

4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 for the Group and Council, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and Council/Authority financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor [on the grounds of materiality](#).
6. We confirm the Group and Council does not have securities (debt or equity) listed on a recognised exchange.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and Council financial statements, including those related to the COVID-19 pandemic and those related to the conflict and related sanctions in Ukraine, Russia and Belarus.
3. We have made available to you all minutes of the meetings of the Group and Council, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 27th October 2022.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and Council financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
6. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
7. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. From 7 February 2022 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact on the Group and Council financial statements, in each case or in the aggregate, and ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and Council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 26 to the consolidated and Council financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 1 to the consolidated and Council financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than those described in Note 5 to the consolidated and Council financial statements, there have been no events including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and Belarus, subsequent to year end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto.

G. Group Audits

1. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst the Council, subsidiary undertakings and associated undertakings.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and our independent auditor's report thereon.
2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered including the impact resulting from the commitments made by the Group and Council and reflected in the consolidated and Council financial statements.
2. The key assumptions used in preparing the consolidated and Council financial statements are, to the extent allowable under the requirements of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, aligned with the statements we have made in the other information or other public communications made by us (see section G).

J. Ownership of Assets

1. The Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the consolidated and Council financial statements.
3. We have no plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements.

K. Reserves

1. We have properly recorded or disclosed in the consolidated and Council financial statements the useable and unusable reserves.

L. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and Council financial statements or as the

basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and Council financial statements).

2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.

M. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the property plant and equipment values, assets and pension schemes and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

N. Estimate – Valuation of Property, Plant and Equipment

1. We confirm that the significant judgments made in making the valuation of Property, Plant and Equipment have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of Property, Plant and Equipment.
3. We confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment appropriately reflect our intent and ability to utilise the carrying value of the assets through the uses intended in line with Council's objectives on behalf of the Council.
4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of Property, Plant and Equipment.
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and parent entity financial statements, including due to the COVID-19 pandemic.

O. Estimate – Valuation of Pension Liabilities and Assets

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
2. We confirm that the significant assumptions used in making the valuation of pension liabilities and assets appropriately reflect our intent and ability to carry out our future obligations to all Falkirk Council employees who are members of the pension scheme on behalf of the Council.
3. We confirm that the disclosures made in the consolidated and Council financial statements with respect to the accounting estimate(s) are complete, including the effects of the COVID-19 pandemic, and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and Council financial statements due to subsequent events, including due to the COVID-19 pandemic.

Yours faithfully,

(Chief Financial Officer)

(Leader of the Council, on behalf of Falkirk Council)

Falkirk Council

Audited Annual Report and Accounts
2021/22

Appendix 3



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

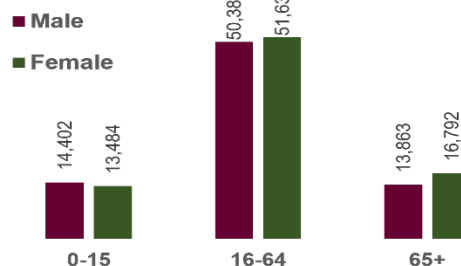
Local Government elections were held on 5th May 2022. The Administration now consists of 12 SNP Councillors.

Population

160,560

Male
78,645

Female
81,915



Life Expectancy

76.6 years (Male)

80.4 years (Female)



29.6% live with one or more long term health condition



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

Environmental Impact



39,000 Tonnes CO2e

Economic Activity



3,675 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

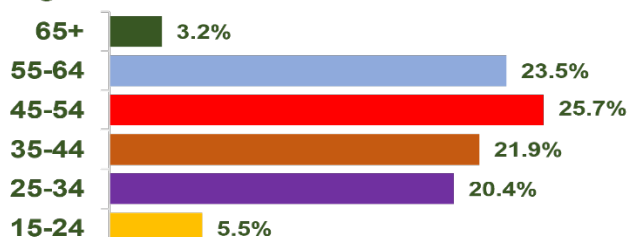


3.6% of staff from an ethnic minority



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 the new Council Plan was approved in September 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.

