either resulting in an increase or decrease in the Council's revaluation reserve or an additional impairment charge. There would be no impact on the Council's general fund.

If the useful life of the asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase.

Arrears

At 31 March 2020, the Council had a balance of sundry debtors of c.£11.7m, council tax c.£13.6m and house rents of c.£4.3m. Provision for doubtful debts amount to c.£3.2m, c.£12.7m and c.£3.4m respectively. An increase of 10% in the value of these would amount to c.£0.3m, c.£1.3m and c.£0.3m respectively.

Note 5: Events After The Balance Sheet Date

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

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

As a result of COVID-19, the United Kingdom went into lockdown on 23 March 2020. In common with every business in the UK, this severely affected Council operations. However, given the lockdown came at the end of the accounting period there is no requirement to adjust the 2019/20 accounts. Both the loss of income and additional expenditure was minimal.

With regard to financial instruments, the fair value was assessed in line with the requirements of IFRS 9 Financial Instruments and Expected Credit Loss. The timing of the valuation means that it included relevant conditions and assumptions arising from the pandemic. The Council's approach to investments means that the Council has minimal exposure to default risk. The priority is to secure the underlying value of the investment, therefore there should be no expected credit loss against the council's financial instruments. Recovery of financial assets post yearend has not indicated any further impairment requirement at 31 March 2020.

The basis for the valuation of property, plant and equipment at 31 March has been outlined in note 22 to the financial statements. Management has continued to assess the effects of the Covid-19 Pandemic on the council's property assets and their associated valuation subsequent to the financial yearend through consultation with qualified specialists. In line with the disclosures made in note 22 there remains significant uncertainty around the impact of Covid-19 on the valuation of assets. The key drivers behind the valuation of assets, including occupancy levels, rental figures, land values and BCIS costs and indices will all continue to be monitored by management going forward throughout the year to assess the full impact of the Covid-19 outbreak on asset valuations, and when more certainty is available management will consider the need for formal asset revaluations in advance of the next financial statements yearend.

However going forward into 2020/21 the financial impact has been considerable. As a result of COVID-19, in June the Council has identified a budget shortfall of c£14m. This was primarily due to lost income, additional costs and budget savings unlikely to be achieved as planned. However, the latest projection in September noted a significant improvement with a projected deficit of c£1m. The main reasons for the movement included the receipt of additional Scottish Government funding and a significantly reduced assessment on the overall financial impact. This illustrates the scale of the uncertainty prevailing and there is still a high risk that further significant costs will continue to be incurred during 2020/21 and beyond. COSLA and all 32 Councils have been collating the financial pressures arising from COVID-19. This will be an ongoing process that will inform discussions with the Scottish Government over funding now and going forward. Inevitably though, the Council will still be faced with difficult decisions to manage and reduce expenditure over several years to come.

Note 6: Expenditure and Funding Analysis

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

2018/19				2019/20		
Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis (Note 7) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
192,235	32,483	224,718	Children's Services	201,790	8,667	210,457
64,259	3,475	67,734	Social Work Adult Services	69,133	4,591	73,724
28,943	15,851	44,794	Development Services	27,622	18,617	46,239
24,630	10,458	35,088	Corporate & Housing Services	26,130	6,218	32,348
(65)	3,119	3,054	Housing Revenue Account	50	5,625	5,675
1,215	-	1,215	Valuation Joint Board	1,257	-	1,257
11,087	-	11,087	Falkirk Community Trust	10,899	-	10,899
322,304	**65,386**	**387,690**	**Net Cost of Services**	**336,881**	**43,718**	**380,599**
15,385	15,141	30,526	Other Income and Expenditure	14,198	14,926	29,124
(337,076)	(27,416)	(364,492)	Taxation and Non-Specific Grant Income	(347,824)	(31,813)	(379,637)
(321,691)	**(12,275)**	**(333,966)**	**Total Other Income and Expenditure**	**(333,626)**	**(16,887)**	**(350,513)**
613	**53,111**	**53,724**	**(Surplus) or Deficit**	**3,255**	**26,831**	**30,086**
(27,474)			Opening General Fund & HRA Balance at 31 March 2019	(26,995)		
613			Less/(Add) Deficit or Surplus on General Fund and HRA Balance in Year	3,255		
(134)			Transfers to/(from) Other Statutory Reserves	(546)		
(26,995)			**Closing General Fund and HRA Balance at 31 March 2020**	**(24,286)**		

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

Note 7: Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments £'000
Children's Services	20,177	7,475	(18,985)	8,667
Social Work – Adult Services	647	3,928	16	4,591
Development Services	12,912	5,525	180	18,617
Corporate & Housing Services	2,756	1,628	1,834	6,218
Housing Revenue Account	23,209	3,107	(20,691)	5,625
Net Cost of Services	**59,701**	**21,663**	**(37,646)**	**43,718**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(62,945)**	**7,931**	**38,127**	**(16,887)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statements Surplus or Deficit on the Provision of Services	**(3,244)**	**29,594**	**481**	**26,831**

Adjustments between Funding and Accounting Basis 2018/19

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments £'000
Children's Services	44,210	5,217	(16,944)	32,483
Social Work – Adult Services	472	2,946	57	3,475
Development Services	11,589	4,142	120	15,851
Corporate & Housing Services	2,232	7,669	557	10,458
Housing Revenue Account	21,350	2,538	(20,769)	3,119
Net Cost of Services	**79,853**	**22,512**	**(36,979)**	**65,386**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(57,361)**	**7,048**	**38,038**	**(12,275)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statements Surplus or Deficit on the Provision of Services	**22,492**	**29,560**	**1,059**	**53,111**

(1) Adjustments for Capital Purposes

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

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

(2) Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

(3) Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits.

Note 8: Expenditure and Income Analysed by Nature

The authority’s expenditure and income is analysed as follows:

2018/19 £’000		2019/20 £’000
	Expenditure	
257,756	Employee benefits expenses	274,102
325,759	Other services expenses	322,024
80,175	Depreciation, amortisation, impairment	60,020
24,157	Interest payments	24,451
30,074	Pensions interest cost	30,401
231	Loss on the disposal of assets	-
718,152	**Total Expenditure**	**710,998**
	Income	
(276,721)	Fees, charges and other service income	(276,384)
(463)	Interest & investment income	(780)
(22,752)	Pensions interest income on plan assets	(22,127)
(131,152)	Income from council tax, non-domestic rates	(137,410)
(233,340)	Government grants and contributions	(242,227)
-	Gain on the disposal of assets	(1,984)
(664,428)	**Total Income**	**(680,912)**
53,724	**(Surplus) or Deficit on the Provision of Services**	**30,086**

Note 9: Adjustments between Accounting Basis and Funding Basis Under Regulations 2019/20

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

	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Other Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Notes
Depreciation, impairment and downward revaluation of non-current assets	(35,833)	(23,209)	-	-	-	**(59,042)**	59,042	10(a)
Amortisation of intangible assets	(978)	-	-	-	-	**(978)**	978	10(a)
Impairment of Investment	(125)	-	-	-	-	**(125)**	125	10(a)
Statutory Repayment of Debt (Loans Fund Advances)	6,361	5,971	-	-	-	**12,332**	(12,332)	10(a)
Capital Receipts Applied to Debt Repayment	-	-	4,000	1,081	-	**5,081**	(5,081)	10(a)
Capital expenditure charged to the General Fund Balance (CFCR)	3,318	8,141	-	-	-	**11,459**	(11,459)	10(a)
Use of reserves to finance new capital expenditure	144	-	-	-	-	**144**	(144)	10(a)
Statutory Repayment of Debt (PFI)	6,776	-	-	-	-	**6,776**	(6,776)	10(a)
Capital Receipts applied to fund Capital Expenditure	-	-	308	-	-	**308**	(308)	10(a)
Capital Grants Received	23,950	6,408	-	104	-	**30,462**	(30,462)	10(a)
Net Book Value of Asset Disposals	-	-	-	-	-	**-**	1,902	10(a)&(b)
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under the pension scheme regulations	(26,487)	(3,107)	-	-	-	**(29,594)**	29,594	10(c)
Net transfer to or from the Accumulated Absences account required by legislation	(477)	(4)	-	-	-	**(481)**	481	10(d)
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	273	65	-	-	-	**338**	(338)	10(e)
Net Loss/(Gain) on Sale of Assets	1,981	3	-	-	-	**1,984**	-	
Capital Receipts Received	-	-	(3,886)	-	-	**(3,886)**	-	
Total Adjustments	**(21,097)**	**(5,732)**	**422**	**1,185**	**-**	**(25,222)**	**25,222**	

Adjustments between accounting basis and funding basis under regulations 2018/19

	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Other Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Notes
Depreciation, impairment and downward revaluation of non-current assets	(58,057)	(21,350)	-	-	-	**(79,407)**	79,407	10(a)
Amortisation of intangible assets	(767)	-	-	-	-	**(767)**	767	10(a)
Impairment of Investment	(563)	-	-	-	-	**(563)**	563	10(a)
Statutory Repayment of Debt (Loans Fund Advances)	10,176	5,901	-	-	-	**16,077**	(16,077)	10(a)
Capital Receipts Applied to Debt Repayment	-	-	4,540	-	-	**4,540**	(4,540)	10(a)
Capital expenditure charged to the General Fund Balance (CFCR)	679	9,112	-	-	-	**9,791**	(9,791)	10(a)
Use of reserves to finance new capital expenditure	870	-	-	-	-	**870**	(870)	10(a)
Statutory Repayment of Debt (PFI)	5,475	-	-	-	-	**5,475**	(5,475)	10(a)
Capital Grants Received	21,181	4,745	-	363	-	**26,289**	(26,289)	10(a)
Net Book Value of Asset Disposals	-	-	-	-	-	**-**	1,653	10(a)&(b)
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under the pension scheme regulations	(27,022)	(2,538)	-	-	-	**(29,560)**	29,560	10(c)
Net transfer to or from the Accumulated Absences account required by legislation	(1,074)	18	-	-	-	**(1,056)**	1,056	10(d)
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	270	64	-	-	-	**334**	(334)	10(e)
Net Loss/(Gain) on Sale of Assets	(212)	(19)	-	-	-	**(231)**	-	
Capital Receipts Received	-	-	(1,422)	-	-	**(1,422)**	-	
Total Adjustments	**(49,044)**	**(4,067)**	**3,118**	**363**	**-**	**(49,630)**	**49,630**	

