

Falkirk Council

Audited Annual Report and Accounts 2022/23



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 2022/23 and looks ahead to the future challenges and risks which we will face as we strive to meet the needs of the people of the Falkirk area. The Annual Accounts report the financial performance of the Council and its Group, demonstrating the stewardship of 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

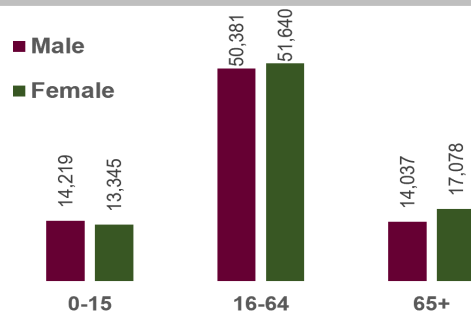
Local Government elections were held on 5th May 2022. The Administration consists of 11 SNP Councillors.

Population

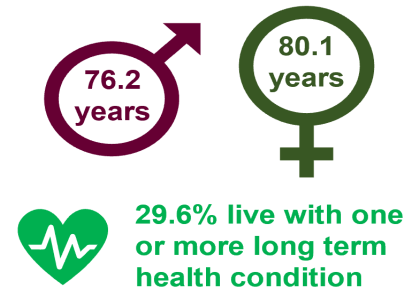
160,700

Male

78,637

Female

82,063



Life Expectancy



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

Environmental Impact



36,962 Tonnes CO₂e (2022/23)

Economic Activity



3,555 Businesses operating across the Falkirk area



76% of Adults in employment



6,200 (13.3%) of households are workless



25.3% of all children in Falkirk are estimated to be living in poverty




3.8% (Dec 22) Unemployment Claimant Count




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

Staff

 **7,805 - Full Time Equivalents**

Male

1,939
25%

Female

5,866
75%



Full Time 4,404
Part Time 3,401

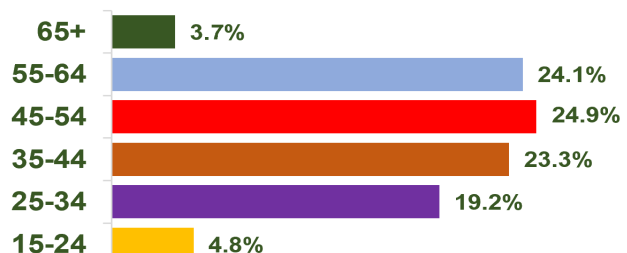


3.8% of staff from an ethnic minority



3.5% 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 was developed by the Falkirk Community Planning Partnership and 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.

A Council Plan was approved in September 2022 which provides a strategic framework to deliver on the Falkirk Plan commitments.

Strong communities where inequalities are reduced and lives improved



Supporting a thriving economy and green transition

An economy that is competitive, entrepreneurial, inclusive, and sustainable and an environment that we value, enjoy protect and enhance



Promoting opportunities and educational attainment and reducing inequalities

Educational excellence, reduce poverty and inequality, and improve wellbeing



Supporting stronger and healthier communities

Communities that are empowered, inclusive, resilient and safe

The Council Plan is linked to and supported by a range of strategies and plans, including the Falkirk Health and Social Care Partnership Strategic Plan, Falkirk Economic Strategy, Best Value Strategic Action Plan and the Falkirk Risk Management Assurance Policy and Framework.

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.

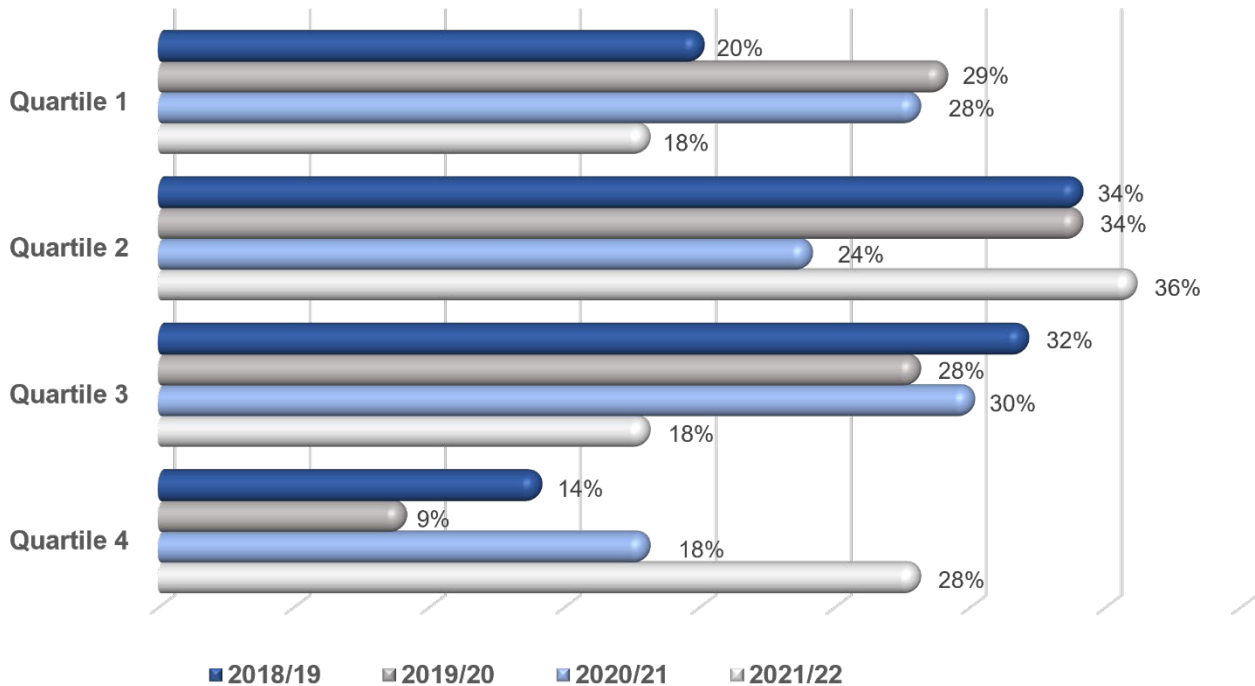
The Council Plan contains a number of success measures and targets, with performance measured against each target to track progress. This is reported to Elected Members every six months at both the mid year point and the end of the year for scrutiny purposes.

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 approved a [Best Value Action Plan](#) in February 2022 to implement the recommendations. Progress continues to be monitored and reported over the course of the next year, including within Falkirk Performs. The latest report on progress with the Best Value Action Plan was presented to Scrutiny Committee on 1 June 2023 and is available [here](#).

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 2021/22 54% of indicators were within quartiles 1 and 2, a marginal increase in comparison with the previous year.



Local Government Benchmarking Framework Quartiles



Highlights in 2022/23

The highlights below provide a brief insight to some of the key achievements during a challenging and difficult financial year for the Council.



Falkirk Council approved a substantial investment of £347 million over the next five years to improve existing homes and provide additional housing. Of that total, £38.7 million will be spent on improving around 6,800 properties in 2022/23, including re-roofing, roughcasting, and kitchen and bathroom replacements. Energy efficiency works, such as new heating systems and heating upgrades, will also benefit 1,100 properties annually.



26 community-led projects received a total of £777,364 through the participatory budgeting initiative, Community Choices. The public cast a record 23,039 votes in favour of the projects they wanted to make happen, a 37% increase on the previous phase. Of the awards secured, 16 community groups received Capital Grants ranging from £14,000 to £146,424 and 10 groups secured Small Grants of up to £5,000 each.



The majority of school leavers achieved level 4 awards in literacy (98%) and numeracy (97%), placing the Council in the top quartile among Scottish local authorities. Approximately 94.2% of the 1,704 young people who left secondary school entered a positive destination. There was a 2% increase in school leavers entering further education and a 2% increase in those going directly into employment.



Falkirk Leisure and Culture offered a substantial programme of activities for children over the 2022 Summer holidays. A total of 6,420 places were offered, with an uptake of 5,398 or 84%. The service also smashed its health and fitness membership targets, with nearly 1,000 new members joining Council gyms in January alone – that's 10% above target. The new memberships generate almost £18,000 per month in additional income.



Falkirk Council's Employment and Training Unit (ETU) celebrated its 20th anniversary. Over the past two decades, the service has assisted over 20,000 local people in finding employment or training opportunities. The team offers support, training, and employment programs, benefiting unemployed and underemployed Falkirk residents aged 15 to 67. Over the last decade, the ETU has helped 10,894 people through employability support, resulting in more than 4,000 job and modern apprenticeship placements.

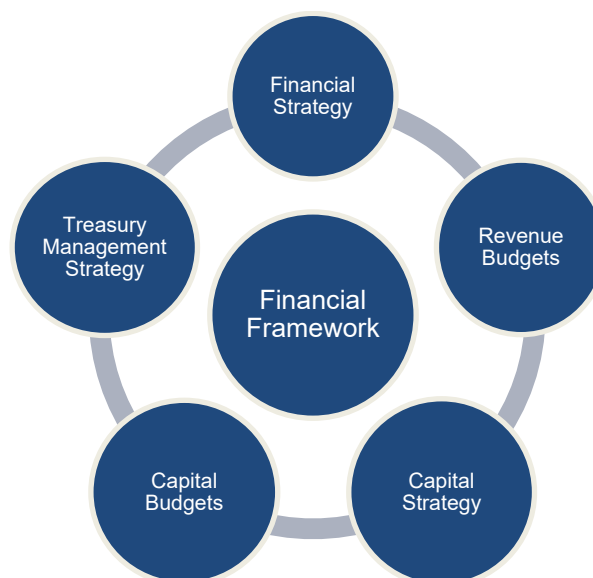


The Helix scooped the 'Best Visitor Attraction Experience' award at the VisitScotland Regional Thistle Awards. The Helix also received a perfect score of 100% in a visitor attraction mystery visit programme, highlighting its commitment to providing excellent customer experiences.

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 34 to 38), with housing revenue income and expenditure managed in the Housing Revenue Account (pages 39 to 40). 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 2022/23.

(a) General Fund Revenue Expenditure 2022/23

The income received and expenditure incurred during 2022/23 is highlighted in the table below. The final expenditure was £416.3m (2021/22 £383m) which was funded from Government Grant, Council Tax, transfer of balances from the former Falkirk Community Trust and a contribution from reserves.



Revenue 2022/23

	Budget	Actual	Variance	Adjustments	CIES
	£'m	£'m	£'m	£'m	£'m
Childrens Services	241.7	244.2	2.5	11.2	255.4
Social Work - Adult Services	91.6	91.3	-0.3	5.6	96.9
Place Services	32.2	29.3	-2.9	22.4	51.7
Transformation, Communities & Corporate Services	46.6	45.3	-1.3	10.5	55.8
Trading Accounts	-0.3	0.1	0.4	-0.1	-
Valuation Board	1.5	1.4	-0.1	-	1.4
Transfer from Falkirk Community Trust	-1.2	-3.1	-1.9	3.1	-
Capital Financing Costs	8.9	7.8	-1.1	21.8	29.6
Total Expenditure	421.0	416.3	-4.7	74.5	490.8
Government Grant	-340.5	-340.5	-	-43.1	-383.6
Council Tax	-72.9	-72.9	-	-	-72.9
Contribution from General Fund	-5.0	-4.9	0.1	-	-
Contribution from Earmarked Reserves	-2.6	2.0	4.6	-	-
Total Income	-421.0	-416.3	4.7	-43.1	-456.5

Management Commentary

The net expenditure for each service noted above varies from the Comprehensive Income and Expenditure Statement (CIES) as a result of a number of statutory accounting adjustments. Full details of these adjustments are explained in the Expenditure and Funding Analysis on page 52.

Overall expenditure on council services was £4.7m less than budgeted. This was an improvement of £2.6m on the financial position previously reported to Members in February, primarily due to reduced energy costs and savings arising from the teachers strike. Despite the improved position, the financial outturn was significantly helped by a number of non-recurring savings and one-off income received from the wind-up of the Falkirk Community Trust. In addition, the budget was also supported by the planned use of cash reserves. The reliance on non-recurring sources of funding is not a sustainable approach for the Council.

In terms of the budget variations across Council Services, Place Services were c£3m below budget with reductions in employee costs, energy and higher income the most significant factors contributing to the position. Transformation, Communities and Corporate Services were c£1.3m below budget, largely due to lower employee costs. Capital financing costs were lower by c£1m reflecting lower borrowing and interest costs. These underspends helped to offset the £2.5m overspend within Childrens Services which is largely due to ongoing financial pressures within residential and continuing care. In 2022/23 the council achieved c£4m of approved budget savings, this was c70% of the full year target.

The financial position also incorporates earmarked reserves of £4.6m which was approved by Council in March 2023.

(b) General Fund Capital Programme 2022/23

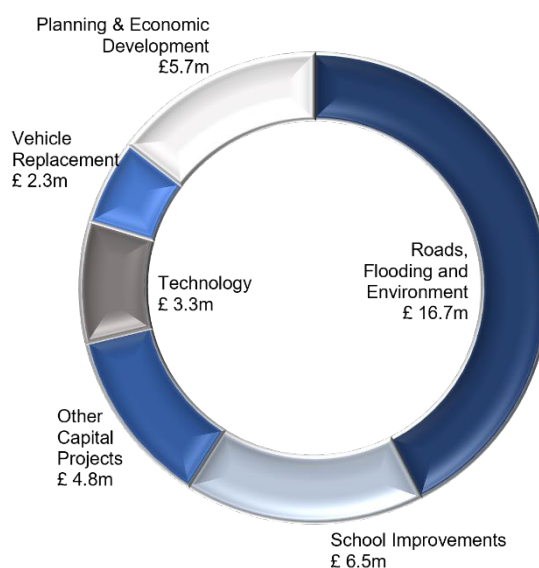
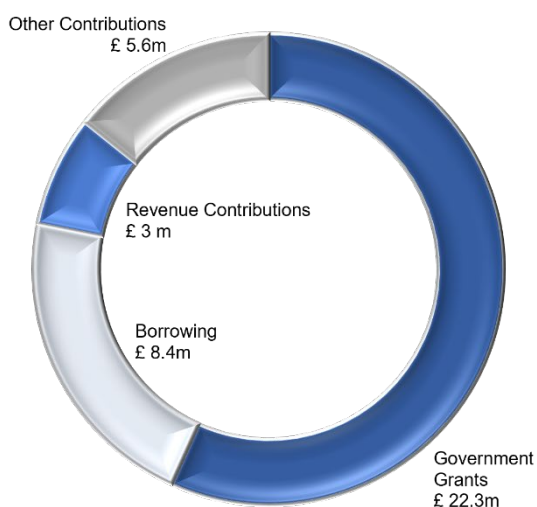
In 2022/23 the final Council budget for General Fund capital investment was £44.7m with just under £40m (88%) being delivered. This is an improvement on the previous year with 60% of the programme delivered and reflects the Council's response to a Best Value Audit Report to reduce slippage and provide a more realistic capital programme. It should be noted that the 2022/23 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.



General Fund Capital 2022/23

Resources : £ 39.3m

Expenditure : £ 39.3m



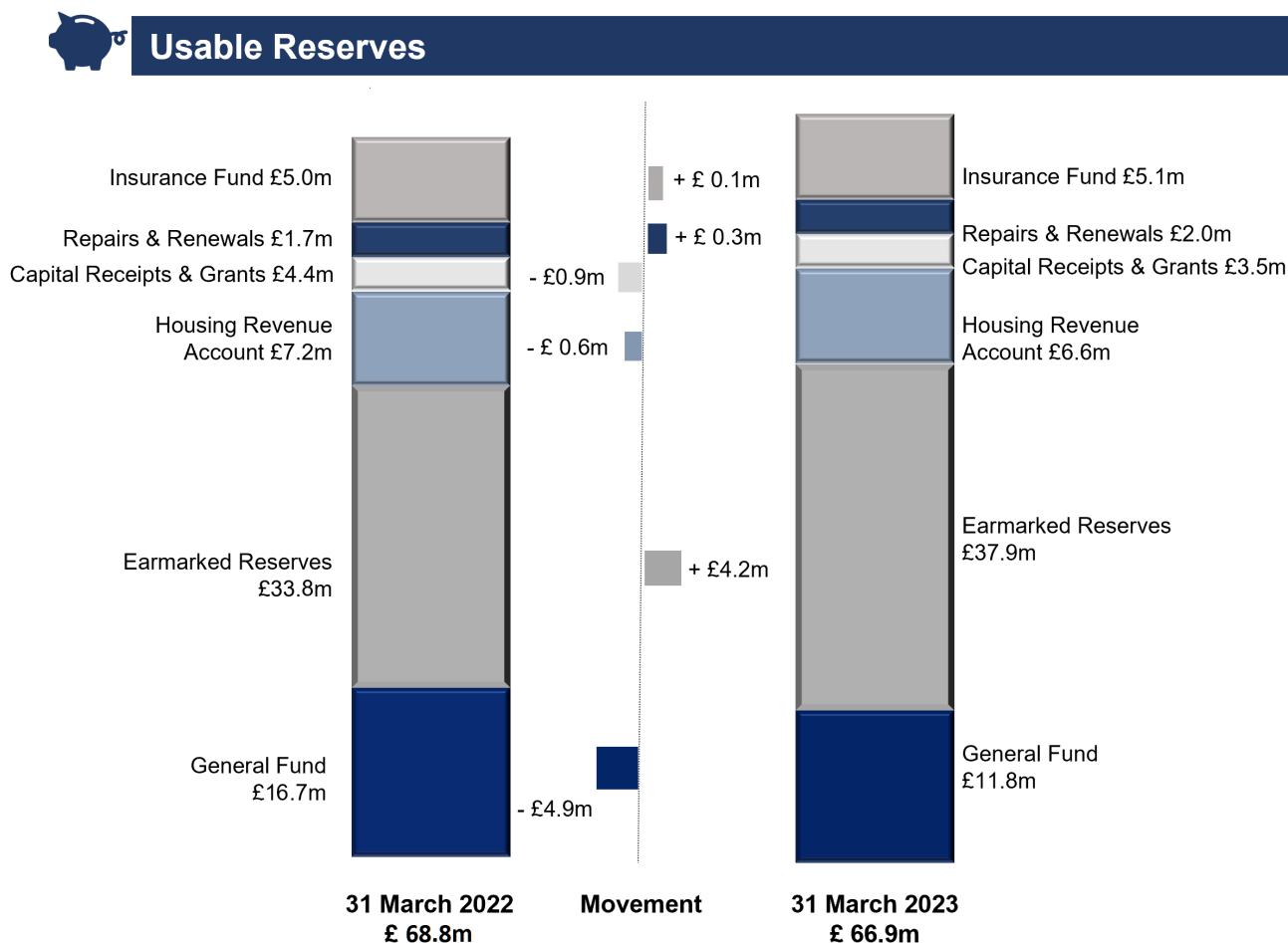
(c) Usable Reserves

The Council's budget for 2022/23 included applying £5m of Unearmarked General Fund reserves to achieve a balanced budget. The actual movement on the General Fund, after transfers from other reserves, was a decrease of £4.9m, leaving an uncommitted General Fund balance of £11.8m. The Council's Reserve Policy provides for 2% of annual revenue expenditure (giving a range of £7.5m - £11m) to be held as a contingency against unforeseen events and emergencies. The balance of £11.8m marginally exceeds the 2% policy range. The financial pressures arising from global and national events will continue to put pressure on our reserves in 2023/24 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 £37.9m, which includes £6.5m relating to COVID-19 grant income carried forward into the next financial year, £19.2m for other revenue grant income, spend to save funding of £1.1m principally earmarked to cover the costs of voluntary severance, £2.3 m of balances delegated to Headteachers under the Devolved Schools Management System and the £4.6m approved by Council in March.
- Housing Revenue Account, with £6.6m available as a contingency to meet future revenue and capital investment requirements.
- 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 2022/23.



As part of the 2023/24 budget process, Elected Members agreed to apply £3.4m of earmarked reserves to help balance the budget.

