

The background of the slide features a large, light blue watermark of the City of Vancouver's coat of arms. The crest is a shield divided into four quadrants. The top-left quadrant shows a sailing ship on wavy lines representing water. The top-right quadrant shows a stag's head with large antlers. The bottom-left quadrant shows a beaver. The bottom-right quadrant shows a grizzly bear. Above the shield is a crown with four maple leaves. A banner at the bottom of the shield contains the motto "CITY OF VANCOUVER" in a stylized font.

Agenda Item 4

Annual Accounts 2020/21

Falkirk Council

Title: Annual Accounts 2020/21
Meeting: Audit Committee
Date: 10 January 2022
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 2021.

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 2021 are approved.**

3. Background

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

4. Considerations

- 4.1 The Accounts of the Council have now been audited (appendix 1). The auditor's certificate is 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 2020/21 for Falkirk Council have been audited by Ernst & Young and the auditor's certificate is free from qualification.

pp _____
Director of Corporate & Housing Services

Author –Danny Cairney, Senior Corporate Finance Manager 01324 506388,
danny.cairney@falkirk.gov.uk
Date: 23 December 2021

Appendices

1. Annual Accounts 2020/21

List of Background Papers:

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

- Final Accounts Working Papers

Falkirk Council

**Audited Annual Report and Accounts
2020/21**



Falkirk Council



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Management Commentary

The Management Commentary outlines the key messages about the Council's financial and service performance for 2020/21 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 significant impact on the financial year was the additional cost pressures arising from COVID-19 and this will remain a key risk and consideration on the delivery of council services going forward into the next financial year. The Annual Accounts report the financial performance of the Council and its Group, demonstrating the stewardship of the public funds to deliver on the Council's vision and key priorities. The format and content of the annual accounts accord with The Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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



Falkirk Facts

Falkirk Council

Elected Members

30



- ◆ SNP
- ◆ Labour
- ◆ Conservative
- ◆ Independent

The Administration consists of 13 SNP Councillors and 1 Independent Councillor

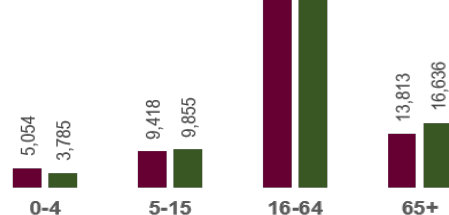
Population

160,890

Male
78,851

Female
82,039

■ Male ■ Female



Life Expectancy

77.33 years (Male)

80.46 years (Female)



30.1% live with one or more long term health condition



2.7% of Falkirk's population are from an ethnic minority

Environmental Impact



47,000 Tonnes CO2e

Economic Activity



3,740 Businesses operating across the Falkirk area



75% of Adults in employment



11,200 (20.3%) of households are workless



24.8% of all children in Falkirk are estimated to be living in poverty



5.9% Unemployment Claimant Count



15% of population within the top 20% most deprived (SIMD20)

Staff



7,603 - Full Time Equivalents

Male
1,910
25%

Female
5,693
75%



Full Time 4,309
Part Time 3,294

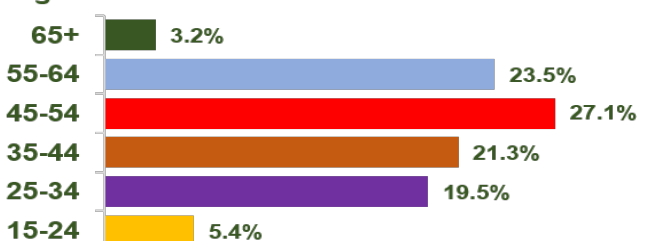


3.6% of staff from an ethnic minority



3% of staff with disabilities

Age



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 – where everyone can fulfil their potential”. The previous plan for delivering this vision was the Strategic Outcomes and Local Delivery Plan (SOLD) which was in place from 2016 to 2020. The Falkirk Plan is currently being developed and will replace SOLD. An initial draft will be available for public consultation by Summer 2021.

The Council's Corporate Plan was approved in September 2020 and confirms the Council's commitment to achieving its vision and priorities which is illustrated below.

Making Falkirk the place to be where everyone can fulfil their potential



Communities

Everyone has a chance to be healthier, happier, safer and build sustainable communities



Enterprise

Help Businesses to thrive and make Falkirk more prosperous



Innovative

We are an innovative and entrepreneurial Council that is forward thinking and unafraid of change

The Council's Corporate Plan is supported by a range of strategies and plans, including the Business Plan 2020-2022, Economic Recovery Plan August 2020 and Digital Falkirk 2020-2025.

How are we doing?

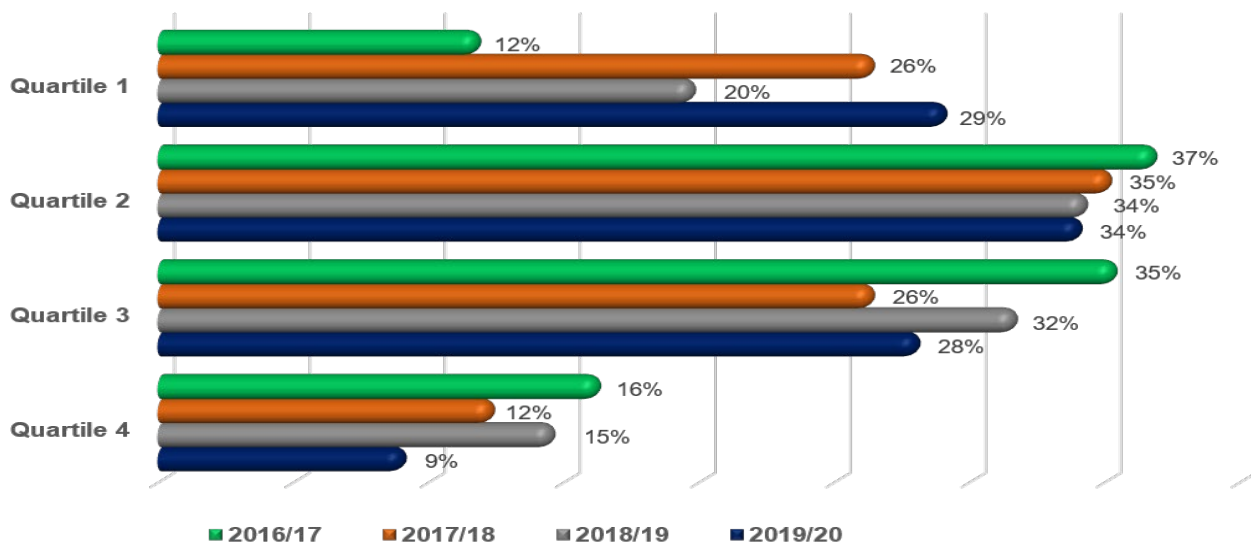
How are we doing? The performance of the Council is reported on the Falkirk Performs section of the Council's website [here](#). This includes information on our statutory performance, important performance indicators and benchmarking to compare performance with other organisations. External scrutiny 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 chart below summarises our performance trends with the Local Government Benchmarking Framework (LGBF) indicators. This framework reports on performance information across all 32 Council's and provides benchmarking data on a variety of indicators covering a wide range of services areas. In 2019/20 63% of indicators were within quartiles 1 and 2, an improvement in comparison with the previous year.



Local Government Benchmarking Framework Quartiles



Highlights in 2020/21

The highlights below provide a brief insight to some of the key achievements during the most challenging and difficult financial year. More information can be found in the reports to the Scrutiny Committee in June 2021.



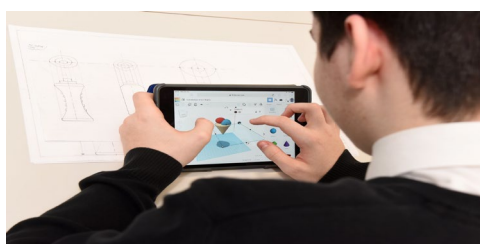
Falkirk Council's Support for People service, aimed to make sure people had access to food, medicine and essentials under lockdown. The service became a conduit between citizens in need and the huge number of volunteers and community groups who went to exceptional lengths to serve their communities. Since the service was established, more than 10,000 people have been supported through self-isolation grants, food parcels, medical supplies, and financial advice.



Working with Third Sector organisations, community volunteer groups and the public to ensure vulnerable/low income households had access to emergency food during the pandemic. The Emergency Food Project has evolved through the last year to the point where the community foodbanks/food pantries are sustainable and are able to fund their own activities.



The Council administered a complex grant system to support businesses negatively impacted by the pandemic. From 22 different funding streams, almost 6,000 grants were awarded and provided local businesses with over £41m.



All school pupils in P6 to S6 and P1 to P5 pupils on a 1:5 basis will be provided with a computer device. This will provide pupils with the access, confidence, skills and knowledge needed to thrive in an ever-changing, fast-paced digital world.

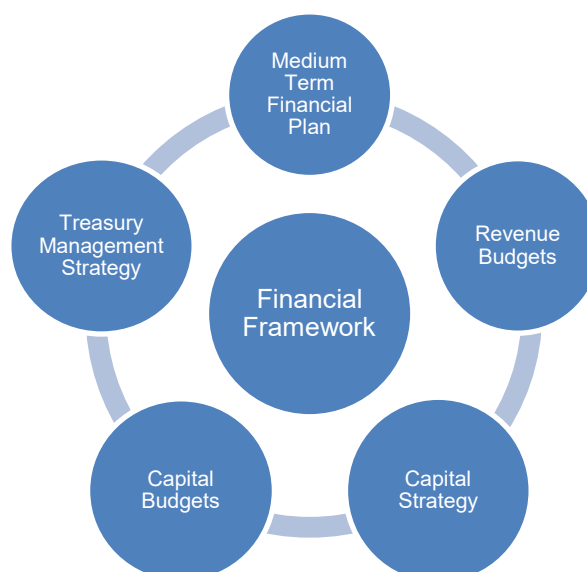


Telecommunication providers announced all analogue lines in the UK would be turned off by 2025, an alarm bell started ringing. The Analogue to Digital Telecare project was launched to put in place an end-to-end digital system that would safeguard the lifesaving service. By close of play 2020, the team had ensured MECS was ready to start migrating service users to a fully digital telecare service that was safe and secure, making Falkirk Council the first Scottish council to achieve such a transformation.

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 30 to 34), with housing revenue income and expenditure managed in the Housing Revenue Account (pages 35 to 36). In addition to day-to-day expenditure, we have capital investment in our assets, including schools, houses and infrastructure.



Financial Performance

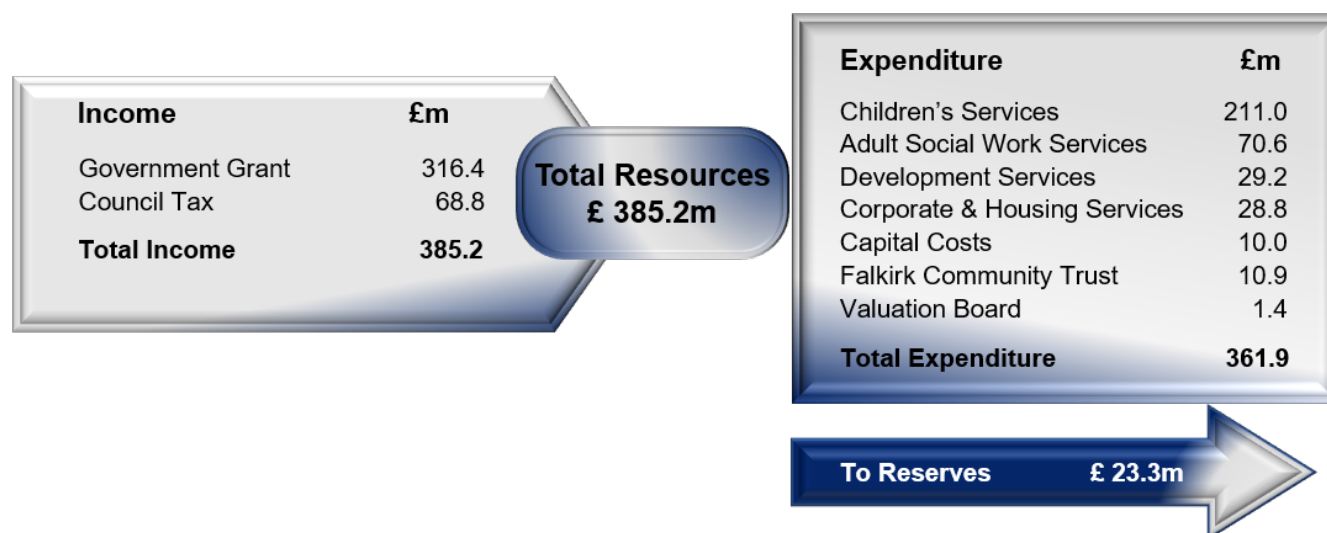
Financial information is part of the Council's performance framework with regular reporting to Elected Members. This section summarises our financial performance for 2020/21.

(a) General Fund Revenue Expenditure 2020/21

The income received and expenditure incurred during 2020/21 is highlighted in the diagram below. For 2020/21 the final expenditure was £361.9m (2019/20 £351m) which was funded from Government Grant and Council Tax. The Council's reserves increased by £23.3m.



Resources 2020/21



COVID-19 presented a significant financial challenge to the Council and resulted in additional recovery and response costs of £13.7m, loss in income of £2.8m and planned savings of £3.3m not being achieved (see specific examples below). However, additional government funding of c£34m more than covered these cost pressures, with a balance of £14.7m being carried forward to meet cost pressures arising from COVID-19 in the next financial year.

Within the Services, the main budget variances in 2020/21 was an overspend of £2.3m within Children's Services, due to the impact of COVID-19 resulting in higher costs of providing external residential care and

unachieved budget savings relating to Closer to Home. Our Closer to Home Strategy is aimed at reducing costs and providing better outcomes for children by shifting the balance of care from external to internal and local provision. Despite the challenges arising from COVID-19, costs have been reduced by £0.7m in comparison with previous years by shifting care provision to supported accommodation and reduced care provision costs from new contract arrangements. In addition, within Development Services the cost of waste collection increased by almost £2m due to changes in operating arrangements and increase in household waste tonnage arising from COVID-19. Roads maintenance was also overspent.

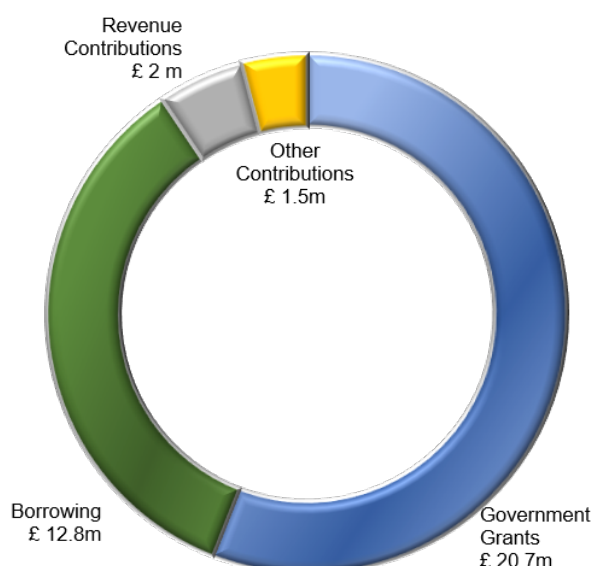
(b) General Fund Capital Programme 2020/21

In 2020/21 the final Council budget for capital investment was £56.1m (2019/20 budget £54.1m). The programme was significantly impacted by the COVID-19 pandemic, with £37m (65.9%) being delivered. It should be noted that the 2020/21 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 2020/21 will be completed in forthcoming financial years. The diagrams below identify the key projects and how these were funded. Further details are provided at Note 24.

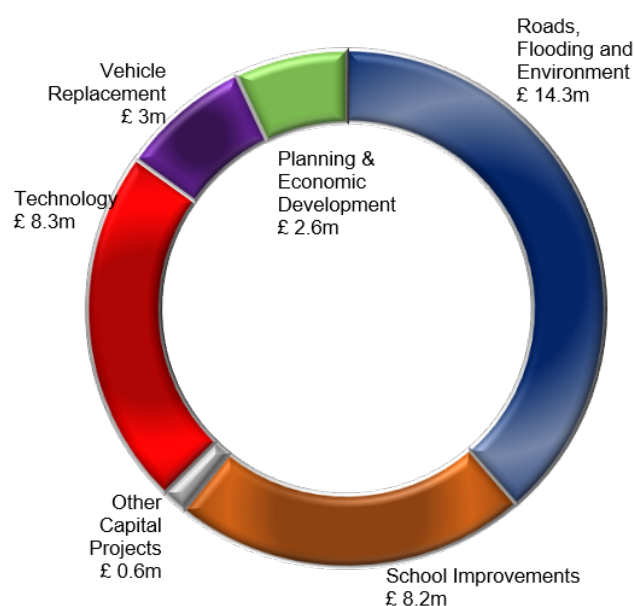


General Fund Capital 2020/21

Resources : £37m



Expenditure : £37m



(c) Usable Reserves

The Council's budget for 2020/21 did not include the use of reserves to achieve a balanced budget. The actual movement of reserves, after transfers from other reserves was £0.280m, leaving an uncommitted General Fund balance of £9.8m. 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 £9.8m is comfortably within the 2% policy range. As part of the 2021/22 budget process, Elected Members agreed to apply £2m of reserves to help balance the budget. However, the receipt of additional revenue grant of £1.2m after the budget was set has removed the need to apply the full £2m. However, the financial pressures arising from the COVID-19 crisis, including loss of income, additional costs and difficulty with achieving planned budget savings continue to put pressure on our reserves in 2021/22 and going forward. The impact of COVID-19 is detailed more fully within the Annual Governance Statement on pages 13-21.