Note 10: Unusable Reserves

(a) Capital Adjustment Account

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

2018/19 £'000		2019/20 £'000
(210,719)	**Balance at 1 April**	**(214,772)**
79,407	Depreciation/ impairment and downward revaluation of non-current assets	59,042
767	Amortisation of intangible assets	978
563	Impairment of Investment	125
(20,617)	Statutory Repayment of Debt (Loans Fund Advances)	(17,407)
(10,661)	Capital expenditure charged to the General Fund Balance (CFCR)	(11,603)
(5,475)	Statutory Repayment of Debt (PFI)	(6,775)
(26,289)	Capital Grants Received	(30,462)
-	Capital Grants Applied to Fund Capital Expenditure	(204)
1,174	Net Book Value of Asset Disposals	1,789
-	Deferred Interest on AUC	206
-	Reduction in Kinneil Landfill Provision	(351)
(22,922)	Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost	(16,279)
(214,772)	**Balance at 31 March**	**(235,713)**

(b) Revaluation Reserve

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

2018/19 £'000		2019/20 £'000
(421,240)	**Balance at 1 April**	**(427,637)**
479	Net Book Value of Assets Disposals	150
(29,798)	Loss/(Gain) on Revaluation of Non-Current Assets	(87,239)
22,922	Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost	16,279
(427,637)	**Balance at 31 March**	**(498,447)**

(c) Pension Reserve

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

2018/19 £'000		2019/20 £'000
263,978	**Balance at 1 April**	**334,162**
40,624	Remeasurements of Pension Assets/Liabilities	(91,267)
29,560	Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contribution due under the pension scheme regulations	29,594
334,162	**Balance at 31 March**	**272,489**

(d) Accumulated Absences Account

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

2018/19 £'000		2019/20 £'000
5,951	**Balance at 1 April**	**7,007**
1,056	Net transfer to or from earmarked reserves required by legislation	481
7,007	**Balance at 31 March**	**7,488**

(e) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2020 will be charged to the General Fund over the next 33 years.

2018/19 £'000		2019/20 £'000
4,739	**Balance at 1 April**	**4,405**
(334)	Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(339)
4,405	**Balance at 31 March**	**4,066**

Note 11: Material Items of Income and Expense

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance. There were no material items requiring additional disclosure in 2019/20.

Note 12: Related Party Transactions

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

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

Other material transactions with related parties were as follows:

Related party		Income 2019/20 £'000	Expenditure 2019/20 £'000
Falkirk Towns Ltd	Promotion of Town Centres	-	364
Falkirk Council Pension Fund	Charge for Support Services (Also see Note 17 – Defined Benefit Pension Schemes)	135	-
Falkirk Community Stadium Ltd	Repayment of expenses and Professional Fees	488	-
Central Scotland Green Network Trust	Promotion of Cycling and Environmental Development	-	210
Family Centres	Funding provided per Service Level Agreement	-	193
Central Scotland Valuation Joint Board	Contribution to running costs	-	1,257
	Charge for Support Services	18	-
Falkirk Schools Gateway	Contribution to operating costs	-	4,372
Committed to Ending Abuse (CEA Ltd)	Funding provided per Service Level Agreement	-	176
Falkirk Community Trust	Contribution to Community Trust	-	10,899
	Charge for Support Services	81	-
Fife & Forth Valley Community Justice Authority	Administration Charge	253	-
thinkWhere Ltd	Contribution to operating costs	-	75
Falkirk IJB	Commission Income	66,004	-
	Contribution to IJB	-	66,763

Outstanding balances for parties were as follows:

2018/19 Debtor £'000	2018/19 Creditor £'000		2019/20 Debtor £'000	2019/20 Creditor £'000
14	-	Joint Boards	10	-
1,108	-	Falkirk Community Stadium Ltd	1,154	3
665	546	Falkirk Community Trust	311	124
-	87	Falkirk Council Pension Fund	-	-
-	1,042	Falkirk IJB	-	1,145
5	-	thinkWhere Ltd	69	-
271	-	Falkirk Schools Gateway	-	-

Note 13: External Audit Fee

The agreed external audit fee for Falkirk Council for 2019/20 was £318,770 (£313,430 in 2018/19). Ernst & Young LLP propose to charge £550 for the audit of the Temperance Trust (£550 in 2018/19). These fees were for work undertaken in accordance with the Code of Audit Practice. No non-audit services were provided by Ernst & Young LLP.

Note 14: Statutory Trading Accounts

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

Falkirk Council operates a Statutory Trading Account for Building Maintenance.

Actual Year to 31/03/18 £'000	Actual Year to 31/03/19 £'000	Building Maintenance Trading Account	Actual Year to 31/03/20 £'000	3 Year Total £'000
35,550	37,432	Turnover	36,414	109,396
34,999	36,711	Expenditure	35,577	107,287
551	721	Surplus/(Deficit) per CIES	837	2,109
(74)	(45)	Interest	(57)	(176)
477	**676**	**Surplus/(Deficit) for Financial Return Purposes**	**780**	**1,933**

The Building Maintenance Division is primarily responsible for providing a repairs and maintenance service for the Council's housing stock, which at 31 March 2020 amounted to 16,509 houses. The Division also includes a Joinery Manufacturing Unit which manufactures doors as part of the Council's Door Replacement Programme and is responsible for providing a repairs and maintenance service for the Council's operational and administrative buildings.

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

Note 15: Agency Arrangements

The Council has an agreement with Scottish Water whereby it collects water and waste charges in conjunction with collection of Council Tax. The income received from this service in 2019/20 was £511,771 (£511,792 in 2018/19).

Note 16: Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

(a) Teachers

The Teachers’ Pension Scheme is an unfunded scheme where the employer contribution rate was 17.2% up to 31 August 2019 and 23% thereafter.   The Scottish Government has set this rate on the basis of a notional fund. The most recent actuarial valuation of the Teachers’ Pension Scheme took place on 31 March 2016. Falkirk’s level of participation in the scheme is 2.5% based on the proportion of employer contributions paid in 2018/19.

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

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

(b) Other Employees

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

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (based on the indicative rate of return on high quality corporate bonds) which recognises the weighted average duration of the benefit obligation.

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

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

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

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

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

Discretionary Benefits

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

More Information

More information about pension costs is disclosed in Note 17.

Note 17: Defined Benefit Pension Schemes

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

The Council participates in two pension schemes, the rules of which are made under the terms of the Public Services Pensions Act 2013.

The Local Government Pension Scheme

The scheme provides defined benefits for non-teaching employees and is administered locally by the Council. The scheme is funded which means that the Council and the scheme members pay contributions into a fund, calculated at a level that is intended to balance the pensions liabilities with investment assets. The contribution rate for the majority of employees is between 5.5% and 9% depending on the level of members' salary. Employer contributions are set every three years following a valuation of the Fund by an independent actuary.

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

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

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

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

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

Falkirk Community Trust is a member of the Falkirk Pension Fund, a Local Government Pension Scheme, which is a defined benefit scheme and provides benefits based on pensionable pay. As part of the Admission Agreement to the Scheme both Falkirk Community Trust and Falkirk Council agreed that assets of the Pension Fund in respect of Trust employees and former employees shall, at all times, be notionally allocated to Falkirk Council and the liabilities of the Pension Fund shall, at all times, be the responsibility of Falkirk Council and not Falkirk Community Trust.

The Council is itself a guarantor of the pension liabilities of thinkWhere Ltd (formerly Forth Valley GIS Ltd) and Haven Products Ltd. There was no requirement for the guarantor role to be activated during 2019/20. Activation could be triggered if either of the bodies ceased trading and were unable to meet their financial commitments to the pension fund. Both employers have closed the Scheme to new entrants in order that funding obligations are minimised.

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

Local Government Pension Scheme and Discretionary Benefits

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

The assets and liabilities of the Council's pension arrangements as at 31 March 2020 have been calculated by Hymans Robertson a firm of independent Consulting Actuaries.

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

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

The Teachers' Pension Scheme

The scheme is administered by the Scottish Public Pensions Agency (SPPA) and provides defined benefits for teaching employees. The employee contribution rate ranges from 7.2% to 11.9% depending on the level of teachers' salary. The Council contributes towards the costs of the scheme by making contributions based on a percentage of members' pensionable salaries. Although the scheme is unfunded, the Government Actuary uses a notional fund as a basis for calculating the employers' contribution rate. Annual reports in respect of the STSS (Scottish Teachers' Superannuation Scheme) are available from:
http://www.sppa.gov.uk/index.php?option=com_content&view=article&id=323&Itemid=840

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

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

The report must contain the following items:

- a report about the management and financial performance of the fund during the year
- a report explaining the Council's investment policy for the fund and reviewing the performance of the investments of the fund during the year
- a report of the arrangements made during the year for the administration of each of those funds
- a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the fund and of the level of funding disclosed by that valuation

- the current version of the governance compliance statement or details of where that statement can be obtained
- the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices
- an annual report dealing with:
  - (i) the extent to which the administering Council and constituent employers have achieved any levels of performance set out in a pension administration strategy
  - (ii) such other matters arising from its pension administration strategy as it considers appropriate
- the current version of the Funding Strategy Statement or details of where that statement may be obtained
- the current version of the Statement of Investment Principles or details of where that statement may be obtained
- any other material which the administering Council considers appropriate

The annual report of the Falkirk Council Pension Fund in respect of year 2019/20 can be inspected online at www.falkirkpensionfund.org by following the links to local government pension scheme.