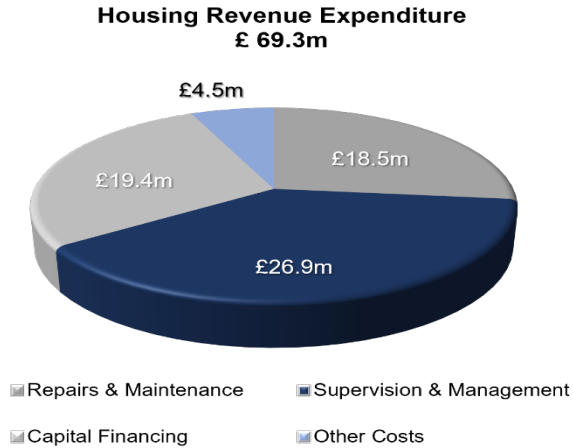
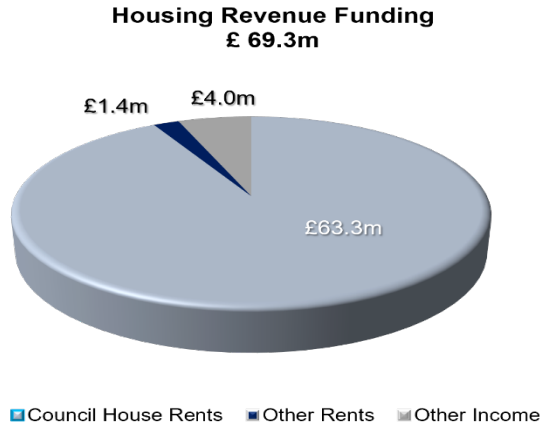
Management Commentary

(d) Housing Revenue Account 2022/23

For 2022/23 the Council received £68.7m of funding and spent £69.3m on Housing Revenue Services, resulting in a planned use of reserves of £0.6m. An analysis of funding and expenditure, excluding statutory accounting adjustments, is provided below.



Housing Revenue Account



From Reserves £ 0.6m

With the planned application of reserves, the overall HRA spending of £69.3m was within budget. The overall position allowed the provision of Capital Financed from Current Revenue (CFCR) of £5m to enhance the resources available to undertake housing investment.

(e) Housing Capital Programme 2022/23

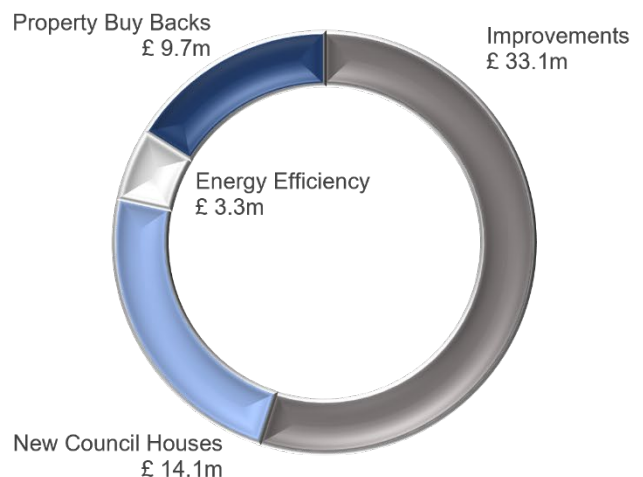
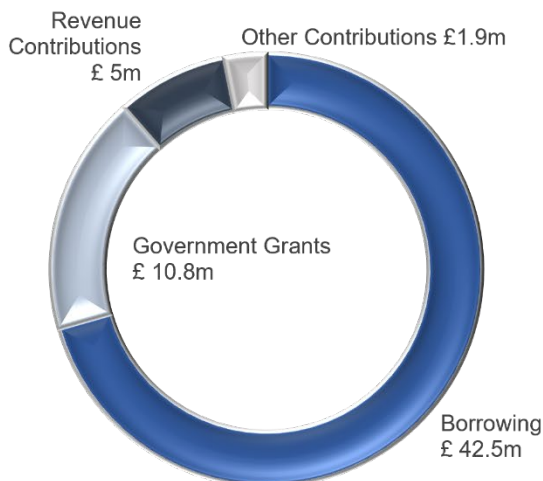
In 2022/23 the final Housing budget for capital investment was c£72m. Despite difficult market conditions flowing from global and national events, capital expenditure of £60.2m (84% of planning spend) was delivered. The exhibit below identifies the key projects and how these were funded.



Housing Capital Programme 2022/23

Resources : £60.2m

Expenditure : £60.2m



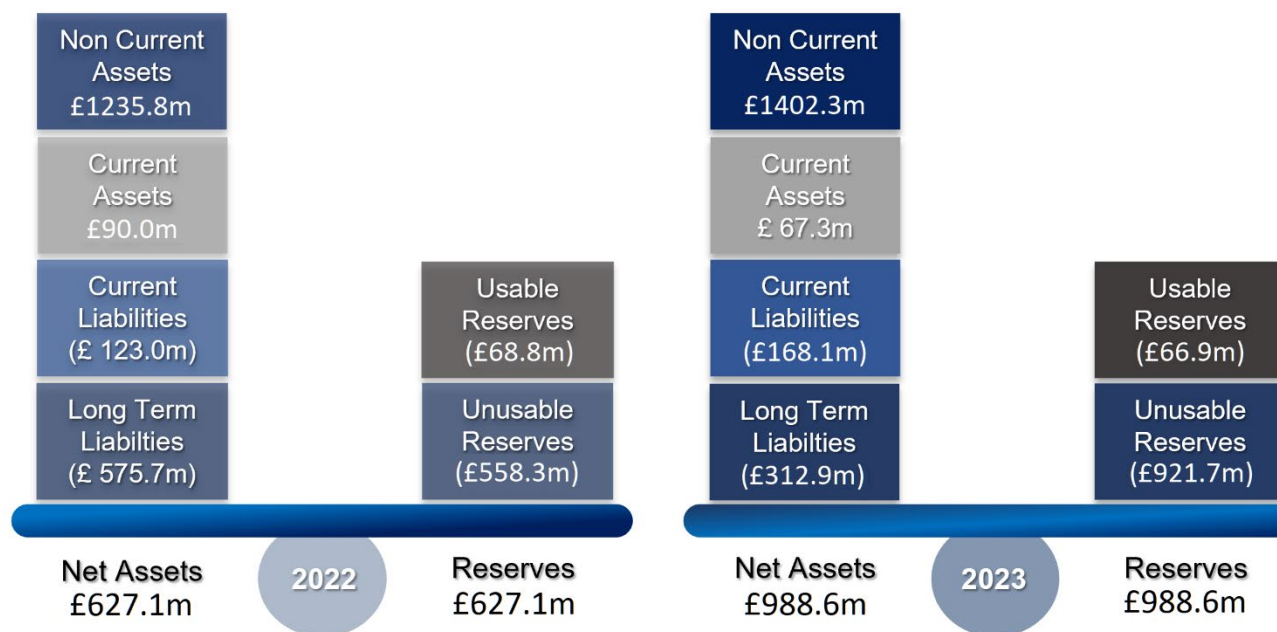
Management Commentary

(f) The Balance Sheet

The diagram below summarises the Council's Balance Sheet as at 31 March 2023, 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 36.



Balance Sheet



The net assets of the Council have increased by £361.5m (2021/22 net asset increase of £194.9m). In addition to an increase in non current assets of c£167m, primarily as a result of revaluations, the main reason for the increase is a significant movement in the pension reserve with a pension liability of £230m moving to a zero value, an improvement of £230m from the previous year. This was largely driven by actuarial financial adjustments 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.

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 19 April 2023 indicates that the present value of funded obligations represents 96.95% 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. The final report will not be available until 2024.

(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

Management Commentary

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	2021/22	2022/23
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)	4.18%	2.81%
In year council tax collection	Reflects Falkirk Council's effectiveness in collecting council tax debt (2022/23 Scottish Average – 95.7%)	96.5%	96.9%
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%)	96.64%	98.90%
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 2.1%)	1.3%*	2.1%
Capital Financing Requirement	The Capital Financing Requirement reflects the underlying need to borrow for Capital Investment (Budget £250.9m)	228.3m	227.4m
External Debt Levels	The actual external debt and long-term liabilities of Falkirk Council. This should never exceed Falkirk Council's authorised limit (Budget £525m)	£510m (Limit) £352m (Actual)	£525m (Limit) £284m (Actual)

*In 2021/22 the Council was able to take a one-off holiday from the repayment of loans fund debt, resulting in a much lower percentage figure.

Risks

The Council has a well embedded approach to the management of risk. This is summarised in the Annual Governance Statement (see pages 15 to 24). In 2022/23, the Council's [Risk Management Assurance Policy and Framework](#) was reviewed. The Council recognises that evaluation and monitoring of strategic, corporate and operational risks is a key part of its role. Corporate Risk Updates were provided by both the Audit Committee and the Executive during 2022/23, including reviews of the Corporate Risk Register and the Risk Management Improvement Plan. In addition, risk management is routinely considered by the Corporate Management Team and the Service Management Teams over the course of the year, as part of Service Risk and Assurance Statement reviews. Oversight and co-ordination is undertaken by the Corporate Risk Management Group, which is chaired by the Chief Finance Officer. The table below shows four high risk areas alongside a snapshot of the mitigating actions:

Financial Sustainability <ul style="list-style-type: none"> Finance Strategy Financial Controls and Standing Orders. Financial Strategy Group 	Public Protection <ul style="list-style-type: none"> Chief Officers' Group governance framework. Committees, including Child and Adult Protection. Chief Officer's Group and Committees' Risk Registers
Transformational Change <ul style="list-style-type: none"> Council of the Future Board Links to Financial Strategy. Programme Management Office support. 	Equalities <ul style="list-style-type: none"> Equalities and Poverty Impact Assessments Equalities Mainstreaming Report and Action Plan Equalities Best Value Self-Assessment

The Annual Governance Statement includes more details on the key governance issues relating to those Corporate Risks rated 'high' in 2022/23, and also key improvement actions which will be taken to address these areas in 2023/24.

Outlook

Scottish local authorities continue to be faced with considerable financial challenges. These don't show any sign of easing over the coming years and the Council will continue to be faced with difficult decisions to manage and reduce expenditure. The fallout from significant national and global events such as Brexit, COVID-19 and the war in Ukraine has created significant inflationary pressures and disrupted supply chains, with increases in a wide range of goods and services such as gas and electricity, fuel and food. This pushes up prices from the council's suppliers and contractors, increases interest rates, making it more expensive to borrow money to fund capital expenditure, as well as setting an expectation of higher pay increases.

There continues to be uncertainty and diverging views on when these inflationary pressures and rising interest rates will start to ease. Ongoing weak economic growth impacts on the amount generated from tax revenues which are required to fund all public services. For local government, any reduction in overall resources is compounded by the protection of other public services, such as health, defence and police services and also the implementation of new policy initiatives. A continuing combination of increasing costs and reduced funding will have a significant adverse impact on the Council's funding gap which is currently estimated at c£64m over the next five years.

Financial sustainability, therefore, remains the biggest challenge facing the Council. In September 2022 the Scottish Government allowed additional flexibility for the accounting treatment of PFI/PPP Service Concession Arrangements. While these Service Concessions will not permanently address the Council's underlying budget deficit, they will buy the Council more time to address underlying budget issues by enabling the budget gap to be reprofiled over the next five years. In addition to earmarked reserves of £3.4m, the Council applied Service Concessions of £15.3m to balance the 2023/24 budget. Further use of Service Concessions will be dependent on how successful the Council is in identifying and approving recurring savings, including those from its Transformation Agenda.

The Council continues to regularly monitor its financial position and provide full financial updates to Corporate Management Team and the Council as appropriate, including options on addressing any new budget gaps and spending pressures. A range of savings options will be identified for elected member consideration to allow the Council to set a balanced budget for 2024/25.

Supplementary information

Group Accounts

Local authorities are required to prepare Group Accounts in addition to their own Council's accounts where they have a material interest in other organisations. Group Accounts have been prepared which consolidate the results of the Council and its interest in associated entities. Falkirk Council no longer has any subsidiaries. FCSL (Holdings) Ltd and Falkirk Community Stadium Ltd (FCSL) ceased trading from the 1 November 2022 and Falkirk Community Trust Ltd and Falkirk Community Trading Ltd ceased trading from 1 April 2022. The companies are in the process of being dissolved with the services provided now managed directly by the Council. The effect of the inclusion of the Council's interests on the Group Balance Sheet is to increase both Reserves and Net Assets by £15m (2021/22 increase of £11.1m). This represents the Council's share of the net liabilities in those entities.

Pension Fund

Falkirk Council is classed by statute as an administering authority and therefore has responsibility for operating and maintaining a pension fund for its own employees and those of constituent fund employers. Under the Council's governance arrangements, pension fund business has been delegated to a representative Pensions Committee and is overseen by a statutory Pensions Board. The Fund produces its own Annual Report and Accounts separate from those of the Council. These can be viewed [here](#).

Conclusion

The last financial year has been challenging and it is clear that exceptionally difficult times remain ahead. The Council's planning framework will help to ensure that the Council responds to these challenges and supports the delivery of the Council's vision and priorities.

Amanda Templeman

Amanda Templeman, CPFA
Chief Finance Officer
6 December 2023

Cecil Meiklejohn

Councillor Cecil Meiklejohn
Leader of Falkirk Council
6 December 2023

Kenneth Lawrie

Kenneth Lawrie
Chief Executive of Falkirk Council
6 December 2023

Explanatory & Assurance Statements

Statement of Responsibilities for the Annual Accounts

Falkirk Council Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the authority has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In Falkirk Council that officer is the Chief Finance Officer
- manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), the Coronavirus (Scotland) Act 2020 and so far, as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003)
- approve the Annual Accounts for signature.

I can confirm that these Annual Accounts were approved for signature by the Council at its meeting of 6 December 2023.

Signed on behalf of Falkirk Council



Councillor Cecil Meiklejohn
Leader of Falkirk Council
6 December 2023

The Chief Finance Officer Responsibilities

The Chief Finance Officer is responsible for the preparation of the authority's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with legislation
- complied with the Accounting Code (in so far as it is compatible with legislation).

The Chief Finance Officer has also:

- kept adequate accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the accounts give a true and fair view of the financial position of the Council and its group as at 31 March 2023 and the transactions of the Council and its group for year ended 31 March 2023.



Amanda Templeman, CPFA
Chief Finance Officer
6 December 2023

Annual Governance Statement 2022/23

Section 1: Purpose of the Annual Governance Statement and the meaning of Good Governance

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

The AGS includes the following:

- Section 1: Purpose of the AGS and the meaning of Good Governance;
- Section 2: The Council’s Governance Framework and Internal Control System;
- Section 3: Adequacy and Effectiveness of the Governance Framework;
- Section 4: AGS Action Plan: Significant Additional Actions identified in 2022/23, in addition to those carried forward from the 2021/22 AGS Action Plan; and
- Section 5: Conclusion and Opinion on Assurance.

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

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

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

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

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

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

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

- The [Falkirk Plan 2021 - 2031](#) and [The Council Plan 2022 - 27](#);
- [Standing Orders](#) (includes Committees and Decision-Making);
- [Codes of Conduct for Elected Members](#) and Officers (to be updated in 2023/24);
- [Contract Standing Orders](#);

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- [Financial Regulations](#);
- [Risk Management Assurance Policy and Framework](#) (updated in 2022/23);
- [Treasury Management Strategy](#) (updated in 2022/23 and annually); and
- [Whistleblowing Policy, Anti-Fraud and Corruption Strategy, and Procedure for the Investigation of Corporate Fraud Referrals](#)

The Council's [Standing Orders](#) set out the Council's governance and decision making structures; including the roles of different Committees and Elected Members. In addition, the Council's system of internal control is highlighted within the [Risk Management Assurance Policy and Framework](#). An assessment of the Council's key risks and internal controls is contained within the Corporate Risk Register (CRR), which is presented and considered by Audit Committee and the Executive on a regular basis (the most recent Audit Committee paper was considered by the Audit Committee in [April 2023](#) and the CRR was approved by the Executive in May 2023). The Executive agreed the following changes to CRR updates from 2023/24:

- Executive: six monthly Corporate Risk Management updates; and
- Audit Committee: annual Corporate Risk Management updates, plus Corporate Risk Register updates feed into six monthly Annual Governance Statement reviews.

The governance framework is based on internal controls, including management and financial information, compliance with Financial Regulations, administration, supervision, and delegation. During 2022/23 this included:

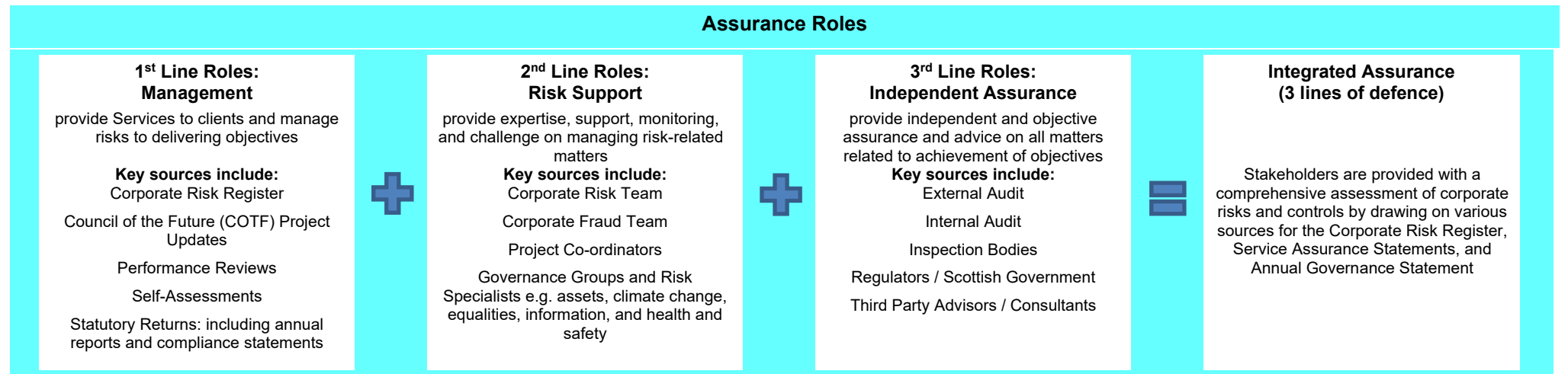
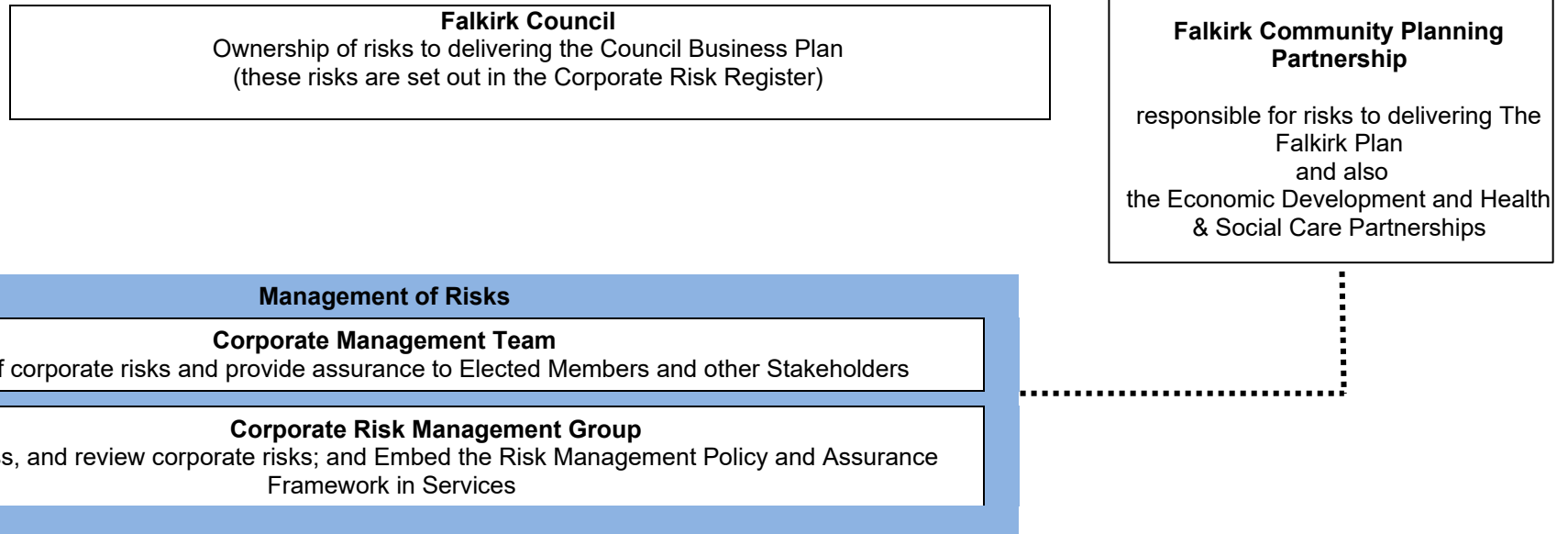
- Having in place comprehensive budgeting systems and a formal budget setting process;
- Having in place management information systems and regular monitoring reports, including performance and financial reporting;
- Preparation of quarterly Service Assurance Statements by each Director;
- Statutory assurance reports on key areas, such as housing, procurement, and social work;
- Regular reporting to the Audit Committee, including Internal Audit, Risk, and Corporate Fraud progress reports; and
- Partnership reporting to the Council's External Scrutiny Committee, including reports by the Community Planning, Economic Development, and Health and Social Care Partnerships.