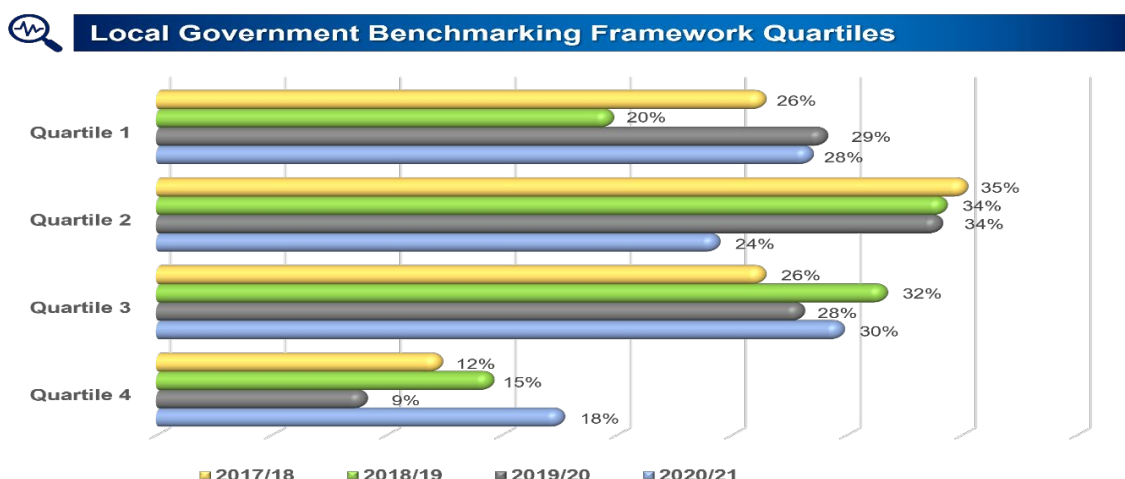
How are we doing?

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](#).



Falkirk Growth Deal



Scottish Government
Riaghaidh na h-Alba
gov.scot

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. 1,554 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 32 to 36), with housing revenue income and expenditure managed in the Housing Revenue Account (pages 37 to 38). In addition to day-to-day expenditure, we have capital investment in our assets, including schools, houses, and infrastructure.

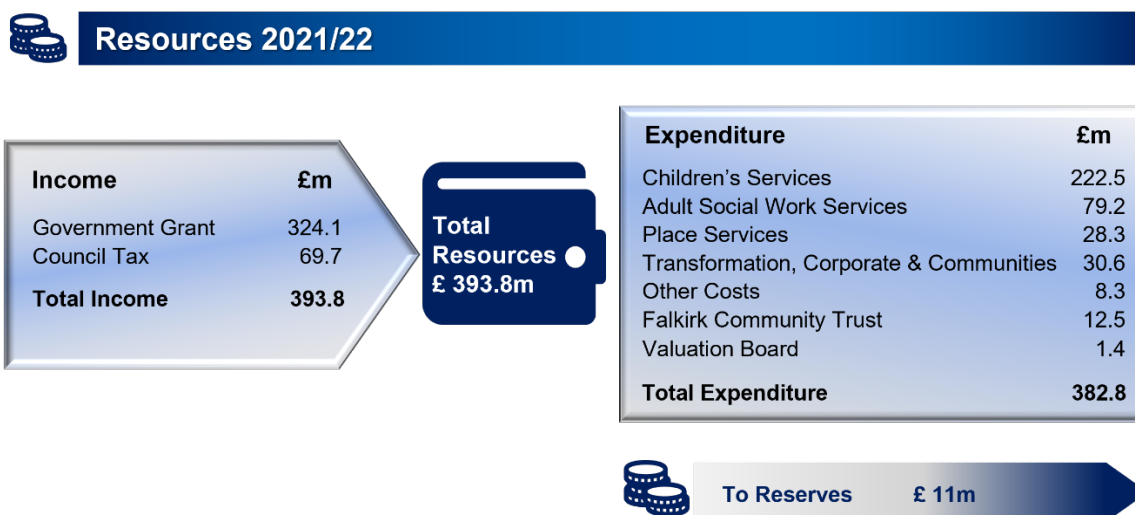


Financial Performance

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.



