

The background of the slide is the Falkirk Council Coat of Arms. It features a shield divided into four quarters. The top-left quarter shows a saltire (X-shaped cross) on a blue field. The top-right quarter shows a stag's head facing left. The bottom-left quarter shows a sailing ship on wavy lines representing water. The bottom-right quarter shows a bird with spread wings. Above the shield is a crown with four fleurs-de-lis. A banner at the bottom contains the motto 'A'NE FOR A' in Latin script.

Agenda Item 4

Falkirk Council Annual Accounts 2021/22

Falkirk Council

Subject: Falkirk Council Annual Accounts 2021/22
Meeting: Audit Committee
Date: 22 August 2022
Submitted By: Director of Transformation, Communities & Corporate & Services

1. Purpose of Report

- 1.1 The Local Authority Accounts (Scotland) Regulations (The Regulations) 2014 requires the Council to submit the Unaudited Annual Accounts of the Council and Falkirk Temperance Trust (the Unaudited Accounts) for the financial year ended 31 March 2022 to the Auditor by the statutory deadline of 30 June 2022. Under the Regulations, a Committee of the local authority, whose remit includes audit and governance functions, must also meet to consider the Unaudited Annual Accounts by 31 August 2022.

2. Recommendations

- 2.1 It is recommended that the Audit Committee:
- consider the Unaudited Annual Accounts
 - note the public inspection period,
 - note that the Unaudited Annual Accounts were submitted to the Council's External Auditor by the statutory deadline of 30 June 2022.

3. Background

- 3.1 In order to meet the requirements of the Regulations, the Council has delegated responsibility to the Audit Committee to consider the Unaudited Annual Accounts.

4. Considerations

- 4.1 Officers worked on preparing the Unaudited Annual Accounts to allow them to be lodged with the Auditor by the due date of 30 June 2022. These were posted on the Council's website on 30 June.
- 4.2 In considering the Unaudited Annual Accounts, the Committee's attention is drawn to the Management Commentary which provides a summary of key matters and the Annual Governance Statement which details the key elements of the Council's governance framework.

- 4.3 The Regulations also require that local authorities give public notice of the rights of individuals to inspect the Unaudited Annual Accounts within a specified period. Individuals may lodge an objection to the Unaudited Annual Accounts, or to any part of the Accounts. The timetable is set out below and demonstrates how the Council has complied with the Regulations. The statutory three week public inspection period commenced on 30 June following the public notice on 16 June.

Stage	Latest Date	Falkirk's Date	Comments
Publication of notice	17 June	16 June	The Regulations set the latest date as 17 June.
Inspection start date	1 July	30 June	The Regulations set the latest date as 1 July.
Inspection end date	21 July	20 July	The inspection period requires to be 15 working days from (and including) the inspection start date.
Objection deadline	22 July	21 July	An objection must be lodged not later than the end of the working day after the inspection period.

- 4.4 No objections to the Accounts have been received.
- 4.5 The formal audit process commenced at the beginning of July and is due to be completed by the end of September. Copies of the draft Unaudited Annual Accounts are available from the Chief Finance Officer.
- 4.6 In due course the Audited Accounts require to be submitted to the auditor. Normally the audited accounts should be signed off by the 30 September. However, due to ongoing impact of COVID-19, the Scottish Government has approved a request from Audit Scotland to extend this date to the 31 October 2022. Once the audit has concluded, arrangements will be made for the Audit Committee to review the audited annual accounts and recommend approval to the Council.

5. Consultation

- 5.1 The accounts will be subject to public inspection.

6. Implications

Financial

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

Resources

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

Legal

- 6.3 There are no legal implications arising from the report recommendation, aside from the requirement to meet the statutory dates.

Risk

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

Equalities

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

Sustainability/Environmental Impact

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

Director of Transformation, Communities & Corporate Services

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Date: 9 August 2022

Appendices

Falkirk Council Unaudited Annual Accounts 2021/22

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:

- **2021/22 working papers for the Unaudited Annual Report and Accounts for Falkirk Council.**

Falkirk Council

Unaudited Annual Report and Accounts
2021/22

Appendix 1



Falkirk Council



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Management Commentary

Management Commentary

The Management Commentary outlines the key messages about the Council's financial and service performance for 2021/22 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 next financial year and beyond will be the additional cost pressures arising from global and national events, including Brexit, COVID-19 and the war in Ukraine. These cost pressures will remain a key risk and consideration on the delivery of council services going forward. 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

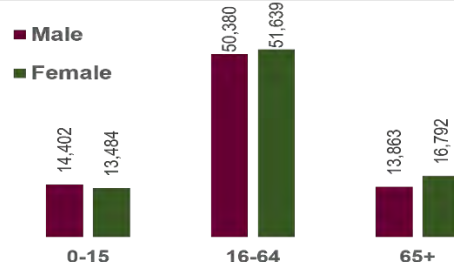
The Administration consists of 12 SNP Councillors

Population

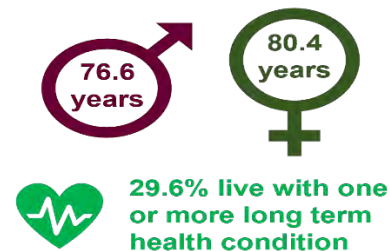
160,560

Male

78,645

Female

81,915



Life Expectancy



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

Environmental Impact



39,000 Tonnes CO2e

Economic Activity



3,765 Businesses operating across the Falkirk area



77% of Adults in employment



8,900 (18%) of households are workless



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



3.3% (April) Unemployment Claimant Count





16.4% of population within the top 20% most deprived (SIMD20)

Staff



7,588 - Full Time Equivalents

Male

1,889
25%

Female

5,699
75%



Full Time 4,402
Part Time 3,186

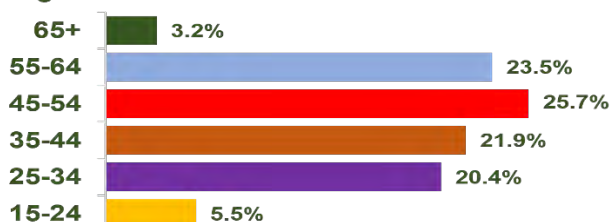


3.6% of staff from an ethnic minority



2.9% 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 make Falkirk the best place we can, a place where everyone is supported to achieve their full potential. The Falkirk Plan 2021-2030 replaced the Strategic Outcomes and Local Delivery Plan (SOLD) which was in place from 2016 to 2020. The Falkirk Plan sets out 23 outcomes within the following 6 themes: working in partnership with communities, poverty, mental health, substance use, gender based violence and economic recovery and employment. The Falkirk Plan is supported by 3 Year Delivery Plans which detail the actions and anticipated improvements.

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. Following the recent Local Government Election new Plans will be developed by the Autumn of 2022.

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



The Council's Corporate Plan is supported by a range of strategies and plans, including the Business Plan updated in March 2022, Falkirk Economic Strategy, and Digital Falkirk.

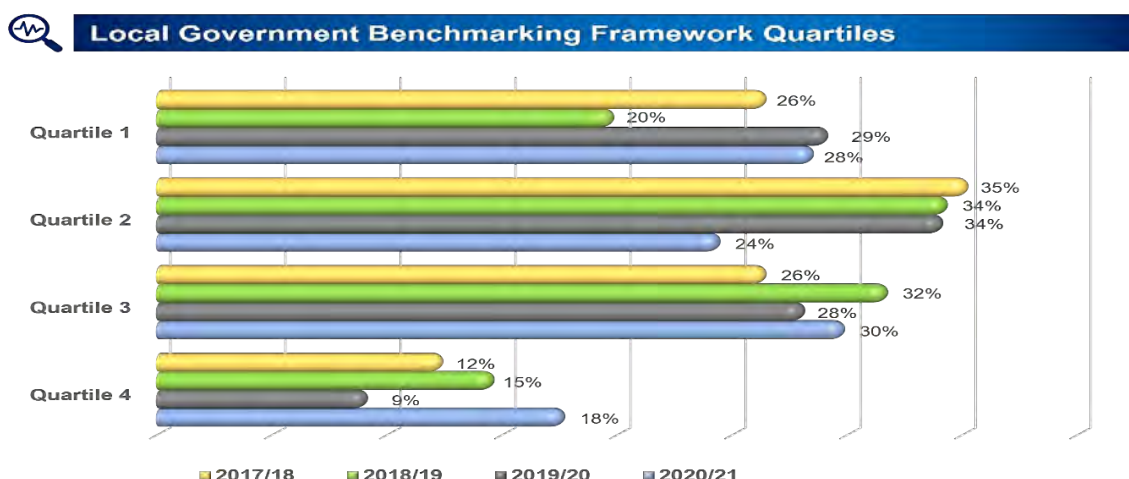
How are we doing?

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.

Following a Best Value Audit in 2021, nine key recommendations were made to help the Council address areas in need of improvement. In response the Council has approved a [Best Value Strategic Action Plan](#) in February 2022 to implement the recommendations. Progress will be monitored and reported over the course of the next year, including within Falkirk Performs.

The chart below summarises our performance trends with the Local Government Benchmarking Framework indicators. This framework reports on performance information across all 32 Council's, covering a wide range of service areas. In 2020/21 52% of indicators were within quartiles 1 and 2, a reduction in comparison with the previous year.



Highlights in 2021/22

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 report to Council in March 2022, [Interim Business Plan](#).



Up to 2,000 jobs and £1bn of future investment is expected from the Falkirk Growth Deal. The agreement means 11 projects can access a total of £80m investment from UK Government, Scottish Government and Falkirk Council. Projects identified will drive innovation, boost the local economy and build on existing success stories which welcome visitors to the Falkirk area.



Local people used their voting power to help secure £1.2m of funding from the Community Choices place-based capital programme. Almost 16,000 eligible votes were cast reflecting where residents thought money should be spent. Bids ranged from £25,000 to £190,000 to build something new, improve an asset or purchase equipment. Installing defibrillators across the council area was one of the successful bids.



95% of school leavers across the council area enter positive destinations. 1554 young people left secondary school and compared to the prior year 3% more school leavers went into higher education and an increase of 7% saw leavers going straight into employment. The Times named Braes High 'most improved' in Scotland after seeing a steady course of improvement in the percentage of pupils leaving school with five or more Highers.



Connected Falkirk is one of our transformation projects making a real difference to learning and teaching from digital technology. This has proved invaluable during the pandemic. In 21/22 16,000 iPads were distributed to pupils and teachers in Falkirk schools and 1,000 Apple TVs were fitted to allow content from devices to be shared wirelessly in the classroom.

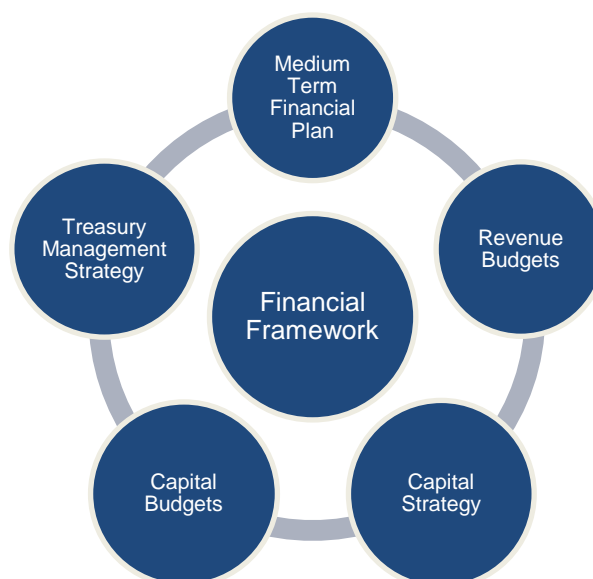


The top attractions in the council area collected gold at the Scottish Hospitality Awards. Voted for by the public, Callendar House won Family Venue of the Year. The Great Mariner Reef won Children's Play Centre of the Year and FTH Theatre scooped gold for Live Entertainment/Nightclub of the Year. The Helix and The Hippodrome were runners up in their categories. This was a great result for our venues over a challenging period.

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 31 to 35), with housing revenue income and expenditure managed in the Housing Revenue Account (pages 36 to 37). In addition to day-to-day expenditure, we have capital investment in our assets, including schools, houses, and infrastructure.



Financial Performance

Financial information is part of the Council's performance framework with regular reporting to Elected Members. This section summarises our financial performance for 2021/22.

(a) General Fund Revenue Expenditure 2021/22

The income received and expenditure incurred during 2021/22 is highlighted in the diagram below. The final expenditure was £382.8m (2020/21 £362m) which was funded from Government Grant and Council Tax. The Council's reserves increased by £11m.



Resources 2021/22

Income	£m
Government Grant	324.1
Council Tax	69.7
Total Income	393.8

Total Resources
£ 393.8m

Expenditure	£m
Children's Services	222.5
Adult Social Work Services	79.2
Place Services	28.4
Transformation, Corporate & Communities	29.9
Capital Costs	8.9
Falkirk Community Trust	12.5
Valuation Board	1.4
Total Expenditure	382.8



To Reserves **£ 11m**

Overall expenditure on council services was £8.9m less than the budgeted deficit for 2021/22 of £2m, resulting in an increase to the unearmarked General Fund budget of £6.9m. This was a favourable improvement from the position reported back in March when the budget for 2022/23 was approved. Place Services were £2m below budget with reductions across the service including waste collection, roads maintenance, street cleansing and grounds maintenance. Borrowing costs were also £2m lower than budgeted due to reduced borrowing flowing from slippage in the capital programme and lower interest charges. Increased revenue support grant and more favourable pay settlements than anticipated resulted in further savings of £2.5m. The payment for services provided by the Falkirk Community Trust was £1.2m less than budgeted. Various operational savings across the council and increased council tax yield also resulted in further reduction in spend of £1.2m.

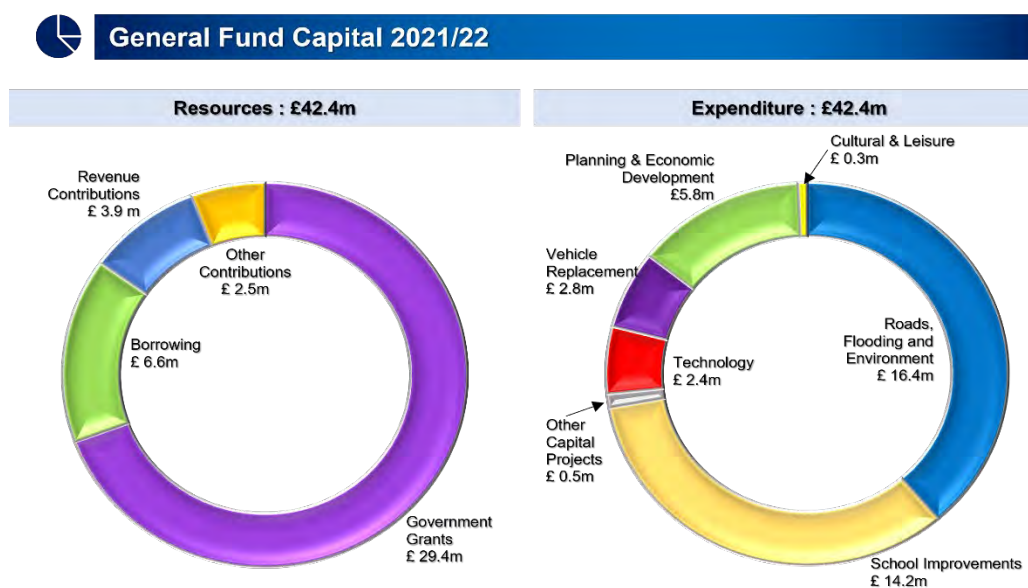
In addition earmarked reserves increased by £4.1m. This is largely grant funding that was not fully spent and will be carried forward to the new financial year, including the Pupil Equity Fund which is allocated directly to

Management Commentary

schools, the early year expansion programme to increase the provision of nursery hours and COVID-19 recovery funding.

(b) General Fund Capital Programme 2021/22

In 2021/22 the final Council budget for capital investment was £70m with £42m (60%) being delivered. Global and national events, including Brexit, COVID-19 and the war in Ukraine has significantly impacted on the construction sector, creating supply and delivery issues along with inflationary pressures. It should be noted that the 2021/22 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 will be completed in forthcoming financial years. The diagrams below identify the key projects and how these were funded. Further details are provided at Note 24.



