

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	(57,711)
(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	(68,784)

(a) General Fund

	Balance at 1 April 2021 £'000	Balance at 31 March 2022 £'000	Movement £'000	Purpose of Reserve
General Fund (Unearmarked)	(9,822)	(16,744)	(6,922)	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)	(11,297)	(1,966)	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)	(57,711)	(10,477)	

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(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	230,345
7,435	Accumulated Absences Account	9,727
3,729	Financial Instruments Adjustment Account	3,391
(376,605)	Total	(558,277)

(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	(225,355)
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	45,942
409,758	Balance at 31 March	230,345

(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	-	433
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	-	71,713

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	30,988	94,529
837	4	Surplus/(Deficit) per CIES	15	856
(57)	(63)	Interest	(67)	(187)
780	(59)	Surplus/(Deficit) for Financial Return Purposes	(52)	669

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.

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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

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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	69,272
26,168	Interest Cost	29,509
(19,920)	Interest Income on Plan Assets	(20,989)
255	Past Service Costs/(Gains)	927
-	Losses/(Gains) on Curtailments and Settlements	-
48,636	Total	78,719

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	69,272
26,168	Interest Cost	29,509
7,273	Contributions by Members	7,724
	Remeasurements:	
(2,561)	• Prior year unadjusted remeasurements	90
(14,451)	• Change in demographic assumptions	(7,897)
293,952	• Change in financial assumption	(100,697)
1,120	• Other experience	1,563
255	Past Service Cost	927
(30,434)	Benefits paid	(30,085)
(2,486)	Unfunded Benefits Paid	(2,385)
1,453,748	Closing Defined Benefit Obligation	1,421,769

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	20,989
	Remeasurements	
4,140	• Prior year unadjusted remeasurements	2,186
171,852	• Return on Plan Assets excluding the amount included in net interest	116,228
(16,714)	• Other Experience	-
27,663	Contributions by Employer	30,392
7,273	Contributions by Members	7,724
2,486	Contributions in respect of unfunded benefits	2,385
(30,434)	Benefits Paid	(30,085)
(2,486)	Unfunded Benefits Paid	(2,385)
1,043,990	Closing Fair Value of Plan Assets	1,191,424

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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	(230,345)

The net liability above includes the sum of £37.3m 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 £177.3m 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).

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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	72,752	-	72,752
62,144	-	62,144	Manufacturing	63,813	-	63,813
41,618	-	41,618	Energy and Utilities	41,496	-	41,496
89,085	-	89,085	Financial Institutions	86,654	-	86,654
30,227	-	30,227	Health & Care	38,988	-	38,988
97,451	-	97,451	Information Technology	96,543	-	96,543
3,488	-	3,488	Other	11,642	-	11,642
398,642	-	398,642		411,888	-	411,888
Debt Securities						
16,589	-	16,589	UK Government	48,773	-	48,773
-	-	-	Other	22,230	-	22,230
16,589	-	16,589		71,003	-	71,003
Private Equity						
-	17,950	17,950		-	14,352	14,352
Real Estate						
-	53,507	53,507	UK Property	-	73,796	73,796
-	98	98	Overseas Property	-	99	99
-	53,605	53,605		-	73,895	73,895
Investment Funds and Unit Trusts						
233,789		233,789	Equities	307,599	-	307,599
71,700		71,700	Bonds	63,318	-	63,318
-	104,837	104,837	Infrastructure	-	129,562	129,562
100,159	21,228	121,387	Other	46,163	24,544	70,707
405,648	126,065	531,713		417,080	154,106	571,186
Cash and Cash Equivalents						
25,491	-	25,491		49,100	-	49,100
846,370	197,620	1,043,990	Total	949,071	242,353	1,191,424

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	13.1%
Total Returns from 1 April 2021 to 31 March 2022	13.1%

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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	61,499
Interest on Obligation	38,867
Interest Income on Plan Assets	(32,247)
Past Service Cost	-
Total	68,119

The estimated Employer's contributions for the year to 31 March 2023 will be approximately £29.133m.

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.

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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 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

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(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

If building assets are depreciated over lease terms the life may be lower than 10 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.