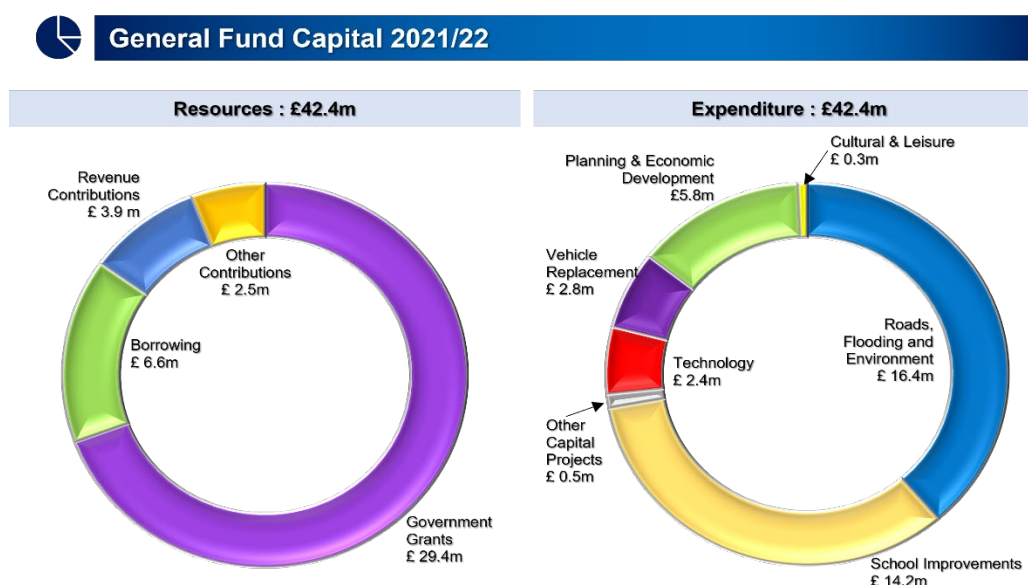
Overall expenditure on council services was £8.9m less than the budgeted deficit for 2021/22 of £2m, resulting in an increase to the unearmarked General Fund budget of £6.9m. This was a favourable improvement from the position reported back in March when the budget for 2022/23 was approved. Place Services 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 2021/22 the council achieved £4.4m of approved budget savings, this was 88% of the full year target.

Management Commentary

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 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.