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

Comprehensive Income and Expenditure Statement

31/03/19 £'000		31/03/20 £'000
41,422	Current Service Cost	50,144
30,074	Interest Cost	30,401
(22,752)	Interest Income on Plan Assets	(22,127)
7,814	Past Service Costs/(Gains)	573
-	Losses/(Gains) on Curtailments and Settlements	-
56,558	**Total**	**58,991**

Reconciliation of present value of defined benefit obligation

31/03/19 £'000		31/03/20 £'000
1,100,957	**Opening Defined Benefit Obligation**	**1,252,089**
41,422	Current Service Cost	50,144
30,074	Interest Cost	30,401
6,550	Contributions by Members	6,933
	Remeasurements:	
-	• Change in demographic assumptions	(43,166)
92,413	• Change in financial assumption	(126,045)
1,109	• Other experience	(9,912)
7,814	Past Service Cost	573
(25,631)	Benefits paid	(25,656)
(2,619)	Unfunded Benefits Paid	(2,582)
1,252,089	**Closing Defined Benefit Obligation**	**1,132,779**

Reconciliation of present value of defined benefit obligation

31/03/19 £'000		31/03/20 £'000
836,979	**Opening Fair Value of Plan Assets**	**917,927**
22,752	Interest Income on Plan Assets	22,127
	Remeasurements	
52,898	• Return on Plan Assets excluding the amount included in net interest	(87,856)
24,379	Contributions by Employer	26,815
6,550	Contributions by Members	6,933
2,619	Contributions in respect of unfunded benefits	2,582
(25,631)	Benefits Paid	(25,656)
(2,619)	Unfunded Benefits Paid	(2,582)
917,927	**Closing Fair Value of Plan Assets**	**860,290**

Disclosure of Net Pensions Asset/Liability

Local Government Pension Schemes

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2020 are as follows:

31/03/19 £'000		31/03/20 £'000
(334,162)	Net Liability	(272,489)

The net liability above includes the sum of £39.7m for year ended 31 March 2020 (£45.7m for 31 March 2019) being unfunded liabilities related to the award of discretionary benefits.

There has been a decrease in IAS19 liabilities of £62m as at 31 March 2020 compared with the liabilities as at 31 March 2019. This is mainly due to a decrease in the value of liabilities as a result of reductions in the net discount rate, the salary increase rate and the pension increase rate based on CPI, which has been partly offset by lower than expected asset returns. In addition to this the liability has also reduced due to revised demographic assumptions.

In summary, the IAS19 balance sheet this year has improved compared to last year with IAS19 liabilities decreasing in monetary terms reflecting market conditions, however, this has been partially offset with lower than expected asset returns over the year (-7.1% against the fund's targeted return of 6%).

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

Fair Value of Employer Assets

The assets held by the Pensions Fund are primarily a mixture of equities, bonds and property and an expected rate of return has been set equal to the discount rate of 2.3% (2.4% for year ended 31 March 2019).

Notes to the Financial Statements

Quoted Prices in Active Markets 31/03/19 £'000	Prices not Quoted in Active Markets 31/03/19 £'000	Total 31/03/19 £'000		Quoted Prices in Active Markets 31/03/20 £'000	Prices not Quoted in Active Markets 31/03/20 £'000	Total 31/03/20 £'000
			Equity Securities			
73,245	-	73,245	Consumer	54,856	-	54,856
55,563	-	55,563	Manufacturing	55,933	-	55,933
34,612	-	34,612	Energy and Utilities	38,282	-	38,282
68,436	-	68,436	Financial Institutions	79,685	-	79,685
30,389	-	30,389	Health & Care	31,463	-	31,463
81,282	-	81,282	Information Technology	68,692	-	68,692
324	-	324	Other	3,865	-	3,865
343,851	**-**	**343,851**		**332,776**	**-**	**332,776**
			Derivatives			
-	-	-	Other	32	-	32
-	**-**	**-**		**32**	**-**	**32**
			Private Equity			
-	**23,867**	**23,867**		**-**	**16,250**	**16,250**
			Real Estate			
-	54,019	54,019	UK Property	-	47,300	47,300
-	8,019	8,019	Overseas Property	-	181	181
-	**62,038**	**62,038**		**-**	**47,481**	**47,481**
			Investment Funds and Unit Trusts			
192,318	-	192,318	Equities	189,963	-	189,963
68,491	-	68,491	Bonds	59,384	-	59,384
-	76,583	76,583	Infrastructure	-	81,569	81,569
89,056	5,248	94,304	Other	82,710	12,756	95,466
349,865	**81,831**	**431,696**		**332,057**	**94,325**	**426,382**
			Cash and Cash Equivalents			
56,475	**-**	**56,475**		**37,369**	**-**	**37,369**
750,191	**167,736**	**917,927**	**Total**	**702,234**	**158,056**	**860,290**

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

The main assumptions used in the calculations have been:

31/03/19 % p.a.		31/03/20 % p.a.
2.5	Pension Increase Rate	1.9
3.0	Salary Increase Rate	2.3
2.4	Discount Rate	2.3

Investment Returns

The return on the fund in market value terms for the period to 31 March 2020 is estimated based on actual fund returns and index returns where necessary. Details are given below:

Actual Returns from 1 April 2019 to 31 March 2020	-7.1%
Total Returns from 1 April 2019 to 31 March 2020	-7.1%

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

	Males	Females
Current Pensioners	20.5 years	22.8 years
Future Pensioners	21.7 years	24.3 years

Current Pensioners life expectancy is based on a member being age 65 as at the valuation of 31 March 2017. Future Pensioners are assumed to be age 45 as at the March, 2017 valuation.

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

Projected pension expense for the year to 31 March 2021
The following table sets out the estimation of the pension cost for 2020/21, based on the assumptions as at 31 March 2020 (the start of the period).

Analysis of projected amount to be charged to operating profit for the year to 31 March 2021

Year Ended	£'000
Projected Current Service Cost	40,352
Interest on Obligation	26,250
Interest Income on Plan Assets	(19,849)
Past Service Cost	-
Total	**46,753**

The estimated Employer's contributions for the year to 31 March 2021 will be approximately £26.01m.

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

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

Teachers' Pension Scheme
During the year, the Council paid £14.629m (£10.808m in 2018/19) to the Scottish Government in respect of teachers' pension costs and this was based on 17.2% of teachers' pensionable pay up to 31 August 2019 and 23% thereafter.

The Council is also required to meet the costs of benefits arising from compensatory added years, as well as the costs arising from the early release of benefits in the Teachers Pension Scheme. In 2019/20, these amounted to £1.010m, representing 1.42% of pensionable pay (£1.040m, representing 1.65% of pensionable pay in 2018/19).

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

Note 18: Leases

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

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

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

(a) The Council as Lessee

Finance Leases

The Council currently has no finance lease arrangements with the Council acting as lessee.

Operating Leases

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

The Council has acquired several properties by entering into operating leases. The Council has also acquired several electric vehicles by entering into operating leases, however these leases are fully funded by grant income received from the Scottish Government.

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

31/03/19 £'000		31/03/20 £'000
810	Not later than one year	670
1,057	Later than one year and not later than 5 years	950
1,084	Later than five years	894
2,951	**Total**	**2,514**

The total of future minimum sub-lease payments expected to be received as at 31 March 2020 is nil, (£0.131m as at 31 March 2019). The total of future Scottish Government electric vehicle grant funding expected to be received as at 31 March 2020 is £0.148m.

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

31/03/19 £'000		31/03/20 £'000
1,120	Minimum lease payments	929
-	Contingent rents	-
(315)	(Sub-lease payments receivable)	(131)
-	(Grant funding receivable)	(107)
805	**Total**	**691**

(b) The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the

Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income & Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a Debtor in the Balance Sheet. Lease rentals receivable are apportioned between:

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

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

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

The Council leases out Northfield Quarry to Tillicoultry Quarries Ltd on a finance lease with a remaining term of 9 years.

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

31/03/19 £'000		31/03/20 £'000
	Finance lease debtor (net present value of minimum lease payments):	
56	• Current	61
676	• Non-Current	615
253	Unearned finance income	204
-	Unguaranteed residual value of property	-
985	**Gross investment in the lease**	**880**

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

Gross Investment in the Lease 31/03/19 £'000	Minimum Lease Payment 31/03/19 £'000		Gross Investment in the Lease 31/03/20 £'000	Minimum Lease Payment 31/03/20 £'000
106	56	Not later than one year	106	61
528	356	Later than one year and not later than 5 years	528	384
351	320	Later than five years	246	231
985	**732**	**Total**	**880**	**676**

Operating Leases

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

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

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

31/03/19 £'000		31/03/20 £'000
1,645	Not later than one year	3,417
4,405	Later than one year and not later than five years	7,675
24,928	Later than five years	27,264
30,978	**Total**	**38,356**

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

Note 19: Intangible Assets

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

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

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

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

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.98m was charged to revenue in 2019/20.

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

Other Assets 2018/19 £'000		Other Assets 2019/20 £'000
	Balance at start of year:	
3,639	• Gross carrying amounts	4,306
(1,820)	• Accumulated amortisation	(2,587)
1,819	**Net carrying amount at start of year**	**1,719**
	Additions:	
886	• Purchases	1,005
(219)	Other movements and costs or valuation	(172)
(767)	Amortisation for the period	(978)
1,719	**Net carrying amount at end of year**	**1,574**
	Comprising:	
4,306	• Gross carrying amounts	5,139
(2,587)	• Accumulated amortisation	(3,565)
1,719		**1,574**

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

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

Carrying Amount 31/03/19 £'000		Carrying Amount 31/03/20 £'000	Remaining Amortisation Period
307	Social Work Information System	470	4 years

Note 20: Property, Plant and Equipment

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Non-operational Land and Buildings have been valued as at 31 March 2020. Additionally Falkirk Gateway has also been revalued. The revaluation gains and losses flowing from these revaluations, together with the impairment for non-enhancing capital expenditure within the Housing Revenue Account were accounted for in 2019/20. The overall net loss was £9.4m, of which £1.9m was credited to the Revaluation Reserve and £11.3m was debited to the Comprehensive Income and Expenditure Statement

Depreciation

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

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

Council Dwellings – Land is not depreciated. Buildings are depreciated on a straight line basis over the estimated life of the asset.
Land and Buildings – Land is not depreciated. Buildings are depreciated on a straight line basis over the estimated life of the asset.
Vehicles, Plant and Equipment – these are depreciated on a straight line basis over the estimated life of the asset.
Infrastructure Assets – these are depreciated on a straight line basis over the estimated life of the asset.
Community Assets – these are depreciated on a straight line basis over the estimated life of the asset.
Non-Operational – these are depreciated on a straight line basis over the estimated life of the asset.
Assets Under Construction – these are not depreciated.
Surplus Assets – these all relate to land and are therefore not depreciated.

