

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
27 October 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, 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 2022/23 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, 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 outlined in the Financial Strategy (September 2022) show the Council has a budget gap of c£27m in 2023/24. In

Notes to the Financial Statements

In addition to known costs, there remains a 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 2022/23 the projected balance will be £11.9m at 31 March 2023. 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. More information on the accounting for and disclosure around infrastructure assets held by the Council can be found at note 20.

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.

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.

- **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.

Notes to the Financial Statements

- The Code has adopted the International Public Sector Accounting Standards (IPSAS) definition of Investment Property as one that is used solely to earn rentals or for capital appreciation, or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet with the definition of investment property under IPSAS 16 and is accounted for as Property, Plant and Equipment. The Council has examined its portfolio of property, in particular those which were classified as investment properties under the Code and concluded that they do not meet the definition of an investment property as noted above. Instead, these properties are held for economic development purposes and are now classified as Property, Plant and Equipment. The 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 £230.3 million, a decrease of £177 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.

Notes to the Financial Statements

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 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.

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%	27,533
0.1% increase in the Salary Increase Rate	0%	3,075
0.1% increase in the Pension Increase Rate	2%	24,237

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

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 an EUV basis and totalled £8m with a valuation decrease of £1.4m.
- The Foundry (Corporate & Housing) - the asset was revalued on an 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. Housing Stock is valued on an EUV basis for Social Rent (EUV-SH)
- The Council's non-operational property. This was a desktop impairment review. The basis of value for non-operational property is Market Value/Fair Value and EUV both with vacant possession and subject to the occupational lease/s, as applicable.

Notes to the Financial Statements

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 events 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	222,479	22,285	244,764
70,568	3,120	73,688	Social Work Adult Services	79,190	8,264	87,454
29,267	19,693	48,960	Place Services	28,315	24,519	52,834
28,772	4,729	33,501	Transformation, Communities & Corporate Services	30,592	9,083	39,675
(93)	(36,948)	(37,041)	Housing Revenue Account	297	513	810
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	374,861	64,664	439,525
9,989	19,961	29,950	Other Income and Expenditure	9,118	22,093	31,211
(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	(384,696)	(16,969)	(401,665)
(23,338)	(14,945)	(38,283)	(Surplus) or Deficit	(9,835)	47,695	37,860
(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	(9,835)	-	-
390	-	-	Transfers to/(from) Other Statutory Reserves	(642)	-	-
(47,234)	-	-	Closing General Fund and HRA Balance at 31 March 2022	(57,711)	-	-

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	13,972	(17,187)	22,285
Social Work – Adult Services	1,706	6,278	280	8,264
Place Services	15,366	8,694	459	24,519
Transformation, Communities & Corporate Services	4,502	4,202	379	9,083
Housing Revenue Account	17,767	4,645	(21,899)	513
Net Cost of Services	64,841	37,791	(37,968)	64,664
Other Income and Expenditure from the Expenditure and Funding Analysis	(37,380)	8,151	12,260	(16,969)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statements Surplus or Deficit on the Provision of Services	27,461	45,942	(25,708)	47,695

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	316,334
329,857	Other services expenses	358,087
22,698	Depreciation, amortisation, impairment	65,324
23,572	Interest payments	22,547
26,168	Pensions interest cost	29,509
310	Loss on the disposal of assets	386
676,333	Total Expenditure	792,187
	Income	
(281,675)	Fees, charges, and other service income	(300,235)
(176)	Interest & investment income	(227)
(19,920)	Pensions interest income on plan assets	(20,989)
(116,676)	Income from council tax, non-domestic rates	(132,152)
(296,169)	Government grants and contributions	(300,724)
(714,616)	Total Income	(754,327)
(38,283)	(Surplus) or Deficit on the Provision of Services	37,860

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	(35,804)	(4,086)	-	-	(39,890)	39,890
Amortisation of intangible assets	(551)	-	-	-	(551)	551
Impairment of Investment	(500)	-	-	-	(500)	500
Statutory Repayment of Debt (Loans Fund Advances)	58	7,584	-	-	7,642	(7,642)
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	(41,297)	(4,645)	-	-	(45,942)	45,942
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	(34,788)	12,006	(277)	12	(23,047)	23,047

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.