Assurance on the effectiveness of the Council's governance framework and internal control system comes from a variety of sources, including the sources in the three lines of defence overleaf:

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The Council's Risk and Assurance Framework

Note: This forms part of the [Risk Management Assurance Policy and Framework](#) and was considered at Audit Committee and Elected Members' Risk Briefings in 2022/23.



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Section 3: Adequacy and Effectiveness of the Governance Framework

This Annual Governance Statement relates to the governance framework in place within the Council for the year ended 31 March 2023 and up to the date of signature of the Council's Annual Accounts for 2022-23

The [Best Value Assurance Report \(BVAR\) in 2021](#) assessed many elements of the Council's governance framework, including the themes on Leadership, Equalities, Performance, and Communities. Elected Members received regular updates on progress on the BVAR Improvement Plan throughout 2022/23, including the "Falkirk 2022 Delivering Best Value: Best Value Strategic Plan – Final Update (considered by the Executive in April 2023)". This report demonstrated that good progress had been made in most areas, with a recognition that there is more work to do. To take this forward, Elected Members and Officers completed a self-assessment in May 2023, to evaluate what has been delivered so far from a Best Value perspective, and to agree the necessary follow-up improvement work to ensure the Council continues its focus on achieving Best Value. The Scrutiny Committee will consider the self-assessment outputs in June 2023; and the actions will, as appropriate, feed into the refresh of the Council Plan and Financial Strategy, which will be reported to Council in September 2023.

The Audit Committee was held four times throughout 2022/23 (including the meeting in April 2023), and they were responsible for reviewing the effectiveness of the assurance functions in place, including Internal Audit. Elected Members received a range of reports produced throughout the year by the Internal Audit, Risk, and Corporate Fraud Manager on Internal Audit progress, Corporate Risk Management updates, and Corporate Fraud work undertaken. This allowed for scrutiny and questioning of Officers to take place; assisting members of the Audit Committee to receive assurance that any weaknesses or gaps have been identified and are being addressed.

The Audit Committee also received a range of training during 2022/23, to improve their knowledge and confidence in fulfilling their duties. This included an introduction to Internal Audit, Risk, and Corporate Fraud, provided by the Internal Audit, Risk, and Corporate Fraud Manager in June 2022; a Risk Management Briefing for all Elected Members in April 2023; and Audit Committee training by Audit Scotland in April 2023. Corporate Fraud training was also undertaken by the Corporate Fraud Team in May 2023, as well as by Police Scotland also in May 2023.

Resourcing issues within the Internal Audit team in 2021/22 has continued to have an impact on the workload of the team this year as new staff have required support, training, and time to settle into the team. The assurance work undertaken has ensured that an opinion was still able to be formed. This is in part based on the reported progress with the management implementation of agreed Internal Audit recommendations.

In June 2023 the Internal Audit, Risk, and Corporate Fraud Manager provided the Council with an Annual Assurance Report on the adequacy and effectiveness of the Council's framework of governance, risk management, and control for the year ending 31 March 2023. The report provided details of the position relating to the audits contained within the 2022/23 Internal Audit Plan and highlighted that most recommendations made had been accepted by management, and once fully implemented will improve the Council's internal control environment.

Having taken all factors into consideration the Annual Assurance Report concluded that substantial assurance can be placed on the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2023. The report also confirmed the organisational independence of Internal Audit. Internal Audit operates in accordance with the Public Sector Internal Audit Standards which apply to Local Government.

A summary of 'Independent Assurance' (3rd Line of Defence) planned in 2023/24 by Internal Audit, External Audit, and Inspection bodies has been included within Section 4: Significant Additional Improvement Actions.

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

- encouraging fraud deterrence and prevention;
- raising awareness of fraud and corruption and promoting detection and zero tolerance;
- performing investigations and facilitating recovery;
- working with Human Resources to invoke disciplinary proceedings when required;
- referral to the Police and / or the Procurator Fiscal when appropriate; and
- monitoring, publicising, and updating the [policy](#) and its related procedures and performance. This was undertaken during 2022/23.

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

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

Service Management Teams (SMTs) maintain quarterly Service Risk Assurance Statements (SRASs). In addition, Directors provide the Internal Audit, Risk, and Corporate Fraud Manager with Annual Assurance Statements (DAASs) confirming that Services have complied with the Financial Regulations and the Code of Practice on Local Authority Accounting in relation to 'Related Party Transactions' (such as Chief Officer appointments to independent Boards). No significant issues have been identified as part of the completion of the annual assurance process. Ongoing issues and actions arising from both the SRASs and DAASs have been fed into the Review of Effectiveness (at Section 4).

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

Compliance Risks including significant Inspections, Incidents, and Prosecutions

Significant incidents and inspections (including environmental health, housing, schools, and public protection) are monitored by Directors and Chief Officers through quarterly Service Risk Assurance Statements and (where necessary) are escalated to Corporate Management Team (CMT) and Elected Members via the CRR and AGS.

The Chief Governance Officer, Chief Finance Officer, and Chief Social Work Officer also have independent roles in monitoring the Council's compliance with regulations and standards (and these roles are set out within the [Risk Management and Assurance Policy](#)). Further, key inspections are reported to the Council's Scrutiny Committee and / or Children and Young People's Executive, as relevant (and these roles are set out within the Council's [Standing Orders](#)). In addition, the Falkirk IJB's Clinical and Care Governance and Audit Committees have similar arrangements in place for the monitoring of inspections relating to services delivered by the Falkirk Health and Social Care Partnership (HSCP).

The Chief Finance Officer, Chief Governance Officer / Monitoring Officer, and Director of Transformation, Communities, and Corporate Services meet quarterly with the Internal Audit, Risk, and Corporate Fraud Manager to discuss and review current significant corporate fraud investigations. The case review meetings also are an opportunity for the sharing of information relating to other potential cases being dealt with by HR or Procurement to address and take action on emerging themes.

No new significant incidents or legal breaches have been reported by Directors or Chief Officers' during 2022/23. The Council also continue to implement the actions arising from two Health and Safety Executive (HSE) Improvement Notices reported in 2021/22, but still await confirmation of the outcomes, including any prosecutions or fines.

There is ongoing communication with the Information Commissioner to address issues relating to compliance with Freedom of Information requests. In addition, there continues to be ongoing reviews by the Care Inspectorate and Education Scotland; although some social work and school inspections continued to be suspended during 2022/23, due to Covid-19 impacts, these are expected to be resumed in 2023/24.

Insurance, including Insurance Tender and Approach to Insurance Risk

The approach for insurance placement within Falkirk Council is to obtain a best value program whilst maintaining an adequate balance between risk transfer and costings. The insurance risks and the insurance contract will continue to be monitored by the Insurance team, throughout the year. Whilst the focus will be on the existing insurance programmes there will be a continuation of professional advice given to services to allow adequate control and an implementation of a proactive approach to risk. There will also be an ongoing review of costs against performance and ensuring protection for the assets and liabilities remains appropriate especially given emerging risks.

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Section 4: AGS Action Plan: Significant Additional Actions identified in 2022/23

The table overleaf sets out Significant Additional Actions identified in 2022/23. These will be completed by March 2024 (unless otherwise specified). In addition, there are a number of ongoing actions from the 2021/22 Action Plan, as reported in the [Progress on the 2021/22 AGS Action Plan](#), which was considered by the Audit Committee in April 2023.

A mid-year AGS Action Plan review will be undertaken in 2023/24 to assess how actions are progressing in line with the March 2024 implementation dates.

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Risk / Governance Theme	Independent Assurance (3 rd Line) Planned in 2023/24	Agreed Management Action in 2023/24 (in addition to actions carried forward from 2021/22, which were included in the 2021/22 AGS Action Plan: Progress Review and considered by the Audit Committee in April 2023).
CIPFA Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
Leadership, Decision Making, and Governance	External Audit: Best Value	<ul style="list-style-type: none"> The results of Best Value Self-Assessments will be reported to the Scrutiny Committee in June 2023, and any additional actions will then be incorporated into the review of the Corporate Risk Register and AGS Action Plan in Quarter 2 of 2023/24. This will include any additional actions relating to equalities, leadership, and performance. Chief Officers will implement the guidance relating to Risk Considerations within Committee reports (agreed by CRMG in May 2023) so that risks (including unintended consequences) are clearly and consistently reported to Elected Members to help support risk-based decisions. CRMG will monitor this as part of the Risk Management Improvement Plan, and it will be embedded into any broader Committee reporting guidance during 2023/24.
CIPFA Principle B: Ensuring openness and comprehensive stakeholder engagement		
Community Planning	Internal Audit: Community Benefits	<ul style="list-style-type: none"> Any actions arising from the Internal Audit on Community Benefits will be incorporated into the reviews of the Corporate Risk Register and AGS Action Plan during 2023/24.
Procurement	Internal Audit: Procurement and Housing Property Support and Follow Up - Stage 2	<ul style="list-style-type: none"> Contract Standing Orders and Social Work Adult Services' contracts are to be reviewed during 2023/24.
Public Protection	Inspection and Scrutiny (Care Inspectorate)	<ul style="list-style-type: none"> Any actions arising from Inspection and Scrutiny (Care Inspectorate), e.g. Joint inspection or regulated services (e.g. care homes) during 2023/24 will be incorporated into the reviews of the Public Protection Chief Officers' Group Risk Register, which then feeds into the Corporate Risk Register and AGS Action Plan.
CIPFA Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits		
Asset Management	External Audit: Best Value Internal Audits: Fleet Management and Strategic Asset Modernisation Board (SAMB)	<ul style="list-style-type: none"> SAMB will review and improve their approach to reviewing and escalating asset class and project risks.
Climate Change	External Audit: Climate Change Internal Audit: Annual Climate Change Act Public Body Duties Report (PDBR)	<ul style="list-style-type: none"> Chief Officers and Elected Members will complete Best Value Self-Assessments by June 2023, and any additional actions will then be incorporated into the Corporate Risk Register and AGS Action Plan in Quarter 2 of 2023/24. This will include any additional actions relating to equalities, leadership, and performance. Chief Officers will implement the guidance relating to Risk Considerations within Committee reports (agreed by CRMG in May 2023) so that risks (including unintended consequences) are clearly and consistently reported to Elected Members to help support risk-based decisions. CRMG will monitor this as part of the Risk Management Improvement Plan, and it will be embedded into any broader Committee reporting guidance during 2023/24.
Sustainable Growth, Economy, and Employment	External Audit: Best Value	<ul style="list-style-type: none"> A new lead officer was appointed in April 2023, and they will take forward the Economic Partnerships' Annual Self-Assessments by September 2023.

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Risk / Governance Theme	Independent Assurance (3 rd Line) Planned in 2023/24	<ul style="list-style-type: none"> • Agreed Management Action in 2023/24 (in addition to actions carried forward from 2021/22, which were included in the 2021/22 AGS Action Plan: Progress Review and considered by the Audit Committee in April 2023).
Social: Poverty and Children's Services Risks	Internal Audits: Energy Bills Support Scheme; and School Admissions. External Audit: Best Value	<ul style="list-style-type: none"> • An Income Maximisation Strategy was agreed by the Executive in April 2023, and this will be progressed by the Fairer Falkirk Partnership during 2023/24.
CIPFA Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes		
Transformational Change	Internal Audit: Savings Tracking 2021/22 External Audit: Best Value and Financial Sustainability	<ul style="list-style-type: none"> • An Internal Audit of Savings Tracking has recently been completed. The actions will be implemented by the Council of the Future Board in 2023/24.
Planning, Performance, and Outcomes	External Audit: Best Value	<ul style="list-style-type: none"> • A Best Value Review: progress update was considered by the Executive in April 2023. This included an outline of a new Council of the Future Project relating to Data, Insights, Performance, and Strategy; and this will be taken forward in 2023/24 alongside the development of a Target Operating Model (TOM).
CIPFA Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it		
HR and Workforce Planning	Internal Audit: Sickness Absence Management	<ul style="list-style-type: none"> • Any actions arising from the Internal Audit on Sickness Absence Management will be incorporated into the reviews of the Corporate Risk Register and AGS Action Plan during 2023/24.
CIPFA Principle F: Managing risks and performance through robust internal control and strong public financial management		
Financial Sustainability	External Audit: Best Value	<ul style="list-style-type: none"> • Budget reporting templates will be reviewed by the Chief Finance Officer by September 2023, so that risks (including unintended consequences) are clearly and consistently reported to Elected Members to help support risk-based decisions. This will align with Committee Reports risk guidance.
Financial Controls	External Audit: Annual Audits Internal Audit: Continuous Auditing	<ul style="list-style-type: none"> • The Chief Finance Officer will complete a renewal of insurance contracts by September 2023.
Resilience: Council Business Continuity and Partnerships	None planned: will consider following Resilience Team (2 nd line) exercises and audits.	<ul style="list-style-type: none"> • As reported in April 2023, the key areas for improvement continue to be implementing a BCM (Business Continuity Management) system (on a service-by-service basis, by December 2023); ongoing responses to Covid-19 enquiries; and ongoing implementation of an annual programme of BCM reviews, including training, exercises, and audits.
Information Assets	None planned: implement 2022/23 Internal Audit actions	<ul style="list-style-type: none"> • As reported in April 2023, the key areas for improvement continue to be improving compliance with Freedom of Information (FOI) statutory timescales; developing an Information Management Strategy and Action Plan; and progressing the Cyber Security Action Plans.

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Risk / Governance Theme	Independent Assurance (3 rd Line) Planned in 2023/24	<ul style="list-style-type: none"> • Agreed Management Action in 2023/24 (in addition to actions carried forward from 2021/22, which were included in the 2021/22 AGS Action Plan: Progress Review and considered by the Audit Committee in April 2023).
CIPFA Principle G: Implementing good practices in transparency, reporting, and audit, to deliver effective accountability		
Assurance	Internal Audit	<ul style="list-style-type: none"> • Internal and External Audit Plans were agreed by the Council's Audit Committee in April 2023. • Note that the Internal Audit team is required to operate in compliance with Public Sector Internal Audit Standards 2017 (PSIAS). The Internal Audit, Risk, and Corporate Fraud Manager must establish a quality assurance and improvement programme comprising annual self-assessment and five yearly independent external assessment. <p>The independent external assessment is expected to be carried out in quarter 2 of 2023/24 and will be reported to Audit Committee</p>
Health and Social Care Partnership (HSCP)	IJB Internal and External Audit Plans agreed by the IJB Audit Committee in March 2023.	<ul style="list-style-type: none"> • IJB Annual Governance Statement will be considered by the IJB Audit Committee in June 2023. • Ongoing reviews of the IJB Strategic Risk Register and AGS Action Plan by the IJB Audit Committee. • Ongoing reviews of inspections and governance activity by the IJB Clinical and Care Governance Committee.

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Section 5: Conclusion and Opinion on Assurance

The Leader of the Council and Chief Executive both recognise the importance of having a solid foundation of good governance and sound financial management. The Council has a strong record of financial management, as evidenced in the [Best Value Assurance Report \(BVAR\) in 2021](#) and the unqualified opinion from External Audit on the [2021/22 Annual Accounts](#) (considered by the Audit Committee in October 2022).

The Council undertook a review of the [Standing Orders](#) in 2021/22. These reflected changes to decision-making arrangements in a post Covid-19 environment, including hybrid Committee meetings. The Council will undertake a further review of the Standing Orders in 2023/24, which will include any changes following last year's elections.

This Statement is an objective appraisal of our governance framework and demonstrates that largely satisfactory risk, control, and governance systems are in place within Falkirk Council. This Statement also demonstrates that we have met our legal and statutory obligations to our residents; and we are committed to completing the actions identified in 2023/24 (at Section 4 above).

The Council is a complex organisation with interests in other organisations. This statement covers our relationships with the organisations included in the Council's Group Accounts for 2022/23. The Falkirk Integration Joint Board (IJB) have produced their own annual accounts, and these include an Annual Governance Statement. This is due to be considered by the IJB's Audit Committee in June 2023, and it will outline the ongoing risk and assurance reports that are provided to the IJB and their Audit Committee and Clinical and Care Governance Committee.



Councillor Cecil Meiklejohn
Leader of Falkirk Council
6 December 2023



Kenneth Lawrie
Chief Executive of Falkirk Council
6 December 2023

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Annual Remuneration Report 2022/23

The Local Authority Accounts (Scotland) Regulations 2014 require the annual accounts of the Council to contain a Remuneration Report. This Report for the financial year 2022/23 contains the information specified in the Schedule to the above Regulations.

All information disclosed in the tables below will be audited by Audit Scotland. The other sections of this Report will be reviewed by Audit Scotland to ensure that they are consistent with the accounts.

Senior Councillors' Remuneration Arrangements

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007, as amended by the Local Governance (Scotland) Act 2004 (Remuneration and Severance payments) Amendment Regulations 2022. The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head, who is the Provost, Senior Councillors or Councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2022/23 the salary for the Leader of Falkirk Council is £39,148. The Regulations permit the Council to remunerate one Civic Head. The Regulations set out the maximum salary that may be paid to that Civic Head as £29,361.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council (£29,361). The total yearly amount payable by the Council for remuneration of all of its Senior Councillors excluding the Leader of the Council, the Provost, and the Convener, is specified by the above Regulations and shall not exceed £342,524. The Council can exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The Council agreed on 7 March 2018 that there will be 9 Level 1 Senior Councillors and 2 Level 2 Senior Councillors however, the Joint Consultative Committee was formally dissolved by Council on 27 June 2018 thereby reducing the number of Senior Councillors to 10 (9 Level 1 Senior Councillors and 1 Level 2 Senior Councillor). On 30 September 2020, the Council agreed to add a further Senior Councillor (Level 2). This arrangement recognised that as the Leader of the Opposition (being the leader of the largest Opposition Group, Labour) was remunerated as a Senior Councillor and given the current makeup of the Council, that the Leader of the other Opposition Group, Conservatives, should also be remunerated as a Senior Councillor (Level 2). On 1st June 2022, the Council agreed to reduce the number of Level 1 Senior Councillors from 9 to 6 by reducing the number of Portfolio holders and changing the Depute Provost to Level 3. An increase in the number of Level 2 Senior Councillors from 2 to 3 was agreed which included the Conveners of both the Planning Committee and the Civic Licensing & Licensing Board and the Leader of the Conservative Party was changed to Level 3. It was agreed to have 3 Level 3 Senior Councillors which include the Depute Provost, Convener of the Pensions Committee and Leader of the Conservative Party. A total of 12 Senior Councillors was agreed and is an increase of 1 from the previous year.

In 2022/23 Falkirk Council had 6 Level 1 Senior Councillors each with a salary of £26,235 and 3 Level 2 Senior Councillors with a salary of £23,514 and 3 Level 3 Senior Councillors with a salary of £21,992 and the remuneration paid to these Councillors totalled £274,976. The Regulations permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become Councillor members of the pension scheme.

In addition to the Senior Councillors of the Council the Regulations also set out the remuneration payable to Councillors with responsibility of a Convener or Vice-Convener of a Joint Board such as a Joint Valuation Board. The Regulations specify the remuneration to be paid by the Council of which the Convener or Vice-Convener (as the case may be) is a member. The Council is also required to pay any pension contributions arising from the Convener or Vice-Convener being a member of the Local Government Pension Scheme.