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

Depreciation is charged in the year of acquisition but no depreciation is charged in the year of disposal.

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

(a) Property, Plant & Equipment Movements in 2019/20

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infra-Structure £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000
Cost or Valuation as at 1 April 2019	**445,475**	**788,867**	**35,924**	**170,635**	**18,131**	**19,924**	**7,191**	**1,486,147**
Additions	36,530	8,130	5,508	10,504	866	14,184	-	**75,722**
Revaluations:								
Recognised in Revaluation Reserve	85,595	6,509	-	-	-	-	-	**96,104**
Recognised in Provision of Services	-	4,603	-	-	-	-	-	**4,603**
De-recognition:								
Disposals	-	(42)	(1,612)	-	-	-	-	**(1,654)**
Assets reclassified to/from Held for Sale	-	(2,285)	-	-	-	-	249	**(2,036)**
Other Movements in Cost or Valuation	1,401	5,976	1,378	2,443	(241)	(10,610)	774	**1,121**
As at 31 March 2020	573,001	811,758	41,198	183,582	18,756	23,498	8,214	**1,660,007**
Accumulated Depreciation & Impairment as at 1 April 2019	**88,312**	**283,472**	**22,378**	**52,544**	**4,146**	**1,151**	**4,902**	**456,905**
Depreciation:								
Charge for Year	14,631	24,495	5,110	6,080	576	-	-	**50,892**
Impairment Losses/(Reversals):								
Recognised in Revaluation Reserve	3,675	518	-	-	-	-	-	**4,193**
Recognised in Provision of Services	7,947	6,760	-	-	-	-	1,162	**15,869**
De-recognition:								
Disposals	-	(32)	(1,439)	-	-	-	-	**(1,471)**
As at 31 March 2020	114,565	315,213	26,049	58,624	4,722	1,151	6,064	**526,388**
Net Book Value								
31 March 2019	357,163	505,395	13,546	118,091	13,985	18,773	2,289	**1,029,242**
31 March 2020	458,436	496,545	15,149	124,958	14,034	22,347	2,150	**1,133,619**

(a) Property, Plant & Equipment Movements in 2018/19

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infra-Structure £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000
Cost or Valuation as at 1 April 2018	**414,244**	**702,105**	**32,091**	**160,266**	**17,642**	**10,841**	**7,941**	**1,345,130**
Additions	29,618	7,375	5,320	10,369	489	11,954	-	**65,125**
Revaluations:								
Recognised in Revaluation Reserve	-	79,106	-	-	-	-	-	**79,106**
Recognised in Provision of Services	-	728	-	-	-	-	-	**728**
De-recognition:								
Disposals	-	(544)	(1,484)	-	-	-	-	**(2,028)**
Assets reclassified to/from Held for Sale	-	(1,153)	-	-	-	-	(853)	**(2,006)**
Other Movements in Cost or Valuation	1,613	1,250	(3)	-	-	(2,871)	103	**92**
As at 31 March 2019	445,475	788,867	35,924	170,635	18,131	19,924	7,191	**1,486,147**
Accumulated Depreciation & Impairment as at 1 April 2018	**64,657**	**187,586**	**19,423**	**46,910**	**3,587**	**1,151**	**4,902**	**328,216**
Depreciation:								
Charge for Year	13,420	23,767	4,232	5,634	559	-	-	**47,612**
Impairment Losses/(Reversals):								
Recognised in Revaluation Reserve	2,662	47,006	-	-	-	-	-	**49,668**
Recognised in Provision of Services	7,573	25,167	7	-	-	-	-	**32,747**
De-recognition:								
Disposals	-	(54)	(1,284)	-	-	-	-	**(1,338)**
As at 31 March 2019	88,312	283,472	22,378	52,544	4,146	1,151	4,902	**456,905**
Net Book Value								
31 March 2018	349,587	514,519	12,668	113,356	14,055	9,690	3,039	**1,016,914**
31 March 2019	357,163	505,395	13,546	118,091	13,985	18,773	2,289	**1,029,242**

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Note 21: Heritage Assets

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

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

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

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

2018/19 £'000		2019/20 £'000
266	**Cost or Valuation as at 1 April**	**266**
-	Additions	-
	Revaluations:	
-	• Recognised in Revaluation Reserve	-
-	Recognised in Provision of Services	-
	De-recognition:	
-	• Disposals	-
-	Assets reclassified to/from Held for Sale	-
-	Other Movements in Cost or Valuation	-
266	**As at 31 March**	**266**
-	**Accumulated Depreciation and Impairment as at 1 April**	**-**
	Depreciation:	
-	• Charge for Year	-
	Impairment:	
-	• Written Out to Revaluation Reserve	-
-	• Written Out to Provision of Services	-
-	Assets reclassified to/from Held for Sale	-
	De-recognition:	
-	• Disposals	-
-	**As at 31 March**	-
266	**Net Book Value at 31 March**	**266**

The total net book value of Heritage Assets at 31 March 2020 is £0.266m, of which £0.211m relates to Civic Regalia.

Heritage Assets were initially recognised in the Balance Sheet in 2011/12. The initial recognition was via the Revaluation Reserve. Thereafter, in 2013/14, £0.048m was added for Town Centre Sculptures, with a further £0.007m added in 2016/17 for a memorial statue.

Note 22: Other Capital Notes

Valuation Disclosure

All of the Council's land and buildings are subject to a rolling programme of revaluation. This effectively means that each Service has to be revalued at least once within a five year period, always as at 31 March of the year. The revaluations are performed externally by the District Valuer or external property surveyors.

The Housing Stock was re-valued as at 1 April 2015 by the District Valuer of the Scotland South East Valuation Office, using the 'Existing Use Value' for Social Housing – EUV-SH Beacons method. Previously Housing Stock was valued using the Discounted Cash Flow method. This substantially increased the value of housing stock and was reflected in the 2015/16 Accounts.

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

Land and Buildings owned by Social Work have been valued as at 1 April 2016 and were valued on the basis of open market value for existing use.

Other Land and Buildings including Community Assets and some offices have been valued as at 1 April 2017 and were valued on the basis of open market value for existing use, or where this could not be assessed, because there was no market for the subject asset, depreciated replacement cost. Plant and Machinery within buildings is included in the valuation of those buildings. This valuation was carried out as at 1 April 2017 by Ryden LLP.

Land and Buildings owned by Education Services have been valued as at 1 April 2018. The assets valued included Community Education Facilities, Nurseries, Primary Schools, Secondary Schools (including PFI Schools) and Special Schools. Where the assets were considered to be non-specialised e.g. Nurseries, these were valued on the basis of an existing use value using a market value comparable. Where the assets were considered to be specialised e.g. primary schools, these were valued on the basis of depreciated replacement cost (DRC) based on a modern equivalent asset basis where appropriate. The valuation was carried out as at 1 April 2018 by J & E Shepherd.

The Helix Visitors Centre has been valued at 1 April 2016 on the basis of depreciated replacement cost (DRC).

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

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

Assets Under Construction have been valued at cost.

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

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

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

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

Capital Commitments

As at 31 March 2020, the Council has entered into a number of contracts for the construction, enhancement or purchase of Property, Plant and Equipment in 2019/20 and future years, budgeted to cost £8.1m. Similar commitments at 31 March 2019 were £5.8m. The major commitments are:

Project	£'m
External Fabric Improvements (Housing)	2.5
High Rise Flats Lift Upgrades	1.5
Larbert High School Expansion	1.8
Electric Vehicle Chargers	0.7
Various / Misc. Contracts	1.6
Total	**8.1**

Note 23: Assets held for Sale

Current 2018/19 £'000	Non-Current 2018/19 £'000		Current 2019/20 £'000	Non-Current 2019/20 £'000
3,012	**-**	**Balance at 1 April**	**4,313**	**-**
2,007	-	Assets newly classified as held for sale	-	-
		Revaluation losses:		
-	-	• Recognised in Revaluation Reserve	(431)	-
-	-	• Recognised in Provision of Services	-	-
		Revaluation gains:		
361	-	• Recognised in Revaluation Reserve	728	-
-	-	• Recognised in Provision of Services	-	-
		Assets declassified as held for sale		
(103)	-	• Property, Plant & Equipment	-	-
(964)	-	Assets sold	(1,606)	-
-	-	Transfer from/to non-current/current	(1,087)	-
4,313	**-**	**Balance outstanding 31 March**	**1,917**	**-**

Note 24: Capital Expenditure and Capital Financing

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

2018/19 £'000		2019/20 £'000
394,551	**Opening Capital Financing Requirement**	**397,520**
	Capital Investment:	
65,244	• Property, Plant and Equipment	75,800
767	• Intangible Assets	1,005
-	• Heritage Assets	-
327	• Revenue Expenditure Funded from Capital under Statute	327
	Sources of Finance:	
-	• Capital receipts	(279)
(26,616)	• Government grants and other contributions	(30,790)
	Sums set aside from revenue:	
(10,661)	• Direct revenue contributions	(11,603)
(26,092)	• MRP/loans fund principal	(26,524)
397,520	**Closing Capital Financing Requirement**	**405,456**
	Explanation of movements in year:	
8,444	• Increase in underlying need to borrow (unsupported by government financial assistance)	14,711
(5,475)	• Assets acquired under PFI / PPP contracts	(6,775)
2,969	**Increase / (Decrease) in Capital Financing Requirements**	**7,936**