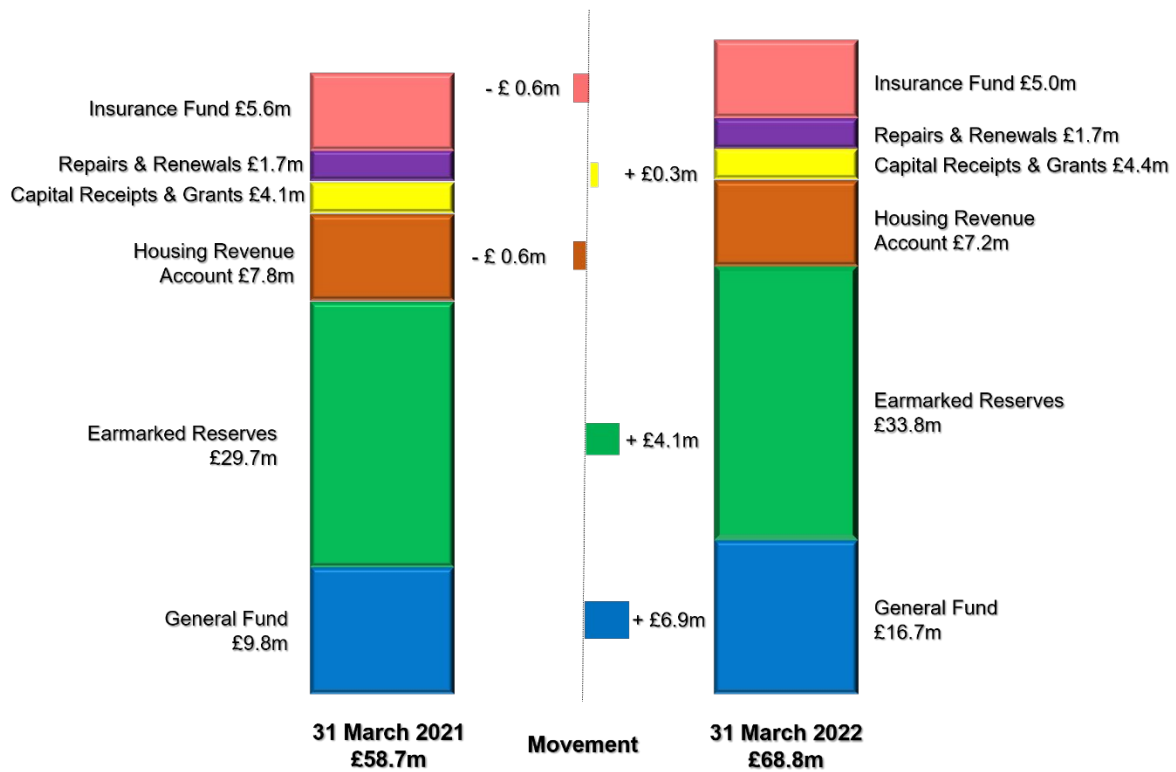
The Council also has a number of earmarked and other reserves to deliver specific commitments. The most significant in terms of value includes:

- Earmarked Reserves of £33.8m, 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 £2.4m 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



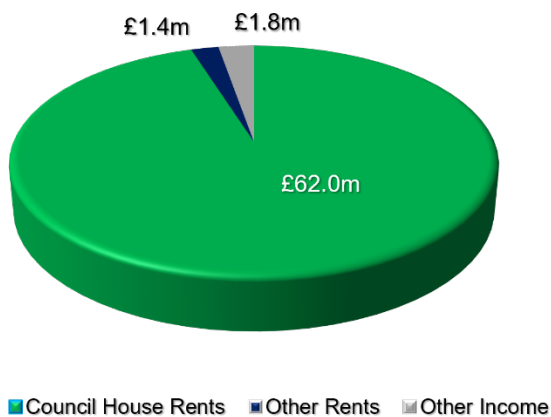
(d) Housing Revenue Account 2021/22

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.