(c) Usable Reserves

The Council's budget for 2021/22 included £2.2m of reserves to achieve a balanced budget. The actual movement of reserves, after transfers from other reserves was an increase of £6.9m, leaving an uncommitted General Fund balance of £16.7m. 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 £16.7m exceeds the 2% policy range, however as part of the 2022/23 budget process, Elected Members agreed to apply £5m of reserves to help balance the budget which will take the projected balance to £11.7m. The financial pressures arising from global and national events will continue to put pressure on our reserves in 2022/23 and going forward.

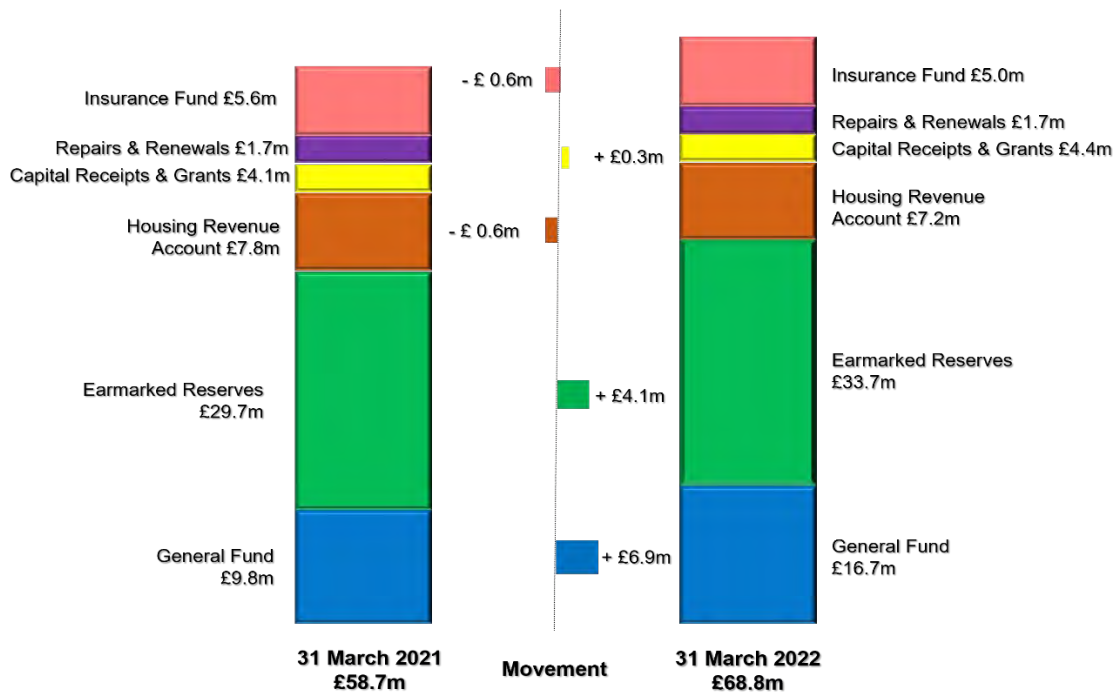
The Council also has a number of earmarked and other reserves to deliver specific commitments. The most significant in terms of value includes:

- Earmarked Reserves of £33.7m, with £16m relating to COVID-19 grant income carried forward into the next financial year, £11.3m for other revenue grant income, spend to save funding of £1.1m principally earmarked to cover the costs of voluntary severance and £2.4 m of balances delegated to Headteachers under the Devolved Schools Management System
- Housing Revenue Account, with £7.2m available as a contingency to meet future revenue and capital investment requirements, with £0.6m to be used in 2022/23.
- Insurance Fund of £5m 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 2021/22.



Usable Reserves

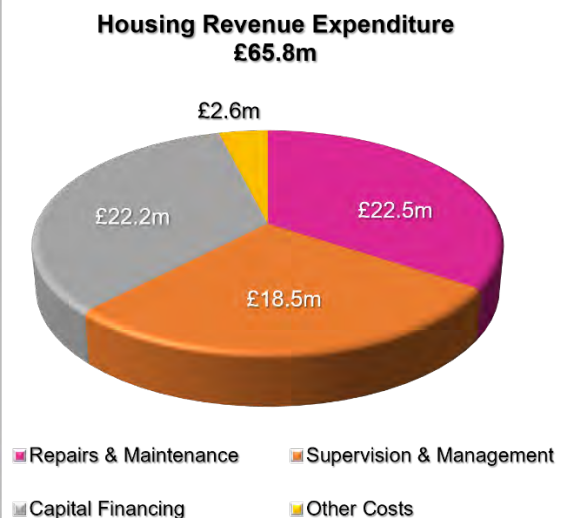
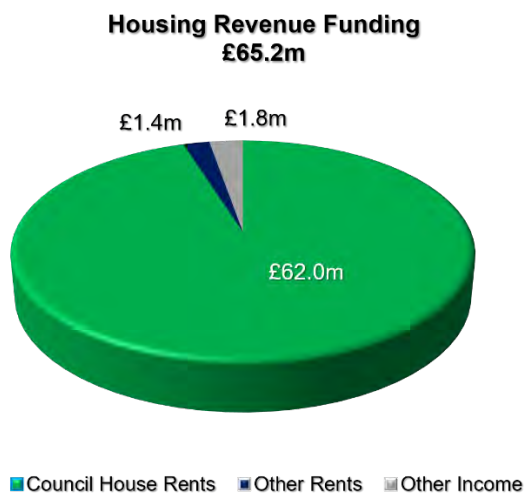


(d) Housing Revenue Account 2021/22

For 2021/22 the Council received £65.2m of funding and spent £65.8m on Housing Revenue Services, resulting in a planned use of reserves of £0.6m. An analysis of funding and expenditure is provided below.



Housing Revenue Account



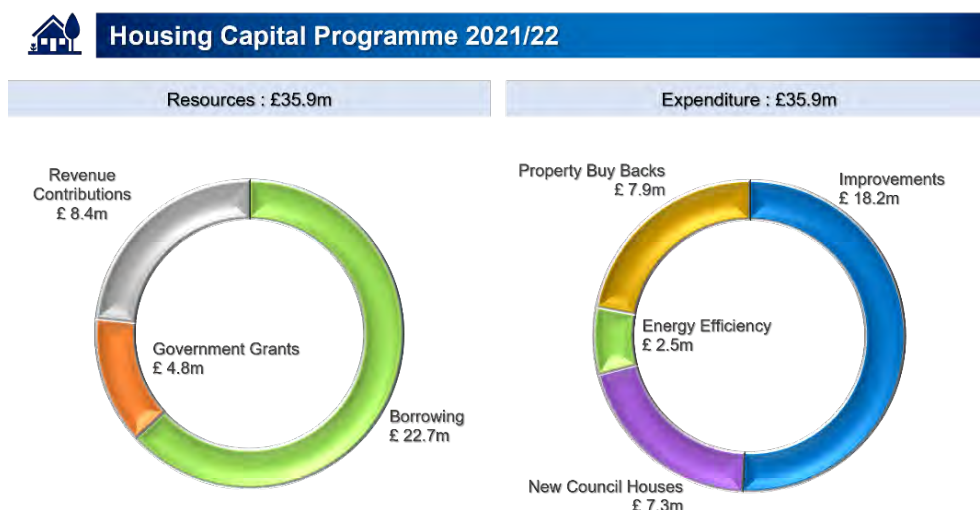
From Reserves £0.6m

Management Commentary

With the planned application of reserves, the overall HRA spending of £65.8m was within budget. The overall position allowed the provision of Capital Financed from Current Revenue (CFCR) of £8.4m to enhance the resources available to undertake housing investment.

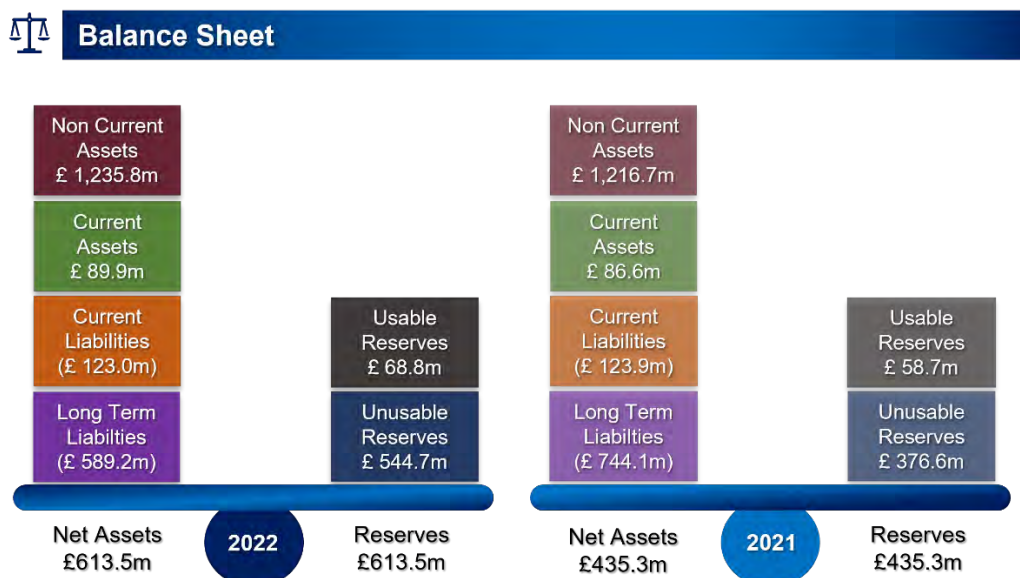
(e) Housing Capital Programme 2021/22

In 2021/22 the final Housing budget for capital investment was £53.6m. As with the general fund the programme was seriously impact by the cost pressures flowing from global and national events with c£35.9m (67%) being delivered. The exhibit below identifies the key projects and how these were funded.



(f) The Balance Sheet

The diagram below summarises the Council's Balance Sheet as at 31 March 2022, 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 33.



The net assets of the Council have increased by £178.2m (2020/21 net asset decrease of £50.2m). The main reason for the movement is a significant decrease in the pension liabilities of £166m. This is due to improved asset returns and revised financial and demographic assumptions resulting in lower anticipated obligations. 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.

Management Commentary

The amount of pension contribution payable by the Council in respect of the Local Government Pension Scheme is set every three years following a valuation of the Pension Fund carried out by Hymans Robertson, an independent actuary. Contribution rates are set in accordance with the Fund's funding strategy, which states that the Fund will take a prudent, long term approach to maintaining its solvency; will strive to keep contributions rates reasonably stable; and will recognise the different characteristics of Fund employers when agreeing contribution rates. For the Council, the Actuary has set contribution rates to cover the cost of ongoing benefit accrual and the deficit contributions needed to move the Council to a fully funded position over a 20-year period. Before setting contribution rates, the Actuary undertakes economic scenario analysis to ensure that each employer's funding plan will give at least a 2/3rds chance of being successful after the 20-year recovery period.

The contribution rates for the three year periods 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	2020-21	2021-22
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)	2.69%	4.18%
In year council tax collection	Reflects Falkirk Council's effectiveness in collecting council tax debt (2021/22 Scottish Average – 95.8%)	95.9%	96.5%
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%)	101.62%	96.64%
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%	1.3%
Capital Financing Requirement	The Capital Financing Requirement reflects the underlying need to borrow for Capital Investment (Budget £272.1m)	227.5m	228.3m
External Debt Levels	The actual external debt and long-term liabilities of Falkirk Council. This should never exceed Falkirk Council's authorised limit (Budget £510m)	£465m (Limit)	£510m (Limit)
		£362m (Actual)	£352m (Actual)

Risks

The Council has a well embedded approach to the management of risk. This is summarised in the Annual Governance Statement (see pages 13 to 21). In 2021/22, the Council's [Risk Management Assurance Policy and Framework](#) was reviewed, and it will be further updated in 2022/23. 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 regular Corporate Risk Update reports, including any changes to the Council's Corporate Risk Register. 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 table below shows four high risk areas alongside a snapshot of the mitigating actions:

Financial Sustainability	Public Protection
<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.
Transformational Change	Climate Change
<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	<ul style="list-style-type: none">• Climate Emergency Action Plan – but Capital Budgets still to be identified to deliver on actions• Carbon Literacy Training and Carbon Budgeting• Plans and Targets to improve energy efficiency from e.g. buildings, fleet, and waste• Robust engagement to develop further actions and monitor progress

The Annual Governance Statement includes more details on the key governance issues relating to those Corporate Risks rated 'high' in 2021/22 (including issues relating to the Best Value Audit Report and COVID-19), and key improvement actions which will be taken to address these areas in 2022/23.

Outlook

Scottish local authorities have been faced with considerable financial challenges for a good number of years. These still don't show any sign of easing and the Council will continue to be faced with difficult decisions to manage and reduce expenditure over many years to come. The uncertainty created by Brexit and then COVID-19 has added to these challenges and this has been compounded by the current situation in Ukraine. The combined impact of these events has created significant inflationary pressures and disrupted supply chains, with increases in a wide range of goods and services such as gas and electricity, fuel and food. All this pushes up prices from the council's suppliers and contractors, increases interest rates, making it more expensive to borrow money to fund capital expenditure, as well as setting an expectation of higher pay increases.

The Bank of England recently noted that these inflationary pressures will lead to a deterioration in the outlook for world and UK growth. Weak 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 overall resources is compounded by the protection of other public services, such as health, defence and police services and also the implementation of new policy initiatives. The Scottish Government's Resource Spending confirmed that funding for councils will not increase until the end of 2025/26, which is estimated to result in a 7% real terms reduction for local government. In comparison, health and social care and social security spending will have a combined increase of 2.6% in real terms to 2026/27. A continuing combination of increasing costs and reduced funding will have a significant adverse impact on the Council's funding gap which is currently estimated at £52m.

While the impact of these pressures will be felt directly by the Council, our communities recovering from the worst effects of COVID-19 will also now be adversely impacted by the increasing cost of living. With regard to COVID-19, the Council has continued to administer a range of schemes to support individuals, families and businesses. In addition to Non Domestic Rates Relief for business sectors, £11.9m has been provided in business grants and £4.15m has been paid to low income families and individuals required to self-isolate. In

Management Commentary

June Members also recently agreed a further package of measures to help with the cost of living crisis and provide additional support to help improve household finances.

The increase in reserves at the end of 2021/22 will help the Council to mitigate the financial challenges that will emerge over the next financial year. COSLA and all 32 Councils will also continue to work closely to identify emerging risks and collate the financial pressures arising. This will be an ongoing process that will inform discussions with the Scottish Government over funding now and going forward.

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 to allow the Council to set a balanced budget for 2023/24.

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 £11.14m (2020/21 increase of £1.175m). 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 it is clear that difficult times remain ahead over the foreseeable future and difficult decisions will need to be taken. The Council's planning framework will continue to ensure that the Council responds to these challenges and continues to ensure the desired outcomes for the Council area are delivered.

Amanda Templeman, CPFA
Chief Finance Officer
** 2022

Councillor Cecil Meiklejohn
Leader of Falkirk Council
** 2022

Kenneth Lawrie
Chief Executive of Falkirk Council
** 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 ** 2022.

Signed on behalf of Falkirk Council

Councillor Cecil Meiklejohn

Leader of Falkirk Council

**** 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 2022 and the transactions of the Council and its group for year ended 31 March 2022.

Amanda Templeman, CPFA

Chief Finance Officer

**** 2022**

Annual Governance Statement 2021/22

Introduction

As specified in the Local Authority Accounts (Scotland) Regulations 2014, the Council is required to conduct a review of the effectiveness of its internal control systems at least once in each financial year and must also include an Annual Governance Statement (AGS) as part of the annual accounts. This is consistent with the Code of Practice on Local Authority Accounting in the United Kingdom and guidance developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) entitled “Delivering Good Governance in Local Government: A Framework”.

The AGS includes the following:

- Section 1: Purpose of the AGS and the meaning of Good Governance;
- Section 2: The Council's Governance Framework and Internal Control System;
- Section 3: Adequacy and Effectiveness of the Governance Framework;
- Section 4: Significant Changes and Issues in 2021/22 and Actions in 2022/23; and
- Section 5: Conclusion and Opinion on Assurance.

Section 1: Purpose of the AGS and the meaning of Good Governance

The purpose of this Statement is to report publicly on the extent to which Falkirk Council complies with its governance arrangements on an annual basis, including how the Council have monitored and evaluated its effectiveness, and any planned changes in the coming period. The process of preparing the AGS itself adds value to the effectiveness of the governance and internal control framework.