The Council is reimbursed by the Joint Board for any additional remuneration paid to the member from being a Convener or Vice-Convener.

Senior Employees' Remuneration Arrangements

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local

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authorities. Circular CO/152 sets the amount of salary for the Chief Executive of Falkirk Council for the period 2022/23.

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

Falkirk Community Stadium Ltd transferred to the Council on 1st November 2022. Prior to this, the Council did not have a role in determining the remuneration policy of Falkirk Community Stadium Ltd., a subsidiary of the Council.

General Disclosure by Pay Band

The number of employees whose remuneration was £50,000 or more in 2022/23 is as follows:

Remuneration Bands	Number of Employees		Chief Officers		Teachers		SJC Employees	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£50,000 - £54,999	155	140	1	-	95	71	59	69
£55,000 - £59,999	120	108	-	-	83	86	37	22
£60,000 - £64,999	53	82	-	-	41	53	12	29
£65,000 - £69,999	27	33	-	-	19	20	8	13
£70,000 - £74,999	6	13	-	1	1	9	5	3
£75,000 - £79,999	3	3	-	-	1	1	2	2
£80,000 - £84,999	4	5	1	1	2	3	1	1
£85,000 - £89,999	6	2	5	-	1	1	-	1
£90,000 - £94,999	3	7	-	5	3	1	-	1
£95,000 - £99,999	4	1	2	-	2	1	-	-
£100,000 - £104,999	2	5	2	4	-	1	-	-
£105,000 - £109,999	-	-	-	-	-	-	-	-
£110,000 - £114,999	3	-	3	-	-	-	-	-
£115,000 - £119,999	-	3	-	3	-	-	-	-
£145,000 - £149,999	1	-	1	-	-	-	-	-
£150,000 - £154,999	-	1	-	1	-	-	-	-
Total	387	403	15	15	248	247	124	141

Disclosure – Local Authority Subsidiary Bodies

Falkirk Community Stadium Ltd was a subsidiary body of the Council until 1st November 2022 when it transferred to the Council and the details to be provided in this report are as follows:

- the Stadium Manager is Dougie Hanley
- there were no Councillors of Falkirk Council remunerated by the body in 2022/23
- there were no employees of the body whose remuneration in 2022/23, including any annual remuneration from Falkirk Council, was £150,000 or more.

Disclosure of Remuneration for Relevant Persons

The Regulations require that the report shows in tabular form, against the post held and name of each relevant person the total amounts, whether received or receivable, by each relevant person from Falkirk Council or, as the case may be, Falkirk Community Stadium Ltd, to the period 1st November 2022.

The information is provided in separate tables as follows:

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Remuneration paid to Falkirk Council's Senior Councillors

Name	Position(s)	Salary, Fees and Allowances 2022/23 £	Salary, Fees and Allowances 2021/22 £
David Alexander	Portfolio Holder, Economic Development to 05/05/22	2,539	24,938
David Balfour	Convener of Central Scotland Valuation Joint Board to 05/05/2022 and Depute Provost from 25/05/22	21,108	23,257
Robert Bissett	Leader of the Opposition (Labour) to 05/05/22 and Provost from 25/05/22	27,212	20,905
Gary Bouse	Portfolio Holder, Resources to 05/05/22 and Housing and Communities from 01/06/22.	24,401	24,938
William Buchanan	Provost to 05/05/22 and Planning Committee Convener from 25/05/22	23,027	27,910
Fiona Collie	Portfolio Holder, Health and Social Care.	24,401	24,938
Stacey Devine	Portfolio Holder, Public Protection from 01/06/22.	21,682	-
Paul Garner	Portfolio Holder, Environment to 05/05/22 and Economic Development from 01/06/22	24,401	24,938
Gordon Hughes	Portfolio Holder, Housing to 05/05/22	2,539	24,938
James Kerr	Leader of the Opposition (Conservative)	20,869	20,905
Adanna McCue	Portfolio Holder, Education to 05/05/22	2,539	24,938
Cecil Meiklejohn	Leader of the Council	37,148	37,213
Laura Murtagh	Portfolio Holder, Public Protection to 05/05/22 and Education and Leisure from 01/06/22	24,472	24,938
Ann Ritchie	Depute Provost to 05/05/22	2,539	24,938
Iain Sinclair	Portfolio Holder, Climate Change from 01/06/22	21,862	-
Robert Spears	Portfolio Holder, Culture, Leisure & Tourism to 05/05/22	2,539	24,938
Alan Nimmo	Convener Central Scotland Valuation Joint Board from 01/07/22	18,381	-
Anne Hannah	Leader of the Opposition (Labour) from 25/05/22	20,038	-
Lorna Binnie	Pensions Committee Convener from 25/05/22	18,883	
Euan Stainbank	Civic Licensing Committee Convener from 25/05/22	20,038	
Total		360,618	354,632

The amount recharged to Central Scotland Valuation Joint Board in 2022/23 was £5,370, (2021/22 £6,365).

There were taxable expenses of £456 (2021/22 nil) and no non-cash expenses and benefits in kind in 2022/23 (2021/22 nil).

Remuneration paid to all Members in 2022/23 was:

2021/22 £'000		2022/23 £'000
650	Salaries	675
-	Allowances (Mileage)	-
1	Expenses	3
651		678

The annual return of Councillors' salaries and expenses for 2022/23 is available for any member of the public to view at all Council libraries and public offices during normal working hours and is also available on the Council's website at www.falkirk.gov.uk. Please follow the "Councillors" quick link on the Council's website.

Explanatory & Assurance Statements

Remuneration of Senior Employees of Falkirk Council

Name	Post Title	Salary, Fees, and Allowances £	Other Amounts £	Total Remuneration 2022/23 £	Total Remuneration 2021/22 £
K Lawrie	Chief Executive	151,571	1,699	153,270	149,210
M Bennie	Director of Place Services (started 10/01/22)	117,422	-	117,422	25,549 (full year equivalent 113,345)
D Duff	Acting Director of Place Services (started 31/08/20 left 09/01/22)	-	-	-	88,100 (full year equivalent 113,345)
K Algie	Director of Transformation, Communities and Corporate Services	117,534	-	117,534	9,429 (full year equivalent 113,345)
R Naylor	Director of Children's Services	118,802	-	118,802	113,345
A Templeman	Chief Finance Officer (Section 95 Officer)	103,699	125	103,824	-
S Lacey	Head of Social Work Children's Services (CSWO)	103,699	-	103,699	98,961

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

The "Other Amounts" value above covers election duties and related fees received during 2022/23 (2021/22 £4,657). These payments are reimbursed by either the Scottish Government or the Government of the United Kingdom.

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

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

Remuneration paid to relevant persons of Falkirk Community Stadium Ltd

Name	Post Title	Salary, Fees, and Allowances £	Other Amounts £	Total Remuneration 2022/23 £	Total Remuneration 2021/22 £
D Hanley	Stadium Manager	27,188	-	27,188	46,724

The Falkirk Community Stadium Ltd transferred to the Council on 1st November 2022.

Explanatory & Assurance Statements

Pension Benefits

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Before 1 April 2015 the scheme provided final salary benefits that were calculated by reference to a member's salary and their number of years of membership in the scheme. For employees the best of the last three final years of salary is used to determine the benefit accrued whereas for Councillors it is their career average pay that is used.

Career average pay is worked out by taking the Councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) which is then revalued to reflect the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which scheme membership ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay.

Benefits that are built up after 31 March 2015 build up on a CARE basis for both employees and Councillors. Under CARE pension is built up annually and then revalued to reflect the cost of living, as measured by the Consumer Prices Index.

At retirement scheme members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The normal retirement age for both Councillors and employees is State Pension age or age 65 if later. However, benefits that were built before 1 April 2015 retain a normal retirement age of 65.

The LGPS operates a five-tier contribution system with contributions from scheme members being based on how much of their actual pay falls into each tier. To drive an efficient payroll these tiers are converted into steps of 0.1% to which pay ranges are attached. The pay ranges are then revalued each year to reflect the cost of living. This is designed to give more equality between the cost and benefits of scheme membership.

The steps and members contribution rates for 2022/23 were as follows:

Contribution Rate	Actual Pay Min	Actual Pay Max	Contribution Rate	Actual Pay Min	Actual Pay Max
5.5%	Up to	£23,676	8.4%	£66,432	£68,302
5.6%	£23,677	£25,156	8.5%	£68,303	£70,282
5.7%	£25,157	£26,833	8.6%	£70,283	£72,380
5.8%	£26,834	£28,443	8.7%	£72,381	£74,607
5.9%	£28,444	£29,558	8.8%	£74,608	£76,976
6.0%	£29,559	£30,765	8.9%	£76,977	£79,500
6.1%	£30,766	£32,074	9.0%	£79,501	£82,194
6.2%	£32,075	£33,500	9.1%	£82,195	£85,078
6.3%	£33,501	£35,058	9.2%	£85,079	£88,172
6.4%	£35,059	£36,768	9.3%	£88,173	£91,500
6.5%	£36,769	£38,635	9.4%	£91,501	£95,088
6.6%	£38,636	£39,991	9.5%	£95,089	£98,969
6.7%	£39,992	£41,445	9.6%	£98,970	£103,180
6.8%	£41,446	£43,009	9.7%	£103,181	£107,766
6.9%	£43,010	£44,696	9.8%	£107,767	£112,779
7.0%	£44,697	£46,520	9.9%	£112,780	£118,280
7.1%	£46,521	£48,500	10.0%	£118,281	£124,346
7.2%	£48,501	£50,655	10.1%	£124,347	£131,067
7.3%	£50,656	£52,145	10.2%	£131,068	£138,557
7.4%	£52,146	£53,291	10.3%	£138,558	£146,954
7.5%	£53,292	£54,488	10.4%	£146,955	£156,435
7.6%	£54,489	£55,741	10.5%	£156,436	£167,224
7.7%	£55,742	£57,052	10.6%	£167,225	£179,611
7.8%	£57,053	£58,427	10.7%	£179,612	£193,980
7.9%	£58,428	£59,870	10.8%	£193,981	£210,847
8.0%	£59,871	£61,386	10.9%	£210,848	£230,928
8.1%	£61,387	£62,980	10.0%	£230,929	£255,236
8.2%	£62,981	£64,660	11.1%	£255,237	£285,264
8.3%	£64,661	£66,431	11.2%	£285,265	and above

Explanatory & Assurance Statements

The value of the accrued benefits has been calculated by reference to the member's age on the basis they have reached the age at which they are entitled to receive a full unreduced benefit on retirement; without exercising any option to commute pension into a lump sum; and without any adjustment for the effects of future inflation.

The benefits and accrual rates for each year of service are:

- **Before 1 April 2009**
A pension of $1/80$ x pensionable pay*
A lump sum of $3/80$ x pensionable pay*
- **Between 1 April 2009 and 31 March 2015**
A pension of $1/60^{\text{th}}$ x pensionable pay*
- **From 1 April 2015**
A pension of $1/49^{\text{th}}$ x pensionable pay*

*Pensionable pay is the relevant final pay, career average pay or career average revalued earnings.

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

Pension Rights of Senior Councillors of Falkirk Council

The pension entitlements for Senior Councillors for the year to 31 March 2023 are shown in the table below, together with the contribution made by the Council to each Senior Councillor's pension during the year.

Name	Accrued Pension Benefits				
	In-Year Pension Contributions for year to 31/03/2023	As at 31/03/2023 Pension	As at 31/03/2023 Lump Sum	Difference from 31/03/2022 Pension	Difference from 31/03/2022 Lump Sum
	£	£	£	£	£
David Alexander	571	12,000	18,000	-	-
David Balfour	4,974	5,000	-	1,000	-
Robert Bissett	6,333	3,000	-	1,000	-
Alan Nimmo	5,230	6,000	-	2,000	-
Gary Bouse	5,798	3,000	-	1,000	-
Fiona Collie	5,798	3,000	-	1,000	-
Paul Garner	5,798	4,000	-	1,000	-
Gordon Hughes	571	7,000	2,000	-	-
Lorna Binnie	4,868	3,000	-	1,000	-
James Kerr	4,920	3,000	-	1,000	-
Adanna McCue	571	3,000	-	1,000	-
Cecil Meiklejohn	8,583	11,000	-	2,000	-
Laura Murtagh	5,798	3,000	-	1,000	-
Robert Spears	571	7,000	2,000	-	-
Euan Stainbank	4,733	-	-	-	-
Stacey Devine	5,227	-	-	-	-
Anne Hannah	4,733	-	-	-	-
Iain Sinclair	5,227	-	-	-	-
Total	80,304	73,000	22,000	13,000	-

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

Explanatory & Assurance Statements

Pension Rights of Senior Employees of Falkirk Council

The pension entitlements of Senior Employees for the year to 31 March 2023 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.

		Accrued Pension Benefits				
Name	Post Title	In-Year Pension Contributions for year to 31/03/2023 £	As at 31/03/2023 Pension £	As at 31/03/2023 Lump Sum £	Difference from 31/03/2022 Pension £	Difference from 31/03/2022 Lump Sum £
S Lacey	Head of Social Work, Children's Services (CSWO)	23,332	15,000	-	3,000	-
K Lawrie	Chief Executive	34,104	65,000	82,000	5,000	4,000
K Lawrie	Returning Officer	382	1,000	-	-	-
R Naylor	Director of Children's Services	26,731	78,000	5,000	5,000	-
K Algie	Director of Transformation, Communities and Corporate Services	26,712	53,000	78,000	13,000	21,000
M Bennie	Director of Place Services	26,731	24,000	-	23,000	-
A Templeman	Chief Finance Officer (Section 95 Officer)	23,332	22,000	18,000	8,000	8,000
Total		161,324	258,000	183,000	57,000	33,000

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

Pension Rights of relevant persons of Falkirk Community Stadium Ltd

The pension entitlement of the Stadium Manager for the year to 31 October 2023 is shown in the table below, before the transfer to the Council, together with the contribution made by Falkirk Community Stadium Ltd.

		Accrued Pension Benefits				
Name	Post Title	In-Year Pension Contributions for year to 31/03/2023 £	As at 31/03/2023 Pension £	As at 31/03/2023 Lump Sum £	Difference from 31/03/2022 Pension £	Difference from 31/03/2022 Lump Sum £
D Hanley	Stadium Manager	6,117	11,000	-	-	-

Explanatory & Assurance Statements

Exit Packages

The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to disclose the number of exit packages agreed in the financial year in bands as disclosed in the table below.

The total cost shown in the following tables is for exit packages that have been agreed, accrued for, and charged to the Comprehensive Income and Expenditure Statement or equivalent statements in 2022/23.

The costs in respect of compensatory and pension fund payments have been converted to capital values using factors agreed by the LGPS sub-committee of the Association of Consulting Actuaries in 1998 and published in November 1998, uprated to 2009 values as advised by the actuary to the Falkirk Council Pension Fund. These factors have also been used to arrive at capital values for the equivalent costs in the Teachers' Pension Scheme.

There were no compulsory redundancies in either 2022/23 or 2021/22.

Exit Packages agreed with former employees of Falkirk Council

Bands	2021/22 No.	Total Payments £	2022/23 No.	Total Payments £
Up to £20k	15	160,044	3	12,379
Over £20k up to £40k	2	74,026	1	36,425
Over £40k up to £60k	1	47,660	-	-
Over £60k up to £80k	1	75,367	2	137,348
Over £80k up to £100k	-	-	1	89,098
Over £100k up to £150k	1	144,014	2	236,372
Over £150k up to £200k	1	172,442	1	162,395
Over £200k up to £250k	1	247,697	-	-
Number of Packages	22	921,250	10	674,017

Exit Packages agreed with former employees of Falkirk Community Stadium Ltd

There were no exit packages agreed in either 2022/23 or 2021/22.

Explanatory & Assurance Statements

Trade Union Facility Time

In accordance with the provisions of the Trade Union (Facility Time Publication Requirements) Regulations 2017, Falkirk Council is now required to report annually on the amount of time-off granted to Trade Union representatives and the associated costs. It is a requirement of the legislation that information relating to employees of the authority's education function is reported separately.

Falkirk Council – Facility Time Report for 1 April 2022 – 31 March 2023

Education 2021/22	Other 2021/22		Education 2022/23	Other 2022/23
17	26	Number of employees who were relevant union officials during the relevant period	22	28
15.45	22.96	Number of full-time equivalent employees	19.52	21.66
		Number of employees analysed by % of time spent on Facility Time		
3	5	• 0%	6	5
13	17	• 1%-50%	15	18
-	2	• 51%-99%	-	-
1	2	• 100%	1	5
£89,456	£139,032	Total cost of Facility Time	£119,892	£153,071
0.06%	0.14%	% of Total pay bill spent on Facility Time	0.08%	0.13%
17%	8.3%	% Time spent on paid trade union activities as % of total paid facility hours	16.54%	6.55%

Cecil Meiklejohn

Councillor Cecil Meiklejohn
Leader of Falkirk Council
6 December 2023

Kenneth Lawrie

Kenneth Lawrie
Chief Executive of Falkirk Council
6 December 2023

Financial Statements

Comprehensive Income and Expenditure Statement

This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

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

Falkirk Council 2021/22			Restated Group		Falkirk Council 2022/23			Group
Gross Expend £'000	Gross Income £'000	Net Expend £'000	Net Expend £'000		Gross Expend £'000	Gross Income £'000	Net Expend £'000	Net Expend £'000
278,529	(33,765)	244,764	244,737	Children's Services	294,299	(38,891)	255,408	255,408
204,629	(117,175)	87,454	87,454	Social Work Adult Services	225,218	(128,301)	96,917	96,917
71,305	(18,471)	52,834	52,816	Place Services	76,012	(24,122)	51,890	51,867
72,920	(33,245)	39,675	39,627	Transformation, Communities & Corporate Services	87,663	(31,843)	55,820	55,892
67,386	(66,576)	810	810	Housing Revenue Account	73,329	(70,355)	2,974	2,974
1,406	-	1,406	1,406	Valuation Joint Board	1,431	-	1,431	1,431
12,582	-	12,582	12,398	Falkirk Community Trust	-	-	-	-
708,757	(269,232)	439,525	439,248	Net Cost of Services	757,952	(293,512)	464,440	464,489
386	-	386	386	Other Operating Expenditure (Gains) or Losses on disposal of Non-Current and Current Assets	976	-	976	976
				Financing and Investment Income and Expenditure				
30,988	(31,003)	(15)	(15)	(Surplus) or deficit on trading undertakings (Note 15)	34,448	(34,492)	(44)	(44)
22,547	-	22,547	22,565	Interest Payable and Similar Charges (Note 39)	25,292	-	25,292	25,292
-	(227)	(227)	(227)	Interest & Investment Income	-	(3,307)	(3,307)	(3,307)
29,509	(20,989)	8,520	8,520	Pension interest cost & interest income on plan assets (Note 17)	38,910	(32,260)	6,650	6,650
83,044	(52,219)	30,825	30,843		98,650	(70,059)	28,591	28,591
				Taxation and Non-Specific Grant Income				
-	(69,695)	(69,695)	(69,695)	Council Tax	-	(72,923)	(72,923)	(72,923)
-	(263,344)	(263,344)	(263,344)	Government Grants (Note 36)	-	(260,070)	(260,070)	(260,070)
-	(37,380)	(37,380)	(37,380)	Capital Grants, Contributions & Donations (note 36)	-	(41,038)	(41,038)	(41,038)
-	(60,775)	(60,775)	(60,775)	Non-Domestic Rates redistribution	-	(80,433)	(80,433)	(80,433)
-	(1,682)	(1,682)	(1,682)	Non-Domestic Rates – TiF	-	(2,034)	(2,034)	(2,034)
-	(432,876)	(432,876)	(432,876)		-	(456,498)	(456,498)	(456,498)
792,187	(754,327)	37,860	37,601	(Surplus) or Deficit on Provision of Services	857,578	(820,069)	37,509	37,558
			(9,832)	Share of the (Surplus) or Deficit on Provision of Services by Associates & Joint Ventures				4,848
			27,769	Group (Surplus) or Deficit				42,406
		(4,276)	(4,276)	(Surplus) or deficit on revaluation of non-current assets and current assets (Note 11b)			(126,321)	(126,321)
		(225,355)	(225,355)	Remeasurements of pension assets/liabilities (Note 11c)			(480,647)	(480,647)
		-	-	Effect of Asset Ceiling Limitation on Net Defined Benefit Asset (Note 11c)			211,175	211,175
			(1,772)	Share of Other Comprehensive Income & Expenditure of Associates & Joint Ventures				(1,938)
		(229,631)	(231,403)	Other Comprehensive Income and Expenditure			(395,793)	(397,731)
		(191,771)	(203,634)	Total Comprehensive Income and Expenditure			(358,284)	(355,325)

Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

Movement in Reserves Statement for the year ended 31 March 2023

	Falkirk Council Reserves					Council's Share of Group Entity Reserves			Total Group Reserves £'000
	General Fund Balance £'000	HRA Balance £'000	Capital and Other Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000	Usable £'000	Unusable £'000	
Balance at 31/3/22	(50,482)	(7,228)	(11,073)	(68,783)	(558,276)	(627,059)	(14,354)	87	(641,326)
Transfer of Group Entities	(3,306)			(3,306)		(3,306)	(5,684)	1,492	(7,498)
Revised Balance at 31/03/22	(53,788)	(7,228)	(11,073)	(72,089)	(558,276)	(630,365)	(20,038)	1,579	(648,824)
Movement in reserves during 2022/23									
Total Comprehensive Income and Expenditure	39,356	(1,847)	-	37,509	(395,793)	(358,284)	4,896	(1,938)	(355,326)
Adjustments between accounting basis and funding basis under regulations (note9)	(19,510)	15,771	825	(2,914)	2,914	-	(350)	350	-
Adjustments to usable reserves permitted by accounting standards	(13,770)	(15,686)	-	(29,456)	29,456	-	-	-	-
Transfers (to)/from Other Statutory Reserves	(1,988)	2,373	(385)	-	-	-	-	-	-
(Increase)/Decrease in 2022/23	4,088	611	440	5,139	(363,423)	(358,284)	4,546	(1,588)	(355,326)
Balance at 31/3/23	(49,700)	(6,617)	(10,633)	(66,950)	(921,699)	(988,649)	(15,492)	(9)	(1,004,150)

Movement in Reserves Statement for the year ended 31 March 2022 (Restated)

	Falkirk Council Reserves					Council's Share of Group Entity Reserves			Total Group Reserves £'000
	General Fund Balance £'000	HRA Balance £'000	Capital and Other Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000	Usable £'000	Unusable £'000	
Balance at 31/3/21	(39,408)	(7,825)	(11,450)	(58,683)	(376,605)	(435,288)	(4,187)	1,783	(437,692)
Movement in reserves during 2021/22									
Total Comprehensive Income and Expenditure	35,292	2,568	-	37,860	(229,631)	(191,771)	(10,091)	(1,772)	(203,634)
Adjustments between accounting basis and funding basis under regulations (note9)	(34,788)	12,006	(265)	(23,047)	23,047	-	(76)	76	-
Adjustments to usable reserves permitted by accounting standards	(11,232)	(13,681)	-	(24,913)	24,913	-	-	-	-
Transfers (to)/from Other Statutory Reserves	(346)	(296)	642	-	-	-	-	-	-
(Increase)/Decrease in 2021/22	(11,074)	597	377	(10,100)	(181,671)	(191,771)	(10,167)	(1,696)	(203,634)
Balance at 31/3/22	(50,482)	(7,228)	(11,073)	(68,783)	(558,276)	(627,059)	(14,354)	87	(641,326)

Financial Statements

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

Council	Restated Group		Council	Group	Notes
2021/22 £'000	2021/22 £'000		2022/23 £'000	2022/23 £'000	
		Non-Current Assets			
1,086,175	1,092,427	Property, Plant & Equipment	1,246,012	1,246,627	20
139,967	139,967	Infrastructure Assets	151,761	151,761	20
266	266	Heritage Assets	266	266	21
1,002	1,002	Intangible Assets	611	611	19
3,596	-	Long Term Investments	-	-	
4,792	3,782	Long Term Debtors	3,663	3,663	29
1,235,798	1,237,444		1,402,313	1,402,928	
		Current Assets			
609	744	Inventories	437	437	30
41,291	41,375	Short Term Debtors	33,566	33,161	32,37
45,784	48,465	Cash and Cash Equivalents	31,062	31,062	34
2,287	2,387	Assets Held for Sale	2,248	2,644	23
89,971	92,971		67,313	67,304	
		Current Liabilities			
(33,933)	(43,159)	Short Term Borrowing	(64,436)	(73,674)	27
(89,068)	(90,119)	Creditors (including provisions)	(103,609)	(103,204)	28,33,37
(123,001)	(133,278)		(168,045)	(176,878)	
		Long Term Liabilities			
(253,554)	(250,295)	Long Term Borrowing	(230,052)	(220,052)	27
(230,345)	(230,345)	Defined Benefit Pension Scheme Liability	-	-	17
(76,401)	(76,401)	Other Long-Term Liabilities	(67,982)	(67,982)	38
(15,407)	(15,407)	Capital Grants and Receipts Received in Advance	(14,898)	(14,898)	36
	16,638	Liabilities in Associates and Joint Ventures		13,728	
(575,707)	(555,810)		(312,932)	(289,204)	
627,061	641,327	Net Assets	988,649	1,004,150	
(68,784)	(68,784)	Usable Reserves	(66,950)	(66,950)	10
-	(14,354)	Group Entities	-	(15,492)	40
(68,784)	(83,138)		(66,950)	(82,442)	
(558,277)	(558,276)	Unusable Reserves	(921,699)	(921,699)	11
-	87	Group Entities	-	(9)	40
(558,277)	(558,189)		(921,699)	(921,708)	
(627,061)	(641,327)	Total Reserves	(988,649)	(1,004,150)	

The unaudited accounts were issued on 29th June 2023 and the audited financial statements were authorised for issue on 6 December 2023.

Amanda Templeman

Amanda Templeman, CPFA
Chief Finance Officer
6 December 2023

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as: operating, investing, and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Council 2021/22 £'000	Restated Group 2021/22 £'000		Council 2022/23 £'000	Group 2022/23 £'000
37,860	27,769	Net (surplus) or deficit on the provision of services	37,509	42,406
-	-	Transfer of FCT and FCSL	(1,886)	795
(112,239)	(103,654)	Adjust net surplus or deficit on the provision of services for non-cash movements	(101,573)	(106,470)
37,380	37,380	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	41,038	41,038
(36,999)	(38,505)	Net cash flows from operating activities	(24,912)	(22,231)
		Investing Activities		
79,466	79,466	Purchase of property, plant & equipment, investment property and intangible assets	79,991	79,991
(4,254)	(4,254)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(951)	(951)
(32,935)	(32,935)	Other receipts and investing activities	(39,621)	(39,621)
42,277	42,277	Net cash flows from investing activities	39,419	39,419
		Financing Activities		
(56,941)	(56,941)	Cash receipts of short and long-term borrowing	(75,615)	(75,615)
7,108	7,108	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	7,217	7,217
49,833	49,833	Repayments of short and long-term borrowing	68,613	68,613
-	-	Net cash flows from financing activities	215	215
5,278	3,772	Net (increase) or decrease in cash and cash equivalents	14,722	17,403
(51,062)	(52,237)	Cash and cash equivalents at the beginning of the reporting period	(45,784)	(48,465)
		Cash and cash equivalents at the end of the reporting period		
(46)	(46)	Cash held by Officers	(58)	(58)
3,279	598	Bank Current Accounts	(1,200)	(1,200)
(49,017)	(49,017)	Short-term deposits	(29,804)	(29,804)
(45,784)	(48,465)		(31,062)	(31,062)

The cash flows for operating activities include interest paid of £25.3m (2021/22 £22.5m) and interest received of £3.3m (2021/22 £0.2m).

Financial Statements

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

Council 2021/22 £'000		Council 2022/23 £'000
(386)	Net Gain/(Loss)	(142)
(551)	Amortisation of Intangible Assets	(572)
(61,809)	Depreciation & Impairment of Fixed Assets	(38,459)
(45,942)	Net Charges for Retirement Benefits	(39,127)
7,895	Movement in Debtors	(8,429)
(11,213)	Movement in Creditors	(14,672)
(233)	Movement in Stock	(172)
(112,239)		(101,573)

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

32,560	Capital Grants General Fund	28,411
4,820	Capital Grants HRA	12,627
37,380		41,038

Supplementary Statement

Housing Revenue Account Income and Expenditure Statement

This account reflects the statutory requirement to account separately for Council Housing and it shows the major elements of housing revenue expenditure and capital financing costs and how these are met by rents, housing support grant and other income.

2021/22 £'000		2022/23 £'000
(61,982)	Dwelling Rents	(63,322)
(1,424)	Non-Dwelling Rents	(1,408)
(1,844)	Other Income	(4,006)
(65,250)	Total Income	(68,736)
22,527	Repairs and Maintenance	28,813
23,456	Supervision and Management	20,624
17,767	Depreciation and Impairment of Non-Current Assets	19,818
1,540	Other Expenditure	1,496
523	Increase/(Decrease) in Bad Debts Provision	712
65,813	Total Expenditure	71,463
563	Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement	2,727
247	HRA Services Share of Corporate and Democratic Core	247
810	Net Expenditure of HRA Services	2,974
	HRA Share of Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:	
(1)	(Gain)/Loss on Sale of HRA Non-Current Assets	65
6,242	Interest Payable and similar charges	7,982
(32)	Interest and Investment Income	(523)
369	Pensions Interest Cost and Expected Return on Pension Assets	282
(4,820)	Recognised Capital Grant Income	(12,627)
2,568	(Surplus)/Deficit for the Year	(1,847)

Movement on the Housing Revenue Account Statement

2021/22 £'000		2022/23 £'000
(7,825)	Balance on the HRA at the end of the previous year	(7,228)
2,568	(Surplus) or Deficit for the year on HRA Income and Expenditure Statement	(1,847)
12,006	Adjustments between Accounting Basis and Funding Basis under Statute	15,771
(13,681)	Adjustment to Usable Reserves permitted by Accounting Standards	(15,686)
893	Net (Increase) or Decrease before transfers to or from Reserves	(1,762)
(296)	Transfers to or (from) Reserves	2,373
597	(Increase) or Decrease in Year on the HRA	611
(7,228)	Balance on the HRA at the end of the Current Year	(6,617)

Supplementary Statement

Housing Revenue Account Disclosures

Adjustments between Accounting Basis and Funding Basis under Statute

2021/22 £'000		2022/23 £'000
1	Gain or (loss) on sale of HRA non-current assets	(65)
8,369	Capital expenditure charged to the HRA	5,024
(4,086)	Depreciation and Impairment	(4,131)
7,584	Statutory Repayment of Debt (Loans Fund Advances)	6,353
(4,645)	HRA share of contributions to or from the Pensions Reserve	(4,085)
(102)	Accumulated Absences Account	(18)
65	Difference between any other item of income and expenditure determined in accordance with the Code and statutory HRA requirements	66
4,820	Recognised Capital Grant Income	12,627
12,006	Total	15,771

Housing Stock

The Council Housing Stock at 31 March 2022 was 16,658 properties in the following categories.

2021/22 Number		2022/23 Number
2,746	One bedroom and under	2,736
8,922	Two bedrooms	8,969
4,490	Three bedrooms	4,509
481	Four bedrooms	486
19	Five bedrooms and larger	19
16,658	Total	16,719
£71.87	Average Weekly rent (52-week basis)	£73.31

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

Rent Arrears

Rent Arrears at 31 March 2023 were £8,320,635 (£6,613,105 in 2021/22).

Bad Debt Provision

An impairment of £5.283m (£4.555m in 2021/22) has been provided in the Balance Sheet for irrecoverable rents, an increase of £0.728m from the provision in 2021/22.

Losses on Void Properties

2021/22 £'000		2022/23 £'000
1,494	Dwelling Rents	1,450
331	Non-Dwelling Rents	373
1,825	Total	1,823

Supplementary Statement

Council Tax Income Account

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

2021/22 £'000		2022/23 £'000
89,801	Gross Council Tax Levied	94,054
(140)	Prior Year Adjustments	(162)
89,661	Total Income	93,892
8,578	Council Tax Reduction	8,892
1,110	Provisions Against Bad and Doubtful Debts	1,101
10,279	Other Discounts and Reductions	10,976
19,967	Total Expenditure	20,969
69,694	Net Council Tax Income transferred to General Fund	72,923

The Council Tax Charge

The actual Council Tax is levied according to the Base Band 'D' charge and weighted in accordance with ratios detailed above. The charges set for each Band for 2022/23 are as follows:

Band	£ per Dwelling
A*	708.11
A	849.73
B	991.36
C	1,132.98
D	1,274.60
E	1,674.68
F	2,071.23
G	2,496.09
H	3,122.77

* Band 'A' with Disabled Persons Relief

Supplementary Statement

Calculation of the Council Tax Base per 2022/23 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	22,216	19,427	7,139	9,331	9,181	5,951	3,042	72	76,359
Exempt Dwellings	n/a	1,022	562	190	169	94	51	20	1	2,109
Chargeable Dwellings	n/a	21,194	18,865	6,949	9,162	9,087	5,900	3,022	71	74,250
Disabled Reduction	n/a	74	93	48	58	95	63	20	-	451
Adjusted Chargeable Dwellings	74	21,213	18,820	6,959	9,199	9,055	5,857	3,002	71	74,250
Discounts (25%)	30	13,136	7,754	3,219	3,003	1,980	841	316	8	30,287
Discounts (due to being second homes)	-	22	29	18	13	18	4	1	-	105
Discount (long term empty properties)	-	347	198	94	76	51	20	12	1	799
Discount (occupied by disregarded adults)	-	2	2	1	4	2	2	1	-	14
Not entitled to discount	44	7,706	10,837	3,627	6,103	7,004	4,990	2,672	62	43,045
Effective Dwellings	67	17,744	16,767	6,098	8,402	8,525	5,634	2,916	69	66,222
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	11,829	13,041	5,420	8,402	11,201	9,155	5,710	169	64,964
Add: Estimated Growth in tax base										311
Less: Dwellings for which collection of Council Tax is considered to be doubtful - 98% collection offset by prior year collection										1,090
Council Tax (£'000)										81,812
Less: Impact of Council Tax Reduction Scheme (£'000)										8,892
Budgeted Council Tax Base (£'000)										72,920

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.

2021/22 £'000		2022/23 £'000
85,258	Rate Levied (including large Business Supplement)	91,227
	Less:	
(26,959)	Reliefs and Other Deductions	(14,974)
(568)	Write-Off of Uncollectable Debts	(629)
57,731	Net Non-Domestic Rate Income	75,624
(3,692)	Adjustments to previous years National Non-Domestic Rates	(4,962)
(1,682)	Non-Domestic Rate Income Retained by Authority (TIF)	(2,034)
52,357	Contribution to Non-Domestic Rate Pool	68,628
60,775	Distribution from Non-Domestic Rate Pool	80,433
60,775	Income Credited to the Comprehensive Income and Expenditure Statement	80,433

Rate Pounding

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

Analysis of Rateable Values as at 1 April 2022

	No. of Premises	Rateable Value £'000	%
Shops	1,405	33,480	18.4
Hotels and Public Houses	119	5,622	3.1
Offices	998	12,597	6.9
Industrial – Factories, Warehouses, Stores and Workshops	1,431	43,345	23.9
Sports, Leisure, Cultural, Entertainment, Caravans, Holiday Sites	401	5,761	3.1
Garages and Petrol Stations	64	2,510	1.4
Education and Training	79	12,740	7.0
Public Service Subjects	160	7,648	4.2
Quarries and Mines	18	1,402	0.8
Petrochemical	15	30,822	17.0
Religious	112	1,600	0.9
Health/Medical and Care Facilities	147	12,679	7.0
Undertaking	39	9,359	5.1
Communications, Advertising and Other	391	2,109	1.2
Total	5,379	181,674	100.0

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.

2021/22 £'000		Former Bo'ness Town Council 2022/23 £'000	Former Denny Town Council 2022/23 £'000	Former Grangemouth Town Council 2022/23 £'000	Former Falkirk Town Council 2022/23 £'000	Total 2022/23 £'000
Income and Expenditure Account						
Income						
(24)	Rents Received	-	-	-	(23)	(23)
(1)	Interest	(1)	-	(1)	(16)	(18)
(25)	Total Income	(1)	-	(1)	(39)	(41)
Expenditure						
39	Depreciation	-	-	-	27	27
25	Other	-	-	-	54	54
(25)	Revaluation Impairment	-	43	-	(34)	9
39	Total Expenditure	-	43	-	47	90
14	(Surplus)/Deficit for Year	(1)	43	(1)	8	49
Balance Sheet						
1,048	Fixed Assets	6	221	-	784	1,011
774	Investments	56	6	23	677	762
1,822	Net Assets	62	227	23	1,461	1,773
Financed by:						
205	Asset Revaluation Reserve	4	98	-	110	212
843	Capital Adjustment Account	2	123	-	674	799
774	Revenue Reserve	56	6	23	677	762
1,822		62	227	23	1,461	1,773

Amanda Templeman

Amanda Templeman, CPFA
Chief Finance Officer
6 December 2023

Note 1: General Accounting Policies

General Principles and Accounting Concepts

The Annual Accounts summarise the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 2022/23 (the Code) and the Service Reporting Code of Practice 2022/23 (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 2023. 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, Common Good Funds and Falkirk Integration Joint Board (IJB).

Basis of Preparation

The Council's financial statements for 2022/23 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 (2022/23), 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 Revenue Budget and Financial Strategy for 2023/24 at its meeting on 1 March 2023. In order to maintain a balanced budget for 2023/24, the Council was required to bridge a budget gap of £26m which included £15.3m of service concessions, earmarked reserves of £3.4m and service savings of £7.9m. The Council continues to face unprecedented challenges in delivering essential services whilst resources are constrained. The latest projections show the Council has a budget gap of c£36m in 2023/24. 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 Financial Strategy, and further updates and savings options will be considered by the Council.

Notes to the Financial Statements

Measures available to the Council include the use of service concessions, 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 2023 is £11.8m. 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.

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 £30.9m at 31 March 2023. Normally when investments mature, they are reinvested for periods up to a year. Typically cash has been invested in highly liquid instruments, such as the overnight bank account or money market funds, to ensure that the funds are available as required. 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 2023/24 Code and will therefore be applicable to authorities to local authorities for the 2023/24 financial year reporting:

- **Definition of Accounting Estimates (Amendments to IAS 8)**
This amendment defines accounting estimates as 'monetary amounts in financial statements that are subject to measurement uncertainty'.
- **Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)**
This amendment requires an entity to disclose its material accounting policy information instead of its significant accounting policies.
- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS12)**
This amendment narrows the scope of the recognition exemption.
- **Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)**
This amendment updates references in IFRS 3 Business Combinations
- **IFRS16 Leases**
The implementation date for IFRS16 was originally 1 April 2020 for local authorities but this has been deferred three times and is now 1 April 2024. It was felt appropriate to include the delay of this standard due to its potential impact on future accounting. Both the 2022/23 and the 2023/24 Codes will allow for adoption as of 1 April 2022 or 2023, however, Falkirk Council has chosen to wait for the implementation date.

This new standard eliminates nearly all off balance sheet accounting for lessees as existing rules no longer apply for treating lease transactions as operating or finance leases. All contracts that convey the right to use an asset for a period of time in exchange for consideration could meet the definition of a lease and will require to be examined. An exemption exists for low value assets such as tablets, computers, and telephones, although identification is still required. The implementation and compliance with IFRS16 is recognised as potentially significant for most lessees, particularly if they do not already have an in-house lease information system.

Note 3: Critical Judgements in Applying Accounting Policies

In applying these accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Annual Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Code has adopted the International Public Sector Accounting Standards (IPSAS) definition of Investment Property as one that is used solely to earn rentals or for capital appreciation, or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet with the definition of investment property under IPSAS 16 and is accounted for as Property, Plant and Equipment. The Council has examined its portfolio of property, in particular those which were classified as investment properties under the Code and concluded that they 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 £49.6m.
- 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

Notes to the Financial Statements

arrangements and the schools (valued at net book value of £270.9m at 31 March 2023) 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.