Note 25: Private Finance Initiative (PFI) and Similar Contracts

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

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

The two PFI Schemes operated by Falkirk Council are:

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income & Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

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

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

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

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

(a) Movement in Assets

	Class 98 £'000	Falkirk Schools Gateway Ltd £'000	2019/20 £'000
Balance as at 1 April 2019	**79,216**	**113,300**	**192,516**
Net Additions during year	134	-	134
Revaluation	-	-	-
Depreciation	(4,673)	(4,150)	(8,823)
Net Book Value 31 March 2020	**74,677**	**109,150**	**183,827**

(b) Movement in Liabilities

	Class 98 £'000	Falkirk Schools Gateway Ltd £'000	2019/20 £'000
Balance as at 1 April 2019	**31,502**	**71,775**	**103,277**
Repaid during year	(3,903)	(2,757)	(6,660)
Balance as at 31 March 2020	**27,599**	**69,018**	**96,617**
of which:			
• Current	4,024	2,661	6,685
• Long Term	23,575	66,357	89,932
Total	**27,599**	**69,018**	**96,617**

(c) Estimated Future Unitary Payment Obligations

Basic Annual Payments – Class 98	Service Charges £'000	Interest £'000	Finance Lease Repayment £'000	2019/20 £'000
Within one year	3,852	5,568	4,023	13,443
In the second to fifth years inclusive	13,337	19,233	21,341	53,911
In the sixth to tenth years inclusive	787	1,498	2,234	4,519
Total	**17,976**	**26,299**	**27,598**	**71,873**

The figures shown above for the Basic Annual Payment assume an indexation rate of 0% on a fixed part of the Basic Annual Payment with the balance indexed at 2.5% per annum as per the operator's financial model.

Basic Annual Payments – Falkirk Schools Gateway Ltd.	Service Charges £'000	Interest £'000	Finance Lease Repayment £'000	2019/20 £'000
Within one year	4,837	6,616	2,662	14,115
In the second to fifth years inclusive	23,752	26,254	10,070	60,076
In the sixth to tenth years inclusive	36,407	33,403	14,130	83,940
In the eleventh to fifteenth years inclusive	45,065	33,436	16,469	94,970
In the sixteenth to twentieth years inclusive	30,362	36,359	25,687	92,408
In the twenty first to twenty fifth years inclusive	-	-	-	-
Total	**140,423**	**136,068**	**69,018**	**345,509**

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

Note 26: Contingent Assets and Liabilities

(a) Contingent Assets

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

(i) In terms of a contract for the sale of land, a clawback provision was included in relation to the treatment of any savings on the assumed remediation costs for the land in question. Following a dispute the matter was assessed through third party determination at £0.930m. Following an application by the purchaser for judicial review of the third party determination, the outcome of the determination was subsequently upheld by the Court. A legal agreement in respect of settlement arrangements was finalised. This settlement is by means of transfer of land and property assets by the company to the Council for subsequent disposal, together with a further cash payment (the latter dependent on proceeds of successful sale of a development site elsewhere by the company). There accordingly remains the potential for the Council to receive further sums subject to the outcome of the subsequent asset disposals and recovery of additional cash sum. To date, some £0.502m has been received including £0.176m during 2018/19 for the disposal of the first property transferred to the Council. An area of ground extending to 0.85 acres at the edge of the original development has now been transferred by the company to Falkirk Council which will be marketed for sale, with offers likely to be subject to gaining residential planning permission.

(b) Contingent Liabilities

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

(i) Falkirk Schools Project – Falkirk Council has entered into a Public Private Partnership with Class 98 Ltd to provide five schools. In terms of the Project Agreement, the Council is liable for outstanding senior debt following termination of a Class 98 Ltd event of default. At 31 March 2020, this totalled £20.6m (£24m as at March 2019).

(ii) Note 30 includes provision in respect of potential expenditure arising from outstanding equal pay claims. Legal judgements on pay protection and equal pay matters means the Council could be at risk in respect of further potential equal pay obligations. However, this is dependent on case law development and cannot be quantified at this time.

(iii) The Council recognises the potential for compensation claims deriving from the Scottish Government's Limitation (Childhood Abuse) (Scotland) Bill which will remove the three-year time limit on claims of child abuse. Some claims will be historic and relate to Falkirk District Council, Central Regional Council or their predecessors and some will date post-reorganisation and relate to Falkirk Council.

(iv) A recent EU ruling has highlighted that the Council may have some liability in respect of additional Holiday Pay entitlement. The extent of this liability cannot be assessed at this stage.

Note 27: Long Term Investments in Associates and Joint Ventures

The Council has two long term investments as follows:

- In March 2003, the Council in conjunction with Falkirk Football and Athletic Club Ltd (FFAC), established a joint venture called Falkirk Community Stadium Limited (FCSL) to develop and operate a stadium facility at Westfield, Falkirk. The Council and FFAC invested £3.11m and £2.868m respectively from the proceeds of property disposals at Brockville and Hope Street, Falkirk. These sums were used to purchase Interest Free Secured Loan Stock 2178. The Council held 25% of the ordinary shares in the company, although this holding equated to 49% of the economic value. In addition, the Council advanced the Company loans of £2m on 31 March 2003, £2.795m on 22 December 2004 and £0.3m on 31 August 2005, which were repayable over 25 years for the provision of community leisure facilities within the new Community Stadium.

- FCSL was reconstructed on 28th May 2009 through a solvent liquidation pursuant to Section 110 of The Insolvency Act 1986. In effect, the assets and liabilities of the company have been split between FFAC and the Council. The loans advanced by the Council and the Long Term Investment were replaced by Property, Plant & Equipment of £3.85m and a Long Term Investment of £9.34m. The assets comprised Ground Leases of £0.25m and Development Sites of £3.6m per the 2009 valuation. These assets were subsequently revalued at 1 April 2015. The Ground Leases were revalued to £0.362m and the Development Sites at £0.65m. The Long Term Investment was also subject to revaluation with a value of £4.284m at 31 March 2018. It has been further revalued to £3.597m at 31 March 2020.

- thinkWhere was a company established by Falkirk, Stirling and Clackmannanshire Councils in 2007 to deliver geographical information services. In November 2014 the Council agreed an investment of £0.5m in the company, payable over three years. The long term investment in 2019/20 equated to £0.5m (£0.5m in 2018/19).

Note 28: Loans Outstanding

These loans were raised to finance the capital expenditure of the Council. The source of these loans as at 31 March 2020 was as follows:

2018/19 £'000	Borrowing Repayable on Demand or Within 12 Months	2019/20 £'000
30,000	Temporary Borrowing	40,000
2,818	Accrued Interest	2,837
32,818	**Total**	**42,837**
	Long Term Borrowing	
204,630	• Public Works Loan Board	212,166
26,000	• Market Bonds	26,000
230,630		**238,166**
1,469	Accrued Interest	1,424
232,099	**Total**	**239,590**

Short Term Borrowing per the Balance Sheet is £43.159m. This figure includes temporary borrowing of £42.837m and £0.322m in respect of Third Party balances which are invested in the Loans Fund as at 31 March 2020.

Note 29: Insurance Fund

An updated independent actuarial valuation of the Insurance Fund was undertaken in October 2018. This has established that there are sufficient funds to meet its outstanding liabilities in respect of Property, Liability and Motor Insurance claims. There is no material risk which remains unfunded. The balance of the Fund as at 31 March 2020 is £5.337m (£5.80m as at 31 March 2019).

Note 30: Provisions

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

(a) Kinneil Kerse

A provision exists for the restoration costs associated with the restoration of Kinneil Kerse landfill site. Planning approval was granted and work commenced during 2015/16. Restoration costs of £0.351m have been incurred during 2019/20. Consequently the provision has been reduced by this amount and the balance on the provision at 31 March 2020 is £1.011m (£1.362m as at 31 March 2019). The annual cost of restoration is approximately £0.3m, the provision should therefore be fully written down within 4 years.

(b) Equal Pay Claims

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

(c) Insurance Claims

(i) Prior to local government reorganisation in 1996 the extant councils, Central Regional Council and Falkirk District Council, entered into a solvent run-off arrangement with their insurer, MMI, with the aim of having sufficient assets to meet outstanding insurance claims. This essentially means that liabilities, as they arise, can be met from available resources. The outcome of litigation has created a financial liability for Falkirk Council as successor Council. Consequently a provision of £0.720m was created. This provision has been drawn down by £0.456m up to 31 March 2018. There has been no draw down in 2019/20. Consequently the balance on the provision at 31 March 2020 remains at £0.264m i.e. the same level as at 31 March 2019.

(ii) The Council has received a number of insurance claims relating to crematoria practices. A provision of £0.1m was created in settlement of these claims. There has been no draw down on this provision in 2019/20. Consequently the balance on the provision at 31 March 2020 remains at £0.1m i.e. the same level as at 31 March 2019.

Note 31: Long Term Debtors

Balance 01/04/19 £'000		Advanced 2019/20 £'000	Repaid 2019/20 £'000	Balance 31/03/20 £'000
732	Northfield Quarry	49	(105)	676
107	Owner Occupiers	-	-	107
5	Loan Arrears	-	-	5
-	Housing Loans	-	-	-
2,342	National Housing Trust Initiative	-	(2,342)	-
3,917	Scottish Fire Service	-	(283)	3,634
1,009	Falkirk Community Stadium Ltd.	-	(2)	1,007
8,112	**Total**	**49**	**(2,732)**	**5,429**

(1) The Council applied to the Scottish Government for consent to borrow to lend to Carrongrove NHT 2011 LLP, for the purchase of housing units forming part of the National Housing Trust (NHT) Initiative. The principal sum of this loan is to be repaid on the sale of housing units.

(2) The outstanding debt in respect of the Scottish Fire Service is shown on the Council's balance sheet as a long term debtor. The balance will be written down over the life of the loans on payment of an annual account raised to Scottish Fire Service.