The CIPFA / SOLACE Framework is clear that governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest, and accountable manner. The governance framework comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled.

Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for the Falkirk area's citizens and service users.

Section 2: The Council's Governance Framework and Internal Control System

The Council's governance framework and internal control system is built upon the structure, systems, and processes as described within the following key documents (which were reviewed and agreed by elected Members in 2021/22):

- The [Falkirk Plan 2021 - 2031](#), [Corporate Plan 2020 - 22](#), and [Interim Business Plan](#);
- [Standing Orders](#) (includes Committees and Decision-Making);
- [Codes of Conduct for Elected Members](#) and Officers (currently being reviewed);
- [Contract Standing Orders](#);
- [Financial Regulations](#);
- [Risk Management Assurance Policy and Framework](#); and
- [Whistleblowing Policy, Anti-Fraud and Corruption Strategy, and Procedure for the Investigation of Corporate Fraud Referrals](#).

The Council's [Standing Orders](#) set out the Council's governance and decision making structures; including the roles of different Committees and Elected Members. In addition, the Council's system of internal control is highlighted within the [Risk Management Assurance Policy and Framework](#). An assessment of the Council's key risks and internal controls is contained within the Corporate Risk Register, which is presented and considered by Audit Committee and the Executive on a regular basis (the most recent Audit Committee paper was presented in [March 2022](#)).

The governance framework is based on internal controls, including management and financial information, Financial Regulations, administration, supervision, and delegation. During 2021/22 this included:

- A review of [Financial Regulations](#);
- Having in place comprehensive budgeting systems and a formal budget setting process;

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- Having in place management information systems and regular monitoring reports, including performance and financial reporting;
- Preparation of quarterly Service Assurance statements by each Director;
- Statutory assurance reports on key areas, such as housing, procurement, and social work;
- Regular reporting to the Audit Committee, including internal audit, risk, and corporate fraud progress reports; and
- Partnership reporting to the Council's External Scrutiny Committee, including reports by the Community Planning and the Health and Social Care Partnerships.

Assurance on the effectiveness of the Council's governance framework and internal control system comes from a variety of sources, including the 3 lines of defence shown in the risk and assurance framework below. This will be evaluated as part of a review of the [Risk Management Assurance Policy and Framework](#) during 2022/23:

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The Council's Risk and Assurance Framework

Note that this is based on the current Falkirk Plan and Corporate Plan, Standing Orders, and Risk Management Assurance Policy and Framework – but these will be reviewed in 2022/23.

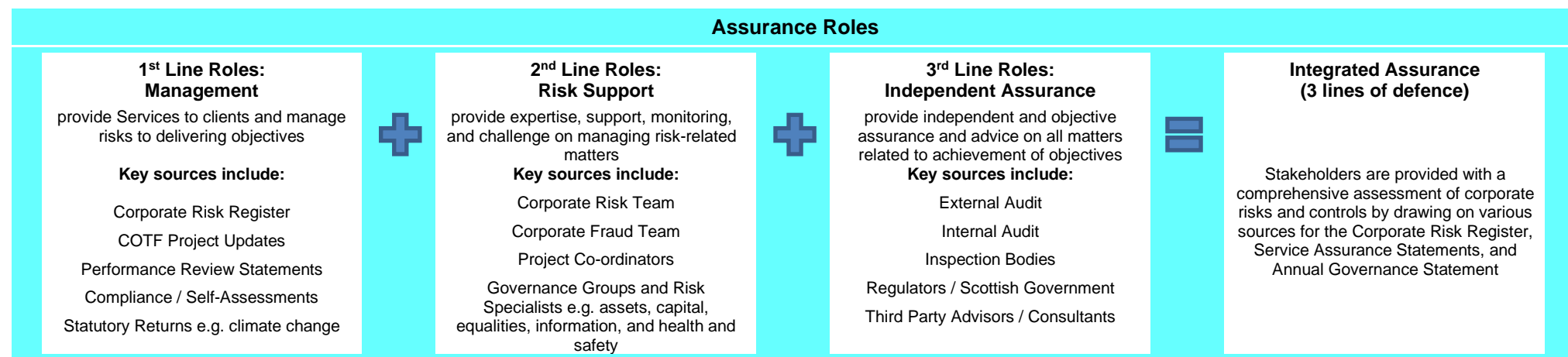
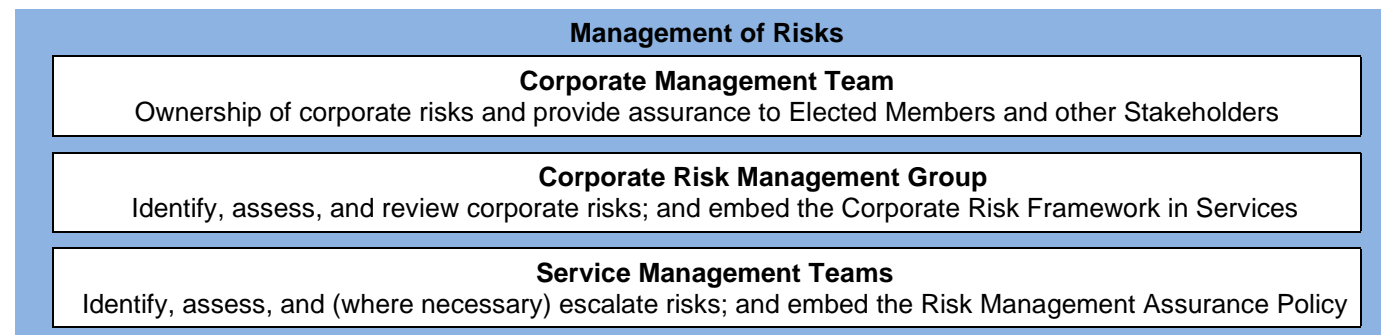
The Falkirk Plan 2021-2031	Our Communities' Priorities: Communities (People), Enterprise ((Place), Innovation (Partnerships)
	Our Communities' Vision and Mission: "The Place To Be: Where everyone can fulfil their potential"
Corporate Plan 2020-22	Our Council's Values: RITA – Responsive, Innovative, Trusted, and Ambitious

Falkirk Council		
Ownership of risks to delivering the Corporate Plan and Business Plan (these risks are set out in the Corporate Risk Register)		
Scrutiny Committee Scrutinise Corporate Risks and Performance	Executive Agree Corporate Risks, Horizon Scan, and Set Risk Appetite	Audit Committee Seek Assurance on the Risk and Internal Control Framework

Falkirk Community Planning Partnership

responsible for risks to delivering The Falkirk Plan

e.g. Economic Development and Health & Social Care Partnerships



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Section 3: Adequacy and Effectiveness of the Governance Framework

This Annual Governance Statement relates to the governance framework in place within the Council for the year ended 31 March 2022 and up to the date of signature of the Council's Annual Accounts for 2021-22.

The [Best Value Assurance Report 2021 and Improvement Plan](#) assessed many elements of the Council's governance framework. The themes on the Best Value Improvement Plan (such as Leadership, Equalities, Performance, and Community Planning) are captured at Section 4.

The Audit Committee was held six times throughout 2021/22 and remained responsible for reviewing the effectiveness of the assurance functions in place, including Internal Audit. Elected Members received a range of reports produced throughout the year by the Internal Audit, Risk, and Corporate Fraud Manager on internal audit progress, corporate risk management updates, and corporate fraud work undertaken. This allowed for scrutiny and questioning of Officers to take place; assisting members of the Audit Committee to receive assurance that any weaknesses or gaps have been identified and are being addressed.

Resourcing issues within the Internal Audit team has had an impact on the workload of the team this year, however, the assurance work undertaken has ensured that an opinion was still able to be formed. This is in part based on the reported progress with the management implementation of agreed Internal Audit recommendations.

In September 2022 the Internal Audit, Risk, and Corporate Fraud Manager will provide the Council with an Annual Assurance Report on the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ending 31 March 2022. The report will provide details of the position relating to the audits contained within the 2021/22 Internal Audit plan and will highlight that the majority of recommendations made had been accepted by management and once fully implemented will improve the Council's internal control environment.

Having taken all factors into consideration the annual statement on the adequacy and effectiveness of the Council's framework of governance, risk management and control as drafted will conclude that substantial assurance can be placed on the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2022. The report will also further confirm the organisational independence of Internal Audit. Internal Audit operates in accordance with the Public Sector Internal Audit Standards which apply to Local Government.

Falkirk Council is determined to protect itself and the public from fraud and corruption, and, therefore, has a zero tolerance approach. This approach includes a Corporate Fraud Team which is committed to the rigorous maintenance of a strategy for the prevention and detection of fraud and corruption which provides a framework for:

- encouraging fraud deterrence and prevention;
- raising awareness of fraud and corruption and promoting detection and zero tolerance;
- performing investigations and facilitating recovery;
- working with Human Resources to invoke disciplinary proceedings when required;
- referral to the Police and / or the Procurator Fiscal when appropriate; and
- monitoring, publicising, and updating the [policy](#) and its related procedures and performance. This was undertaken during the course of 2021/22.

The system of internal control is a significant part of our governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, or comply with controls, and can, therefore, only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the Council's outcomes;
- evaluate the likelihood of those risks being realised and the impact should they be realised; and
- manage those risks efficiently, effectively, and economically.

Directors maintain Service Assurance Statements and provide annual assurance on compliance with our Financial Regulations and the Code of Practice on Local Authority Accounting in relation to 'Related Party Transactions' (such as Chief Officer appointments to independent Boards). No significant issues have been identified as part of the completion of the annual assurance process. Ongoing issues and actions arising from Directors' assurance statements have been fed into the Review of Effectiveness (at Section 4).

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The Council complies with the requirements of CIPFA's statement on The Role of the Chief Financial Officer in Local Government. The Chief Finance Officer has overall responsibility for the Council's financial arrangements and is professionally qualified and suitably experienced to lead the Council's finance function and staff.

The CIPFA / SOLACE Framework 2016 includes seven principles for good governance Section 4 sets out how we meet our commitments to these principles, presenting the primary sources of assurance against each principle. The principles are:

- Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Principle B: Ensuring openness and comprehensive stakeholder engagement.
- Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Principle F: Managing risks and performance through robust internal control and strong public financial management.
- Principle G: Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

The 2022/23 actions identified in the table below will be completed by March 2023, and more measurable actions will be developed as part of the service work plans during 2022/23. In addition, a review will be undertaken in early 2023 to assess how actions are progressing in line with the March 2023 implementation dates.

Section 4: Significant Changes and Issues in 2021/22, and Actions in 2022/23

CIPFA Principle A: Behaving with integrity; demonstrating strong commitment to ethical values; and respecting the rule of law.	
Community and Council Priorities	<p>In 2021/22, the Community Planning Partnership reviewed the Falkirk Plan 2021-2031 and the Council agreed a Corporate Plan 2020-22, Interim Business Plan, and Medium-Term Financial Plan.</p> <p>Action Planned within 2022/23: A new Council Plan will be presented to Council for approval in September 2022, aligning to the Falkirk Plan. Service Plans will be developed, and these will be aligned to the Council Plan priorities and corporate risks.</p>
Leadership, Decision Making, and Governance	<p>In 2021/22, the Council's Standing Orders and Risk Management Assurance Policy and Framework were reviewed. The Council also developed a Best Value Improvement Plan and started to implement this.</p> <p>Action Planned within 2022/23: Best Value Actions will be implemented during 2022/23, including training and ongoing support and development for elected Members, work on collaborative leadership, performance reporting, governance of the capital programme, development of our approach to equalities and a review of transformation.</p> <p>The Register of Gifts and Hospitality and the Code of Conduct for Members and Officers are currently being reviewed / combined. Formal Trade Union and elected Member agreement to the combined Policy will be sought during 2022/23.</p>
Legal Duties: Committee Decisions	<p>Committee papers set out implications including legal, financial, climate, and equalities. In addition, elected Members are provided with legal and professional advice before making all decisions.</p> <p>Action Planned within 2022/23: Elected Members' will receive risk training and development during 2022/23. Work on the implications included in the committee reports will be undertaken to improve the information provided to Members.</p>

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Legal Duties: Equalities	<p>An Internal Audit report in 2019/20 found that there were significant improvements required to meet the Council's Equalities duties obligations. In 2021/22, the Best Value Review highlighted the need for further improvement and an Equalities Group was established. The Group has undertaken a self-assessment which forms part of the Best Value Action Plan.</p> <p>Action Planned within 2022/23: An Equalities Action Plan will be implemented, and this will feed into the publication of a revised Equalities Mainstreaming Report during 2022/23.</p>
Legal Duties: Health and Safety	<p>Improvements were made in the management of staff wellbeing, and a new health and safety reporting system was introduced. Health and Safety, however, has been a limited assurance as part of Corporate Risk Updates since 2019, due to significant weaknesses in premises management risks.</p> <p>Action Planned within 2022/23: Premises management improvements will be implemented and Service Health and Safety Management arrangements will be improved during 2022/23 (alongside a Corporate Landlord approach to assets).</p>
CIPFA Principle B: Ensuring openness and comprehensive stakeholder engagement, including: Engaging comprehensively with institutional stakeholders; Engaging with individual citizens and service users effectively	
Community Planning	<p>Community Planning has been rated as limited assurance in Corporate Risk Updates since 2019. In 2021/22 the Best Value Review highlighted the need for further improvement and, since then, a self-assessment has been completed and significant progress has been made on the actions.</p> <p>Action Planned within 2022/23: The Community Planning Best Value actions will be implemented during 2022/23.</p>
Participation	<p>Participation has been rated as limited assurance in Corporate Risk Updates since 2019. In 2021/22, improvements have been implemented. Public Consultations are published on the Council's Website (here) and there are ongoing consultations with stakeholders, including housing tenants, employees, and trades unions and these feed into Annual Service or Governance Group Self-Assessments.</p> <p>Action Planned within 2022/23: The Participation Group's action plan will be implemented during 2022/23.</p>
Procurement	<p>Contract Standing Orders and Procurement Guidance were reviewed; and the Procurement Board provided substantial assurance within their annual assurance report to the Scottish Government. In 2021/22, however, Social Work Adult Services provided limited assurance on compliance with some care contracts.</p> <p>Action Planned within 2022/23: The procurement issues raised in Social Work Adult Services will be addressed as part of the Integration Joint Board's (IJB)'s Strategic Commissioning Plan review during 2022/23.</p>
Public Protection	<p>The Chief Social Work Officer's Annual Report, which also reflects the outcomes of the Care Inspectorate's Adult Support and Protection Inspection, provided substantial assurance. In addition, relevant Council and IJB Committees continue to review ongoing assurance including for example, care homes audits and inspections.</p> <p>Action Planned within 2022/23: Adult Support and Protection and Gender Based Violence Partnership action plans will be implemented during 2022/23. The Council will continue to engage on plans to establish a National Care Service which are expected to continue at a pace. And will continue at pace in Scotland. And the Council will continue to respond to any issues and lessons arising from the national child abuse enquiry.</p>

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CIPFA Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits. These take into account the long-term impacts of current decisions on future generations	
Climate Change	<p>Internal Audit provide assurance on Climate Change Public Duties Reports (which relates to past emissions) on an annual basis. Since 2019, there has been limited assurance on meeting the Council's Climate Emergency Declaration (2030-45 targets). In 2021/22 a Climate Emergency Action Plan was agreed, but a key challenge remains the gap in capital budgets to deliver climate projects.</p> <p>Action Planned within 2022/23: The Director of Place Services will provide a report to Executive on climate change by December 2022, in advance of the budget setting process, which will set out progress, and the actions and funding required to deliver on climate change.</p>
Economic	<p>Growth Deal funding was agreed during 2021/22. The Best Value Review, however, also highlighted the need to make decisions on local regeneration.</p> <p>Action Planned within 2022/23: In 2022/23, Place Services will deliver the Town Centre Regeneration programme, monitor Falkirk Towns Ltd and BID company, and deliver the Revitalising Falkirk Action Plan. Other economic actions that will be taken forward include a Green Free Port bid and the Tax Incremental Financing project. In June 2022 the Executive considered reports on Local Authority COVID Economic Recovery (LACER) Funds and the UK Shared Prosperity Funds. Both reports set out a series of actions to be implemented.</p>
Social: Poverty and Children's Services Risks	<p>The Fairer Falkirk Strategy and Action Plan was reviewed, and Children's Services made significant progress on early years expansion, free school meals roll-out, and mental wellbeing in schools. There continues to be significant challenges, however, including fuel poverty, social work demand, and uncertainty on the long-term impacts of COVID-19.</p> <p>Action Planned within 2022/23: The Executive considered a report entitled Tackling Poverty in Falkirk - Additional Support to Low Income Households in June 2022.</p> <p>Executive have agreed that Officers should develop a longer-term strategy for income maximisation to align with the existing Fairer Falkirk Strategy to be brought back to members for approval.</p> <p>Children's Services and Social Work will continue to assess and respond to the short and long-term impacts of COVID-19 during 2022/23.</p>
CIPFA Principle D - Determining the actions necessary to optimise the achievement of the intended outcomes, including: Determining actions; Planning actions; and Optimising achievement of intended outcomes.	
Transformational Change	<p>The Best Value Review emphasised the need to accelerate the pace of change; and an Internal Audit on Savings Tracking is ongoing.</p> <p>Action Planned within 2022/23: Actions on transformation change from the Best Value Review and the Internal Audit on Savings Tracking will be implemented during 2022/23.</p>
Planning, Performance, and Outcomes	<p>The Best Value Review emphasised the need to improve performance arrangements and several improvements have been implemented. This includes the development of the 'Falkirk Performs' area of the Council's website which publishes complaints, plans, and performance information.</p> <p>Action Planned within 2022/23: The Falkirk Performs section of the Council's website will be continuously reviewed and updated; and the Best Value Actions on performance and plans (including the new Council Plan and Service Plans) will be completed during the year.</p>

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CIPFA Principle E - Developing the Council's capacity, including the capability of its leadership and the individuals within it: Developing the Council's capacity; Developing the capability of the Council's leadership	
HR and Workforce Planning	<p>The Best Value Review confirmed that Workforce Planning was effective; however, it also identified the need to improve leadership.</p> <p>Action Planned within 2022/23: Best Value Actions on leadership will be implemented by March 2023, including training for elected Members and officers, and ongoing support and development. Service Workforce Plans will be further developed and linked to the Council's updated Council Plan to support service planning and delivery during 2022/23.</p>
CIPFA Principle F: Managing risks and performance through robust internal control and strong public financial management, including: Robust internal control; Strong public financial management; Managing risk; and Managing data.	
Financial Sustainability	<p>The Council agreed a Medium-Term Financial Plan in 2021/22, and quarterly updates are provided to the Executive on the capital program, budgets and financial position, and treasury management. The Best Value Review also emphasised the need to improve capital planning; and since then a Strategic Asset Modernisation Board has been formed.</p> <p>Action Planned within 2022/23: The Medium-Term Financial Plan will be refreshed alongside the Council Plan; and the Strategic Asset Management Board will work to improve oversight of capital planning and program delivery during 2022/23.</p>
Financial Controls	<p>The Financial Regulations and Contract Standing Orders were updated; and Corporate Fraud updates and Service fraud assurance statements were introduced. In addition, substantial assurance on financial controls is provided within Internal Audit and External Audit reports.</p> <p>Action Planned within 2022/23: The Audit Committee will continue to receive regular updates from External Audit and the Internal Audit, Risk, and Corporate Fraud Manager. This will include the Internal Audit and External Audit annual assurance reports in September 2022.</p>
Corporate Risk Management	<p>In 2021/22, the Council's Risk Management and Assurance Policy and Framework was reviewed, and the Audit Committee and Executive received regular Corporate Risk updates. The corporate risk action plan, however, was only partly completed because the actions noted below were carried forward to 2022/23.</p> <p>Action Planned within 2022/23: The Council will continue to improve the approach to risk management, including a refresh of risk training, risk appetite, and risk reporting during 2022/23. The Corporate Risk Register will also be assessed against, and linked to, the new Council Plan; and Service Assurance Statements will link to Service Plans.</p>
Resilience: COVID-19 and Business Continuity	<p>COVID-19 impacts and actions continue to be assessed and reported within the Corporate Risk Register. In addition, the Scrutiny Committee considered COVID-19 updates throughout the year. Business Continuity, however, continues to be rated as limited assurance since 2018 because of gaps in plans and reviews.</p> <p>Action Planned within 2022/23: The Business Continuity improvement plan will be implemented by March 2023.</p>
Information Assets	<p>The Information Management Group provided substantial assurance on areas such as data protection, ICT, and Cyber security controls. CMT also reviewed the lessons learnt from the SEPA Cyber Attack and agreed a Cyber Action Plan.</p> <p>Action Planned within 2022/23: A Senior Information Risk Officer (SIRO) Annual Report will be completed, and the Cyber Action Plan (SEPA Lessons Learnt) will be implemented.</p>

Explanatory & Assurance Statements

CIPFA Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.	
Assurance	<p>Significant internal and external audit issues raised during 2021/22 are captured above and within the External and Internal Audit Annual Reports (which will be considered by the Audit Committee in September 2022).</p> <p>Action Planned within 2022/23: The Audit Committee will continue to receive updates from External Audit and the Internal Audit, Risk, and Corporate Fraud Manager.</p>
Health and Social Care Partnership (HSCP)	<p>An Internal Audit report on IJB risk management arrangements provided limited assurance, and the IJB Risk Management Action Plan is being taken forward as part of the 2021/22 and 2022/23 programmes of work.</p> <p>The IJB's Audit Committee considered the IJB's 2021/22 Unaudited Accounts, including the IJB Annual Governance Statement in June 2022. In addition, the IJB Audit Committee receive regular updates on strategic risks, internal audits, external audits, and inspections.</p> <p>Action Planned within 2022/23: The IJB Risk Management Improvement Plan will be completed by March 2023. This includes a review of risk appetite, training, and partners' assurance.</p>

Section 5: Conclusion and Opinion on Assurance

The Leader of the Council and Chief Executive both recognise the importance of having a solid foundation of good governance and sound financial management. The Council has a strong record of financial management, as evidenced in the ([Best Value Review](#)) and the unqualified opinion from External Audit on the Annual Accounts (to be submitted to the Audit Committee in September 2022).

The Council undertook a review of the [Standing Orders](#) in 2021/22. These reflected changes to decision-making arrangements in a post COVID-19 environment, including hybrid Committee meetings. The Council will undertake a further review of the Standing Orders in 2022/23, which will include any changes following recent elections.

This Statement is an objective appraisal of our governance framework and demonstrates that largely satisfactory risk, control, and governance systems are in place within Falkirk Council. This Statement also demonstrates that we have met our legal and statutory obligations to our residents; and we are committed to completing the actions identified in 2022/23 (at Section 4 above).

The Council is a complex organisation with interests in other organisations. This statement covers our relationships with the organisations included in the Council's Group Accounts for 2021/22. Independent organisations, including Falkirk Community Trust (which was re-integrated into the Council in April 2022) and the Falkirk Integration Joint Board (IJB) have produced their own annual accounts and these include an Annual Governance Statement. Arrangements are in place to provide assurance to their Audit Committees and Boards.

Councillor Cecil Meiklejohn
Leader of Falkirk Council
**** ** 2022**

Kenneth Lawrie
Chief Executive of Falkirk Council
**** ** 2022**

Annual Remuneration Report 2021/22

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 2021/22 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 2021. 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 2021/22 the salary for the Leader of Falkirk Council is £37,213. 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 £27,910.

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 (£27,910). The total yearly amount payable by the Council for remuneration of all of its Senior Councillors excluding the Leader of the Council, the Provost, and the Convener, is specified by the above Regulations and shall not exceed £325,596. 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 to add a further Senior Councillor (Level 2). This arrangement recognised that as the Leader of the Opposition (being the leader of the largest Opposition Group, Labour) was remunerated as a Senior Councillor and given the current makeup of the Council, that the Leader of the other Opposition Group, Conservatives, should also be remunerated as a Senior Councillor (Level 2).

In 2021/22 Falkirk Council had 9 Level 1 Senior Councillors each with a salary of £24,938 and 2 Level 2 Senior Councillors with a salary of £20,905 and the remuneration paid to these Councillors totalled £266,252. The Regulations 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/151 sets the amount of salary for the Chief Executive of Falkirk Council for the period 2021/22.

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

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

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 provided that FCT was 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. From 1 April 2022 the services managed by the Trust will be delivered by the Council with the Trust being duly wound up and the employees transferred back to the Council.

General Disclosure by Pay Band

The number of employees whose remuneration was £50,000 or more in 2021/22 is as follows:

Remuneration	Number of Employees		Chief Officers		Teachers		SJC Employees	
Bands	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£50,000 - £54,999	159	155	-	1	101	95	58	59
£55,000 - £59,999	108	120	1	-	79	83	28	37
£60,000 - £64,999	60	53	-	-	45	41	15	12
£65,000 - £69,999	22	27	-	-	20	19	2	8
£70,000 - £74,999	5	6	-	-	4	1	1	5
£75,000 - £79,999	-	3	-	-	-	1	-	2
£80,000 - £84,999	11	4	8	1	2	2	1	1
£85,000 - £89,999	3	6	-	5	3	1	-	-
£90,000 - £94,999	2	3	-	-	2	3	-	-
£95,000 - £99,999	4	4	3	2	1	2	-	-
£100,000 - £104,999	1	2	1	2	-	-	-	-
£105,000 - £109,999	-	-	-	-	-	-	-	-
£110,000 - £114,999	2	3	2	3	-	-	-	-
£140,000 - £144,999	1	-	1	-	-	-	-	-
£145,000 - £149,999	-	1	-	1	-	-	-	-
Total	378	387	16	15	257	248	105	124

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 2021/22
- there were no employees of the body whose remuneration in 2021/22, including any annual remuneration from Falkirk Council, was £150,000 or more.

In November 2021 Falkirk Council agreed to wind up Falkirk Community Stadium Limited and transfer the company's business and assets to Falkirk Council. The work required to wind up the company is currently underway, and it anticipated that this will be completed during the next financial year.

Falkirk Community Trust Ltd (FCT) was a subsidiary body of the Council during 2021/22 and the details to be provided in this report are as follows:

- the Chief Executive was Neil Brown
- there were no Councillors of Falkirk Council remunerated by the body in 2021/22
- there were no employees of the body whose remuneration in 2021/22 including any annual remuneration from Falkirk Council, was £150,000 or more.

Explanatory & Assurance Statements

Disclosure of Remuneration for Relevant Persons

The Regulations require that the report shows in tabular form, against the post held and name of each relevant person the total amounts, whether received or receivable, by each relevant person from Falkirk Council or, as the case may be, Falkirk Community Stadium Ltd or Falkirk Community Trust Ltd.

The information is provided in separate tables as follows:

Remuneration paid to Falkirk Council's Senior Councillors

Name	Position(s)	Salary, Fees and Allowances	Salary, Fees and Allowances
		2021/22 £	2020/21 £
David Alexander	Portfolio Holder, Economic Development.	24,938	23,933
David Balfour	Convener of Central Scotland Valuation Joint Board.	23,257	22,320
Robert Bissett	Leader of the Opposition (Labour)	20,905	20,063
Gary Bouse	Portfolio Holder, Resources.	24,938	23,933
William Buchanan	Provost.	27,910	26,785
Fiona Collie	Portfolio Holder, Health and Social Care.	24,938	23,933
Paul Garner	Portfolio Holder, Environment.	24,938	23,933
Gordon Hughes	Portfolio Holder, Housing.	24,938	23,933
James Kerr	Leader of the Opposition (Conservative).	20,905	10,031
Adanna McCue	Portfolio Holder, Education.	24,938	23,933
Cecil Meiklejohn	Leader of the Council.	37,213	35,713
Laura Murtagh	Portfolio Holder, Public Protection.	24,938	23,933
Ann Ritchie	Depute Provost.	24,938	23,933
Robert Spears	Portfolio Holder, Culture, Leisure & Tourism.	24,938	23,933
Total		354,632	330,309

The amount recharged to Central Scotland Valuation Joint Board in 2021/22 was £6,365 (2020/21 £6,110).

There were no taxable expenses and no non-cash expenses and benefits in kind in 2021/22 (2020/21, nil).

Remuneration paid to all Members in 2021/22 was:

2020/21 £'000		2021/22 £'000
625	Salaries	650
-	Allowances (Mileage)	-
1	Expenses	1
626		651

The annual return of Councillors' salaries and expenses for 2021/22 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 2021/22 £	Total Remuneration 2020/21 £
K Lawrie	Chief Executive	144,553	4,657	149,210	143,553
D Duff	Acting Director of Place Services (started 31/08/20 left 09/01/22)	88,100 (full year equivalent 113,345)	-	88,100 (full year equivalent 113,345)	65,837 (full year equivalent 112,345)
K Algie	Director of Transformation, Communities and Corporate Services (started 01/03/22)	9,429 (full year equivalent 113,345)	-	9,429 (full year equivalent 113,345)	-
M Bennie	Director of Place Services (started 10/01/22)	25,549 (full year equivalent 113,345)	-	25,549 (full year equivalent 113,345)	-
S Ritchie	Director of Corporate & Housing Services	113,345	-	113,345	112,345
R Naylor	Director of Children's Services	113,345	-	113,345	112,345
B Smail	Chief Finance Officer (Section 95 Officer)	98,961	-	98,961	97,961
S Lacey	Head of Social Work Children's Services (CSWO)	98,961	-	98,961	98,361

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

The "Other Amounts" value above covers election duties and related fees received during 2021/22 (2020/21 nil). 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 £	Other Amounts £	Total Remuneration 2021/22 £	Total Remuneration 2020/21 £
D Hanley	Stadium Manager	46,724	-	46,724	45,460

Explanatory & Assurance Statements

Remuneration paid to relevant persons of Falkirk Community Trust Ltd

Name	Post Title	Salary, Fees, and Allowances £	Other Amounts £	Total Remuneration 2021/22 £	Total Remuneration 2020/21 £
M Campbell	Chief Executive (left 30/08/21)	40,893	-	40,893	98,143
N Brown	Chief Executive (started 01/09/21)	57,611	-	57,611	-

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 2021/22 were as follows:

Wholetime Pay	Contribution Rate 2020/21	Contribution Rate 2021/22
On earnings up to and including £22,300	5.50%	5.50%
On earnings above £22,301 and up to £27,300	7.25%	7.25%
On earnings above £27,301 and up to £37,400	8.50%	8.50%
On earnings above £37,401 and up to £49,900	9.50%	9.50%
On earnings above £49,901	12.00%	12.00%

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

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

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

Explanatory & Assurance Statements

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

Pension Rights of Senior Councillors of Falkirk Council

The pension entitlements for Senior Councillors for the year to 31 March 2022 are shown in the table below, together with the contribution made by the Council to each Senior Councillor's pension during the year.

Name	Accrued Pension Benefits				
	In-Year Pension Contributions for year to 31/03/2022 £	As at 31/03/2022 Pension £	As at 31/03/2022 Lump Sum £	Difference from 31/03/2021 Pension £	Difference from 31/03/2021 Lump Sum £
David Alexander	5,611	12,000	18,000	1,000	1,000
David Balfour	5,233	4,000	-	-	-
Robert Bissett	4,704	2,000	-	-	-
Gary Bouse	5,611	2,000	-	-	-
Fiona Collie	5,611	2,000	-	-	-
Paul Garner	5,611	3,000	-	-	-
Gordon Hughes	5,611	7,000	2,000	1,000	-
James Kerr	4,704	2,000	-	1,000	-
Adanna McCue	5,611	2,000	-	-	-
Cecil Meiklejohn	8,373	9,000	-	2,000	-
Laura Murtagh	5,611	2,000	-	-	-
Robert Spears	5,611	7,000	2,000	1,000	-
Total	67,902	54,000	22,000	6,000	1,000

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 Senior Employees of Falkirk Council

The pension entitlements of Senior Employees for the year to 31 March 2022 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.

Accrued Pension Benefits						
Name	Post Title	In-Year Pension Contributions for year to 31/03/2022 £	As at 31/03/2022 Pension £	As at 31/03/2022 Lump Sum £	Difference from 31/03/2021 Pension £	Difference from 31/03/2021 Lump Sum £
D Duff	Acting Director of Place Services (started 31/08/20 left 09/01/22)	24,060	61,000	119,000	3,000	7,000
S Lacey	Head of Social Work, Children's Services (CSWO)	22,266	12,000	-	3,000	-
K Lawrie	Chief Executive	32,524	60,000	78,000	4,000	-
K Lawrie	Returning Officer	-	1,000	-	-	-
R Naylor	Director of Children's Services	25,503	73,000	5,000	3,000	-
S Ritchie	Director of Corporate & Housing Services	25,503	66,000	115,000	3,000	1,000
K Algie	Director of Transformation, Communities and Corporate Services (started 01/03/22)	19,574	40,000	57,000	-	-
M Bennie	Director of Place Services (started 10/01/22)	5,749	1,000	-	-	-
B Smail	Chief Finance Officer (Section 95 Officer)	22,266	54,000	90,000	2,000	-
Total		177,445	368,000	464,000	18,000	8,000

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

Pension Rights of relevant persons of Falkirk Community Stadium Ltd

The pension entitlement of the Stadium Manager for the year to 31 March 2022 is shown in the table below, together with the contribution made by Falkirk Community Stadium Ltd.

Accrued Pension Benefits						
Name	Post Title	In-Year Pension Contributions for year to 31/03/2022 £	As at 31/03/2022 Pension £	As at 31/03/2022 Lump Sum £	Difference from 31/03/2021 Pension £	Difference from 31/03/2021 Lump Sum £
D Hanley	Stadium Manager	10,513	11,000	-	2,000	-

Explanatory & Assurance Statements

Pension Rights of relevant persons of Falkirk Community Trust Ltd

The Pension entitlement of the Chief Executive for the year to 31 March 2022 is shown in the table below, together with the contribution made by the Trust during the year.

Accrued Pension Benefits						
Name	Post Title	In-Year Pension Contributions for year to 31/03/2022 £	As at 31/03/2022 Pension £	As at 31/03/2022 Lump Sum £	Difference from 31/03/2021 Pension £	Difference from 31/03/2021 Lump Sum £
M Campbell	Chief Executive (left 31/08/21)	9,201	50,000	82,000	1,000	-
N Brown	Chief Executive (started 01/09/21)	12,962	52,000	92,000	7,000	11,000
Total		22,163	102,000	174,000	8,000	11,000

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 2021/22.

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 2021/22 or 2020/21.

Exit Packages agreed with former employees of Falkirk Council

Bands	2020/21 No.	Total Payments £	2021/22 No.	Total Payments £
Up to £20k	7	88,720	15	160,044
Over £20k up to £40k	3	83,156	2	74,026
Over £40k up to £60k	1	51,668	1	47,660
Over £60k up to £80k	-	-	1	75,367
Over £80k up to £100k	-	-	-	-
Over £100k up to £150k	2	214,979	1	144,014
Over £150k up to £200k	-	-	1	172,442
Over £250k up to £300k	-	-	1	247,697
Number of Packages	13	438,523	22	921,250

Exit Packages agreed with former employees of Falkirk Community Stadium Ltd

There were no exit packages agreed in either 2021/22 or 2020/21.

Explanatory & Assurance Statements

Exit Packages agreed with former employees of Falkirk Community Trust Ltd

Bands	2020/21 No.	Total Payments £	2021/22 No.	Total Payments £
Up to £20k	1	2,090	-	-
Over £20k up to £40k	-	-	-	-
Over £40k up to £60k	-	-	-	-
Over £60k up to £80k	-	-	1	78,152
Over £80k up to £100k	-	-	-	-
Over £100k up to £150k	-	-	-	-
Over £150k up to £200k	-	-	-	-
Over £250k up to £300k	-	-	1	238,742
Number of Packages	1	2,090	2	316,894

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 2021 – 31 March 2022

Education 2020/21	Other 2020/21		Education 2021/22	Other 2021/22
18	24	Number of employees who were relevant union officials during the relevant period	17	26
16.3	20.93	Number of full-time equivalent employees	15.45	22.96
		Number of employees analysed by % of time spent on Facility Time		
6	6	• 0%	3	5
11	15	• 1%-50%	13	17
-	1	• 51%-99%	-	2
1	2	• 100%	1	2
£82,170	£126,990	Total cost of Facility Time	£89,456	£139,032
0.06%	0.1%	% of Total pay bill spent on Facility Time	0.06%	0.14%
18.9%	0.8%	% Time spent on paid trade union activities as % of total paid facility hours	17%	8.3%

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 2020/21			Group (restated)	Falkirk Council 2021/22				Group
Gross Expend £'000	Gross Income £'000	Net Expend £'000	Net Expend £'000		Gross Expend £'000	Gross Income £'000	Net Expend £'000	Net Expend £'000
244,744	(31,559)	213,185	213,174	Children's Services	305,983	(61,171)	244,812	244,785
182,917	(109,229)	73,688	73,687	Social Work Adult Services	280,132	(192,675)	87,457	87,457
64,392	(15,432)	48,960	49,069	Place Services	71,455	(18,471)	52,984	52,966
66,286	(32,785)	33,501	33,487	Transformation, Communities & Corporate Services	72,842	(33,245)	39,597	39,549
27,661	(64,702)	(37,041)	(37,042)	Housing Revenue Account	68,625	(67,791)	834	834
1,392	-	1,392	1,392	Valuation Joint Board	1,406	-	1,406	1,406
10,927	-	10,927	10,378	Falkirk Community Trust	12,582	-	12,582	12,398
598,319	(253,707)	344,612	344,145	Net Cost of Services	813,025	(373,353)	439,672	439,395
310	-	310	310	Other Operating Expenditure (Gains) or Losses on disposal of Non-Current and Current Assets	386	-	386	386
				Financing and Investment Income and Expenditure				
27,964	(27,968)	(4)	(4)	(Surplus) or deficit on trading undertakings (note15)	31,001	(31,003)	(2)	(2)
23,572	-	23,572	23,572	Interest Payable and Similar Charges (note 40)	22,547	-	22,547	22,565
-	(176)	(176)	(178)	Interest & Investment Income	-	(227)	(227)	(227)
26,168	(19,920)	6,248	6,248	Pension interest cost & interest income on plan assets (note17)	29,508	(20,987)	8,521	8,521
77,704	(48,064)	29,640	29,638		83,056	(52,217)	30,839	30,857
				Taxation and Non-Specific Grant Income				
-	(68,759)	(68,759)	(68,759)	Council Tax	-	(69,695)	(69,695)	(69,695)
-	(270,094)	(270,094)	(270,094)	Government Grants (note 37)	-	(263,344)	(263,344)	(263,344)
-	(26,075)	(26,075)	(26,075)	Capital Grants, Contributions & Donations (note 37)	-	(37,380)	(37,380)	(37,380)
-	(46,281)	(46,281)	(46,281)	Non-Domestic Rates redistribution	-	(60,775)	(60,775)	(60,775)
-	(1,636)	(1,636)	(1,636)	Non-Domestic Rates – TiF	-	(1,682)	(1,682)	(1,682)
-	(412,845)	(412,845)	(412,845)		-	(432,876)	(432,876)	(432,876)
676,333	(714,616)	(38,283)	(38,752)	(Surplus) or Deficit on Provision of Services	896,467	(858,446)	38,021	37,762
			(5,985)	Share of the (Surplus) or Deficit on Provision of Services by Associates & Joint Ventures				(9,832)
			(44,737)	Group (Surplus) or Deficit				27,930
		(30,272)	(30,241)	(Surplus) or deficit on revaluation of non-current assets and current assets			(4,276)	(4,276)
		118,782	118,782	Remeasurements of pension assets/liabilities (note 11)			(211,979)	(211,979)
			1,539	Share of Other Comprehensive Income & Expenditure of Associates & Joint Ventures				1,355
		88,510	90,080	Other Comprehensive Income and Expenditure			(216,255)	(214,900)
		50,227	45,343	Total Comprehensive Income and Expenditure			(178,234)	(186,970)

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 2022

	Falkirk Council Reserves						Council's Share of Group Entity Reserves		
	General Fund Balance £'000	HRA Balance £'000	Capital and Other Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000	Usable £'000	Unusable £'000	Total Group Reserves £'000
Balance at 31/3/21 (restated)	(39,408)	(7,825)	(11,450)	(58,683)	(376,605)	(435,288)	(4,187)	1,783	(437,692)
Movement in reserves during 2021/22									
Total Comprehensive Income and Expenditure	35,429	2,592	-	38,021	(216,255)	(178,234)	(10,091)	1,355	(186,970)
Adjustments between accounting basis and funding basis under regulations (note9)	(34,900)	11,982	(265)	(23,183)	23,183	-	(76)	76	-
Adjustments to usable reserves permitted by accounting standards	(11,232)	(13,681)	-	(24,913)	24,913	-	-	-	-
Transfers to/from Other Statutory Reserves	(346)	(296)	642	-	-	-	-	-	-
(Increase)/Decrease in 2021/22	(11,049)	597	377	(10,075)	(168,159)	(178,234)	(10,167)	1,431	(186,970)
Balance at 31/3/22	(50,457)	(7,228)	(11,073)	(68,758)	(544,764)	(613,522)	(14,354)	3,214	(624,662)

Movement in Reserves Statement for the year ended 31 March 2021

	Falkirk Council Reserves						Council's Share of Group Entity Reserves		
	General Fund Balance £'000	HRA Balance £'000	Capital and Other Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000	Usable (restated) £'000	Unusable (restated) £'000	Total Group Reserves (restated) £'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	(6,453)	1,569	45,343
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	(6,603)	1,719	45,343
Balance at 31/3/21	(39,408)	(7,825)	(11,450)	(58,683)	(376,605)	(435,288)	(4,187)	1,783	(437,692)

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	Group (restated)		Council	Group	
2020/21 £'000	2020/21 £'000		2021/22 £'000	2021/22 £'000	Notes
		Non-Current Assets			
1,205,863	1,212,324	Property, Plant & Equipment	1,226,142	1,232,394	20
266	266	Heritage Assets	266	266	21
1,315	1,315	Intangible Assets	1,002	1,002	19
4,097	499	Long Term Investments	3,596	-	27,38
5,142	4,134	Long Term Debtors	4,792	3,782	30
1,216,683	1,218,538		1,235,798	1,237,444	
		Current Assets			
842	959	Inventories	609	744	31
32,617	33,268	Short Term Debtors	41,291	41,375	33
51,062	52,237	Cash and Cash Equivalents	45,784	48,465	35
2,038	2,138	Assets Held for Sale	2,287	2,387	23
86,559	88,602		89,971	92,971	
		Current Liabilities			
(44,790)	(44,015)	Short Term Borrowing	(33,933)	(43,159)	28
(79,118)	(79,715)	Creditors (including provisions)	(89,094)	(90,145)	29,34
(123,908)	(123,730)		(123,027)	(133,304)	
		Long Term Liabilities			
(235,589)	(242,294)	Long Term Borrowing	(253,554)	(250,295)	28
(409,758)	(409,758)	Defined Benefit Pension Scheme Liability	(243,857)	(243,857)	17
(83,613)	(83,613)	Other Long-Term Liabilities	(76,401)	(76,401)	39
(15,086)	(15,086)	Capital Grants and Receipts Received in Advance	(15,407)	(15,407)	37
	5,033	Liabilities in Associates and Joint Ventures		13,511	
(744,046)	(745,718)		(589,219)	(572,449)	
435,288	437,692	Net Assets	613,523	624,662	
(58,683)	(58,683)	Usable Reserves	(68,758)	(68,758)	10
-	(4,188)	Group Entities	-	(14,354)	
(58,683)	(62,871)		(68,758)	(83,112)	
(376,605)	(376,604)	Unusable Reserves	(544,765)	(544,764)	11
-	1,783	Group Entities	-	3,214	
(376,605)	(374,821)		(544,765)	(541,550)	
(435,288)	(437,692)	Total Reserves	(613,523)	(624,662)	

The unaudited accounts were issued on ** ** 2022.

Amanda Templeman, CPFA
Chief Finance Officer
** 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 2020/21 £'000	Group (restated) 2020/21 £'000		Council 2021/22 £'000	Group 2021/22 £'000
(38,283)	(44,737)	Net (surplus) or deficit on the provision of services	38,021	27,930
(50,652)	(44,087)	Adjust net surplus or deficit on the provision of services for non-cash movements	(112,400)	(103,815)
26,075	26,075	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	37,380	37,380
(62,860)	(62,749)	Net cash flows from operating activities	(36,999)	(38,505)
		Investing Activities		
65,066	65,066	Purchase of property, plant & equipment, investment property and intangible assets	79,466	79,466
-	-	Other payments for investing activities	-	-
(962)	(962)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(4,254)	(4,254)
(27,102)	(27,102)	Other receipts and investing activities	(32,935)	(32,935)
37,002	37,002	Net cash flows from investing activities	42,277	42,277
		Financing Activities		
(48,298)	(48,298)	Cash receipts of short and long-term borrowing	(56,941)	(56,941)
6,805	6,805	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	7,108	7,108
50,668	50,668	Repayments of short and long-term borrowing	49,833	49,833
9,175	9,175	Net cash flows from financing activities	-	-
(16,683)	(16,572)	Net (increase) or decrease in cash and cash equivalents	5,278	3,772
(34,379)	(35,665)	Cash and cash equivalents at the beginning of the reporting period	(51,062)	(52,237)
		Cash and cash equivalents at the end of the reporting period		
(45)	(45)	Cash held by Officers	(46)	(46)
(2,498)	(3,673)	Bank Current Accounts	3,279	598
(48,519)	(48,519)	Short-term deposits	(49,017)	(49,017)
(51,062)	(52,237)		(45,784)	(48,465)

The cash flows for operating activities include interest paid of £22.547m (2020/21 £23.572m) and interest received of £0.232m (2020/21 £0.176m).

Financial Statements

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

Council 2020/21 £'000		Council 2021/22 £'000
(310)	Net Gain/(Loss)	114
(728)	Amortisation of Intangible Assets	(551)
(21,970)	Depreciation & Impairment of Fixed Assets	(62,309)
(18,487)	Net Charges for Retirement Benefits	(46,078)
5,456	Movement in Debtors	7,895
(15,195)	Movement in Creditors	(11,238)
582	Movement in Stock	(233)
(50,652)		(112,400)

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

21,970	Capital Grants General Fund	32,560
4,105	Capital Grants HRA	4,820
26,075		37,380

Supplementary Statement

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.

2020/21 £'000		2021/22 £'000
(60,576)	Dwelling Rents	(61,982)
(1,536)	Non-Dwelling Rents	(1,424)
(1,554)	Other Income	(1,844)
(63,666)	Total Income	(65,250)
17,681	Repairs and Maintenance	22,527
22,491	Supervision and Management	23,183
(15,918)	Depreciation and Impairment of Non-Current Assets	17,767
1,512	Other Expenditure	1,837
612	Increase/(Decrease) in Bad Debts Provision	523
26,378	Total Expenditure	65,837
(37,288)	Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement	587
247	HRA Services Share of Corporate and Democratic Core	247
(37,041)	Net Expenditure of HRA Services	834
	HRA Share of Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:	
-	(Gain)/Loss on Sale of HRA Non-Current Assets	(1)
6,390	Interest Payable and similar charges	6,242
(17)	Interest and Investment Income	(32)
273	Pensions Interest Cost and Expected Return on Pension Assets	369
(4,105)	Recognised Capital Grant Income	(4,820)
(34,500)	(Surplus)/Deficit for the Year	2,592

Movement on the Housing Revenue Account Statement

2020/21 £'000		2021/22 £'000
(5,093)	Balance on the HRA at the end of the previous year	(7,825)
(34,500)	(Surplus) or Deficit for the year on HRA Income and Expenditure Statement	2,592
31,675	Adjustments between Accounting Basis and Funding Basis under Statute	11,982
-	Adjustment to Usable Reserves permitted by Accounting Standards	(13,681)
(2,825)	Net (Increase) or Decrease before transfers to or from Reserves	893
93	Transfers to or (from) Reserves	(296)
(2,732)	(Increase) or Decrease in Year on the HRA	597
(7,825)	Balance on the HRA at the end of the Current Year	(7,228)

Supplementary Statement

Housing Revenue Account Disclosures

Adjustments between Accounting Basis and Funding Basis under Statute

2020/21 £'000		2021/22 £'000
-	Gain or (loss) on sale of HRA non-current assets	1
6	Capital expenditure charged to the HRA	8,369
15,918	Depreciation and Impairment	9,595
13,544	Statutory Repayment of Debt (Loans Fund Advances)	(6,097)
(1,959)	HRA share of contributions to or from the Pensions Reserve	(4,669)
(4)	Accumulated Absences Account	(102)
65	Difference between any other item of income and expenditure determined in accordance with the Code and statutory HRA requirements	65
4,105	Recognised Capital Grant Income	4,820
31,675	Total	11,982

The depreciation and impairment figure is usually a credit in the above table. However, in 2020/21 and in 2021/22, 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 2022 was 16,658 properties in the following categories.

2020/21 Number		2021/22 Number
2,729	One bedroom and under	2,746
8,900	Two bedrooms	8,922
4,511	Three bedrooms	4,490
478	Four bedrooms	481
18	Five bedrooms and larger	19
16,636	Total	16,658
£70.46	Average Weekly rent (52-week basis)	£75.72

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 2022 were £6,613,105 (£5,658,986 in 2020/21).

Bad Debt Provision

An impairment of £4.555m (£4.032m in 2020/21) has been provided in the Balance Sheet for irrecoverable rents, an increase of £0.523m from the provision in 2020/21.

Losses on Void Properties

2020/21 £'000		2021/22 £'000
930	Dwelling Rents	1,099
285	Non-Dwelling Rents	281
1,215	Total	1,380

Supplementary Statement

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

2020/21 £'000		2021/22 £'000
89,204	Gross Council Tax Levied	89,801
(226)	Prior Year Adjustments	(140)
88,978	Total Income	89,661
8,812	Council Tax Reduction	8,578
1,295	Provisions Against Bad and Doubtful Debts	1,110
10,112	Other Discounts and Reductions	10,279
20,219	Total Expenditure	19,967
68,759	Net Council Tax Income transferred to General Fund	69,694

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 2021/22 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 Statement

Calculation of the Council Tax Base per 2021/22 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	22,225	19,419	7,084	9,263	9,160	5,913	3,016	71	76,151
Exempt Dwellings	n/a	1,060	560	185	152	92	46	16	1	2,112
Chargeable Dwellings	n/a	21,165	18,859	6,899	9,111	9,068	5,867	3,000	70	74,039
Disabled Reduction	n/a	73	91	47	53	93	61	20	-	438
Adjusted Chargeable Dwellings	73	21,183	18,815	6,905	9,151	9,036	5,826	2,980	70	74,039
Discounts (25%)	26	12,795	7,495	3,069	2,867	1,834	775	280	9	29,150
Discounts (due to being second homes)	-	-	-	-	-	-	-	-	-	-
Discount (long term empty properties)	-	344	196	83	75	48	16	15	1	778
Discount (occupied by disregarded adults)	5	244	254	116	137	121	66	31	-	974
Not entitled to discount	42	7,800	10,870	3,637	6,072	7,033	4,969	2,654	60	43,137
Effective Dwellings	66	18,002	16,940	6,137	8,413	8,565	5,621	2,906	69	66,719
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	37	12,001	13,176	5,455	8,413	11,253	9,134	5,691	169	65,329
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										1,834
Council Tax (£'000)										78,068
Less: Impact of Council Tax Reduction Scheme (£'000)										8,578
Budgeted Council Tax Base (£'000)										69,490

Supplementary Statement

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.

2020/21 £'000		2021/22 £'000
92,953	Rate Levied (including large Business Supplement)	85,258
	Less:	
(33,426)	Reliefs and Other Deductions	(26,959)
(581)	Write-Off of Uncollectable Debts	(568)
58,947	Net Non-Domestic Rate Income	57,731
(5,153)	Adjustments to previous years National Non-Domestic Rates	(3,692)
-	Non-Domestic Rate Income Retained by Authority (BRIS)	-
(1,607)	Non-Domestic Rate Income Retained by Authority (TIF)	(1,682)
52,187	Contribution to Non-Domestic Rate Pool	52,357
46,281	Distribution from Non-Domestic Rate Pool	60,775
46,281	Income Credited to the Comprehensive Income and Expenditure Statement	60,775

Rate Poundage

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 Poundage which is set by Scottish Ministers. The Rate Poundage was set at 50.3 pence for properties with a rateable value in excess of £51,000 and 49 pence for rateable values less than £51,000.

Analysis of Rateable Values as at 1 April 2021

	No. of Premises	Rateable Value £'000	%
Shops	1,371	34,609	18.5
Hotels and Public Houses	124	6,134	3.3
Offices	1,005	12,587	6.7
Industrial – Factories, Warehouses, Stores and Workshops	1,387	43,452	23.2
Sports, Leisure, Cultural, Entertainment, Caravans, Holiday Sites	326	5,589	2.9
Garages and Petrol Stations	72	2,614	1.4
Education and Training	83	12,642	6.7
Public Service Subjects	164	8,076	4.3
Quarries and Mines	16	2,034	1.1
Petrochemical	15	31,994	17.1
Religious	114	1,611	0.8
Health/Medical and Care Facilities	155	13,432	7.2
Utilities	39	10,459	5.6
Communications, Advertising and Other	351	2,290	1.2
Total	5,222	187,523	100

Supplementary Statement

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.

2020/21 £'000		Former Bo'ness Town Council 2021/22 £'000	Former Denny Town Council 2021/22 £'000	Former Grangemouth Town Council 2021/22 £'000	Former Falkirk Town Council 2021/22 £'000	Total £'000
Income and Expenditure Account						
Income						
(23)	Rents Received	-	-	-	(24)	(24)
(76)	Capital Income	-	-	-	-	-
(2)	Interest	-	-	-	(1)	(1)
(101)	Total Income	-	-	-	(25)	(25)
Expenditure						
39	Depreciation	-	12	-	27	39
30	Other	-	-	-	25	25
31	Revaluation Impairment	-	(25)	-	-	(25)
100	Total Expenditure	-	(13)	-	52	39
(1)	(Surplus)/Deficit for Year	-	(13)	-	27	14
Balance Sheet						
1,062	Fixed Assets	7	264	-	777	1,048
774	Investments	54	6	23	691	774
-	Creditors	-	-	-	-	-
1,836	Net Assets	61	270	23	1,468	1,822
Financed by:						
187	Asset Revaluation Reserve	5	182	-	18	205
875	Capital Adjustment Account	2	82	-	759	843
774	Revenue Reserve	54	6	23	691	774
1,836		61	270	23	1,468	1,822

Amanda Templeman, CPFA

Chief Finance Officer

** 2022

Note 1: General Accounting Policies

General Principles and Accounting Concepts

The Annual Accounts summarise the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22 (the Code) and the Service Reporting Code of Practice 2021/22 (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 2022. 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 2021/22 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 (2021/22), 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 2 March 2022. In order to maintain a balanced budget for 2022/23, the Council was required to bridge a budget gap of £29m which included £5m of General Fund Reserves, £5.3m, earmarked reserves of £5.9m and service savings of £7.7m. The Council continues to face unprecedented challenges, including the impact of COVID-19 and the war in Ukraine, in delivering essential services whilst resources are constrained. The latest projections show the Council has a budget gap of c£21m in 2023/24. In addition to known costs, there remains a

Notes to the Financial Statements

risk that further costs will continue to be incurred. Going forward work will continue to develop the MTFP, and further updates and savings options will be considered by the Council. 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 2022 is £16.9m. With £5m of General Fund Reserves committed for 2022/22 the projected balance will be £11.9m at 31 March 2022. Further earmarked reserves have been carried forward to support further net costs associated with the pandemic in 2022/23. 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. This will be an ongoing process that will inform discussions with the Scottish Government over funding now and going forward. Both the UK and Scottish Governments efforts to prevent a recession and boosting the economy, including maintaining and enhancing public sector spending, will be critical to the financial prospects of all councils. Inevitably though, the Council will still be faced with difficult decisions to manage and reduce expenditure over several years to come.

The Council's Treasury Management Strategy ensures that there is sufficient cash is available to meet its requirements. Falkirk Council has a high level of balances of cash short term investments, totalling £55.9m at 31 March 2022. 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.

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 following standards have been adopted in the 2022/23 Code and will therefore be applicable to authorities to local authorities for the 2022/23 financial year reporting:

- **Annual Improvements to IFRS Standards 2018-2020 – covering four changed Standards**
 - **IFRS1 – First Time Adoption of IFRS** - This amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.
 - **IAS37 – Onerous Contracts** - This amendment clarifies the intention of the Standard in the Cost of Fulfilling a Contract.
 - **IFRS16 – Leases** - This amendment removes a misleading example on lease incentives that is not referenced in the Code material.
 - **IAS41 – Agriculture** - One of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances. The amendment relates to taxation in fair value measurements.

- **Property, Plant and Equipment – Amendments to IAS16**

This amendment clarifies Proceeds before Intended Use.

- **IFRS16 Leases**

The implementation date for IFRS16 was originally 1 April 2020 for local authorities but this has been deferred three times and is now 1 April 2024. It was felt appropriate to include the delay of this standard due to its potential impact on future accounting. Both the 2022/23 and the 2023/24 Codes will allow for adoption as of 1 April 2022 or 2023, however, Falkirk Council has chosen to wait for the implementation date.

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

Notes to the Financial Statements

do not meet the definition of an investment property as noted above. Instead, these properties are held for economic development purposes and are now classified as Property, Plant and Equipment. The value of these assets within the Council's accounts is £46.2m.

- 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 £209.4m at 31 March 2022) 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 2021/22 this judgement has been applied to funds related to COVID-19 that were received and distributed during the year. This has resulted in £23.6m 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. £11.6m 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 2022 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 2022 following the updated actuarial valuation was £243.9 million, a decrease of £166 million from 31 March 2021. This was driven by improved asset returns and adjustments to both financial and demographic assumptions resulting in lower anticipated obligations.

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

Notes to the Financial Statements

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 2022.

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 2022.

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 2022	Approx % increase to Employer Liability	Approx monetary amount £'000
0.1% decrease in Real Discount Rate	2%	26,770
0.1% increase in the Salary Increase Rate	0%	3,075
0.1% increase in the Pension Increase Rate	2%	23,478

In addition, the actuary has estimated that a one-year increase in life expectancy would approximately increase the Employers Defined Benefit Obligation by around 4%.

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

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. However, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate amount of market evidence exists upon which to base opinions of value.

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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 2021/22, the valuation of the following assets was reviewed as at 31 March 2022:

- Adult Services (Social Work) – the assets were revalued on a EUV basis and totalled £8m with a valuation decrease of £1.4m.
- The Foundry (Corporate & Housing) - the asset was revalued on a EUV basis and totalled £1.5m with a valuation decrease of £0.7m.
- Housing stock – this was a desktop impairment review which led to a valuation increase of £13.9m on the previous year.
- The Council's 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 desktop review completed on the non-operational properties and the samples taken gave inconsistent findings, therefore it was decided that a full revaluation would be completed in 2022/23.

The changes in valuation in assets in 2021/22, compared to 2020/21, represent updated information around the assets since the most recent full valuation, in particular the cost of replacing assets based on RICS indices for 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 £1.226 billion. All property assets were subject to an impairment review of revaluation in 2021/22. The impact of a 5% change in valuation of these would be £61.3m, 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 2022 the Council has Council Tax debt due of £14.9m, housing rents of £6.6m and sundry debtors of £12.7m. Management reviewed these balances at 31 March and determined that an allowance for doubtful debts of £13.9m, £4.6m and £2.6m 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.£1.4m, c.£0.5m 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

2020/21				2021/22		
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
210,974	2,211	213,185	Children's Services	222,464	22,348	244,812
70,568	3,120	73,688	Social Work Adult Services	79,159	8,298	87,457
29,267	19,693	48,960	Place Services	28,416	24,568	52,984
28,772	4,729	33,501	Transformation, Communities & Corporate Services	29,866	9,731	39,597
(93)	(36,948)	(37,041)	Housing Revenue Account	297	537	834
1,392	-	1,392	Valuation Joint Board	1,406	-	1,406
10,927	-	10,927	Falkirk Community Trust	12,582	-	12,582
351,807	(7,195)	344,612	Net Cost of Services	374,190	65,482	439,672
9,989	19,961	29,950	Other Income and Expenditure	9,814	21,411	31,225
(385,134)	(27,711)	(412,845)	Taxation and Non-Specific Grant Income	(393,814)	(39,062)	(432,876)
(375,145)	(7,750)	(382,895)	Total Other Income and Expenditure	(384,000)	(17,651)	(401,651)
(23,338)	(14,945)	(38,283)	(Surplus) or Deficit	(9,810)	47,831	38,021
(24,286)	-	-	Opening General Fund & HRA Balance at 31 March 2021	(47,234)	-	-
(23,338)	-	-	Less/(Add) Deficit or Surplus on General Fund and HRA Balance in Year	(9,810)	-	-
390	-	-	Transfers to/(from) Other Statutory Reserves	(642)	-	-
(47,234)	-	-	Closing General Fund and HRA Balance at 31 March 2022	(57,686)	-	-

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 2021/22

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	25,500	14,050	(17,202)	22,348
Social Work – Adult Services	1,706	6,312	280	8,298
Place Services	15,366	8,743	459	24,568
Transformation, Communities & Corporate Services	4,502	4,153	1,076	9,731
Housing Revenue Account	17,767	4,669	(21,899)	537
Net Cost of Services	64,841	37,927	(37,286)	65,482
Other Income and Expenditure from the Expenditure and Funding Analysis	(37,380)	8,152	11,577	(17,651)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statements Surplus or Deficit on the Provision of Services	27,461	46,079	(25,709)	47,831

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
Place Services	16,285	3,279	129	19,693
Transformation, Communities & Corporate 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)

(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:

2020/21 £'000		2021/22 £'000
	Expenditure	
273,728	Employee benefits expenses	316,380
329,857	Other services expenses	461,112
22,698	Depreciation, amortisation, impairment	65,324
23,572	Interest payments	22,547
26,168	Pensions interest cost	29,508
310	Loss on the disposal of assets	500
676,333	Total Expenditure	895,371
	Income	
(281,675)	Fees, charges, and other service income	(403,141)
(176)	Interest & investment income	(232)
(19,920)	Pensions interest income on plan assets	(20,987)
(116,676)	Income from council tax, non-domestic rates	(132,151)
(296,169)	Government grants and contributions	(300,725)
-	Gain on the disposal of assets	(114)
(716,416)	Total Income	(857,350)
(38,283)	(Surplus) or Deficit on the Provision of Services	38,021

Notes to the Financial Statements

Note 9: Adjustments between Accounting Basis and Funding Basis Under Regulations 2021/22

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	(21,707)	9,595	-	-	(12,112)	12,112
Amortisation of intangible assets	(551)	-	-	-	(551)	551
Impairment of Investment	(500)	-	-	-	(500)	500
Statutory Repayment of Debt (Loans Fund Advances)	(14,039)	(6,097)	-	-	(20,136)	20,136
Capital Receipts Applied to Debt Repayment	-	-	-	-	-	-
Capital expenditure charged to the General Fund Balance (CFCR)	5,442	8,369	-	-	13,811	(13,811)
Use of reserves to finance new capital expenditure	-	-	-	-	-	-
Statutory Repayment of Debt (PFI)	7,108	-	-	-	7,108	(7,108)
Capital Receipts applied to fund Capital Expenditure	-	-	41	12	53	(53)
Capital Receipts held to fund the financial impact of COVID-19	-	-	-	-	-	-
Capital Grants Received	32,560	4,820	-	-	37,380	(37,380)
Net Book Value of Asset Disposals	-	-	-	-	-	204
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	(41,409)	(4,669)	-	-	(46,078)	46,078
Net transfer to or from the Accumulated Absences account required by legislation	(2,190)	(102)	-	-	(2,292)	2,292
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	113	1	-	-	114	-
Capital Receipts Received	-	-	(318)	-	(318)	-
Total Adjustments	(34,900)	11,982	(277)	12	(23,183)	23,183

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 2020/21

	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

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.

2020/21 £'000	Usable Reserves	2021/22 £'000
(47,234)	General Fund	(57,685)
(5,594)	Insurance Fund	(4,952)
(3,055)	Capital Receipts Reserve	(3,332)
(1,739)	Repairs & Renewals	(1,739)
(1,061)	Capital Grants and Receipts Unapplied Account	(1,050)
(58,683)	Total	(68,758)

(a) General Fund

	Balance at 1 April 2021 £'000	Balance at 31 March 2022 £'000	Movement £'000	Purpose of Reserve
General Fund	(9,822)	(16,739)	(6,917)	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	(7,825)	(7,228)	597	HRA reserve to meet future revenue and capital investment
Grants	(9,331)	(11,276)	(1,945)	Carry forward of grant funding not yet utilised.
Devolved School Management	(2,329)	(2,380)	(51)	The Devolved School Management Reserve enables schools to carry forward balances to be utilised in future years.
Spend to Save	(1,141)	(1,141)	-	Earmarked to cover the costs of Voluntary Severance reflected in the Council's Business Plan
Central Energy Efficiency Fund	(555)	(740)	(185)	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	(988)	(1,457)	(469)	Property maintenance & dilapidations to Council's industrial and commercial estate.
Change Fund	(573)	(663)	(90)	This is to ensure the Council of the Future projects can be successfully delivered.
COVID-19 Grants	(14,670)	(16,061)	(1,391)	Carry forward of COVID-19 grant funding not yet utilised.
Total	(47,234)	(57,685)	(10,451)	

Notes to the Financial Statements

(b) Insurance Fund

An updated independent actuarial valuation of the Insurance Fund was undertaken in November 2021. 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 2022 is £4,952m (£5.594m as at 31 March 2021).

(c) Capital Receipts Reserve

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

2020/21 £'000	Capital Receipts Reserve	2021/22 £'000
(3,929)	Balance at 1 April	(3,055)
(846)	Capital Receipts received in year	(318)
152	Capital Receipts applied to fund Capital Expenditure	41
837	Capital Receipts transferred to the Capital Grants & Receipts Unapplied Account for financial impact of COVID-19	-
731	Capital Receipts applied to pay debt	-
(3,055)	Balance at 31 March	(3,332)

(d) Repairs & Renewals

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

2020/21 £'000	Repairs & Renewals Fund	2021/22 £'000
(1,606)	Balance at 1 April	(1,739)
(350)	Appropriation to/(from) General Fund	-
217	Application of Fund	-
(1,739)	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.

2020/21 £'000	Analysis of the Capital Grants & Receipts Unapplied Account	2021/22 £'000
(224)	Capital Grants & Contributions held for standard use	(213)
(837)	Capital Receipts held to fund the financial impact of COVID-19	(837)
(1,061)	Total	(1,050)

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.

2020/21 £'000	Unusable Reserves	2021/22 £'000
(291,827)	Capital Adjustment Account	(323,052)
(505,700)	Revaluation Reserve	(478,688)
409,758	Pensions Reserve	243,857
7,435	Accumulated Absences Account	9,727
3,729	Financial Instruments Adjustment Account	3,391
(376,605)	Total	(544,765)

(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.

2020/21 £'000		2021/22 £'000
(235,713)	Balance at 1 April	(291,827)
22,165	Depreciation/ impairment and downward revaluation of non-current assets	65,088
728	Amortisation of intangible assets	551
-	Impairment of Investment	-
(21,912)	Statutory Repayment of Debt (Loans Fund Advances)	(7,641)
(1,989)	Capital expenditure charged to the General Fund Balance (CFCR)	(13,812)
(6,804)	Statutory Repayment of Debt (PFI)	(7,108)
(26,092)	Capital Grants Received	(37,307)
(152)	Capital Receipts Applied to Fund Capital Expenditure	(41)
498	Net Book Value of Asset Disposals	703
-	Deferred Interest on AUC	-
(196)	Reduction in Kinneil Landfill Provision	(371)
(22,360)	Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost	(31,287)
(291,827)	Balance at 31 March	(323,052)

(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.

2020/21 £'000		2021/22 £'000
(498,447)	Balance at 1 April	(505,700)
659	Net Book Value of Assets Disposals	1
(30,272)	Loss/(Gain) on Revaluation of Non-Current Assets	(4,276)
22,360	Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost	31,287
(505,700)	Balance at 31 March	(478,688)

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.

2020/21 £'000		2021/22 £'000
272,489	Balance at 1 April	409,758
118,782	Remeasurements of Pension Assets/Liabilities	(211,979)
18,487	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	46,078
409,758	Balance at 31 March	243,857

(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.

2020/21 £'000		2021/22 £'000
7,488	Balance at 1 April	7,435
(53)	Net transfer to or from earmarked reserves required by legislation	2,292
7,435	Balance at 31 March	9,727

(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 2022 will be charged to the General Fund over the next 32 years.

2020/21 £'000		2021/22 £'000
4,066	Balance at 1 April	3,729
(337)	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	(338)
3,729	Balance at 31 March	3,391

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 2021/22.

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 2021/22 £'000	Expenditure 2021/22 £'000
Falkirk Towns Ltd	Promotion of Town Centres		
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	342	-
	Rental, energy costs and other property costs	-	299
Central Scotland Green Network Trust	Promotion of Cycling and Environmental Development	-	1,606
Family Centres	Funding provided per Service Level Agreement	-	193
Central Scotland Valuation Joint Board	Contribution to running costs	-	1,406
	Charge for Support Services	17	-
Falkirk Schools Gateway	Contribution to operating costs		
Committed to Ending Abuse (CEA Ltd)	Funding provided per Service Level Agreement	-	221
Falkirk Community Trust	Contribution to Community Trust	-	12,582
	Charge for Support Services	46	-
Fife & Forth Valley Community Justice Authority	Administration Charge	253	-
Falkirk IJB	Commission Income	77,703	-
	Contribution to IJB		74,605

Outstanding balances for related parties were as follows:

2020/21 Debtor £'000	2020/21 Creditor £'000		2021/22 Debtor £'000	2021/22 Creditor £'000
22	-	Joint Boards	6	-
1,231	-	Falkirk Community Stadium Ltd	1,205	-
272	711	Falkirk Community Trust	544	24
-	10,821	Falkirk IJB	-	12,159
69	-	thinkWhere Ltd	-	-
26	-	Falkirk Schools Gateway	-	-
2	-	Falkirk Delivers	-	-
-	21	Family Centres	-	-
-	229	Falkirk Towns Ltd	-	285

Notes to the Financial Statements

Note 14: External Audit Fee

The agreed external audit fee for Falkirk Council for 2021/22 was £331,980 (£397,900 in 2020/21, original fee of £325,400 with agreed additional fee of £72,500). Ernst & Young LLP propose to charge £2,090 for the audit of the Temperance Trust (£2,050 in 2020/21). 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 31/03/20 £'000	Actual Year to 31/03/21 £'000	Building Maintenance Trading Account	Actual Year to 31/03/22 £'000	3 Year Total £'000
36,414	27,968	Turnover	31,003	95,385
35,577	27,964	Expenditure	31,001	94,542
837	4	Surplus/(Deficit) per CIES	2	843
(57)	(63)	Interest	(67)	(187)
780	(59)	Surplus/(Deficit) for Financial Return Purposes	(65)	656

The Building Maintenance Division is primarily responsible for providing a repairs and maintenance service for the Council's housing stock, which at 31 March 2022 amounted to 16,658 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 2021/22 was £511,295 (£511,316 in 2020/21).

In 2021/22 the Council distributed £11.6m of COVID-19 support funding schemes for businesses and individuals on behalf of the Scottish Government. The expenditure distributed for this support in 2020/21 was £39.5m.

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 of employees is tiered between 5.5% and 12% 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 2022 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 33 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 was 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. There is therefore no impact from Falkirk Community Trust being wound up and the transfer of assets and liabilities to Falkirk Council.

The Council is itself a guarantor of the pension liabilities of Haven Products Ltd. There was no requirement for the guarantor role to be activated during 2021/22.

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 2021/22 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

Notes to the Financial Statements

regulations may be awarded by the Council where an employee leaves in the interests of the efficiency of the service or on the grounds of redundancy. These are unfunded schemes meaning that there are no investment assets built up to meet the pension liabilities. These benefits have been accounted for on a defined benefit basis.

The 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

31/03/21 £'000		31/03/22 £'000
42,133	Current Service Cost	69,291
26,168	Interest Cost	29,508
(19,920)	Interest Income on Plan Assets	(20,987)
255	Past Service Costs/(Gains)	927
-	Losses/(Gains) on Curtailments and Settlements	-
48,636	Total	78,739

Reconciliation of present value of defined benefit obligation

31/03/21 £'000		31/03/22 £'000
1,132,779	Opening Defined Benefit Obligation	1,453,748
42,133	Current Service Cost	69,291
26,168	Interest Cost	29,508
7,273	Contributions by Members	7,727
	Remeasurements:	
(2,561)	• Prior year unadjusted remeasurements	90
(14,451)	• Change in demographic assumptions	(7,887)
293,952	• Change in financial assumption	(98,035)
1,120	• Other experience	183
255	Past Service Cost	927
(30,434)	Benefits paid	(30,085)
(2,486)	Unfunded Benefits Paid	(2,466)
1,453,748	Closing Defined Benefit Obligation	1,423,001

Reconciliation of the movements in the fair value of plan assets

31/03/21 £'000		31/03/22 £'000
860,290	Opening Fair Value of Plan Assets	1,043,990
19,920	Interest Income on Plan Assets	20,987
	Remeasurements	
4,140	• Prior year unadjusted remeasurements	2,186
171,852	• Return on Plan Assets excluding the amount included in net interest	104,144
(16,714)	• Other Experience	-
27,663	Contributions by Employer	30,195
7,273	Contributions by Members	7,727
2,486	Contributions in respect of unfunded benefits	2,466
(30,434)	Benefits Paid	(30,085)
(2,486)	Unfunded Benefits Paid	(2,466)
1,043,990	Closing Fair Value of Plan Assets	1,179,144

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 2022 are as follows:

31/03/21 £'000		31/03/22 £'000
(409,758)	Net Liability	(243,857)

The net liability above includes the sum of £38.5m for year ended 31 March 2022 (£40.7m for 31 March 2021) being unfunded liabilities related to the award of discretionary benefits.

There has been a decrease in IAS19 liabilities of £165.9m as at 31 March 2022 compared with the liabilities as at 31 March 2021. This was driven by improved asset returns and adjustments to both financial and demographic assumptions resulting in lower anticipated obligations.

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 2.7% (2% for year ended 31 March 2021).

Notes to the Financial Statements

Quoted Prices in Active Markets 31/03/21 £'000	Prices not Quoted in Active Markets 31/03/21 £'000	Total 31/03/21 £'000		Quoted Prices in Active Markets 31/03/22 £'000	Prices not Quoted in Active Markets 31/03/22 £'000	Total 31/03/22 £'000
Equity Securities						
74,629	-	74,629	Consumer	88,050	-	88,050
62,144	-	62,144	Manufacturing	63,375	-	63,375
41,618	-	41,618	Energy and Utilities	41,758	-	41,758
89,085	-	89,085	Financial Institutions	97,959	-	97,959
30,227	-	30,227	Health & Care	32,397	-	32,397
97,451	-	97,451	Information Technology	108,148	-	108,148
3,488	-	3,488	Other	6,220	-	6,220
398,642	-	398,642		437,907	-	437,907
Debt Securities						
16,589	-	16,589	UK Government	16,571	-	16,571
16,589	-	16,589		16,571	-	16,571
Derivatives						
-	-	-	Other	-	-	-
-	-	-		-	-	-
Private Equity						
-	17,950	17,950		-	17,190	17,190
Real Estate						
-	53,507	53,507	UK Property	-	65,267	65,267
-	98	98	Overseas Property	-	101	101
-	53,605	53,605		-	65,368	65,368
Investment Funds and Unit Trusts						
233,789		233,789	Equities	290,627	-	290,627
71,700		71,700	Bonds	73,950	-	73,950
-	104,837	104,837	Infrastructure	-	115,101	115,101
100,159	21,228	121,387	Other	108,597	26,500	135,097
405,648	126,065	531,713		473,174	141,601	614,775
Cash and Cash Equivalents						
25,491	-	25,491		27,333	-	27,333
846,370	197,620	1,043,990	Total	954,985	224,159	1,179,144

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:

31/03/21 % p.a.		31/03/22 % p.a.
2.85	Pension Increase Rate	3.20
3.45	Salary Increase Rate	3.80
2.00	Discount Rate	2.70

Investment Returns

The return on the fund in market value terms for the period to 31 March 2022 is estimated based on actual fund returns and index returns where necessary. Details are given below:

Actual Returns from 1 April 2021 to 31 March 2022	11.9%
Total Returns from 1 April 2021 to 31 March 2022	11.9%

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	20.4 years	23.0 years
Future Pensioners	21.6 years	25.0 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 2023

The following table sets out the estimation of the pension cost for 2022/23, based on the assumptions as at 31 March 2022 (the start of the period).

Analysis of projected amount to be charged to operating profit for the year to 31 March 2023

Year Ended	£'000
Projected Current Service Cost	61,516
Interest on Obligation	38,899
Interest Income on Plan Assets	(31,915)
Past Service Cost	-
Total	68,500

The estimated Employer's contributions for the year to 31 March 2023 will be approximately £29.141m.

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 £17.118m (£16.787m in 2020/21) 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 2021/22, these amounted to £0.935m, representing 1.26% of pensionable pay (£0.975m, representing 1.34% of pensionable pay in 2020/21).

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:

31/03/21 £'000		31/03/22 £'000
505	Not later than one year	413
1,412	Later than one year and not later than 5 years	1,255
1,146	Later than five years	889
3,063	Total	2,557

The total of future Scottish Government electric vehicle grant funding expected to be received as at 31 March 2022 is £0.018m (£0.083m as at 31 March 2021).

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

31/03/21 £'000		31/03/22 £'000
712	Minimum lease payments	661
-	Contingent rents	-
(5)	(Sub-lease payments receivable)	-
(120)	(Grant funding receivable)	(69)
587	Total	592

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 7 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:

31/03/21 £'000		31/03/22 £'000
	Finance lease debtor (net present value of minimum lease payments):	
66	• Current	71
549	• Non-Current	479
159	Unearned finance income	119
-	Unguaranteed residual value of property	-
774	Gross investment in the lease	669

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

Gross Investment in the Lease 31/03/21 £'000	Minimum Lease Payment 31/03/21 £'000		Gross Investment in the Lease 31/03/22 £'000	Minimum Lease Payment 31/03/22 £'000
106	66	Not later than one year	106	71
528	414	Later than one year and not later than 5 years	528	446
141	135	Later than five years	35	32
775	615	Total	669	549

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:

31/03/21 £'000		31/03/22 £'000
3,209	Not later than one year	3,204
7,029	Later than one year and not later than five years	7,591
33,538	Later than five years	32,706
43,776	Total	43,501

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 £0.340m as at 31 March 2022.

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

Other Assets 2020/21 £'000		Other Assets 2021/22 £'000
	Balance at start of year:	
5,139	• Gross carrying amounts	5,608
(3,565)	• Accumulated amortisation	(4,293)
1,574	Net carrying amount at start of year	1,315
	Additions:	
469	• Purchases	238
-	Other movements and costs or valuation	-
(728)	Amortisation for the period	(551)
1,315	Net carrying amount at end of year	1,002
	Comprising:	
5,608	• Gross carrying amounts	5,846
(4,293)	• Accumulated amortisation	(4,844)
1,315		1,002

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 2021/22 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.

Social Work Assets were valued at 31 March 2022 which resulted in a net downwards revaluation of these assets of £1.4m

Council Dwellings and Non-Operational properties were subject to a review as at 31 March 2022. 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. The revaluation gains and losses flowing from these revaluations were accounted for in 2021/22.

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.

Notes to the Financial Statements

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 2021/22

	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 2021	657,958	886,720	50,776	195,638	19,852	18,613	8,224	1,837,781
Additions	28,637	14,632	6,439	16,487	1,153	14,165	-	81,513
Revaluations:								
Recognised in Revaluation Reserve	13,879	641	-	-	-	-	-	14,520
Recognised in Provision of Services	-	-	-	-	-	-	-	-
De-recognition:								
Disposals	-	-	(148)	-	-	-	(15)	(163)
Assets reclassified to/from Held for Sale	-	(242)	-	-	-	-	-	(242)
Other Movements in Cost or Valuation	-	36	-	-	-	-	-	36
As at 31 March 2022	700,474	901,787	57,067	212,125	21,005	32,778	8,209	1,933,445
Accumulated Depreciation & Impairment as at 1 April 2021	180,061	341,789	32,405	65,110	5,338	1,151	6,064	631,918
Depreciation:								
Charge for Year	17,344	29,355	7,908	7,048	656	-	-	62,311
Impairment Losses/(Reversals):								
Recognised in Revaluation Reserve	10,157	814	-	-	-	-	-	10,971
Recognised in Provision of Services	-	2,104	-	-	-	-	-	2,104
De-recognition:								
Disposals	-	-	-	-	-	-	-	-
As at 31 March 2022	207,562	374,062	40,313	72,158	5,994	1,151	6,064	707,304
Net Book Value								
31 March 2021	477,897	544,931	18,371	130,528	14,514	17,462	2,160	1,205,863
31 March 2022	492,912	527,725	16,754	139,967	15,011	31,627	2,145	1,226,141

Notes to the Financial Statements

(b) 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

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.

2020/21 £'000		2021/22 £'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 2022 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.

Notes to the Financial Statements

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 2021/22 the Council's Social Work Assets were revalued as at 31 March 2022. This resulted in a net downwards revaluation of these assets of £1.4m

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	31 March 2022	Open Market Value for Existing Use
Education - Primary & Secondary Schools	31 March 2021	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.
Education - Other	1 April 2018	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.
The Foundry	31 March 2022	Existing use Value.

Non Operational Assets were subject to a review by external property surveyors at 31 March 2022. 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. No material reductions in value were identified.

A similar desktop review of the Council's Housing Stock was carried out by the District Valuer. That review identified a material movement which has resulted in a net increase of £13.9m for the Council's housing stock.

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

Assets Under Construction have been valued at cost.

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

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

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

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. However, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate amount of market evidence exists upon which to base opinions of value.

Notes to the Financial Statements

Capital Commitments

As at 31 March 2022, the Council has entered into a number of contracts for the construction, enhancement or purchase of Property, Plant and Equipment in 2021/22 and future years, budgeted to cost £69.6m. Commitments at 31 March 2021 were £18.3m. The major commitments are:

Project	£'m
External Fabric Improvements (Housing)	11.5
Replacement Windows and Doors 4 year contract (Housing)	53.9
Other Housing Contracts	1.3
Various / Misc. Contracts	1.6
Grangemouth Flood Prevention Scheme (GFPS)	1.3
Total	69.6

Note 23: Assets held for Sale

Current 2020/21 £'000	Non-Current 2020/21 £'000		Current 2021/22 £'000	Non-Current 2021/22 £'000
1,917	-	Balance at 1 April	2,038	-
-	-	Assets Newly Classified as Held for Sale	241	-
		Revaluation losses:		
-	-	• Recognised in Revaluation Reserve	(251)	-
		Revaluation gains:		
398	-	• Recognised in Revaluation Reserve	233	-
-	-	• Recognised in Provision of Services	63	-
(438)	-	Assets sold	(37)	-
161	-	Transfer from/to non-current/current	-	-
2,038	-	Balance outstanding 31 March	2,287	-

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

2020/21 £'000		2021/22 £'000
405,456	Opening Capital Financing Requirement	414,404
	Capital Investment:	
65,491	• Property, Plant and Equipment	81,597
469	• Intangible Assets	239
327	• Revenue Expenditure Funded from Capital under Statute	411
	Sources of Finance:	
(152)	• Capital receipts	(41)
(26,481)	• Government grants and other contributions	(37,802)
	Sums set aside from revenue:	
(1,989)	• Direct revenue contributions	(13,812)
(28,717)	• MRP/loans fund principal	(7,641)
414,404	Closing Capital Financing Requirement	437,355
	Explanation of movements in year:	
15,753	• Increase in underlying need to borrow (unsupported by government financial assistance)	30,059
(6,805)	• Assets acquired under PFI / PPP contracts	(7,108)
8,948	Increase / (Decrease) in Capital Financing Requirements	22,951

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	2021/22 £'000
Balance as at 1 April 2021	81,274	122,227	203,501
Net Additions during year	1,954	-	1,954
Revaluation	15,302	-	15,302
Depreciation	(6,032)	(5,288)	(11,320)
Net Book Value 31 March 2022	92,498	116,939	209,437

(b) Movement in Liabilities

	Class 98 £'000	Falkirk Schools Gateway Ltd £'000	2021/22 £'000
Balance as at 1 April 2021	23,575	66,357	89,932
Repaid during year	(4,232)	(2,753)	(6,985)
Balance as at 31 March 2022	19,343	63,604	82,947
of which:			
• Current	4,610	2,479	7,089
• Long Term	14,733	61,125	75,858
Total	19,343	63,604	82,947

(c) Estimated Future Unitary Payment Obligations

	Service Charges £'000	Interest £'000	Finance Lease Repayment £'000	2021/22 £'000
Basic Annual Payments – Class 98				
Within one year	4,126	4,562	4,610	13,298
In the second to fifth years inclusive	5,595	10,768	14,734	31,097
Total	9,721	15,330	19,344	44,395

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 1.5% 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	2021/22 £'000
Within one year	5,743	6,438	2,479	14,660
In the second to fifth years inclusive	25,988	26,040	10,369	62,397
In the sixth to tenth years inclusive	39,372	32,899	14,911	87,182
In the eleventh to fifteenth years inclusive	42,833	35,309	20,496	98,638
In the sixteenth to twentieth years inclusive	15,106	19,975	15,349	50,430
Total	129,042	120,661	63,604	313,307

The figures shown above for the Basic Annual Payment assume an indexation rate of 1.4% 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 31 March 2021, 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 was transferred by the company to Falkirk Council in February 2020 which will be marketed for sale in due course, with offers likely to be subject to gaining residential planning permission. A repayment schedule for the remaining £0.300m was formally agreed in February 2022 with £0.04m received by 31 March 2022 in line with the agreement

(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 2022, this totalled £13.5m (£17.0m as at March 2021).
- (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. Whilst the Scottish Government has put in place Scotland's Redress Scheme for survivors of historical child abuse in care, there is an option whether to progress via this route for a capped pre agreed amount or to continue to pursue a claim against Falkirk Council directly. All 32 Scottish Councils are participating in the scheme

Notes to the Financial Statements

- (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.
- (v) On 8 September 2021, a fatality was reported upon a Falkirk Council road construction site. HSE are currently investigating the incident. There is a possibility that a fine or fixed penalty may be issued. Whilst the legal costs may be met via Council insurance policies, any fine or penalty would be met by the Council. It is not possible to estimate a likely fine or penalty at this time.

Note 27: Long Term Investments in Associates and Joint Ventures

The Council has one long- term investment as follows:

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 2022.

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 2022 was as follows:

2020/21 £'000	Borrowing Repayable on Demand or Within 12 Months	2021/22 £'000
41,000	Temporary Borrowing	30,000
2,716	Accrued Interest	2,738
43,716	Total	32,738
	Long Term Borrowing	
208,201	• Public Works Loan Board	216,201
26,000	• Market Bonds	26,000
-	• Temporary Borrowing	10,000
234,201		252,201
1,388	Accrued Interest	1,353
235,589	Total	253,554

Short-Term Borrowing per the Balance Sheet is £33,933m. This figure includes temporary borrowing of £32,738m and £1,195m in respect of Third-Party balances which are invested in the Loans Fund as at 31 March 2022.

Notes to the Financial Statements

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 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 £0.371m have been incurred during 2021/22. Consequently, the provision has been reduced by this amount and the balance on the provision at 31 March 2022 is £0.444m (£0.815m as at 31 March 2021). If the annual cost of restoration is approximately £0.200m, the provision would therefore be fully written down within 2 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 £0.480m up to 31 March 2021, with a further draw down of £0.031m in 2021/22. The balance on the provision at 31 March 2022 is £0.209m, (£0.240m restated as at 31 March 2021).
- (ii) 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 31/03/21 £'000		Advanced 2021/22 £'000	Repaid 2021/22 £'000	Balance 31/03/22 £'000
615	Northfield Quarry	40	(106)	549
77	Owner Occupiers	-	-	77
5	Loan Arrears	-	-	5
3,345	Scottish Fire Service	6	(290)	3,061
1,009	Falkirk Community Stadium Ltd.	-	-	1,009
91	Social Work Deferred Payments	-	-	91
5,142	Total	46	(396)	4,792

- (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 2022 is shown below:

	2021/22 Opening Stock £'000	Purchases / Additions £'000	Stock Write Downs £'000	Recognition as an expense £'000	2021/22 Closing Stock £'000
Stocks	842	2,034	(4)	(2,263)	609

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 2022, the Council's Building Maintenance Division had several construction contracts in progress. The income derived from the value of work completed at 31 March 2022 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 2022.

Note 33: Debtors

2020/21 £'000		2021/22 £'000
15,423	Central government bodies	15,871
122	Other local authorities	297
1,703	NHS Bodies	1,470
144	Public corporations and trading funds	-
36,113	Other entities and individuals	45,459
40	Falkirk Community Trust	303
-	Falkirk IJB	13
53,545		63,413
(20,928)	Provision for Bad Debt	(22,122)
32,617	Total Debtors	41,291

Note 34: Creditors

2020/21 £'000		2021/22 £'000
6,384	Central government bodies	3,568
490	Other local authorities	406
763	NHS Bodies	292
59,949	Other entities and individuals	72,645
711	Falkirk Community Trust	24
10,821	Falkirk IJB	12,159
79,118	Total Creditors	89,094

Notes to the Financial Statements

Note 35: Cash and Cash Equivalents

2020/21 £'000		2021/22 £'000
2,543	Bank Current Accounts	(3,233)
48,519	Deposits with UK Banks, Building Societies & Local Authorities	49,017
51,062	Total	45,784

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 (£56,594) - to provide donations to residents of the former Burgh of Falkirk at the sole discretion of the Provost.
- Shank's Bequest (£26,396) - to provide donations to the needy of Denny.
- Candyend Trust (£77,962) - to provide donations to specific organisations assisting the elderly in the Muiravonside area.
- Alexander Douglas King Bequest (£18,542) – bequest for the promotion and advancement of education of art at Bo'ness Academy.
- McNair Bequest (£9,462) – bequest for the benefit of Bo'ness Academy.

Fund for which the Council is not Sole Trustee

- Odenwald Trust (£22,203) - 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 2022 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 31 March 2022 the Trust had available funds of £161,775. 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 2020/21 £'000	Temperance 2020/21 £'000		General 2021/22 £'000	Temperance 2021/22 £'000
Income				
-	(1)	Investment Income	(1)	-
Expenditure				
1	-	Awards and Other Expenses	29	-
1	(1)	Deficit / (Surplus) for the Year	28	-
Balance Sheet				
Fixed Assets				
3	162	External Investments	3	162
322	-	Internal Investments	294	-
325	162	Net Assets	297	162
(326)	(161)	Fund Balance at 1 April 2021	(325)	(162)
1	(1)	Deficit/(Surplus) for Year	28	-
(325)	(162)	Fund Balance at 31 March 2022	(297)	(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

2020/21 £'000	Credited to Services	2021/22 £'000
3,303	Criminal Justice	3,482
-	Regional Improvement Collaborative	-
31,557	Housing DWP Subsidy	29,596
471	Education Maintenance Allowances	399
2,787	ETU Programmes	1,423
1,281	Home Insulation Scheme	-
11,766	Integration Fund	9,622
3,660	Pupil Equity Fund	4,389
16,535	Early Years Expansion	19,049
9,440	COVID-19 Funding	8,860
3,355	Other Grants	5,519
84,155	Total	82,339

2020/21 £'000	Credited to Taxation and Non-Specific Grant Income	2021/22 £'000
12,702	Scottish Government – General Capital Grant	24,400
6,089	Scottish Government – Specific Capital Grants	5,037
4,598	Scottish Government – Other Grants	4,820
1,554	Other Grants	2,405
232	Developers Contributions	573
900	Other Contributions	145
26,075	Capital Grants, Contributions and Donations	37,380
241,026	Revenue Support Grant	248,631
29,068	COVID Grant Funding	14,713
270,094	Government Grants	263,344

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:

2020/21 £'000	Capital Grants and Receipts Received in Advance	2021/22 £'000
5,961	Scottish Government	3,091
7,348	Developers Contributions	9,825
1,777	Other Contributions	2,490
15,086	Total	15,406

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 2021/22 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 31/03/21 £'000	Current 31/03/21 £'000		Long Term 31/03/22 £'000	Current 31/03/22 £'000
Investments				
4,097	-	Long Term Investments	3,597	-
Other Financial Assets				
-	56,575	Temporary Deposits	-	54,878
3,054	290	Loan Debt – Central Scotland Fire & Rescue Service	2,765	290
1,659	61	Other Loans & Receivables	1,621	38
-	32,617	Trade Debtors	-	41,291
4,713	89,543		4,386	96,497
Borrowings				
(206,201)	(2,000)	PWLB Debt	(205,201)	(11,000)
(26,000)	-	Non PWLB Debt	(26,000)	-
-	(41,000)	Temporary Short Term Loans	(10,000)	(30,000)
(232,201)	(43,000)		(241,201)	(41,000)
Other Financial Liabilities				
-	(79,118)	Trade Creditors	-	(89,094)

Investments

The Council has investments in Falkirk Community Stadium Ltd, 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 31/03/21 £'000	Fair value 31/03/21 £'000		Carrying Amount 31/03/22 £'000	Fair value 31/03/22 £'000
208,201	288,831	PWLB Debt	216,201	273,083
26,000	37,905	Non-PWLB Debt	26,000	34,945
41,000	40,969	Temporary Loans	40,000	39,755
275,201	367,705	Total Debt	282,201	347,783

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 £6.0m of the £11.1m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£'000
Less than 31 days	1,386
31 – 60 days	192
61 – 90 days	82
More than 90 days	4,352
Total	6,012

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 2022 was £0.6m.

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:

31/03/21		Approved Maximum Limits		31/03/22
£'000		%	£'000	£'000
43,000	Less than one year	35	98,770	41,000
11,000	Between one and two years	20	56,440	12,464
21,677	Between two and five years	20	56,440	51,038
61,825	Between five and ten years	30	84,660	30,000
23,381	Between ten and twenty years	30	84,660	39,381
30,000	Between twenty and thirty years	30	84,660	20,000
55,318	Between thirty and forty years	30	84,660	49,318
29,000	Between forty and fifty years	40	112,880	39,000
275,201	Total			282,201

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	(549)
Impact on Other Comprehensive Income and Expenditure	(549)
Share of overall impact credited to the HRA	(310)
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)	(37,415)

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

2020/21 £'000		2021/22 £'000
82,947	PFI Finance Lease Liabilities	75,858
667	PFI Deferred Income	543
83,614	Total	76,401

Note 40: Interest Payable

2020/21 £'000		2021/22 £'000
11,533	Interest Paid	11,171
12,039	Finance Lease Interest PFI / NPDO	11,376
-	Impairment of Long-Term Investment	-
23,572	Total	22,547

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 £11.140m. 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 one Associate (Central Scotland Valuation Joint Board) and a Joint Venture (Falkirk Integration Joint Board). The Council sold its interest in thinkWhere on 8 June 2021, included in previous Group Accounts as an Associate.

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 2022. 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.

Notes to the Financial Statements

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

In 2014 a potential alternative delivery model was identified which would effectively transfer FCSL'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.

In November 2021 Falkirk Council agreed to wind up Falkirk Community Stadium Limited and transfer the company's business and assets to Falkirk Council. The work required to wind up the company is currently underway, and it anticipated that this will be completed during the next financial year.

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 £12.58m for service provision in 2021/22 (£10.93m in 2020/21). The Trust returned a surplus of £0.41m (surplus of £0.63m restated in 2020/21) 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.

From, 1 April 2022 the services managed by the Trust will be delivered by the Council with the Trust being duly wound up and the employees transferred back to the Council.

Associate

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.

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 £74.605m (£66.696m in 2020/21). The IJB Board comprises 6 voting members consisting of 3 elected members from Falkirk Council and 3 non-executive Health Board members.

Notes to the Financial Statements

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

2020/21 (restated) £'000		2021/22 £'000
58	Central Scotland Valuation Joint Board	79
(288)	thinkWhere Ltd	-
(5,755)	Falkirk Integration Joint Board	(9,911)
(5,985)	Total	(9,832)

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

2020/21 (restated) £'000		2021/22 £'000
1,369	Central Scotland Valuation Joint Board	1,355
170	thinkWhere Ltd	-
1,539	Total	1,355

5. Group Entities Reserves

2020/21 (restated) Total £'000	Reserves	Falkirk Community Stadium Ltd £'000	Falkirk Community Trust Ltd £'000	Central Scotland Valuation Joint Board £'000	Common Good Funds £'000	Falkirk Integration Joint Board £'000	2021/22 Total £'000
(4,188)	Usable	8,670	(2,985)	(306)	(774)	(18,959)	(14,354)
1,783	Unusable	(1,492)	-	5,754	(1,048)	-	3,214
(2,405)	Total	7,178	(2,985)	5,448	(1,822)	(18,959)	(11,140)

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.



Falkirk Council