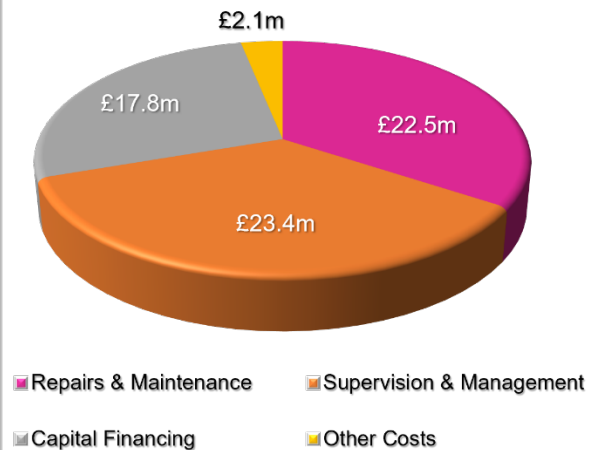


Housing Revenue Account

Housing Revenue Funding £65.2m



Housing Revenue Expenditure £65.8m



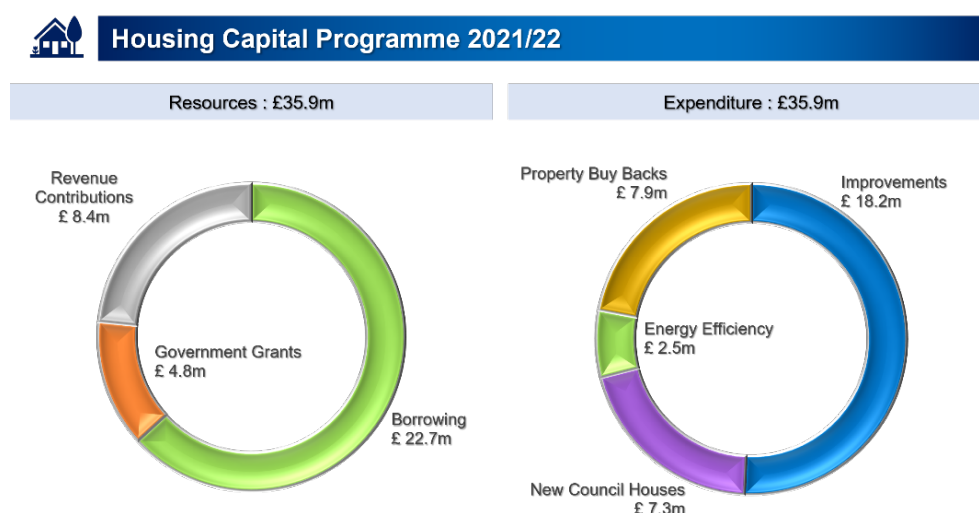
From Reserves £0.6m

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.

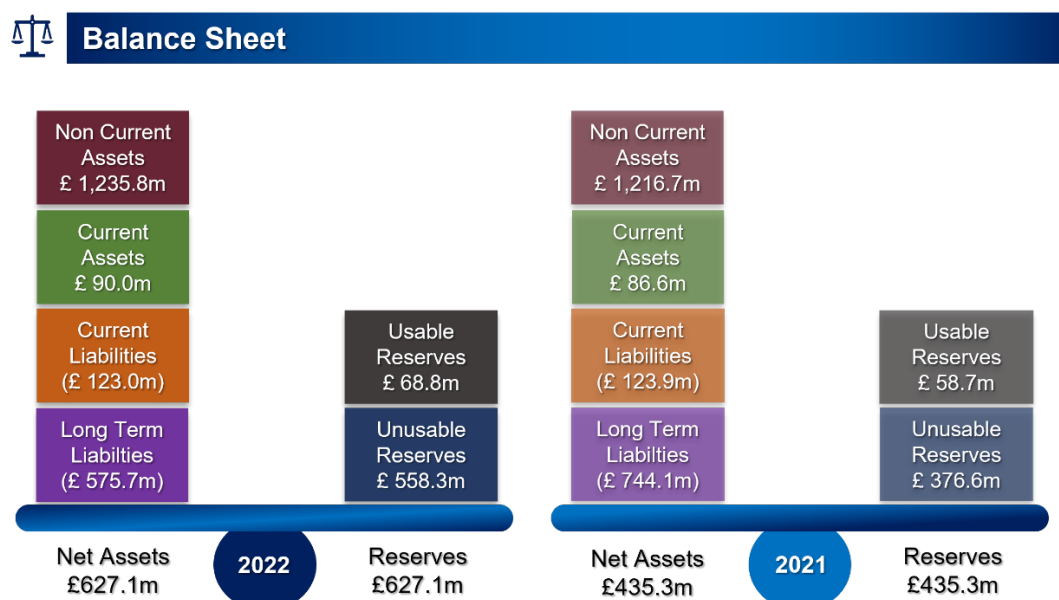
(e) Housing Capital Programme 2021/22

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 34.



The net assets of the Council have increased by £191.8m (2020/21 net asset decrease of £50.2m). The main reason for the movement is a significant decrease in the pension liabilities of £177m. 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 actual employer contributions 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 actuarial report prepared on 7 June 2022 indicates that the present value of funded obligations represents 97.38% of total obligations.

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) £362m (Actual)	£510m (Limit) £352m (Actual)