Note 32: Inventories

Consumable Closing Stocks are valued at average cost.

The value of stocks as at 31 March 2020 is shown below:

	2019/20 Opening Stock £'000	Purchases / Additions £'000	Stock Write Downs £'000	Recognition as an expense £'000	Closing Stock £'000
Stocks	225	1,789	(4)	(1,750)	260

Note 33: Construction Contracts

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

As at 31 March 2020, the Council's Building Maintenance Division had several construction contracts in progress. The income derived from the value of work completed at 31 March 2020 was established using a stage of completion methodology based on architects certificates obtained at the year end. There were no sums due as at 31 March 2020.

Note 34: Debtors

2018/19 £'000		2019/20 £'000
8,831	Central government bodies	9,866
27	Other local authorities	120
1,373	NHS Bodies	1,831
70	Public corporations and trading funds	39
35,455	Other entities and individuals	35,122
96	Falkirk Community Trust	48
-	Falkirk IJB	-
45,852		**47,026**
(20,168)	Provision for Bad Debt	(20,048)
25,684	**Total Debtors**	**26,978**

Note 35: Creditors

2018/19 £'000		2019/20 £'000
9,405	Central government bodies	4,172
3,192	Other local authorities	658
264	NHS Bodies	534
55,935	Other entities and individuals	56,251
546	Falkirk Community Trust	124
1,042	Falkirk IJB	1,145
70,384	**Total Creditors**	**62,884**

Note 36: Cash and Cash Equivalents

2018/19 £'000		2019/20 £'000
8,789	Bank Current Accounts	862
33,009	Deposits with UK Banks, Building Societies & Local Authorities	33,517
41,798	**Total**	**34,379**

Note 37: Trust and Third Party Funds

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

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

Funds for which the Council Acts as Sole Trustee:

- Provost's Fund for Necessitous Poor (£56,440) - to provide donations to residents of the former Burgh of Falkirk at the sole discretion of the Provost.
- Shank's Bequest (£26,643) - to provide donations to the needy of Denny.
- Grangemouth Children's Day Committee (£23,507) - to provide a donation to the annual cost of the Grangemouth Children's Day.
- Candyend Trust (£78,578) - to provide donations to specific organisations assisting the elderly in the Muiravonside area.
- Alexander Douglas King Bequest (£21,458) – bequest for the promotion and advancement of education of art at Bo'ness Academy.
- McNair Bequest (£11,093) – bequest for the benefit of Bo'ness Academy.

Fund for which the Council is not Sole Trustee

- Odenwald Trust (£22,891) - to foster twinning exchanges between the Council and the Odenwald region in Germany. The Fund is managed by the three successor Councils of Central Regional Council who previously administered it. Each of the Councils from Stirling, Falkirk and Clackmannanshire has appointed one Trustee along with one appointed from the Odenwald Association.

Temperance Trust

The Temperance Trust is a registered charity (SC001904) administered by Falkirk Council. As at 31 March 2020 there are two trustees of the Trust – Councillor David Grant and Councillor Laura Murtagh. Temperance Trust funds are available to assist mainly organisations operating within Falkirk dealing with alcohol abuse and other forms of substance addiction. As at the 31st March 2020 the Trust had available funds of £161,530. The funds do not represent assets of the Council and are not included in the Council's Balance Sheet. Annual Report and Accounts are available for the Temperance Trust.

General 2018/19 £'000	Temperance 2018/19 £'000		General 2019/20 £'000	Temperance 2019/20 £'000
		Income		
(12)	(1)	Investment Income	(12)	(1)
		Expenditure		
48	3	Awards and Other Expenses	70	-
36	**2**	**Deficit / (Surplus) for the Year**	**58**	**(1)**
		Balance Sheet		
		Fixed Assets		
3	160	External Investments	3	161
381	-	Internal Investments	323	-
384	**160**	**Net Assets**	**326**	**161**
(420)	(162)	Fund Balance at 1 April 2019	(384)	(160)
36	2	Deficit/(Surplus) for Year	58	(1)
(384)	**(160)**	**Fund Balance at 31 March 2020**	**(326)**	**(161)**

Note 38: Government Grants and Contributions

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

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

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

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

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

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

2018/19 £'000	Credited to Services	2019/20 £'000
3,681	Criminal Justice	3,119
899	Regional Improvement Collaborative	-
36,199	Housing DWP Subsidy	30,331
397	Education Maintenance Allowances	409
781	ETU Programmes	1,016
1,411	Home Insulation Scheme	630
10,752	Integration Fund	11,598
3,577	Pupil Equity Fund	3,622
2,250	Early Years Expansion	9,767
3,867	Other Grants	3,133
63,814	**Total**	**63,625**

2018/19 £'000	Credited to Taxation and Non-Specific Grant Income	2019/20 £'000
14,232	Scottish Government – General Capital Grant	15,757
217	Scottish Government – Specific Capital Grants	4,891
8,508	Scottish Government – Other Grants	5,731
2,251	Other Grants	3,580
282	Developers Contributions	306
437	Other Contributions	94
25,927	**Total**	**30,359**

Capital Grants Received in Advance

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

2018/19 £'000	Capital Grants Received in Advance	2019/20 £'000
3,488	Scottish Government	6,634
5,026	Developers Contributions	5,757
1,610	Other Contributions	1,774
10,124	**Total**	**14,165**

Note 39: Financial Instruments

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

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised costs
- Fair value through other comprehensive income (FVOCI) and
- Fair value through profit or loss (FVPL)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

Financial Assets Measured at Fair Value through Comprehensive Income

Financial assets can be measured at Fair Value through Other Comprehensive Income (FVOCI) if both the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial instruments and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

However, at initial recognition, an authority may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

The Council has no financial instruments measured at FVOCI.

Financial Assets Measured at Fair Value through Profit and loss

Financial assets that are measured at fair value through profit or loss (FVPL) are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The Council has investments in Falkirk Community Stadium Ltd and thinkWhere, as per Note 27 above. These investments are to be reclassified and measured at FVPL, however as they were originally funded from capital resources and any movements in value will therefore be reflected in the Capital Adjustment Account (CAA).

Expected Credit Losses

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. Local authorities shall not recognise a loss allowance for expected credit losses on a financial asset where the counterparty for a financial asset is central government or a local authority for which relevant statutory provisions prevent default.

For Falkirk Council, the majority of financial assets held are with other local authorities and banks and the Council's policy is to invest in approved counterparties for no more than 12 months. Local authorities are excluded from the impairment loss calculation. Deposits with other counterparties mature in less than 12 months and the credit risk is extremely low, consequently no credit losses are anticipated and therefore an impairment loss has not been calculated.

The Council has a finance lease for Northfield Quarry (see Note 18) with nine years remaining. For accounting procedures, the Council will adopt the simplified approach and any loss allowances will be calculated using the lifetime expected credit losses method. However, in assessing the expected credit losses for the company concerned, the previous twenty years payments have all been made on time and a recent credit check on the company scored 96 out of a possible 100. In the Council's opinion the expected credit loss would be extremely low and any such impairment calculations would be immaterial and consequently an impairment loss has not been calculated.

IFRS 13 Fair Value Measurement

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

- Level 1 Inputs – quoted prices (adjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 Inputs – inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs – unobservable inputs for the asset or liability.

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

Financial Instrument	Input Level in Fair Value Hierarchy	Fair Value at 31/03/19 £'000	Fair Value at 31/03/20 £'000
PWLB Debt	Level 2	286,149	279,404
Non – PWLB Debt	Level 2	37,534	37,298
Temporary Loans	Level 2	30,037	40,032
Total		**353,720**	**356,734**

There were no transfers between levels 1 and 2 and no change in the valuation technique used during 2019/20 for the financial instruments.

39(a) Financial Instruments Adjustment Account

2018/19 £'000	Financial Instruments Adjustment Account	2019/20 £'000
3,202	De-recognition of Premiums from Debt Restructuring	2,895
(307)	Annual Amortisation	(307)
2,895		**2,588**
(232)	De-recognition of Discounts from Debt Restructuring	(225)
7	Annual Amortisation	7
(225)		**(218)**
1,769	Re-measurement of Market LOBO's	1,735
(34)	Annual Amortisation	(39)
1,735		**1,696**
4,405	**Total**	**4,066**

Disclosure of Financial Assets and Liabilities from 1 April 2019

39(b)(i) Financial Instruments Balances

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

Long Term 31/03/19 £'000	Current 31/03/19 £'000		Long Term 31/03/20 £'000	Current 31/03/20 £'000
228,166	32,464	Financial liabilities (principal amount)	234,201	43,964
229,635	35,282	Financial liabilities at amortised cost	235,625	46,801
-	44,154	Loans and receivables (principal amount)	-	35,615
-	44,160	Loans and receivables at amortised cost	-	35,630
4,221	-	Unquoted investments at cost	4,097	-

The Council does not have any soft loans.

39(b)(ii) Financial Instruments Gains / Losses

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

	Financial Liabilities	Financial Assets	
	Liabilities Measured at Amortised Cost £'000	Loans and Receivables £'000	Total £'000
Interest Expense	(11,627)	-	(11,627)
Interest Income	-	775	775
Net gain / (loss) for the year	**(11,627)**	**775**	**(10,852)**

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

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

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

The fair values calculated are as follows:

Carrying Amount 31/03/19 £'000	Fair Value 31/03/19 £'000		Carrying Amount 31/03/20 £'000	Fair value 31/03/20 £'000
204,630	286,149	PWLB Debt	212,166	279,404
26,000	37,534	Non-PWLB Debt	26,000	37,298
30,000	30,037	Temporary Loans	40,000	40,032
260,630	**353,720**	**Total Debt**	**278,166**	**356,734**
70,384	70,384	Trade Creditors	62,884	62,884
331,014	**424,104**	**Total Financial Liabilities**	**341,050**	**419,618**

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

Carrying Amount 31/03/19 £'000	Fair Value 31/03/19 £'000		Carrying Amount 31/03/20 £'000	Fair value 31/03/20 £'000
44,154	44,160	Short Term Deposits < 1 year	35,615	35,630
-	-	Long-Term Investments	-	-
25,684	25,684	Trade Debtors	26,978	26,978
8,112	8,112	Loans and Receivables	5,429	5,429
77,950	**77,956**	**Total Assets at Amortised Cost**	**68,022**	**68,037**

39(b)(iv) Fair Value of Assets and Liabilities through Profit and Loss

The Council had reclassified the Long Term Investments to be carried through Profit and Loss as part of the adoption of IFRS 9. However, as these investments have been initially financed through capital resources, any movements in value will therefore be reflected in the Capital Adjustment Account (CAA).