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

- Earmarked Reserves of £29.7m, with £14.7m relating to COVID-19 grant income carried forward into the next financial year, £9m for other revenue grant income, spend to save funding of £1.1m principally

Management Commentary

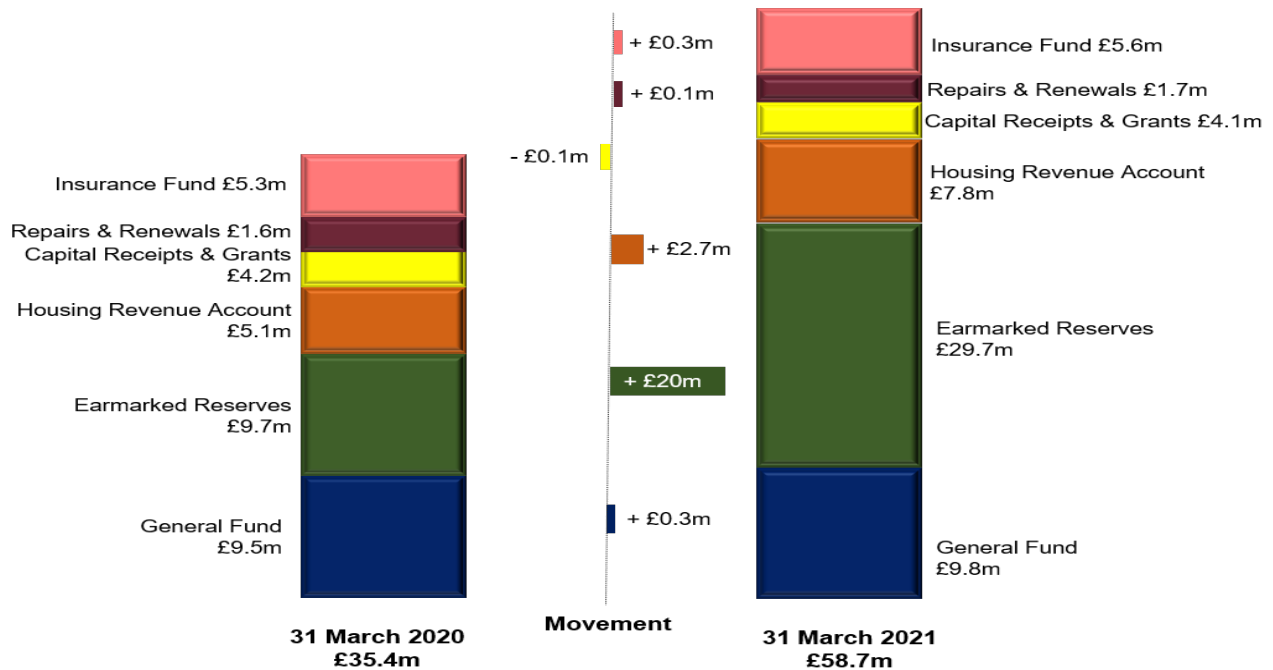
earmarked to cover the costs of voluntary severance and £2.3 m of balances delegated to Headteachers under the Devolved Schools Management System

- Housing Revenue Account, with £7.8m available as a contingency to meet future revenue and capital investment requirements, with £0.6m to be used in 2021/22.
- Insurance Fund of £5.6m 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 usable reserves during 2020/21.



Usable Reserves

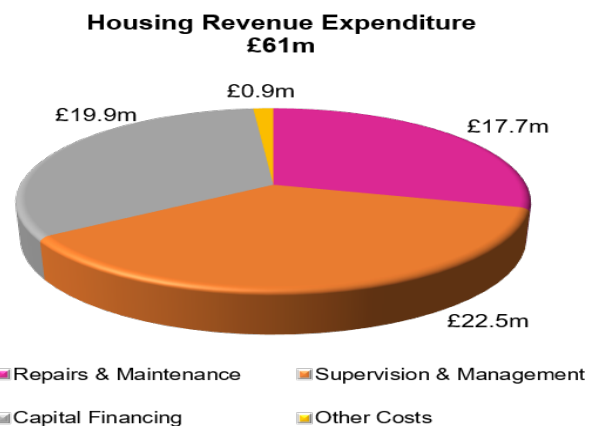
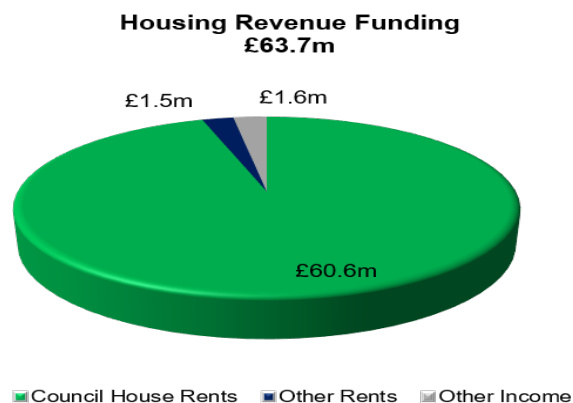


(d) Housing Revenue Account 2020/21

For 2020/21 the Council received £63.7m of funding and spent £61m on Housing Revenue Services, resulting in a surplus of £2.7m. An analysis of funding and expenditure is provided below.



Housing Revenue Account



To Reserves £2.7m

Management Commentary

Overall, the HRA spending of £61m was under budget by £2.7m due to the effects of the COVID-19 pandemic restricting activities. Some savings were used for debt repayment to augment the resources available to undertake housing investment. The figure for the HRA incorporates a payment of £1.4m to the IJB for in scope services e.g., garden aid and adaptation expenditure.

(e) Housing Capital Programme 2020/21

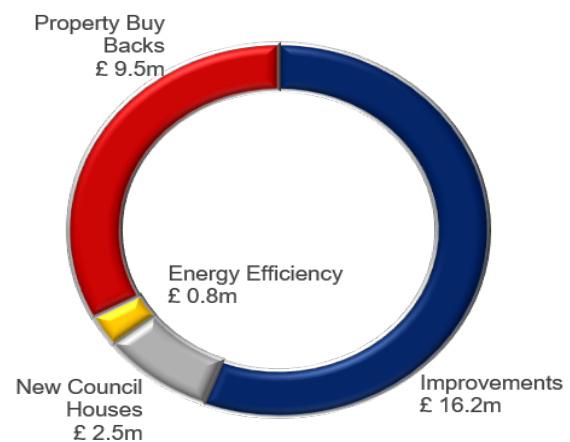
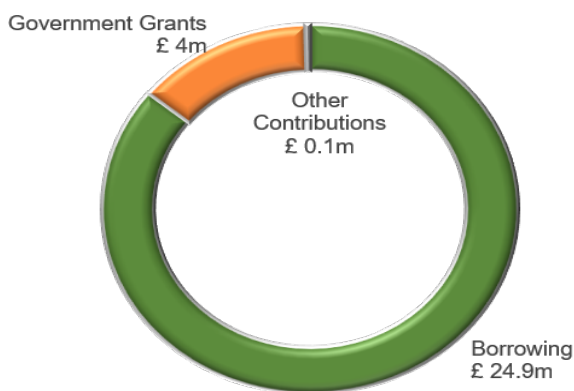
In 2020/21 the final Housing budget for capital investment was £77.2m (2019/20 budget £47.7m). The programme was seriously impacted by the COVID-19 pandemic, with c£29m (37.5%) being delivered. The exhibit below identifies the key projects and how these were funded.



Housing Capital Programme 2020/21

Resources : £29m

Expenditure : £29m

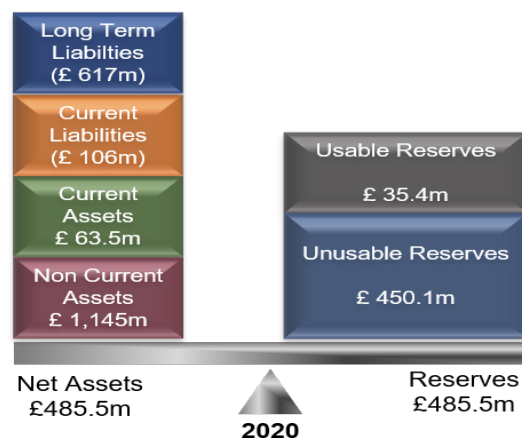
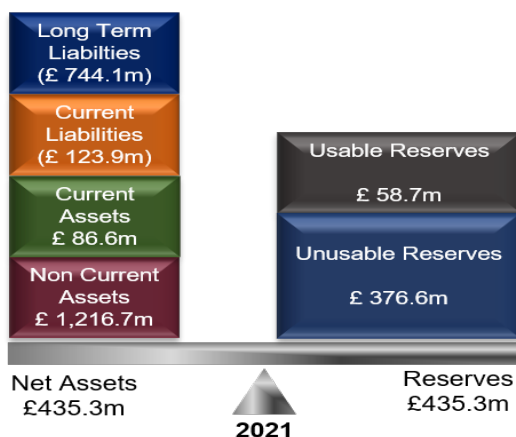


(f) The Balance Sheet

The diagram below summarises the Council's Balance Sheet as at 31 March 2021, 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 32.



Balance Sheet



The net assets of the Council have decreased by £50.2m (2019/20 increase of £148.4m). The main reason for the movement is an increase in the pension liabilities, partly offset by an increase of £60.3m in non-current assets, due to a revaluation, and an increase in current assets of £23m, largely as a result of significant grant income being received in the last few weeks of the financial year. Overall, there has been an increase in IAS19

liabilities of £137m as at 31 March 2021 compared with the liabilities as at 31 March 2020. This is mainly due to an increase in the value of liabilities as a result of inflationary increases in the salary rate and pension rates, which has been partly offset by lower-discount rates, improved asset returns and revised demographic assumptions. Further information on accounting arrangements for retirement benefits can be found in Note 17. Any increase or decrease 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 next three years from April 2021 were set as a result of the most recent valuation as at 31 March 2020. The next Fund valuation is scheduled to take place as at 31 March 2023.

(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	2019-20	2020-21
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)	2.75%	2.69%
In year council tax collection	Reflects Falkirk Council's effectiveness in collecting council tax debt (2019/20 Scottish Average – 95.8%)	96.43%	95.89%
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%)	100.85%	101.62%
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 3.4%)	3.4%	3.4%
Capital Financing Requirement	The Capital Financing Requirement reflects the underlying need to borrow for Capital Investment (Budget £244.m)	£229.9m	227.5m
External Debt Levels	The actual external debt and long-term liabilities of Falkirk Council. This should never exceed Falkirk Council's authorised limit (Budget £470m)	£440m (Limit) £373m (Actual)	£465m(Limit) £362m (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 13 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, as part of Service Risk and Assurance Statement reviews, 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 high and medium level risks, including the impacts of COVID-19. The Audit Committee and Executive receive a quarterly summary of risks, and the details of high risks 6-monthly. The Corporate Management Team and elected Members undertook horizon scanning for emerging and longer-term risks as part of the Business Plan review in 2020/21, and this is considered as part of ongoing reviews of the Corporate Risk Register and Service Assurance Statements.

The table below shows three high risk areas alongside a snapshot of the mitigating actions.

Financial	Public Protection	Transformational Change
<ul style="list-style-type: none">• Medium Term Financial Planning.• Robust and inclusive budget process• Budget linked to Business Plan and the Council of the Future programme.• Financial Controls	<ul style="list-style-type: none">• Sound governance framework• Robust partnership processes - including policies, sharing of information, and training.• Public Protection Chief Risk Register.	<ul style="list-style-type: none">• Officers and elected Members Board governance• Established monitoring regime.• Links to Medium Term Financial Plan• Programme Management Office support.• Council of the Future Risk Strategy Program, Risk Register and Project Risk Registers.

Outlook

As we move into the new financial year, there is a lot more reason to be optimistic due to the continuing rollout and beneficial impact of the vaccination programme. The Council will continue to play a significant part in supporting our community by providing core services, protecting the most vulnerable in our area and assisting business. The focus will shift from dealing with the immediate impact of COVID-19 to the medium and long term recovery over the coming years. The section below on future plans provides an insight of how the Council will address the recovery process and emerging issues going forward.

From a financial perspective, the Council is better placed than at the start of the pandemic to address the financial challenges that will emerge during the next financial year. This includes our COVID-19 Reserves, additional funding support for 2021/22 and a number of fiscal flexibilities that allow the Council to borrow if additional resources are required. COSLA and all 32 Councils, though, will continue to identify emerging risks and collate 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.

The Council also has uncommitted general reserves to call on if required. The fund balance at 31 March 2021 is £9.8m. As noted above, although Elected Members agreed to apply £2m of reserves to help balance the 2021/22 budget, additional funding has removed the need to apply the full £2m.

Scottish local authorities, though, have been faced with considerable financial challenges for a number of years, these don't show any sign of easing and the Council will still be faced with difficult decisions to manage and reduce expenditure over several years to come. The impact of COVID-19 has added to these challenges and we anticipate continued economic pressures and fiscal restraint as the country moves forward beyond the next financial year. Slow economic growth over the long term significantly impacts on the amount generated from tax revenues which are required to fund all public services. For local government, any reduction in resources is compounded by the protection of other public sector bodies, such as health, defence and police services and the implementation of new policy initiatives. The Council's estimated funding gap over the next 4 years is £67m.

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 be identified for elected member consideration within Member Budget Working Groups that are convened to allow the Council to set a balanced budget for 2022/23.

Plans for the future

The Falkirk Plan is the document that will show our communities our priorities and how issues raised will be addressed. Working with our partners, the Falkirk Plan is currently being developed and replaces the Strategic Outcomes and Local Development Plan (SOLD). The Falkirk Plan will be informed by data and the voices of the community.

A Joint Strategic Needs Assessment was developed by community planning partners between August 2020 and March 2021. It reviewed data such as demographics, health and wellbeing, employment, economy, equalities and housing to establish issues prevalent across the Falkirk area. Issues emerging included poverty, employment, mental health, substance abuse and domestic abuse.

In addition to the data, the Falkirk Plan will be based on community experiences and what the people of Falkirk see as the most pressing issues. A series of online meetings has taken place throughout April 2021 for community groups and residents to let us know the main issues that need to be tackled. Further meetings will take place with professionals and those in the community directly affected by the various issues and themes emerging.

There has also been an online survey for anyone in the Falkirk area that wants to contribute to the Falkirk Plan. It is anticipated that an initial draft of the plan will be available for public consultation during the summer.

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 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 increase both Reserves and Net Assets by £4.396m (2019/20 reduction of £2.48m). 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

While the last financial year has been challenging and unprecedented due to COVID-19, the additional costs arising have been managed within the overall resources available to the Council. The Council also has greater financial capacity to deal with issues that may arise over the course of the next year. Although the overall situation remains fragile and uncertain, there is reason to be more optimistic going forward.

Aside from COVID-19 it is clear that difficult times remain ahead over the next five years, and difficult decisions will need to be taken. The Council's revised planning framework will help to ensure that the Council responds to these challenges and continues to ensure the desired outcomes for the Council area are delivered.

Bryan Smail, CPFA MBA
Chief Finance Officer
19 January 2022

Councillor Cecil Meiklejohn
Leader of Falkirk Council
19 January 2022

Kenneth Lawrie
Chief Executive of Falkirk Council
19 January 2022

Explanatory & Assurance Statements

Statement of Responsibilities for the Annual Accounts

Falkirk Council Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the authority has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In Falkirk Council that officer is the Chief Finance Officer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), 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 19 January 2022.

Signed on behalf of Falkirk Council

Councillor Cecil Meiklejohn
Leader of Falkirk Council
19 January 2022

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 2021 and the transactions of the Council and its group for year ended 31 March 2021.

Bryan Smail, CPFA MBA
Chief Finance Officer
19 January 2022

Annual Governance Statement 2020/21

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 control¹, 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 continued 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 2020/21.

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 2020/21, it is important to highlight the impact the COVID-19 outbreak has had on the Council and its activities.

Backdrop of COVID-19 and Falkirk Council

The COVID-19 outbreak has continued to have a truly global impact. Individuals, organisations, and Governments have had to fundamentally change behaviours and revisit priorities, and Falkirk Council is no different. The last conventional meeting of Falkirk Council was held on 09 March 2020, after which all Committee meetings were put on hold. A 'virtual', and specially convened, meeting of Council on 06 May 2020, agreed an Interim Decision Making Structure, forming an Emergency Executive, which met regularly, remotely, through to June 2020 when a foreshortened summer recess was agreed. The Emergency Executive resumed in August 2020 and ran until September 2020 when the committee programme was re-introduced. All meetings have continued to be held remotely and where appropriate, livestreamed via a newly established You Tube channel. As lockdown restrictions ease the Council will consider how it wishes to hold its meetings going forward.

Our response to the COVID-19 lockdown was directed by our business continuity plan. Our recovery has had to be considered too, building on the lessons learned throughout lockdown, with many things once thought difficult to achieve now becoming business as usual, such as:

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.

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- All those who can work from home are doing so. This included procurement and delivery of additional laptops, mobiles, monitors, headsets, chairs, etc to swiftly roll this out;
- Call handlers were given the technology to answer queries safely from their own homes;
- Staff who were unable to work from home were redeployed to support services in need, such as food and Personal Protective Equipment (PPE) delivery. This was part of the Support for People and Employee Volunteering schemes to accelerate the support required by the most vulnerable in communities;
- More services are offered digitally, and are continuing largely uninterrupted, such as receiving, processing, and determining planning and building warrant applications, with remote Planning Committees held; and
- Communities, who mounted their own response to the pandemic, are being supported by our teams to do more for themselves such as the Stenhousemuir Football Club **'Warriors in the Community'** initiative which is the community arm of the football club and aims to have a positive impact on every household in Stenhousemuir and the surrounding areas. To date, they have delivered 10,000 free meals to those that need it most in the Stenhousemuir area.

The following Case Studies demonstrate the critical work undertaken to support these areas:

Governance:	Sustaining the democratic process
Support for People:	Partnership helps ease pandemic pressures
Emergency food:	Helping to combat food insecurity
Mobilisation Centre:	Sharing responsibility to sustain services
Rents:	Reducing tenants' financial worries during the pandemic
Support line:	Helping families cope during the pandemic

Scrutiny work has continued within the pandemic. An example of this is within Children's Services and their continued involvement with related Partnerships. The Public Protection Chief Officers' in Forth Valley temporarily formed a Chief Officers' Group (COG) in 2020 to co-ordinate their public protection responses to COVID-19. This has recently reverted to a Falkirk COG, and it's first meeting in June 2021 will include a COG Risk Register taking stock of public protection risks faced.

Children's Services also undertook a review of their COVID-19 responses (November 2020 to February 2021). This included learning lessons from their COVID-19 response and Business Continuity Plans. Service Debrief Action Plans will be monitored by Service Leadership Teams. As the pandemic eases, and staff are allowed back into offices, it has been agreed that due to the technical advances that have been made those currently working from home will continue to do so, only coming back to an office for, on average, half of their working week.

Governance Developments during 2020/21

The opportunity to realise the financial savings set out in the 2020/21 budget agreed by Council on 26 February 2020 was affected by the COVID-19 pandemic and required review. Significant decisions were made throughout 2020/21, including:

- On 30 September 2020, the Council's Three-Year Business Plan was approved alongside the Council's Corporate Plan, 2020 – 2022, setting out a new vision and set of priorities (Communities, Enterprise and Innovation), for Falkirk Council. The Council's Business Plan is the main delivery mechanism for delivering these priorities, with a focus on the Council of the Future change programme. See Case Study - **Corporate Plan: [Setting a new direction for the Council](#)**. At this meeting, the Council agreed a way forward for a new Council Headquarters and Arts Centre. See Case Study **HQ: [Creating the HQ & Arts Centre for the future](#)**. This has led the way to work now being underway to transform office space in Larbert and the Falkirk Stadium, as well as elected Members agreeing to close or dispose of seven council buildings, including the current Municipal Buildings; and
- Council at its meeting on 2 December 2020 considered the business plan submitted by Falkirk Community Trust. It was agreed that further dialogue would take place with the Trust on the pros and cons of bringing it back in-house and that the position would be reviewed at the January meeting of Council. Council's decision on 20 January 2021 was that the services provided by Falkirk Community Trust will be brought back in-house from 1 April 2022. This is a significant logistical exercise and the necessary planning has started. As part of their work plan in 2021/22, Internal Audit will provide support as necessary and have an oversight role in the work undertaken, looking at the governance structure and processes surrounding the move back in-house.

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Regular meetings of the Budget Working Group have taken place to consider budget matters over the last year. As with previous years, there was effective engagement with elected Members across all political groups over the year. On 11 March 2021, 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 Integration Joint Board (for in-scope Adult Health and Social Care). 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.

There is a projected c£67m budget gap over the next four years. Our business plan shows how we will bridge this gap, however, there is still work to be done to balance the budget. The plan recognises that over the next four years Falkirk Council faces continuing challenges through both financial pressures and further uncertainty. We estimate:

- Around 30% of this is the estimated value of transformation savings at this time, with the remainder of savings to be brought forward by services, including those from the Integration Joint Board (IJB);
- We will have around 200 fewer employees, Full Time Equivalents (FTE);
- There will be more people with complex health needs living longer;
- Increasing customer expectations and demands will put pressure on our services;
- Increasing levels of poverty and continued deprivation in some areas will have a significant impact on individuals, families and communities; and
- Ambitious projects will be underway to transform how we do our business, including the Falkirk & Grangemouth Investment Zone initiative.

The 2020/21 Capital Programmes for General Fund and Housing have been seriously impacted by the COVID-19 pandemic. The capital spend for 2020/21, subject to the audit process, is £37m for the General Fund and £29m for Housing. Members have approved total capital investment of £672m over the next five years. The forecast spend for the General Fund Capital Programme is £340m and for the Housing Capital Programme it is £332m. There is a risk that COVID-19 will continue to disrupt supply chains, resulting in delays and increased costs. This will have to be closely monitored by the Council.

The local business community has been significantly impacted by COVID-19. The Council has been keen to work with local businesses to understand the impacts and to prepare its response. A business survey, community survey, and series of focus groups were undertaken with businesses over the summer months in 2020 and this confirmed the need for early action to address business needs including:

- Many Falkirk businesses were heavily impacted by COVID-19. Of those surveyed, 72.3% lost income and 84.8% had applied for financial support during the coronavirus situation. Supply chains have been heavily disrupted;
- Responses to the Council's community survey indicated that 95.6% believed creating employment opportunities and 94.5% believed opportunities for young people, modern apprenticeships, higher and further education, training, voluntary work, employment are either very important or important;
- Measures to support the economy were deemed either very important or important; and
- Town centre businesses reinforced the plight of the town centre arising from the move to online shopping.

The consultations that took place over the summer months of 2020 shaped the direction of the Council and further developed the following plans: Economic Recovery Plan; Business Plan; and Corporate Plan.

In September 2020, the Council and its partners in the private sector prepared an Economic Recovery Plan to help address the recovery from COVID-19. It takes into account the impact of COVID-19 on the UK, Scotland, and the Falkirk area economy, and that these impacts have been severe. The plan identified a series of measures to assist businesses, such as 'skills and employment support', 'communities, housing, and infrastructure', and 'business support' measures.

This has also included provision of financial support via business grants, acting on behalf of Scottish Government to promote, administer, and disburse twenty-two grant schemes to a range of retail, hospitality, leisure, and other businesses. Officers across services combined their resources to communicate, administer, and provide 5,869 individual grant support awards to businesses across the Falkirk area, disbursing £41.3m (at 5 May 2021). Financial support will continue to be supplied if further rounds are required.

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It is important to recognise that the strength of our Council is in its employees. An example of this has been how quickly our services worked together towards a shared aim in launching schemes and processing applications, often at short notice. The shared working between Revenues, the Corporate Fraud Team, Economic Development, and Web Services has ensured that all applications were processed on time, with appeals considered and, where necessary, fraud investigated. Internal Audit also reviewed this work and confirmed a 'substantial assurance' on funds audited. See Case Studies:

Business grants: [Providing a lifeline to local businesses](#)
Business advice: [Helping businesses stay compliant](#)

In September 2020, the Council's Three Year Business Plan was approved alongside the Council's Corporate Plan 2020 – 2022, setting out a new vision and set of priorities for Falkirk Council. The Business Plan 2021/22 – 2023/24 is the Council's framework to recovery and sets out how we will deliver our council priorities through our Council of the Future (COTF) change programme, Medium Term Financial Plan, and Workforce Plan.

The Council's Medium Term Financial Plan continues to underpin the longer term approach to financial planning and sets out how we will bridge the budget over the next three years, whilst ensuring the Council continues to be able to balance the budget. Our Workforce Plan (also reported to Council in September 2020) reflects the Council's Workforce Strategy for employees to be responsive, innovative, trusted, and ambitious, adapting what they do to support COTF. This is essential forward planning for the delivery of the Council's Business Plan.

Our Corporate Plan 2020 – 2022 is our vision framework, focusing on Council priorities and future engagement with communities. It sets out our commitment to ask the right questions, to the right people, at the right time, and, wherever possible, act on what we have been told or honestly explain why we are unable to do so. This requires our communities, businesses, partners, and employees to continue working with us to create innovative solutions that will help our area thrive against an increasingly difficult financial backdrop.

The Council priorities to help revitalise Falkirk in the wake of the COVID-19 pandemic were approved in the Corporate Plan on 30 September 2020. Our priorities include:

- Communities: Everyone has an equal chance to be healthier, happier, safer, and build sustainable communities;
- Enterprise: Help businesses to thrive and make Falkirk more prosperous; and
- Innovation: Innovative and entrepreneurial Council that is forward thinking and unafraid of change.

A [report to Scrutiny Committee](#) in June 2021 provides an overview of the Corporate Plan since its implementation in September 2020. It summarises the work to date to deliver on the three Council priorities and updates on the Performance Management Framework. This complements the regular reports to Scrutiny Committee on each of the three priorities throughout the year, in terms of impact and identifying any areas for further improvements. Aligned to that, the COTF programme continues to be the means of delivering large scale transformational change to our services across the Council.

COTF workstreams have been aligned to the three priorities, with established Workstream Boards in place. Each of the three boards meet to act as a programme management forum to ensure progress is being made towards delivering the Council's priorities and the 21 projects that sit within the COTF programme. Senior Responsible Officers (SROs) are in place for each workstream, and part of their role is to feed successes and issues to the 'Make it Happen Board', with the COTF Board providing overarching scrutiny of the programme. Updates will also be included in six-monthly Business Plan / COTF update reports to Council. Progress will be monitored by the Chief Executive, Directors, and cross-party elected Members, alongside the Head of People, Transformation and Technology and Change Manager.

The update reports will focus on the COTF priority projects. Reports will be brought before elected Members during the year on each of these priority projects seeking early Member agreement to progress service transformation and, where applicable, delivery of the consequential savings. The priority projects are also communicated at the monthly Council of the Future Elected Member seminars. Since January 2021, five of these seminars have been held with cross-party attendance receiving presentations on some of the key priority projects including Succeed Today, Excel Tomorrow; Climate Change; Employability; Communities Shaping Falkirk's Future; and the Transformation of Roads, Grounds & Street Cleansing.

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All of this helps tie in the lessons arising as a result of the COVID-19 outbreak are learned, and that new ways of working are properly captured within the Council's transformation programme. The approach highlights how crucial the views of our communities, businesses, and employees are, with our new priorities shaped by the results of our COVID-19 recovery engagement (as mentioned earlier in this Statement). It also lays down how we will bring these priorities to life against an extremely difficult financial backdrop through our COTF change programme and the decisions we need to make in how we run our day-to-day services.

As a first step towards shared decision making, the Community Choices project was launched in February 2021, where people and communities can get involved in the design, development, and delivery of activities, infrastructure, and services in their area. Communities across the area will decide how more than £3m is spent in the next two years. In the first round of Community Choices, 36 projects secured small grants funding totalling £51,047 and 23 projects secured place based capital funding totalling £579,428. The second round of Community Choices is now underway with the next round of funding expected to be announced at the end of February 2022.

Since January 2021, across the Falkirk Council area, a series of 'Community Conversations' have been run in each ward to better understand what's important to people. The Community Planning Board are working with partners in the community to co-design a new Local Outcomes Improvement Plan, called the Falkirk Plan. It will outline new governance arrangements and its approach to working with communities. It is due to be completed in its first draft by June 2021, with a more formal public consultation to follow on from that.

The Council continues to have well developed, and proportionate, arrangements in place in relation to the management of risk. A Corporate Risk Register captures the most significant risks to the Council, with lead officers responsible for ensuring that consequences and mitigating controls are captured. Risks also link to plans, such as the Business Plan and the Corporate Plan, as well as COTF projects, and actions arising from audits and inspections.

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 (CMT), and update reports are submitted to elected Members via the Audit, Executive, and Scrutiny Committees throughout the year. The most recent report to Audit Committee members in April 2021 included a summary of 'High' and 'Medium' corporate risks; and the Corporate Risk Dashboards, which rated the 'Service Operational Risks and Governance Groups' effectiveness as Substantial, Limited, or No Assurance, with plans in place to improve on the limited and no assurance areas.

This most recent report also included the Corporate Risk Assurance Map, which informs the 2021/22 'Deep Dive' plan (to be considered by Scrutiny Committee in June 2021). Deep Dives are an opportunity for the Scrutiny Committee to scrutinise the risks, mitigation actions, lessons learned, and where relevant, root causes in more detail. Scrutiny Committee will refer Deep Dives to the Executive if there are recommendations, with actions monitored as part of ongoing Service Assurance Statements.

A Risk Management Best Value Self-Assessment was co-ordinated by the Improvement Service. It included a Risk Survey and Risk Workshop with Corporate Management Team, Audit Committee, and Executive members between November 2020 and January 2021. The results informed minor updates to the current Risk Management Improvement Plan and Corporate Risk Dashboards (performance indicators). The key actions include a review of the CRM Policy and CRM training for elected Members (both being reviewed during 2021/22). CRM updates to CMT, Audit Committee, and Executive will include progress on the Corporate Risk Dashboards and Improvement Plan.

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 was 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-iterated the need for the Council to look after the physical and mental wellbeing of its workforce.

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As part of their Internal Audit Plan for 2020/21, Internal Audit reviewed the progress made with establishing the principles and practices set out in the Wellbeing Strategy via the Wellbeing Strategy Action Plan. As a result of COVID-19, wellbeing actions undertaken were different from those that were anticipated when the Wellbeing Strategy was approved. These actions include the considerable work involved in not only developing a comprehensive wellbeing section on the Council's website (containing a wide range of information and guidance), but also providing advice and support to Council Services and employees. Part of this role included conducting risk assessments to ensure a COVID-19 safe workplace.

Although the agreed Wellbeing Strategy Action Plan actions have not all been progressed (with work on the majority of them on hold due to COVID-19), it has been evident that, across all Services, the commitment to staff wellbeing and the culture of support has continued. For example, support as part of the re-opening of schools, and the establishment of an Employee Assistance Programme to support mental wellbeing. Mental health first aiders in the workplace have also been trained, and the Occupational Health Service, including physiotherapy services for musculoskeletal support, has continued.

ISO 45001 Occupational Health and Safety Management accreditation was achieved by Roads and Grounds Services for the first time in April 2021. This accreditation demonstrates commitment to keeping occupational health and safety risks under control through documented processes and systems, ensuring the needs and expectations of employees in relation to health and safety in the workplace are considered and met.

In addition, to meet the hygiene and safety requirements related to COVID-19, Children's Services recruited additional temporary employees to deliver an enhanced cleaning regime across all Council premises. The Workforce Plan notes that measures to ensure the safety and wellbeing of employees (such as ensuring appropriate physical distancing, conducting risk assessments, and providing protective equipment) "are likely to continue for many months to come".

The Council has, therefore, adapted to a changing environment and has taken steps to continue to support the wellbeing of its employees. On that basis, Internal Audit provided substantial assurance in relation to the governance, oversight, and decision-making structure around staff wellbeing, and the actions that have been taken to date. 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. The pandemic resulted in a significant and rapid change in the configuration of health and social care services. The Falkirk Integration Joint Board's Annual Governance Statement for 2020/21 recognises that the long-term impact and unintended consequences arising from the pandemic are uncertain and may require development of new services and enhanced support for existing services, such as, mental health and various community initiatives.

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.

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 was rescheduled into 2021.

Falkirk Council is one of the first post pandemic Best Value Assurance Reviews being undertaken. This will be a joint audit led by Audit Scotland and our external auditors Ernst and Young. The first scoping meeting was held with representatives from the Council on 12 April 2021, and significant fieldwork was undertaken between May and August 2021. A final report was considered by the Accounts Commission in December 2021 and the final report is due to be published in January 2022.

A number of aspects of governance have been a key focus of the Best Value Assurance Report, such as:

- the Council's vision and priorities;
- the leadership, culture and working relationships, and the effectiveness of governance and scrutiny arrangements;

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- a review of the council's assessment of its outcomes and performance, as reported to elected Members, and through public performance reporting;
- the Council's financial sustainability including how well the Council is managing its financial resources and planning for the future, in the context of the financial challenges it is facing, including the ongoing COVID-19 pandemic; and
- How effectively the Council delivers services with community partners and partner organisations, including, for example, the relationship with the Health and Social Care Partnership.

The Council will continue 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 2020/21, 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.

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. Recent recommendations from our External Auditors in their Annual Report have seen the Council agree to 'Fraud Activity' reports being presented to the Audit Committee.

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.

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 2020 – 2022, the Business Plan 2021/22 – 2023/24, and the fundamental statutory requirement to demonstrate and achieve best value. External monitoring is also key. An example of such is a Monitoring Audit which was carried out by Scottish Government within Development Services Growth and Investment Unit in June 2020. This looked at five awarded grants, assessment and approval processes, how payments were processed, and how all information is processed on the LARCS system. The Falkirk Council programme has been awarded a green RAG status (red, amber, green), by the Scottish Government, for the last four years.

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 2021. 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 former Internal Audit, Risk, and Corporate Fraud Manager left the Council in February 2021, with interim arrangements put in place to manage the team, however, a permanent successor has now been appointed.

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The establishment of a Quality Assurance and Improvement Programme for the section, ensures that an annual self-assessment and periodic external assessment of compliance with the Public Sector Internal Audit Standards is undertaken. The Internal Audit Manager (Acting) undertook a detailed self-assessment against the Standards in February 2021. 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 in 2022/23.

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 and has a remit to provide:

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

The Committee considers the Internal Audit, Risk, and Corporate Fraud Manager's Annual Assurance Report, which provides an independent opinion on the adequacy and effectiveness of the Council's arrangements for risk management, governance, and control. The 2020/21 report, which was considered by the Audit Committee on 21 June 2021, concluded that Substantial Assurance can be placed on the adequacy and effectiveness of the Council's overall framework of control for the year to 31 March 2021.

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 2021.

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 Development

A clear focus over the year will continue to 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 COTF 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.

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 within the context of our Business Plan and Medium Term Financial Plan. The statutory duty on Local Authorities, however, 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.

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The Accounts Commission's Best Value Assurance Report is due to be published in January 2022. The Council will develop an action plan to address the findings and recommendations detailed in the report and incorporate this within its overall business and financial planning arrangements.

The Integration Scheme was due to be reviewed by November 2020 in line with legislative requirements. However due to the impact of the global coronavirus pandemic, the review process was suspended to allow key personnel in both the Council and Health Board to focus on urgent COVID-19 priorities and to support frontline care provision to ensure core services could be maintained safely. This did not affect the operation of Falkirk Integration Joint Board and the existing integration scheme remains in force. A new working group has been established to take forward the review process with this expected to be concluded in the latter half of financial year 2021/22.

The Council agreed in January 2020 to bring the services provided by Falkirk Community Trust back in-house with a transfer date of 1st April 2022. A project plan has been developed to manage this process and this is currently being implemented to ensure the agreed transfer date is achieved.

In October 2019 CIPFA issued the Financial Management Code (FM Code). The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the FM Code sets out proposed standards of forward financial management for local authorities. The 2020/21 financial year was a shadow year for transitioning to compliance with the FM code with full compliance expected in 2021/22. From an initial evaluation the Council is able to confirm that it conforms to the FM Code in all major aspects. However, a more detailed evaluation will take place and any actions to enhance the existing compliance will be implemented.

The Corporate Risk Management (CRM) update to Audit Committee in April 2021 included the following CRM priorities for 2021/22:

- CRM Policy and CRM training to be refreshed during 2021/22;
- Governance Groups – CMT to address the areas of limited assurance - including Corporate Sustainability, Equalities, and Participation Groups;
- Scrutiny Committee Deep Dives – annual plan to be agreed in June 2021; and
- Service Assurance Statements – to be reviewed by Services and CRM Group quarterly.

The Business Plan, Medium Term Financial Plan, Economic Recovery Plan, Workforce Plan, and Corporate Plan will be used as the basis for delivering on our priorities. The recent 'Powering Our Priorities' action plan was put in play to strengthen the COTF change programme in terms of transformation and the financial profiling of projects. The priority projects will be reported to elected Members over the course of 2021/22 and will also be subject to ongoing Scrutiny reports.

Conclusion

This Annual Governance Statement summarises, openly and transparently, arrangements established by Falkirk Council for 2020/21 and the period to date. It highlights areas for improvement and is consistent with the Council's established improvement agenda.

.....
Councillor Cecil Meiklejohn
Leader of Falkirk Council
19 January 2022

.....
Kenneth Lawrie
Chief Executive of Falkirk Council
19 January 2022

Annual Remuneration Report 2020/21

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 2020/21 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 2020. 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 2020/21 the salary for the Leader of Falkirk Council is £35,713. 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 £26,785.

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 (£26,785). 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 £312,471. 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). On 30 September 2020, the Council agreed that given the Leader of the Opposition (being the leader of the largest Opposition Group, Labour) was currently remunerated as a Senior Councillor, in recognising the current makeup of the Council, the Leader of the other Opposition Group, Conservatives, should also be remunerated as a Senior Councillor (Level 2).

In 2020/21 Falkirk Council had 9 Level 1 Senior Councillors each with a salary of £23,933 and 1 Level 2 Senior Councillors with a salary of £20,063 and the remuneration paid to these Councillors totalled £245,492. 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 2020/21.

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 2020/21 is as follows:

Remuneration Bands	Number of Employees		Chief Officials		Teachers		SJC Employees	
			2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£50,000 - £54,999	129	159	-	-	106	101	23	58
£55,000 - £59,999	103	108	-	1	75	79	28	28
£60,000 - £64,999	57	60	1	-	48	45	8	15
£65,000 - £69,999	18	22	-	-	15	20	3	2
£70,000 - £74,999	3	5	-	-	3	4	-	1
£75,000 - £79,999	4	-	2	-	1	-	1	-
£80,000 - £84,999	7	11	6	8	1	2	-	1
£85,000 - £89,999	2	3	-	-	2	3	-	-
£90,000 - £94,999	2	2	-	-	2	2	-	-
£95,000 - £99,999	4	4	3	3	1	1	-	-
£100,000 - £104,999	1	1	1	1	-	-	-	-
£105,000 - £109,999	3	-	3	-	-	-	-	-
£110,000 - £114,999	-	2	-	2	-	-	-	-
£140,000 - £144,999	-	1	-	1	-	-	-	-
£145,000 - £149,999	1	-	1	-	-	-	-	-
Total	334	378	17	16	254	257	63	105

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 2020/21
- there were no employees of the body whose remuneration in 2020/21, 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 2020/21
- there were no employees of the body whose remuneration in 2020/21 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:

Explanatory & Assurance Statements

Remuneration paid to Falkirk Council's Senior Councillors

Name	Position(s)	Salary, Fees & Allowances	
		2020/21 £	2019/20 £
David Alexander	Portfolio Holder, Economic Development.	23,933	23,418
David Balfour	Convener of Central Scotland Valuation Joint Board.	22,320	21,840
Robert Bissett	Leader of the Opposition (Labour)	20,063	19,631
Gary Bouse	Portfolio Holder, Resources.	23,933	23,418
William Buchanan	Provost.	26,785	26,208
Fiona Collie	Portfolio Holder, Health and Social Care.	23,933	23,418
Paul Garner	Portfolio Holder, Environment.	23,933	23,418
Gordon Hughes	Portfolio Holder, Housing.	23,933	23,418
James Kerr	Leader of the Opposition (Conservative) from 1/10/20	10,031	-
Adanna McCue	Portfolio Holder, Education.	23,933	23,418
Cecil Meiklejohn	Leader of the Council.	35,713	34,944
Laura Murtagh	Portfolio Holder, Public Protection.	23,933	23,418
Ann Ritchie	Depute Provost.	23,933	23,418
Robert Spears	Portfolio Holder, Culture, Leisure & Tourism.	23,933	23,418
Total		330,309	313,385

The amount recharged to Central Scotland Valuation Joint Board in 2020/21 was £6,110 (2019/20 £5,978).

There were no taxable expenses and no non-cash expenses and benefits in kind in 2020/21 (2019/20, nil).

Remuneration paid to all Members in 2020/21 was:

2019/20 £'000		2020/21 £'000
610	Salaries	625
8	Allowances (Mileage)	-
2	Expenses	1
620		626

The annual return of Councillors' salaries and expenses for 2020/21 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.

Explanatory & Assurance Statements

Remuneration of Senior Employees of Falkirk Council

Name	Post Title	Salary, Fees and Allowances £	Other Amounts £	Total Remuneration 2020/21 £	Total Remuneration 2019/20 £
K Lawrie	Chief Executive	143,553	-	143,553	147,235
R Geisler	Director of Development Services (left 30/08/20)	58,103	-	58,103 (full year equivalent 112,345)	109,073
D Duff	Acting Director of Development Services (started 31/08/20)	65,837	-	65,837 (full year equivalent 112,345)	-
S Ritchie	Director of Corporate & Housing Services	112,345	-	112,345	109,073
R Naylor	Director of Children's Services	112,345	-	112,345	109,073
B Smail	Chief Finance Officer (Section 95 Officer)	97,961	-	97,961	95,108
S Lacey	Head of Social Work Children's Services (CSWO)	98,361	-	98,361	95,108
Total		688,505	-	688,505	664,670

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

There were no "Other Amounts" covering election duties and related fees received during 2020/21 (2019/20 £9,867). These payments are reimbursed by either the Scottish Government or the Government of the United Kingdom.

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

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

Remuneration paid to relevant persons of Falkirk Community Stadium Ltd

Name	Post Title	Salary, Fees and Allowances £	Benefits other than in cash £	Total Remuneration 2020/21 £	Total Remuneration 2019/20 £
D Hanley	Stadium Manager	45,460	-	45,460	42,765
Total		45,460	-	45,460	42,765

Remuneration paid to relevant persons of Falkirk Community Trust Ltd

Name	Post Title	Salary, Fees and Allowances £	Benefits other than in cash £	Total Remuneration 2020/21 £	Total Remuneration 2019/20 £
M Campbell	Chief Executive	98,143	-	98,143	95,284
Total		98,143	-	98,143	95,284

Explanatory & Assurance Statements

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 2020/21 are as follows:

Wholetime Pay	Contribution Rate	
	2019/20	2020/21
On earnings up to and including £22,200	5.50%	5.50%
On earnings above £22,200 and up to £27,100	7.25%	7.25%
On earnings above £27,100 and up to £37,200	8.50%	8.50%
On earnings above £37,200 and up to £49,600	9.50%	9.50%
On earnings above £49,600	12.00%	12.00%

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

There is now no automatic entitlement to a lump sum. Scheme members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

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 2021 are shown in the table below, together with the contribution made by the Council to each Senior Councillor's pension during the year.

Explanatory & Assurance Statements

Name	In-Year Pension Contributions for year to 31/03/2021 £	Accrued Pension Benefits			
		As at 31/03/2021		Difference from 31/03/2020	
		Pension £	Lump Sum £	Pension £	Lump Sum £
David Alexander	5,385	11,000	17,000	1,000	-
David Balfour	5,022	4,000	-	1,000	-
Robert Bissett	4,514	2,000	-	1,000	-
Gary Bouse	5,385	2,000	-	1,000	-
Fiona Collie	5,385	2,000	-	1,000	-
Paul Garner	5,385	3,000	-	1,000	-
Gordon Hughes	5,385	6,000	2,000	1,000	-
James Kerr Leader of the Opposition (Conservative) from 01/10/20	4,266	1,000	-	-	-
Adanna McCue	5,385	2,000	-	1,000	-
Cecil Meiklejohn	8,035	7,000	-	-	-
Laura Murtagh	5,385	2,000	-	1,000	-
Robert Spears	5,385	6,000	2,000	1,000	-
Total	64,917	48,000	21,000	10,000	-

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 2021 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 31/03/21 £	Accrued Pension Benefits			
			As at 31/03/2021		Difference from 31/03/2020	
			Pension £	Lump Sum £	Pension £	Lump Sum £
D Duff	Acting Director of Development Services (started 31/08/20)	22,600	58,000	112,000	11,000	21,000
R Geisler	Director of Development Services (left 30/08/20)	10,464	63,000	120,000	1,000	1,000
S Lacey	Head of Social Work, Children's Services (CSWO)	22,041	9,000	-	2,000	-
K Lawrie	Chief Executive	32,299	56,000	78,000	5,000	3,000
K Lawrie	Returning Officer	-	1,000	-	-	-
R Naylor	Director of Children's Services	25,278	70,000	5,000	4,000	-
S Ritchie	Director of Corporate & Housing Services	25,278	63,000	114,000	4,000	3,000
B Smail	Chief Finance Officer (Section 95 Officer)	22,041	52,000	90,000	2,000	3,000
Total		160,001	372,000	519,000	29,000	31,000

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.

Explanatory & Assurance Statements

Pension Rights of relevant persons of Falkirk Community Stadium Ltd

The pension entitlement of the Stadium Manager for the year to 31 March 2021 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 31/03/2021 £	Accrued Pension Benefits			
			As at 31/03/2021		Difference from 31/03/2020	
			Pension £	Lump Sum £	Pension £	Lump Sum £
D Hanley	Stadium Manager	10,235	9,000	-	1,000	-

Pension Rights of relevant persons of Falkirk Community Trust Ltd

The Pension entitlement of the Chief Executive for the year to 31 March 2021 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 31/03/21 £	Accrued Pension Benefits			
			As at 31/03/2021		Difference from 31/03/2020	
			Pension £	Lump Sum £	Pension £	Lump Sum £
M Campbell	Chief Executive	22,082	49,000	82,000	3,000	3,000

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 2020/21.

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 2020/21 or 2019/20.

Exit Packages agreed with former employees of Falkirk Council

Bands	Number of Exit Packages			
	2019/20	Total Payments £	2020/21	Total Payments £
Up to £20k	18	192,243	7	88,720
Over £20k up to £40k	9	254,606	3	83,156
Over £40k up to £60k	6	279,173	1	51,668
Over £60k up to £80k	6	403,989	-	-
Over £80k up to £100k	3	275,465	-	-
Over £100k up to £150k	3	339,370	2	214,979
Over £150k up to £200k	1	150,346	-	-
Over £250k up to £300k	1	278,121	-	-
Number of Packages	47	2,173,313	13	438,523

Explanatory & Assurance Statements

Exit Packages agreed with former employees of Falkirk Community Stadium Ltd

There were no exit packages agreed in either 2020/21 or 2019/20.

Exit Packages agreed with former employees of Falkirk Community Trust Ltd

Bands	Number of Exit Packages			
	2019/20	Total Payments £	2020/21	Total Payments £
Up to £20k	3	24,406	1	2,090
Number of Packages	3	24,406	1	2,090

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 2020 – 31 March 2021

2019/20			2020/21	
Education	Other		Education	Other
16	31	Number of employees who were relevant union officials during the relevant period	18	24
14.7	29.5	Number of full-time equivalent employees	16.3	20.93
-	8	Number of employees analysed by % of time spent on Facility Time		
15	18	• 0%	6	6
-	4	• 1%-50%	11	15
1	1	• 51%-99%	-	1
		• 100%	1	2
£69,436	£114,606	Total cost of Facility Time	£82,170	£126,990
0.06%	0.1%	% of Total pay bill spent on Facility Time	0.06%	0.1%
20%	5%	% Time spent on paid trade union activities as % of total paid facility hours	18.9%	0.8%

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.

In this statement expenditure and a deficit are positive signage, income and a surplus are negative signage

Falkirk Council 2019/20			Group Net Expend £'000	Falkirk Council 2020/21				Group Net Expend £'000
Gross Expend £'000	Gross Income £'000	Net Expend £'000			Gross Expend £'000	Gross Income £'000	Net Expend £'000	
233,639	(23,182)	210,457	210,418	Children's Services	244,744	(31,559)	213,185	213,174
178,181	(104,457)	73,724	73,724	Social Work Adult Services	182,917	(109,229)	73,688	73,687
60,946	(14,707)	46,239	46,338	Development Services	64,392	(15,432)	48,960	49,069
67,112	(34,764)	32,348	32,431	Corporate & Housing Services	66,286	(32,785)	33,501	33,487
68,535	(62,860)	5,675	5,675	Housing Revenue Account	27,661	(64,702)	(37,041)	(37,042)
1,257	-	1,257	1,257	Valuation Joint Board	1,392	-	1,392	1,392
10,899	-	10,899	11,225	Falkirk Community Trust	10,927	-	10,927	10,378
620,569	(239,970)	380,599	381,068	Net Cost of Services	598,319	(253,707)	344,612	344,145
-	(1,984)	(1,984)	(1,984)	Other Operating Expenditure (Gains) or Losses on disposal of Non-Current and Current Assets	310	-	310	310
				Financing and Investment Income and Expenditure				
35,577	(36,414)	(837)	(837)	(Surplus) or deficit on trading undertakings (note15)	27,964	(27,968)	(4)	(4)
24,451	-	24,451	24,469	Interest Payable and Similar Charges (note 40)	23,572	-	23,572	23,572
-	(780)	(780)	(807)	Interest & Investment Income	-	(176)	(176)	(178)
30,401	(22,127)	8,274	8,274	Pension interest cost & interest income on plan assets (note17)	26,168	(19,920)	6,248	6,248
90,429	(59,321)	31,108	31,099		77,704	(48,064)	29,640	29,638
				Taxation and Non-Specific Grant Income				
-	(66,217)	(66,217)	(66,217)	Council Tax	-	(68,759)	(68,759)	(68,759)
-	(211,868)	(211,868)	(211,868)	Government Grants (note 37)	-	(270,094)	(270,094)	(270,094)
-	(30,359)	(30,359)	(30,359)	Capital Grants, Contributions & Donations (note 37)	-	(26,075)	(26,075)	(26,075)
-	(69,739)	(69,739)	(69,739)	Non-Domestic Rates redistribution	-	(46,281)	(46,281)	(46,281)
-	(1,454)	(1,454)	(1,454)	Non-Domestic Rates – TiF	-	(1,636)	(1,636)	(1,636)
-	(379,637)	(379,637)	(379,637)		-	(412,845)	(412,845)	(412,845)
710,998	(680,912)	30,086	30,546	(Surplus) or Deficit on Provision of Services	676,333	(714,616)	(38,283)	(38,752)
			425	Share of the (Surplus) or Deficit on Provision of Services by Associates & Joint Ventures				(5,648)
			30,971	Group (Surplus) or Deficit				(44,400)
		(87,239)	(88,175)	(Surplus) or deficit on revaluation of non-current assets and current assets			(30,272)	(30,241)
		(91,267)	(91,267)	Remeasurements of pension assets/liabilities (note 11)			118,782	118,782
			(790)	Share of Other Comprehensive Income & Expenditure of Associates & Joint Ventures				(790)
		(178,506)	(180,232)	Other Comprehensive Income and Expenditure			88,510	87,751
		(148,420)	(149,261)	Total Comprehensive Income and Expenditure			50,227	43,351

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 2021

	Falkirk Council Reserves					Total Council Reserves £'000	Council's Share of Group Entity Reserves		Total Group Reserves £'000
	General Fund Balance £'000	HRA Balance £'000	Capital and Other Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000		Usable £'000	Unusable £'000	
Balance at 31/3/20	(19,193)	(5,093)	(11,112)	(35,398)	(450,117)	(485,515)	2,416	64	(483,035)
Movement in reserves during 2020/21									
Total Comprehensive Income and Expenditure	(3,783)	(34,500)	-	(38,283)	88,510	50,227	(6,116)	(760)	43,351
Adjustments between accounting basis and funding basis under regulations (note9)	(16,729)	31,675	52	14,998	(14,998)	-	(150)	150	-
Transfers to/from Other Statutory Reserves	297	93	(390)	-	-	-	-	-	-
(Increase)/Decrease in 2020/21	(20,215)	(2,732)	(338)	(23,285)	73,512	50,227	(6,266)	(610)	43,351
Balance at 31/3/21	(39,408)	(7,825)	(11,450)	(58,683)	(376,605)	(435,288)	(3,850)	(546)	(439,684)

Movement in Reserves Statement for the year ended 31 March 2020

	Falkirk Council Reserves					Total Council Reserves £'000	Council's Share of Group Entity Reserves		Total Group Reserves £'000
	General Fund Balance £'000	HRA Balance £'000	Capital and Other Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000		Usable £'000	Unusable £'000	
Balance at 31/3/19	(21,902)	(5,093)	(13,265)	(40,260)	(296,835)	(337,095)	1,748	1,573	(333,774)
Movement in reserves during 2019/20									
Total Comprehensive Income and Expenditure	24,302	5,784	-	30,086	(178,506)	(148,420)	885	(1,726)	(149,261)
Adjustments between accounting basis and funding basis under regulations (note9)	(21,097)	(5,734)	1,607	(25,224)	25,224	-	(217)	217	-
Transfers to/from Other Statutory Reserves	(496)	(50)	546	-	-	-	-	-	-
(Increase)/Decrease in 2019/20	2,709	-	2,153	4,862	(153,282)	(148,420)	668	(1,509)	(149,261)
Balance at 31/3/20	(19,193)	(5,093)	(11,112)	(35,398)	(450,117)	(485,515)	2,416	64	(483,035)

Financial Statements

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".

Council 2019/20 £'000	Group 2019/20 £'000		Council 2020/21 £'000	Group 2020/21 £'000	Notes
		Non-Current Assets			
1,133,619	1,140,344	Property, Plant & Equipment	1,205,863	1,212,324	20
266	265	Heritage Assets	266	266	21
1,574	1,574	Intangible Assets	1,315	1,315	19
4,097	499	Long Term Investments	4,097	499	27,38
5,429	4,420	Long Term Debtors	5,142	4,134	30
1,144,985	1,147,102		1,216,683	1,218,538	
		Current Assets			
260	398	Inventories	842	959	31
26,978	27,424	Short Term Debtors	32,617	33,268	33
34,379	35,664	Cash and Cash Equivalents	51,062	52,237	35
1,917	1,917	Assets Held for Sale	2,038	2,138	23
63,534	65,403		86,559	88,602	
		Current Liabilities			
(43,159)	(42,380)	Short Term Borrowing	(44,790)	(44,015)	28
(62,884)	(64,012)	Creditors (including provisions)	(79,118)	(79,715)	29,34
(106,043)	(106,392)		(123,908)	(123,730)	
		Long Term Liabilities			
(239,590)	(246,294)	Long Term Borrowing	(235,589)	(242,294)	28
(272,489)	(272,489)	Defined Benefit Pension Scheme Liability	(409,758)	(409,758)	17
(90,717)	(90,717)	Other Long-Term Liabilities	(83,613)	(83,613)	39
(14,165)	(14,165)	Capital Grants and Receipts Received in Advance	(15,086)	(15,086)	37
-	587	Liabilities in Associates and Joint Ventures		7,025	
(616,961)	(623,078)		(744,046)	(743,726)	
485,515	483,035	Net Assets	435,288	439,684	
(35,398)	(35,398)	Usable Reserves	(58,683)	(58,683)	10
-	2,416	Group Entities	-	(3,851)	
(35,398)	(32,982)		(58,683)	(62,534)	
(450,117)	(450,117)	Unusable Reserves	(376,605)	(376,604)	11
-	64	Group Entities	-	(546)	
(450,117)	(450,053)		(376,605)	(377,150)	
(485,515)	(483,035)	Total Reserves	(435,288)	(439,684)	

The unaudited accounts were issued on 28 June 2021 and the audited financial statements were authorised for issue on 19 January 2022.

Bryan Smail, CPFA MBA
Chief Finance Officer
19 January 2022

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.

Council 2019/20 £'000	Group 2019/20 £'000		Council 2020/21 £'000	Group 2020/21 £'000
30,086	30,971	Net (surplus) or deficit on the provision of services	(38,283)	(44,400)
(83,257)	(83,206)	Adjust net surplus or deficit on the provision of services for non-cash movements	(50,652)	(44,424)
30,359	30,359	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26,075	26,075
(22,812)	(21,876)	Net cash flows from operating activities	(62,860)	(62,749)
		Investing Activities		
77,472	77,472	Purchase of property, plant & equipment, investment property and intangible assets	65,066	65,066
-	-	Other payments for investing activities	-	-
(3,885)	(3,885)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(962)	(962)
(33,680)	(33,680)	Other receipts and investing activities	(27,102)	(27,102)
39,907	39,907	Net cash flows from investing activities	37,002	37,002
		Financing Activities		
(50,418)	(50,418)	Cash receipts of short and long-term borrowing	(48,298)	(48,298)
6,775	6,775	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	6,805	6,805
33,967	33,967	Repayments of short and long-term borrowing	50,668	50,668
(9,676)	(9,676)	Net cash flows from financing activities	9,175	9,175
7,419	8,355	Net (increase) or decrease in cash and cash equivalents	(16,683)	(16,572)
(41,798)	(44,020)	Cash and cash equivalents at the beginning of the reporting period	(34,379)	(35,665)
		Cash and cash equivalents at the end of the reporting period		
(47)	(47)	Cash held by Officers	(45)	(45)
(815)	(2,101)	Bank Current Accounts	(2,498)	(3,673)
(33,517)	(33,517)	Short-term deposits	(48,519)	(48,519)
(34,379)	(35,665)		(51,062)	(52,237)

The cash flows for operating activities include interest paid of £23.572m (2019/20 £24.451m) and interest received of £0.176m (2019/20 £0.780m).

Financial Statements

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

Council 2019/20 £'000		Council 2020/21 £'000
1,967	Net Gain/(Loss)	(310)
(978)	Amortisation of Intangible Assets	(728)
(59,042)	Depreciation & Impairment of Fixed Assets	(21,970)
(29,594)	Net Charges for Retirement Benefits	(18,487)
(2,005)	Movement in Debtors	5,456
6,360	Movement in Creditors	(15,195)
35	Movement in Stock	582
(83,257)		(50,652)

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

23,951	Capital Grants General Fund	21,970
6,408	Capital Grants HRA	4,105
30,359		26,075

Supplementary Statements

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.

2019/20 £'000		2020/21 £'000
(58,234)	Dwelling Rents	(60,576)
(1,571)	Non-Dwelling Rents	(1,536)
(2,482)	Other Income	(1,554)
(62,287)	Total Income	(63,666)
24,481	Repairs and Maintenance	17,681
18,093	Supervision and Management	22,491
23,209	Depreciation and Impairment of Non-Current Assets	(15,918)
1,721	Other Expenditure	1,512
206	Increase/(Decrease) in Bad Debts Provision	612
67,710	Total Expenditure	26,378
5,423	Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement	(37,288)
252	HRA Services Share of Corporate and Democratic Core	247
5,675	Net Expenditure of HRA Services	(37,041)
HRA Share of Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:		
(3)	(Gain)/Loss on Sale of HRA Non-Current Assets	-
6,332	Interest Payable and similar charges	6,390
(157)	Interest and Investment Income	(17)
343	Pensions Interest Cost and Expected Return on Pension Assets	273
(6,408)	Recognised Capital Grant Income	(4,105)
5,782	(Surplus)/Deficit for the Year	(34,500)

Movement on the Housing Revenue Account Statement

2019/20 £'000		2020/21 £'000
(5,093)	Balance on the HRA at the end of the previous year	(5,093)
5,782	(Surplus) or Deficit for the year on HRA Income and Expenditure Statement	(34,500)
(5,732)	Adjustments between Accounting Basis and Funding Basis under Statute	31,675
50	Net (Increase) or Decrease before transfers to or from Reserves	(2,825)
(50)	Transfers to or (from) Reserves	93
-	(Increase) or Decrease in Year on the HRA	(2,732)
(5,093)	Balance on the HRA at the end of the Current Year	(7,825)

Supplementary Statements

Housing Revenue Account Disclosures

Adjustments between Accounting Basis and Funding Basis under Statute

2019/20 £'000		2020/21 £'000
3	Gain or (loss) on sale of HRA non-current assets	-
8,141	Capital expenditure charged to the HRA	6
(23,209)	Depreciation and Impairment	15,918
5,971	Statutory Repayment of Debt (Loans Fund Advances)	13,544
(3,107)	HRA share of contributions to or from the Pensions Reserve	(1,959)
(4)	Accumulated Absences Account	(4)
65	Difference between any other item of income and expenditure determined in accordance with the Code and statutory HRA requirements	65
6,408	Recognised Capital Grant Income	4,105
(5,732)	Total	31,675

The depreciation and impairment figure is usually a credit in the above table. However, in 2020/21, council dwellings were revalued upwards and impairments that had previously been charged to the Income and Expenditure Statement were reversed. The credit to the Income and Expenditure Statement is reversed in the table above, resulting in the large debit figure.

Housing Stock

The Council Housing Stock at 31 March 2021 was 16,636 properties in the following categories.

2019/20 Number		2020/21 Number
2,719	One bedroom and under	2,729
8,823	Two bedrooms	8,900
4,472	Three bedrooms	4,511
477	Four bedrooms	478
18	Five bedrooms and larger	18
16,509	Total	16,636
£68.35	Average Weekly rent (52-week basis)	£70.46

The increase in housing stock numbers is a combination of the new build activity that the Council has been undertaking and the buy back programme where the Council buys back Council houses that had previously been sold.

Rent Arrears

Rent Arrears at 31 March 2021 were £5,658,986 (£4,327,021 in 2019/20).

Bad Debt Provision

An impairment of £4.032m has been provided in the Balance Sheet for irrecoverable rents, an increase of £0.612m from the provision in 2019/20.

Losses on Void Properties

2019/20 £'000		2020/21 £'000
746	Dwelling Rents	930
255	Non-Dwelling Rents	285
1,001	Total	1,215

Supplementary Statements

Council Tax Income Account

The council tax income account (Scotland) shows the gross income raised from council taxes levied and deductions made under statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the authority

2019/20 £'000		2020/21 £'000
84,605	Gross Council Tax Levied	89,204
(153)	Prior Year Adjustments	(226)
84,452	Total Income	88,978
7,966	Council Tax Reduction	8,812
810	Provisions Against Bad and Doubtful Debts	1,295
9,460	Other Discounts and Reductions	10,112
18,236	Total Expenditure	20,219
66,216	Net Council Tax Income transferred to General Fund	68,759

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 2020/21 are as follows:

Band	£ per Dwelling
A*	£680.88
A	£817.05
B	£953.23
C	£1,089.40
D	£1,225.58
E	£1,610.28
F	£1,991.57
G	£2,400.09
H	£3,002.67

* Band 'A' with Disabled Persons Relief

Supplementary Statements

Calculation of the Council Tax Base per 2020/21 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	22,256	19,449	7,030	9,134	9,085	5,849	2,950	69	75,822
Exempt Dwellings	n/a	1,118	617	205	151	93	37	28	2	2,251
Chargeable Dwellings	n/a	21,138	18,832	6,825	8,983	8,992	5,812	2,922	67	73,571
Disabled Reduction	n/a	74	85	50	54	88	65	19	-	435
Adjusted Chargeable Dwellings	74	21,149	18,797	6,829	9,017	8,969	5,766	2,903	67	73,571
Discounts (25%)	27	12,645	7,303	2,962	2,761	1,788	771	269	9	28,535
Discounts (due to being second homes)	-	-	-	-	-	-	-	-	-	-
Discount (long term empty properties)	-	304	189	77	61	32	17	13	1	694
Discount (occupied by disregarded adults)	6	233	256	102	137	117	55	32	-	938
Not entitled to discount	41	7,967	11,049	3,688	6,058	7,032	4,923	2,589	57	43,404
Effective Dwellings	64	17,719	16,749	5,999	8,228	8,448	5,537	2,813	63	65,620
Ratio to Band D	5 / 9	2 / 3	7 / 9	8 / 9	1	1 1/3	1 5/8	2	2 4/9	
No. of Band D Equivalents	36	12,008	13,190	5,418	8,312	11,175	9,038	5,544	161	64,882
Add: Estimated Growth in tax base										204
Less: Dwellings for which collection of Council Tax is considered to be doubtful - 98% collection offset by prior year collection										1,197
Council Tax (£'000)										78,301
Less: Impact of Council Tax Reduction Scheme (£'000)										8,812
Budgeted Council Tax Base (£'000)										69,490

Supplementary Statements

Non-Domestic Rates Account

The non-domestic rate account reflects the statutory obligation for billing authorities to maintain a separate non-domestic rate account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

2019/20 £'000		2020/21 £'000
93,536	Rate Levied (including large Business Supplement)	92,953
	Less:	
(15,317)	Reliefs and Other Deductions	(33,426)
(1,081)	Write-Off of Uncollectable Debts	(581)
77,138	Net Non-Domestic Rate Income	58,947
(3,042)	Adjustments to previous years National Non-Domestic Rates	(5,153)
-	Non-Domestic Rate Income Retained by Authority (BRIS)	-
(1,426)	Non-Domestic Rate Income Retained by Authority (TIF)	(1,607)
72,670	Contribution to Non-Domestic Rate Pool	52,187
69,739	Distribution from Non-Domestic Rate Pool	46,281
69,739	Income Credited to the Comprehensive Income and Expenditure Statement	46,281

Rate Pounding

The Non-Domestic Rates (NDR) charge for each property is determined by the rateable value placed upon it by the Assessor, multiplied by the National Rate Pounding which is set by Scottish Ministers. The Rate Pounding was set at 51.1 pence for properties with a rateable value in excess of £51,000 and 49.8 pence for rateable values less than £51,000

Analysis of Rateable Values as at 1 April 2020

	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	5,656	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	1.07
Petrochemical	15	32,019	17.11
Religious	114	1,611	0.86
Health/Medical and Care Facilities	157	13,484	7.2
Utilities	38	10,431	5.58
Communications, Advertising and Other	366	2,201	1.18
Total	5,251	187,158	100

Supplementary Statements

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.

2019/20 £'000		Former Bo'ness Town Council 2020/21 £'000	Former Denny Town Council 2020/21 £'000	Former Grangemouth Town Council 2020/21 £'000	Former Falkirk Town Council 2020/21 £'000	Total £'000
Income and Expenditure Account						
Income						
(23)	Rents Received	-	-	-	(23)	(23)
-	Capital Income	-	-	-	(76)	(76)
(5)	Interest	-	-	-	(2)	(2)
(28)	Total Income	-	-	-	(101)	(101)
Expenditure						
24	Depreciation	-	12	-	27	39
99	Other	-	-	-	30	30
(935)	Revaluation Impairment	-	-	-	31	31
(812)	Total Expenditure	-	12	-	88	100
(840)	(Surplus)/Deficit for Year	-	12	-	(13)	(1)
Balance Sheet						
1,057	Fixed Assets	7	251	-	804	1,062
779	Investments	53	6	23	692	774
-	Creditors	-	-	-	-	-
1,836	Net Assets	60	257	23	1,496	1,836
Financed by:						
204	Asset Revaluation Reserve	5	164	-	18	187
853	Capital Adjustment Account	2	87	-	786	875
779	Revenue Reserve	53	6	23	692	774
1,836		60	257	23	1,496	1,836

Bryan Smail, CPFA MBA
Chief Finance Officer
19 January 2022

Note 1: General Accounting Policies

General Principles and Accounting Concepts

The Annual Accounts summarise the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2021. 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 2020/21 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 (2020/21), 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 (MTFP) and Revenue Budget for 2021/22 at its meeting on 11 March 2021. In order to maintain a balanced budget for 2021/22, the Council was required to bridge a budget gap of £17.3 million, including service savings of £3.2 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 develop the MTFP, and further updates were considered at the Council meeting of 18 May 2021, and the Executive on 19 October 2021. The latest projections show the Council has a remaining budget gap of

Notes to the Financial Statements

£8.8m in 2022/23. In addition to known costs, there remains a risk that further costs will continue to be incurred. A range of savings options will be identified for elected member consideration within Budget Working Groups that are convened to allow the Council to set a balanced budget for 2022/23 in February/March 2022. The MTFP includes the use of fiscal flexibilities relating to the use of capital receipts and debt repayments. Other measures available to the Council include reprioritisation of earmarked reserves and balances, revisions to service delivery or service standards and identification of additional saving measures.

The Council has established a minimum uncommitted general fund target of £7.5m. The uncommitted general fund balance at 31 March 2021 is £9.8m. The most recent budget morning update for 2021/22 reported to Council in October 2021, forecasts that the general fund balance will be £10.6m at 31 March 2022. Further earmarked reserves have been carried forward to support further net costs associated with the pandemic in 2021/22. Should additional cost pressures exceed the remaining general reserve balance, the Council will consider a range of options to balance the budget, as outlined above.

COSLA and all 32 Councils will continue to identify emerging risks and collate 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.

Falkirk Council has a high level of balances of cash short term investments, totalling £56.6 million at 31 March 2021. 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 additional funding from the Scottish Government. The Council's cash flow is monitored daily by management and the Council does not forecast any cash flow shortage. 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. The budgeted long term borrowing requirement for 2020/21 to fund capital expenditure was £83.3m, with an actual long term borrowing requirement of £56.8m. The borrowing requirement was expected to reduce significantly as a result of COVID-19 and its impact on cash balances and expenditure. The budgeted borrowing requirement for 2021/22, per the Annual Treasury Management Strategy, is £128.1m.

On this basis, the Council is satisfied that it has sufficient reserves and liquidity to continue as a going concern for a period of at least 12 months from authorisation of the financial statements.

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.

Notes to the Financial Statements

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 exclude 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.

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 2021/22 Code and will therefore be applicable to authorities for the 2021/22 financial year reporting:

Amendments to IFRS3 Business Combinations: Definition of a Business

Update a reference in IFRS3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Clarifies the definition of a business to help entities determine whether an acquired set of activities and assets is a business or not.

Amendments to IFRS9, IAS39 and IFRS7: Interest Rate Benchmark Reform

These amendments conclude phase 1 to respond to the effects of Interbank Offered Rate (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16 – Interest Rate Benchmark Reform – Phase 2

The Phase 2 amendments compliment the Phase 1 amendments. The amendments include the potential reinstatement of hedge relationships that were discontinued solely due to changes directly required by the reform.

IFRS16 Leases

The implementation date for IFRS16 was originally 1 April 2020 for local authorities but this has been deferred twice and is now 1 April 2022. 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

Notes to the Financial Statements

for economic development purposes and are now classified as Property, Plant and Equipment. The value of these assets within the Council's accounts is £48.2m.

- 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 £203.5m at 31 March 2021) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.
- Acting as a principal or agent in financial transactions – the Council has applied a judgement in determining the recognition of income and expenditure related to Scottish Government grants where it may be considered to be either an agent or the principal in receiving and distributing funds. In particular in 2020/21 this judgement has been applied to funds related to COVID-19 that were received and distributed during the year. This has resulted in £38.5m being recognised by the Council as grant income, where the Council is considered to be the principal and acting on its own behalf, as disclosed in note 37. £39.5m is disclosed in note 16 but not recognised in the financial statements, where the Council is considered to be an agent and acting on behalf of the Scottish Government.

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 2021 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 actuarial inputs into the pension liability valuation are subject to annual review and have a significant impact on the potential valuation. Historically it is common for small changes in the discount rate, salary assumption rate and pension rate to have material impacts on the yearend valuations on a year to year basis. The potential impact of future changes is outlined below. The pension liability as at 31 March 2021 following the updated actuarial valuation was £409.8 million, an increase of £137 million from 31 March 2020. This was driven by a 50% increase in the CPI rate used, a 50% increase in the salary rate and a 13% decrease in the discount rate.

More information on the key assumptions used in the actuarial valuation of the estimates is available in note 17 to the accounts, including information on the key assumptions, risks and sensitivities. An update is also included in this note on the latest development around a number of equalisation adjustments to pension liabilities which have occurred in LGPS and may continue to materially impact the valuation of the Council's liability going forward.

Guaranteed Minimum Pension (GMP)

GMP was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females, however overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement

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and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits. The fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of the Council for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards. This increased liability has been reflected in the annual accounts as a past service cost in 2019/20 and no further impact assessed at 31 March 2021.

McCloud Judgement

When the LGPS benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. Following legal proceedings argued in the McCloud and Sargeant cases, the Court of Appeal found that the transitional provisions introduced in the judges and firefighters' pension schemes in 2015 gave rise to unlawful age discrimination. The UK Government requested leave to appeal this finding but this was refused by the Supreme Court on 27 June 2019. The UK Government has formally accepted the Court's decision and, recognising the implications for all public sector pension schemes, is engaging with relevant representatives to agree how the discrimination will be remedied. In July 2020, following the UK Government consultation, the Falkirk Pension Fund's actuary adjusted GAD's estimate to better reflect the council's local assumptions, particularly withdrawal rates and salary increases. The estimated impact of the McCloud judgement included in the 2018/19 financial statements as a past service cost was estimated at £4.8m. These numbers are a high level estimate based on a combination of scheme and fund level calculations and therefore depend on various key assumptions which may or not be borne out in practice. This had no further impact assessed at 31 March 2021.

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 2021	Approx % increase to Employer Liability	Approx monetary amount £'000
0.5% decrease in Real Discount Rate	10%	140,423
0.5% increase in the Salary Increase Rate	1%	16,660
0.5% increase in the Pension Increase Rate	8%	120,574

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 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.

Effect if Actual Results Differ from Assumptions

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.

Property Valuations –COVID-19

As at 31 March 2020 there was an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base judgements. The valuations of Non-Operational Assets in 2019/20 therefore occurred at a time when valuations were reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in

Notes to the Financial Statements

respect of these valuations less certainty, and a higher degree of caution, should be attached to the valuation than would normally be the case.

For the avoidance of doubt this explanatory note, including the material valuation uncertainty declaration, does not mean that the valuations cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 the importance of the valuation date has been highlighted. 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. In 2020/21, the Council obtained a full valuation of Council Dwellings. In addition, external specialists carried out impairment reviews/desktop valuations of the Education and Non-Operational Assets.

From 9 September 2020 (supplemented on 3 November 2020 and 5 January 2021) the RICS Material Valuation Uncertainty Leaders Forum (UK) recommended a general lifting of material valuation uncertainty, excluding some assets valued with reference to trading potential. Despite this general lifting of material valuation uncertainty, the external specialist who conducted the desktop review of Non-Operational Assets considered that it remained appropriate to include the following RICS approved "Material Valuation Uncertainty" statement. The value of assets subject to the materiality uncertainty clause is £23.6 million.

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."

Property Valuations

In 2020/21, the valuation of the following assets was reviewed as at 31 March 2021:

- Housing stock - the assets were revalued on a EUV -social housing basis and totalled £477.9m with a valuation increase of £19.5m on the previous year.
- The Council's schools and non-operational property. This was a desktop impairment review.

As noted above - these valuations were undertaken to ensure that the carrying value is not materially different from the current value. The schools were revalued on a DRC basis and as a result of the review, were revalued at £347.8, with a valuation increase of £63.0m. No material valuation movement was required in relation to non-operational properties.

The changes in valuation in assets in 2021, compared to 2019/20, represent updated information around the assets since the most recent full valuation, in particular the cost of replacing assets based on RICS indices for schools, the changes in market value of housing properties and adjustments for social rent discounts for housing stock.

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 £1.206 billion. All property assets were subject to an impairment review of revaluation in 2020/21. The impact of a 5% change in valuation of these would be £60.3m, 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.

Arrears

As at 31 March 2021 the Council has Council Tax debt due of £14.5m, housing rents of £5.7m and sundry debtors of £11m. Management reviewed these balances at 31 March and determined that an allowance for doubtful debts of £13.2m, £4m and £2.9m was appropriate for the respective balances based upon historical assessment of recoverability/review of individual balances and correspondence with third parties/ageing analysis at yearend. However, it is recognised that in the current economic climate and taking into account the impact of COVID-19 there is increased uncertainty around the recoverability of debtor balances. Management has continued to review all material outstanding balances at the year-end subsequent to 31 March, and has not determined any further allowance is required based on recovery to date.

An increase of 10% in the value of the above provisions would amount to c.£1.3m, c.£0.4m 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 are authorised for issue. Two types of event can be identified:

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

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

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

Notes to the Financial Statements

Note 6: Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated 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

2019/20			2020/21		
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	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
201,790	8,667	210,457	210,974	2,211	213,185
69,133	4,591	73,724	70,568	3,120	73,688
27,622	18,617	46,239	29,267	19,693	48,960
26,130	6,218	32,348	28,772	4,729	33,501
50	5,625	5,675	(93)	(36,948)	(37,041)
1,257	-	1,257	1,392	-	1,392
10,899	-	10,899	10,927	-	10,927
336,881	43,718	380,599	351,807	(7,195)	344,612
14,198	14,926	29,124	9,989	19,961	29,950
(347,824)	(31,813)	(379,637)	(385,134)	(27,711)	(412,845)
(333,626)	(16,887)	(350,513)	(375,145)	(7,750)	(382,895)
3,255	26,831	30,086	(23,338)	(14,945)	(38,283)
(26,995)			(24,286)		
3,255			(23,338)		
(546)			390		
(24,286)			(47,234)		

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

Notes to the Financial Statements

Note 7: Expenditure and Funding Analysis - Adjustments

Adjustments between Funding and Accounting Basis 2020/21

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	16,258	4,909	(18,956)	2,211
Social Work – Adult Services	711	2,392	17	3,120
Development Services	16,285	3,279	129	19,693
Corporate & Housing Services	4,940	(27)	(184)	4,729
Housing Revenue Account	(15,918)	1,959	(22,989)	(36,948)
Net Cost of Services	22,276	12,512	(41,983)	(7,195)
Other Income and Expenditure from the Expenditure and Funding Analysis	(55,655)	5,975	41,930	(7,750)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statements Surplus or Deficit on the Provision of Services	(33,379)	18,487	(53)	(14,945)

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

(1) Adjustments for Capital Purposes

This column includes depreciation and impairment of non-current assets, amortisation of intangible assets, capital grants and contributions which have been applied to capital financing, gains and losses on the disposal of non-current assets, statutory charges for the financing of capital investment, capital expenditure charged against the General Fund and HRA balances and any adjustments involving the Capital Fund.

(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. 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; and the net interest on the defined benefit liability charged to the CIES

Notes to the Financial Statements

(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 include the amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements, the amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements and the removal of the impact of internal recharges in accordance with Code requirements

Note 8: Expenditure and Income Analysed by Nature

The authority's expenditure and income are analysed as follows:

2019/20 £'000		2020/21 £'000
	Expenditure	
274,102	Employee benefits expenses	273,728
322,024	Other services expenses	329,857
60,020	Depreciation, amortisation, impairment	22,698
24,451	Interest payments	23,572
30,401	Pensions interest cost	26,168
-	Loss on the disposal of assets	310
710,998	Total Expenditure	676,333
	Income	
(276,384)	Fees, charges and other service income	(281,675)
(780)	Interest & investment income	(176)
(22,127)	Pensions interest income on plan assets	(19,920)
(137,410)	Income from council tax, non-domestic rates	(116,676)
(242,227)	Government grants and contributions	(296,169)
(1,984)	Gain on the disposal of assets	-
(680,912)	Total Income	(716,416)
30,086	(Surplus) or Deficit on the Provision of Services	(38,283)

Notes to the Financial Statements

Note 9: Adjustments between Accounting Basis and Funding Basis Under Regulations 2020/21

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	Total Usable Reserves £'000	Unusable Reserves £'000
Depreciation, impairment and downward revaluation of non-current assets	(37,888)	15,918	-	-	(21,970)	21,970
Amortisation of intangible assets	(728)	-	-	-	(728)	728
Impairment of Investment	-	-	-	-	-	-
Statutory Repayment of Debt (Loans Fund Advances)	7,637	13,544	-	-	21,181	(21,181)
Capital Receipts Applied to Debt Repayment	-	-	731	-	731	(731)
Capital expenditure charged to the General Fund Balance (CFCR)	1,985	6	-	-	1,991	(1,991)
Use of reserves to finance new capital expenditure	-	-	-	-	-	-
Statutory Repayment of Debt (PFI)	6,804	-	-	-	6,804	(6,804)
Capital Receipts applied to fund Capital Expenditure	-	-	152	-	152	(152)
Capital Receipts held to fund the financial impact of COVID-19	-	-	837	(837)	-	-
Capital Grants Received	21,970	4,105	-	16	26,091	(26,091)
Net Book Value of Asset Disposals	-	-	-	-	-	1,157
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	(16,528)	(1,959)	-	-	(18,487)	18,487
Net transfer to or from the Accumulated Absences account required by legislation	57	(4)	-	-	53	(53)
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	272	65	-	-	337	(337)
Net Loss/(Gain) on Sale of Assets	(310)	-	-	-	(310)	-
Capital Receipts Received	-	-	(847)	-	(847)	-
Total Adjustments	(16,729)	31,675	873	(821)	14,998	(14,998)

Movements in Usable and Unusable reserves are set out in more detail in Notes 10 and 11 respectively.

Notes to the Financial Statements

Adjustments between accounting basis and funding basis under regulations 2019/20

	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000
Depreciation, impairment and downward revaluation of non-current assets	(35,833)	(23,209)	-	-	(59,042)	59,042
Amortisation of intangible assets	(978)	-	-	-	(978)	978
Impairment of Investment	(125)	-	-	-	(125)	125
Statutory Repayment of Debt (Loans Fund Advances)	6,361	5,971	-	-	12,332	(12,332)
Capital Receipts Applied to Debt Repayment	-	-	4,000	1,081	5,081	(5,081)
Capital expenditure charged to the General Fund Balance (CFGR)	3,318	8,141	-	-	11,459	(11,459)
Use of reserves to finance new capital expenditure	144	-	-	-	144	(144)
Statutory Repayment of Debt (PFI)	6,776	-	-	-	6,776	(6,776)
Capital Receipts applied to fund Capital Expenditure	-	-	308	-	308	(308)
Capital Grants Received	23,950	6,408	-	104	30,462	(30,462)
Net Book Value of Asset Disposals	-	-	-	-	-	1,902
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
Net transfer to or from the Accumulated Absences account required by legislation	(477)	(4)	-	-	(481)	481
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)
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

Movements in Usable and Unusable reserves are set out in more detail in Notes 10 and 11 respectively.

Notes to the Financial Statements

Note 10: Usable 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.

2019/20 £'000	Usable Reserves	2020/21 £'000
(24,286)	General Fund	(47,234)
(5,337)	Insurance Fund	(5,594)
(3,929)	Capital Receipts Reserve	(3,055)
(1,606)	Repairs & Renewals	(1,739)
(240)	Capital Grants and Receipts Unapplied Account	(1,061)
(35,398)	Total	(58,683)

(a) General Fund

	Balance at 1 April 2020 £'000	Income £'000	Expenditure £'000	Balance at 31 March 2021 £'000	Purpose of Reserve
General Fund	(9,542)	(280)	-	(9,822)	Council's reserve strategy is to provide for 2% of annual revenue expenditure (currently £7.5m - £11m) to be held as a contingency against unforeseen events and emergencies
HRA	(5,093)	(2,732)	-	(7,825)	HRA reserve to meet future revenue and capital investment
Grants	(4,753)	(25,859)	21,281	(9,331)	Carry forward of grant funding not yet utilised.
Devolved School Management	(1,573)	(2,241)	1,485	(2,329)	The Devolved School Management Reserve enables schools to carry forward balances to be utilised in future years.
Spend to Save	(1,508)	-	367	(1,141)	Earmarked to cover the costs of Voluntary Severance reflected in the Council's Business Plan
Central Energy Efficiency Fund	(370)	(185)	-	(555)	This fund allows for energy efficiency works to be completed. Savings generated are paid back into the fund for the delivery of future projects.
Economic Development	(686)	(302)	-	(988)	Property maintenance & dilapidations to Council's industrial and commercial estate.
Change Fund	(761)	(500)	688	(573)	This is to ensure the Council of the Future projects can be successfully delivered.
COVID-19 Grants	-	(15,993)	1,323	(14,670)	Carry forward of COVID-19 grant funding not yet utilised.
Total	(24,286)	(48,092)	25,144	(47,234)	

Notes to the Financial Statements

(b) 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 2021 is £5.594m (£5.337m as at 31 March 2020).

(c) Capital Receipts Reserve

The Authority's statement on the Capital Receipts Reserve is as follows:

2019/20 £'000	Capital Receipts Reserve	2020/21 £'000
(4,351)	Balance at 1 April	(3,929)
(3,886)	Capital Receipts received in year	(846)
308	Capital Receipts applied to fund Capital Expenditure	152
-	Capital Receipts transferred to the Capital Grants & Receipts Unapplied Account for financial impact of COVID-19	837
4,000	Capital Receipts applied to pay debt	731
(3,929)	Balance at 31 March	(3,055)

(d) Repairs & Renewals

The Repairs and Renewals Fund is used to finance repairs, maintenance, replacement or renewal of fixed assets.

2019/20 £'000	Repairs & Renewals Fund	2020/21 £'000
(1,686)	Balance at 1 April	(1,606)
(325)	Appropriation to/(from) General Fund	(350)
405	Application of Fund	217
(1,606)	Balance at 31 March	(1,739)

(e) Capital Grants and Receipts Unapplied Account

Local Government Finance Circular No. 2/2021 gives Local Authorities the option to use capital receipts received in 2020/21 and 2021/22 to fund the impact of COVID-19. The capital receipts can only be applied in financial years 2020/21 or 2021/22. Capital receipts are required to be credited to the renamed Capital Grants and Receipts Unapplied Account in the same financial year as the capital receipt is recognised. The local authority is required to identify, separately, the amount held in that account for capital grants and the amount of capital receipts held to fund the financial impact of COVID-19. The following is the analysis of that account.

2019/20 £'000	Analysis of the Capital Grants & Receipts Unapplied Account	2020/21 £'000
(240)	Capital Grants & Contributions held for standard use	(224)
-	Capital Receipts held to fund the financial impact of COVID-19	(837)
(240)	Total	(1,061)

Notes to the Financial Statements

Note 11: Unusable Reserves

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.

2019/20 £'000	Unusable Reserves	2020/21 £'000
(235,713)	Capital Adjustment Account	(291,827)
(498,447)	Revaluation Reserve	(505,700)
272,489	Pensions Reserve	409,758
7,488	Accumulated Absences Account	7,435
4,066	Financial Instruments Adjustment Account	3,729
(450,117)	Total	(376,605)

(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.

2019/20 £'000		2020/21 £'000
(214,772)	Balance at 1 April	(235,713)
59,042	Depreciation/ impairment and downward revaluation of non-current assets	22,165
978	Amortisation of intangible assets	728
125	Impairment of Investment	-
(17,407)	Statutory Repayment of Debt (Loans Fund Advances)	(21,912)
(11,603)	Capital expenditure charged to the General Fund Balance (CFCR)	(1,989)
(6,775)	Statutory Repayment of Debt (PFI)	(6,804)
(30,462)	Capital Grants Received	(26,092)
(204)	Capital Receipts Applied to Fund Capital Expenditure	(152)
1,789	Net Book Value of Asset Disposals	498
206	Deferred Interest on AUC	-
(351)	Reduction in Kinneil Landfill Provision	(196)
(16,279)	Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost	(22,360)
(235,713)	Balance at 31 March	(291,827)

(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.

2019/20 £'000		2020/21 £'000
(427,637)	Balance at 1 April	(498,447)
150	Net Book Value of Assets Disposals	659
(87,239)	Loss/(Gain) on Revaluation of Non-Current Assets	(30,272)
16,279	Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost	22,360
(498,447)	Balance at 31 March	(505,700)

Notes to the Financial Statements

(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.

2019/20 £'000		2020/21 £'000
334,162	Balance at 1 April	272,489
(91,267)	Remeasurements of Pension Assets/Liabilities	118,782
29,594	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	18,487
272,489	Balance at 31 March	409,758

(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.

2019/20 £'000		2020/21 £'000
7,007	Balance at 1 April	7,488
481	Net transfer to or from earmarked reserves required by legislation	(53)
7,488	Balance at 31 March	7,435

(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 2021 will be charged to the General Fund over the next 33 years.

2019/20 £'000		2020/21 £'000
4,405	Balance at 1 April	4,066
(339)	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	(337)
4,066	Balance at 31 March	3,729

Notes to the Financial Statements

Note 12: 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 2020/21.

Note 13: 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 2020/21 £'000	Expenditure 2020/21 £'000
Falkirk Towns Ltd	Promotion of Town Centres	-	273
Falkirk Council Pension Fund	Charge for Support Services (Also see Note 17 – Defined Benefit Pension Schemes)	120	-
Falkirk Community Stadium Ltd	Repayment of expenses and Professional Fees	310	-
	Rental, energy costs and other property costs	-	362
Central Scotland Green Network Trust	Promotion of Cycling and Environmental Development	-	489
Family Centres	Funding provided per Service Level Agreement	-	193
Central Scotland Valuation Joint Board	Contribution to running costs	-	1,392
	Charge for Support Services	16	-
Falkirk Schools Gateway	Contribution to operating costs	-	4,835
Committed to Ending Abuse (CEA Ltd)	Funding provided per Service Level Agreement	-	176
Falkirk Community Trust	Contribution to Community Trust	-	10,927
	Charge for Support Services	28	-
Fife & Forth Valley Community Justice Authority	Administration Charge	253	-
thinkWhere Ltd	Contribution to operating costs	-	72
Falkirk IJB	Commission Income	68,963	-
	Contribution to IJB	-	66,696

Outstanding balances for related parties were as follows:

2019/20 Debtor £'000	2019/20 Creditor £'000		2020/21 Debtor £'000	2020/21 Creditor £'000
10	-	Joint Boards	22	-
1,154	3	Falkirk Community Stadium Ltd	1,231	-
311	124	Falkirk Community Trust	272	711
-	1,145	Falkirk IJB	-	10,821
69	-	thinkWhere Ltd	69	-
-	-	Falkirk Schools Gateway	26	-
-	-	Falkirk Delivers	2	-
-	-	Family Centres	-	21
-	-	Falkirk Towns Ltd	-	229

Notes to the Financial Statements

Note 14: External Audit Fee

The agreed external audit fee for Falkirk Council for 2020/21 was £325,400 (in 2019/20 the agreed fee was £318,770 but additional work increased this to £386,820). Ernst & Young LLP propose to charge £2,050 for the audit of the Temperance Trust (£2,000 in 2019/20). 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 15: 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 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 31/03/19 £'000	Actual Year to 31/03/20 £'000	Building Maintenance Trading Account	Actual Year to 31/03/21 £'000	3 Year Total £'000
37,432	36,414	Turnover	27,968	101,814
36,711	35,577	Expenditure	27,964	100,252
721	837	Surplus/(Deficit) per CIES	4	1,562
(45)	(57)	Interest	(63)	(165)
676	780	Surplus/(Deficit) for Financial Return Purposes	(59)	1,397

The Building Maintenance Division is primarily responsible for providing a repairs and maintenance service for the Council's housing stock, which at 31 March 2021 amounted to 16,636 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 16: 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 2020/21 was £511,316 (£511,771 in 2019/20).

In 2020/21 the Council distributed £39.5m of COVID-19 support funding schemes for businesses and individuals on behalf of the Scottish Government. There was no expenditure of this type in 2019/20.

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.

Notes to the Financial Statements

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.

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 assets and liabilities of the Council's pension arrangements as at 31 March 2021 have been calculated by Hymans Robertson a firm of independent Consulting Actuaries.

The principal risks of the Council's participation in the Local Government Pension Scheme are 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. 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.

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 2020/21.

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.

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.

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 annual report of the Falkirk Council Pension Fund in respect of year 2020/21 can be inspected online at www.falkirkpensionfund.org by following the links to local government pension scheme.

The Teachers' Pension Scheme

The scheme is administered by the Scottish Public Pensions Agency (SPPA) and provides defined benefits for teaching employees. The employee contribution 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.

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

Notes to the Financial Statements

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 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

31/03/20 £'000		31/03/21 £'000
50,144	Current Service Cost	42,133
30,401	Interest Cost	26,168
(22,127)	Interest Income on Plan Assets	(19,920)
573	Past Service Costs/(Gains)	255
-	Losses/(Gains) on Curtailments and Settlements	-
58,991	Total	48,636

Reconciliation of present value of defined benefit obligation

31/03/20 £'000		31/03/21 £'000
1,252,089	Opening Defined Benefit Obligation	1,132,779
50,144	Current Service Cost	42,133
30,401	Interest Cost	26,168
6,933	Contributions by Members	7,273
	Remeasurements:	
	• Prior year unadjusted remeasurements	(2,561)
(43,166)	• Change in demographic assumptions	(14,451)
(126,045)	• Change in financial assumption	293,952
(9,912)	• Other experience	1,120
573	Past Service Cost	255
(25,656)	Benefits paid	(30,434)
(2,582)	Unfunded Benefits Paid	(2,486)
1,132,779	Closing Defined Benefit Obligation	1,453,748

Reconciliation of the movements in the fair value of plan assets

31/03/20 £'000		31/03/21 £'000
917,927	Opening Fair Value of Plan Assets	860,290
22,127	Interest Income on Plan Assets	19,920
	Remeasurements	
	• Prior year unadjusted remeasurements	4,140
(87,856)	• Return on Plan Assets excluding the amount included in net interest	171,852
	• Other Experience	(16,714)
26,815	Contributions by Employer	27,663
6,933	Contributions by Members	7,273
2,582	Contributions in respect of unfunded benefits	2,486
(25,656)	Benefits Paid	(30,434)
(2,582)	Unfunded Benefits Paid	(2,486)
860,290	Closing Fair Value of Plan Assets	1,043,990

Notes to the Financial Statements

Disclosure of Net Pensions Asset/Liability

Local Government Pension Schemes

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2021 are as follows:

31/03/20 £'000		31/03/21 £'000
(272,489)	Net Liability	(409,758)

The net liability above includes the sum of £40.7m for year ended 31 March 2021 (£39.7m for 31 March 2020) being unfunded liabilities related to the award of discretionary benefits.

There has been an increase in IAS19 liabilities of £137m as at 31 March 2021 compared with the liabilities as at 31 March 2020. This is mainly due to an increase in the value of liabilities as a result of increases in the salary increase rate and the pension increase rate based on CPI. This has been partly offset by a lower discount rate, revised demographic assumptions and improved expected asset returns.

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% (2.3% for year ended 31 March 2020).

Notes to the Financial Statements

Quoted Prices in Active Markets 31/03/20 £'000	Prices not Quoted in Active Markets 31/03/20 £'000	Total 31/03/20 £'000		Quoted Prices in Active Markets 31/03/21 £'000	Prices not Quoted in Active Markets 31/03/21 £'000	Total 31/03/21 £'000
Equity Securities						
54,856	-	54,856	Consumer	74,629	-	74,629
55,933	-	55,933	Manufacturing	62,144	-	62,144
38,282	-	38,282	Energy and Utilities	41,618	-	41,618
79,685	-	79,685	Financial Institutions	89,085	-	89,085
31,463	-	31,463	Health & Care	30,227	-	30,227
68,692	-	68,692	Information Technology	97,451	-	97,451
3,865	-	3,865	Other	3,488	-	3,488
332,776	-	332,776		398,642	-	398,642
Debt Securities						
-	-	-	UK Government	16,589	-	16,589
-	-	-		16,589	-	16,589
Derivatives						
32	-	32	Other	-	-	-
32	-	32		-	-	-
Private Equity						
-	16,250	16,250		-	17,950	17,950
Real Estate						
-	47,300	47,300	UK Property	-	53,507	53,507
-	181	181	Overseas Property	-	98	98
-	47,481	47,481		-	53,605	53,605
Investment Funds and Unit Trusts						
189,963	-	189,963	Equities	233,789		233,789
59,384	-	59,384	Bonds	71,700		71,700
-	81,569	81,569	Infrastructure	-	104,837	104,837
82,710	12,756	95,466	Other	100,159	21,228	121,387
332,057	94,325	426,382		405,648	126,065	531,713
Cash and Cash Equivalents						
37,369	-	37,369		25,491	-	25,491
702,234	158,056	860,290	Total	846,370	197,620	1,043,990

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:

31/03/20 % p.a.		31/03/21 % p.a.
1.9	Pension Increase Rate	2.85
2.3	Salary Increase Rate	3.45
2.3	Discount Rate	2.00

Investment Returns

The return on the fund in market value terms for the period to 31 March 2021 is estimated based on actual fund returns and index returns where necessary. Details are given below:

Actual Returns from 1 April 2020 to 31 March 2021	22.1%
Total Returns from 1 April 2020 to 31 March 2021	22.1%

Notes to the Financial Statements

Demographic assumptions – Mortality

Average future life expectancy calculated by the Pension Fund Actuary at age 65 are summarised below:

	Males	Females
Current Pensioners	20.0 years	22.6 years
Future Pensioners	20.1 years	23.4 years

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 2022

The following table sets out the estimation of the pension cost for 2021/22, based on the assumptions as at 31 March 2021 (the start of the period).

Analysis of projected amount to be charged to operating profit for the year to 31 March 2022

Year Ended	£'000
Projected Current Service Cost	64,780
Interest on Obligation	29,468
Interest Income on Plan Assets	(20,924)
Past Service Cost	-
Total	73,324

The estimated Employer's contributions for the year to 31 March 2022 will be approximately £27.241m.

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 £16.787m (£14.629m in 2019/20) to the Scottish Government in respect of teachers' pension costs and this was based on 23% of teachers' pensionable pay.

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 2020/21, these amounted to £0.975m, representing 1.34% of pensionable pay (£1.010m, representing 1.42% of pensionable pay in 2019/20).

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

Notes to the Financial Statements

Note 18: Leases

(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.

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:

31/03/20 £'000		31/03/21 £'000
670	Not later than one year	505
950	Later than one year and not later than 5 years	1,412
894	Later than five years	1,146
2,514	Total	3,063

The total of future minimum sub-lease payments expected to be received as at 31 March 2021 is nil, (nil as at 31 March 2020). The total of future Scottish Government electric vehicle grant funding expected to be received as at 31 March 2021 is £0.083m (£0.148m as at 31 March 2020).

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

31/03/20 £'000		31/03/21 £'000
929	Minimum lease payments	712
-	Contingent rents	-
(131)	(Sub-lease payments receivable)	(5)
(107)	(Grant funding receivable)	(120)
691	Total	587

Notes to the Financial Statements

(b) The Council as Lessor

Finance Leases

The Council leases out Northfield Quarry to Tillicoultry Quarries Ltd on a finance lease with a remaining term of 8 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. The gross investment is made up of the following amounts:

31/03/20 £'000		31/03/21 £'000
	Finance lease debtor (net present value of minimum lease payments):	
61	• Current	66
615	• Non-Current	549
204	Unearned finance income	159
-	Unguaranteed residual value of property	-
880	Gross investment in the lease	774

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

Gross Investment in the Lease 31/03/20 £'000	Minimum Lease Payment 31/03/20 £'000		Gross Investment in the Lease 31/03/21 £'000	Minimum Lease Payment 31/03/21 £'000
106	61	Not later than one year	106	66
528	384	Later than one year and not later than 5 years	528	414
246	231	Later than five years	141	135
880	676	Total	775	615

Operating Leases

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

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

31/03/20 £'000		31/03/21 £'000
3,417	Not later than one year	3,209
7,675	Later than one year and not later than five years	7,029
27,264	Later than five years	33,538
38,356	Total	43,776

Note 19: Intangible Assets

Intangible assets are assets that do not have physical substance but are identifiable and controlled by the Council (e.g., software licences). These assets will bring benefits to the Council for more than one financial year.

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. Accounting treatment of intangible assets is the same as Property, Plant and Equipment. However, 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.

Notes to the Financial Statements

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 is 5 years.

The largest single intangible asset for the Council is the new Social Work Information System which has a carrying value of £0.551m as at 31 March 2021.

The movement on intangible asset balances during the year is as follows:

Other Assets 2019/20 £'000		Other Assets 2020/21 £'000
	Balance at start of year:	
4,306	• Gross carrying amounts	5,139
(2,587)	• Accumulated amortisation	(3,565)
1,719	Net carrying amount at start of year	1,574
	Additions:	
1,005	• Purchases	469
(172)	Other movements and costs or valuation	-
(978)	Amortisation for the period	(728)
1,574	Net carrying amount at end of year	1,315
	Comprising:	
5,139	• Gross carrying amounts	5,608
(3,565)	• Accumulated amortisation	(4,293)
1,574		1,315

Note 20: 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.

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

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

- dwellings – current value, determined using the basis of existing use value (Social Housing – Beacon Method)
- infrastructure, community assets and assets under construction – historical cost
- 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).

Notes to the Financial Statements

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.

Revaluation & Impairment

The Council's annual rolling valuation programme, undertaken by external valuers, ensures assets requiring valuation are valued at least every 5 years. This ensures that the values in the Balance Sheet are not materially different from an assets fair value at the year-end. 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.

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.

Assets are assessed at each year-end to determine if there is any indication that an asset may be impaired. For the 2020/21 accounts, this assessment has been performed by external valuers. 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.

Council Dwellings and Primary and Secondary Schools have been valued as at 31 March 2021. Other Land and Buildings were reviewed for impairment, including assets held for sale. 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 2020/21. The overall net gain for Housing was £0.3m, and £63.0m for Schools.

Depreciation

Depreciation is provided by a straight line allocation of depreciable amounts over useful lives. Depreciation is charged in the year of acquisition, but no depreciation is charged in the year of disposal. 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). Typical useful lives are determined by the valuer:

	Typical Lives
Buildings	10-50 years
Vehicles, Plant & Equipment	5-25 years
Infrastructure	10-50 years

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.

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. 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 and their recoverable amount at the date of the decision not to sell.

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.

Notes to the Financial Statements

(a) Property, Plant & Equipment Movements in 2020/21

	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 2020	573,001	811,758	41,198	183,582	18,756	23,498	8,214	1,660,007
Additions	26,606	9,601	11,509	12,056	1,096	4,548	-	65,416
Revaluations:								
Recognised in Revaluation Reserve	17,752	61,456	-	-	-	-	-	79,208
Recognised in Provision of Services	32,154	3,124	-	-	-	-	-	35,278
De-recognition:								
Disposals	-	(386)	(1,931)	-	-	-	-	(2,317)
Assets reclassified to/from Held for Sale	-	(171)	-	-	-	-	10	(161)
Other Movements in Cost or Valuation	8,445	1,338	-	-	-	(9,433)	-	350
As at 31 March 2021	657,958	886,720	50,776	195,638	19,852	18,613	8,224	1,837,781
Accumulated Depreciation & Impairment as at 1 April 2020	114,565	315,213	26,049	58,624	4,722	1,151	6,064	526,388
Depreciation:								
Charge for Year	15,941	25,035	7,918	6,486	616	-	-	55,996
Impairment Losses/(Reversals):								
Recognised in Revaluation Reserve	49,555	-	-	-	-	-	-	49,555
Recognised in Provision of Services	-	1,577	-	-	-	-	-	1,577
De-recognition:								
Disposals	-	(36)	(1,562)	-	-	-	-	(1,598)
As at 31 March 2021	180,061	341,789	32,405	65,110	5,338	1,151	6,064	631,918
Net Book Value								
31 March 2020	458,436	496,545	15,149	124,958	14,034	22,347	2,150	1,133,619
31 March 2021	477,897	544,931	18,371	130,528	14,514	17,462	2,160	1,205,863

Notes to the Financial Statements

(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	89,595	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

Notes to the Financial Statements

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.

2019/20 £'000		2020/21 £'000
266	Cost or Valuation as at 1 April	266
-	Movements	-
266	As at 31 March	266
-	Accumulated Depreciation and Impairment as at 1 April	-
-	Movements	-
-	As at 31 March	-
266	Net Book Value as at 31 March	266

The total net book value of Heritage Assets at 31 March 2021 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 asset 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.

In 2020/21 the Council's Housing Stock was revalued as at 31 March 2021. The housing stock was valued by the District Valuer using the Existing Use Value for Social Housing – EUV-SH Beacons method. This resulted in a net upwards revaluation of these assets of £19.5m.

The valuation of operational Land and Building assets has been split by Service as updated in the table below:

Service	Valuation Date	Valuation Basis
Social Work	1 April 2016	Open Market Value for Existing Use
Education	1 April 2018	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 based on a modern equivalent asset basis where appropriate.
Other, including Community Asset and some Offices	1 April 2017	Open Market Value for Existing Use or where this could not be assessed, due to the lack of a market, Depreciated Replacement Cost.
Helix Visitors Centre	1 April 2016	Depreciated Replacement Cost.
Kilns House	1 April 2014	Existing use Value

Land and Building Assets were subject to a review by external property surveyors during 2020/21. The main purpose of this was to identify if any material movements had taken place in any of the land and building asset classes since the last full revaluation exercise. The exercise was not a full revaluation but a desk top exercise based on a sample of revaluations. Whilst no material reductions in value were identified, a material movement was identified in the education estate and this was processed in the accounts. A net increase of £63.0m has been included in the balance sheet.

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.

Market activity is being impacted in many sectors and at the valuation date, it is considered that less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. The current response to COVID-19 means that valuers are faced with an unprecedented set of circumstances on which to base a judgement. Consequently, less certainty – and a higher degree of caution – should be attached to their valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, valuation of properties will be kept under frequent review.

Notes to the Financial Statements

Capital Commitments

As at 31 March 2021, the Council has entered into a number of contracts for the construction, enhancement or purchase of Property, Plant and Equipment in 2020/21 and future years, budgeted to cost £18.3m. Commitments at 31 March 2020 were £8.1m. The major commitments are:

Project	£'m
External Fabric Improvements (Housing)	7.2
Expansion of Early Years	8.3
Zetland Park	1.3
Various / Misc. Contracts	1.5
Total	18.3

Note 23: Assets held for Sale

Current 2019/20 £'000	Non-Current 2019/20 £'000		Current 2020/21 £'000	Non-Current 2020/21 £'000
4,313	-	Balance at 1 April	1,917	-
		Revaluation losses:		
(431)	-	• Recognised in Revaluation Reserve	-	-
		Revaluation gains:		
728	-	• Recognised in Revaluation Reserve	398	-
(1,606)	-	Assets sold	(438)	-
(1,087)	-	Transfer from/to non-current/current	161	-
1,917	-	Balance outstanding 31 March	2,038	-

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.

Notes to the Financial Statements

2019/20 £'000		2020/21 £'000
397,520	Opening Capital Financing Requirement	405,456
	Capital Investment:	
75,800	• Property, Plant and Equipment	65,491
1,005	• Intangible Assets	469
327	• Revenue Expenditure Funded from Capital under Statute	327
	Sources of Finance:	
(279)	• Capital receipts	(152)
(30,790)	• Government grants and other contributions	(26,481)
	Sums set aside from revenue:	
(11,603)	• Direct revenue contributions	(1,989)
(26,524)	• MRP/loans fund principal	(28,717)
405,456	Closing Capital Financing Requirement	414,404
	Explanation of movements in year:	
14,711	• Increase in underlying need to borrow (unsupported by government financial assistance)	15,753
(6,775)	• Assets acquired under PFI / PPP contracts	(6,805)
7,936	Increase / (Decrease) in Capital Financing Requirements	8,948

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.

Notes to the Financial Statements

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

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

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

(a) Movement in Assets

	Class 98 £'000	Falkirk Schools Gateway Ltd £'000	2020/21 £'000
Balance as at 1 April 2020	74,677	109,150	183,827
Net Additions during year	206	-	206
Revaluation	11,071	17,227	28,298
Depreciation	(4,680)	(4,150)	(8,830)
Net Book Value 31 March 2021	81,274	122,227	203,501

(b) Movement in Liabilities

	Class 98 £'000	Falkirk Schools Gateway Ltd £'000	2020/21 £'000
Balance as at 1 April 2020	27,599	69,018	96,617
Repaid during year	(4,024)	(2,661)	(6,685)
Balance as at 31 March 2021	23,575	66,357	89,932
of which:			
• Current	4,232	2,753	6,985
• Long Term	19,343	63,604	82,947
Total	23,575	66,357	89,932

(c) Estimated Future Unitary Payment Obligations

Basic Annual Payments – Class 98	Service Charges £'000	Interest £'000	Finance Lease Repayment £'000	2020/21 £'000
Within one year	4,192	5,003	4,232	13,427
In the second to fifth years inclusive	9,858	15,603	19,343	44,804
Total	14,050	20,606	23,575	58,231

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.

Notes to the Financial Statements

Basic Annual Payments – Falkirk Schools Gateway Ltd.	Service Charges £'000	Interest £'000	Finance Lease Repayment £'000	2020/21 £'000
Within one year	5,052	6,657	2,753	14,462
In the second to fifth years inclusive	25,290	26,253	10,012	61,555
In the sixth to tenth years inclusive	38,064	33,424	14,518	86,006
In the eleventh to fifteenth years inclusive	45,201	34,176	17,931	97,308
In the sixteenth to twentieth years inclusive	21,928	28,867	21,143	71,938
Total	135,535	129,377	66,357	331,269

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 asset or liability arises where an event has taken place that gives the Council a possible asset or 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 assets and liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

(a) Contingent Assets

- (i) In terms of a contract for the sale of land, a clawback provision was included in relation to the treatment of any savings on the assumed remediation costs for the land in question. Following a dispute, the matter was assessed through third party determination at £0.930m. 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

- (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 2021, this totalled £17.0m (£20.6m as at March 2020).
- (ii) Note 29 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.

Notes to the Financial Statements

Note 27: Long Term Investments in Associates and Joint Ventures

The Council has two long-term investments as follows:

(a) Falkirk Community Stadium Ltd

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 revalued to £3.597m as at 31 March 2020. The value remains the same as at 31 March 2021.

(b) thinkWhere

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 2020/21 equated to £0.5m (£0.5m in 2019/20). The three Councils sold thinkWhere to IDOX Plc on 6 August 2021.

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 2021 was as follows:

2019/20 £'000	Borrowing Repayable on Demand or Within 12 Months	2020/21 £'000
40,000	Temporary Borrowing	41,000
2,837	Accrued Interest	2,716
42,837	Total	43,716
	Long Term Borrowing	
212,166	• Public Works Loan Board	208,201
26,000	• Market Bonds	26,000
238,166		234,201
1,424	Accrued Interest	1,388
239,590	Total	235,589

Short-Term Borrowing per the Balance Sheet is £44.790m. This figure includes temporary borrowing of £43.716m and £1.074m in respect of Third-Party balances which are invested in the Loans Fund as at 31 March 2021.

Note 29: 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

Notes to the Financial Statements

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 £0.196m have been incurred during 2020/21. Consequently, the provision has been reduced by this amount and the balance on the provision at 31 March 2021 is £0.815m (£1.011 as at 31 March 2020). If the annual cost of restoration is approximately £0.200m, the provision would therefore be fully written down within 5 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 were no further calls on the provision in 2019/20 or 2020/21. Consequently, the balance on the provision at 31 March 2021 remains at £0.264m.
- (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. The crematoria practice claims have now been settled and closed and no further provision is required as the prescriptive period has now closed in which to make a claim.
- (iii) The Council has received a number of historic child abuse claims. A provision of £0.2m has been made to reflect new legislation extending the period in which claims could be made. Historic insurance policies have been traced however there remains the policy excess to be funded. The public redress scheme may not have an effect on these numbers as there is a larger financial incentive to pursue claims against the local authority directly.

Note 30: Long Term Debtors

Balance 31/03/20 £'000		Advanced 2020/21 £'000	Repaid 2020/21 £'000	Balance 31/03/21 £'000
676	Northfield Quarry	45	(106)	615
107	Owner Occupiers	-	(30)	77
5	Loan Arrears	-	-	5
3,634	Scottish Fire Service	-	(289)	3,345
1,007	Falkirk Community Stadium Ltd.	2	-	1,009
-	Social Work Deferred Payments	91	-	91
5,429	Total	138	(425)	5,142

- (1) 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.

Notes to the Financial Statements

Note 31: Inventories

Consumable Closing Stocks are valued at average cost.

The value of stocks as at 31 March 2021 is shown below:

	2020/21 Opening Stock £'000	Purchases / Additions £'000	Stock Write Downs £'000	Recognition as an expense £'000	Closing Stock £'000
Stocks	260	3,140	(4)	(2,554)	842

Note 32: 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 2021, the Council's Building Maintenance Division had several construction contracts in progress. The income derived from the value of work completed at 31 March 2021 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 2021.

Note 33: Debtors

2019/20 £'000		2020/21 £'000
9,866	Central government bodies	15,423
120	Other local authorities	122
1,831	NHS Bodies	1,703
39	Public corporations and trading funds	144
35,122	Other entities and individuals	36,113
48	Falkirk Community Trust	40
47,026		53,545
(20,048)	Provision for Bad Debt	(20,928)
26,978	Total Debtors	32,617

Note 34: Creditors

2019/20 £'000		2020/21 £'000
4,172	Central government bodies	6,384
658	Other local authorities	490
534	NHS Bodies	763
56,251	Other entities and individuals	59,949
124	Falkirk Community Trust	711
1,145	Falkirk IJB	10,821
62,884	Total Creditors	79,118

Notes to the Financial Statements

Note 35: Cash and Cash Equivalents

2019/20 £'000		2020/21 £'000
862	Bank Current Accounts	2,543
33,517	Deposits with UK Banks, Building Societies & Local Authorities	48,519
34,379	Total	51,062

Note 36: 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 (£56,508) - to provide donations to residents of the former Burgh of Falkirk at the sole discretion of the Provost.
- Shank's Bequest (£26,495) - to provide donations to the needy of Denny.
- Grangemouth Children's Day Committee (£23,535) - to provide a donation to the annual cost of the Grangemouth Children's Day.
- Candyend Trust (£77,468) - to provide donations to specific organisations assisting the elderly in the Muiravonside area.
- Alexander Douglas King Bequest (£21,484) – bequest for the promotion and advancement of education of art at Bo'ness Academy.
- McNair Bequest (£11,106) – bequest for the benefit of Bo'ness Academy.

Fund for which the Council is not Sole Trustee

- Odenwald Trust (£22,918) - 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 2021 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 2021 the Trust had available funds of £161,774. 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.

Notes to the Financial Statements

General 2019/20 £'000	Temperance 2019/20 £'000		General 2020/21 £'000	Temperance 2020/21 £'000
		Income		
(12)	(1)	Investment Income	-	(1)
		Expenditure		
70	-	Awards and Other Expenses	1	-
58	(1)	Deficit / (Surplus) for the Year	1	(1)
		Balance Sheet		
		Fixed Assets		
3	161	External Investments	3	162
323	-	Internal Investments	322	-
326	161	Net Assets	325	162
(384)	(160)	Fund Balance at 1 April 2020	(326)	(161)
58	(1)	Deficit/(Surplus) for Year	1	(1)
(326)	(161)	Fund Balance at 31 March 2021	(325)	(162)

Note 37: 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 and Receipts Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants and Receipts 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.

Notes to the Financial Statements

2019/20 £'000	Credited to Services	2020/21 £'000
3,119	Criminal Justice	3,303
-	Regional Improvement Collaborative	-
30,331	Housing DWP Subsidy	31,557
409	Education Maintenance Allowances	471
1,016	ETU Programmes	2,787
630	Home Insulation Scheme	1,281
11,598	Integration Fund	11,766
3,622	Pupil Equity Fund	3,660
9,767	Early Years Expansion	16,535
-	Business Grants	39,500
-	COVID-19 Funding	9,440
3,133	Other Grants	3,355
63,625	Total	123,655

2019/20 £'000	Credited to Taxation and Non-Specific Grant Income	2020/21 £'000
15,757	Scottish Government – General Capital Grant	12,702
4,891	Scottish Government – Specific Capital Grants	6,089
5,731	Scottish Government – Other Grants	4,598
3,580	Other Grants	1,554
306	Developers Contributions	232
94	Other Contributions	900
30,359	Capital Grants, Contributions and Donations	26,075
211,868	Revenue Support Grant	241,026
-	COVID Grant Funding	29,068
211,868	Government Grants	270,094

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:

2019/20 £'000	Capital Grants and Receipts Received in Advance	2020/21 £'000
6,634	Scottish Government	5,961
5,757	Developers Contributions	7,348
1,774	Other Contributions	1,777
14,165	Total	15,086

Note 38: 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 instruments are initially measured at fair value and are carried at their amortised cost. Where no reliable measurement exists, they will be measured at cost. 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. The valuation technique used to measure the fair value of financial instruments depends on where they sit in the fair value hierarchy (level 1, 2 or 3). There were no changes to the valuation techniques used in 2020/21 for financial instruments.

The Council has no financial instruments measured at Fair Value through Comprehensive Income.

Notes to the Financial Statements

Categories of Financial Instruments in the Balance Sheet

Long Term 31/03/20 £'000	Current 31/03/20 £'000		Long Term 31/03/21 £'000	Current 31/03/21 £'000
Investments				
4,097	-	Long Term Investments	4,097	-
Other Financial Assets				
-	35,615	Temporary Deposits	-	56,575
3,346	288	Loan Debt – Central Scotland Fire & Rescue Service	3,054	290
1,734	61	Other Loans & Receivables	1,659	61
-	26,978	Trade Debtors	-	32,617
5,080	62,942		4,713	89,543
Borrowings				
(208,201)	(3,964)	PWLB Debt	(206,201)	(2,000)
(26,000)	-	Non PWLB Debt	(26,000)	-
-	(40,000)	Temporary Short Term Loans	-	(41,000)
(234,201)	(43,964)		(232,201)	(43,000)
Other Financial Liabilities				
-	(62,884)	Trade Creditors	-	(79,118)

Investments

The Council has investments in Falkirk Community Stadium Ltd and thinkWhere, as per Note 27 above. These investments have been reclassified and measured at fair value through profit or loss. This means that they were recognised on the Balance Sheet when the authority became a party to the contractual provisions of a financial instrument and were initially measured and carried at fair value. These investments were originally funded from capital resources and any movements in value will therefore be reflected in the Capital Adjustment Account (CAA).

There is no difference between the carrying amount and the Fair Value of Investments.

Other Financial Assets

The Council has loan debt due from Scottish Fire and Rescue Service, recognised in 2013 when the services were transferred from the Council and repayable annually until 2042.

The Council does not have any soft loans.

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 an 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.

Borrowings

The Council has a significant long term loan portfolio with the Public Works Loan Board (PWLB) as well as four money market loans. These are all held on the Balance Sheet at amortised cost. Interest on these borrowings is charged to the Comprehensive Income & Expenditure Statement (CIES).

The fair value of these borrowings can be assessed under Fair Value hierarchy Level 2, using net present values of cash flows expected over the remaining life of the debt to estimate the value of future payments. This will be higher than amortised cost as the Council's portfolios of loans includes fixed rate loans where interest payable is higher than rates available on similar loans in the market at the balance sheet date.

Notes to the Financial Statements

Carrying Amount 31/03/20 £'000	Fair value 31/03/20 £'000		Carrying Amount 31/03/21 £'000	Fair value 31/03/21 £'000
212,166	279,404	PWLB Debt	208,201	288,831
26,000	37,298	Non-PWLB Debt	26,000	37,905
40,000	40,032	Temporary Loans	41,000	40,969
278,166	356,734	Total Debt	275,201	367,705

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 CIES is the amount payable for the year according to the loan agreement.

In previous years, the Council has modified its Loan Debt and the costs of this restructuring are added to amortised cost as an Effective interest Rate (EIR) liability written down over the life of the debt. The impact on balances is spread over the life of the debt by an annual transfer between the CIES and the Financial Instruments Adjustment Account (FIAA).

Other Financial Liabilities

Other Financial Liabilities include Trade Creditors. There is no difference between the carrying amount and the Fair Value of Trade Creditors.

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 treasury management practices operate to minimise exposure to the unpredictability of financial markets and aim to protect the financial resources available to fund services. The Council has formally adopted the requirements of the CIPFA Treasury Management Code of Practice.

The Treasury Management Strategy for the forthcoming year is approved annually by Council. This Strategy sets out 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.

In accordance with the Prudential Code for Capital Finance in Local Authorities, the Council sets Prudential and Treasury Indicators for the following five years as part of its annual budget report approved by full Council. Reports are submitted annually to Council providing a mid-year update and, after the year end, reporting on the actual performance against Treasury and Prudential Indicators.

Notes to the Financial Statements

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with financial institutions unless they meet identified minimum credit criteria set out in the Council's Treasury Management Strategy which is based on leading Credit Reference Agency ratings. The Annual Treasury Management Strategy also imposes maximum amounts and time limits in respect of each financial institution.

The Council also lends to other Local Authorities. To minimise the risks involved, lending is limited to £10m per Local Authority.

The Council does not generally allow credit for its trade debtors and £5.5m of the £8.7m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£'000
Less than 31 days	680
31 – 60 days	261
61 – 90 days	241
More than 90 days	4,344
Total	5,526

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 2021 was £0.9m.

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.

Re-financing and Maturity Risk

The approved treasury indicator limits for the maturity structure of debt are the key parameters used to address re-financing and maturity 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. The team will monitor the maturity profile of financial liabilities and amend the profile through either new borrowing or the rescheduling of the existing debt. They will also monitor 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:

31/03/20		Approved Maximum Limits		31/03/21
£'000		%	£'000	£'000
43,965	Less than one year	25	68,800	43,000
2,000	Between one and two years	25	68,800	11,000
25,134	Between two and five years	25	68,800	21,677
59,368	Between five and ten years	35	96,320	61,825
33,381	Between ten and twenty years	35	96,320	23,381
30,000	Between twenty and thirty years	35	96,320	30,000
45,318	Between thirty and forty years	35	96,320	55,318
39,000	Between forty and fifty years	35	96,320	29,000
278,166	Total			275,201

Notes to the Financial Statements

Market Risk

Interest rate risk - the Council is exposed to interest rate movements on its borrowings and investments and rate changes have a direct impact on the CIES and General Fund or HRA balances. 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. An increase in short term interest rates would increase the amount payable on short term borrowings (if variable rate) and potentially increase the amount receivable for investments.

Borrowings are held in the Balance Sheet at amortised cost rather than fair value, so any gains and losses to fair value as a result of a change in interest rates will not have an impact on the Balance Sheet.

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	(566)
Impact on Other Comprehensive Income and Expenditure	(566)
Share of overall impact credited to the HRA	(315)
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)	(55,446)

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

Price Risk and Foreign Exchange risk - 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 39: Other Long-Term Liabilities

2019/20 £'000		2020/21 £'000
89,931	PFI Finance Lease Liabilities	82,947
786	PFI Deferred Income	667
90,717	Total	83,614

Note 40: Interest Payable

2019/20 £'000		2020/21 £'000
11,627	Interest Paid	11,533
12,699	Finance Lease Interest PFI / NPDO	12,039
125	Impairment of Long-Term Investment	-
24,451	Total	23,572

Note 41: 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 an increase in Reserves of £4.396m. 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 2021. 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

Notes to the Financial Statements

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 £10.927m for service provision in 2020/21 (£10.899m in 2019/20). The Trust returned a surplus of £0.599m (deficit of £0.206m in 2019/20) 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 2020/21 was £66.696m (£66.763m in 2019/20). 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

2019/20 £'000	2020/21 £'000
226 Central Scotland Valuation Joint Board	58
23 thinkWhere Ltd	49
176 Falkirk Integration Joint Board	(5,755)
425 Total	(5,648)

Notes to the Financial Statements

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

2019/20 £'000	2020/21 £'000
(790) Central Scotland Valuation Joint Board	(790)
- thinkWhere Ltd	-
(790) Total	(790)

5. Group Entities Reserves

2019/20 Total £'000	Reserves	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	2020/21 Total £'000
2,416	Usable	8,500	(2,542)	(323)	337	(775)	(9,048)	(3,851)
64	Unusable	(1,492)	-	2,177	(169)	(1,062)	-	(546)
2,480	Total	7,008	(2,542)	1,854	168	(1,837)	(9,048)	(4,397)

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.

Independent Auditor's Report

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

• Reporting 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 and its group for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Group and Council Comprehensive Income and Expenditure Statement, Movement in Reserves Statements, Balance Sheet, and Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Account, and any other disclosures presented as financial statements 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 2020/21 (the 2020/21 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the council and its group as at 31 March 2021 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 2020/21 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 five 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.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Risks of material misstatement

[I/We] report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Independent Auditor's Report

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

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

As explained more fully in the Statement of Responsibilities, the 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the council is complying with that framework;
- identifying which laws and regulations are significant in the context of the council;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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.

• Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

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

Statutory other information

The Chief Finance Officer is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material

Independent Auditor's Report

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

misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on Management Commentary and Annual Governance Statement

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.

• 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

Atria One

144 Morrison Street

Edinburgh

EH3 8EX

Date:



Falkirk Council