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 2023 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 year end valuations on a year to year basis. The potential impact of future changes is outlined below. The valuation of pension fund assets and liabilities as at 31 March 2023 is £1,208m and £997m respectively.

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

Guaranteed Minimum Pension (GMP)

GMP was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females, however overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement 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 2023.

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:

Notes to the Financial Statements

Sensitivities at 31 March 2023	Approx % increase to Employer Liability	Approx monetary amount £'000
0.1% decrease in Real Discount Rate	2	18,598
0.1% increase in the Salary Increase Rate	0	1,930
0.1% increase in the Pension Increase Rate	2	16,940

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 2022/23, the valuation of the following assets was reviewed as at 31 March 2023:

- Council's operational property – Community, former Trust and Corporate assets were categories revalued. Revaluation was on existing use value (EUV) or where this could not be assessed, due to the lack of a market, depreciated replacement cost (DRC). These asset category values totalled £67.9m which represents an increase of £10.2m.
- Non-operational assets – valued on market value (MV) basis and assets totalled £42.9m.
- Housing stock – this was a desktop impairment review which led to valuation of £517.0m which presents an increase of £12.7m on the previous year. Housing Stock is valued on an EUV basis for Social Rent (EUV-SH)
- Education properties – this was a desktop review which led to a valuation increase of £113.8m on the previous year totalling £504.3m. Education properties are valued on an EUV basis using a market value comparison (EUV-MV) and where assets are considered specialised e.g. primary schools depreciated replacement cost on a modern equivalent basis where appropriate (DRC/MEA)

As noted above - these valuations were undertaken to ensure that the carrying value is not materially different from the current value.

The changes in valuation in assets in 2022/23, compared to 2021/22, 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 £1.397 billion. All property assets were subject to an impairment review of revaluation in 2022/23. The impact of a 5% change in valuation of these would be £69.9m, 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 2023 the Council has Council Tax debt due of £15.1m, housing rents of £8.3m and sundry debtors of £8.9m. Management reviewed these balances at 31 March and determined that an allowance for doubtful debts of £14.3m, £5.3m and £2.4m was appropriate for the respective balances based upon historical assessment of recoverability/review of individual balances and correspondence with third parties/ageing analysis at year end. 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 5% in the value of the above provisions would amount to c.£0.714m, c.£0.264m and c.£0.199m 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.

2021/22			2022/23			
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
222,479	22,285	244,764	Children's Services	244,191	11,217	255,408
79,190	8,264	87,454	Social Work Adult Services	91,308	5,609	96,917
28,315	24,519	52,834	Place Services	29,469	22,421	51,890
30,592	9,083	39,675	Transformation, Communities & Corporate Services	45,376	10,444	55,820
297	513	810	Housing Revenue Account	(1,762)	4,736	2,974
1,406	-	1,406	Valuation Joint Board	1,431	-	1,431
12,582	-	12,582	Falkirk Community Trust	-	-	-
374,861	64,664	439,525	Net Cost of Services	410,013	54,427	464,440
9,118	22,093	31,211	Other Income and Expenditure	7,727	21,840	29,567
(393,814)	(39,062)	(432,876)	Taxation and Non-Specific Grant Income	(413,425)	(43,073)	(456,498)
(384,696)	(16,969)	(401,665)	Total Other Income and Expenditure	(405,698)	(21,233)	(426,931)
(9,835)	47,695	37,860	(Surplus) or Deficit	4,315	33,194	37,509
(47,234)	-	-	Opening General Fund & HRA Balance at 31 March 2022	(57,711)	-	-
			Transfer of FCT & FCSL Balances	(3,306)		
(9,835)	-	-	Less/(Add) Deficit or Surplus on General Fund and HRA Balance in Year	4,315	-	-
(642)	-	-	Transfers to/(from) Other Statutory Reserves	385	-	-
(57,711)	-	-	Closing General Fund and HRA Balance at 31 March 2023	(56,317)	-	-

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 2022/23

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	495	13,417	(2,695)	11,217
Social Work – Adult Services	158	5,387	64	5,609
Place Services	16,242	6,058	121	22,421
Transformation, Communities & Corporate Services	6,501	3,811	132	10,444
Housing Revenue Account	915	3,803	18	4,736
Net Cost of Services	24,311	32,476	(2,360)	54,427
Other Income and Expenditure from the Expenditure and Funding Analysis	(25,584)	6,368	(2,017)	(21,233)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statements Surplus or Deficit on the Provision of Services	(1,273)	38,844	(4,377)	33,194

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

(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:

2021/22 £'000		2022/23 £'000
Expenditure		
316,334	Employee benefits expenses	334,841
358,087	Other services expenses	395,177
65,324	Depreciation, amortisation, impairment	62,381
22,547	Interest payments	25,292
29,509	Pensions interest cost	38,910
386	Loss on the disposal of assets	977
792,187	Total Expenditure	857,578
Income		
(300,235)	Fees, charges, and other service income	(328,004)
(227)	Interest & investment income	(3,307)
(20,989)	Pensions interest income on plan assets	(32,260)
(132,152)	Income from council tax, non-domestic rates	(155,390)
(300,724)	Government grants and contributions	(301,108)
(754,327)	Total Income	(820,069)
37,860	(Surplus) or Deficit on the Provision of Services	37,509

Notes to the Financial Statements

Note 9: Adjustments between Accounting Basis and Funding Basis Under Regulations 2022/23

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	(28,221)	(4,131)	-	-	(32,352)	32,352
Amortisation of intangible assets	(572)	-	-	-	(572)	572
Impairment of Investment	(834)	-	-	-	(834)	834
Statutory Repayment of Debt (Loans Fund Advances)	3,024	6,353	-	-	9,377	(9,377)
Capital expenditure charged to the General Fund Balance (CFCR)	4,076	5,024	-	-	9,100	(9,100)
Statutory Repayment of Debt (PFI)	7,217	-	-	-	7,217	(7,217)
Capital Receipts applied to fund Capital Expenditure	-	-	605	711	1,316	(1,316)
Capital Grants Received	28,412	12,627	-	-	41,039	(41,039)
Net Book Value of Asset Disposals	-	-	-	-	-	633
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	(35,042)	(4,085)	-	-	(39,127)	39,127
Net transfer to or from the Accumulated Absences account required by legislation	2,233	(18)	-	-	2,215	(2,215)
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	274	66	-	-	340	(340)
Net (Gain)/Loss on Sale of Assets	(77)	(65)	-	-	(142)	-
Capital Receipts Received	-	-	(491)	-	(491)	-
Total Adjustments	(19,510)	15,771	114	711	(2,914)	2,914

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 2021/22

	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 expenditure charged to the General Fund Balance (CFCR)	5,442	8,369	-	-	13,811	(13,811)
Statutory Repayment of Debt (PFI)	7,108	-	-	-	7,108	(7,108)
Capital Receipts applied to fund Capital Expenditure	-	-	41	12	53	(53)
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.

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.

2021/22 £'000	Usable Reserves	2022/23 £'000
(57,711)	General Fund	(56,317)
(4,952)	Insurance Fund	(5,096)
(3,332)	Capital Receipts Reserve	(3,218)
(1,739)	Repairs & Renewals	(1,980)
(1,050)	Capital Grants and Receipts Unapplied Account	(339)
(68,784)	Total	(66,950)

Notes to the Financial Statements

(a) General Fund

	Balance at 1 April 2022 £'000	Balance at 31 March 2023 £'000	Movement £'000	Purpose of Reserve
General Fund (Unearmarked)	(16,744)	(11,821)	4,923	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	(7,228)	(6,617)	611	HRA reserve to meet future revenue and capital investment
Grants	(11,297)	(19,168)	(7,871)	Carry forward of grant funding not yet utilised.
Devolved School Management	(2,380)	(2,268)	112	The Devolved School Management Reserve enables schools to carry forward balances to be utilised in future years.
Spend to Save	(1,141)	(1,140)	1	Earmarked to cover the costs of Voluntary Severance reflected in the Council's Business Plan
Central Energy Efficiency Fund	(740)	(914)	(174)	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	(1,457)	(1,816)	(359)	Property maintenance & dilapidations to Council's industrial and commercial estate.
Change Fund	(663)	(1,523)	(860)	This is to ensure the Council of the Future projects can be successfully delivered.
COVID-19 Grants	(16,061)	(6,500)	9,561	Carry forward of COVID-19 grant funding not yet utilised.
Earmarked Reserves	-	(4,550)	(4,550)	On the 1 st March the Council approved a number of earmarked reserves, including £0.5m for Childrens & Families, £1m Regeneration Fund, £0.5m for Community Choices and £0.5m for 20mph speed zones.
Total	(57,711)	(56,317)	1,394	

(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 2023 is £5.096m (£4.952m as at 31 March 2022).

(c) Capital Receipts Reserve

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

2021/22 £'000	Capital Receipts Reserve	2022/23 £'000
(3,055)	Balance at 1 April	(3,332)
(318)	Capital Receipts received in year	(491)
41	Capital Receipts applied to fund Capital Expenditure	605
(3,332)	Balance at 31 March	(3,218)

Notes to the Financial Statements

(d) Repairs & Renewals

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

2021/22 £'000	Repairs & Renewals Fund	2022/23 £'000
(1,739)	Balance at 1 April	(1,739)
-	Appropriation to/(from) General Fund	(538)
-	Application of Fund	297
(1,739)	Balance at 31 March	(1,980)

(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 however in the light of the ongoing impact of COVID-19, in October 2021, COSLA requested a further one year extension to this flexibility for the 2022/23 financial year. The following is the analysis of that account.

2021/22 £'000	Analysis of the Capital Grants & Receipts Unapplied Account	2022/23 £'000
(1,061)	Balance at 1 April	(1,050)
11	Movement in Capital Grants & Contributions held for standard use	6
-	Movement in Capital Receipts held to fund the financial impact of COVID-19	705
(1,050)	Balance at 31 March	(339)

(f) Falkirk Community Trust Ltd and Falkirk Community Stadium Ltd

Falkirk Community Trust Ltd ceased trading from 1 April 2022 and Falkirk Community Stadium Ltd ceased trading from 1 November 2022. The balances returned to the Council in 2022/23 are detailed below.

	Restatement Adjustments £'000
Property, Plant & Equipment	1,014
Inventories	117
Short Term Debtors	168
Cash and Cash Equivalents	1,887
Creditors (including provisions)	(47)
Net Assets	3,139
Usable Reserves	(3,139)
Total Reserves	(3,139)

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.

2021/22 £'000	Unusable Reserves	2022/23 £'000
(323,052)	Capital Adjustment Account	(356,774)
(478,688)	Revaluation Reserve	(575,487)
230,345	Pensions Reserve	-
9,727	Accumulated Absences Account	7,512
3,391	Financial Instruments Adjustment Account	3,050
(558,277)	Total	(921,699)

(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.

2021/22 £'000		2022/23 £'000
(291,827)	Balance at 1 April	(323,052)
65,088	Depreciation/ impairment and downward revaluation of non-current assets	61,707
551	Amortisation of intangible assets	572
-	Impairment of Investment	834
(7,641)	Statutory Repayment of Debt (Loans Fund Advances)	(9,377)
(13,812)	Capital expenditure charged to the General Fund Balance (CFCR)	(9,100)
(7,108)	Statutory Repayment of Debt (PFI)	(7,217)
(37,307)	Capital Grants Applied to Fund Capital Expenditure	(41,039)
(41)	Capital Receipts Applied to Fund Capital Expenditure	(575)
703	Net Book Value of Asset Disposals	566
-	Deferred Interest on AUC	(192)
(371)	Reduction in Kinneil Landfill Provision	(444)
(31,287)	Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost	(29,457)
(323,052)	Balance at 31 March	(356,774)

(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.

2021/22 £'000		2022/23 £'000
(505,700)	Balance at 1 April	(478,688)
1	Net Book Value of Assets Disposals	65
(4,276)	Loss/(Gain) on Revaluation of Non-Current Assets	(126,321)
31,287	Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost	29,457
(478,688)	Balance at 31 March	(575,487)

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 credit balance on the Pensions Reserve currently shows that resources are sufficient to meet the benefits earned by past and future employees. Statutory arrangements continue to ensure that adequate funding is available to meet pension benefits that are due to be paid.

2021/22 £'000		2022/23 £'000
409,758	Balance at 1 April	230,345
(225,355)	Remeasurements of Pension Assets/Liabilities	(480,647)
45,942	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	39,127
-	Effect of Asset Ceiling Limitation on net defined benefit Asset	211,175
230,345	Balance at 31 March	-

(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.

2021/22 £'000		2022/23 £'000
7,435	Balance at 1 April	9,727
2,292	Net transfer to or from earmarked reserves required by legislation	(2,215)
9,727	Balance at 31 March	7,512

(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 2023 will be charged to the General Fund over the next 31 years.

2021/22 £'000		2022/23 £'000
3,729	Balance at 1 April	3,391
(338)	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	(341)
3,391	Balance at 31 March	3,050

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 2022/23.

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 2022/23 £'000	Expenditure 2022/23 £'000
Falkirk Towns Ltd	Promotion of Town Centres	-	489
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 Rental, energy costs and other property costs	434	-
Central Scotland Green Network Trust	Promotion of Cycling and Environmental Development	-	636
Family Centres	Funding provided per Service Level Agreement	-	193
Central Scotland Valuation Joint Board	Contribution to running costs Charge for Support Services	- 17	1,431 -
Falkirk Schools Gateway	Contribution to operating costs	-	6,060
Committed to Ending Abuse (CEA Ltd)	Funding provided per Service Level Agreement	-	217
Fife & Forth Valley Community Justice Authority	Administration Charge	253	-
Falkirk IJB	Commission Income Contribution to IJB	91,951 -	- 82,593

Outstanding balances for related parties were as follows:

2021/22 Debtor £'000	2021/22 Creditor £'000		2022/23 Debtor £'000	2022/23 Creditor £'000
6	-	Joint Boards	10	-
1,205	-	Falkirk Community Stadium Ltd	-	-
544	24	Falkirk Community Trust	-	-
-	12,159	Falkirk IJB	-	16,662
-	-	Family Centres	-	41
-	285	Falkirk Towns Ltd	-	289

Notes to the Financial Statements

Note 14: External Audit Fee

The agreed external audit fee for Falkirk Council for 2022/23 was £359,132, which includes a rebate of £16838 (£331,980 in 2021/22). Audit Scotland will also charge £2,500 for the audit of the Temperance Trust (£2,090 in 2021/22). These fees were for work undertaken in accordance with the Code of Audit Practice. No non-audit services were provided by Audit Scotland.

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 31/03/21 £'000	Actual Year to 31/03/22 £'000	Building Maintenance Trading Account/	Actual Year to 31/03/23 £'000	3 Year Total £'000
27,968	31,003	Turnover	34,492	93,463
27,964	30,988	Expenditure	34,448	93,400
4	15	Surplus/(Deficit) per CIES	44	63
(63)	(67)	Interest	(173)	(303)
(59)	(52)	Surplus/(Deficit) for Financial Return Purposes	(129)	(240)

The Building Maintenance Division is primarily responsible for providing a repairs and maintenance service for the Council's housing stock, which at 31 March 2023 amounted to 16,719 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 2022/23 was £511,295 (£511,295 in 2021/22).

In 2022/23 the Council distributed £1.8m of COVID-19 support funding schemes for businesses and individuals on behalf of the Scottish Government. The expenditure distributed for this support in 2021/22 was £11.6m.

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.

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 2023 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 2022/23.

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 2022/23 can be inspected online at www.falkirkpensionfund.org by following the links to local government pension scheme.

The Teachers' Pension Scheme

The scheme is administered by the Scottish Public Pensions Agency (SPPA) and provides defined benefits for teaching employees. The employee contribution rate ranges from 7.2% to 11.9% depending on the level of teachers' salary. The Council contributes towards the costs of the scheme by making contributions based on a percentage of members' pensionable salaries.

In addition to both of the schemes above, the Council has powers to grant additional benefits under Discretionary Payments Regulations relating to teaching and non-teaching employees. On occasion, benefits under the

Notes to the Financial Statements

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

The cost of retirement benefits in the Net Cost of Services is recognised when employees earn them, rather than when the benefits are eventually paid as pensions. The following information is in relation to the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement

31/03/22 £'000		31/03/23 £'000
69,272	Current Service Cost	65,383
29,509	Interest Cost	38,910
(20,989)	Interest Income on Plan Assets	(32,260)
927	Past Service Costs/(Gains)	762
78,719	Total	72,795

Reconciliation of present value of defined benefit obligation

31/03/22 £'000		31/03/23 £'000
1,453,748	Opening Defined Benefit Obligation	1,421,769
69,272	Current Service Cost	65,383
29,509	Interest Cost	38,910
7,724	Contributions by Members	8,198
	Remeasurements:	
90	• Prior year unadjusted remeasurements	-
(7,897)	• Change in demographic assumptions	(10,483)
(100,697)	• Change in financial assumption	(563,165)
1,563	• Other experience	68,751
927	Past Service Cost	762
(30,085)	Benefits paid	(31,034)
(2,385)	Unfunded Benefits Paid	(2,350)
1,421,769	Closing Defined Benefit Obligation	996,741

Reconciliation of the movements in the fair value of plan assets

31/03/22 £'000		31/03/23 £'000
1,043,990	Opening Fair Value of Plan Assets	1,191,424
20,989	Interest Income on Plan Assets	32,260
	Remeasurements	
2,186	• Prior year unadjusted remeasurements	-
116,228	• Return on Plan Assets excluding the amount included in net interest	(24,250)
30,392	Contributions by Employer	31,318
7,724	Contributions by Members	8,198
2,385	Contributions in respect of unfunded benefits	2,350
(30,085)	Benefits Paid	(31,034)
(2,385)	Unfunded Benefits Paid	(2,350)
1,191,424	Closing Fair Value of Plan Assets	1,207,916

Notes to the Financial Statements

Disclosure of Net Pensions Asset/Liability

Local Government Pension Schemes

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2023 are as follows:

31/03/22 £'000		31/03/22 £'000
(230,345)	Net Liability	-
-	Net Asset	211,175
-	Effect of Asset Ceiling Limitation on Net Defined Benefit Asset	(211,175)
(230,345)	Closing Net Asset / Liability	-

The net position above includes the sum of £30.3m for year ended 31 March 2023 (£37.3m for 31 March 2022) being unfunded liabilities related to the award of discretionary benefits.

The net defined benefit asset at 31 March 2023 has been measured to the lower of the surplus in the defined benefit plan and the asset ceiling.

In deriving the asset ceiling, assumptions have been made on the present value of the economic benefits available in the form of refunds from the plan and reductions in future contributions to the plan. No economic benefit has been recognised with regards to a refund as it is an entitlement which is not wholly within the Council's control. The economic benefit associated with a reduction in future contributions, recognising a minimum funding requirement for future service, has been estimated as the present value of employer future service costs less the present value of future employer contributions. This economic benefit, however, cannot be reduced below zero where the present value of future employer contributions exceed the present value of future service costs.

Using assumptions consistent with those used to determine the defined benefit obligation at 31 March 2023, the asset ceiling has been valued at £nil, recognising the following:

- Net present value of employer future service costs: £241.9 million
- Net present value of employer future contributions: £262.1 million.

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 4.75% (2.7% for year ended 31 March 2022).

Notes to the Financial Statements

Quoted Prices in Active Markets 31/03/22 £'000	Prices not Quoted in Active Markets 31/03/22 £'000	Total 31/03/22 £'000		Quoted Prices in Active Markets 31/03/23 £'000	Prices not Quoted in Active Markets 31/03/23 £'000	Total 31/03/23 £'000
Equity Securities						
72,752	-	72,752	Consumer	73,759	-	73,759
63,813	-	63,813	Manufacturing	64,697	-	64,697
41,496	-	41,496	Energy and Utilities	42,070	-	42,070
86,654	-	86,654	Financial Institutions	87,854	-	87,854
38,988	-	38,988	Health & Care	39,528	-	39,528
96,543	-	96,543	Information Technology	97,879	-	97,879
11,642	-	11,642	Other	11,803	-	11,803
411,888	-	411,888		417,590	-	417,590
Debt Securities						
48,773	-	48,773	UK Government	49,448	-	49,448
22,230	-	22,230	Other	22,538	-	22,538
71,003	-	71,003		71,986	-	71,986
Private Equity						
-	14,352	14,352		-	14,550	14,550
Real Estate						
-	73,796	73,796	UK Property	-	74,817	74,817
-	99	99	Overseas Property	-	100	100
-	73,895	73,895		-	74,917	74,917
Investment Funds and Unit Trusts						
307,599	-	307,599	Equities	311,857	-	311,857
63,318	-	63,318	Bonds	64,195	-	64,195
-	129,562	129,562	Infrastructure	-	131,355	131,355
46,163	24,544	70,707	Other	46,802	24,884	71,686
417,080	154,106	571,186		422,854	156,239	579,093
Cash and Cash Equivalents						
49,100	-	49,100		49,780	-	49,780
949,071	242,353	1,191,424	Total	962,210	245,706	1,207,916

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:

31/03/22 % p.a.		31/03/23 % p.a.
3.20	Pension Increase Rate	2.95
3.80	Salary Increase Rate	3.55
2.70	Discount Rate	4.75

Investment Returns

The return on the fund in market value terms for the period to 31 March 2023 is estimated based on actual fund returns and index returns where necessary. Details are given below:

Actual Returns from 1 April 2022 to 31 March 2023	(3.0%)
Total Returns from 1 April 2012 to 31 March 2023	0.7%

Notes to the Financial Statements

Demographic assumptions – Mortality

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

	Males	Females
Current Pensioners	20.0 years	22.7 years
Future Pensioners	21.2 years	24.7 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 2024

The following table sets out the estimation of the pension cost for 2023/24, based on the assumptions as at 31 March 2023 (the start of the period).

Analysis of projected amount to be charged to operating profit for the year to 31 March 2024

Year Ended	£'000
Projected Current Service Cost	29,216
Interest on Obligation	47,409
Interest Income on Plan Assets	(57,558)
Past Service Cost	-
Total	19,067

The estimated Employer's contributions for the year to 31 March 2024 will be approximately £31.659m.

The pension fund's approach to meeting its obligations is set out in its Funding Strategy Statement. The funding policy is to achieve a funding level of 100% of liabilities. At present, while the fund is showing a positive overall balance of £211m, the underlying strategy is to require employers to make up any 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 £17.422m (£17.118m in 2021/22) 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 2022/23, these amounted to £0.945m, representing 1.25% of pensionable pay (£0.935m, representing 1.26% of pensionable pay in 2021/22).

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

Notes to the Financial Statements

Note 18: Leases

(a) The Council as Lessee

Finance Leases

The Council currently has no finance lease arrangements with the Council acting as lessee.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income & Expenditure Statement as an expense of the services benefitting from use of the leased property, plant, or equipment.

The Council has acquired several properties by entering into operating leases. The Council has also acquired several electric vehicles by entering into operating leases, however these leases are fully funded by grant income received from the Scottish Government.

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

31/03/22 £'000		31/03/23 £'000
413	Not later than one year	374
1,255	Later than one year and not later than 5 years	1,165
889	Later than five years	633
2,557	Total	2,172

The total of future Scottish Government electric vehicle grant funding received as at 31 March 2023 is nil (£0.018m as at 31 March 2022).

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

31/03/22 £'000		31/03/23 £'000
661	Minimum lease payments	501
(69)	(Grant funding receivable)	(17)
592	Total	484

Notes to the Financial Statements

(b) The Council as Lessor

Finance Leases

The Council leases out Northfield Quarry to Tillicoultry Quarries Ltd on a finance lease with a remaining term of 5 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:

31/03/22 £'000		31/03/23 £'000
	Finance lease debtor (net present value of minimum lease payments):	
71	• Current	76
479	• Non-Current	402
119	Unearned finance income	85
669	Gross investment in the lease	563

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

Gross Investment in the Lease 31/03/22 £'000	Minimum Lease Payment 31/03/22 £'000		Gross Investment in the Lease 31/03/23 £'000	Minimum Lease Payment 31/03/23 £'000
106	71	Not later than one year	106	76
528	446	Later than one year and not later than 5 years	457	402
35	32	Later than five years	-	-
669	549	Total	563	478

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:

31/03/22 £'000		31/03/23 £'000
3,204	Not later than one year	3,251
7,591	Later than one year and not later than five years	7,810
32,706	Later than five years	18,946
43,501	Total	30,007

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 automation software which has a carrying value of £0.138m as at 31 March 2023.

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

Other Assets 2021/22 £'000		Other Assets 2022/23 £'000
	Balance at start of year:	
5,608	• Gross carrying amounts	5,846
(4,293)	• Accumulated amortisation	(4,844)
1,315	Net carrying amount at start of year	1,002
	Additions:	
238	• Purchases	181
(551)	Amortisation for the period	(572)
1,002	Net carrying amount at end of year	611
	Comprising:	
5,846	• Gross carrying amounts	6,027
(4,844)	• Accumulated amortisation	(5,416)
1,002		611

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 2022/23 accounts, this assessment has been performed by external valuers. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- where there is no balance in the revaluation reserve, or an insufficient balance, the excess value is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Council Dwellings and Education properties were subject to a review as at 31 March 2023. 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 2022/23.

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.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Assets Held for Sale and their recoverable amount at the date of the decision not to sell.

Notes to the Financial Statements

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

Notes to the Financial Statements

(a) Property, Plant & Equipment Movements in 2022/23

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000
Cost or Valuation as at 1 April 2022	700,475	901,787	58,081	21,005	32,778	8,209	1,722,335
Additions	46,093	7,855	5,621	1,032	21,152	-	81,753
Revaluations:							
Recognised in Revaluation Reserve	2,505	122,619	-	-	-	2,752	127,876
Recognised in Provision of Services	-	11,221	-	-	-	-	11,221
De-recognition:							
Disposals	-	(1,467)	(1,857)	-	-	-	(3,324)
Assets reclassified to/from Held for Sale	-	(729)	-	-	-	1,093	364
Other Movements in Cost or Valuation	-	1,128	882	-	197	2,675	4,882
As at 31 March 2023	749,073	1,042,414	62,727	22,037	54,127	14,729	1,945,107
Accumulated Depreciation & Impairment as at 1 April 2022	207,562	374,062	40,313	5,994	1,151	6,064	635,146
Depreciation:							
Charge for Year	19,349	29,489	8,644	695	-	-	58,177
Impairment Losses/(Reversals):							
Recognised in Revaluation Reserve	1,614	(335)	-	-	-	-	1,279
Recognised in Provision of Services	-	7,185	-	-	-	22	7,207
De-recognition:							
Disposals	-	(899)	(1,815)	-	-	-	(2,714)
As at 31 March 2023	228,525	409,502	47,142	6,689	1,151	6,086	699,095
Net Book Value							
31 March 2022	492,913	527,725	17,768	15,011	31,627	2,145	1,087,189
31 March 2023	520,548	632,912	15,585	15,348	52,976	8,643	1,246,012

Notes to the Financial Statements

(b) Property, Plant & Equipment Movements in 2021/22

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Assets under Construction £'000	Surplus Assets £'000	Total £'000
Cost or Valuation as at 1 April 2021	657,958	886,720	50,776	19,852	18,613	8,224	1,642,143
Additions	28,638	14,632	6,439	1,153	14,165	-	65,027
Revaluations:							
Recognised in Revaluation Reserve	13,879	641	-	-	-	-	14,520
Recognised in Provision of Services	-	-	-	-	-	-	-
De-recognition:							
Disposals	-	-	(148)	-	-	(15)	(163)
Assets reclassified to/from Held for Sale	-	(242)	-	-	-	-	(242)
Other Movements in Cost or Valuation	-	36	-	-	-	-	36
As at 31 March 2022	700,475	901,787	57,067	21,005	32,778	8,209	1,721,321
Accumulated Depreciation & Impairment as at 1 April 2021	180,061	341,789	32,405	5,338	1,151	6,064	566,808
Depreciation:							
Charge for Year	17,344	29,355	7,908	656	-	-	55,263
Impairment Losses/(Reversals):							
Recognised in Revaluation Reserve	10,157	814	-	-	-	-	10,971
Recognised in Provision of Services	-	2,104	-	-	-	-	2,104
De-recognition:							
Disposals	-	-	-	-	-	-	-
As at 31 March 2022	207,562	374,062	40,313	5,994	1,151	6,064	635,146
Net Book Value							
31 March 2021	477,897	544,931	18,371	14,514	17,462	2,160	1,075,335
31 March 2022	492,913	527,725	16,754	15,011	31,627	2,145	1,086,175

Notes to the Financial Statements

(c) Infrastructure Assets

The Council's infrastructure assets have been recognised on the Balance Sheet at depreciated historic cost in line with the Council's established accounting policy. A useful life of 10 – 50 years is applied to these assets and used in the calculation of the annual depreciation charge, based on the Council's assessment of the useful economic life of these assets.

On 29 August 2022 the Scottish Government confirmed in Local Government Finance Circular 09/2022 that it has provided a temporary statutory override to the accounting and disclosure requirements related to infrastructure assets in local government financial statements, whilst more permanent updates are developed within the CIPFA/LASAAC Code of Practice for Local Authority Accounting ("the Code"). The allowed changes are applicable for the 2021/22 financial year through to the 31 March 2024 financial year.

The Council has applied both available statutory overrides for infrastructure assets:

- Statutory Override 1: For accounting periods commencing from 1 April 2021 until 31 March 2024 a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets.
- Statutory Override 2: For accounting periods commencing from 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be and accounted for as a nil amount. No subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.

2021/22 £'000		2022/23 £'000
130,528	Net carrying amount at 1 April	139,967
(7,048)	Depreciation	(7,715)
16,487	Additions	19,509
139,967	Balance outstanding at 31 March	151,761

Note 21: Heritage Assets

Heritage Assets are defined as assets which have historical, artistic, scientific, technological, or environmental qualities and are held and maintained principally for their contribution to knowledge and culture. It is a distinct asset class which is reported separately from Property, Plant and Equipment and Intangible Assets.

Heritage Assets are recognised where cost or valuation information is available. Where the cost or value is not available, and the cost of obtaining the information is disproportionate in terms of the benefit derived, the Code does not require the assets to be recognised on the Balance Sheet. Where valuation is available, this is based on insurance valuation. Any increases in valuation are accounted for in accordance with the Council's general policies on revaluation.

Heritage Assets are reviewed periodically where there is evidence of physical deterioration or breakage. Where impairment losses are identified, they are accounted for in accordance with the Council's general policies on impairment. The Council does not consider it appropriate to charge depreciation in respect of Heritage Assets due to the undetermined lives and high residual values.

With the exception of Civic Regalia and one item of art, the Council does not consider that reliable cost or valuation information can be obtained and consequently there is limited recognition of Heritage Assets on the Balance Sheet.

Notes to the Financial Statements

2021/22 £'000		2022/23 £'000
266	Cost or Valuation as at 1 April	266
-	Movements	-
266	As at 31 March	266
-	Accumulated Depreciation and Impairment as at 1 April	-
-	Movements	-
-	As at 31 March	-
266	Net Book Value as at 31 March	266

The total net book value of Heritage Assets at 31 March 2023 is £0.266m, of which £0.211m relates to Civic Regalia.

Heritage Assets were initially recognised in the Balance Sheet in 2011/12. The initial recognition was via the Revaluation Reserve. Thereafter, in 2013/14, £0.048m was added for Town Centre Sculptures, with a further £0.007m added in 2016/17 for a memorial statue.

Note 22: Other Capital Notes

Valuation Disclosure

All of the Council's land and buildings are subject to a rolling programme of revaluation. This effectively means that each asset has to be revalued at least once within a five-year period, always as at 31 March of the year. The revaluations are performed externally by the District Valuer or external property surveyors.

In 2022/23 the Council's Non-Operational Assets and Other Assets including Community Assets and some Offices were revalued as at 31 March 2023. This resulted in a net upwards revaluation of these assets of £16.2m.

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

Service	Valuation Date	Valuation Basis
Social Work	31 March 2022	Open Market Value for Existing Use
Education - Primary & Secondary Schools	31 March 2021	Where the assets were considered to be non-specialised e.g., Nurseries, these were valued on the basis of an Existing Use Value using a Market Value comparable.
Education - Other	1 April 2018	Where the assets were considered to be specialised e.g., primary schools, these were valued on the basis of Depreciated Replacement Cost based on a modern equivalent asset basis where appropriate.
Other, including Community Asset and some Offices	31 March 2023	Open Market Value for Existing Use or where recognised as specialised, Depreciated Replacement Cost
Non-Operational Assets	31 March 2023	Market Value
Falkirk Community Stadium	31 March 2023	Existing Use Value or where recognised as specialised, Depreciated Replacement Cost

Education Assets were subject to a review by external property surveyors at 31 March 2023. 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. This resulted in a net increase of £112m.

Notes to the Financial Statements

A similar desktop review of the Council's Housing Stock was carried out by the District Valuer and resulted in a net increase of £12.6m

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

Assets Under Construction have been valued at cost.

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

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

The stadium previously owned by Falkirk Community Stadium Ltd transferred ownership to Falkirk Council in October 2022. The transfer value of the assets was £3.770m. The assets have been revalued by the District Valuer at 31 March 2023 to £4.240m.

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

Valuations have been provided at a point in time in the aftermath of the COVID-19 pandemic which had caused a degree of "pausing" within the property markets. The effects of the pandemic upon the property market and wider economy were far-reaching, however, the Government mandated restrictions and measures that were brought in to control the spread of the virus were removed during 2022. A cost of living crisis has emerged subsequently and is affecting the wider economy.

Capital Commitments

As at 31 March 2023, the Council has entered into a number of contracts for the construction, enhancement or purchase of Property, Plant and Equipment in 2022/23 and future years, budgeted to cost £86.8m. Commitments at 31 March 2022 were £69.6m. The major commitments are:

Project	£'m
External Fabric Improvements (Housing)	8.7
Replacement Windows and Doors 4 year contract (Housing)	37.7
New Build Housing	27.1
Other Housing Contracts	5.8
New Cremators	1.1
Various / Misc. Contracts	6.4
Total	86.8

Note 23: Assets held for Sale

Current 2021/22 £'000	Non-Current 2021/22 £'000		Current 2022/23 £'000	Non-Current 2022/23 £'000
2,038	-	Balance at 1 April	2,287	-
241	-	Assets Newly Classified as Held for Sale	(363)	-
		Revaluation losses:		
(251)	-	• Recognised in Revaluation Reserve	-	-
-	-	• Recognised in Provision of Services	(80)	-
		Revaluation gains:		
233	-	• Recognised in Revaluation Reserve	130	-
63	-	• Recognised in Provision of Services	297	-
(37)	-	Assets sold	(23)	-
-	-	Transfer from/to non-current/current	-	-
2,287	-	Balance outstanding 31 March	2,248	-

Notes to the Financial Statements

Note 24: Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2021/22 £'000		2022/23 £'000
414,404	Opening Capital Financing Requirement	430,247
	Capital Investment:	
81,597	• Property, Plant and Equipment	103,072
239	• Intangible Assets	180
411	• Revenue Expenditure Funded from Capital under Statute	327
	Sources of Finance:	
(41)	• Capital receipts	(575)
(37,802)	• Government grants and other contributions	(41,371)
	Sums set aside from revenue:	
(13,812)	• Direct revenue contributions	(9,101)
(14,749)	• MRP/loans fund principal	(9,378)
-	• Assets acquired under PFI / PPP contracts	(7,217)
430,247	Closing Capital Financing Requirement	466,184
	Explanation of movements in year:	
22,951	• Increase in underlying need to borrow (unsupported by government financial assistance)	52,532
-	• MRP / Loans Fund Principal	(9,378)
(7,108)	• PFI / PPP contract unitary charge payment	(7,217)
15,843	Increase / (Decrease) in Capital Financing Requirements	35,937

Note 25: Private Finance Initiative (PFI) and Similar Contracts

PFI contracts are agreements to receive services, where the responsibility for making available the assets needed to provide the services passes to the PFI contractor. If the Council is deemed to control the services that are provided under its PFI schemes and if ownership of the assets will pass to the Council at the end of the contracts for no additional charge, the Council should carry the assets used under the contracts on its Balance Sheet, as part of Property, Plant and Equipment.

Under the revised accounting arrangements for PFI that were introduced for 2009/10 by the 2009 SORP, the criteria for asset recognition moved from risk and reward to issues about the control of service provision as well as control over the residual value of the asset. An exercise was carried out which concluded that the two PFI schemes operated by Falkirk Council would result in the assets being recognised on the Balance Sheet.

The two PFI Schemes operated by Falkirk Council are:

- Class 98 Ltd, for the provision of 5 schools with payments due from August 2000 and terminating in August 2025. In June 2022 the Council agreed to take all necessary administrative, technical and contractual steps to bring the contract to an end at 1st August 2025 and transfer the schools back to the Council.
- Falkirk Schools Gateway Ltd for the provision of 4 schools with payments due from January 2009 and terminating in March 2040.

The Code requires that when these assets are recognised an equal and opposite entry is made to credit a finance lease liability. The asset is depreciated in line with normal Council policy and the finance lease liability is written down annually by the apportioned element of the PFI unitary charge.

The amounts payable to the PFI operators each year are analysed into five elements:

Notes to the Financial Statements

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income & Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Lifecycle replacement costs – proportion of the amount payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

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

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

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

(a) Movement in Assets

	Class 98 £'000	Falkirk Schools Gateway Ltd £'000	2022/23 £'000
Balance as at 1 April 2022	92,498	116,939	209,437
Net Additions during year	706	57	763
Revaluation	26,520	45,561	72,081
Depreciation	(6,059)	(5,293)	(11,352)
Net Book Value 31 March 2023	113,665	157,264	270,929

(b) Movement in Liabilities

	Class 98 £'000	Falkirk Schools Gateway Ltd £'000	2022/23 £'000
Balance as at 1 April 2022	19,343	63,604	82,947
Repaid during year	(4,609)	(2,480)	(7,089)
Balance as at 31 March 2023	14,734	61,124	75,858
of which:			
• Current	5,911	2,379	8,290
• Long Term	8,823	58,745	67,568
Total	14,734	61,124	75,858

(c) Estimated Future Unitary Payment Obligations

	Service Charges £'000	Interest £'000	Finance Lease Repayment £'000	2022/23 £'000
Basic Annual Payments – Class 98				
Within one year	2,599	5,241	5,911	13,751
In the second to fifth years inclusive	3,285	6,303	8,823	18,411

Notes to the Financial Statements

Total	5,884	11,544	14,734	32,162
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The figures shown above for the Basic Annual Payment assume an indexation rate of 0% on a fixed part of the Basic Annual Payment with the balance indexed at 8.3% per annum as per the operator's financial model.

Basic Annual Payments – Falkirk Schools Gateway Ltd.	Service Charges £'000	Interest £'000	Finance Lease Repayment £'000	2022/23 £'000
Within one year	6,593	6,886	2,379	15,858
In the second to fifth years inclusive	28,278	28,324	10,892	67,494
In the sixth to tenth years inclusive	43,671	35,426	15,209	94,306
In the eleventh to fifteenth years inclusive	42,409	40,691	23,598	106,698
In the sixteenth to twentieth years inclusive	9,170	12,597	9,046	30,813
Total	130,121	123,924	61,124	315,169

The figures shown above for the Basic Annual Payment assume an indexation rate of 8.2% as per the operator's financial model.

Note 26: Contingent Assets and Liabilities

A contingent asset or liability arises where an event has taken place that gives the Council a possible asset or obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

(a) Contingent Assets

- (i) There are no contingent assets.
- (ii) The Council previously reported details of a dispute with a purchaser relating to remediation works within a contract for the sale of land, the outcome of which resulted in a settlement agreement being finalised in February 2022 for the remaining outstanding monies of £0.3m. As at 31 March 2023 £0.06m has been received in line with the repayment schedule and is no longer classed as a contingent asset. Amounts outstanding are included in long term debtors (Note 30).

(b) Contingent Liabilities

- (i) Falkirk Schools Project – Falkirk Council has entered into a Public Private Partnership with Class 98 Ltd to provide five schools. In terms of the Project Agreement, the Council is liable for outstanding senior debt following termination of a Class 98 Ltd event of default. At 31 March 2023, this totalled £4.8m (£9.5m as at March 2022).
- (ii) The Limitation (Childhood Abuse) (Scotland) Act 2017 removed the three-year time limit on claims for child abuse. Historic claims are therefore likely against Falkirk Council and its predecessors. Whilst the Scottish Government has put in place a Redress Scheme for survivors of historical child abuse in care, individuals have the option to progress via this route for a capped pre-determined amount (funded by various organisations, including all 32 Scottish Councils) or to pursue a claim against Falkirk Council directly.
- (iii) A recent EU ruling has highlighted that the Council may have some liability in respect of additional Holiday Pay entitlement. The extent of this liability cannot be assessed at this stage.
- (iv) Two accidents are being investigated by the Health and Safety Executive (HSE). On 8 September 2021, a fatality was reported upon a Falkirk Council Road construction site, and a separate accident occurred in the Council's Dalgrain depot. HSE reports have now been submitted to the Procurator Fiscal and a fine or fixed penalty is anticipated. Whilst the legal costs may be met via Council insurance policies, and fine or penalty would be met by the Council. It is not possible to estimate a likely fine or penalty at this time.

Notes to the Financial Statements

Note 27: Loans Outstanding

These loans were raised to finance the capital expenditure of the Council. The source of these loans as at 31 March 2023 was as follows:

2021/22 £'000	Borrowing Repayable on Demand or Within 12 Months	2022/23 £'000
30,000	Temporary Borrowing	48,000
-	Public Works Loans Board	12,464
2,738	Accrued Interest	2,950
32,738	Total	63,414
	Long Term Borrowing	
216,201	• Public Works Loan Board	192,737
26,000	• Market Bonds	26,000
10,000	• Temporary Borrowing	10,000
252,201		228,737
1,353	Accrued Interest	1,315
253,554	Total	230,052

Short-Term Borrowing per the Balance Sheet is £64.436m. This figure includes temporary borrowing of £63.414m and £1,022m in respect of Third-Party balances which are invested in the Loans Fund as at 31 March 2023.

Note 28: Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the obligation. Provisions are charged as an expense to the appropriate service revenue account in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and appropriate adjustments made to the level of provision. The provisions are included in the accounts in accordance with IAS37.

(a) Kinneil Kerse

A provision exists for the restoration costs associated with the restoration of Kinneil Kerse landfill site. Planning approval was granted, and work commenced during 2015/16. Restoration costs of £0.505m have been incurred during 2022/23. Consequently, the provision has been fully written down in 2022/23 (Balance as at 31 March 2022 was £0.444m).

(b) Equal Pay Claims

Employment Tribunal proceedings have been raised against the Council by a number of staff relating to Equal Pay. The information usually required by International Accounting Standard 37 (Provisions, Contingent Liabilities and Contingent Assets) is not disclosed in respect of this provision on the grounds that it can be expected to prejudice seriously the outcome of the proceedings.

Notes to the Financial Statements

(c) Insurance Claims

- (i) Prior to local government reorganisation in 1996 the extant councils, Central Regional Council and Falkirk District Council, entered into a solvent run-off arrangement with their insurer, MMI, with the aim of having sufficient assets to meet outstanding insurance claims. This essentially means that liabilities, as they arise, can be met from available resources. The outcome of litigation has created a financial liability for Falkirk Council as successor Council. Consequently, a provision of £0.720m was created. This provision has been drawn down by £0.511m up to 31 March 2022, with a further draw down of £0.010m in 2022/23. The balance on the provision at 31 March 2023 is £0.199m, (£0.209m as at 31 March 2022).
- (ii) The Council has received a number of historic child abuse claims. A provision of £0.2m has been made to reflect new legislation extending the period in which claims could be made. Historic insurance policies have been traced however there remains the policy excess to be funded. The public redress scheme may not have an effect on these numbers as there is a larger financial incentive to pursue claims against the local authority directly.

Note 29: Long Term Debtors

Balance 31/03/22 £'000		Advanced 2022/23 £'000	Repaid 2022/23 £'000	Balance 31/03/23 £'000
549	Northfield Quarry	35	(105)	479
77	Owner Occupiers	-	(29)	48
5	Loan Arrears	-	(5)	-
3,061	Scottish Fire Service	-	(282)	2,779
1,009	Falkirk Community Stadium Ltd.	-	(1,009)	-
91	Social Work Deferred Payments	26	-	117
-	Redding Park Development	240	-	240
4,792	Total	301	(1,430)	3,663

- (1) The outstanding debt in respect of the Scottish Fire Service is shown on the Council's balance sheet as a long-term debtor. The balance will be written down over the life of the loans on payment of an annual account raised to Scottish Fire Service.

Note 30: Inventories

Consumable Closing Stocks are valued at average cost.

The value of stocks as at 31 March 2023 is shown below:

	2022/23 Opening Stock (Restated) £'000	Purchases / Additions £'000	Stock Write Downs £'000	Recognition as an expense £'000	2022/23 Closing Stock £'000
Stocks	726	1,756	(3)	(2,042)	437

Note 31: Construction Contracts

Work in progress under construction contracts is accounted for using the percentage of completion method. Contract revenue is matched with contract costs incurred in reaching the state of completion at the Balance Sheet date.

As at 31 March 2023, the Council's Building Maintenance Division had several construction contracts in progress. The income derived from the value of work completed at 31 March 2023 was established using a stage of completion methodology based on architects' certificates obtained at the year end. There were no sums due as at 31 March 2023.

Note 32: Debtors

2021/22 £'000		2022/23 £'000
15,871	Central government bodies	17,098
297	Other local authorities	2,009
1,470	NHS Bodies	3,318
45,459	Other entities and individuals	34,469
303	Falkirk Community Trust	-
13	Falkirk IJB	-
63,413		56,894
(22,122)	Provision for Bad Debt	(23,328)
41,291	Total Debtors	33,566

Note 33: Creditors

2021/22 £'000		2022/23 £'000
3,542	Central government bodies	3,741
406	Other local authorities	474
292	NHS Bodies	434
72,645	Other entities and individuals	82,198
24	Falkirk Community Trust	-
12,159	Falkirk IJB	16,762
89,068	Total Creditors	103,609

Note 34: Cash and Cash Equivalents

2021/22 £'000		2022/23 £'000
(3,233)	Bank Current Accounts	1,257
49,017	Deposits with UK Banks, Building Societies & Local Authorities	29,805
45,784	Total	31,062

Note 35: Trust and Third-Party Funds

The Council administers and acts as trustees, where applicable, to a number of third-party funds none of which are registered as a Charity under the Charities and Trustee Investment (Scotland) Act 2005. Whilst each fund has specific objectives and conditions, most were gifted into the trust of the Council to provide assistance to the poor and needy and to pay for the maintenance and upkeep of lairs. The Council acts as the sole trustee for all funds except one.

The purposes of the largest General Trust Funds held by Falkirk Council are:

Funds for which the Council Acts as Sole Trustee:

- Provost's Fund for Necessitous Poor (£57,926) - to provide donations to residents of the former Burgh of Falkirk at the sole discretion of the Provost.
- Shank's Bequest (£27,017) - to provide donations to the needy of Denny.
- Candyend Trust (£80,872) - to provide donations to specific organisations assisting the elderly in the Muiravonside area.
- Alexander Douglas King Bequest (£18,979) – bequest for the promotion and advancement of education of art at Bo'ness Academy.
- McNair Bequest (£9,685) – bequest for the benefit of Bo'ness Academy.

Fund for which the Council is not Sole Trustee

- Odenwald Trust (£22,726) - to foster twinning exchanges between the Council and the Odenwald region in Germany. The Fund is managed by the three successor Councils of Central Regional Council who previously administered it. Each of the Councils from Stirling, Falkirk and Clackmannanshire has appointed one Trustee along with one appointed from the Odenwald Association.

Temperance Trust

The Temperance Trust is a registered charity (SC001904) administered by Falkirk Council. As at 31 March 2023 there are three trustees of the Trust – Provost Robert Bissett, Councillor Sarah Patrick and Councillor Euan Stainbank. Temperance Trust funds are available to assist mainly organisations operating within Falkirk dealing with alcohol abuse and other forms of substance addiction. As at 31 March 2023 the Trust had available funds of £161,784. The funds do not represent assets of the Council and are not included in the Council's Balance Sheet. Annual Report and Accounts are available for the Temperance Trust.

Notes to the Financial Statements

General 2021/22 £'000	Temperance 2021/22 £'000		General 2022/23 £'000	Temperance 2022/23 £'000
Income				
(1)	-	Investment Income	(8)	-
Expenditure				
29	-	Awards and Other Expenses	-	-
28	-	Deficit / (Surplus) for the Year	(8)	-
Balance Sheet				
Fixed Assets				
3	162	External Investments	3	162
294	-	Internal Investments	302	-
297	162	Net Assets	305	162
(325)	(162)	Fund Balance at 1 April 2022	(297)	(162)
28	-	Deficit/(Surplus) for Year	(8)	-
(297)	(162)	Fund Balance at 31 March 2023	(305)	(162)

Note 36: Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants and Receipts Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants and Receipts Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement during the year.

Notes to the Financial Statements

2021/22 £'000	Credited to Services	2022/23 £'000
3,482	Criminal Justice	3,879
29,596	Housing DWP Subsidy	26,447
399	Education Maintenance Allowances	393
1,423	ETU Programmes	2,889
-	Home Insulation Scheme	592
12,514	Integration Fund	11,915
4,389	Pupil Equity Fund	3,962
19,049	Early Years Expansion	16,846
9,724	COVID-19 Funding	988
-	Resettlement	3,110
	Shared Prosperity Fund	964
5,519	Other Grants	6,513
86,095	Total	78,498

2021/22 £'000	Credited to Taxation and Non-Specific Grant Income	2022/23 £'000
24,400	Scottish Government – General Capital Grant	20,204
5,037	Scottish Government – Specific Capital Grants	2,088
4,820	Scottish Government – Other Grants	11,106
2,405	Other Grants	2,785
573	Developers Contributions	1,251
145	Other Contributions	3,604
37,380	Capital Grants, Contributions and Donations	41,038
248,631	Revenue Support Grant	260,070
14,713	COVID Grant Funding	-
263,344	Government Grants	260,070

Capital Grants Received in Advance

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them which require the monies to be returned to the giver. The balances at the year-end are as follows:

2021/22 £'000	Capital Grants and Receipts Received in Advance	2022/23 £'000
3,091	Scottish Government	2,650
9,826	Developers Contributions	10,041
2,490	Other Contributions	2,207
15,407	Total	14,898

Note 37: Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another. The term 'financial instrument' covers both financial liabilities and financial assets. Financial instruments are initially measured at fair value and are carried at their amortised cost. Where no reliable measurement exists, they will be measured at cost. Fair Value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation technique used to measure the fair value of financial instruments depends on where they sit in the fair value hierarchy (level 1, 2 or 3). There were no changes to the valuation techniques used in 2022/23 for financial instruments.

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

Notes to the Financial Statements

Categories of Financial Instruments in the Balance Sheet

Long Term 31/03/22 £'000	Current 31/03/22 £'000		Long Term 31/03/23 £'000	Current 31/03/23 £'000
Investments				
3,596	-	Long Term Investments	-	-
Other Financial Assets				
-	54,878	Temporary Deposits	-	30,899
2,765	290	Loan Debt – Central Scotland Fire & Rescue Service	2,490	283
1,621	38	Other Loans & Receivables	1,581	40
-	41,291	Trade Debtors	-	33,566
4,386	96,497		4,071	64,788
Borrowings				
(205,201)	(11,000)	PWLB Debt	(192,737)	(12,464)
(26,000)	-	Non PWLB Debt	(26,000)	-
(10,000)	(30,000)	Temporary Short Term Loans	(10,000)	(48,000)
(241,201)	(41,000)		(228,737)	(60,464)
Other Financial Liabilities				
-	(89,068)	Trade Creditors	-	(103,609)

Other Financial Assets

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

The Council does not have any soft loans.

The majority of financial assets held are with other local authorities and banks and the Council's policy is to invest in approved counterparties for no more than 12 months. Local authorities are excluded from an impairment loss calculation. Deposits with other counterparties mature in less than 12 months and the credit risk is extremely low, consequently no credit losses are anticipated and therefore an impairment loss has not been calculated.

Borrowings

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

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

Notes to the Financial Statements

Carrying Amount 31/03/22 £'000	Fair value 31/03/22 £'000		Carrying Amount 31/03/23 £'000	Fair value 31/03/23 £'000
216,201	273,083	PWLB Debt	205,201	202,519
26,000	34,945	Non-PWLB Debt	26,000	26,142
40,000	39,755	Temporary Loans	58,000	57,664
282,201	347,783	Total Debt	289,201	286,325

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

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

Other Financial Liabilities

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

Nature and Extent of Risk Arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks. The key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

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

The Treasury Management Strategy for the forthcoming year is approved annually by Council. This Strategy sets out criteria for both borrowing and investing and selecting investment counterparties in compliance with the Government Regulations

Risk Management is carried out by Treasury Management staff, under policies approved by the Council in the annual Treasury Management Strategy. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

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

Notes to the Financial Statements

Credit Risk

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

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

The Council does not generally allow credit for its trade debtors and £4.3m of the £8.9m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£'000
Less than 31 days	584
31 – 60 days	156
61 – 90 days	90
More than 90 days	3,426
Total	4,256

The Council initiates a deferred charge on property in circumstances where clients, requiring the assistance of Social Work Services, are unable to meet their immediate financial liabilities. The total collateral at 31 March 2023 was £0.5m.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

The Council has ready access to borrowings from the Money Markets to cover any day-to-day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Re-financing and Maturity Risk

The approved treasury indicator limits for the maturity structure of debt are the key parameters used to address re-financing and maturity risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. The team will monitor the maturity profile of financial liabilities and amend the profile through either new borrowing or the rescheduling of the existing debt. They will also monitor the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs. The maturity analysis of financial liabilities is as follows:

31/03/22		Approved Maximum Limits	31/03/23
£'000		%	£'000
41,000	Less than one year	35	60,464
12,464	Between one and two years	20	11,670
51,038	Between two and five years	20	49,368
30,000	Between five and ten years	30	20,000
39,381	Between ten and twenty years	30	39,381
20,000	Between twenty and thirty years	30	41,000
49,318	Between thirty and forty years	30	28,318
39,000	Between forty and fifty years	40	39,000
282,201	Total		289,201

Notes to the Financial Statements

Market Risk

Interest rate risk - the Council is exposed to interest rate movements on its borrowings and investments and rate changes have a direct impact on the CIES and General Fund or HRA balances. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. An increase in short term interest rates would increase the amount payable on short term borrowings (if variable rate) and potentially increase the amount receivable for investments.

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws on the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately.

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(309)
Impact on Other Comprehensive Income and Expenditure	(309)
Share of overall impact credited to the HRA	(183)
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(22,313)

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

Price Risk and Foreign Exchange risk - The Council does not invest in equity shares and consequently is not exposed to gains or losses arising from movements in the prices of shares. The Council does not lend or borrow in foreign currencies and has no exposure to gains or losses arising from movements in exchange rates.

Note 38: Other Long-Term Liabilities

2021/22 £'000		2022/23 £'000
75,858	PFI Finance Lease Liabilities	67,568
543	PFI Deferred Income	414
76,401	Total	67,982

Note 39: Interest Payable

2021/22 £'000		2022/23 £'000
11,171	Interest Paid	13,706
11,376	Finance Lease Interest PFI / NPDO	11,586
22,547	Total	25,292

Note 40: Group Accounts

1. Group Accounting Policies

The Group Accounting policies are those specified for the single entity accounts. The accounting policies of all group members are materially the same as those of the single entity.

Disclosure of Interest in Other Entities

The Council has adopted the recommendations of Chapter 9 of the Code, which requires local authorities to consider their interest in all types of entity to incorporate into Group Accounts.

A full set of Group Accounts, in addition to the Council's Accounts has been prepared which incorporates material balances from identified bodies.

Nature of Combination

The Council has accounted for its interest in its Associates and Joint Ventures by the equity method of accounting.

With regard to Central Scotland Valuation Joint Board, the Council's interest reflects the requisition share paid by the Council. Goodwill has not arisen as no consideration was paid for such interests.

All intra-group transactions have been eliminated from the Group Accounts as part of the consolidation process.

2. Financial Impact of Consolidation

By including the Subsidiary and Associate bodies (details of which are shown in Notes 4 and 5 below), the effect on the Group Balance Sheet is an increase in Reserves of £15.501m. This represents the Council's share of the net liabilities in those entities.

3. Combining Entities

Falkirk Council administers the Common Good Funds for the four former Town Councils of Bo'ness, Grangemouth, Falkirk, and Denny. These funds can only be used for a limited range of purposes. They are not assets of the Council and are not included in the Council's Balance Sheet, however, they have been included in the Group Account Statements and consolidated in full.

The accounting period end for all entities is 31 March 2023. Copies of the most recent audited accounts of the group entities are available from the Chief Finance Officer, Falkirk Council.

Subsidiaries

Falkirk Council no longer has any subsidiaries. FCSL (Holdings) Ltd and Falkirk Community Stadium Ltd (FCSL) ceased trading from the 1 November 2022 and Falkirk Community Trust Ltd and Falkirk Community Trading Ltd ceased trading from 1 April 2022. The companies are in the process of being dissolved with the services provided now managed directly by the Council.

Associate

Central Scotland Valuation Joint Board

This Board is jointly administered by the Councils of Clackmannanshire, Falkirk and Stirling and appoints an Assessor for the valuation area who also acts as Electoral Registration Officer. Falkirk Council is requisitioned for 49.2% of expenditure, based on adjusted population.

Notes to the Financial Statements

Joint Ventures

Falkirk Integration Joint Board

Falkirk Integration Joint Board (IJB) is a statutory body established to integrate health and social care services between Falkirk Council and NHS Forth Valley. The contribution provided by Falkirk Council in 2022/23 was £89.1m (£71.7m in 2021/22). The IJB Board comprises 6 voting members consisting of 3 elected members from Falkirk Council and 3 non-executive Health Board members.

4. Group Income and Expenditure of Associates and Joint Ventures

Share of the (Surplus) or Deficit on Provision of Services by Associates and Joint Ventures

2021/22 £'000		2022/23 £'000
79	Central Scotland Valuation Joint Board	304
(9,911)	Falkirk Integration Joint Board	4,544
(9,832)	Total	4,848

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

2021/22 Restated £'000		2022/23 £'000
(1,772)	Central Scotland Valuation Joint Board	(1,938)
(1,772)	Total	(1,938)

5. Group Entities Reserves

2021/22 Restated Total £'000	Reserves	Central Scotland Valuation Joint Board £'000	Common Good Funds £'000	Falkirk Integration Joint Board £'000	2022/23 Total £'000
(14,354)	Usable	(315)	(762)	(14,415)	(15,492)
87	Unusable	1,002	(1,011)	-	(9)
(14,267)	Total	687	(1,773)	(14,415)	(15,501)

6. Non-Consolidation Interests in Other Entities

The Council has a relationship with the following entities which have been set up for specific purposes but have not been consolidated into the Group.

Trust Funds - Although administered by Falkirk Council, these have been excluded under the quantitative assessment of materiality.

The Hub Initiative - This was established to aid the delivery of capital investment projects across Scotland. Equity and working capital is split amongst the private sector (60%), the 17 public sector bodies (30%) and the Scottish Futures Trust (10%). Falkirk Council has no particular control or influence and, therefore, their interest is immaterial.

Community Schools 2008 Charity – This was established to receive and disburse monies contractually received from the NPDO Schools project holding company to voluntary groups and organisations providing recreational facilities in the Council area. Falkirk Council has no significant influence.

Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Falkirk Council and its group for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rates Account, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2023 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, I report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Independent Auditor's Report

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

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

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

The Audit Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

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

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the council and its group;
- inquiring of the Chief Finance Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the council and its group;
- inquiring of the Chief Finance Officer concerning the policies and procedures of the councils and its group regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and

Independent Auditor's Report

extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on other requirements

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

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

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

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

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

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

Independent Auditor's Report

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Pauline Gillen

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07 December 2023



Falkirk Council