The fair values calculated are as follows:

Carrying Amount 31/03/19 £'000	Fair Value 31/03/19 £'000		Carrying Amount 31/03/20 £'000	Fair value 31/03/20 £'000
4,221	4,221	Long-Term Investments	4,097	4,097
4,221	**4,221**	**Total Assets at FVPL**	**4,097**	**4,097**

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

Key Risks

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

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

Overall Procedures for Managing Risk

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

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

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

39(c)(ii) Credit Risk

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of an institution failing to make interest payments or repay principal sums will be specific to each individual institution. A risk of irrecoverability applies to all of the Council's deposits but there was no evidence at 31 March 2020 that this was likely to crystallise.

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

The Council does not generally allow credit for its trade debtors, such that £5.1m of the £9.1m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£'000
Less than 31 days	1,035
31 – 60 days	133
61 – 90 days	167
More than 90 days	3,784
Total	**5,119**

The Council initiates a deferred charge on property in circumstances where clients, requiring the assistance of Social Work Services, are unable to meet their immediate financial liabilities. The total collateral at 31 March 2020 was £1.0m.

39(c)(iii) Liquidity Risk

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

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

39(c)(iv) Re-financing and Maturity Risk

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs.

The maturity analysis of financial liabilities is as follows:

31/03/19		Approved Maximum Limits		31/03/20
£'000		%	£'000	£'000
32,465	Less than one year	25	69,542	43,965
3,964	Between one and two years	25	69,542	2,000
25,464	Between two and five years	25	69,542	25,134
61,038	Between five and ten years	35	97,358	59,368
33,381	Between ten and twenty years	35	97,358	33,381
30,000	Between twenty and thirty years	35	97,358	30,000
45,318	Between thirty and forty years	35	97,358	45,318
29,000	Between forty and fifty years	35	97,358	39,000
260,630	**Total**			**278,166**

39(c)(v) Market Risk

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

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

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

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

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

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(356)
Impact on Other Comprehensive Income and Expenditure	**(356)**
Share of overall impact credited to the HRA	(171)
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**(39,269)**

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

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

Note 40: Other Long Term Liabilities

2018/19 £'000		2019/20 £'000
96,617	PFI Finance Lease Liabilities	89,931
901	PFI Deferred Income	786
97,518	**Total**	**90,717**

Note 41: Interest Payable

2018/19 £'000		2019/20 £'000
11,181	Interest Paid	11,627
12,413	Finance Lease Interest PFI / NPDO	12,699
563	Impairment of Long Term Investment	125
24,157	**Total**	**24,451**

Group Movement in Reserves Statement

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

Group Movement in Reserves Statement for the year ended 31 March 2020

	Falkirk Council Usable Reserves £'000	Usable Reserves of Group Entities £'000	Total Group Usable Reserves £'000	Falkirk Council Unusable Reserves £'000	Unusable Reserves of Group Entities £'000	Total Group Unusable Reserves £'000	Total Group Reserves £'000
Balance at 31 March 2019	**(40,260)**	**1,748**	**(38,512)**	**(296,835)**	**1,573**	**(295,262)**	**(333,774)**
Movement in Reserves during 2019/20							
Total Comprehensive Income and Expenditure	30,086	885	30,971	(178,506)	(1,726)	(180,232)	**(149,261)**
Adjustments between accounting basis and funding basis under regulations	(25,224)	(217)	(25,441)	25,224	217	25,441	-
(Increase) / Decrease in 2019/20	**4,862**	**668**	**5,530**	**(153,282)**	**(1,509)**	**(154,791)**	**(149,261)**
Transfers to/from Other Statutory Reserves	-	-	-	-	-	-	-
Balance at 31 March 2020	**(35,398)**	**2,416**	**(32,982)**	**(450,117)**	**64**	**(450,053)**	**(483,035)**

Group Movement in Reserves Statement for the year ended 31 March 2019 (restated)

	Falkirk Council Usable Reserves £'000	Usable Reserves of Group Entities £'000	Total Group Usable Reserves £'000	Falkirk Council Unusable Reserves £'000	Unusable Reserves of Group Entities £'000	Total Group Unusable Reserves £'000	Total Group Reserves £'000
Balance at 31 March 2018	**(44,354)**	**1,748**	**(42,606)**	**(357,291)**	**618**	**(356,673)**	**(399,279)**
Movement in Reserves during 2018/19							
Total Comprehensive Income and Expenditure	53,724	623	54,347	10,826	332	11,158	**65,505**
Adjustments between accounting basis and funding basis under regulations	(49,630)	(623)	(50,253)	49,630	623	50,253	-
(Increase) / Decrease in 2018/19	**4,094**	**-**	**4,094**	**60,456**	**955**	**61,411**	**65,505**
Transfers to/from Other Statutory Reserves	-	-	-	-	-	-	-
Balance at 31 March 2019	**(40,260)**	**1,748**	**(38,512)**	**(296,835)**	**1,573**	**(295,262)**	**(333,774)**

Group Comprehensive Income and Expenditure Statement

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

(restated) 2018/19 Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		2019/20 Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Notes
241,924	(17,235)	224,689	Children's Services	233,600	(23,182)	210,418	
168,503	(100,769)	67,734	Social Work Adult Services	178,181	(104,457)	73,724	
61,620	(16,777)	44,843	Development Services	61,696	(15,358)	46,338	
78,582	(43,480)	35,102	Corporate & Housing Services	67,200	(34,769)	32,431	
64,730	(61,676)	3,054	Housing Revenue Account	68,535	(62,860)	5,675	
1,215	-	1,215	Valuation Joint Board	1,257	-	1,257	
17,229	(5,620)	11,609	Falkirk Community Trust	16,532	(5,307)	11,225	
633,803	**(245,557)**	**388,246**	**Net Cost of Services**	**627,001**	**(245,933)**	**381,068**	
231	-	231	Other Operating Expenditure	-	(1,984)	(1,984)	
90,960	(60,674)	30,286	Financing and Investment Income and Expenditure	90,447	(59,348)	31,099	
-	(364,492)	(364,492)	Taxation and Non-Specific Grant Income	-	(379,637)	(379,637)	
724,994	**(670,723)**	**54,271**	**(Surplus) or Deficit on Provision of Services**	**717,448**	**(686,902)**	**30,546**	
		76	Share of the (Surplus) or Deficit on Provision of Services by Associates and Joint Ventures			425	4
		-	Tax Expenses			-	
		54,347	**Group (Surplus) or Deficit**			**30,971**	
		(29,918)	(Surplus) or deficit on revaluation of non-current assets			(88,175)	
		40,624	Remeasurements of pension assets/liabilities			(91,267)	
		452	Share of other Comprehensive Income & Expenditure of Associates and Joint Ventures			(790)	4
		11,158	**Other Comprehensive Income and Expenditure**			**(180,232)**	
		65,505	**Total Comprehensive Income and Expenditure**			**(149,261)**	

Group Balance Sheet as at 31 March 2020

(restated) 2018/19 £'000		2019/20 £'000	Notes
	Non-Current Assets		
1,034,722	Property, Plant & Equipment	1,140,344	
265	Heritage Assets	265	
1,719	Intangible Assets	1,574	
550	Long Term Investments	499	
7,104	Long Term Debtors	4,420	
1,044,360		**1,147,102**	
	Current Assets		
350	Inventories	398	
25,046	Short Term Debtors	27,424	
44,020	Cash and Cash Equivalents	35,664	
4,313	Assets Held for Sale	1,917	
73,729		**65,403**	
	Current Liabilities		
(33,349)	Short Term Borrowing	(42,380)	
(70,671)	Short Term Creditors (including provisions)	(64,012)	
(104,020)		**(106,392)**	
	Long Term Liabilities		
(238,712)	Long Term Borrowing	(246,294)	
(334,162)	Defined Benefit Pension Scheme Liability	(272,489)	
(97,518)	Other Long Term Liabilities	(90,717)	
(10,125)	Capital Grants Received in Advance	(14,165)	
222	Liabilities in Associates and Joint Ventures	587	
(680,295)		**(623,078)**	
333,774	**Net Assets**	**483,035**	
	Usable Reserves		
(40,260)	Falkirk Council Usable Reserves	(35,398)	
1,748	Usable Reserves of other Group Entities	2,416	5
(38,512)		**(32,982)**	
	Unusable Reserves		
(296,835)	Falkirk Council Unusable Reserves	(450,117)	
1,573	Unusable Reserves of other Group Entities	64	5
(295,262)		**(450,053)**	
(333,774)	**Total Reserves**	**(483,035)**	

Bryan Smail, CPFA MBA
Chief Finance Officer
9 November 2020

The unaudited accounts were issued on 29 June 2020, and the audited financial statements were authorised for issue on 9 November 2020

Group Cash Flow Statement

(restated) 2018/19 £'000		2019/20 £'000
54,359	Net (surplus) or deficit on the provision of services	31,393
(113,938)	Adjust net surplus or deficit on the provision of services for non-cash movements	(83,628)
25,926	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	30,359
(33,653)	**Net cash flows from operating activities**	**(21,876)**
	Investing Activities	
66,557	Purchase of property, plant & equipment, investment property and intangible assets	77,472
(1,422)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(3,885)
(29,492)	Other receipts and investing activities	(33,680)
35,643	**Net cash flows from investing activities**	**39,907**
	Financing Activities	
(47,067)	Cash receipts of short and long-term borrowing	(50,418)
5,475	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	6,775
30,972	Repayments of short and long-term borrowing	33,967
(10,620)	**Net cash flows from financing activities**	**(9,676)**
(8,630)	**Net (increase) or decrease in cash and cash equivalents**	**8,355**
(35,390)	Cash and cash equivalents at the beginning of the reporting period	(44,020)
	Cash and cash equivalents at the end of the reporting period	
(44)	Cash held by Officers	(47)
(10,967)	Bank Current Accounts	(2,101)
(33,009)	Short-term deposits	(33,517)
(44,020)		**(35,665)**

Notes to the Group Accounts

1. Group Accounting Policies

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

Disclosure of Interest in Other Entities

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

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

Nature of Combination

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

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

The Council has accounted for its interest in its Subsidiaries using the acquisition method of accounting. In all instances, the consideration paid by the Council equalled the fair value of the assets and liabilities acquired and, therefore, no goodwill arose on acquisition. Falkirk Community Trust Ltd has been consolidated as a subsidiary under IFRS10 (Consolidated Accounts).

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

2. Financial Impact of Consolidation

By including the Subsidiary and Associate bodies (details of which are shown in Notes 4 and 5 below), the effect on the Group Balance Sheet is a reduction in Reserves of £4.033m. This represents the Council's share of the net liabilities in those entities.

3. Combining Entities

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

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

The accounting period end for all entities is 31 March 2020. Copies of the most recent audited accounts of the group entities are available from the Chief Finance Officer, Falkirk Council.

Subsidiaries

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

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

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

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

Falkirk Community Trust Ltd and Falkirk Community Trading Ltd

Falkirk Community Trust Ltd was established by Falkirk Council on 1 July 2011 to take responsibility for the management and operation of a range of community sport, recreation, arts, heritage and library services. The company has charitable status and the Scottish Charity Number is SC042403. A wholly owned subsidiary, Falkirk Community Trading Ltd has been established to govern those activities which are not recognised as charitable. Falkirk Community Trust's Board consists of twelve directors. Six independent directors are drawn from local business, sport, culture, environmental and learning sectors. Five directors are nominated elected Members of Falkirk Council. There is one Employee Director nominated by Trust staff. Falkirk Community Trading Limited has a board of 5 directors drawn from the Trust's Board and Executive Management. The Board agreed it would maintain an unrestricted reserve to meet unexpected events and this equates to 2% of the Service Payment received from Falkirk Council and the total budgeted expenditure.

Falkirk Council paid the Trust £10.899m for service provision in 2019/20 (£11.087m in 2018/19). The Trust returned a deficit of £0.589m (£0.752m in 2018/19) which has been fully consolidated into the Group. The financial results for Falkirk Community Trading Ltd are included in the figures shown for Falkirk Community Trust Ltd in note 4 and note 5.

Associates

Central Scotland Valuation Joint Board

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

thinkWhere Ltd

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

Joint Ventures

Falkirk Integration Joint Board

Falkirk Integration Joint Board (IJB) is a statutory body established to integrate health and social care services between Falkirk Council and NHS Forth Valley. The contribution provided by Falkirk Council in 2019/20 was £66,763m (£62.389m in 2018/19). The IJB Board comprises 6 voting members consisting of 3 elected members from Falkirk Council and 3 non-executive Health Board members.

4. Group Income and Expenditure of Associates and Joint Ventures

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

(restated) 2018/19 £'000		2019/20 £'000
275	Central Scotland Valuation Joint Board	226
25	thinkWhere Ltd	23
(224)	Falkirk Integration Joint Board	176
76	**Total**	**425**

Share of Other Comprehensive Income & Expenditure of Associates and Joint Ventures

(restated) 2018/19 £'000		2019/20 £'000
329	Central Scotland Valuation Joint Board	(790)
123	thinkWhere Ltd	-
452	**Total**	**(790)**

5. Group Entities Reserves

(restated) 2018/19 Total £'000		Falkirk Community Stadium Ltd £'000	Falkirk Community Trust Ltd £'000	Central Scotland Valuation Joint Board £'000	thinkWhere Ltd £'000	Common Good Funds £'000	Falkirk Integration Joint Board £'000	2019/20 Total £'000
	Usable Reserves							
1,748	Revenue Account (Surplus)/Deficit	8,339	(1,943)	(196)	288	(779)	(3,293)	2,416
1,748	**Total**	**8,339**	**(1,943)**	**(196)**	**288**	**(779)**	(3,293)	**2,416**
	Unusable Reserves							
10	Accumulated Absences Account	-	-	9	-	-	-	9
3,578	Pensions Reserve	-	-	2,791	189	-	-	2,980
(333)	Share Capital	-	-	-	(333)	-	-	(333)
(190)	Capital Adjustment Account	-	-	(18)	(25)	(854)	-	(897)
(1,492)	Revaluation Reserve	(1,492)	-	-	-	(203)	-	(1,695)
1,573	**Total**	**(1,492)**	**-**	**2,782**	**(169)**	**(1,057)**	**-**	**64**

6. Non-Consolidation Interests in Other Entities

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

- Trust Funds - Although administered by Falkirk Council, these have been excluded under the quantitative assessment of materiality.
- The Hub Initiative - This was established to aid the delivery of capital investment projects across Scotland. Equity and working capital is split amongst the private sector (60%), the 17 public sector bodies (30%) and the Scottish Futures Trust (10%). Falkirk Council has no particular control or influence and, therefore, their interest is immaterial.
- Community Schools 2008 Charity – This was established to receive and disburse monies contractually received from the NPDO Schools project holding company to voluntary groups and organisations providing recreational facilities in the Council area. Falkirk Council has no significant influence.

Glossary of Terms

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

1. **Accumulated Absences Account**
The account holds the monetary value of annual leave accrued but untaken by employees as at the Balance Sheet date. The majority of the balance in this account will be in respect of teachers' annual leave as their leave is fixed and the majority of it falls in July and August each year.

2. **Associate**
This is an entity other than a subsidiary or joint venture in which the reporting Council has a participating interest and over whose operating and financial policies the Council is able to exercise significant influence.

3. **Capital Adjustment Account**
The Capital Adjustment Account is the store of capital resources set aside to meet past expenditure. This account is a technical accounting presentation and is not available for distribution.

4. **Capital Charges**
A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

5. **Capital Expenditure**
This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing with repayment over a period of years, or by utilising the income from the sale of existing assets.

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

7. **Capital Receipts Reserve**
This represents the capital receipts that are available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.

8. **Employee Costs**
This includes salaries, wages, overtime, bonus, enhancements, employer's pension and national insurance contributions, travelling and subsistence expenses in addition to other employee allowances.

9. **Entity**
A body corporate, partnership, trust, unincorporated association, or statutory body that is delivering a service, or carrying on a trade or business, with or without a view to profit. It should have a separate legal persona and is legally required to prepare its own single-entity accounts.

10. **Financial Instruments Adjustment Account**
This is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and lending. This account is a technical accounting presentation and is not available for distribution.

11. **Capital Financing Costs**
This includes the costs of financing the sums borrowed by the Council to cover the capital repayment of loans, interest charges and debt management expenses, as well as external repayments for operational leases.

12. **Fixed or Non-Current Assets**
These are created by capital expenditure incurred by the Council. They include property, vehicles, plant, machinery, roads, computer equipment, etc.

13. **Generally Accepted Accounting Practice in the UK (UK GAAP)**
This is the overall body of regulation that established how company and local authority accounts had to be prepared in the United Kingdom (prior to the transition to International Financial Reporting Standards).

14. **Joint Venture**
This is an entity in which the Council has an interest on a long-term basis and is jointly controlled by the Council and one or more entities under a contractual or other binding agreement.

15. **Pension Reserve**
This represents the difference between accounting for pension costs in line with UK Accounting Standards, and the funding of pension costs from taxation in line with statutory requirements, and is equal to the change in the pension liability (i.e. the commitment to provide retirement benefits).

16. **Property Costs**
This includes rents, rates, insurance, repairs and maintenance, upkeep of grounds, heating, lighting, furnishings and fittings.

17. **Revaluation Reserve**
This fund is a store of gains on the revaluation of fixed assets not yet realised through sales. This reserve is a technical accounting presentation and is not available for distribution.

18. **Subsidiary**
This is an entity where the Council has overall control through the power to govern its financial and operating policies so as to obtain benefits from the entity's activities.

19. **Supplies & Services**
This includes food, materials, books, uniforms, protective clothing, the purchase of equipment, the purchase of tools, the maintenance of equipment or tools, and various services that are conducted by external contractors.

Independent auditor's report to the members of Falkirk Council and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Falkirk Council ("the Council") and its group for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise group and council Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cash Flow Statement, the council-only Housing Revenue Account Income and Expenditure Statement, the Housing Revenue Account, Notes to the Housing Revenue Account, the Council Tax Account, and the Non-Domestic Rate Account, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the Council and its group as at 31 March 2020 and of the income and expenditure of the Council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 26 July 2016. The period of total uninterrupted appointment is four years. We are independent of the Council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the Council. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Disclosure in relation to the effects of COVID-19

We draw attention to Note 1 of the financial statements, which describes the economic consequences the Council is facing as a result of COVID-19 which is impacting financial and operation position and performance during 2020/21 and beyond.

Our opinion is not modified in respect of these matters.

Independent auditor's report to the members of Falkirk Council and the Accounts Commission (continued)

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Chief Finance Officer and Audit Committee for the financial statements

As explained more fully in the Statement of Responsibilities, Chief Finance Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Audit Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor’s report to the members of Falkirk Council and the Accounts Commission (continued)

Other information in the annual accounts

The Chief Finance Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In our opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

Independent auditor's report to the members of Falkirk Council and the Accounts Commission (continued)

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Stephen Reid, for and on behalf of Ernst & Young LLP

Ernst & Young LLP

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144 Morrison Street

Edinburgh

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Date: