

**Annual Report
& Accounts**

2013/2014



Falkirk Council

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INTRODUCTION TO THE ACCOUNTS

The statements which follow, show the financial results of Falkirk Council for the year to 31 March 2014.

They comprise:

- ◆ A Foreword by the Chief Finance Officer providing a summary of the Council's financial position.
- ◆ A Statement of the Accounting Policies followed in preparing the Accounts.
- ◆ A Statement of Responsibilities for the Statement of Accounts.
- ◆ An Annual Governance Statement.
- ◆ A Remuneration Report detailing payments and pension information for senior officers and senior elected members.
- ◆ The Comprehensive Income and Expenditure Statement - this highlights gross revenue expenditure, income and net expenditure for the Council. The Account shows how net expenditure has been financed.
- ◆ The Balance Sheet - sets out the overall financial position of the Council as at 31 March 2014.
- ◆ The Cash Flow Statement - shows where the Council's money came from and how it was spent.
- ◆ The Movement in Reserves Statement which shows the movement in the year of the different reserves used by the Council.
- ◆ Group Financial Statements which reflect the Council's interest in the Valuation Joint Board, FCSL (Holdings) Ltd, Falkirk Community Stadium Limited, Falkirk Community Trust and Common Good Funds.

FOREWORD BY CHIEF FINANCE OFFICER

1. INTRODUCTION

The purpose of the Annual Accounts is to demonstrate the Council's stewardship of the significant amount of public funds with which it is entrusted. The financial statements represent the financial position of Falkirk Council as at 31 March 2014.

The results for 2013/14 are set out on pages 51 to 122 and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14. The Statement of Accounting Policies on pages 11 to 29 sets out the accounting policies adopted by the Council in order to ensure that the Accounts provide a true and fair view of our financial performance. This foreword seeks to provide a guide to the most significant matters disclosed in the Accounts. An explanation of the main technical terms used in the Accounts is included at pages 123 to 125.

2. THE FINANCIAL STATEMENTS

Core Financial Statements

The 2013/14 Code of Practice on Local Authority Accounting (Code) requires local authorities to produce Accounts on an International Financial Reporting Standards (IFRS) basis. An explanation of the financial statements which follow and their purpose are as follows:

- *The Comprehensive Income and Expenditure Statement (CIES)* shows the accounting 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.
- *The Balance Sheet* shows the value as at the Balance Sheet date of the assets 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. These are shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- *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.
- *The Movement in Reserves 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 (i.e. those that the Council is not able to use to provide services). 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. These are 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. The Net Increase/Decrease before Transfers to Other Statutory Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.
- *The Notes to the Accounts* provide further information.

Supplementary Financial Statements (shown as Notes to the Accounts 35 to 42)

An explanation of the supplementary financial statements and their purpose are:

- *The Housing Revenue Account (HRA)* reflects the statutory requirement to account separately for local authority housing provision, as defined in the Housing (Scotland) Act 1987. The HRA account has three parts:
 - i. HRA Income and Expenditure Statement – which shows in more detail the income and expenditure on HRA services included in the whole Council Comprehensive Income and Expenditure Statement.
 - ii. Movement on the HRA Statement – which shows how the HRA Income and Expenditure Statement surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year.
 - iii. Notes to the Housing Revenue Account – which provide additional information on the HRA.
- *The Council Tax Income Account* shows the gross and net income from council tax, together with details of the number of properties on which council tax is levied, and the charge per property.
- *The Non-Domestic Rates Income Account* shows the gross and net income from non-domestic rates and details the amount payable to the national non-domestic pool, as well as the resulting net income for the financial year to the Council that is shown in the Comprehensive Income and Expenditure Statement. This account also shows income to the Council in respect of the Tax Incremental Financing Initiative. Further information on this is given on page 11.
- *Common Good Funds* were inherited from the former burgh authorities of Bo'ness, Denny, Grangemouth and Falkirk in 1975. These funds are used solely for the benefit of the residents of these areas. An Income and Expenditure Statement as well as a Balance Sheet have been prepared for each fund. In addition, a cumulative financial statement has also been prepared.

Group Accounts

The Council has an interest in the Valuation Joint Board and Common Good Funds. The Council also has an interest in four limited companies and further information on these can be found on page 118. The Joint Board appoints an Assessor for the valuation area who also acts as the Electoral Registration Officer and members of the Board are elected councillors and are appointed by the Council in proportions specified in the legislation. Under accounting standards guidance, the Council can be seen to have significant influence over this statutory body, through nominated Council Member involvement in the body's governing Board. As a result, the Board is included within the Group Accounts.

The following statements make up the "group accounts" for the Council:

- *The Group Comprehensive Income and Expenditure Statement* combines the Income and Expenditure figures for the Council with the Council's share of the operating results of its external interests.
- *The Group Balance Sheet* brings together all of the assets and liabilities of the group. It also combines the Council's assets and liabilities with its share of the net assets or liabilities of its external interests.
- *The Group Cash Flow Statement* shows the changes in cash and cash equivalents of the Group.
- *The Group Movement in Reserves Statement* shows the movement in the year on the different reserves that are held. It also explains the contribution of the external interests to the overall group surplus or deficit.
- *The Notes to the Group Accounts* provide further information on the Council's group accounts and includes *The Group Segment Note* which reconciles the budgetary control figures per the final Committee report to the Service figures in the Group CIES on a subjective basis.

Statement of Responsibilities for the Statement of Accounts

This statement sets out the respective responsibilities of the Council and the Chief Finance Officer for the financial statements.

Annual Governance Statement

This statement summarises, openly and transparently, arrangements established by Falkirk Council for ensuring good governance and appropriate arrangements for internal financial control for 2013/14. It highlights areas of improvement that have been identified to enhance existing governance arrangements, and is consistent with the Council's established improvement agenda.

Remuneration Report

The Remuneration Report on pages 36 to 50 provides details of the Council's remuneration policy for senior employees as well as senior councillors in addition to describing the role and membership of the committee that deals with remuneration arrangements. The Report also details the number of employees earning £50,000 or more in bands of £5,000, together with comparative data for the previous year.

The Remuneration Report contains prescribed information on remuneration as well as pension rights that have been accrued or acquired. There is also a requirement to disclose the number and cost of exit packages agreed.

3. FINANCIAL PERFORMANCE

General Fund

The General Fund Balance detailed in Note 1 to the Core Financial Statements has decreased by £6.578m, compared to a budgeted deficit of £4.819m giving a total movement of £1.759m. The main reasons for this movement are summarised below:

| | Budget | Actual | Variance |
|--|----------------|----------------|-----------------|
| | 2013/14 | 2013/14 | |
| | £'000 | £'000 | £'000 |
| General Fund Services | 331,524 | 330,395 | (1,129) |
| Significant Trading Operations | (766) | (721) | 45 |
| Falkirk Community Trust | 12,139 | 12,139 | - |
| Valuation | 1,256 | 1,256 | - |
| Transfer to Repair and Renewals | - | 1,080 | 1,080 |
| Capital Funded from Current Revenue | 500 | 1,290 | 790 |
| Severance Payments | - | 289 | 289 |
| Capital Charges | (16,326) | (16,103) | 223 |
| Total Net Expenditure | 328,327 | 329,625 | 1,298 |
| Funding | | | |
| Revenue Support Grant | 205,812 | 205,804 | 8 |
| Non-Domestic Rates | 68,291 | 68,291 | - |
| Council Tax | 51,443 | 51,913 | (470) |
| Total Funding | 325,546 | 326,008 | (462) |
| (Surplus)/Deficit | 2,781 | 3,617 | 836 |
| Transfer from Earmarked Funds (see note 1) | (500) | (1,809) | (1,309) |
| Net Movement in Uncommitted General Fund | 2,281 | 1,808 | (473) |
| Housing Revenue Account | 2,538 | 2,961 | 423 |
| Transfer to Earmarked Funds – Housing Revenue Account (see note 1) | - | (423) | (423) |
| Contributions to earmarked funds | - | 2,232 | 2,232 |
| Total Movement | 4,819 | 6,578 | 1,759 |

Note 1 also shows that the uncommitted general fund balance has decreased by £1.808m from £14.117m to £12.309m. This decrease represents 0.55% of budgeted net expenditure.

The main variations included in General Fund Services were:-

1. In Education Services, the net overspend was £1.234m which represents 0.7% of budget. However, it was planned to use £1.4m of earmarked reserves to fund expenditure in 2013/14, which included funding a proposal to deliver an entitlement to 25 hour class contact time for all primary aged pupils and a programme of voluntary severance and early retirement packages for teachers.
2. In Social Work Services, pressure in childrens residential care and adult community care was offset by savings in staff costs and additional income from residential homes and the NHS. In addition, there was £0.540m government grant which was transferred to an earmarked fund for expenditure in 2013/14. The net overspend was £0.012m which represents 0.014% of budget.

3. In Central Support Services, there were significant savings in staff and property costs. The saving which accrues to the General Fund is £0.782m which is 3.4% of budget.
4. In Corporate and Neighbourhood Services, there was a range of savings in employee costs, transport expenses, Private Sector Housing and Homelessness. The net underspend was £1.445m which represents 9.4% of budget.
5. In Miscellaneous Services, there were savings across a number of headings, including savings in the Scottish Welfare Fund which will be carried forward in the Council's balances and be available for expenditure in 2014/15. The overall underspend was £0.377m which represents 3% of budget.
6. In Development Services, the costs of terminating head leases was partly offset by savings in staff costs and waste treatment. The net overspend was £0.229m which is 0.6% of budget. The cost of terminating head leases was met from Spend to Save Reserves.
7. In the Housing Revenue Account, there were significant savings in employee costs and support services. There was also increased income from commercial properties. The final outturn was a deficit of £2.961m, which gave an overspend of £0.423m when compared to a planned use of reserves of £2.538m. This sum was transferred to the earmarked Government Grant Reserve.

The Council's General Fund balance has therefore decreased to £30.850m. The table at Note 1 sets out the composition of the General Fund balance including a range of funds which have been earmarked for specific purposes. The resultant uncommitted general fund balance of £12.309m is greater than the level of uncommitted General Fund reserves of between £7m and £10m referred to in the Council's Reserves Strategy. However, it should be noted that around £1.5m of balances has been applied as part of the Budget for 2014/15.

Housing Revenue Account

In order to comply with accounting requirements, the Housing Revenue Income and Expenditure Statement, which is shown as note 35 to the Core Finance Statements, includes depreciation and impairment on housing assets totalling £48.999m. The Movement on the HRA Statement adjusts this amount by a corresponding credit which is part of the amount required by statute to be debited or credited to the Housing balance for the year.

Compared to a planned use of reserves of £2.538m, the overall position was a net deficit of £0.423. This was transferred to the earmarked Revenue Grant Reserve resulting in a cumulative balance going forward of £5.093m (see Note 36).

Capital Expenditure

The Council has set its capital expenditure limits in accordance with the Prudential Code. The objective of the Code is to ensure that all capital spending is affordable, prudent and sustainable. In 2013/14, the Council incurred capital expenditure of £31m on areas such as Education, Social Work, Leisure, Economic Development and Roads infrastructure and a further £49m on Council Housing. Major investment by the Council included:

- £4.0m on school buildings
- £7.0m on roads and infrastructure in the Falkirk area
- £16.0m on the Council's commercial property portfolio and other community assets
- £3.0m on vehicle, plant and equipment purchases
- £14.0m on new build housing

The Council's investment programme was funded from capital grants and other contributions (£28m), capital receipts including sale of assets (£5m), borrowing (£42m) and funding from revenue (£5m). At the end of the year, Council borrowing totalled £202.761m as shown in note 23. The external borrowing figures remain within the limits set by the Council in line with the Prudential Code requirements.

Included within the £16.0m spend for the commercial property portfolio and other community assets are the costs associated with the Council's flagship project The Helix. The Helix is a new public outdoor space between Falkirk and Grangemouth, consisting of four different zones within 350 hectares of green space and includes cycling and walking paths and a large lagoon for water sports.

This project was a joint project with Scottish Canals and was funded by external contributions including contributions from British Waterways, Big Lottery and a Council contribution of £2.7m in 2013/14.

As per the partnership agreement between the Council and Scottish Canals, all costs were routed through the Council and at the end of 2013/14 £23.5m of assets in relation to the completed elements of the project were transferred to Scottish Canals at nil receipt. The transfer was accounted for as a disposal and as there was no cash receipt, there was a substantial loss on disposal. The loss equated to £23.5m and is included within the £19.9m "Losses on disposal of Non-Current and Current Assets" figure shown in the Comprehensive Income and Expenditure Statement.

Trading Operations

The Council operates one Statutory Trading Account for Building Maintenance which achieved a surplus for the year of £0.265m excluding interest. The minimum financial requirement is to break-even over a three year rolling period. The cumulative surplus figure for the last three year period is £1.508m.

Ratio Analysis and the Prudential Code

The Prudential Code was developed by CIPFA, as a professional code of practice to support local authorities in taking their capital investment decisions. It applies to all local authorities, including police and fire boards. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities, including police and fire boards, are affordable, prudent and sustainable. In order to demonstrate that the Council has fulfilled these objectives, a number of Prudential Indicators are calculated, details of which are as follows:-

Capital Financing Requirement

| | |
|-------------------------|----------------|
| General Fund | £301.3m |
| Housing Revenue Account | £96.1m |
| Total | £397.4m |

This indicator reflects the Council's underlying need to borrow for a capital purpose. It increases as capital expenditure is incurred but reduces when the expenditure is funded from capital receipts/grants etc and is further reduced by loans fund repayments.

External Debt Levels - £326.2m

This indicator reflects the actual External Debt (£202.8m) and Long Term Liabilities (£123.4m) of the Council. This indicator is measured against the predetermined Authorised Limit (£340m) and Operational Limit (£335m) which the Council has set in accordance with its capital expenditure plans. It should never exceed the Authorised Limit (£340m).

Ratio of Financing Costs to Net Revenue Stream

| | |
|-------------------------|-----|
| General Fund | 5% |
| Housing Revenue Account | 23% |

This indicator is a measure of how affordable the Council's capital plans are. It is calculated by taking actual finance costs as a percentage of net revenue of the General Fund or Housing Revenue Account. Thereafter, it is measured against predetermined ratios which the Council has set in accordance with its capital expenditure plans. As the predetermined levels for 2013/14 were 5% for General Fund and 23% for the Housing Revenue Account, the actual 2013/14 ratios are within the limits which have been set.

Impact of Capital Investment on Council Tax and Housing Rents

| | |
|---------------|---------------------------------|
| Council Tax | - £23.17 per Band D Council Tax |
| Housing Rents | - £6.79 per week/per house |

This indicator measures the impact of capital investment decisions on the Council's "bottom line" in terms of Council Tax and also rent levels in terms of the average weekly rent.

4. PUBLIC PRIVATE PARTNERSHIP (PPP)

In order to provide fit for purpose schools, the Council has entered into a scheme under PPP financing arrangements. This scheme involved the replacement of five schools which were first occupied by the Council in August 2000. During the financial year 2013/14, £13.229m was paid to the contractor under the terms of the agreement for these schools.

5. NOT FOR PROFIT DISTRIBUTING ORGANISATION (NPDO)

The Council reached Financial Close in May 2007 on its second PPP scheme to provide four new high schools. The Council is using a Non-Profit Distributing Organisation (NPDO) model. Two schools were delivered in January and February 2009 and a further two were delivered in June and July 2009. During the financial year 2013/14, £12.247m was paid to the contractor under the terms of the agreement for these schools for the basic annual payment.

6. BALANCE SHEET

The Balance Sheet on Page 52 summarises the assets and liabilities of the Council as at 31 March 2014, with explanatory notes also being provided. Total net assets have decreased by £67.987m from £156.157m to £88.170m. This decrease is summarised in the Movement in Reserves Statement on Page 54, with the main reason being an increase in pension fund liabilities and an increase in long term borrowing to fund the capital programme.

7. LONG-TERM BORROWING

The Council’s borrowing strategy is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. The majority of the Council’s borrowing, which is used to finance capital expenditure, comes from the Public Works Loan Board with the remainder from market bonds or the European Investment Bank. Further details are provided at Note 23.

8. PRINCIPAL SOURCES OF FINANCE

The principal sources of finance utilised by the Council in 2013/14 were as follows:

| | £m | |
|-------------------------------|----------|---|
| Revenue Support Grant | £205.804 | Provided by the Scottish Government |
| Ring-Fenced Government Grants | £1.212 | Provided by the Scottish Government |
| Non-Domestic Rates Income | £68.291 | Provided by the Scottish Government* |
| Council Tax | £51.913 | Raised from local taxpayers |
| Housing Rents | £45.704 | Raised from tenants |
| Other Income | £99.651 | Sales, fees, charges and other contributions for services |

The in-year collection rate for Council Tax was 95.6%. Council Tax income represents 15.9% of the overall level of funding received from Revenue Support Grant, Non-Domestic Rates income and Council Tax. This demonstrates that 84.2% of these 3 significant sources of finance is outwith the Council’s control which is a major factor to be taken account of when expenditure plans are being considered.

* Although the Council was due £68.29m of non-domestic rate income from the Scottish Government, £63.06m was due to be paid to the Government from non-domestic rates raised in the Falkirk Council area which represents a net draw by the Council of £5.23m (£2.32m contribution in 2012/13).

9. PENSION LIABILITIES

In terms of International Accounting Standard 19 “Employee Benefits” (IAS19), the Council is required to show the actuarially assessed net pension deficit/liability within the Balance Sheet. The deficit is assessed as £253.264m as at 31 March 2014 (£222.953m as at 31 March 2013). The Pension Fund deficit has increased since last year due to falling real bond yields and this has been partially offset by strong asset returns. Further information on accounting for retirement benefits can be found in Note 9. Future actuarial valuations will recommend employer contribution rates which, together with employee contributions and revenues generated by the Fund’s assets will be sufficient to meet future pension liabilities.

10. COMMON GOOD

The Council administers Common Good funds for the areas of Bo’ness, Denny, Grangemouth and Falkirk. Overall, the total net asset value of the funds increased from £1.081m in 2012/13 to £1.084m in 2013/14. Further information can be found in note 42.

11. GROUP FINANCIAL STATEMENTS

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 Financial Statements have been prepared (see pages 106 to 122) which consolidate the results of the Council with its share of the following entities – the Valuation Joint Board, FCSL (Holdings) Ltd, Falkirk Community Stadium Limited, Falkirk Community Trust Limited and Common Good Funds. The effect of the inclusion of the Council's interests on the Group Balance Sheet is to reduce both Reserves and Net Assets by £1.234m. This represents the Council's share of the net liabilities in those entities. Notwithstanding the reduction in Net Assets, I consider it appropriate to adopt a going concern basis for the preparation of these financial statements as the amounts will fall due to be met by the constituent authorities as appropriate. With the dissolution of the Police and Fire & Rescue Joint Boards with effect from 31 March 2013, the Net Assets and Liabilities of those entities no longer form part of the Council's Group Accounts. This has had the impact of removing c£350m of Net Liabilities from the Group Accounts (as at 31 March 2013) and removing the previous negative balance on Net Assets.

12. CHANGE IN ACCOUNTING POLICIES

Revisions to IAS 19, Employee Benefits, published in June 2010 became applicable for years beginning on or after 1 January 2013. The key change affecting the Pension Scheme relates to expected return on assets and our appointed actuaries, Hymans Robertson, have advised that had the change been effective for financial year 2012/13, the effect would have been a reduction of £4.193m on the interest income on pensions assets and this has now been reflected in the 2012/13 figures shown in note 9 to the Accounts. There would also be a corresponding increase in net expenditure in the Comprehensive Income and Expenditure Statement and also a corresponding decrease in the fair value of Plan assets. This change has been applied retrospectively to 2012/13 in the 2013/14 Accounts.

13. FUTURE DEVELOPMENTS

The Council's revenue budget strategy will continue to reflect the priorities set out in the Council's 2012-17 Corporate Plan and the 2010-15 Strategic Community Plan. The Revenue Budget includes a continuation of resources to deliver key government policies and programmes such as maintaining teacher numbers and freezing council tax.

In addition to the above, the Scottish Government has continued provision for a Change Fund which will provide bridging finance to facilitate shifts in the balance of care from institutional to primary and community settings. The fund is distributed through NHS boards and the spending of these resources is overseen by a local partnership governance arrangement on the basis of local change plans which are agreed between NHS Boards, local government and the third/independent sectors. The allocation to the Falkirk partnership for the years 2012/13 to 2014/15 is £2.154m/£2.154m/£1.885m in each of the three years respectively.

The Scottish Government has also announced that additional resources of £100m will be made available to health and social care partnerships in 2015/16 to support delivery of improved outcomes from health and social care integration. This new Integrated Care Fund will be accessible to local partnerships to focus on prevention, early intervention and care and support for adults under 65 as well as older people. The Scottish Government require local Partnerships to have in place shadow arrangements during the course of 2014, with a view to full implementation from 1 April 2015. Partnerships are required to develop a Scheme of Integration, which will require Ministerial approval prior to full implementation.

The Scottish Government has also introduced the Early Years Change Fund to finance a shift towards a preventative model of service delivery. Falkirk Council's allocations for the years 2012/13 to 2014/15 are £0.622m/£1.093m/£1.558m in each of the three years respectively.

A below inflation increase in government grant and additional cost pressures of £10.5m, required all areas of expenditure and income to be subject to detailed scrutiny as part of the Council's budget strategy. This included:

- A contribution of £1.7m from reserves
- Savings of £8.8m identified across all Services whilst minimising the impact on Service delivery

The Council will also continue to focus on a strategic approach to the generation of efficiencies which aims to prioritise efficiencies that minimise the impact on services provided. To this end, a corporate working group has been established to further develop the Council's approach to medium term financial planning.

Notwithstanding the challenges the Council face to produce a balanced budget, the following are highlighted as examples of resources directed to priority areas in 2014/15:-

- The Capital Programme for next year contains a sum of £1.6m to accommodate projects being completed under the Tax Increment Financing Scheme. The associated financing costs are designed to be met by additional income from Non-Domestic Rates
- Education Services budget incorporates a sum of £1.559m to implement the early learning and childcare provisions contained within the Children and Young People Bill
- An allowance of £0.414m has been made to cover the full cost of delivering the entitlement to 25 hour teaching time per week for all primary aged pupils
- A sum of £0.450m has been added to the Education and Social Work budgets to recognise the demographic pressures being faced by the Services especially in terms of early years provision and services to older people
- Freezing the cost of school meals, ensuring that Falkirk Council will still have one of the lowest charges within Scotland
- The budget contains a sum of c£0.100m reflecting an increase to the Living Wage to bring it up from £7.50 per hour to £7.65 per hour

In addition, certain funding elements originally included as part of the 2012/13 budget have been retained.

- The Development Services budget contains a sum of £0.500m to continue the accelerated youth employment programme and the Falkirk Employability Award continues to be met from existing resources
- The Social Work budget contains £0.100m for the employment of 3 additional Welfare Advice staff who will continue to provide assistance in helping to protect claimants' benefit entitlement
- A sum of £0.290m has been retained in the Education Budget to fund the successful nurturing programme in primary schools. In addition, £0.031m has been retained to continue to provide free school meals in our Special Schools
- The Miscellaneous Services budget includes £0.020m to continue funding to the Citizens Advice Bureau for the Armed Services Advice Project
- The Social Work budget also contains a sum of £0.195m to provide 5 additional OT qualified community care worker posts.

The Council will approve a three year capital investment plan for all areas of service delivery. This plan will help the Council and its Services to meet Community, Corporate and Service Plan priorities and improve facilities for the Falkirk area and its community. In respect of Housing, the Council will continue to develop and monitor the Standard Development Plan, which outlines how the Council will improve its housing stock to meet the Scottish Quality Standard by 2015 and maintain that standard going forward. The 3 year investment programme also provides resources for a new build programme of 242 houses.

14. IMPACT OF ECONOMIC CLIMATE

The Council is not immune from the impact of the economic downturn and has experienced a reduction in certain income streams e.g. planning applications and has encountered considerable difficulty in generating capital receipts from asset disposals while demand for services has not reduced. The Council's investment plans for 2014/15 have anticipated an ongoing lower level of receipts from asset disposals and this will be monitored on an ongoing basis.

Government grant levels are at best set to rise at levels below the rate of inflation and all areas of expenditure and income have been subject to detailed scrutiny. The Council will continue to focus on a strategic approach to the generation of efficiencies which aims to prioritise efficiencies that minimise the impact on services provided. As part of this process, the Council has transferred £3.5m from the uncommitted general fund to an earmarked spend to save fund in 2012/13 and a further £1.5m in 2013/14.

As mentioned above, the 2014/15 budget includes provision for circa £4.97m on priority areas which includes projects being completed under the Tax Increment Financing Scheme, implementation of the Children and Young People Bill, expenditure targeted at youth unemployment, additional resources for welfare advice staff and demographic pressures. In addition, the new house building programme and the provision of projects being completed under the Tax Incremental Financing Scheme also mentioned above, will contribute towards the local economy.

15. WELFARE REFORM

It is recognised that Welfare Reform has resulted in an increase in rent arrears. The 2014/15 budget includes an increased budget for irrecoverable rents and the Council has a programme of early engagement with tenants who fall behind with their rent, offering advice and assistance and also referring to specialist support and advice agencies. In addition, the Scottish Government announced in February 2014 that they would provide additional funds to Councils, with the aim of fully mitigating the impact of size criteria across Scotland in 2014/15. An announcement on the distribution of these funds is expected in the near future.

Local Government became responsible for delivery of the Scottish Welfare fund from 1 April 2013. The fund offers grants or in kind support for two purposes:-

- To provide a safety net in an emergency or when there is an immediate threat to health or safety (crisis grants)
- To enable independent living or continued independent living, preventing the need for institutional care (community grants).

Falkirk Council's allocation for grants and administration costs is unchanged at £1.065m and the Council will continue to supplement the budget for administration costs to ensure that "face to face" Services are adequately resourced.

16. TAX INCREMENTAL FINANCING

In July 2013 the Council entered into a formal agreement with the Scottish Government to deliver a Tax Incremental Financing (TIF) initiative within the Falkirk area. TIF will provide the Council with additional borrowing capacity, enabling £67m to be spent on infrastructure improvements. It is anticipated that this will help to promote new commercial development in specific locations, with the additional non-domestic rate income generated used to repay the loan debt incurred. The first TIF contract was awarded in September.

17. PRIOR YEAR ADJUSTMENTS TO THE CORE FINANCIAL STATEMENTS

As a result of changes to IAS19 in relation to the expected return on assets, the Comprehensive Income and Expenditure Statement figures for 2012/13 have been restated as the advance credit for anticipated performance on the return on assets is no longer permitted. The charge to the Comprehensive Income and Expenditure Statement for 2012/13 has increased by £4.193m as disclosed in a note in the 2012/13 accounts with a corresponding reduction in the remeasurement on pension assets. Corresponding adjustments have also been made in the Cash Flow Statement and the Movement in Reserves Statement.

A provision has been established for 2012/13 in respect of restoration costs for Kinneil Kerse landfill site. The provision is based on costs estimated by the District Valuer of £1.311m. Corresponding adjustments have been made in the Cash Flow Statement and the Movement in Reserves Statement.

18. CONCLUSION

This is a satisfactory performance in the challenging circumstances outlined above and reflects well on both the efforts as well as professionalism of officers and on the Council's financial management, scrutiny and monitoring procedures.

19. ACKNOWLEDGEMENTS

I should like to record my appreciation for the efforts of my own staff in producing these Accounts timeously and to colleagues throughout the Council for their help and co-operation.



Bryan Smail, CPFA MBA
Chief Finance Officer
22 September 2014

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985. 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 2013/14 (the Code) and the Service Reporting Code of Practice 2013/14 (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 2014. Comparative figures for the previous financial year are also provided.

In accordance with IAS 8: Accounting Policies, the Council regularly reviews its accounting policies to ensure that they remain the most appropriate. The Code defines accounting policies as "the principles, bases, conventions, rules and practices applied by a Council that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves."

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 financial statements 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 accounts have been prepared on a going concern basis as, while the Balance Sheet shows net current liabilities, the Council has in place a treasury management policy which includes monitoring of borrowing and cash-flows to ensure it has sufficient funds to meet its current liabilities as they fall due.

Any departures from the above Codes of Practice are stated in the notes to the core 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 foreword by the Chief Finance Officer, Group Financial Statements have been prepared which reflect the Council's interest in the Central Scotland Valuation Joint Board, FCSL (Holdings) Ltd, Falkirk Community Stadium Limited, Falkirk Community Trust Limited and Common Good Funds.

2. ACCRUAL OF INCOME AND EXPENDITURE

Transactions of the Council are recorded in the Accounts on the accruals basis in accordance with Financial Reporting Standard 18, 'Accounting Policies' (IAS 8). In other words, income and expenditure are matched to the service provided in the financial year, by including both estimated and actual amounts due to or by the Council as at 31 March where these are significant. This applies to both Revenue and Capital accruals. Debtor and Creditor balances represent sums due but unpaid at 31 March 2014.

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.

Government grants or other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

The cost of supplies and services are accrued and accounted for in the period during which they were consumed or received. Accrual has been made for all material sums unpaid at the year-end for goods or services received or works completed.

Interest on external borrowing is fully accrued in order that each year bears the cost of interest relating to its actual external borrowing.

3. ACQUISITIONS AND DISCONTINUED OPERATIONS

The Council has not acquired or discontinued any operations (including those operations under machinery of government arrangements) during the financial year.

4. 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.

5. EXCEPTIONAL ITEMS

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.

6. 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.

7. 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.

8. 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.

9. VALUE ADDED TAX

Income and expenditure excludes 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.

10. 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 Statement of Accounts is authorised for issue. Two types of event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is 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.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

11. CONTINGENT ASSETS

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. Details of contingent assets are shown in note 20.

12. CONTINGENT LIABILITIES

A contingent liability arises where an event has taken place that gives the Council a possible 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 liabilities are not recognised in the Balance Sheet but disclosed in the Notes to the Core Financial Statements. Where such liabilities are reduced through contributions or recoveries from other parties the net liability is shown. Details of such liabilities are shown in Note 20.

13. 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. Any provisions are included in the financial statements in accordance with IAS37, under Note 25.

14. 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.

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 – these reserves are explained in the relevant policies below:

Usable Reserves**Capital Receipts Reserve**

Capital Receipts received in the year are available to finance new capital expenditure or to finance the repayment of principal on existing loans.

Capital Grants Unapplied Account

The Capital Grants Unapplied Account records grants and developers contributions which have been credited to the Comprehensive Income and Expenditure Statement but have still to be applied to fund capital expenditure. Once applied, the value will be transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account.

General Fund

The General Fund relates to the revenue reserves of the Council, elements of which are regarded as earmarked funds e.g. Devolved Schools, Spend to Save, Economic Development and Energy Efficiency.

Housing Revenue Account

The Housing (Scotland) Act 1987 requires the Council to account separately for local authority housing provision and the reserves relate to the activities detailed in Notes 35-37.

Other Usable Reserves

These comprise:

Insurance Fund

Established as a provision against future claims and the cost of insurance premiums to meet any large claims. Council Services contribute to the fund which meets the costs in respect of property damage, public and employee liability and the vehicle fleet.

Repairs and Renewals Fund

The contribution to this reserve mainly arises from the Waste Strategy programme and provision for property costs in Social Work and Development Services.

Unusable ReservesPensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pensions funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Revaluation Reserve

This 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.

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 2014 will be charged to the General Fund over the next 40 years.

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.

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.

Movements in all of the above reserves are shown in the Movement in Reserves Statement.

15. 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.

16. 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, and
- 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 & Expenditure Statement.

Where capital grants are credited to the Comprehensive Income & 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 Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

17. INVENTORIES

All inventories have been valued in accordance with International Accounting Standard 2 “Inventories” (IAS 2) as follows:-

- Lower of cost and net realisable value (nrv)
- At average cost - For stocks held on the Procon costing system, which has been designed to value stocks at average cost. The difference between the average cost and valuation at the lower of cost and net realisable value is not considered material.

Except for:-

- Building Maintenance – stocks are held on the open contractor system which has been designed to value stocks at latest invoice price.
- Other Stocks - stocks which are generally minimal and the records are held manually. It is therefore more practical to value these items at latest invoice price.

Full details are provided in Note 27. Work in progress is subject to a valuation of the cost of work completed to 31 March 2014. It is recorded in the Balance Sheet at cost plus an appropriate proportion of overheads, together with attributable profits and allowances for foreseeable losses.

18. INTANGIBLE ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. These 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.

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. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income & Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses as well as disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

19. INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and therefore require it to prepare group accounts. As such, Group Financial Statements have been prepared (see pages 106 to 122) which reflect the Council’s interest in the Central Scotland Valuation Joint Board, FCSL (Holdings) Ltd, Falkirk Community Stadium Limited, Falkirk Community Trust Limited and Common Good Funds. The effect of inclusion of the Council’s interests on the Group Balance Sheet is to reduce both Reserves and Net Assets by £1.234m.

In the Council’s own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

20. INVESTMENT PROPERTIES

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

The Council does not have any Investment Properties.

21. OVERHEADS AND SUPPORT SERVICES

The costs of Central Support Services have been fully allocated to all Services and Trading Accounts in accordance with the CIPFA Service Reporting Code of Practice 2013/14 (SERCORP) but not to Common Good and Trust Funds. The main allocation bases are summarised below:-

| Cost | Allocation Base |
|--|---|
| Professional Services (Finance, Legal etc) | Actual time spent by staff and direct allocation |
| Administrative Buildings | Area occupied |
| Information Services | Machine usage and time allocations |
| Payroll | Number of Payroll transactions |
| Creditors | Number of invoices paid |
| Sundry Debtors | Number of invoices issued |
| Human Resources | Number of Full Time Equivalent Employees and actual time spent by staff |

22. CORPORATE AND DEMOCRATIC CORE AND NON-DISTRIBUTED COSTS

As noted above, the costs of overheads and support services have been allocated to Services and Trading Accounts. The following cost categories are not included in these allocations:

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation.
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation or impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income & Expenditure Statement, as part of the Cost of Services.

- (i) The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. Section 2 of SERCOP redefines corporate and democratic core activities into 'corporate management' (CM) and 'democratic representation and management' (DRM). CM includes all expenses incurred in providing the infrastructure that allows services to be provided. DRM includes all Councillor-related expenses including meetings of the Council and its Boards, officer support to Councillors, advice to voluntary bodies and activities undertaken by Councillors to represent local interests. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. In accordance with CIPFA Guidance, these costs have not been recharged to services but accumulated and charged to the General Fund and the Housing Revenue Account.
- (ii) Non-Distributed Costs include the cost of discretionary benefits awarded to employees retiring early. In accordance with CIPFA Guidance, these costs have not been recharged to services but accumulated and charged to the General Fund and Housing Revenue Account.

23. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs. The Comprehensive Income & Expenditure Statement is debited with the expenditure incurred and credited with the share of income the Council earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for its share of the jointly controlled assets, the liabilities as well as expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

24. 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, for the provision of 5 schools with payments due from August 2000 and terminating in July 2026
- Falkirk Schools Gateway Ltd for the provision of 4 schools with payments due from January 2009 and terminating in March 2040

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income & Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income & 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 & 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.

25. EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are defined as “falling due wholly within 12 months after the end of the period in which the employees render the related service”. Some examples are salaries, wages, paid annual leave, paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees. These are recognised as an expense for each Service in the year in which employees render service to the Council. An accrual is made against Services for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year and is reversed out of the General Fund Balance through the Movement in Reserves Statement so that the holiday benefits are charged to revenue in the year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy and are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income & Expenditure Statement when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where the termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund or pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

The Council participates in two separate pension schemes that meet the needs of employees in different services:

- The Teachers' Pension Scheme, administered by the Scottish Public Pensions Agency.
- The Local Government Pension Scheme, administered by Falkirk Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. In addition, from time to time, the Council may award discretionary benefits to employees who are retiring.

Teachers

The Teachers' Pension Scheme is an unfunded scheme where the employer contribution rate is 14.9% of pensionable pay and this rate will continue in 2014/15. The Scottish Government has set this rate on the basis of a notional fund. The most recent actuarial valuation of the Teachers' Pension Scheme took place on 31 March 2009. The results were rolled forward to disclose a scheme liability of £24bn at 31 March 2013. Further details about the valuation process should be obtained from the scheme administrators who are the Scottish Public Pensions Agency.

The arrangements for the teachers' scheme mean that the liabilities for employee benefits cannot be identified specifically to the Council. The pension costs are therefore accounted for as if the scheme were a defined contributions scheme – no liability for future payment of benefits is recognised in the Balance Sheet and the Education Services line in the Comprehensive Income & Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

As a result, the Council does not comply with the Code to recognise the full expected cost of providing for all pensions and related benefits on a systematic and rational basis over the period the Council derives benefit from its employees' service.

Other Employees

Other employees are eligible to join the Local Government Pension Scheme through the Pension Fund administered by the Council. The Scheme is accounted for as a defined benefits scheme.

The Scheme is a funded arrangement with the employer's contribution rate being set on a three yearly basis by an independent actuary. The rate is set to ensure that the Pension Fund remains solvent and with a view to meeting 100% of its overall liabilities in the long term. Full details of the most recent actuarial valuation can be found in the Annual Report and Accounts of Falkirk Council Pension Fund.

The liabilities of the Local Government Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees).

Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (based on the indicative rate of return on high quality corporate bonds) which recognises the weighted average duration of the benefit obligation.

The assets attributable to the Council are included in the Balance Sheet at their fair value and these are separated into those that have a quoted market price in an active market and those that do not.

- Quoted securities – current market bid price
- Unquoted securities – independent valuation
- Unitised securities – current market bid price
- Property – independent valuation

The change in the net pensions liability is analysed into several components:

- Current service cost - the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income & Expenditure Statement to the services for which the employees worked

- Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement as part of Non-Distributed Costs
- Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Finance and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement
- Interest Income on assets – a component of the return on plan assets which is determined by multiplying the fair value of the plan assets by the discount rate – credited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Remeasurements comprising
 - actuarial gains and losses –changes in the present value of the defined benefit obligation because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve
 - return on plan assets excluding amounts included in net interest i.e. the difference between the return on plan assets and the interest income on assets
- Contributions paid to the Local Government Pension Scheme – cash paid as employer’s contributions to the pension fund in settlement of liabilities not accounted for as an expense
- Estimated benefits paid – an estimate of the pension and lump sum benefits payable from the Local Government Pension and other discretionary arrangements

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to the pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund or pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

More Information

More information about pension costs is disclosed in Note 9 of the core financial statements.

26. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged to expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability and
- A finance charge - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses are therefore substituted by a revenue 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.

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. Where material, charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income & Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a Debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A capital receipt for the disposal of the asset – applied to write down the Debtor (together with any premiums received), and
- Finance income - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement

The gain credited to the Comprehensive Income & Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, the amount relating to the disposal (initial debtor) value is credited to the Capital Receipts Reserve immediately (and not via the Deferred Capital Receipts Reserve). When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the Debtor.

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. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement. Where material, credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

27. 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 Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, at the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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 Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as a part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provision of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset at the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available for Sale Assets

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset at the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available for Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

There has been no transfer of financial assets for the year ended 31 March 2014.

28. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as 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 (ie 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
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income & Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income & Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair 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).

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.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, 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.

Where decreases in value are identified, they are accounted for by:

- 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)
- 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.

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.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. 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 by:

- 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)
- 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 & Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income & Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. 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).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years

Where an item of Property, Plant and Equipment asset has a valuation in excess of £1.0m and has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. 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 Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for disposal are categorised as capital receipts. All receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserves from the General Fund Balance in the Movement in Reserves Statement.

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. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

29. 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.

Recognition

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 that the assets are recognised on the Balance Sheet.

Measurement

The Code following the requirements of FRS30, has relaxed its valuation approach for Heritage Assets and it specifies that:

- valuations may be made by any method that is appropriate and relevant; this may include, for example, insurance valuations.
- valuations need not be carried out by external valuers, and neither is there a requirement for valuations to be verified by external valuers
- a full valuation every 5 years is not required; there is no prescribed minimum period between valuations

Assets are either measured at valuation or at cost if valuation information is not available. Where valuation is available this is based on insurance valuation. Any increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains. Any decrease in value is accounted for by writing down the gain against the balance on the Revaluation Reserve for that asset, or where there is no balance on the Revaluation Reserve, writing down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Impairment

Heritage Assets are reviewed periodically where there is evidence of physical deterioration or breakage. Where impairment losses are identified, they are accounted for, by writing down the loss against the balance on the Revaluation Reserve for that asset, or where there is no balance on the Revaluation Reserve, writing down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Depreciation

The Council does not consider it appropriate to charge depreciation in respect of Heritage Assets due to the undetermined levels and high residual values.

Falkirk Council holds 6 different categories of Heritage Assets which are as follows:

- Museums Collection
- Archives Collection
- Art Collection
- Libraries Local History Collection
- War Memorials and Town Clocks
- Civic Regalia

30. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT BEEN ADOPTED

The International Accounting Standards Board (IASB) issued three new Group Accounting Standards:-

- IFRS10 Consolidated Financial Statements
- IFRS11 Joint Arrangements
- IFRS12 Disclosure of Interest in Other Entities

These new standards are effective for annual periods beginning on or after 1 January 2013, however, CIPFA/LASAAC has confirmed they will not be adopted until the 2014/15 Code.

IFRS10 includes a new definition of control, which is used to determine which entities are consolidated.

IFRS11 describes the accounting for joint arrangements with joint control; proportionate consolidation is not permitted for joint ventures.

IFRS12 includes all of the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities.

After considering these new standards, it does not appear any change to the Council's Group Accounting structure would be required. However, new disclosures may be required as regards the Council's involvement with other entities.

The International Accounting Standards Board (IASB) also issued amendments to:

- IFRS 7 – Financial Instruments.
- IAS 12 – Income Taxes

These amendments to existing standards are effective from 2013/14.

The IFRS 7 amendment relates to disclosure requirement in respect of Offsetting Financial Assets and Liabilities and as such is not relevant to the Council.

The IAS 12 amendment relates to the accounting treatment for income tax and as such is not relevant to the Council.

31. 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 Statement of 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 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 SORP 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 have now been reclassified as Property, Plant and Equipment.
- The Council incurs restoration costs to reinstate Kinneil Kerse landfill site. The Council has created a provision for the future expenditure to restore this site, details of which are shown in note 25.
- The Council is deemed to control the services provided under the Private Finance Initiative agreements for the provision of school buildings, maintenance and other facilities (Class 98 and Falkirk Schools Gateway Ltd). The accounting policies for Private Finance Initiatives have been applied to these arrangements and the schools (valued at net book value of £200.3m at 31 March 2014) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

- The Council entered into a partnership agreement with Scottish Councils to invest in The Helix project. All costs were routed through the Council and funded by external contributions from such bodies as Scottish Canals and Big Lottery with the Council contributing £5.4m over the last 7 years (£2.7m in 2013/14). The partnership agreement allowed for the transfer of The Kelpies and canal elements of the project to Scottish Canals. The transfer of £23.5m has been accounted for as a disposal at nil receipt and as such is included as a “loss on disposal of non-current and current assets” in the Comprehensive Income and Expenditure Account.

32. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The statement of accounts contains 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 at 31 March 2014 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 of £4.2m 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. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable. An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.42m to the provision needed.

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 salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £83m, whilst a 1 year increase in life expectancy would add £25m to liabilities.

However, the assumptions interact in complex ways. During 2013/14, the Council’s actuaries advised that the net pensions liability had increased by £30m since March 2013. This included an increase in assets of £43m but an increase in liabilities of £73m. Had there been a 0.5% increase in the assumptions governing both salary rates and pension increase rates, this would have resulted in an increase in liabilities of £25m and £57m respectively.

Arrears

At 31 March 2014, the Council had a balance of sundry debtors of circa £11.5m, council tax circa £10.5m and house rents of circa £3.0m. Provision for doubtful debts amount to circa £4.0m, £9.7m and £2.5m respectively. An increase of 10% in the value of these would amount to £0.4m, £1.0m and £0.2m respectively.

Business Rates Incentive Scheme

The Business Rate Incentivisation Scheme (BRIS) permits local authorities to retain half of the NDR Income which exceeds the income target set by the Scottish Government. The BRIS income target as set out in the Scottish Government Local Government Finance Circular is based on audited contributable amounts. The determinant of whether a council has achieved the BRIS target will therefore be based on the audited “Contributable Amount” figure reported in the Non-Domestic Rates Income Return for 2013/14, which will not be completed until January/February 2015. However, based on figures to date as noted in the table below, it is calculated that the Council will not meet its May target.

| | £’000 |
|----------------------|---------------|
| BRIS target | 68,200 |
| Contributable amount | <u>63,809</u> |
| Excess over target | _____ |
| 50% retained | _____ |

The BRIS target shown above is based on a revised target which has yet to be formally agreed and the accounts have been closed on the assumption that formal agreement will be achieved. Should this not happen and the original target is retained, the potential impact on the Council could be additional income of circa £1m.

33. EQUAL PAY CLAIMS

The Council made payments totalling £3k in respect of backdated equal pay claims. Whilst the eventual cost of settling these claims cannot be fully quantified at this time, it is considered appropriate to retain a provision of £4.2m in the 2013/14 accounts.

34. ACCOUNTING FOR THE COSTS OF THE CARBON REDUCTION COMMITMENT SCHEME

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The scheme is currently in its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

FALKIRK COUNCIL RESPONSIBILITIES

The Council made the necessary arrangements for the proper administration of its financial affairs, the Chief Finance Officer being the nominated officer responsible for this task.

The Council managed its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Audited Accounts are required to be laid before a meeting of the Council within two months of receipt of the Audit Certificate.

THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

The Chief Finance Officer is responsible for the Council's Statement of Accounts which, in terms of the CIPFA/LA(S)AAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2014.

In preparing this Statement of Accounts, the Chief Finance Officer has:-

- selected suitable accounting policies and then applied them consistently;
- made judgements that were reasonable and prudent; and
- complied with the accounting code of practice.

The Chief Finance Officer has also:-

- kept proper accounting records which were up to date; and
- taken reasonable steps to prevent and detect fraud and other irregularities.

STATEMENT OF ACCOUNTS

The Statement of Accounts presents a true and fair view of the financial position of the Council as at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.



Bryan Smail, CPFA MBA
Chief Finance Officer
22 September 2014

Introduction

1. Falkirk Council has a duty under the Local Government in Scotland Act 2003 to secure best value and ensure continuous improvement in the Services it delivers. Public money must be used economically, efficiently, and effectively, and with due regard to the achievement of sustainability. To help ensure that these responsibilities are met, the Council must put in place, and apply, robust governance arrangements.
2. Responsibility for ensuring good governance is shared by all Council employees and elected Members. To demonstrate the Council's commitment to good governance, this Annual Governance Statement (the Statement) has been prepared on the basis of the principles set out in the CIPFA / SOLACE Framework '*Delivering Good Governance in Local Government*'. This defines governance as doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest, and accountable manner. Fundamentally, this relates to the way the Council is directed and controlled, and through which it engages with the community¹.
3. Preparation of this Statement meets the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Falkirk Council's Governance Framework

4. The following sections summarise the key elements of Falkirk Council's governance framework, set out within the context of each of the CIPFA / SOLACE Principles.

Principle 1 - Focusing on the purpose of the Authority and outcomes for the community, and creating and implementing a vision for the local area.

5. The Falkirk Council area continues to change for the better. Over the course of 2013/14 the commencement of work on the innovative Tax Incremental Finance scheme, which will improve our infrastructure and attract business to the area, and the successful global launch of the Kelpies, are two very visible examples of the area's commitment to self improvement despite the continuing, difficult, financial climate.
6. To give structure to that improvement, the Corporate Plan 2012-17, 'One Council One Plan', sets out the Council's vision and ambition; goals, outcomes, and priorities; and operational focus. The Corporate Plan is available on the Council's website (www.falkirk.gov.uk), and all Services have developed their own Plans building on these high level goals. The Corporate Plan continues to be underpinned by the 'Falkirk Area Strategic Community Plan 2010-15' and related 'Single Outcome Agreement 2013-15'.
7. There are, of course, risks and barriers to achieving the ambitious goals the Council has set itself. This is well understood, and the October 2013 approval by the Council's Executive Committee of a revised and updated Risk Management Policy and Framework facilitated a subsequent review of operational risk management arrangements. This has allowed managers to build a more comprehensive and prioritised picture of the risks faced by the Council, allowing these to be carefully managed in a pragmatic and proportionate way. Allied to that, the Corporate Risk Management Group has undertaken a detailed review of the Council's working group structure, rationalising this to ensure clarity of purpose and clear linkage to our Corporate Plan.
8. The Council continues to operate within a climate of financial constraint, and significant savings will be required in the coming years. Robust financial stewardship and managed use of reserves will be necessary to ensure that the impact on communities is minimised, and the need to allocate and use resources in a way that maximises their value is self evident. The Council has established a business transformation team to examine ways of improving service delivery, and the annual budget process continues to be developed and adapted to ensure that options are considered in an open, transparent, and inclusive way.
9. As in previous years, financial performance is reported publically via the audited Annual Report and Accounts (which are available on the Council's website).

¹ **NOTE:** any review of governance can provide only reasonable (not absolute) assurance that policies, aims, and objectives are being applied and implemented as intended.

Principle 2 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

10. Falkirk Council has a history of effective engagement between Officers and elected Members, based on clear Standing Orders comprising procedures for Committee meetings, a Scheme of Delegation to Committees and Officers, Contract Standing Orders, and Financial Regulations. All elements of Standing Orders have been reviewed and updated to take account of the revised decision making structure.
11. This structure has now been in place for around a year. There has been much debate over the course of that year in relation to the revised structure, and participation has not been universal. Clearly, participation across all political groups is desirable and, with that in mind, a reflective review of the revised structure is to be undertaken. Allied to that, the Council's appointed External Auditors, Audit Scotland, have raised their concerns around the sustainability of the current position and will continue to maintain a keen interest. Officers and Members will, in the coming months, require to work very closely and collaboratively to ensure that the outcomes of the review result in a stable and sustainable structure.
12. This is particularly important when considered in the wider context of the significantly changing environment within which the Council will operate over the course of 2014/15. The implications of Health and Social Care integration will be far reaching, both strategically and operationally, and will require effective and streamlined decision making. Similarly, the impacts of Welfare Reform continue to be felt by Council Members and Officers involved in implementing the changes and, more importantly, by the people of the Falkirk Council area. The need for Members and Officers to work effectively together, then, goes without saying.
13. The Council's Corporate Management Team (CMT), comprising Directors and Chief Officers, meets regularly throughout the year. CMT, and associated Departmental Management Teams, remain key to ensuring that resources are effectively directed towards delivering Council priorities and for helping the Council make informed, evidence based, decisions. CMT recognises the need to streamline operational processes and practices, balancing service delivery and good internal control, while taking cognisance of the outputs of the Council's risk management framework.

Principle 3 - Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

14. The Council has a Code of Conduct for Members and Officers and all Members are expected to abide by the Standards Commission Scotland's Councillors' Code of Conduct. Protocols are in place setting out arrangements for governing Member / Officer Relations and all staff are required to comply with the ethical requirements of any professional bodies of which they are members. Fundamentally, all Officers and Members are required to demonstrate and maintain the appropriate levels of leadership and governance.
15. Registers of gifts and hospitality are in place, and staff are required to notify and record any extra-mural employment. A Confidential Reporting Policy / Procedure and an Anti-Fraud and Corruption Strategy are in place, and this Strategy will be updated during 2014/15. This will allow the requirements of the Bribery Act 2010, guidance from the Police Scotland Public Sector Counter Corruption Unit, and findings emerging from the Scottish Government's Cross Sector Counter Fraud Forum to be fully considered and reflected. The Council participates in the National Fraud Initiative, and Officers work closely with Police Scotland on the risks posed by Serious Organised Crime. The Council's Monitoring Officer reports on any non-compliance with laws and regulations of which she is made aware.
16. The Corporate Management Team continues to foster a culture of fraud awareness, prevention, and detection, and relevant policies and procedures are clear on the disciplinary consequences arising from non-compliance. Over the course of 2014/15 detailed consideration will be given to the establishment of a team tasked with identifying and investigating non-benefit related fraud. The timing of this will dovetail with the formation of the Department for Work and Pensions Single Fraud Investigation Service, and will add to the Council's level of fraud resilience.

Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

17. As mentioned at paragraph 7 above, much work was undertaken during 2013/14 to further develop the Council's risk management arrangements, building on training provided to all Service Unit Managers. The new Policy and Strategy provide a framework for managers, and risks are considered as a matter of course as part of all strategic and operational decision making and Strategy / Policy development.

18. The risks associated with the emerging Health and Social Care integration picture will, for example, require to be carefully managed, with partners, to ensure that the transition happens smoothly and in line with the required timescales. Similarly, the ongoing roll-out of Self Directed Support across the Social Work Service has required the application of sound risk and project management skills.
19. The Cabinet Office's requirement that all Local Authorities comply with the Public Services Network Code of Connectivity also necessitated careful management of risk. The Council successfully attained the required standard towards the end of 2013, with a further series of actions to be completed ahead of re-accreditation during 2014/15. The risks associated with non-compliance are serious, impacting on all Council Services, and it is crucial that appropriate resource and priority is allocated to the on-going re-accreditation process (building on the Technology Strategy approved by Executive Committee in March 2014).
20. Management of risk is also a key element of the Council's premises management arrangements, which aim to make our buildings a healthy and safe place for staff and visitors. These arrangements are now well understood, with annual statements of assurance considered by Corporate Risk Management Group.
21. Overarching responsibility for monitoring the adequacy of risk management arrangements (along with those for governance and control) rests with the Council's Audit Committee. The Committee is chaired by an external lay member, and met four times during 2013/14. The Committee is now a well embedded element of the Council's governance structures, and is effective in monitoring risk management, Internal, and External Audit activity.

Principle 5 - Developing the capacity and capability of Officers and Members to be effective.

22. The Council's Achievement and Professional Development Scheme allows staff to identify and work towards aims and objectives consistent with wider organisational goals. Professional staff are bound by the Continuing Professional Development requirements of their professional Institute, and various Council Services have achieved accreditation with Investors in People. The Council is committed to the development of its staff, particularly at a time when the risk profile is changing and staff are undertaking different and more varied tasks.
23. Elected Members are able to access a 'Development Area' on the Council's Intranet. This includes various induction materials and links to online training designed to support Members throughout their term.
24. Staff are also able to access on-line training modules on various management and operational processes. Completion of training modules can be monitored, and the on-line platform ensures that access to good quality training is far more widely available than via traditional face to face training (which is still provided where relevant).

Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability.

25. Community participation and consultation is well embedded within Falkirk Council. Over the course of 2013/14 the Council has, for example, sought to engage on issues such as the Allocation of Council Housing, Welfare Reform, and school transport, as well as undertaking a survey with young people in Bonnybridge. This compliments feedback received via the existing Citizen's Panel, which has had another busy and productive year.
26. All consultation activity is available via the Council's website. The website also allows stakeholders to access Council Strategies and Policies, download Committee agendas and papers, and interact with the Council on-line (for example to pay Council Tax or Non-Domestic Rates, make a planning application, request a special uplift, etc). Over the course of 2013/14, Officers have been working on the development of a new website, using more modern technology to allow access across a wide range of devices. The new website will also be more intuitive and user friendly, and will again increase the level of information and functionality available to stakeholders. The site will be launched during the summer of 2014, and will be updated and refreshed on an ongoing basis thereafter.
27. The Council has an active Twitter account, supporting the main website and acting as a source of 'live' information on, for example, travel, new initiatives, and events to be held in the Falkirk area. Several schools also have their own Twitter accounts as a means of communicating with parents and carers.

Monitoring and Review of Governance Arrangements

28. Falkirk Council's governance arrangements are formally monitored via:
- the Committee framework, including the Audit Committee;
 - Corporate and Departmental Management Teams;
 - Corporate Risk Management Group and other Corporate Working Groups;
 - Internal and External Audit work; and
 - the work of Falkirk Council's Local Area Network.
29. This monitoring is done within the context of the Delivering Good Governance guidance, the Council's Corporate Plan, Strategic Community Plan, agreed Single Outcome Agreement, and the fundamental statutory requirement to demonstrate and achieve best value.

System of Internal Financial Control

30. This section relates to the systems of internal financial control of Falkirk Council and of the consolidated entries in the Council's group accounts for the year to 31 March 2014. The Chief Finance Officer is responsible for ensuring the operation and maintenance of an effective system of internal financial control. That said, it should be noted that the system of internal financial control can provide only reasonable (not absolute) assurance that: assets are safeguarded; transactions are authorised and properly recorded; and material errors or irregularities are either prevented or detected.
31. The system of internal financial control is based on a framework of risk management; Contract Standing Orders, Financial Regulations, and associated guidance; delegation and accountability; budgeting systems; clear financial targets; and robust management information.
32. The Council's Internal Audit Section provides an independent assessment of arrangements for risk management, governance, and control. The Section undertakes an annual, risk based, programme of work approved by the Chief Executive, Chief Finance Officer, and Audit Committee.
33. The Internal Audit Manager has established a Quality Assurance and Improvement Programme for the Section, including annual self assessment and periodic external assessment of compliance with the Public Sector Internal Audit Standards. An initial self assessment has been undertaken, demonstrating broad compliance with the Standards. In addition, the Council's appointed External Auditors, Audit Scotland, have undertaken an assessment of the adequacy of the Internal Audit function and concluded that they are able to place reliance on Internal Audit work.
34. All Internal Audit reports are issued to the relevant managers, and include recommendations and agreed action plans. It is then management's responsibility to ensure that appropriate action is taken to address these recommendations. Significant matters arising, and recommendations which remain outstanding beyond their agreed implementation date, are brought to the attention of Audit Committee.
35. The Audit Committee operates in accordance with relevant CIPFA guidance. The Committee is chaired by an external lay member, and has a remit to provide:
- independent assurance on the adequacy of the risk management framework and associated control environment;
 - independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects risk exposure and weakens the control environment; and
 - assurance that any issues arising from the process of drawing up, auditing, and certifying the Annual Accounts are properly dealt with.
36. The Committee considers the Internal Audit Manager's Annual Assurance Report, which provides an independent opinion on the adequacy and effectiveness of the Council's arrangements for risk management, governance, and control. In his 2013/14 Report the Internal Audit Manager concluded that he was able to provide substantial assurance on the Council's overall framework of control for the year to 31 March 2014.
37. The Chief Finance Officer is required to review the effectiveness of the Council's systems of internal financial control, taking account of the work of managers, Internal Audit, and External Audit. Based on his considerations, the Chief Finance Officer has concluded that substantial assurance can be placed on the adequacy and effectiveness of the Council's internal financial control systems for the year to 31 March 2014.

38. In relation to other entities that fall within the Council's group boundary, the Chief Finance Officer's review is informed by the:
- Statement on the System of Internal Financial Control included within the Annual Accounts of Central Scotland Valuation Joint Board;
 - Statements of Assurance from the Chief Executives of Falkirk Community Trust and Falkirk Community Stadium Limited; and
 - work of these bodies' respective External Auditors (and, where relevant, Internal Auditors) and other interim reports.
39. Based on consideration of the above, the Chief Finance Officer has concluded that, on the whole, substantial assurance can be placed on the internal financial control systems of other bodies falling within the Council's group boundary.
40. In undertaking his duties, and in forming the above opinions, the Chief Finance Officer worked in conformance with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Governance Arrangements – Areas for Improvement

41. Falkirk Council is committed to ensuring robust and proportionate governance. That said, the ever changing environment within which the Council operates means that there will always be scope for improvement. Areas that will be addressed over the coming year include:
- Officers and Members will review and reflect on the Council's revised decision making structure;
 - senior managers will continue to plan for, and manage, the risks associated with Health and Social Care integration and Welfare Reform;
 - the Council's Anti Fraud and Corruption Strategy will be updated, and detailed consideration will be given to the establishment of a team tasked with identifying and investigating non-benefit related fraud;
 - Public Services Network re-accreditation will be given the appropriate priority; and
 - the re-development of the Council's website will be completed.

Conclusion

42. This Annual Governance Statement summarises, openly and transparently, arrangements established by Falkirk Council for 2013/14 and the period to date. It highlights areas for improvement, and is consistent with the Council's established improvement agenda.



Councillor Craig Martin
Leader of Falkirk Council
22 September 2014



Mary Pitcaithly
Chief Executive
22 September 2014

FALKIRK COUNCIL

FALKIRK COUNCIL ANNUAL REMUNERATION REPORT

The Local Authority Accounts (Scotland) Regulations 1985 as amended by the Local Authority Accounts (Scotland) Regulations 2011 require the accounts of the Council to contain a Remuneration Report. This Report for the financial year 2013/14 contains the information specified in the Schedule to the above Regulations.

All information disclosed in the tables at [2.1, 4.2, 5.9 and 6.1] 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 financial statements.

1. Senior Councillors' Remuneration Arrangements

(Paragraphs 2 and 3 of the Schedule to the 1985 Regulations)

- 1.1 The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head, 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.
- 1.2 When determining the level of remuneration for Councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority Councillors.
- 1.3 The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2013/14 the salary for the Leader of Falkirk Council is £32,795. 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 £23,179. The Council agreed on 4 March 2009 not to apply the 2.5% increase permitted by an amendment to the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007, to the Civic Head salary. The Council also agreed on 12 February 2014 not to apply a further increase to the same salary.
- 1.4 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 per cent of the total yearly amount payable to the Leader of the Council (£24,596). The total yearly amount payable by the Council for remuneration of all of its Senior Councillors is specified by the above Regulations and shall not exceed £286,945. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The Council policy agreed on 12 February 2014 is that there will be eleven level 1 Senior Councillors each with a salary of £22,021 and two level 2 Senior Councillors each with a salary of £18,462.
- 1.5 In 2013/14 Falkirk Council had 13 Senior Councillors and the remuneration paid to these Councillors totalled £278,780. The Regulations also 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.
- 1.6 The Falkirk Council remuneration framework, which encompasses the salaries of all elected members including the Leader, Civic Head and Senior Councillors was agreed at a meeting of the full Council on 4 March 2009 and is available at www.falkirk.gov.uk.
- 1.7 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 require 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.
- 1.8 The Council is reimbursed by the Joint Board for any additional remuneration paid to the member from being a Convener or Vice-Convener.

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Senior Employees' Remuneration Arrangements

- 1.9 The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/146 sets the amount of salary for the Chief Executive of Falkirk Council for the period 2013 to 2015.

The salaries of Service Directors and Chief Officers are based on a fixed percentage of the Chief Executive's salary as shown in the following table:

| Senior Employee Post | Percentage of Chief Executive's Salary |
|--------------------------|--|
| Director | 78% |
| Chief Finance Officer | 68% |
| Chief Governance Officer | 68% |

The above arrangements were approved at a meeting of full Council on 22 June 2011 and came into operation on 1 August 2011.

- 1.10 The Council does not have a role in determining the remuneration policy of Falkirk Community Stadium Ltd., a subsidiary of the Council.
- 1.11 In terms of Falkirk Community Trust Limited (FCT), a company limited by guarantee with charitable status established by the Council in summer 2011 to deliver cultural and leisure services for the Falkirk Council area, the Funding Agreement between the Council and FCT provides that FCT is to provide terms and conditions to its employees (including remuneration) no less favourable than the relevant corresponding terms and conditions of employment enjoyed by employees of the Council at any time.

2. General Disclosure by Pay Band (Paragraph 4 of the Schedule to the 1985 Regulations)

- 2.1 The number of employees whose remuneration was £50,000 or more in 2013/14 is disclosed in bands of £5,000 in the following table:

| Remuneration Bands | Number of Employees | | Chief Officials | | Teachers | | SJC Employees | |
|---------------------|---------------------|------------|-----------------|-----------|-----------|-----------|---------------|----------|
| | 2012/13 | 2013/14 | 2012/13 | 2013/14 | 2012/13 | 2013/14 | 2012/13 | 2013/14 |
| £50,000 - £54,999 | 59 | 56 | 0 | 0 | 52 | 49 | 7 | 7 |
| £55,000 - £59,999 | 21 | 18 | 0 | 0 | 18 | 16 | 3 | 2 |
| £60,000 - £64,999 | 1 | 3 | 1 | 1 | 0 | 2 | 0 | 0 |
| £65,000 - £69,999 | 12 | 10 | 8 | 7 | 4 | 3 | 0 | 0 |
| £70,000 - £74,999 | 10 | 6 | 6 | 5 | 3 | 1 | 1 | 0 |
| £75,000 - £79,999 | 4 | 4 | 0 | 1 | 4 | 3 | 0 | 0 |
| £80,000 - £84,999 | 1 | 2 | 0 | 1 | 0 | 1 | 1 | 0 |
| £85,000 - £89,999 | 2 | 2 | 2 | 2 | 0 | 0 | 0 | 0 |
| £90,000 - £94,999 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £95,000 - £99,999 | 3 | 3 | 3 | 3 | 0 | 0 | 0 | 0 |
| £100,000 - £104,999 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| £105,000 - £109,999 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £110,000 - £114,999 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 |
| £115,000 - £119,999 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £120,000 - £124,999 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £125,000 - £129,999 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 |
| Totals | 115 | 106 | 22 | 21 | 81 | 76 | 12 | 9 |

Note these figures do not include employees of Falkirk Community Trust (1 Chief Officials and 1 SJC employee).

3. Disclosure – Local Authority Subsidiary Bodies
(Paragraph 5 of the Schedule to the 1985 Regulations)

3.1 Falkirk Community Stadium Ltd is a subsidiary body of the Council and the details to be provided in this Report are as follows:

- a) the Stadium Manager is Mr Peter Eadie;
- b) there were no Councillors of Falkirk Council remunerated by the body in 2013/14; and
- c) there were no employees of the body whose remuneration in 2013/14, including any annual remuneration from Falkirk Council, was £150,000 or more.

3.2 Falkirk Community Trust Limited (FCT) is a subsidiary body of the Council and the details to be provided in this Report are as follows:

- a) the Chief Executive is Ms Maureen Campbell;
- b) there were no Councillors of Falkirk Council remunerated by the body in 2013/14; and
- c) there were no employees of the body whose remuneration in 2013/14, including any annual remuneration from Falkirk Council, was £150,000 or more.

4. Disclosure of Remuneration for Relevant Persons
(Paragraphs 6 to 8 of the Schedule to the 1985 Regulations)

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

4.2 The information is provided in separate tables as follows:

- a) Senior Councillors of Falkirk Council;
- b) Senior employees of Falkirk Council;
- c) Relevant persons of Falkirk Community Stadium Ltd; and
- d) Relevant persons of Falkirk Community Trust Ltd.

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a) Remuneration paid to Falkirk Council's Senior Councillors.

| Surname | Forename | Post | 2013/14 | | | | 2012/13 |
|-----------|----------|---|----------------------------------|-----------------------|---|-------------------------|-------------------------|
| | | | Salary, Fees and Allowances £ | Taxable Expenses £ | Non-cash Expenses & benefits-in-kind £ | Total Remuneration £ | Total Remuneration £ |
| Alexander | David | Leader of Main Opposition Group (to 02/05/12) Vice Convener of Community Justice Authority (from 25/06/12) Not a Senior Councillor Post | 0 | 0 | 0 | 0 | 18,955 |
| Black | Allyson | Depute Provost, (to 02/05/12) Depute Convener of Housing & Social Care (from 18/05/12 to 24/04/13) Depute Leader of the Council (01/04/13 to 25/06/13) | 5,199 | 0 | 0 | 5,199 | 21,535 |
| Blackwood | James | Convener of Housing & Social Care Committee Depute Convener Central Scotland Joint Police Board (both to 02/05/12) Convener Central Scotland Joint Police Board (from 11/06/12 to 31/03/13) Public Protection Portfolio Holder (from 25/04/13) | 20,553 | 0 | 0 | 20,553 | 24,186 |
| Buchanan | William | Convener of Planning Committee (to 02/05/12 and from 18/05/12) | 22,021 | 0 | 0 | 22,021 | 21,821 |
| Fry | Stephen | Left 02/05/12, Depute Convener Policy & Resources Committee | 0 | 0 | 0 | 0 | 1,440 |
| Goldie | Dennis | Started 04/05/12, Convener of Economic Strategy & Development Committee (from 18/05/12 to 24/04/13) Economic Development Portfolio Holder (from 25/04/13) | 22,021 | 0 | 0 | 22,021 | 19,601 |
| Goldie | Gerald | Convener of Joint Consultative Committee (to 02/05/12) Convener of Housing & Social Care Committee (from 18/05/12 to 24/04/13) Housing Portfolio Holder (from 25/04/13) | 22,021 | 0 | 0 | 22,021 | 21,222 |
| Gow | Linda | Depute Convener of Economic Strategy & Development Committee (from 18/05/12 to 31/03/13) | 0 | 0 | 0 | 0 | 16,190 |
| Lemetti | Joe | Left 02/05/12, Depute Convener of Economic Strategy & Development Committee | 0 | 0 | 0 | 0 | 1,622 |

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| Surname | Forename | Post | 2013/14 | | | | 2012/13 |
|------------|----------|--|----------------------------------|-----------------------|---|-------------------------|-------------------------|
| | | | Salary, Fees and Allowances £ | Taxable Expenses £ | Non-cash Expenses & benefits-in-kind £ | Total Remuneration £ | Total Remuneration £ |
| MacDonald | Charles | Convener of Environmental & Community Safety Committee (to 02/05/12) Convener of Joint Consultative Committee (from 18/05/12 to 24/04/13) Convener of Central Scotland Valuation Board (from 22/06/12) | 20,497 | 0 | 0 | 20,497 | 20,404 |
| Mahoney | Adrian | Convener of Economic Strategy & Development Committee and Convener of Leisure, Tourism & Community Committee (both to 02/05/12) Convener of Leisure, Tourism & Community Committee (from 18/05/12 to 24/04/13) Culture, Leisure and Tourism Portfolio Holder (from 25/04/13) | 22,021 | 0 | 0 | 22,021 | 22,167 |
| Martin | Craig | Leader of the Council, (to 02/05/12 and from 18/05/12) | 32,795 | 0 | 0 | 32,795 | 31,772 |
| Martin | Craig R | Depute Convener Environment & Community Safety Committee (to 02/05/12) Convener of Environment & Community Safety Committee (from 18/05/12 to/ 24/04/13) Environment Portfolio Holder (from 25/04/13) | 22,021 | 0 | 0 | 22,021 | 21,269 |
| McLuckie | John | Convener of Appeals Committee (to 02/05/12 and from 18/05/12) | 22,021 | 0 | 0 | 22,021 | 22,782 |
| McNeill | Alastair | Left 02/05/12 Depute Convener of Housing & Social Care Committee Depute Convener of Appeals Committee | 0 | 0 | 0 | 0 | 1,622 |
| Meiklejohn | Cecil | Leader of Main Opposition Group (from 12/06/12) | 18,462 | 0 | 0 | 18,462 | 17,897 |
| Murray | Rosemary | Started 04/05/12, Depute Convener of Policy & Resources Committee (from 18/05/12), Depute Convener of Central Scotland Joint Fire & Rescue Board (from 15/06/12 to 31/03/13) and Convener of Joint Consultative Committee (from 25/04/13) | 18,324 | 0 | 0 | 18,324 | 16,364 |

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| Surname | Forename | Post | 2013/14 | | | | 2012/13 |
|----------|-----------|--|----------------------------------|-----------------------|---|-------------------------|-------------------------|
| | | | Salary, Fees and Allowances £ | Taxable Expenses £ | Non-cash Expenses & benefits-in-kind £ | Total Remuneration £ | Total Remuneration £ |
| Nicol | Malcolm | Convener of Licensing Board and Convener of Civic Licensing Committee (Both to 02/05/12 and from 04/05/12 to 24/04/13) Resources Portfolio Holder (from 25/04/13) | 22,021 | 0 | 0 | 22,021 | 22,057 |
| Nimmo | Alan | Convener of Central Scotland Joint Fire & Rescue Board (to 02/05/12 to 31/03/13) and Convener of Education Committee (from 18/05/12 to 24/04/13) Education Portfolio Holder (from 25/04/13) | 22,021 | 0 | 0 | 22,021 | 23,947 |
| Paterson | Joan | Started 04/05/12 Depute Convener Environment & Community Safety Committee (from 18/05/12 to 24/04/13) Depute Leader of Council (from 26/06/13) | 18,052 | 0 | 0 | 18,052 | 16,863 |
| Patrick | John | Convener of Investment Committee to 02/05/12 and Depute Provost from 18/05/12 | 22,021 | 0 | 0 | 22,021 | 21,567 |
| Reid | Patrick | Provost | 23,179 | 0 | 0 | 23,179 | 22,855 |
| Waddell | Alexander | Left 02/05/12 Convener of Education Committee | 0 | 0 | 0 | 0 | 3,523 |
| | | TOTALS | 355,250 | 0 | 0 | 355,250 | 411,661 |

The amount recharged to Central Scotland Fire & Rescue Joint Board in 2013-2014 was £0 (2012-2013 £1,742)

The amount recharged to Central Scotland Police Joint Board in 2013-2014 was £0 (2012-2013 £6,379)

The amount recharged to Central Scotland Joint Valuation Board in 2013-2014 was £2,210 (2012-2013 £1,691)

FALKIRK COUNCIL

b) Remuneration of Senior Employees of Falkirk Council

| Name | Post Title | Salary, Fees and Allowances £ | Other Amounts £ | Total Remuneration 2013/14 £ | Total Remuneration 2012/13 £ |
|-------------------|---|----------------------------------|--------------------|---------------------------------|---------------------------------|
| Margaret Anderson | Director of Social Work Services | 99,733 | 0 | 99,733 | 99,156 |
| Rhona Geisler | Director of Development Services | 99,733 | 0 | 99,733 | 99,449 |
| Rose Mary Glackin | Chief Governance Officer (Monitoring Officer) | 86,946 | 0 | 86,946 | 86,741 |
| Mary Pitcaithly | Chief Executive | 127,863 | 0 | 127,863 | 128,845 |
| Stuart Ritchie | Director of Corporate & Neighbourhood Services | 99,733 | 0 | 99,733 | 99,406 |
| Bryan Smail | Chief Finance Officer (Section 95 Officer) | 86,946 | 0 | 86,946 | 86,532 |
| Andrew Sutherland | Director of Education Services (left 01/09/2013) | 41,832 | 0 | 41,832 | 100,152 |
| Nigel Fletcher | Joint Acting Director of Education from 02/09/2013) * | 50,050 | 0 | 50,050 | 0 |
| Gary Greenhorn | Joint Acting Director of Education from 02/09/2013) * | 49,178 | 0 | 49,178 | 0 |
| TOTAL | | 742,014 | 0 | 742,014 | 700,281 |

* The Joint Acting Directors of Education are receiving a responsibility payment to reflect the additional responsibilities of the vacant Director's post undertaken by them. The total expenditure of the Director of Education post and the Acting arrangements were within the budget provision for the three posts for 2013/14.

FALKIRK COUNCIL

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

The "Other Amounts" value above is zero because there were no election duties and related fees received during 2013/14 (2012/13 £2,642).

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

- o 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;
- o 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; or
- o Whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.

c) Remuneration paid to relevant persons of Falkirk Community Stadium Ltd

| Name | Post Title | Salary, Fees and Allowances £ | Benefits other than in cash £ | Total Remuneration 2013/14 £ | Total Remuneration 2012/13 £ |
|--------------|-----------------|----------------------------------|----------------------------------|------------------------------------|------------------------------------|
| Peter Eadie | Stadium Manager | 40,158 | 541 | 40,699 | 43,622 |
| TOTAL | | 40,158 | 541 | 40,699 | 43,622 |

d) Remuneration paid to relevant persons of Falkirk Community Trust Ltd

| Name | Post Title | Salary, Fees and Allowances £ | Other Amounts £ | Total Remuneration 2013/14 £ | Total Remuneration 2012/13 £ |
|------------------|-----------------|----------------------------------|--------------------|------------------------------------|------------------------------------|
| Maureen Campbell | Chief Executive | 91,041 | 0 | 91,041 | 92,267 |
| TOTAL | | 91,041 | 0 | 91,041 | 92,267 |

5. Pension Benefits

(Paragraphs 9 to 12 of the Schedule to the 1985 Regulations)

- 5.1 Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).
- 5.2 Councillors' pension benefits are based on career average pay. The Councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.
- 5.3 For local government employees this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.
- 5.4 The scheme's normal retirement age for both Councillors and employees is 65.
- 5.5 From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.
- 5.6 The tiers and members contribution rates for 2013-14 were revised from April 2013 to reflect a 2.2% increase in the cost of living index and are as follows:

| Wholetime Pay | Contribution Rate | |
|---|-------------------|---------|
| | 2012-13 | 2013-14 |
| On earnings up to and including £19,400 | 5.50% | |
| On earnings up to and including £19,800 | | 5.50% |
| On earnings above £19,400 and up to £23,700 | 7.25% | |
| On earnings above £19,800 and up to £24,200 | | 7.25% |
| On earnings above £23,700 and up to £32,500 | 8.50% | |
| On earnings above £24,200 and up to £33,200 | | 8.50% |
| On earnings above £32,500 and up to £43,300 | 9.50% | |
| On earnings above £33,200 and up to £44,200 | | 9.50% |
| On earnings above £43,300 | 12.00% | |
| On earnings above £44,200 | | 12.00% |

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

- 5.7 There is now no automatic entitlement to a lump sum. Scheme members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).
- 5.8 The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.
- 5.9 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.

FALKIRK COUNCIL

a) Pension Rights of Senior Councillors of Falkirk Council

The pension entitlements for Senior Councillors for the year to 31 March 2014 are shown in the table below, together with the contribution made by the Council to each Senior Councillor's pension during the year.

Senior Councillors of Falkirk Council;

| Surname | Forename | Post | In-Year Pension Contributions | | Accrued Pension Benefits | | | |
|-----------|----------|---|-------------------------------|-----------------------------|--------------------------|---------------------------|---------------------------|-------------------------------------|
| | | | For year to 31/03/2013 £ | For year to 31/03/2014 £ | Benefit Type | As at 31/03/2013 £'000 | As at 31/03/2014 £'000 | Difference from 31/03/2013 £'000 |
| Alexander | David | Leader of Main Opposition Group (to 02/05/12) Vice Convener of Community Justice Authority (from 25/06/12) not a Senior Councillor Post | 3,676 | Not applicable | Pension Lump Sum | 6 14 | Not applicable | -6 -14 |
| Black | Allyson | Depute Provost, (to 02/05/12) Depute Convener of Housing & Social Care (from 18/05/12 to 24/04/13) Depute Leader of the Council (01/04/13 to 25/06/13) | 4,199 | 3,550 | Pension Lump Sum | 2 2 | 2 2 | - - |
| Blackwood | James | Convener of Housing & Social Care Committee Depute Convener Central Scotland Joint Police Board (both to 02/05/12) Convener Central Scotland Joint Police Board (from 11/06/12 to 31/03/13) Public Protection Portfolio Holder (from 25/04/13) | 4,529 | 4,329 | Pension Lump Sum | 2 2 | 2 2 | - - |
| Goldie | Dennis | Started 04/05/12, Convener of Economic Strategy & Development Committee (from 18/05/12 to 24/04/13) Economic Development Portfolio Holder (from 25/04/13) | 3,822 | 4,404 | Pension Lump Sum | - - | 1 - | 1 - |
| Goldie | Gerald | Started 04/05/12, Convener of Economic Strategy & Development Committee (from 18/05/12 to 24/04/13) Economic Development Portfolio Holder (from 25/04/13) | 4,138 | 4,404 | Pension Lump Sum | 9 24 | 10 24 | 1 - |

FALKIRK COUNCIL

| Surname | Forename | Post | In-Year Pension Contributions | | Accrued Pension Benefits | | | |
|------------|----------|--|-------------------------------|-----------------------------|--------------------------|---------------------------|---------------------------|-------------------------------------|
| | | | For year to 31/03/2013 £ | For year to 31/03/2014 £ | Benefit Type | As at 31/03/2013 £'000 | As at 31/03/2014 £'000 | Difference from 31/03/2013 £'000 |
| Mahoney | Adrian | Convener of Economic Strategy & Development Committee and Convener of Leisure, Tourism & Community Committee (both to 02/05/12) Convener of Leisure, Tourism & Community Committee (from 18/05/12 to 24/04/13) Culture, Leisure and Tourism Portfolio Holder (from 25/04/13) | 3,189 | 4,404 | Pension Lump Sum | - - | 10 - | 10 - |
| Martin | Craig R | Depute Convener Environment & Community Safety Committee (to 02/05/12) Convener of Environment & Community Safety Committee (from 18/05/12 to 24/04/13) Environment Portfolio Holder (from 25/04/13) | 4,138 | 4,404 | Pension Lump Sum | 2 1 | 2 1 | - - |
| McLuckie | John | Convener of Appeals Committee (to 02/05/12 and from 18/05/12) | 4,138 | 4,404 | Pension Lump Sum | 2 1 | 2 1 | - - |
| McNeill | Alistair | Left 02/05/12 Depute Convener of Housing & Social Care Committee Depute Convener of Appeals Committee | 316 | Not applicable | Pension Lump Sum | 1 1 | Not applicable | -1 -1 |
| Meiklejohn | Cecil | Leader of Main Opposition Group (from 12/06/12) | 3,477 | 3,525 | Pension Lump Sum | 1 - | 1 - | - - |
| Murray | Rosemary | Started 04/05/12, Depute Convener of Policy & Resources Committee (from 18/05/12), Depute Convener of Central Scotland Joint Fire & Rescue Board (from 15/06/12 to 31/03/13) and Convener of Joint Consultative Committee (from 25/04/13) | 3,191 | 3,665 | Pension Lump Sum | - - | 1 - | 1 - |
| Nicol | Malcolm | Convener of Licensing Board and Convener of Civic Licensing Committee (Both to 02/05/12 and from 04/05/12 to 24/04/13) Resources Portfolio Holder (from 25/04/13) | 4,240 | 4,404 | Pension Lump Sum | 2 2 | 3 2 | 1 - |

FALKIRK COUNCIL

| Surname | Forename | Post | In-Year Pension Contributions | | Accrued Pension Benefits | | | |
|---------------|----------|--|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------------------|-------------------------------------|
| | | | For year to 31/03/2013 £ | For year to 31/03/2014 £ | Benefit Type | As at 31/03/2013 £'000 | As at 31/03/2014 £'000 | Difference from 31/03/2013 £'000 |
| Nimmo | Alan | Convener of Central Scotland Joint Fire & Rescue Board (to 02/05/12 to 31/03/13) and Convener of Education Committee (from 18/05/12 to 24/04/13) Education Portfolio Holder (from 25/04/13) | 4,243 | 4,404 | Pension Lump Sum | 1 - | 1 - | - - |
| Paterson | Joan | Started 04/05/12 Depute Convener Environment & Community Safety Committee (from 18/05/12 to 24/04/13) Depute Leader of Council (from 26/06/13) | 3,224 | 4,166 | Pension Lump Sum | - - | 1 - | 1 - |
| Patrick | John | Convener of Investment Committee to 02/05/12 and Depute Provost from 18/05/12 | 4,138 | 3,329 | Pension Lump Sum | 2 1 | 2 1 | - - |
| TOTALS | | | 54,658 | 53,392 | Pension Lump Sum | 30 48 | 38 33 | 8 -15 |

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.

FALKIRK COUNCIL

b) Pension Rights of Senior Employees of Falkirk Council

The pension entitlements of Senior Employees for the year to 31 March 2014 are shown in the table below, together with the contribution made by the Council to each Senior Employees' pension during the year.

| Name | Post Title | In-Year Pension Contributions | | Accrued Pension Benefits | | | |
|---|--|--------------------------------|--------------------------------|--------------------------|------------------------------|------------------------------|--|
| | | For year to 31/03/2013 £ | For year to 31/03/2014 £ | Benefit Type | As at 31/03/2013 £'000 | As at 31/03/2014 £'000 | Difference from 31/03/2013 £'000 |
| Margaret Anderson | Director of Social Work | 19,255 | 19,947 | Pension | 40 | 42 | 2 |
| | | | | Lump Sum | 101 | 102 | 1 |
| Rhona Geisler | Director of Development Services | 19,255 | 19,947 | Pension | 42 | 45 | 3 |
| | | | | Lump Sum | 108 | 109 | 1 |
| Rose Mary Glackin | Chief Governance Officer | 16,787 | 17,389 | Pension | 34 | 36 | 2 |
| | | | | Lump Sum | 86 | 87 | 1 |
| Mary Pitcaithly | Chief Executive | 24,686 | 25,573 | Pension | 52 | 55 | 3 |
| | | | | Lump Sum | 132 | 133 | 1 |
| Mary Pitcaithly | Returning Officer duties | 353 | - | Pension | 1 | 1 | - |
| | | | | Lump Sum | 1 | 1 | - |
| Stuart Ritchie | Director of Corporate & Neighbourhood Services | 19,255 | 19,947 | Pension | 40 | 42 | 2 |
| | | | | Lump Sum | 100 | 101 | 1 |
| Bryan Smail | Chief Finance Officer | 16,787 | 17,389 | Pension | 32 | 34 | 2 |
| | | | | Lump Sum | 79 | 80 | 1 |
| Andrew Sutherland | Director of Education (left 01/09/13) | 19,255 | 8,366 | Pension | 44 | 44 | - |
| | | | | Lump Sum | 111 | 111 | - |
| Nigel Fletcher | Joint Acting Director of Education | 14,056 | 16,109 | Pension | 37 | 43 | 6 |
| | | | | Lump Sum | 98 | 109 | 11 |
| Gary Greenhorn | Joint Acting Director of Education | 13,479 | 15,682 | Pension | 24 | 29 | 5 |
| | | | | Lump Sum | 59 | 68 | 9 |
| TOTAL | | (135,633) | | Pension | (285) 346 | 371 | 25 |
| The totals in brackets were the values on 2012/13 report | | 163,168 | 160,349 | Lump Sum | (718) 875 | 901 | 26 |

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.

FALKIRK COUNCIL

c) **Pension Rights of relevant persons of Falkirk Community Stadium Ltd**
 The Stadium Manager of Falkirk Community Stadium Ltd is not a member of a pension scheme requiring a contribution from Falkirk Community Stadium Ltd.

d) **Pension Rights of relevant persons of Falkirk Community Trust Ltd**
 The pension entitlement of the Chief Executive for the year to 31 March 2014 is shown in the table below, together with the contribution made by the Trust during the year.

| Name | Post Title | In-year Pension Contributions | | Accrued Pension Benefits | | | |
|------------------|-----------------|--------------------------------|--------------------------------|--------------------------|-----------------------------|-----------------------------|---------------------------------------|
| | | For year to 31/03/2013 £ | For year to 31/03/2014 £ | Benefit Type | As at 31/03/2013 £000 | As at 31/03/2014 £000 | Difference from 31/03/2013 £000 |
| Maureen Campbell | Chief Executive | 17,753 | 18,208 | Pension Lump Sum | 31 76 | 33 76 | 2 - |

6. Exit Packages

6.1 The Code of Practice on Local Authority Accounting has introduced from 2011/12, a new requirement to disclose in bands the numbers of exit packages agreed and the cost of those packages to the authority in the financial year, in accordance with the requirements of paragraph 3.4.4.1, 6(b) of the Code.

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 2013/14.

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, updated 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 2013/14 or 2012/13.

a) Exit Packages agreed with former employees of Falkirk Council

| Bands | Number of Exit Packages | | | |
|---------------------------|-------------------------|----------------|-----------|------------------|
| | 2012/13 | Total Payments | 2013/14 | Total Payments |
| | | £ | | £ |
| Up to £20k | 2 | 16,177 | 38 | 490,004 |
| Over £20k up to £40k | 3 | 91,503 | 15 | 417,638 |
| Over £40k up to £60k | 9 | 448,702 | 2 | 85,014 |
| Over £60k up to £80k | 4 | 277,586 | 2 | 136,372 |
| Over £80k up to £100k | 0 | 0 | 1 | 85,124 |
| Over £100k up to £150k | 0 | 0 | 1 | 103,369 |
| Over £150k up to £200k | 0 | 0 | 0 | 0 |
| Over £200k | 0 | 0 | 0 | 0 |
| Number of Packages | 18 | 833,968 | 59 | 1,317,521 |

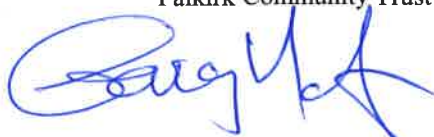
b) Exit Packages agreed with former employees of Falkirk Community Stadium Ltd

The were no exit packages agreed in either 2012/13 or 2011/12.

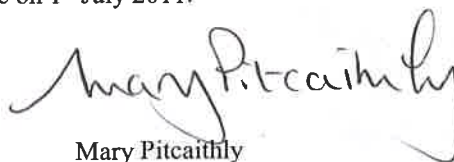
c) Exit Packages agreed with former employees of Falkirk Community Trust Ltd

| Bands | Number of Exit Packages | | | |
|---------------------------|-------------------------|----------------|----------|----------------|
| | 2012/13 | Total Payments | 2013/14 | Total Payments |
| | | £ | | £ |
| Up to £20k | - | - | 2 | 10,918 |
| Over £20k up to £40k | - | - | - | - |
| Over £40k up to £60k | - | - | - | - |
| Over £60k up to £80k | - | - | - | - |
| Over £80k up to £100k | - | - | - | - |
| Over £100k up to £150k | - | - | - | - |
| Over £150k up to £200k | - | - | - | - |
| Over £200k | - | - | - | - |
| Number of Packages | - | - | 2 | 10,918 |

Falkirk Community Trust Ltd. came in to existence on 1st July 2011.



Councillor Craig Martin
Leader of Falkirk Council
22 September 2014



Mary Pitcaithly
Chief Executive
22 September 2014

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

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.

| 2012/13 | | | 2013/14 | | | Notes | |
|-------------------------------|--------------------------|-----------------------------|--|--------------------------|-----------------------------|------------------|----|
| Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | | |
| 149,491 | (4,606) | 144,885 | Education Services | 160,931 | (5,146) | 155,785 | |
| 108,500 | (92,385) | 16,115 | Housing Services | 132,942 | (93,697) | 39,245 | |
| 19,953 | (2,593) | 17,360 | Cultural and Related Services | 20,559 | (2,489) | 18,070 | |
| 21,684 | (3,820) | 17,864 | Environmental Services | 19,708 | (3,855) | 15,853 | |
| 6,743 | - | 6,743 | Fire Services | - | - | - | |
| 19,353 | (862) | 18,491 | Roads & Transport Services | 17,753 | (1,178) | 16,575 | |
| 12,064 | - | 12,064 | Police Services | - | - | - | |
| 36,565 | (8,204) | 28,361 | Planning and Development Services | 24,829 | (8,694) | 16,135 | |
| 115,913 | (28,684) | 87,229 | Social Work | 123,202 | (29,674) | 93,528 | |
| 18,498 | (13,294) | 5,204 | Central Services to the Public | 17,428 | (12,174) | 5,254 | |
| 2,932 | - | 2,932 | Corporate & Democratic Core | 3,068 | - | 3,068 | |
| 822 | - | 822 | Non-Distributed Costs | 1,315 | - | 1,315 | |
| 512,518 | (154,448) | 358,070 | Cost of Services | 521,735 | (156,907) | 364,828 | |
| | | | <u>Other Operating Expenditure</u> | | | | |
| - | (1,707) | (1,707) | (Gains) or Losses on disposal of Non-Current and Current Assets | 19,909 | - | 19,909 | |
| | | | <u>Financing and Investment Income and Expenditure</u> | | | | |
| 43,151 | (44,052) | (901) | Surplus or deficit on trading undertakings | 35,036 | (35,300) | (264) | |
| 22,496 | - | 22,496 | Interest Payable and Similar Charges | 22,893 | - | 22,893 | |
| - | (518) | (518) | Interest & Investment Income | - | (594) | (594) | |
| 32,640 | (22,361) | 10,279 | Pensions interest cost & interest income on pensions assets | 34,646 | (24,567) | 10,079 | |
| 610,805 | (223,086) | 387,719 | | 634,219 | (217,368) | 416,851 | |
| | | | <u>Taxation and Non-Specific Grant Income</u> | | | | |
| - | (60,409) | (60,409) | Council Tax | - | (51,913) | (51,913) | 38 |
| - | (219,669) | (219,669) | Government Grants | - | (205,804) | (205,804) | |
| - | (27,551) | (27,551) | Capital Grants, Contributions & Donations | - | (26,475) | (26,475) | 32 |
| - | (63,467) | (63,467) | Non-Domestic Rate redistribution | - | (68,291) | (68,291) | 40 |
| | | | Non-Domestic Rates – TiF | - | (751) | (751) | 40 |
| - | (371,096) | (371,096) | | - | (353,234) | (353,234) | |
| 610,805 | (594,182) | 16,623 | (Surplus) or Deficit on Provision of Services | 634,219 | (570,602) | 63,617 | |
| | | (929) | Surplus or deficit on revaluation of non-current assets and current assets | | | (13,759) | |
| | | (977) | Remeasurements of pension assets/liabilities | | | 18,129 | |
| | | 12 | Other unrealised (gains)/losses | | | - | |
| | (1,894) | | Other Comprehensive Income and Expenditure | | | 3,974 | |
| | | 14,729 | Total Comprehensive Income and Expenditure | | | 67,987 | |

BALANCE SHEET AS AT 31 MARCH 2014

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".

| 2012/13 £'000 | | 2013/14 £'000 | Notes |
|------------------------------|--|------------------|-------|
| Non-Current Assets | | | |
| 705,507 | Property, Plant & Equipment | 689,150 | 14 |
| 211 | Heritage Assets | 259 | 15 |
| 35 | Intangible Assets | 58 | 11 |
| 179 | Assets Held for Sale | 115 | 17 |
| 9,341 | Long Term Investments | 9,340 | 22 |
| 5,541 | Investments in Associates and Joint Ventures | - | 22 |
| 2,093 | Long Term Debtors | 9,827 | 26 |
| <u>722,907</u> | | <u>708,749</u> | |
| Current Assets | | | |
| 864 | Inventories | 923 | 27 |
| 22,458 | Short Term Debtors | 25,199 | 29 |
| 10,126 | Cash and Cash Equivalents | 9,855 | |
| 684 | Assets Held for Sale | 1,355 | 17 |
| <u>34,132</u> | | <u>37,332</u> | |
| Current Liabilities | | | |
| (42,951) | Short Term Borrowing | (26,307) | 23 |
| (59,622) | Short Term Creditors | (68,072) | 30 |
| (5,839) | Provisions | (5,613) | 25 |
| <u>(108,412)</u> | | <u>(99,992)</u> | |
| Long Term Liabilities | | | |
| (139,286) | Long Term Borrowing | (178,258) | 23 |
| (222,953) | Defined Benefit Pension Scheme Liability | (253,264) | 9 |
| (128,863) | Other Long Term Liabilities | (124,793) | 34 |
| (2,679) | Capital Grants Received in Advance | (2,915) | 32 |
| <u>(493,781)</u> | | <u>(559,230)</u> | |
| <u>154,846</u> | NET ASSETS | <u>86,859</u> | 21 |
| Usable Reserves | | | |
| 4,428 | Capital Receipts Reserve | 5,055 | |
| 5,501 | Capital Grants Unapplied Account | 4,373 | |
| 37,428 | General Fund | 30,850 | 1 |
| 7,629 | Other Usable Reserves | 8,940 | |
| <u>54,986</u> | | <u>49,218</u> | |
| Unusable Reserves | | | |
| 197,511 | Capital Adjustment Account | 154,802 | |
| (6,392) | Financial Instruments Adjustment Account | (6,065) | |
| 137,302 | Revaluation Reserve | 147,928 | |
| (222,953) | Pensions Reserve | (253,264) | |
| (5,608) | Accumulated Absences Account | (5,760) | |
| <u>99,860</u> | | <u>37,641</u> | |
| <u>154,846</u> | TOTAL RESERVES | <u>86,859</u> | |


 Bryan Smail, CPFA MBA
 Chief Finance Officer

The unaudited accounts were issued on 30 June 2014 and the audited accounts were authorised for issue on 22 September 2014.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

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.

| 2012/13 | | 2013/14 |
|-----------------|--|-----------------|
| £'000 | | £'000 |
| 16,623 | Net (surplus) or deficit on the provision of services | 63,617 |
| (74,379) | Adjust net surplus or deficit on the provision of services for non-cash movements | (114,690) |
| 27,551 | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 26,475 |
| <u>(30,205)</u> | Net cash flows from operating activities | <u>(24,598)</u> |
| | Investing Activities | |
| 60,425 | Purchase of property, plant & equipment, investment property and intangible assets | 76,063 |
| - | Other payments for investing activities | - |
| (2,280) | Proceeds from the sale of property, plant & equipment, investment property and intangible assets | (4,983) |
| <u>(22,519)</u> | Other receipts and investing activities | <u>(28,870)</u> |
| 35,626 | Net cash flows from investing activities | 42,210 |
| | Financing Activities | |
| (93,116) | Cash receipts of short and long-term borrowing | (122,126) |
| 5,751 | Cash payments for the reduction of the outstanding liabilities relating to finance leases | 4,987 |
| <u>71,652</u> | Repayments of short and long-term borrowing | <u>99,798</u> |
| <u>(15,713)</u> | Net cash flows from financing activities | <u>(17,341)</u> |
| <u>(10,292)</u> | Net (increase) or decrease in cash and cash equivalents | <u>271</u> |
| | Cash and cash equivalents | |
| 166 | Cash and cash equivalents at the beginning of the reporting period | (10,126) |
| | Cash and cash equivalents at the end of the reporting period | |
| (39) | Cash held by Officers | (40) |
| (2,984) | Bank Current Accounts | (862) |
| <u>(7,103)</u> | Short-term deposits | <u>(8,953)</u> |
| <u>(10,126)</u> | | <u>(9,855)</u> |

The cash flows for operating activities include interest paid of £22.891m (2012/13 £22.496m) and interest received of £0.594m (2012/13 £0.518m).

| | | |
|---|---|------------------|
| Adjust net surplus or deficit on the provision of services for non-cash movements: | | |
| 396 | Net Gain/(Loss) | (19,909) |
| (8) | Amortisation of Intangible Assets | (8) |
| (69,312) | Depreciation & Impairment of Fixed Assets | (82,306) |
| (9,420) | Net Charges for Retirement Benefits | (12,182) |
| 1,003 | Movement in Debtors | 7,094 |
| 3,021 | Movement in Creditors | (7,438) |
| (59) | Movement in Stock | 59 |
| <u>(74,379)</u> | | <u>(114,690)</u> |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities: | | |
| 23,798 | Capital Grants General Fund | 22,344 |
| <u>3,753</u> | Capital Grants HRA | <u>4,131</u> |
| <u>27,551</u> | | <u>26,475</u> |

FALKIRK COUNCIL

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

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 other 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. These are 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. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

| | Usable Reserves | | | | | | Unusable Reserves | | | | | | Total | Notes shown below |
|---|---------------------------------|-----------------|--------------------------|----------------------------------|----------------|-----------------------|----------------------------|---------------------|------------------|------------------------------|--|-------------------------|-----------------|-------------------|
| | General Fund Balance (excl HRA) | HRA Balance | Capital Receipts Reserve | Capital Grants Unapplied Account | Other Reserves | Total Usable Reserves | Capital Adjustment Account | Revaluation Reserve | Pension Reserve | Accumulated Absences Account | Financial Instruments Adjustment Account | Total Unusable Reserves | Total Reserves | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Balance at 31 March 2013 | 29,797 | 7,631 | 4,428 | 5,501 | 7,629 | 54,986 | 197,511 | 137,302 | (222,953) | (5,608) | (6,392) | 99,860 | 154,846 | |
| Surplus or (deficit) on provision of services (accounting basis) | (30,632) | (32,985) | - | - | - | (63,617) | - | - | - | - | - | - | (63,617) | |
| Other Comprehensive Income and Expenditure | 699 | (7,265) | 7,199 | (935) | - | (302) | 1,374 | 12,687 | (18,129) | - | - | (4,068) | (4,370) | |
| Total Comprehensive Income and Expenditure | (29,933) | (40,250) | 7,199 | (935) | - | (63,919) | 1,374 | 12,687 | (18,129) | - | - | (4,068) | (67,987) | |
| Adjustments between accounting basis and funding basis under regulations | 27,727 | 37,289 | (6,765) | - | (100) | 58,151 | (44,083) | (2,061) | (12,182) | (152) | 327 | (58,151) | - | |
| Net Increase/Decrease before Transfers to Other Statutory Reserves | (2,206) | (2,961) | 434 | (935) | (100) | (5,768) | (42,709) | 10,626 | (30,311) | (152) | 327 | (62,219) | (67,987) | |
| Transfers to/from Other Statutory Reserves | (1,834) | 423 | 193 | (193) | 1,411 | - | - | - | - | - | - | - | - | |
| Increase/Decrease in Year 2013/14 | (4,040) | (2,538) | 627 | (1,128) | 1,311 | (5,768) | (42,709) | 10,626 | (30,311) | (152) | 327 | (62,219) | (67,987) | |
| Balance at 31 March 2014 carried forward | 25,757 | 5,093 | 5,055 | 4,373 | 8,940 | 49,218 | 154,802 | 147,928 | (253,264) | (5,760) | (6,065) | 37,641 | 86,859 | |

FALKIRK COUNCIL

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

NOTES

| | Usable Reserves | | | | | | Unusable Reserves | | | | | Total | |
|--|---------------------------------------|-------------------|--------------------------------|--|----------------------|-----------------------------|----------------------------------|---------------------------|-----------------------|------------------------------------|--|-------------------------------|----------------------|
| | General Fund Balance (excl HRA) £'000 | HRA Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied Account £'000 | Other Reserves £'000 | Total Usable Reserves £'000 | Capital Adjustment Account £'000 | Revaluation Reserve £'000 | Pension Reserve £'000 | Accumulated Absences Account £'000 | Financial Instruments Adjustment Account £'000 | Total Unusable Reserves £'000 | Total Reserves £'000 |
| 1. Analysis of Other Comprehensive Income and Expenditure | | | | | | | | | | | | | |
| Net Loss on Sale of Assets | 23,043 | (3,134) | - | - | - | 19,909 | - | - | - | - | - | - | 19,909 |
| Capital Receipts Received | - | - | 7,199 | - | - | 7,199 | - | - | - | - | - | - | 7,199 |
| Capital Grants Received | (22,344) | (4,131) | - | (935) | - | (27,410) | 27,410 | - | - | - | - | 27,410 | - |
| Net Book Value of Asset Disposals | - | - | - | - | - | - | (26,075) | (1,033) | - | - | - | (27,108) | (27,108) |
| Long Term Debtor | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Gain on Revaluation of Fixed Assets | - | - | - | - | - | - | 39 | 13,720 | - | - | - | 13,759 | 13,759 |
| Remeasurement of Pension Fixed Assets and Liabilities | - | - | - | - | - | - | - | - | (18,129) | - | - | (18,129) | (18,129) |
| Total | 699 | (7,265) | 7,199 | (935) | - | (302) | 1,374 | 12,687 | (18,129) | - | - | (4,068) | (4,370) |
| 2. Analysis of Adjustments between accounting basis and funding basis under regulations | | | | | | | | | | | | | |
| 2a. Reversal of items debited or credited to the CIES | | | | | | | | | | | | | |
| Depreciation, impairment and downward revaluation of non-current assets | 33,305 | 48,999 | - | - | - | 82,304 | (82,304) | - | - | - | - | (82,304) | - |
| Amortisation of intangible assets | 8 | - | - | - | - | 8 | (8) | - | - | - | - | (8) | - |
| 2b. Insertion of items not debited or credited to the CIES | | | | | | | | | | | | | |
| Statutory Repayment of Debt (Loans Fund Advances) | (10,201) | (9,345) | - | - | - | (19,546) | 19,546 | - | - | - | - | 19,546 | - |
| Capital expenditure charged to the General Fund Balance (CFCR) | (2,042) | (2,557) | - | - | - | (4,599) | 4,599 | - | - | - | - | 4,599 | - |
| Statutory Repayment of Debt (Finance Lease Liabilities) | - | (502) | - | - | - | (502) | 502 | - | - | - | - | 502 | - |
| Statutory Repayment of Debt (PFI) | (4,485) | - | - | - | - | (4,485) | 4,485 | - | - | - | - | 4,485 | - |
| Borrowing Consent | - | - | - | - | - | - | - | - | - | - | - | - | - |

FALKIRK COUNCIL

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

| | Usable Reserves | | | | | | Unusable Reserves | | | | | Total | |
|---|--|----------------------|-----------------------------------|---|-------------------------|--------------------------------|-------------------------------------|------------------------------|--------------------------|---------------------------------------|---|----------------------------------|-------------------------|
| | General Fund Balance (excl HRA) £'000 | HRA Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied Account £'000 | Other Reserves £'000 | Total Usable Reserves £'000 | Capital Adjustment Account £'000 | Revaluation Reserve £'000 | Pension Reserve £'000 | Accumulated Absences Account £'000 | Financial Instruments Adjustment Account £'000 | Total Unusable Reserves £'000 | Total Reserves £'000 |
| 2c. Adjustments involving the Capital Receipts Reserve | | | | | | | | | | | | | |
| Capital Receipts applied to fund Capital Expenditure | - | - | (6,765) | - | - | (6,765) | 6,765 | - | - | - | - | 6,765 | - |
| 2d. Adjustments involving the Repairs and Renewals Fund and Devolved Management Reserve | | | | | | | | | | | | | |
| Use of the Repairs & Renewals Fund , DMR, Spend to Save to Finance new capital expenditure | (172) | - | - | - | (100) | (272) | 272 | - | - | - | - | 272 | - |
| 2e. Adjustments involving the Financial Instruments Adjustment Account | | | | | | | | | | | | | |
| 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 | (264) | (63) | - | - | - | (327) | - | - | - | - | 327 | 327 | - |
| 2f. Adjustments involving the Pensions Reserve | | | | | | | | | | | | | |
| 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 | 11,427 | 755 | - | - | - | 12,182 | - | - | (12,182) | - | - | (12,182) | - |
| 2g. Adjustments involving the Accumulated Absences Account | | | | | | | | | | | | | |
| Net transfer to or from earmarked reserves required by legislation | 150 | 2 | - | - | - | 152 | - | - | - | (152) | - | (152) | - |

FALKIRK COUNCIL

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

| | Usable Reserves | | | | | | Unusable Reserves | | | | | Total | |
|--|--|----------------------|-----------------------------------|---|-------------------------|--------------------------------|-------------------------------------|------------------------------|--------------------------|---------------------------------------|---|----------------------------------|-------------------------|
| | General Fund Balance (excl HRA) £'000 | HRA Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied Account £'000 | Other Reserves £'000 | Total Usable Reserves £'000 | Capital Adjustment Account £'000 | Revaluation Reserve £'000 | Pension Reserve £'000 | Accumulated Absences Account £'000 | Financial Instruments Adjustment Account £'000 | Total Unusable Reserves £'000 | Total Reserves £'000 |
| 2h. Other Adjustments | | | | | | | | | | | | | |
| Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost | - | - | - | - | - | - | 2,061 | (2,061) | - | - | - | - | - |
| Total | 27,727 | 37,289 | (6,765) | - | (100) | 58,151 | (44,083) | (2,061) | (12,182) | (152) | 327 | (58,151) | - |
| 3. Analysis of transfers to/from Other Statutory Reserves | | | | | | | | | | | | | |
| Transfer to Insurance Fund | (216) | - | - | - | 216 | - | - | - | - | - | - | - | - |
| Transfer from Repairs and Renewals Fund | (1,195) | - | - | - | 1,195 | - | - | - | - | - | - | - | - |
| Capital Receipts/Capital Grants | - | - | 193 | (193) | - | - | - | - | - | - | - | - | - |
| Revenue Grant Reserve | (423) | 423 | - | - | - | - | - | - | - | - | - | - | - |
| Total | (1,834) | 423 | 193 | (193) | 1,411 | - | - | - | - | - | - | - | - |

FALKIRK COUNCIL

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

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 other 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. These are 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. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

| | Usable Reserves | | | | | | Unusable Reserves | | | | | | Total | Notes shown below |
|---|---------------------------------|-----------------|--------------------------|----------------------------------|----------------|-----------------------|----------------------------|---------------------|------------------|------------------------------|--|-------------------------|-----------------|-------------------|
| | General Fund Balance (excl HRA) | HRA Balance | Capital Receipts Reserve | Capital Grants Unapplied Account | Other Reserves | Total Usable Reserves | Capital Adjustment Account | Revaluation Reserve | Pension Reserve | Accumulated Absences Account | Financial Instruments Adjustment Account | Total Unusable Reserves | Total Reserves | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Balance at 31 March 2012 | 24,522 | 7,712 | 5,172 | 4,737 | 7,446 | 49,589 | 206,660 | 140,533 | (214,510) | (5,978) | (6,719) | 119,986 | 169,575 | |
| Surplus or (deficit) on provision of services (accounting basis) | (5,106) | (11,517) | - | - | - | (16,623) | - | - | - | - | - | - | (16,623) | |
| Other Comprehensive Income and Expenditure | (23,763) | (5,423) | 2,280 | 764 | - | (26,142) | 26,563 | 496 | 977 | - | - | 28,036 | 1,894 | 1 |
| Total Comprehensive Income and Expenditure | (28,869) | (16,940) | 2,280 | 764 | - | (42,765) | 26,563 | 496 | 977 | - | - | 28,036 | (14,729) | |
| Adjustments between accounting basis and funding basis under regulations | 34,034 | 17,601 | (3,024) | - | (449) | 48,162 | (35,712) | (3,727) | (9,420) | 370 | 327 | (48,162) | - | 2 |
| Net Increase/Decrease before Transfers to Other Statutory Reserves | 5,165 | 661 | (744) | 764 | (449) | 5,397 | (9,149) | (3,231) | (8,443) | 370 | 327 | (20,126) | (14,729) | |
| Transfers to/from Other Statutory Reserves | 110 | (742) | - | - | 632 | - | - | - | - | - | - | - | - | 3 |
| Increase/Decrease in Year 2012/13 | 5,275 | (81) | (744) | 764 | 183 | 5,397 | (9,149) | (3,231) | (8,443) | 370 | 327 | (20,126) | (14,729) | |
| Balance at 31 March 2013 carried forward | 29,797 | 7,631 | 4,428 | 5,501 | 7,629 | 54,986 | 197,511 | 137,302 | (222,953) | (5,608) | (6,392) | 99,860 | 154,846 | |

FALKIRK COUNCIL

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

NOTES

| | Usable Reserves | | | | | | Unusable Reserves | | | | | Total | |
|--|---------------------------------------|-------------------|--------------------------------|--|----------------------|-----------------------------|----------------------------------|---------------------------|-----------------------|------------------------------------|--|-------------------------------|----------------------|
| | General Fund Balance (excl HRA) £'000 | HRA Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied Account £'000 | Other Reserves £'000 | Total Usable Reserves £'000 | Capital Adjustment Account £'000 | Revaluation Reserve £'000 | Pension Reserve £'000 | Accumulated Absences Account £'000 | Financial Instruments Adjustment Account £'000 | Total Unusable Reserves £'000 | Total Reserves £'000 |
| 1. Analysis of Other Comprehensive Income and Expenditure | | | | | | | | | | | | | |
| Net Gain on Sale of Assets | (37) | (1,670) | - | - | - | (1,707) | - | - | - | - | - | - | (1,707) |
| Capital Receipts Received | - | - | 2,280 | - | - | 2,280 | - | - | - | - | - | - | 2,280 |
| Capital Grants Received | (23,798) | (3,753) | - | 764 | - | (26,787) | 26,787 | - | - | - | - | 26,787 | - |
| Net Book Value of Asset Disposals | - | - | - | - | - | - | (594) | (63) | - | - | - | (657) | (657) |
| Long Term Debtor | 72 | - | - | - | - | 72 | - | - | - | - | - | - | 72 |
| Deficit on Revaluation of Fixed Assets | - | - | - | - | - | - | 370 | 559 | - | - | - | 929 | 929 |
| Actuarial Loss on Pension Fixed Assets and Liabilities | - | - | - | - | - | - | - | - | 977 | - | - | 977 | 977 |
| Total | (23,763) | (5,423) | 2,280 | 764 | - | (26,142) | 26,563 | 496 | 977 | - | - | 28,036 | 1,894 |
| 2. Analysis of Adjustments between accounting basis and funding basis under regulations | | | | | | | | | | | | | |
| 2a. Reversal of items debited or credited to the CIES | | | | | | | | | | | | | |
| Depreciation, impairment and downward revaluation of non-current assets | 42,585 | 28,039 | - | - | - | 70,624 | (70,624) | - | - | - | - | (70,624) | - |
| Amortisation of intangible assets | 8 | - | - | - | - | 8 | (8) | - | - | - | - | (8) | - |
| 2b. Insertion of items not debited or credited to the CIES | | | | | | | | | | | | | |
| Statutory Repayment of Debt (Loans Fund Advances) | (10,107) | (8,254) | - | - | - | (18,361) | 18,361 | - | - | - | - | 18,361 | - |
| Capital expenditure charged to the General Fund Balance (CFCR) | (232) | (1,555) | - | - | - | (1,787) | 1,787 | - | - | - | - | 1,787 | - |
| Statutory Repayment of Debt (Finance Lease Liabilities) | - | (1,193) | - | - | - | (1,193) | 1,193 | - | - | - | - | 1,193 | - |
| Statutory Repayment of Debt (PFI) | (4,629) | - | - | - | - | (4,629) | 4,629 | - | - | - | - | 4,629 | - |
| Borrowing Consent | - | - | - | - | - | - | - | - | - | - | - | - | - |

FALKIRK COUNCIL

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

| | Usable Reserves | | | | | | Unusable Reserves | | | | | Total | |
|---|--|----------------------|-----------------------------------|---|-------------------------|--------------------------------|-------------------------------------|------------------------------|--------------------------|---------------------------------------|---|----------------------------------|-------------------------|
| | General Fund Balance (excl HRA) £'000 | HRA Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied Account £'000 | Other Reserves £'000 | Total Usable Reserves £'000 | Capital Adjustment Account £'000 | Revaluation Reserve £'000 | Pension Reserve £'000 | Accumulated Absences Account £'000 | Financial Instruments Adjustment Account £'000 | Total Unusable Reserves £'000 | Total Reserves £'000 |
| 2c. Adjustments involving the Capital Receipts Reserve | | | | | | | | | | | | | |
| Capital Receipts applied to fund Capital Expenditure | - | - | (3,024) | - | - | (3,024) | 3,024 | - | - | - | - | 3,024 | - |
| 2d. Adjustments involving the Repairs and Renewals Fund and Devolved Management Reserve | | | | | | | | | | | | | |
| Use of the Repairs & Renewals Fund & DMR to Finance new capital expenditure | (1,750) | - | - | - | (449) | (2,199) | 2,199 | - | - | - | - | 2,199 | - |
| 2e. Adjustments involving the Financial Instruments Adjustment Account | | | | | | | | | | | | | |
| 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 | (264) | (63) | - | - | - | (327) | - | - | - | - | 327 | 327 | - |
| 2f. Adjustments involving the Pensions Reserve | | | | | | | | | | | | | |
| 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 | 8,792 | 628 | - | - | - | 9,420 | - | - | (9,420) | - | - | (9,420) | - |
| 2g. Adjustments involving the Accumulated Absences Account | | | | | | | | | | | | | |
| Net transfer to or from earmarked reserves required by legislation | (369) | (1) | - | - | - | (370) | - | - | - | 370 | - | 370 | - |

FALKIRK COUNCIL

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

| | Usable Reserves | | | | | | Unusable Reserves | | | | | Total | |
|--|--|----------------------|-----------------------------------|---|-------------------------|--------------------------------|-------------------------------------|------------------------------|--------------------------|---------------------------------------|---|----------------------------------|-------------------------|
| | General Fund Balance (excl HRA) £'000 | HRA Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied Account £'000 | Other Reserves £'000 | Total Usable Reserves £'000 | Capital Adjustment Account £'000 | Revaluation Reserve £'000 | Pension Reserve £'000 | Accumulated Absences Account £'000 | Financial Instruments Adjustment Account £'000 | Total Unusable Reserves £'000 | Total Reserves £'000 |
| 2h. Other Adjustments | | | | | | | | | | | | | |
| Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost | - | - | - | - | - | - | 3,727 | (3,727) | - | - | - | - | - |
| Total | 34,034 | 17,601 | (3,024) | - | (449) | 48,162 | (35,712) | (3,727) | (9,420) | 370 | 327 | (48,162) | - |
| 3. Analysis of transfers to/from Other Statutory Reserves | | | | | | | | | | | | | |
| Transfer to Insurance Fund | (459) | - | - | - | 459 | - | - | - | - | - | - | - | - |
| Transfer from Repairs and Renewals Fund | (173) | - | - | - | 173 | - | - | - | - | - | - | - | - |
| Capital Receipts | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Revenue Grant Reserve | 742 | (742) | - | - | - | - | - | - | - | - | - | - | - |
| Total | 110 | (742) | - | - | 632 | - | - | - | - | - | - | - | - |

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Analysis of General Fund Balance

| | General (1) £'000 | Housing (1) £'000 | Devolved Schools (2) £'000 | Economic Development (3) £'000 | Central Energy Efficiency Fund (4) £'000 | Revenue Grant (5) £'000 | Spend to Save (6) £'000 | Total £'000 |
|---------------------------------|-------------------------|-------------------------|-------------------------------------|---|---|----------------------------------|----------------------------------|----------------|
| Balance at beginning of year | (14,117) | (7,631) | (7,531) | (2,151) | (410) | (2,088) | (3,500) | (37,428) |
| (Surplus)/Deficit for the year | 3,617 | 2,961 | - | - | - | - | - | 6,578 |
| Appropriation to General Fund | (2,619) | - | 1,874 | 745 | - | - | - | - |
| Appropriation from General Fund | 810 | (423) | - | - | (29) | (261) | (97) | - |
| Balance at end of year | (12,309) | (5,093) | (5,657) | (1,406) | (439) | (2,349) | (3,597) | (30,850) |

- (1) Having regard to the Council's approved strategy on the level and use of reserves, £1.5m of General Fund Reserves have been deployed in 2014/15.
- (2) Carry forward of unutilised budgets delegated to Headteachers under the Devolved Schools Management System.
- (3) Funds arising from the strategic development of business parks.
- (4) Funds to develop energy efficient initiatives in Council buildings.
- (5) Prior to 2012/13 unspent revenue grants were treated as short term creditors. From 2012/13 revenue grants are now fully recognised as income in the accounts with any unspent balances earmarked within the overall general fund balance. The balance at the year end includes £0.319m of Housing Grants.
- (6) The Council agreed to earmark £3.6m for spend to save initiatives aimed at reducing future budgeted expenditure.

2. Exceptional Items

There are no exceptional items.

FALKIRK COUNCIL

3(a). Amounts Reported for Resource Allocation Decisions 2013/14

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across Service portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements.

In particular:

- o The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:-

| Portfolio Income and Expenditure 2013/14 | Education £'000 | Social Work £'000 | Development Services £'000 | Community Services £'000 | Corporate & N'Hood Services £'000 | Misc Services £'000 | Joint Boards £'000 | Trading Accounts £'000 | HRA £'000 | Other Costs £'000 | Total £'000 |
|---|--------------------|-------------------------|----------------------------------|--------------------------------|--|---------------------------|--------------------------|------------------------------|-----------------|-------------------------|------------------|
| Income | (12,397) | (35,352) | (24,717) | - | (25,913) | (47,136) | - | (35,281) | (52,417) | - | (233,213) |
| Total Income | (12,397) | (35,352) | (24,717) | - | (25,913) | (47,136) | - | (35,281) | (52,417) | - | (233,213) |
| Employee Expenses | 101,450 | 41,150 | 19,907 | - | 18,885 | 4,448 | - | 13,553 | 6,386 | 289 | 206,068 |
| Property Expenses | 13,290 | 2,018 | 4,305 | - | 2,514 | 208 | - | 462 | 24,722 | - | 47,519 |
| Transport Expenses | 3,249 | 1,277 | 2,805 | - | 7,333 | - | - | 1,573 | 13 | - | 16,250 |
| Supplies & Services | 8,782 | 3,331 | 9,210 | - | 3,927 | 2,039 | - | 6,127 | 3,501 | - | 36,917 |
| Third Party Expenses | 31,800 | 65,809 | 12,255 | - | 1,000 | 3,875 | 13,395 | 12,125 | 1,158 | - | 141,417 |
| Transfer Payments | 698 | 3,752 | - | - | - | 41,917 | - | - | - | - | 46,367 |
| Support Costs | 9,180 | 5,917 | 4,949 | - | 3,210 | 6,698 | - | 656 | 3,821 | (782) | 33,649 |
| Capital Charges | 19,764 | 843 | 9,930 | - | 3,076 | 15 | - | 64 | 15,354 | (15,166) | 33,880 |
| Exceptional Item | - | - | - | - | - | - | - | - | - | - | - |
| Total Expenditure | 188,213 | 124,097 | 63,361 | - | 39,945 | 59,200 | 13,395 | 34,560 | 54,955 | (15,659) | 562,067 |
| Net Expenditure | 175,816 | 88,745 | 38,644 | - | 14,032 | 12,064 | 13,395 | (721) | 2,538 | (15,659) | 328,854 |

FALKIRK COUNCIL

Reconciliation of Portfolio Income and Expenditure to Cost of Services in Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

| | £'000 | |
|--|----------|----------------|
| Net Expenditure in the Portfolio Analysis | 328,854 | |
| Net Expenditure of Services (Trading Accounts) not included in the net cost of services | 721 | |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | | |
| • Pension Adjustments in accordance with IAS 19 | 1,859 | |
| • Accumulated Absence Accrual | 150 | |
| • PPP Adjustments for Interest and Principal | (18,002) | |
| • Adjustments for Depreciation and Revaluation | 49,573 | |
| • Miscellaneous Adjustments | 744 | 34,324 |
| Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement | | |
| • Appropriation to Earmarked General Fund Reserves | 635 | |
| • Miscellaneous Adjustments | 294 | 929 |
| Cost of Services | | 364,828 |

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement

| | Portfolio Analysis £'000 | Not in net cost of Services £'000 | Not reported to Management £'000 | Not included in CIES £'000 | Allocation of Recharges £'000 | Allocation of Supp Service £'000 | Net Cost of Services £'000 | Corporate Amounts £'000 | Total £'000 |
|--|--------------------------------|---|---|-------------------------------------|--|--|----------------------------------|-------------------------------|------------------|
| Income | (233,213) | 35,281 | (938) | 294 | 41,839 | (170) | (156,907) | (86,342) | (243,249) |
| Interest and investment income | | | | | | | - | (594) | (594) |
| Government grants and contributions | | | | | | | - | (274,846) | (274,846) |
| Income from council tax | | | | | | | - | (51,913) | (51,913) |
| Total Income | (233,213) | 35,281 | (938) | 294 | 41,839 | (170) | (156,907) | (413,695) | (570,602) |
| Employee Expenses | 206,068 | (13,553) | 1,059 | - | (12,442) | 14,875 | 196,007 | 14,071 | 210,078 |
| Property Expenses | 47,519 | (462) | - | - | (1,487) | 1,499 | 47,069 | 462 | 47,531 |
| Transport Expenses | 16,250 | (1,573) | - | - | (6,306) | 39 | 8,410 | 1,573 | 9,983 |
| Supplies & Services | 36,917 | (6,127) | 1,150 | 635 | (2,343) | 4,863 | 35,095 | 26,650 | 61,745 |
| Third Party Expenses | 141,417 | (12,125) | (18,002) | - | (2,278) | 280 | 109,292 | 12,125 | 121,417 |
| Transfer Payments | 46,367 | - | - | - | (68) | - | 46,299 | - | 46,299 |
| Support Service recharges | 33,649 | (656) | 1,482 | - | (12,707) | (21,768) | - | - | - |
| Depreciation, amortisation and impairment | 33,880 | (64) | 49,573 | - | (4,208) | 382 | 79,563 | 64 | 79,627 |
| Interest Payments | - | - | - | - | - | - | - | 57,539 | 57,539 |
| Exceptional Item | - | - | - | - | - | - | - | - | - |
| Total Expenditure | 562,067 | (34,560) | 35,262 | 635 | (41,839) | 170 | 521,735 | 112,484 | 634,219 |
| (Surplus) or Deficit on the Provision of Services | 328,854 | 721 | 34,324 | 929 | - | - | 364,828 | (301,211) | 63,617 |

FALKIRK COUNCIL

3.(b) Amounts Reported for Resource Allocation Decisions 2012/13

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across Service portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements.

In particular:

The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.

In the original 2012/13 annual accounts, Housing Benefit payments (Transfer Payments of £41,891) were shown under Corporate and Neighbourhood Services. In 2013/14, these payments were transferred to Miscellaneous Services as the management responsibility does not lie with Corporate and Neighbourhood. The 2012/13 figures have been amended to reflect this change.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year are as follows:-

| Portfolio Income and Expenditure 2012/13 | Education £'000 | Social Work £'000 | Development Services £'000 | Corporate & N'Hood Services £'000 | Misc Services £'000 | Joint Boards/ Trust £'000 | Trading Accounts £'000 | HRA £'000 | Other Costs £'000 | Total £'000 |
|--|--------------------|-------------------------|----------------------------------|--|---------------------------|------------------------------------|------------------------------|-----------------|-------------------------|------------------|
| Income | (11,464) | (34,080) | (17,839) | (25,978) | (47,308) | - | (44,023) | (52,018) | - | (232,710) |
| Total Income | (11,464) | (34,080) | (17,839) | (25,978) | (47,308) | - | (44,023) | (52,018) | - | (232,710) |
| Employee Expenses | 99,970 | 38,717 | 15,269 | 17,733 | 4,162 | - | 17,085 | 6,136 | 359 | 199,431 |
| Property Expenses | 13,855 | 2,269 | 3,854 | 2,850 | 463 | - | 387 | 23,624 | 23 | 47,325 |
| Transport Expenses | 3,128 | 1,210 | 611 | 7,504 | 1 | - | 3,948 | 15 | - | 16,417 |
| Supplies & Services | 11,214 | 3,263 | 4,314 | 5,595 | 1,723 | - | 7,901 | 3,020 | - | 37,030 |
| Third Party Expenses | 31,169 | 63,782 | 19,024 | 910 | 3,143 | 32,318 | 12,343 | 2,242 | (163) | 164,768 |
| Transfer Payments | 712 | 3,845 | - | (100) | 41,891 | - | - | - | - | 46,348 |
| Support Services | 8,682 | 5,222 | 4,165 | 3,862 | 6,258 | - | 1,065 | 3,869 | (552) | 32,571 |
| Capital Charges | 13,382 | 467 | 24,115 | 3,846 | 20 | - | 329 | 13,193 | (24,368) | 30,984 |
| Total Expenditure | 182,112 | 118,775 | 71,352 | 42,200 | 57,661 | 32,318 | 43,058 | 52,099 | (24,701) | 574,874 |
| Net Expenditure | 170,648 | 84,695 | 53,513 | 16,222 | 10,353 | 32,318 | (965) | 81 | (24,701) | 342,164 |

FALKIRK COUNCIL

Reconciliation of Portfolio Income and Expenditure to Cost of Services in Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

| | <u>£'000</u> |
|--|----------------|
| Net Expenditure in the Portfolio Analysis | 342,164 |
| Net Expenditure of Services (Trading Accounts) not included in the net cost of services | 901 |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | |
| • Pension Adjustments in accordance with IAS 19 | (954) |
| • Accumulated Absence Accrual | (368) |
| • PPP Adjustments for Interest and Principal | (18,440) |
| • Adjustments for Depreciation and Revaluation | 38,665 |
| • Miscellaneous Adjustments | (263) |
| | 18,640 |
| Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement | |
| • Appropriation to Earmarked General Fund Reserves | (4,184) |
| • Miscellaneous Adjustments | 549 |
| | (3,635) |
| Cost of Services | 358,070 |

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement

| | Portfolio Analysis £'000 | Not in net cost of Services £'000 | Not reported to Management £'000 | Not included in CIES £'000 | Allocation of Recharges £'000 | Allocation of Supp Service £'000 | Net Cost of Services £'000 | Corporate Amounts £'000 | Total £'000 |
|--|--------------------------------|---|---|-------------------------------------|--|--|----------------------------------|-------------------------------|------------------|
| Income | (232,710) | 44,052 | (152) | 549 | 35,451 | (363) | (153,173) | (95,671) | (248,844) |
| Interest and investment income | - | - | - | - | - | - | - | (518) | (518) |
| Government grants and contributions | - | - | - | - | - | - | - | (283,136) | (283,136) |
| Income from council tax | - | - | - | - | - | - | - | (60,409) | (60,409) |
| Total Income | (232,710) | 44,052 | (152) | 549 | 35,451 | (363) | (153,173) | (439,734) | (592,907) |
| Employee Expenses | 199,431 | (17,085) | (1,656) | - | (5,354) | 14,311 | 189,647 | 17,085 | 206,732 |
| Property Expenses | 47,325 | (387) | 69 | - | (1,432) | 1,512 | 47,087 | 387 | 47,474 |
| Transport Expenses | 16,417 | (3,948) | - | - | (5,338) | 40 | 7,171 | 3,948 | 11,119 |
| Supplies & Services | 37,030 | (7,994) | (192) | (4,184) | (3,013) | 3,050 | 24,697 | 9,060 | 33,757 |
| Third Party Expenses | 164,768 | (12,343) | (18,277) | - | (1,745) | 339 | 132,742 | 12,343 | 145,085 |
| Transfer Payments | 46,348 | - | - | - | (68) | - | 46,280 | - | 46,280 |
| Support Service recharges | 32,571 | (1,065) | 183 | - | (12,438) | (19,251) | - | - | - |
| Depreciation, amortisation and impairment | 30,984 | (329) | 38,665 | - | (6,063) | 362 | 63,619 | 329 | 63,948 |
| Interest Payments | - | - | - | - | - | - | - | 55,135 | 55,135 |
| Total Expenditure | 574,874 | (43,151) | 18,792 | (4,184) | (35,451) | 363 | 511,243 | 98,287 | 609,530 |
| (Surplus) or Deficit on the Provision of Services | 342,164 | 901 | 18,640 | (3,635) | - | - | 358,070 | (341,447) | 16,623 |

NOTES TO THE CORE FINANCIAL STATEMENTS

4. 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.

Material transactions with related parties, not disclosed elsewhere, were as follows:

The Scottish Government is a related party as it exerts significant influence through legislation and funding.

| | | Receipts £'000 | Payments £'000 |
|--|--|-------------------|-------------------|
| Falkirk and District Town Centre Management Ltd | Promotion of Town Centres | - | 189 |
| Falkirk Council Pension Fund | Charge for Support Services (Also see Note 9 – Defined Benefit Pension Schemes) | 505 | - |
| Falkirk Community Stadium Ltd | Repayment of expenses and Professional Fees | 442 | - |
| Fairer Falkirk Fund | Contribution to project costs per funding agreements | - | 486 |
| Family Centres | Funding provided per Service Level Agreement | - | 659 |
| Central Scotland Valuation Joint Board | Contribution to running costs Charge for Support Services | - 8 | 1,256 - |
| Falkirk Schools Gateway | Contribution to operating costs | - | 3,341 |
| Falkirk & District Women's Aid | Funding provided per Service Level Agreement | - | 244 |
| Forth Valley Enterprise | Revenue Grants | 1,780 | - |
| Falkirk Community Trust | Contribution to Community Trust Charge for Support Services | - 125 | 12,139 - |
| Fife & Forth Valley Community Justice Authority | Administration Charge | 214 | - |

Amounts due to or from related parties were as follows:

| 2012/13 | | | 2013/14 | |
|-----------------------------|---------------------------|---|-----------------------------|---------------------------|
| Amount Due From £'000 | Amount Due to £'000 | | Amount Due From £'000 | Amount Due To £'000 |
| 45 | 25 | Joint Boards | 7 | - |
| 1,411 | 34 | Falkirk Community Stadium Ltd | 1,343 | 2 |
| - | 5 | Falkirk and District Town Centre Management Ltd | - | - |
| 36 | 745 | Falkirk Community Trust | 1,346 | 310 |
| - | 70 | Falkirk & District Women's Aid | - | 32 |

NOTES TO THE CORE FINANCIAL STATEMENTS

5. External Audit Fee

The agreed external audit fee for Falkirk Council for 2013/14 was £318,800 (£318,800 in 2012/13). A further £22,200 (£22,200 in 2012/13) is included as the agreed external audit fee for the Pension Fund Audit. These fees were for work undertaken in accordance with the Code of Audit Practice. No other services were provided by Audit Scotland.

6. 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 or not 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.

**BUILDING MAINTENANCE
TRADING ACCOUNT**

| Actual Year to 31/03/12 £'000 | Actual Year to 31/03/13 £'000 | | Actual Year to 31/03/14 £'000 | 3 Year Total £'000 |
|--|--|---------------------------------------|--|--------------------------|
| 31,458 | 33,505 | Turnover | 35,289 | 100,252 |
| 30,645 | 33,076 | Expenditure | 35,024 | 98,745 |
| 813 | 429 | Surplus per CIES | 265 | 1,507 |
| (66) | (83) | Interest | (63) | (212) |
| 747 | 346 | Surplus for Financial Return Purposes | 202 | 1,295 |

The Building Maintenance Division is primarily responsible for providing a repairs and maintenance service for the Council's housing stock, which at 31 March 2014 amounted to 16,169 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 and Receivable in the Comprehensive Income and Expenditure Account.

7. 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 2013/14 was £408,394 (£408,394 in 2012/13).

8. Members Remuneration

Remuneration paid to Members in 2013/14 was:

| 2012/13 £'000 | | 2013/14 £'000 |
|------------------|----------------------|------------------|
| 612 | Salaries | 621 |
| 13 | Allowances (Mileage) | 10 |
| 2 | Expenses | 2 |
| <u>627</u> | | <u>633</u> |

The annual return of Councillors' salaries and expenses for 2013/14 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

9. 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 Superannuation Act 1972

• **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 for the majority of employees is between 5.5% and 9.0% of pensionable pay based on a system of tiered contributions. Employer contributions are set every three years following a valuation of the Fund by an independent actuary.

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 Council's participation in the Local Government Pension Scheme requires the funding of liabilities that may stretch out 60-70 years based on the working lives of active members and period during which pensions are in payment. During these periods there will be 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 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 35 employers currently participate in the Falkirk Council Pension Fund. This includes employers such as local authorities and non-governmental public bodies who have very secure financial credentials and also employers such as non-profit making charitable organisations who have less secure financial circumstances. 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.

The pension fund seeks to mitigate this risk by requiring all new entities to the Fund since the mid-1990's to nominate a guarantor to make good any deficit on wind up. Employers with less secure covenants admitted to the fund prior to the mid 1990's generally hold tangible assets which could be realised to meet any cessation debts. In any event, the employers who are most at risk of financial failure represent a very small proportion of the fund both in terms of member numbers and aggregate liabilities.

The Council is itself a guarantor of the pension liabilities of Thinkwhere Ltd (formerly Forth Valley GIS Ltd) – jointly with Clackmannanshire and Stirling Councils. As any liabilities would be split three ways instead of across all 35 Fund employers – Falkirk Council therefore has a heightened risk arising from this obligation.

Falkirk Council has delegated pension fund business to its Pensions Committee which comprises six elected members from Falkirk Council. The work of the Pensions Committee is supported by the Pensions Panel which represents Trade Unions, Pensioners and other Fund employers. Three members of the Panel are co-opted to sit on the Committee.

Fund membership is made up of active members, deferred members and pensioner members.

Participating employers include Clackmannanshire, Falkirk and Stirling Councils, Falkirk Community Trust, Scottish Police Authority (ex Central Scotland Police members), Scottish Fire and Rescue Service (ex Central Scotland Fire and Rescue members), Central Scotland Joint Valuation Board, the Scottish Environment Protection Agency (SEPA), the Scottish Children's Reporter Administration (SCRA), Forth Valley College and a number of non-profit making charitable bodies in Central Scotland.

Regulation 31A(1) of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 as amended requires that an Administering Authority must, in relation to each year starting from 1st April, 2010, 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

The report must contain the following items:

- a report about the management and financial performance of the fund during the year
- a report explaining the Council's investment policy for the fund and reviewing the performance of the investments of the fund during the year
- a report of the arrangements made during the year for the administration of each of those funds
- a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the fund of the level of funding disclosed by that valuation
- the current version of the governance compliance statement or details of where that statement can be obtained
- the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices
- an annual report dealing with
 - (i) the extent to which the administering Council and constituent employers have achieved any levels of performance set out in a pension administration strategy
 - (ii) such other matters arising from its pension administration strategy as it considers appropriate
- the current version of the Funding Strategy Statement or details of where that statement may be obtained
- the current version of the Statement of Investment Principles or details of where that statement may be obtained
- any other material which the administering Council considers appropriate

The annual report of the Falkirk Council Pension Fund in respect of year 2013/14 can be inspected at the offices of the Council or 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 increased on 1 April 2012 from 6.4% to between 7% and 11.2% 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. Although the scheme is unfunded, the Government Actuary uses a notional fund as a basis for calculating the employers' contribution rate. Annual reports in respect of the STSS (Scottish Teachers' Superannuation Scheme) are available from:

http://www.sppa.gov.uk/index.php?option=com_content&view=article&id=323&Itemid=840

As it is not possible for the Council to identify a share of the underlying liabilities attributable to its own employees, then for the purposes of this statement of accounts, it is accounted for on the same basis as defined contribution scheme.

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 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 Local Government Pension Scheme and Teachers' Pension Scheme are being amended with effect from 1 April 2015 to meet the requirements of the Public Service Pensions Act 2013. Both schemes will move to a career average basis from the existing final salary basis. It is expected to be a number of years before savings are realised from the new arrangements as pre April 2015 benefits are continuing to be calculated on a final salary basis.

Local Government Pension Scheme and Discretionary Benefits

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.

The assets and liabilities of the Council's pension arrangements as at 31 March 2014 have been calculated by Hymans Robertson a firm of independent Consulting Actuaries.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

| Year Ended: | 31/03/13 £'000 | 31/03/14 £'000 |
|--|-------------------|-------------------|
| Current Service Cost | 19,397 | 25,053 |
| Interest Cost | 32,640 | 34,647 |
| Interest Income on Plan Assets | (22,361) | (24,567) |
| Past Service Costs/(Gains) | 725 | 1,139 |
| Losses/(Gains) on Curtailments and Settlements | - | - |
| Total | 30,401 | 36,272 |

Reconciliation of present value of defined benefit obligation

| Year Ended: | 31/03/13 £'000 | 31/03/14 £'000 |
|---|-------------------|-------------------|
| Opening Defined Benefit Obligation | 679,248 | 765,966 |
| Current Service Cost | 19,397 | 25,053 |
| Interest Cost | 32,640 | 34,647 |
| Contributions by Members | 5,784 | 6,335 |
| Remeasurements | | |
| - Change in financial assumption | 48,736 | 31,007 |
| - Other experience | 3,828 | (62) |
| Past Service Cost | 725 | 1,139 |
| Benefits paid | (21,719) | (21,824) |
| Unfunded Benefits Paid | (2,673) | (2,675) |
| Closing Defined Benefit Obligation | 765,966 | 839,586 |

Reconciliation of the movements in the fair value of plan assets

| Year Ended: | 31/03/13 £'000 | 31/03/14 £'000 |
|---|-------------------|-------------------|
| Opening Fair Value of Plan Assets | 464,738 | 543,013 |
| Interest Income on Plan Assets | 22,361 | 24,567 |
| Remeasurements | | |
| - Return on Plan Assets excluding the amount included in net interest | 53,541 | 12,816 |
| Contributions by Employer | 18,308 | 21,415 |
| Contributions by Members | 5,784 | 6,335 |
| Contributions in respect of unfunded benefits | 2,673 | 2,675 |
| Benefits Paid | (21,719) | (21,824) |
| Unfunded Benefits Paid | (2,673) | (2,675) |
| Closing Fair Value of Plan Assets | 543,013 | 586,322 |

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 2014 are as follows:

| | 31/03/13 £'000 | 31/03/14 £'000 |
|-----------------------|-------------------|-------------------|
| Net asset/(liability) | (222,953) | (253,264) |

The net liability above includes the sum of £48.8m for year ended 31 March 2014 (£47.7m for 31 March 2013) being unfunded liabilities related to the award of discretionary benefits.

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

There has been an increase in IAS19 liabilities of £30.3m as at 31 March 2014 compared with the liabilities as at 31 March 2013. This is principally due to falling real bond yields which were partially offset by strong asset returns.

NOTES TO THE CORE FINANCIAL STATEMENTS

In summary, the IAS19 balance sheet this year has deteriorated from last year with IAS19 liabilities increasing in monetary terms reflecting market conditions, however, this has been partially offset with better than expected asset returns over the year (6.9% against a target benchmark of 6%).

As a result to changes in IAS19, 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 and 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 4.3% (4.5% for year ended 31 March 2013).

| | 31/03/13 | | | 31/03/14 | | |
|---|---|--|----------------|---|--|----------------|
| | Quoted Prices in Active Markets £'000 | Prices not Quoted in Active Markets £'000 | Total £'000 | Quoted Prices in Active Markets £'000 | Prices not Quoted in Active Markets £'000 | Total £'000 |
| Equity Securities | | | | | | |
| Consumer | 56,201 | - | 56,201 | 58,865 | - | 58,865 |
| Manufacturing | 31,409 | - | 31,409 | 34,689 | - | 34,689 |
| Energy and Utilities | 28,051 | - | 28,051 | 30,435 | - | 30,435 |
| Financial Institutions | 44,717 | - | 44,717 | 48,956 | - | 48,956 |
| Health & Care | 35,675 | - | 35,675 | 38,357 | - | 38,357 |
| Information Technology | 17,053 | - | 17,053 | 17,625 | - | 17,625 |
| Other | 11,946 | - | 11,946 | 15,030 | - | 15,030 |
| Sub total Equity Securities | 225,052 | - | 225,052 | 243,957 | - | 243,957 |
| Private Equity | - | 32,045 | 32,045 | - | 31,168 | 31,168 |
| Real Estate | | | | | | |
| UK Property | - | 32,850 | 32,850 | - | 38,927 | 38,927 |
| Overseas Property | - | 3,343 | 3,343 | - | 3,033 | 3,033 |
| Sub total Real Estate | - | 36,193 | 36,193 | - | 41,960 | 41,960 |
| Investment Funds and Unit Trusts | | | | | | |
| Equities | 118,390 | - | 118,390 | 130,094 | - | 130,094 |
| Bonds | 51,050 | - | 51,050 | 49,772 | - | 49,772 |
| Infrastructure | - | 10,629 | 10,629 | - | 11,890 | 11,890 |
| Other | 47,833 | - | 47,833 | 60,025 | - | 60,025 |
| Sub total Investment Funds and Unit Trusts | 217,273 | 10,629 | 227,902 | 239,891 | 11,890 | 251,781 |
| Cash and Cash Equivalents | 21,821 | - | 21,821 | 17,456 | - | 17,456 |
| TOTALS | 464,146 | 78,867 | 543,013 | 501,304 | 85,018 | 586,322 |

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: -

Financial assumptions

| Year Ended: | 31/03/13 | 31/03/14 |
|-----------------------|----------|----------|
| | % p.a. | % p.a. |
| Pension Increase Rate | 2.8 | 2.8 |
| Salary Increase Rate | 5.1 | 5.1 |
| Discount Rate | 4.5 | 4.3 |

Demographic assumptions - Mortality

Life expectancy is based on the SAPS tables published by the Institute of Actuaries and the Faculty of Actuaries. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males | Females |
|--------------------|--------------|----------------|
| Current Pensioners | 23.0 years | 25.8 years |
| Future Pensioners | 24.9 years | 27.7 years |

Current Pensioners life expectancy is based on a member being age 65 as at the valuation of 31 March 2011. Future Pensioners are assumed to be age 45 as at the March, 2011 valuation.

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 2015

The following table sets out the estimation of the pension cost for 2014/15, based on the assumptions as at 31 March 2014 (the start of the period).

Analysis of projected amount to be charged to operating profit for the year to 31 March 2015

| Year Ended: | £'000 |
|--------------------------------|---------------|
| Projected Current Service Cost | 28,726 |
| Interest on Obligation | 36,327 |
| Interest Income on Plan Assets | (25,347) |
| Past Service Cost | - |
| Total | 39,706 |

The estimated Employer's contributions for the year to 31 March 2015 will be approximately £21.7m.

The pension fund's approach to meeting its liabilities is set out in its Funding Strategy Statement. The funding policy is to achieve a funding level of 100% of liabilities. Where, as at present, the fund is in a deficit position, the strategy is to require employers to make deficit contributions over periods of up to 20 years, but also maintain contribution levels at as stable a rate as possible.

In order to achieve the desired stability, Falkirk Council's contribution rate has been determined as part of a pooled group, including Clackmannanshire and Stirling Councils.

Teachers' Pension Scheme

During the year, the Council paid £8.699m (£8.689m in 2012/13) to the Scottish Government in respect of teachers' pension costs and this represents 14.9% 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 2013/14, these amounted to £1.122 million, representing 1.9% of pensionable pay (£1.052 million, representing 1.8% of pensionable pay in 2012/13).

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

NOTES TO THE CORE FINANCIAL STATEMENTS

10. Leases

a) Council as Lessee

(i) Finance Leases

The Council has paid for the replacement of windows in its housing stock by way of a finance lease. The assets acquired under these leases are included in the Council Dwellings Valuation within Property, Plant and Equipment in the Balance Sheet. It is impossible to place a separate value on these leases as the valuation of Council Dwellings provided by the District Valuer is an all inclusive figure.

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

| | <u>31 March 2013</u> <u>£'000</u> | <u>31 March 2014</u> <u>£'000</u> |
|--|--------------------------------------|--------------------------------------|
| Finance lease liabilities (net present value of minimum lease payments): | | |
| • Current | 503 | 335 |
| • Non-Current | 500 | 165 |
| Finance costs payable in future years | 24 | 6 |
| Minimum lease payments | 1,027 | 506 |

The minimum lease payments will be payable over the following periods:

| | <u>Minimum Lease Payments</u> | | <u>Finance Lease Liabilities</u> | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | <u>31 March 2013</u> <u>£'000</u> | <u>31 March 2014</u> <u>£'000</u> | <u>31 March 2013</u> <u>£'000</u> | <u>31 March 2014</u> <u>£'000</u> |
| Not later than one year | 521 | 341 | 503 | 335 |
| Later than one year and not later than 5 years | 506 | 165 | 500 | 165 |
| Later than five years | - | - | - | - |
| TOTAL | 1,027 | 506 | 1,003 | 500 |

There are no contingent rentals on these leases.

(ii) Operating Leases

The Council has acquired several properties by entering into operating leases.

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

| | <u>31 March 2013</u> <u>£'000</u> | <u>31 March 2014</u> <u>£'000</u> |
|--|--------------------------------------|--------------------------------------|
| Not later than one year | 2,017 | 1,873 |
| Later than one year and not later than 5 years | 5,885 | 4,581 |
| Later than five years | 2,862 | 2,154 |
| TOTAL | 10,764 | 8,608 |

The total of future minimum sub-lease payments expected to be received as at 31 March 2014 is £1.479m (£2.005m as at 31 March 2013).

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

| | <u>31 March 2013</u> <u>£'000</u> | <u>31 March 2014</u> <u>£'000</u> |
|---------------------------------|--------------------------------------|--------------------------------------|
| Minimum lease payments | 2,441 | 1,969 |
| Contingent rents | 36 | 34 |
| (Sub-lease payments receivable) | (531) | (536) |
| TOTAL | 1,946 | 1,467 |

NOTES TO THE CORE FINANCIAL STATEMENTS

b) Council as Lessor

(i) Finance Leases

The Council leases out Northfield Quarry to Tillicoultry Quarries Ltd on a finance lease with a remaining term of 15 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. There is no residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

| | <u>31 March 2013</u> <u>£'000</u> | <u>31 March 2014</u> <u>£'000</u> |
|---|--------------------------------------|--------------------------------------|
| Finance lease debtor (net present value of minimum lease payments); | | |
| • Current | 36 | 39 |
| • Non-Current | 958 | 920 |
| Unearned finance income | 625 | 555 |
| Unguaranteed residual value of property | - | - |
| Gross investment in the lease | 1,619 | 1,514 |

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

| | <u>Gross Investment in the Lease</u> | | <u>Minimum Lease Payments</u> | |
|--|--|--|--|--|
| | <u>31 March</u> <u>2013</u> <u>£'000</u> | <u>31 March</u> <u>2014</u> <u>£'000</u> | <u>31 March</u> <u>2013</u> <u>£'000</u> | <u>31 March</u> <u>2014</u> <u>£'000</u> |
| Not later than one year | 105 | 105 | 36 | 39 |
| Later than one year and not later than 5 years | 422 | 422 | 174 | 187 |
| Later than five years | 1,090 | 985 | 784 | 732 |
| TOTAL | 1,617 | 1,512 | 994 | 958 |

(ii) 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:

| | <u>31 March 2013</u> <u>£'000</u> | <u>31 March 2014</u> <u>£'000</u> |
|---|--------------------------------------|--------------------------------------|
| Not later than one year | 4,309 | 3,840 |
| Later than one year and not later than five years | 10,293 | 8,362 |
| Later than five years | 29,859 | 28,220 |
| TOTAL | 44,461 | 40,422 |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

NOTES TO THE CORE FINANCIAL STATEMENTS

11. Intangible Assets

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 are:

| | <u>Internally Generated Assets</u> | <u>Other Assets</u> |
|---------|--|-------------------------------|
| 3 years | - | Benefit & Rates Software |
| 3 years | - | Remote Access Software |
| 3 years | - | Application Server Software |
| 5 years | - | Server Consolidation Software |

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.058m was charged to revenue in 2013/14.

The movement on Intangible Asset balances during the year is as follows:

| | 2012/13 Other Assets £'000 | 2013/14 Other Assets £'000 |
|--------------------------------------|----------------------------------|----------------------------------|
| Balance at start of year: | | |
| • Gross carrying amounts | 552 | 557 |
| • Accumulated amortization | (514) | (522) |
| Net carrying amount at start of year | 38 | 35 |
| Additions: | | |
| • Internal development | - | - |
| • Purchases | 5 | 31 |
| Amortisation for the period | (8) | (8) |
| Net carrying amount at end of year | 35 | 58 |
| Comprising: | | |
| • Gross carrying amounts | 557 | 588 |
| • Accumulated amortization | (522) | (530) |
| | 35 | 58 |

There is one item of capitalised software that is individually material to the financial statements:

| | Carrying Amount | | Remaining Amortisation Period |
|----------------------|-----------------------|-----------------------|----------------------------------|
| | 31 March 2013 £000 | 31 March 2014 £000 | |
| Server Consolidation | 30 | 54 | 5 years |

There are no changes in accounting estimates for Intangible Assets. All Intangible Assets have a finite useful life.

NOTES TO THE CORE FINANCIAL STATEMENTS

12. Impairment Losses

The Council's Education establishments were revalued as at 1 April 2013. In addition, impairment for non-enhancing capital expenditure was also accounted for in 2013/14. The overall net impairment was £47.3m, of which (£13.9m) was credited to the Revaluation Reserve as a revaluation gain and £61.2m impairment losses written out to the Provision of Services in the Comprehensive Income and Expenditure Statement.

13. Capitalisation of Borrowing Costs

The Council was granted Scottish Government consent to borrow and lend to Carrongrove NHT 2011 LLP, for the purchase of housing units forming part of the National Housing Trust (NHT) Initiative. The total borrowing costs capitalised as a result of this was £2.342m (nil in 2012/13).

FALKIRK COUNCIL

NOTES TO THE CORE FINANCIAL STATEMENTS

14.(a) Property, Plant & Equipment Movements in 2013/14

| | Council Dwellings £'000 | Other Land and Buildings £'000 | Vehicles, Plant and Equipment £'000 | Infra- Structure £'000 | Community Assets £'000 | Assets under Construction £'000 | Surplus Assets £'000 | Total £'000 |
|---|-------------------------------|---|--|------------------------------|------------------------------|--|----------------------------|------------------|
| Cost or Valuation as at 1 April 2013 | 139,449 | 736,928 | 23,949 | 114,401 | 3,203 | 26,970 | 28,879 | 1,073,779 |
| Additions | 46,518 | 3,845 | 2,779 | 5,848 | 881 | 17,864 | - | 77,735 |
| Revaluations:- | | | | | | | | |
| <input type="checkbox"/> Recognised in Revaluation Reserve | - | 24,844 | - | - | - | - | 11 | 24,855 |
| <input type="checkbox"/> Recognised in Provision of Services | - | 1,620 | 25 | - | - | - | 72 | 1,717 |
| De-recognition:- | | | | | | | | |
| <input type="checkbox"/> Disposals | (323) | (771) | (289) | (23,539) | - | - | (2,275) | (27,197) |
| Assets reclassified to/from Held for Sale | - | (446) | - | - | - | - | (278) | (724) |
| Other Movements in Cost or Valuation | 2,215 | 1,002 | (2) | 30,249 | - | (31,296) | - | 2,168 |
| As at 31 March 2014 | 187,859 | 767,022 | 26,462 | 126,959 | 4,084 | 13,538 | 26,409 | 1,152,333 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| As at 1 April 2013 | 85,028 | 221,139 | 13,789 | 27,287 | 1,517 | - | 19,512 | 368,272 |
| Depreciation: | | | | | | | | |
| <input type="checkbox"/> Charge for Year | - | 14,816 | 2,707 | 3,649 | 66 | - | - | 21,238 |
| Impairment: | | | | | | | | |
| <input type="checkbox"/> Written Out to Revaluation Reserve | - | 11,373 | - | - | 112 | - | 210 | 11,695 |
| <input type="checkbox"/> Written Out to Provision of Services | 48,390 | 10,139 | - | 2,466 | 769 | 1,151 | - | 62,915 |
| De-recognition:- | | | | | | | | |
| <input type="checkbox"/> Disposals | - | (751) | (186) | - | - | - | - | (937) |
| As at 31 March 2014 | 133,418 | 256,716 | 16,310 | 33,402 | 2,464 | 1,151 | 19,722 | 463,183 |
| Net Book Value | | | | | | | | |
| 31 March 2013 | 54,421 | 515,789 | 10,160 | 87,114 | 1,686 | 26,970 | 9,367 | 705,507 |
| 31 March 2014 | 54,441 | 510,306 | 10,152 | 93,557 | 1,620 | 12,387 | 6,687 | 689,150 |

Note

The net book value of Council Dwelling at 31 March 2014 and 31 March 2013, includes the valuation of windows within the housing stock which were acquired by a finance lease (see note 10a).

FALKIRK COUNCIL

NOTES TO THE CORE FINANCIAL STATEMENTS

14.(b) Property, Plant & Equipment Movements in 2012/13

| | Council Dwellings £'000 | Other Land and Buildings £'000 | Vehicles, Plant and Equipment £'000 | Infra- Structure £'000 | Community Assets £'000 | Assets under Construction £'000 | Surplus Assets £'000 | Total £'000 |
|---|-------------------------------|---|--|------------------------------|------------------------------|--|----------------------------|------------------|
| Cost or Valuation as at 1 April 2012 | 111,979 | 711,851 | 21,675 | 107,649 | 2,910 | 16,948 | 28,432 | 1,001,444 |
| Additions | 27,646 | 4,039 | 2,668 | 4,649 | 293 | 20,369 | - | 59,664 |
| Revaluations:- | | | | | | | | |
| <input type="checkbox"/> Recognised in Revaluation Reserve | - | 12,501 | 232 | - | - | - | 68 | 12,801 |
| <input type="checkbox"/> Recognised in Provision of Services | - | 987 | - | - | - | - | 1 | 988 |
| De-recognition:- | | | | | | | | |
| <input type="checkbox"/> Disposals | (176) | (210) | (521) | - | - | - | - | (907) |
| Assets reclassified to/from Held for Sale | - | (324) | - | - | - | - | 218 | (106) |
| Other Movements in Cost or Valuation | - | 8,084 | (105) | 2,103 | - | (10,347) | 160 | (105) |
| As at 31 March 2013 | 139,449 | 736,928 | 23,949 | 114,401 | 3,203 | 26,970 | 28,879 | 1,073,779 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| As at 1 April 2012 | 57,598 | 173,026 | 11,371 | 23,865 | 1,158 | - | 19,432 | 286,450 |
| Depreciation: | | | | | | | | |
| <input type="checkbox"/> Charge for Year | - | 15,258 | 2,934 | 3,422 | 66 | - | - | 21,680 |
| Impairment: | | | | | | | | |
| <input type="checkbox"/> Written Out to Revaluation Reserve | - | 12,389 | - | - | - | - | 75 | 12,464 |
| <input type="checkbox"/> Written Out to Provision of Services | 27,430 | 20,522 | - | - | 293 | - | 5 | 48,250 |
| De-recognition:- | | | | | | | | |
| <input type="checkbox"/> Disposals | - | (56) | (516) | - | - | - | - | (572) |
| As at 31 March 2013 | 85,028 | 221,139 | 13,789 | 27,287 | 1,517 | - | 19,512 | 368,272 |
| Net Book Value | | | | | | | | |
| 31 March 2012 | 54,381 | 538,825 | 10,304 | 83,784 | 1,752 | 16,948 | 9,000 | 714,994 |
| 31 March 2013 | 54,421 | 515,789 | 10,160 | 87,114 | 1,686 | 26,970 | 9,367 | 705,507 |

Note

The net book value of Council Dwelling at 31 March 2013 and 31 March 2012, includes the valuation of windows within the housing stock which were acquired by a finance lease (see note 10a).

NOTES TO THE CORE FINANCIAL STATEMENTS

15.(a) Heritage Assets

Falkirk Council holds 6 different categories of Heritage Assets

- Museums Collection (e.g. archaeological items, natural history items)
- Archives Collection (e.g. records of local authorities, businesses etc)
- Art Collection
- Libraries Local History Collection (data dating back to 1817)
- War Memorials & Town Clocks held at various locations throughout the authority area
- Civic Regalia including the Provost's chain

With the exception of Civic Regalia and one recently added 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.

15.(b) The movement on Heritage Assets is as follows:-

| | 2012/13 Heritage Assets £'000 | 2013/14 Heritage Assets £'000 |
|---|-------------------------------------|-------------------------------------|
| Cost or Valuation as at 1 April 2013 | - | 211 |
| Additions | - | - |
| Revaluations:- | | |
| <input type="checkbox"/> Recognised in Revaluation Reserve | 211 | - |
| <input type="checkbox"/> Recognised in Provision of Services | - | - |
| De-recognition:- | | |
| <input type="checkbox"/> Disposals | - | - |
| Assets reclassified to/from Held for Sale | - | - |
| Other Movements in Cost or Valuation | - | 48 |
| As at 31 March 2014 | 211 | 259 |
| <u>Accumulated Depreciation and Impairment</u> | | |
| As at 1 April 2013 | - | - |
| Depreciation: | | |
| <input type="checkbox"/> Charge for Year | - | - |
| Impairment: | | |
| <input type="checkbox"/> Written Out to Revaluation Reserve | - | - |
| <input type="checkbox"/> Written Out to Provision of Services | - | - |
| De-recognition:- | | |
| <input type="checkbox"/> Disposals | - | - |
| As at 31 March 2014 | - | - |
| Net Book Value | | |
| 31 March 2014 | 211 | 259 |

The total net book value of Heritage Assets at 31 March 2014 is £0.259m, of which £0.211 relates to Civic Regalia and £0.048m is a transfer from Assets Under Construction in relation to a sculpture forming part of the Stenhousemuir Town Regeneration project.

A five year summary of transactions relating to Heritage Assets has not been provided as it is not practical to do so.

NOTES TO THE CORE FINANCIAL STATEMENTS

16. Other Capital Notes

(a) The following depreciation methods have been used for Property, Plant and Equipment:

Council Dwellings - There has been no depreciation charged on Council Dwellings. The District Valuer has confirmed that as the housing assets are continually being maintained, the assumption is that the value of the units should not be reducing, and accordingly the residual value of the housing stock, given the major capital investment in the stock over the life of the assets, does not require to be depreciated.

Land and Buildings - Land is not depreciated. Buildings are depreciated on a straight line basis over the estimated life of the asset.

Vehicles, Plant and Equipment - these are depreciated on a straight line basis over the estimated life of the asset.

Infrastructure Assets - these are depreciated on a straight line basis over the estimated life of the asset.

Community Assets - these are depreciated on a straight line basis over the estimated life of the asset.

Non-Operational - these are depreciated on a straight line basis over the estimated life of the asset.

Assets Under Construction - these are not depreciated.

Surplus Assets - these all relate to land and are therefore not depreciated.

(b) Assets owned by the Council include:

| 2012/13 | | | 2013/14 | Estimated Life (Buildings) |
|---------|----------------------------|-------------------------------|---------|-------------------------------|
| 16,164 | Council Dwellings | | 16,169 | 30 years |
| 33 | Other Land & Buildings | Surface Car Parks | 33 | n/a years |
| 10 | | Depots | 10 | 10-20 years |
| 2 | | Strategic Business Parks | 2 | 11-26 years |
| 10 | | Nursery Schools/Day Nurseries | 10 | 15-50 years |
| 50 | | Primary Schools | 50 | 15-47 years |
| 8 | | Secondary Schools | 8 | 35-37 years |
| 4 | | Special Schools | 4 | 18-38 years |
| 6 | | Homes for the Elderly | 6 | 23-38 years |
| 11 | | Sports Centres | 11 | 9-39 years |
| 8 | | Libraries | 8 | 9-47 years |
| 3 | | Museums | 3 | 14-94 years |
| 3 | | Town Halls | 3 | 14-24 years |
| 34 | | Community Halls/Social Halls | 34 | 9-34 years |
| 1 | | Crematorium | 1 | 19 years |
| 183 | | | 183 | |
| 82 | Community Assets | | 83 | |
| 721 | Non-Operational Properties | | 711 | 21-35 years |

(c) Valuation Disclosure

All of the Council's land and buildings are subject to a rolling programme of revaluation. This effectively means that each Service has to be revalued at least once within a five year period, always as at 1 April of the year. The revaluations are performed externally by the District Valuer or internally by the Council's own Property Services Surveyors.

The Housing Stock was re-valued as at 1 April 2010 by the District Valuer of the Scotland South East Valuation Office, using the 'Existing Use Value' (Social Housing) method.

The Council's Property portfolio of retail and industrial units have been valued on the basis of Existing Use Value. This valuation was carried out as at 1 April 2010 by the Council's own Property Services Surveyor and thereafter ratified by the District Valuer of the Scotland South East Valuation Office.

Land and Buildings owned by Social Work have been valued as at 1 April 2011 and were valued on the basis of open market value for existing use.

Land and Buildings owned by Corporate and Neighbourhood Services have been valued as at 1 April 2012 and were valued on the basis of open market value for existing use, or where this could not be assessed, because there was no market for the subject asset, depreciated replacement cost. Plant and Machinery within buildings is included in the valuation of those buildings.

Land and Buildings owned by Education Services have been valued as at 1 April 2013 and were valued on the basis of depreciated replacement cost (DRC) or where this wasn't available, existing use value.

Surplus Assets have been valued on the basis of open market value.

Assets Under Construction have been valued at cost.

Vehicles, Plant and Equipment are valued on basis of open market value by the Council's technical staff.

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

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

The Council has taken into account any material changes in the value of fixed assets.

(d) Capital Commitments

As at 31 March 2014 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £15.0m. Similar commitments at 31 March 2013 were £19.7m. The major commitments are:-

| | |
|-----------------------------------|-------|
| Denny Town Centre Regeneration | £2.2m |
| Antonine Primary School Extension | £2.0m |
| New Build Housing | £5.7m |
| External Fabric Improvements | £1.1m |
| TIF | £2.9m |
| Various Projects | £1.1m |

(e) Effects of Changes in Estimates

The Council has not made any material changes to its accounting estimates for Property, Plant and Equipment.

17. Assets held for sale

| | <u>Current</u> | | <u>Non-Current</u> | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | <u>2012/13</u> <u>£'000</u> | <u>2013/14</u> <u>£'000</u> | <u>2012/13</u> <u>£'000</u> | <u>2013/14</u> <u>£'000</u> |
| Balance at start of year | 476 | 684 | 279 | 179 |
| Assets newly classified as held for sale: | (69) | 269 | 175 | 455 |
| Revaluation losses: | | | | |
| Recognised in Revaluation Reserve | - | - | - | - |
| Recognised in Provision of Services | - | - | - | - |
| Revaluation gains: | | | | |
| Recognised in Revaluation Reserve | 218 | 720 | 4 | 11 |
| Assets sold | (220) | (463) | - | (385) |
| Transfers from/to non-current/current | 279 | 145 | (279) | (145) |
| Balance outstanding at year-end | 684 | 1,355 | 179 | 115 |

NOTES TO THE CORE FINANCIAL STATEMENTS

18. 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.

| | <u>2012/13</u> <u>£'000</u> | <u>2013/14</u> <u>£'000</u> |
|--|--------------------------------|--------------------------------|
| Opening Capital Financing Requirement | 377,014 | 378,702 |
| <u>Capital Investment</u> | | |
| Property, Plant and Equipment | 59,664 | 77,735 |
| Intangible Assets | 5 | 31 |
| Revenue Expenditure Funded from Capital under Statute | 773 | 329 |
| National Housing Trust Initiative | - | 2,342 |
| <u>Sources of finance</u> | | |
| Capital receipts | (2,392) | (4,550) |
| Government grants and other contributions | (28,192) | (27,738) |
| Sums set aside from revenue: | | |
| Direct revenue contributions | (3,986) | (4,872) |
| MRP/loans fund principal | (24,184) | (24,534) |
| Closing Capital Financing Requirement | 378,702 | 397,445 |
| <u>Explanation of movements in year</u> | | |
| Increase in underlying need to borrow (unsupported by government financial assistance) | 7,511 | 23,731 |
| Assets acquired under finance leases | (1,193) | (503) |
| Assets acquired under PFI/PPP contracts | (4,630) | (4,485) |
| Increase/(decrease) in Capital Financing Requirement | 1,688 | 18,743 |

NOTES TO THE CORE FINANCIAL STATEMENTS

19. PFI Schemes and Similar Contracts

| | Class 98 £'000 | Falkirk Schools Gateway Ltd £'000 | 2013/14 £'000 |
|---|-------------------|---|------------------|
| (a) Movement in Assets | | | |
| Balance as at 1 April 2013 | 94,708 | 110,890 | 205,598 |
| Net Additions during year | 17 | 23 | 40 |
| Revaluation | (17) | (23) | (40) |
| Depreciation | (2,465) | (2,833) | (5,298) |
| Net Book Value 31 March 2014 | 92,243 | 108,057 | 200,300 |
| (b) Movement in Liabilities | | | |
| Balance as at 1 April 2013 | 46,395 | 84,846 | 131,241 |
| Additions during year | | | |
| Repaid during year | (2,419) | (1,973) | (4,392) |
| Balance as at 31 March 2014 | 43,976 | 82,873 | 126,849 |
| of which | | | |
| Current | 1,560 | 2,082 | 3,642 |
| Long Term | 42,416 | 80,791 | 123,207 |
| | 43,976 | 82,873 | 126,849 |
| (c) Estimated Future Unitary Payment Obligations | | | |
| <u>Basic Annual Payments – Class 98</u> | | | |
| Within one year | 5,061 | 6,608 | 13,229 |
| In the second to fifth years inclusive | 16,543 | 26,328 | 53,785 |
| In the sixth to tenth years inclusive | 18,665 | 27,201 | 68,545 |
| In the eleventh to fifteenth years inclusive | 3,286 | 6,305 | 18,414 |
| | 43,555 | 66,442 | 153,973 |

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 3% per annum as per the operator's financial model.

| | Service Charges £'000 | Interest £'000 | Finance Lease Repayment £'000 | 2013/14 £'000 |
|--|-----------------------------|-------------------|--|------------------|
| <u>Basic Annual Payments – Falkirk Schools Gateway Ltd</u> | | | | |
| Within one year | 3,898 | 6,267 | 2,082 | 12,247 |
| In the second to fifth years inclusive | 17,331 | 25,780 | 9,017 | 52,128 |
| In the sixth to tenth years inclusive | 26,556 | 33,250 | 13,029 | 72,835 |
| In the eleventh to fifteenth years inclusive | 34,977 | 33,664 | 13,764 | 82,405 |
| In the sixteenth to twentieth years inclusive | 44,019 | 33,561 | 15,654 | 93,234 |
| In the twenty first to twenty fifth years inclusive | 37,964 | 40,544 | 26,978 | 105,486 |
| In the twenty sixth to twenty ninth year inclusive | 2,186 | 3,034 | 2,349 | 7,569 |
| | 166,931 | 176,100 | 82,873 | 425,904 |

The figures shown above for the Basic Annual Payment assume an indexation rate of 2.5% as per the operator's financial model.

NOTES TO THE CORE FINANCIAL STATEMENTS

20. Contingent Assets and Liabilities

Contingent Assets

- (i) In terms of a contract for the sale of land, a clawback provision was included in relation to the treatment of any savings on the assumed remediation costs for the land in question. Following a dispute the matter was assessed through third party determination at £0.930m. To date, some £0.326m has been received. Following an application by the purchaser for judicial review of the third party determination, the outcome of the determination was subsequently upheld by the Court. Legal procedures are now being finalised in respect of settlement arrangements for the balance of £0.604m due by means of transfer of land and property assets by the company to the Council for subsequent disposal, together with a further cash payment to a maximum of £0.300m (the latter dependent on proceeds of successful sale of a development site elsewhere by the company). There accordingly remains the potential for the Council to receive further sums subject to the outcome of the subsequent asset disposals and recovery of additional cash sum.

Contingent Liabilities

- (ii) 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 2014, this totalled £43m (£46m as at March 2013).
- (iii) Note 25 includes provision of £4.165m in respect of potential expenditure arising from outstanding equal pay claims. A legal judgement (Bainbridge) on pay protection means the Council could be at risk in respect of further potential equal pay obligations. However, this is dependent on case law development and cannot be quantified at this time.
- (iv) Falkirk Community Trust is a member of the Falkirk Pension Fund, a Local Government Pension Scheme, which is a defined benefit scheme and provides benefits based on final 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. At this stage, it has not been possible to quantify this potential liability as no separate valuation was undertaken.
- (v) 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 current litigation has created a financial liability for Falkirk Council as successor Council. Accordingly a provision of £0.360m has been created which is based on a 30% levy. The MMI Scheme is now being administered by Ernst & Young. At present they have determined a 15% levy. However, it is likely that this will increase and could even go beyond the 30% provision. Our Insurance Advisers have recommended a provision of 30% for the time being. During the course of 2013/14, the Council has drawn down £0.223m of this provision.
- (vi) The Council has received three insurance claims relating to crematoria practices. These claims are still subject to consideration and cannot be quantified at this time.

21. Net Assets

An analysis of Net Assets shown in the Balance Sheet is given below:

| 2012/13 £'000 | | 2013/14 £'000 |
|------------------|-------------------------|------------------|
| 147,016 | General Fund | 111,126 |
| 9,141 | Housing Revenue Account | (22,956) |
| 156,157 | | 88,170 |

NOTES TO THE CORE FINANCIAL STATEMENTS

22. Long-Term Investments in Associates and Joint Ventures

In March 2003, the Council in conjunction with Falkirk Football and Athletic Club Ltd (FFAC), established a joint venture called Falkirk Community Stadium Limited (FCSL) to develop and operate a stadium facility at Westfield, Falkirk. The Council and FFAC invested £3.110m and £2.868m respectively from the proceeds of property disposals at Brockville and Hope Street, Falkirk. These sums were used to purchase Interest Free Secured Loan Stock 2178. The Council held 25% of the ordinary shares in the company, although this holding equated to 49% of the economic value. In addition, the Council advanced the Company loans of £2.000m on 31 March 2003, £2.795m on 22 December 2004 and £0.300m on 31 August 2005, which were repayable over 25 years for the provision of community leisure facilities within the new Community Stadium.

FCSL was reconstructed on 28th May 2009 through a solvent liquidation pursuant to Section 110 of The Insolvency Act 1986. In effect, the assets and liabilities of the company have been split between FFAC and the Council. The loans advanced by the Council and the Long Term Investment have been replaced by Property, Plant & Equipment of £3.850m and a Long Term Investment of £9.340m. The assets comprise Ground Leases of £0.250m and Development Sites of £3.600m per the 2009 valuation.

The advance of £5.541m to Central Scotland Joint Fire & Rescue Board (the Board) was included in the 2012/13 accounts as a "Long Term Investment in Associates and Joint Ventures". As the Board was wound up with effect from 31 March 2013, the Scottish Fire Service is now responsible for the repayment of debt and consequently the debt is now treated as a "Long Term Debtor" in the Council's Accounts. The 2013/14 figure equates to £5.246m.

23. Loans Outstanding

These loans were raised to finance the capital expenditure of the Council. The source of these loans as at 31 March 2014 was as follows:-

| 2012/13 £'000 | BORROWING REPAYABLE ON DEMAND OR WITHIN 12 MONTHS | 2013/14 £'000 |
|------------------|---|------------------|
| 32,101 | Temporary Borrowing | 22,026 |
| - | Other Loans | - |
| 32,101 | | 22,026 |
| 2,348 | Accrued Interest | 2,477 |
| 34,449 | Total | 24,503 |
| | LONG TERM | |
| 111,630 | Public Works Loan Board | 150,630 |
| 26,000 | Market Bonds | 26,000 |
| 137,630 | | 176,630 |
| 1,656 | Accrued Interest | 1,628 |
| 139,286 | Total | 178,258 |

Short Term Borrowing per the Consolidated Balance Sheet is £26,307. This figure includes borrowing per above £24,503 and £1,804 in respect of Third Party balances which are invested in the Loans Fund as at 31 March 2014.

24. Insurance Fund

An updated independent actuarial valuation of the Insurance Fund was undertaken in March 2013. 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 2014 is £4.568m. (£4.355m as at 31 March 2013).

NOTES TO THE CORE FINANCIAL STATEMENTS

25. Provisions

| | Kinneil Kerse £'000 | Equal Pay Claims £'000 | Insurance Claims £'000 | TOTAL £'000 |
|--|------------------------------------|---------------------------------------|---------------------------------------|------------------------|
| Balance as at 1 April 2013 | 1,311 | 4,168 | 360 | 4,528 |
| Additional provisions made during year | - | - | - | - |
| Amounts used during year | - | (3) | (223) | (226) |
| Balance as at 31 March 2014 | <u>1,311</u> | <u>4,165</u> | <u>137</u> | <u>4,302</u> |

Kinneil Kerse

A provision exists for the restoration costs associated with the restoration of Kinneil Kerse landfill site. This work is in the planning stages.

Equal Pay Claims

At the year end, there were a significant number of equal pay claims being considered in conjunction with the Council's legal advisers and the actual cost of these claims is unknown at this time.

Insurance Claims

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 current litigation has created a financial liability for Falkirk Council as successor Council. Accordingly a provision has been created which is based on a 30% levy. The amount drawn down on the provision for 2013/14 was £0.223m.

26. Long-Term Debtors

| | Balance 01/04/13 £'000 | Advanced 2013/14 £'000 | Repaid 2013/14 £'000 | Balance 31/03/14 £'000 |
|-----------------------------------|---------------------------------------|---------------------------------------|-------------------------------------|---------------------------------------|
| Northfield Quarry | 994 | - | (36) | 958 |
| Falkirk Community Stadium Ltd | 1,011 | 224 | - | 1,235 |
| Loan Arrears | 5 | - | - | 5 |
| Housing Loans | 33 | - | (13) | 20 |
| Car Loans | 50 | - | (29) | 21 |
| National Housing Trust Initiative | - | 2,342 | - | 2,342 (1) |
| Scottish Fire Service | - | 5,246 | - | 5,246 (2) |
| Total | <u>2,093</u> | <u>7,812</u> | <u>(78)</u> | <u>9,827</u> |

- 1) The Council applied to the Scottish Government for consent to borrow to lend to Carrongrove NHT 2011 LLP, for the purchase of housing units forming part of the National Housing Trust (NHT) Initiative. The principal sum of this loan is to be repaid on the sale of housing units.
- 2) The outstanding debt in respect of the Scottish Fire Service is shown on the Council's balance sheet as a long term debtor. The balance will be written down over the life of the loans on payment of an annual account raised to Scottish Fire Service.

NOTES TO THE CORE FINANCIAL STATEMENTS

27.(a) Inventories

An analysis of stocks as at 31 March 2014 is shown below with the basis of valuation:-

| | 2013/14 Opening Stock £'000 | Purchases/ Additions £'000 | Stock Write Downs £'000 | Reversal of Write Down £'000 | Recognition as an expense £'000 | Closing Stock £'000 | Basis of Valuation |
|--|--------------------------------------|----------------------------------|----------------------------------|------------------------------------|---------------------------------------|---------------------------|--|
| Stocks | | | | | | | |
| <u>Corporate & Neighbourhood Services</u> | | | | | | | |
| Building Maintenance | 341 | 2,234 | - | - | (2,266) | 309 | latest invoice price |
| Transport – Fuel | 65 | 1,743 | - | - | (1,759) | 49 | average cost |
| – Spare parts/consumables | 25 | 182 | - | - | (179) | 28 | lower of cost and net realisable value |
| Cleansing | 47 | 214 | - | - | (211) | 50 | lower of cost and net realisable value |
| Grounds Maintenance | 52 | 85 | - | - | (84) | 53 | lower of cost and net realisable value |
| Catering | 51 | 1,509 | - | - | (1,511) | 49 | average cost |
| Sign Factory | 43 | 95 | (17) | 24 | (109) | 36 | lower of cost and net realisable value |
| Pest Control | 19 | 21 | - | - | (23) | 17 | lower of cost and net realisable value |
| Scottish Welfare Fund | 1 | 137 | - | - | (116) | 22 | lower of cost and net realisable value |
| <u>Development Services</u> | | | | | | | |
| Strategic Waste | 31 | 203 | - | - | (116) | 118 | latest invoice price |
| Street Lighting | 19 | - | (3) | - | (7) | 9 | latest invoice price |
| Roads Salt | 129 | - | (2) | - | - | 127 | latest invoice price |
| <u>Housing</u> | 3 | - | - | - | - | 3 | Lower of cost and net realisable value |
| <u>Central Support Services</u> | | | | | | | |
| Printworks | 24 | 158 | - | - | (157) | 25 | latest invoice price |
| Technology & Improvement | 9 | 12 | - | - | (17) | 4 | lower of cost and net realisable value |
| TOTAL STOCKS | 859 | 6,593 | (22) | 24 | (6,555) | 899 | The use of other than lower of cost and net realisable value is a departure from the Code but is not considered material |
| Sign Factory | 5 | 24 | - | - | (5) | 24 | |
| TOTAL WORK IN PROGRESS | 5 | 24 | - | - | (5) | 24 | |
| TOTAL STOCKS & WORK IN PROGRESS | 864 | 6,617 | (22) | 24 | (6,560) | 923 | |

NOTES TO THE CORE FINANCIAL STATEMENTS

27.(b) Inventories

An analysis of stocks as at 31 March 2013 is shown below with the basis of valuation:-

| Stocks | 2012/13 Opening Stock £'000 | Purchases/ Additions £'000 | Stock Write Downs £'000 | Recognition as an expense £'000 | Closing Stock £'000 | Basis of Valuation |
|--|--------------------------------------|----------------------------------|----------------------------------|---------------------------------------|---------------------------|---|
| <u>Corporate & Neighbourhood Services</u> | | | | | | |
| Building Maintenance | 350 | 2,065 | - | (2,074) | 341 | latest invoice price |
| Transport | 92 | 1,778 | - | (1,780) | 90 | average cost |
| Cleansing | 64 | 219 | - | (236) | 47 | lower of cost and net realisable value |
| Grounds Maintenance | 56 | 80 | - | (84) | 52 | lower of cost and net realisable value |
| Catering | 50 | 1,456 | - | (1,455) | 51 | average cost |
| Sign Factory | 89 | 110 | (25) | (131) | 43 | lower of cost and net realisable value |
| Pest Control | 12 | 25 | - | (18) | 19 | lower of cost and net realisable value |
| Scottish Welfare Fund | - | 1 | - | - | 1 | Lower cost and net realisable value |
| <u>Development Services</u> | | | | | | |
| Strategic Waste | 36 | 330 | - | (335) | 31 | lower of cost and net realisable value |
| Street Lighting | 22 | - | - | (3) | 19 | average cost |
| Road Salt | 129 | 257 | - | (257) | 129 | Latest invoice price |
| <u>Housing</u> | | | | | | |
| | 3 | - | - | - | 3 | lower of cost and net realisable value |
| <u>Central Support Services</u> | | | | | | |
| | 16 | 229 | - | (212) | 33 | latest invoice price |
| TOTAL STOCKS | 919 | 6,550 | (25) | (6,585) | 859 | The use of other than lower of cost and net realisable value is a departure from the Code but is not considered material. |
| <u>Work in Progress</u> | | | | | | |
| Sign Factory | 4 | 5 | - | (4) | 5 | |
| TOTAL WORK IN PROGRESS | 4 | 5 | - | (4) | 5 | |
| TOTAL STOCKS & WORK IN PROGRESS | 923 | 6,555 | (25) | (6,589) | 864 | |

NOTES TO THE CORE FINANCIAL STATEMENTS

28. Construction Contracts

As at 31 March 2014, the Council's Building Maintenance Division had several construction contracts in progress. The income derived from the value of work completed at 31 March 2014 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 2014.

29. Debtors

| | 2012/13 | 2013/14 |
|---------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Central government bodies | 4,857 | 3,424 |
| Other local authorities | 1,750 | 838 |
| NHS Bodies | 1,348 | 1,201 |
| Public corporations and trading funds | 70 | 70 |
| Other entities and individuals | 28,569 | 34,503 |
| Falkirk Community Trust | 36 | 1,386 |
| | 36,630 | 41,422 |
| Provision for Bad Debts | (14,172) | (16,223) |
| Total Debtors | 22,458 | 25,199 |

30. Creditors

| | 2012/13 | 2013/14 |
|---------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Central government bodies | 9,073 | 15,637 |
| Other local authorities | 165 | 194 |
| NHS Bodies | 10 | 112 |
| Public corporations and trading funds | - | - |
| Other entities and individuals | 49,724 | 51,823 |
| Falkirk Community Trust | 650 | 306 |
| Total Creditors | 59,622 | 68,072 |

NOTES TO THE CORE FINANCIAL STATEMENTS

31. Trust & 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 two.

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

(i) Funds for which the Council Acts as Sole Trustee

Provost's Fund for Necessitous Poor (£54,480) - to provide donations to residents of the former Burgh of Falkirk at the sole discretion of the Provost.

Shank's Bequest (£26,588) - to provide donations to the needy of Denny.

Grangemouth Childrens' Day Committee (£22,769) - to provide a donation to the annual cost of the Grangemouth Childrens' Day.

Candyend Trust (£69,928) - to provide donations to specific organisations assisting the elderly in the Muiravonside area.

Alexander Douglas King Bequest (£30,845) – bequest for the promotion and advancement of education of art at Bo'ness Academy.

McNair Bequest (£70,702) – new bequest for the benefit of Bo'ness Academy.

(ii) Funds for which the Council is not Sole Trustee

Scottish Veterans' Garden City Association (SVGCA) (£62,841) - to manage the Association's housing in the Falkirk Council area. The Council's main role is to manage the properties including collection of rental and undertake repairs on behalf of the Association.

Odenwald Trust (£26,986) - 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 have 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. There are two trustees of the Trust – Provost Pat Reid and Cllr Craig Martin. Temperance Trust funds are available to assist mainly organisations operating within Falkirk dealing with alcohol abuse and other forms of substance addiction. As at the 31st March 2014 the Trust had available funds of £160,395.

The funds do not represent assets of the Council and are not included in the Council's Balance Sheet. The financial position of all funds are as follows:-

| 2012/13 £'000 | Income and Expenditure Account | 2013/14 £'000 |
|------------------|---------------------------------------|------------------|
| | Income | |
| (78) | Investment Income | (8) |
| | Expenditure | |
| 3 | Awards and Other Expenses | 3 |
| (75) | (Surplus)/Deficit for the Year | (5) |
| | Balance Sheet | |
| | Fixed Assets | |
| 165 | External Investments | 166 |
| 437 | Internal Investments | 441 |
| 602 | Net Assets | 607 |
| (527) | Fund Balance at 1 April 2013 | (602) |
| (75) | (Surplus)/Deficit for Year | (5) |
| (602) | Fund Balance at 31 March 2014 | (607) |

NOTES TO THE CORE FINANCIAL STATEMENTS

32. Grant Income

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

| | | |
|----------------|---|----------------|
| 2012/13 | | 2013/14 |
| £'000 | <u>Credited to Services</u> | £'000 |
| 3,498 | Criminal Justice | 3,544 |
| 433 | Council Tax DWP Subsidy | 406 |
| 41,576 | Housing DWP Subsidy | 41,167 |
| 493 | Education Maintenance Allowances | 477 |
| 388 | Improvement Repair Grant | 329 |
| 1,201 | Hostels Grant | 458 |
| 2,261 | Other Grants | 2,269 |
| <u>49,850</u> | | <u>48,650</u> |
| 2012/13 | | 2013/14 |
| £'000 | <u>Credited to Taxation and Non-Specific Grant Income</u> | £'000 |
| 8,562 | Scottish Government – General Capital Grant | 9,236 |
| 178 | Scottish Government – Specific Capital Grants | 164 |
| 4,235 | Scottish Government – Other Grants | 4,067 |
| 10,219 | Lottery Funding – Helix | 8,948 |
| 956 | Other Grants | 64 |
| 1,280 | Developers Contributions | 564 |
| 2,121 | Other Contributions | 3,432 |
| <u>27,551</u> | | <u>26,475</u> |
| 2012/13 | | 2013/14 |
| £'000 | <u>Capital Grants Received in Advance</u> | £'000 |
| | 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: | |
| 236 | Scottish Government | 299 |
| 2,349 | Developers Contributions | 2,377 |
| 94 | Other Contributions | 239 |
| <u>2,679</u> | | <u>2,915</u> |

NOTES TO THE CORE FINANCIAL STATEMENTS

33.(a) Financial Instruments Adjustment Account

| | 2012/13 £'000 | 2013/14 £'000 |
|---|------------------|------------------|
| De-recognition of Premiums from Debt Restructuring Annual Amortisation | 5,046 | 4,739 |
| | (307) | (307) |
| | <u>4,739</u> | <u>4,432</u> |
| De-recognition of Discounts from Debt Restructuring Annual Amortisation | (274) | (267) |
| | 7 | 7 |
| | <u>(267)</u> | <u>(260)</u> |
| Re-measurement of Market LOBO's Annual Amortisation | 1,947 | 1,921 |
| | (26) | (27) |
| | <u>1,921</u> | <u>1,894</u> |
| | <u>6,393</u> | <u>6,066</u> |

Disclosure of Financial Assets and Liabilities from 1 April 2013

33.(b)(i) Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:-

| | Long-Term | | Current | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 31/03/13 £'000 | 31/03/14 £'000 | 31/03/13 £'000 | 31/03/14 £'000 |
| Financial liabilities (principal amount) | 137,630 | 176,630 | 32,101 | 22,026 |
| Financial liabilities at amortised cost | 139,285 | 178,258 | 34,449 | 24,503 |
| Loans and receivables (principal amount) | - | - | 10,679 | 10,063 |
| Loans and receivables at amortised cost | - | - | 10,679 | 10,064 |
| Unquoted investments at cost | 9,340 | 9,340 | - | - |

The Council does not have any soft loans.

33.(b)(ii) Financial Instruments Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

| | Financial Liabilities | Financial Assets | |
|------------------------------|---|--------------------------------|----------------|
| | Liabilities Measured at Amortised Cost £'000 | Loans and Receivables £'000 | Total £'000 |
| Interest Expense | (9,411) | - | (9,411) |
| Interest Income | - | 594 | 594 |
| Net gain/(loss) for the year | (9,411) | 594 | (8,817) |

NOTES TO THE CORE FINANCIAL STATEMENTS

33.(b)(iii) Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- ✓ For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- ✓ For loans receivable, prevailing benchmark market rates have been used to provide the fair value;
- ✓ No early repayment or impairment is recognised;
- ✓ Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the principal outstanding or the billed amount;
- ✓ The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

| | 31/03/13 | | 31/03/14 | |
|------------------------------------|-----------------------------|---------------------|-----------------------------|---------------------|
| | Carrying Amount £'000 | Fair Value £'000 | Carrying Amount £'000 | Fair Value £'000 |
| PWLB Debt | 121,630 | 188,453 | 150,630 | 208,029 |
| Non-PWLB Debt | 26,000 | 29,777 | 26,000 | 27,895 |
| Temporary Loans | - | - | 22,000 | 22,058 |
| Total Debt | 147,630 | 218,230 | 198,630 | 257,982 |
| Trade Creditors | 4,960 | 4,960 | 5,323 | 5,323 |
| Total Financial Liabilities | 152,590 | 223,190 | 203,953 | 263,305 |

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date.

| | 31/03/13 | | 31/03/14 | |
|------------------------------------|-----------------------------|---------------------|-----------------------------|---------------------|
| | Carrying Amount £'000 | Fair Value £'000 | Carrying Amount £'000 | Fair Value £'000 |
| Money Market Deposits < 1 year | 10,679 | 10,679 | 10,063 | 10,064 |
| Long-Term Investments | 9,340 | 9,340 | 9,340 | 9,340 |
| Trade Debtors | 10,431 | 10,431 | 9,138 | 9,138 |
| Loans and Receivables | - | - | - | - |
| Total Loans and Receivables | 30,450 | 30,450 | 28,541 | 28,542 |

Nature and Extent of Risk Arising from Financial Instruments

33.(c)(i) 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 requiring 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government (Scotland) Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Regulations issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- ✓ by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- ✓ by the adoption of a Treasury Policy Statement and treasury management clauses within its Financial Regulations;
- ✓ by approving annually in advance prudential (incorporating treasury) indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures to the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- ✓ by approving a Treasury Management Strategy for the forthcoming year setting out its criteria for both borrowing and investing and selecting investment counterparties in compliance with the Government Regulations.

These items are required to be reported and approved before the start of the year to which they relate. They are reported in the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instruments exposure. Actual performance is reported each year, as is a mid year review.

Both the General Capital Programme 2013/14 – 2015/16, incorporating the suite of prudential indicators (06/02/13) and the Annual Treasury Management Strategy 2013/14 (06/03/13) were approved by Council prior to the start of the financial year and are available on the Council website. The key 2013/14 controls and treasury issues arising were:-

- The Authorised Limit for 2013/14 was set at £340.0m. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary for 2013/14 was set at £335.0m. This is the expected level of debt and other long term liabilities during the year;
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 40% respectively based on the Council's net debt;
- The maximum and minimum exposures to the maturity structure of debt are shown at Note (iv) Refinancing and Maturity Risk;
- An estimated total longer term borrowing requirement of £39m.

These policies are implemented by a central treasury team. 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

33.(c)(ii) Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through compliance with the Annual Treasury Management Strategy which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria in accordance with Fitch and equivalent rating agencies. The Annual Treasury Management Strategy also imposes maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The key components of the lending criteria include:

- Financial institutions with credit ratings of Short Term – F1; Long Term – A; Support – C; Individual – 3 (Fitch or equivalent rating), with the lowest available rating being applied to the criteria;
- UK financial institutions provided with support from the UK Government;
- Other UK local authorities;
- Money Market Funds;
- Maximum monetary limit of £8m per individual institution;
- Maximum time limit of 3 months per individual institution.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets. The table as assessed by the ratings agencies gives details of global corporate finance average cumulative default rates (including financial organisations) for the period since at least 1990 to 2009. Defaults shown are by long term rating category on investments not exceeding 1 year.

| | Amount at 31/03/14 | Historical Experience of Default | Adjustment for Market Conditions at 31/03/14 | Estimated Maximum Exposure to Default |
|--|-----------------------|--|---|--|
| | £'000 | % | % | £'000 |
| Deposits with banks and financial institutions | (a) | (b) | (c) | (a) x (c) |
| AAA rated counterparties | - | 0.00 | 0.00 | - |
| AA rated counterparties | - | 0.02 | 0.02 | - |
| A rated counterparties | 10,063 | 0.09 | 0.09 | 9 |
| Trade debtors | 9,138 | 5.00 | 5.00 | 457 |
| | <u>19,201</u> | | | <u>466</u> |

Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for its trade debtors, such that £7.0m of the £9.1m balance is past its due date for payment. The past due amount can be analysed by age as follows:

| | £'000 |
|-------------------|--------------|
| Less than 29 days | 2,553 |
| 29 – 56 days | 425 |
| 57 – 84 days | 103 |
| More than 84 days | 3,893 |
| | <u>6,974</u> |

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 2014 was £0.8m.

NOTES TO THE CORE FINANCIAL STATEMENTS

33.(c)(iii) 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.

The maturity analysis of financial assets is as follows:

| | 31/03/13 £'000 | 31/03/14 £'000 |
|--------------------|-------------------|-------------------|
| Less than one year | 10,679 | 10,063 |

All trade and other payables that are due to be paid in less than one year are not shown in the table above.

33.(c)(iv) Re-financing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt are the key parameters used to address this 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. This includes:

- ✓ monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- ✓ monitoring 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:

| | Approved Maximum Limits | | Approved Minimum Limits | | 31/03/13 | 31/03/14 |
|----------------------------|-------------------------|---------|-------------------------|-------|----------|----------|
| | % | £'000 | % | £'000 | £'000 | £'000 |
| Less than one year | 25 | 42,433 | 0 | - | 32,101 | 22,026 |
| Between one and two years | 25 | 42,433 | 0 | - | - | - |
| Between two and five years | 50 | 84,866 | 0 | - | - | 1,000 |
| Between five and ten years | 75 | 127,298 | 0 | - | 20,429 | 31,893 |
| More than ten years | 75 | 127,298 | 0 | - | 117,201 | 143,737 |
| | | | | | 169,731 | 198,656 |

33.(c)(v) Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. 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. For instance, a rise in variable and fixed interest rates would have the following effects:

- ✓ borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- ✓ borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- ✓ investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- ✓ investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

NOTES TO THE CORE FINANCIAL STATEMENTS

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government Grants. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Statement, unless the investments have been designated as fair value through the Comprehensive Income and Expenditure Statement.

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. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed. The risk of interest rate loss remains fully with the Council. In the longer term, the Scottish Government reviews the grant support it provides for local authority borrowing every three years. At this review stage, the government may, at its discretion, provide more, or less, support to recognise underlying changes in interest rates.

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 | 220 |
| Increase in interest receivable on variable rate investments | (100) |
| Impact on Other Comprehensive Income and Expenditure | 120 |
| Share of overall impact debited to the HRA | 33 |
| Decrease in fair value of fixed rate investment assets | - |
| Impact on Other Comprehensive Income and Expenditure | - |
| Increase 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) | 26,035 |

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

Price risk - The Council, excluding the pension fund, does not generally invest in equity shares.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

34. Other Long Term Liabilities

| 2012/13 | | 2013/14 |
|----------------|--|----------------|
| £'000 | | £'000 |
| 128,363 | PFI Finance Lease Liabilities | 124,628 |
| 500 | HRA Window Leasing Finance Lease Liability | 165 |
| 128,863 | | 124,793 |

NOTES TO THE CORE FINANCIAL STATEMENTS

35. 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.

| 2012/13 £'000 | | 2013/14 £'000 |
|------------------|--|------------------|
| (44,066) | Dwelling Rents | (45,704) |
| (1,594) | Non-Dwelling Rents | (1,686) |
| (633) | Hostels | (674) |
| (1,201) | Housing Support Grant | (458) |
| (1,116) | Other Income | (710) |
| (48,610) | TOTAL INCOME | (49,232) |
| 20,604 | Repairs and Maintenance | 22,229 |
| 12,891 | Supervision and Management | 13,283 |
| 28,039 | Depreciation and Impairment of Non-Current Assets | 48,999 |
| 892 | Other Expenditure | 953 |
| 320 | Increase/(Decrease) in Bad Debts Provision | 461 |
| 62,746 | TOTAL EXPENDITURE | 85,925 |
| | Net Expenditure of HRA Services as included in the Comprehensive | |
| 14,136 | Income and Expenditure Statement | 36,693 |
| 242 | HRA Services Share of Corporate and Democratic Core | 252 |
| 14,378 | Net Expenditure of HRA Services | 36,945 |
| | HRA Share of Operating Income and Expenditure included in the | |
| | Comprehensive Income and Expenditure Statement: | |
| (1,670) | (Gain)/Loss on Sale of HRA Non-Current Assets | (3,135) |
| 2,127 | Interest Payable and similar charges | 2,888 |
| (99) | Interest and Investment Income | (95) |
| 534 | Pensions Interest Cost and Expected Return on Pension Assets | 512 |
| (3,753) | Recognised Capital Grant Income | (4,131) |
| 11,517 | (SURPLUS)/DEFICIT FOR THE YEAR | 32,984 |

36. Movement on the Housing Revenue Account Statement

| 2012/13 £'000 | | 2013/14 £'000 |
|------------------|---|------------------|
| <u>(7,712)</u> | Balance on the HRA at the end of the previous year | <u>(7,631)</u> |
| 11,517 | (Surplus) or Deficit for the year on HRA Income and Expenditure Statement | 32,984 |
| <u>(12,178)</u> | <u>Adjustments between Accounting Basis and Funding Basis under Statute</u> | <u>(30,023)</u> |
| (661) | Net (Increase) or Decrease before transfers to or from Reserves | 2,961 |
| 742 | Transfers (to) or from Reserves | (423) |
| <u>81</u> | <u>(Increase) or Decrease in Year on the HRA</u> | <u>2,538</u> |
| (7,631) | Balance on the HRA at the end of the Current Year | (5,093) |

NOTES TO THE CORE FINANCIAL STATEMENTS

37. Housing Revenue Account Disclosures

a) Adjustments between Accounting Basis and Funding Basis under Statute:-

| 2012/13 £'000 | | 2013/14 £'000 |
|------------------|---|------------------|
| 1,670 | Gain or (loss) on sale of HRA non-current assets | 3,135 |
| 1,555 | Capital expenditure charged to the HRA | 2,557 |
| 1,193 | Statutory Repayment of Debt (Finance Lease Liabilities) | 502 |
| (28,039) | Depreciation and Impairment | (48,999) |
| 8,254 | Statutory Repayment of Debt (Loans Fund Advances) | 9,345 |
| (628) | HRA share of contributions to or from the Pensions Reserve | (755) |
| 1 | Accumulated Absences Account | (2) |
| | Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements | |
| 63 | | 63 |
| 3,753 | Recognised Capital Grant Income | 4,131 |
| <u>(12,178)</u> | Total | <u>(30,023)</u> |

b) Housing Stock

The Council Housing Stock at 31 March 2014 was 16,169 properties in the following categories:-

| 2012/13 Number | | 2013/14 Number |
|-------------------|--|-------------------|
| 2,636 | One bedroom and under | 2,655 |
| 8,480 | Two bedrooms | 8,487 |
| 4,585 | Three bedrooms | 4,560 |
| 459 | Four bedrooms | 461 |
| 4 | Five bedrooms and larger | 6 |
| <u>16,164</u> | TOTAL | <u>16,169</u> |
| £53.43 | Average Weekly rent (52 week basis) | £55.41 |

c) Rent Arrears

Rent Arrears at 31 March 2014 were £3,028,676 (£2,516,231 in 2012/13).

d) Bad Debt Provision

A impairment of £2.521m has been provided in the Balance Sheet for irrecoverable rents, an increase of £0.461m from the provision in 2012/13.

e) Losses on Void Properties

| 2012/13 £'000 | | 2013/14 £'000 |
|------------------|--------------------|------------------|
| 473 | Dwelling Rents | 638 |
| 111 | Non-Dwelling Rents | 126 |
| <u>584</u> | | <u>764</u> |

NOTES TO THE CORE FINANCIAL STATEMENTS

38. Council Tax Income Account

This account shows all the income raised from Council Tax. Owners or tenants of domestic properties (with some exceptions) are liable for a banded charge depending on the value of each property. There is a scheme under which those on low incomes are entitled to Council Tax Reduction.

| 2012/13 £'000 | 2012/13 £'000 | EXPENDITURE | 2013/14 £'000 | 2013/14 £'000 |
|------------------|------------------|---|------------------|------------------|
| | 1,564 | Exemptions | | 1,669 |
| | 6,341 | Discounts | | 6,396 |
| 8,862 | | Council Tax Benefit/Reduction | 8,637 | |
| (8,982) | (120) | Less: Government Subsidy | - | 8,637 |
| | 68 | Relief (Persons with a Disability) | | 67 |
| | 143 | Prior Year Adjustments | | 255 |
| | 1,165 | Provisions Against Bad and Doubtful Debts | | 1,152 |
| | 9,161 | TOTAL EXPENDITURE | | 18,176 |
| | | INCOME | | |
| | 69,570 | Gross Council Tax Levied | | 70,089 |
| | 69,570 | TOTAL INCOME | | 70,089 |
| | 60,409 | SURPLUS FOR YEAR | | 51,913 |
| | | APPROPRIATED AS FOLLOWS | | |
| | 60,409 | General Fund | | 51,913 |

Council Tax Benefit has been changed to Council Tax Reduction for 2013/14, this means that the Subsidy rules no longer apply. Funding is from Scottish Government via the Revenue Support Grant.

NOTES TO THE CORE FINANCIAL STATEMENTS

39. Council Tax Account Disclosures

a) Background

Falkirk Council's net expenditure, after deducting income from fees and charges, grants, the non-domestic rates pool and excluding expenditure chargeable against other sources of funding, is met from Council Tax.

Council Tax is payable on any dwelling which is not an exempt dwelling (prescribed by an Order made by Scottish Ministers). The amount of Council Tax payable depends on the valuation band of a dwelling as entered in the Council Tax Valuation List by the Assessor. Discounts and exemptions as specified in legislation can be applied to the gross charge.

By law, Falkirk Council is required to bill and collect water and waste water charges on behalf of Scottish Water. These charges are payable by those persons living in or liable for domestic premises having a public water or waste water connection. These charges are determined by Scottish Water and do not relate to the finances of Falkirk Council.

b) Calculation of the Council Tax Base (Per 2013/14 Budget)

| | Band A * | Band A | Band B | Band C | Band D | Band E | Band F | Band G | Band H | TOTAL |
|---|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| No. of Dwellings | - | 22,229 | 19,188 | 6,493 | 8,321 | 8,241 | 4,932 | 2,277 | 61 | 71,742 |
| Exempt Dwellings | - | 768 | 339 | 118 | 103 | 69 | 35 | 15 | 1 | 1,448 |
| Chargeable Dwellings | - | 21,461 | 18,849 | 6,375 | 8,218 | 8,172 | 4,897 | 2,262 | 60 | 70,294 |
| Disabled Reduction | - | 89 | 105 | 59 | 61 | 77 | 38 | 12 | 0 | 441 |
| Adjusted Chargeable Dwellings | 89 | 21,477 | 18,803 | 6,377 | 8,234 | 8,133 | 4,871 | 2,250 | 60 | 70,294 |
| Discounts (25%) | 30 | 12,537 | 6,864 | 2,479 | 2,342 | 1,636 | 665 | 236 | 8 | 26,797 |
| Discounts (due to being second homes) | - | 228 | 159 | 87 | 75 | 56 | 19 | 11 | 3 | 638 |
| Discount (long term empty properties) | - | 179 | 76 | 44 | 31 | 34 | 9 | 8 | 3 | 384 |
| Discount (occupied by disregarded adults) | 2 | 73 | 47 | 17 | 25 | 12 | 7 | 3 | - | 186 |
| Not entitled to discount | 57 | 8,460 | 11,657 | 3,750 | 5,761 | 6,395 | 4,171 | 1,992 | 46 | 42,289 |
| Effective Dwellings | 81 | 18,103 | 16,946 | 5,683 | 7,583 | 7,673 | 4,687 | 2,180 | 55 | 62,991 |
| Ratio to Band D | 5/9 | 6/9 | 7/9 | 8/9 | 1 | 11/9 | 13/9 | 15/9 | 2 | |
| No. of Band D Equivalents | 45 | 12,069 | 13,180 | 5,052 | 7,583 | 9,378 | 6,770 | 3,633 | 110 | 57,820 |
| Add: Estimated Growth in tax base | | | | | | | | | | 246 |
| Less: Dwellings for which collection of Council Tax is considered to be doubtful – 97.8% collection | | | | | | | | | | 1,277 |
| Less: Impact of Council Tax Reduction Scheme | | | | | | | | | | 8,637 |

BUDGETED COUNCIL TAX BASE

48,152

c) 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 2013/14 are as follows:

| Band | £ per Dwelling |
|---|----------------|
| A* | 594.44 |
| A | 713.33 |
| B | 832.22 |
| C | 951.11 |
| D | 1,070.00 |
| E | 1,307.78 |
| F | 1,545.56 |
| G | 1,783.33 |
| H | 2,140.00 |
| * Band 'A' with Disabled Persons Relief | |

NOTES TO THE CORE FINANCIAL STATEMENTS

40. **Non-Domestic Rates Account**

Non-Domestic Rates are a tax levied by local authorities on the occupiers of commercial, industrial and other non-domestic properties within their area, as distinct from a charge for their use of services. The rates charge for each property is determined by the rateable value placed upon it by the Assessor, multiplied by the National Rate Poundage which is set by Scottish Ministers. The Rate Poundage was set at 46.2 pence. The small business bonus scheme provides relief ranging from 25% to 100% for properties with rateable values of £18,000 and less. The cost of the small business bonus scheme was met from a supplement of 0.9 pence on properties with rateable values in excess of £35,000. Although councils bill and collect the sums due, these are paid into the National Non-Domestic Rate Pool and allocated back to councils by the Scottish Government.

| 2012/13 £'000 | INCOME | 2013/14 £000 |
|------------------|--|-----------------|
| 80,943 | Rate Levied (Net of Small Property Relief) | 82,224 |
| 80,943 | TOTAL INCOME | 82,224 |
| | EXPENDITURE | |
| - | Small Business Relief (Excludes Small Property Relief) | - |
| 3,576 | Small Business Bonus Scheme | 3,846 |
| 1,387 | Rating (Disabled Persons) Relief | 1,430 |
| 2,742 | Mandatory Relief | 3,262 |
| 418 | Discretionary Relief | 237 |
| 87 | Sports Club Relief | 97 |
| 3,495 | Voids and Empty Periods | 2,935 |
| 1,072 | Write-Off of Uncollectable Debts | 525 |
| - | TIF Appeals | 84 |
| - | Other Adjustments | - |
| - | Interest on Overpaid Rates | - |
| 12,777 | TOTAL EXPENDITURE | 12,416 |
| 68,166 | Net Non-Domestic Rate Income | 69,808 |
| (2,380) | Adjustments to previous years National Non Domestic Rates | (5,999) |
| 65,786 | TOTAL NON-DOMESTIC RATE INCOME (BEFORE AUTHORITY RETENTION) | 63,809 |
| | Non-Domestic Rate Income Retained by Authority (TiF) | 751 |
| - | Non-Domestic Rate Income Retained by Authority (BRIS) | - |
| 65,786 | CONTRIBUTION TO NON-DOMESTIC RATE POOL | 63,058 |
| 63,467 | Distribution from Non-Domestic Rate Pool | 68,291 |
| 63,467 | INCOME CREDITED TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT | 68,291 |

The Business Rate Incentivisation Scheme (BRIS) permits the local authorities to retain half of the NDR Income which exceeds the income target set by the Scottish Government. The BRIS income target as set out in the Scottish Government Local Government Finance Circular is based on audited contributable amounts. The determinant of whether a council has achieved the BRIS target will therefore be based on the audited 'Contributable Amount' figure reported in the Non-Domestic Rates Income Return for 2013/14, which will not be completed until January/February 2015. However, there has been no target finalised for 2013/14 the figures detailed below are based on the target for 2012/13.

| | |
|-----------------------------|---------------|
| | £'000 |
| BRIS target | 68,200 |
| Contributable amount | 63,809 |
| Excess over target | - |
| 50% retained | - |

41. Non-Domestic Rates Account Disclosures

a) Analysis of Rateable Values as at 1 April, 2013

| | <u>No. of Premises</u> | <u>Rateable Value</u> | |
|---|------------------------|-----------------------|--------------|
| | | <u>£'000</u> | <u>%</u> |
| Shops | 1,330 | 39,955 | 22.6 |
| Hotels and Public Houses | 132 | 4,659 | 2.6 |
| Offices | 890 | 13,511 | 7.6 |
| Industrial – Factories, Warehouses, Stores and Workshops | 1,250 | 41,045 | 23.2 |
| Sports, Leisure, Cultural, Entertainment, Caravans, Holiday Sites | 187 | 4,631 | 2.6 |
| Garages and Petrol Stations | 79 | 2,296 | 1.3 |
| Education and Training | 86 | 12,052 | 6.8 |
| Public Service Subjects | 167 | 7,158 | 4.1 |
| Quarries and Mines | 18 | 2,254 | 1.3 |
| Petrochemical | 15 | 29,605 | 16.8 |
| Religious | 156 | 1,175 | 0.7 |
| Health/Medical and Care Facilities | 153 | 10,763 | 6.1 |
| Utilities | 18 | 6,742 | 3.8 |
| Communications, Advertising and Other | 223 | 924 | 0.5 |
| Total | 4,704 | 176,770 | 100.0 |

b) National Non-Domestic Rates Pool

The contribution to Non-Domestic Rate Pool represents the rates collected by the Council and paid over to the Government. The income credited to the Comprehensive Income and Expenditure Statement represents the sum received from the Government from the National Rates Pool, distributed through the Local Government Finance Settlement.

NOTES TO THE CORE FINANCIAL STATEMENTS

42. 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 2008.

| 2012/13 £'000 | Income and Expenditure Account | Former Bo'ness Town Council 2013/14 £'000 | Former Denny Town Council 2013/14 £'000 | Former Grangemouth Town Council 2013/14 £'000 | Former Falkirk Town Council 2013/14 £'000 | TOTAL £'000 |
|------------------|-----------------------------------|--|--|---|--|----------------|
| | Income | | | | | |
| (21) | Rents Received | - | - | - | (21) | (21) |
| (4) | Interest | (1) | - | - | (4) | (5) |
| (25) | | (1) | - | - | (25) | (26) |
| | Expenditure | | | | | |
| 9 | Depreciation | - | - | - | 9 | 9 |
| 11 | Other | 6 | - | 2 | 5 | 13 |
| 20 | | 6 | - | 2 | 14 | 22 |
| (5) | (Surplus)/Deficit for Year | 5 | - | 2 | (11) | (4) |
| | Balance Sheet | | | | | |
| 198 | Fixed Assets | - | - | - | 188 | 188 |
| 883 | Investments | 61 | 6 | 24 | 811 | 902 |
| - | Creditors | (6) | - | - | - | (6) |
| 1,081 | Net Assets | (55) | 6 | 24 | 999 | 1,084 |
| | Financed by:- | | | | | |
| 198 | Asset Revaluation Reserve | - | - | - | 188 | 188 |
| 883 | Revenue Reserve | 55 | 6 | 24 | 811 | 896 |
| 1,081 | | 55 | 6 | 24 | 999 | 1,084 |



Bryan Smail, CPFA MBA
Chief Finance Officer
22 September 2014

FALKIRK COUNCIL

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

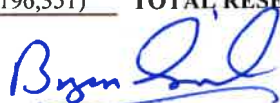
This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting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

| 2012/13 | | | | 2013/14 | | |
|----------------------------|-----------------------|--------------------------|--|----------------------------|-----------------------|--------------------------|
| Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 |
| 149,452 | (4,606) | 144,846 | Education Services | 160,886 | (5,146) | 155,740 |
| 108,500 | (92,385) | 16,115 | Housing Services | 132,942 | (93,697) | 39,245 |
| 25,450 | (7,539) | 17,911 | Cultural and Related Services | 22,686 | (4,528) | 18,158 |
| 21,684 | (3,812) | 17,872 | Environmental Services | 19,705 | (3,855) | 15,850 |
| 6,743 | - | 6,743 | Fire Services | - | - | - |
| 19,353 | (855) | 18,498 | Roads & Transport Services | 17,749 | (1,170) | 16,579 |
| 12,064 | - | 12,064 | Police Services | - | - | - |
| 36,441 | (8,204) | 28,237 | Planning and Development Services | 24,811 | (8,694) | 16,117 |
| 115,846 | (28,684) | 87,162 | Social Work | 123,199 | (29,674) | 93,525 |
| 18,509 | (13,298) | 5,211 | Central Services to the Public | 17,405 | (12,178) | 5,227 |
| 2,932 | - | 2,932 | Corporate & Democratic Core | 3,068 | - | 3,068 |
| 822 | - | 822 | Non-Distributed Costs | 1,315 | - | 1,315 |
| 517,796 | (159,383) | 358,413 | Cost of Services | 523,766 | (158,942) | 364,824 |
| | | | <u>Other Operating Expenditure</u> | | | |
| - | (1,707) | (1,707) | Gains or Losses on disposal of non-current Assets | 19,909 | - | 19,909 |
| | | | <u>Financing and Investment Income and Expenditure</u> | | | |
| 43,151 | (44,052) | (901) | Surplus or deficit on trading undertakings | 35,036 | (35,300) | (264) |
| 22,514 | - | 22,514 | Interest Payable and Similar Charges | 22,911 | - | 22,911 |
| - | (546) | (546) | Interest & Investment Income | - | (609) | (609) |
| 32,640 | (22,361) | 10,279 | Pensions interest cost & interest income on pensions assets | 34,646 | (24,567) | 10,079 |
| 616,101 | (228,049) | 388,052 | | 636,268 | (219,418) | 416,850 |
| | | | <u>Taxation and Non-Specific Grant Income</u> | | | |
| - | (60,409) | (60,409) | Council Tax | (51,913) | | (51,913) |
| - | (219,669) | (219,669) | Government Grants | (205,804) | | (205,804) |
| - | (27,551) | (27,551) | Capital Grants, Contributions & Donations | (26,475) | | (26,475) |
| - | (63,467) | (63,467) | Non-Domestic Rate redistribution | (68,291) | | (68,291) |
| - | - | - | Non-Domestic Rate TiF | (751) | | (751) |
| - | (371,096) | (371,096) | | - | (353,234) | (353,234) |
| 616,101 | (599,145) | 16,956 | (Surplus) or Deficit on Provision of Services | 636,268 | (572,652) | 63,616 |
| | | 19,538 | Associates and Joint Ventures accounted for on an equity basis | | | 27 |
| | | 36,494 | Group Surplus or Deficit | | | 63,643 |
| | | (929) | Surplus or deficit on revaluation of non-current assets | | | (13,759) |
| | | (977) | Remeasurements of the net defined benefit | | | 18,129 |
| | | 12 | Other unrealised gains/losses | | | - |
| | | 42,422 | Share of Other Comprehensive Income & Expenditure of associates & joint ventures | | | (349,991) |
| | | 40,528 | Other Comprehensive Income and Expenditure | | | (345,621) |
| | | 77,022 | Total Comprehensive Income and Expenditure | | | (281,978) |

GROUP BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the Group 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 are those that the Group 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".

| 2012/13 £'000 | | 2013/14 £'000 |
|------------------|--|------------------|
| | Non-Current Assets | |
| 713,005 | Property, Plant & Equipment | 696,401 |
| 197 | Investment Property | 188 |
| 211 | Heritage Assets | 259 |
| 35 | Intangible Assets | 58 |
| 179 | Assets Held for Sale | 115 |
| 3,107 | Long Term Investments | 3,106 |
| 5,541 | Investments in Associates and Joint Ventures | - |
| 1,084 | Long Term Debtors | 8,818 |
| 723,359 | | 708,945 |
| | Current Assets | |
| 924 | Inventories | 945 |
| 21,414 | Short Term Debtors | 24,187 |
| 11,624 | Cash and Cash Equivalents | 11,905 |
| 684 | Assets Held for Sale | 1,355 |
| 34,646 | | 38,392 |
| | Current Liabilities | |
| - | Bank Overdraft | - |
| (42,068) | Short Term Borrowing | (25,405) |
| (60,069) | Short Term Creditors | (68,819) |
| (5,839) | Provisions | (5,613) |
| (107,976) | | (99,837) |
| | Long Term Liabilities | |
| - | Provisions | - |
| (139,807) | Long Term Borrowing | (178,796) |
| (222,953) | Defined Benefit Pension Scheme Liability | (253,264) |
| (128,863) | Other Long Term Liabilities | (124,793) |
| (2,679) | Capital Grants Received in Advance | (2,915) |
| (352,078) | Liabilities in Associates | (2,105) |
| (846,380) | | (561,873) |
| (196,351) | NET ASSETS | 85,627 |
| | Usable Reserves | |
| 4,428 | Capital Receipts Reserve | 5,055 |
| 5,501 | Capital Grants Unapplied Account | 4,373 |
| 37,428 | General Fund | 30,850 |
| 7,629 | Other Usable Reserves | 8,940 |
| (2,734) | Usable Reserves of Other Group Entities | (2,592) |
| 52,252 | | 46,626 |
| | Unusable Reserves | |
| 197,511 | Capital Adjustment Account | 154,802 |
| (6,392) | Financial Instruments Adjustment Account | (6,065) |
| 137,302 | Revaluation Reserve | 147,928 |
| (222,953) | Pensions Reserve | (253,264) |
| (5,608) | Accumulated Absences Account | (5,760) |
| (348,463) | Unusable Reserves of Other Group Entities | 1,360 |
| (248,603) | | 39,001 |
| (196,351) | TOTAL RESERVES | 85,627 |



Bryan Smail, CPFA MBA
Chief Finance Officer

The unaudited accounts were issued on 30 June 2014 and the audited accounts were authorised for issue on 22 September 2014.

**GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group 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 Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group'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 Group.

| 2012/13 £'000 | | 2013/14 £'000 |
|------------------|--|------------------|
| 36,494 | Net (surplus) or deficit on the provision of services | 63,643 |
| (94,510) | Adjust net surplus or deficit on the provision of services for non-cash movements | (115,268) |
| 27,551 | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 26,475 |
| <u>(30,465)</u> | Net cash flows from operating activities | <u>(25,150)</u> |
| | Investing Activities | |
| 60,425 | Purchase of property, plant & equipment, investment property and intangible assets | 76,063 |
| (2,280) | Proceeds from the sale of property, plant & equipment, investment property and intangible assets | (4,983) |
| <u>(22,519)</u> | Other receipts and investing activities | <u>(28,870)</u> |
| 35,626 | Net cash flows from investing activities | 42,210 |
| | Financing Activities | |
| (93,116) | Cash receipts of short and long-term borrowing | (122,126) |
| 5,751 | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 4,987 |
| <u>71,652</u> | Repayments of short and long-term borrowing | <u>99,798</u> |
| <u>(15,713)</u> | Net cash flows from financing activities | <u>(17,341)</u> |
| <u>(10,552)</u> | Net (increase) or decrease in cash and cash equivalents | <u>(281)</u> |
| | Cash and cash equivalents | |
| (1,072) | Cash and cash equivalents at the beginning of the reporting period | (11,624) |
| | Cash and cash equivalents at the end of the reporting period | |
| (39) | Cash held by Officers | (40) |
| (4,482) | Bank current accounts | (2,912) |
| <u>(7,103)</u> | Short-term deposits | <u>(8,953)</u> |
| <u>(11,624)</u> | | <u>(11,905)</u> |

The cash flows for operating activities include interest paid of £22.911m (2012/13 £22.514m) and interest received of £0.609m (2012/13 £0.546m).

FALKIRK COUNCIL

GROUP MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

This statement shows the movement in the year on the different reserves held by the Group, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 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. These are 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. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.

| | Usable Reserves | | | | | | | Unusable Reserves | | | | | | | Total | | Notes Shown Below |
|---|---------------------------------|-----------------|--------------------------|----------------------------------|----------------|---|-----------------------------|----------------------------|---------------------|------------------|------------------------------|---------------------------------------|-------------------------------------|-------------------------------|----------------------|---|-------------------|
| | General Fund Balance (excl HRA) | HRA Balance | Capital Receipts Reserve | Capital Grants Unapplied Account | Other Reserves | Usable Reserves of Other Group Entities | Total Group Usable Reserves | Capital Adjustment Account | Revaluation Reserve | Pension Reserve | Accumulated Absences Account | Financial Instruments Adjust. Account | Unusable Reserves of Group Entities | Total Group Unusable Reserves | Total Group Reserves | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £,000 | £'000 | £'000 | | |
| Balance at 31 March 2013 carried forward | 29,797 | 7,631 | 4,428 | 5,501 | 7,629 | (2,734) | 52,252 | 197,511 | 137,302 | (222,953) | (5,608) | (6,392) | (348,463) | (248,603) | (196,351) | | |
| Surplus or (deficit) on provision of services (accounting basis) | (30,632) | (32,985) | - | - | - | (26) | (63,643) | - | - | - | - | - | 350,151 | 350,151 | 286,508 | | |
| Other Comprehensive Income and Expenditure | 699 | (7,265) | 7,199 | (935) | - | - | (302) | 1,374 | 12,687 | (18,129) | - | - | (160) | (4,228) | (4,530) | 1 | |
| Total Comprehensive Income and Expenditure | (29,933) | (40,250) | 7,199 | (935) | - | (26) | (63,945) | 1,374 | 12,687 | (18,129) | - | - | 349,991 | 345,923 | 281,978 | | |
| Adjustments between Group Accounts and Council Accounts | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| Net Increase/Decrease before Transfers | (29,933) | (40,250) | 7,199 | (935) | - | (26) | (63,945) | 1,374 | 12,687 | (18,129) | - | - | 349,991 | 345,923 | 281,978 | | |
| Adjustments between accounting basis and funding basis under regulations | 27,727 | 37,289 | (6,765) | - | (100) | 168 | 58,319 | (44,083) | (2,061) | (12,182) | (152) | 327 | (168) | (58,319) | - | 2 | |
| Net Increase/Decrease before Transfers to Other Statutory Reserves | (2,206) | (2,961) | 434 | (935) | (100) | 142 | (5,626) | (42,709) | 10,626 | (30,311) | (152) | 327 | 349,823 | 287,604 | 281,978 | | |
| Transfers to/from Other Statutory Reserves | (1,834) | 423 | 193 | (193) | 1,411 | - | - | - | - | - | - | - | - | - | - | 3 | |
| Increase/Decrease in Year 2013/14 | (4,040) | (2,538) | 627 | (1,128) | 1,311 | 142 | (5,626) | (42,709) | 10,626 | (30,311) | (152) | 327 | 349,823 | 287,604 | 281,978 | | |
| Balance at 31 March 2014 carried forward | 25,757 | 5,093 | 5,055 | 4,373 | 8,940 | (2,592) | 46,626 | 154,802 | 147,928 | (253,264) | (5,760) | (6,065) | 1,360 | 39,001 | 85,627 | | |

FALKIRK COUNCIL

GROUP MOVEMENT IN RESERVES STATEMENT – FOR THE YEAR ENDED 31 MARCH 2014

NOTES

| | Usable Reserves | | | | | | | Unusable Reserves | | | | | | | Total |
|--|---------------------------------|----------------|--------------------------|----------------------------------|----------------|---|-----------------------------|----------------------------|---------------------|------------------|------------------------------|---------------------------------------|-------------------------------------|-------------------------------|----------------------|
| | General Fund Balance (excl HRA) | HRA Balance | Capital Receipts Reserve | Capital Grants Unapplied Account | Other Reserves | Usable Reserves of Other Group Entities | Total Group Usable Reserves | Capital Adjustment Account | Revaluation Reserve | Pension Reserves | Accumulated Absences Account | Financial Instruments Adjust. Account | Unusable Reserves of Group Entities | Total Group Unusable Reserves | Total Group Reserves |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 1. Analysis of Other Comprehensive Income and Expenditure | | | | | | | | | | | | | | | |
| Net Gain on Sale of Assets | 23,043 | (3,134) | - | - | - | - | 19,909 | - | - | - | - | - | - | - | 19,909 |
| Capital Receipts Received | - | - | 7,199 | - | - | - | 7,199 | - | - | - | - | - | - | - | 7,199 |
| Capital Grants Received | (22,344) | (4,131) | - | (935) | - | - | (27,410) | 27,410 | - | - | - | - | - | 27,410 | - |
| Net Book Value of Asset Disposals | - | - | - | - | - | - | - | (26,075) | (1,033) | - | - | - | - | (27,108) | (27,108) |
| Long Term Debtor | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Deficit on Revaluation of Fixed Assets | - | - | - | - | - | - | - | 39 | 13,720 | - | - | - | (9) | 13,750 | 13,750 |
| Remeasurement of Pension Fixed Assets and Liabilities | - | - | - | - | - | - | - | - | - | (18,129) | - | - | (151) | (18,280) | (18,280) |
| Total | 699 | (7,265) | 7,199 | (935) | - | - | (302) | 1,374 | 12,687 | (18,129) | - | - | (160) | (4,228) | (4,530) |
| 2. Analysis of Adjustments between accounting basis and funding basis under regulations | | | | | | | | | | | | | | | |
| 2a. Reversal of items debited or credited to the CIES | | | | | | | | | | | | | | | |
| Depreciation and impairment of non-current assets | 33,306 | 48,999 | - | - | - | 76 | 82,381 | (82,305) | - | - | - | - | (76) | (82,381) | - |
| Amortisation of intangible assets | 8 | - | - | - | - | - | 8 | (8) | - | - | - | - | - | (8) | - |
| 2b. Insertion of items not debited or credited to the CIES | | | | | | | | | | | | | | | |
| Statutory Repayment of Debt (Loans Fund Advances) | (10,201) | (9,345) | - | - | - | - | (19,545) | 19,545 | - | - | - | - | - | 19,545 | - |
| Capital expenditure charged to the General Fund Balance (CFCR) | (2,042) | (2,557) | - | - | - | - | (4,599) | 4,599 | - | - | - | - | - | 4,599 | - |

FALKIRK COUNCIL

GROUP MOVEMENT IN RESERVES STATEMENT – FOR THE YEAR ENDED 31 MARCH 2014

| | Usable Reserves | | | | | | | Unusable Reserves | | | | | | | Total | |
|--|---------------------------------|-------------|---------------------------|----------------------------------|----------------|---|-----------------------------|----------------------------|---------------------|-----------------|------------------------------|---------------------------------------|-------------------------------------|-------------------------------|----------------------|--|
| | General Fund Balance (excl HRA) | HRA Balance | Capital Receipts Reserves | Capital Grants Unapplied Account | Other Reserves | Usable Reserves of Other Group Entities | Total Group Usable Reserves | Capital Adjustment Account | Revaluation Reserve | Pension Reserve | Accumulated Absences Account | Financial Instruments Adjust. Account | Unusable Reserves of Group Entities | Total Group Unusable Reserves | Total Group Reserves | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Statutory Repayment of Debt (Finance Lease Liabilities) | - | (502) | - | - | - | - | (502) | 502 | - | - | - | - | - | 502 | - | |
| Statutory Repayment of Debt (PFI) | (4,485) | - | - | - | - | - | (4,485) | 4,485 | - | - | - | - | - | 4,485 | - | |
| Borrowing Consent | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| 2c. Adjustments involving the Capital Receipts Reserve | | | | | | | | | | | | | | | | |
| Capital Receipts applied to fund Capital Expenditure | - | - | (6,765) | - | - | (24) | (6,789) | 6,765 | - | - | - | - | 24 | 6,789 | - | |
| 2d. Adjustments involving the Repairs and Renewals Fund and Devolved Management Reserve (DMR) | | | | | | | | | | | | | | | | |
| Use of the Repairs & Renewals Fund & DMR to Finance new capital expenditure | (172) | - | - | - | (100) | - | (272) | 272 | - | - | - | - | - | 272 | - | |
| 2e. Adjustments involving the Financial Instruments Adjustment Account | | | | | | | | | | | | | | | | |
| 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 | (264) | (63) | - | - | - | - | (327) | - | - | - | - | 327 | - | 327 | - | |
| 2f. Adjustments involving the Pensions Reserve | | | | | | | | | | | | | | | | |
| Amount by which pension costs calculated in accordance with the Code are different from the amount of pension contributions due under the pension scheme regulations | 11,427 | 755 | - | - | - | 114 | 12,296 | - | - | (12,182) | - | (114) | (12,296) | - | - | |

FALKIRK COUNCIL

GROUP MOVEMENT IN RESERVES STATEMENT – FOR THE YEAR ENDED 31 MARCH 2014

| | Usable Reserves | | | | | | | Unusable Reserves | | | | | | | Total |
|--|---------------------------------|---------------|---------------------------|----------------------------------|----------------|---|-----------------------------|----------------------------|---------------------|-----------------|------------------------------|---------------------------------------|-------------------------------------|-------------------------------|----------------------|
| | General Fund Balance (excl HRA) | HRA Balance | Capital Receipts Reserves | Capital Grants Unapplied Account | Other Reserves | Usable Reserves of Other Group Entities | Total Group Usable Reserves | Capital Adjustment Account | Revaluation Reserve | Pension Reserve | Accumulated Absences Account | Financial Instruments Adjust. Account | Unusable Reserves of Group Entities | Total Group Unusable Reserves | Total Group Reserves |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 2g. Adjustments involving the Accumulated Absences Account | | | | | | | | | | | | | | | |
| Net transfer to or from earmarked reserves required by legislation | 150 | 2 | - | - | - | 2 | 154 | - | - | - | (152) | - | (2) | (154) | - |
| 2h. Other Adjustments | | | | | | | | | | | | | | | |
| Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost | - | - | - | - | - | - | - | 2,061 | (2,061) | - | - | - | - | - | - |
| Total | 27,727 | 37,289 | (6,765) | - | (100) | 168 | 58,319 | (44,083) | (2,061) | (12,182) | (152) | 327 | (168) | (58,319) | - |
| 3. Analysis of transfers to/from Other Statutory Reserves | | | | | | | | | | | | | | | |
| Transfer to Insurance Fund | (216) | - | - | - | 216 | - | - | - | - | - | - | - | - | - | - |
| Transfer from Repairs and Renewals Fund | (1,195) | - | - | - | 1,195 | - | - | - | - | - | - | - | - | - | - |
| Capital Receipts | - | - | 193 | (193) | - | - | - | - | - | - | - | - | - | - | - |
| Revenue Grants Reserve | (423) | 423 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | (1,834) | 423 | 193 | (193) | 1,411 | - | - | - | - | - | - | - | - | - | - |

FALKIRK COUNCIL

GROUP MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

This statement shows the movement in the year on the different reserves held by the Group, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 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. These are 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. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.

| | Usable Reserves | | | | | | | Unusable Reserves | | | | | | | Total | | Notes Shown Below |
|---|---------------------------------|-----------------|--------------------------|----------------------------------|----------------|---|-----------------------------|----------------------------|---------------------|------------------|------------------------------|---------------------------------------|-------------------------------------|-------------------------------|----------------------|---|-------------------|
| | General Fund Balance (excl HRA) | HRA Balance | Capital Receipts Reserve | Capital Grants Unapplied Account | Other Reserves | Usable Reserves of Other Group Entities | Total Group Usable Reserves | Capital Adjustment Account | Revaluation Reserve | Pension Reserve | Accumulated Absences Account | Financial Instruments Adjust. Account | Unusable Reserves of Group Entities | Total Group Unusable Reserves | Total Group Reserves | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | | |
| Balance at 31 March 2012 | 24,522 | 7,712 | 5,172 | 4,737 | 7,446 | 159 | 49,748 | 206,660 | 140,533 | (214,510) | (5,978) | (6,719) | (289,063) | (169,077) | (119,329) | | |
| Surplus or (deficit) on provision of services (accounting basis) | (5,106) | (11,517) | - | - | - | (19,871) | (36,494) | - | - | - | - | - | - | - | (36,494) | | |
| Other Comprehensive Income and Expenditure | (23,763) | (5,423) | 2,280 | 764 | - | (724) | (26,866) | 26,563 | 496 | 977 | - | - | (41,698) | (13,662) | (40,528) | 1 | |
| Total Comprehensive Income and Expenditure | (28,869) | (16,940) | 2,280 | 764 | - | (20,595) | (63,360) | 26,563 | 496 | 977 | - | - | (41,698) | (13,662) | (77,022) | | |
| Adjustments between Group Accounts and Council Accounts | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| Net Increase/Decrease before Transfers | (28,869) | (16,940) | 2,280 | 764 | - | (20,595) | (63,360) | 26,563 | 496 | 977 | - | - | (41,698) | (13,662) | (77,022) | | |
| Adjustments between accounting basis and funding basis under regulations | 34,034 | 17,601 | (3,024) | - | (449) | 17,702 | 65,864 | (35,712) | (3,727) | (9,420) | 370 | 327 | (17,702) | (65,864) | - | 2 | |
| Net Increase/Decrease before Transfers to Other Statutory Reserves | 5,165 | 661 | (744) | 764 | (449) | (2,893) | 2,504 | (9,149) | (3,231) | (8,443) | 370 | 327 | (59,400) | (79,526) | (77,022) | | |
| Transfers to/from Other Statutory Reserves | 110 | (742) | - | - | 632 | - | - | - | - | - | - | - | - | - | - | 3 | |
| Increase/Decrease in Year 2012/13 | 5,275 | (81) | (744) | 764 | 183 | (2,893) | 2,504 | (9,149) | (3,231) | (8,443) | 370 | 327 | (59,400) | (79,526) | (77,022) | | |
| Balance at 31 March 2013 carried forward | 29,797 | 7,631 | 4,428 | 5,501 | 7,629 | (2,734) | 52,252 | 197,511 | 137,302 | (222,953) | (5,608) | (6,392) | (348,463) | (248,603) | (196,351) | | |

FALKIRK COUNCIL

GROUP MOVEMENT IN RESERVES STATEMENT – FOR THE YEAR ENDED 31 MARCH 2013

NOTES

| | Usable Reserves | | | | | | | Unusable Reserves | | | | | | | Total | |
|--|---------------------------------|----------------|--------------------------|----------------------------------|----------------|---|-----------------------------|----------------------------|---------------------|------------------|------------------------------|---------------------------------------|-------------------------------------|-------------------------------|----------------------|--|
| | General Fund Balance (excl HRA) | HRA Balance | Capital Receipts Reserve | Capital Grants Unapplied Account | Other Reserves | Usable Reserves of Other Group Entities | Total Group Usable Reserves | Capital Adjustment Account | Revaluation Reserve | Pension Reserves | Accumulated Absences Account | Financial Instruments Adjust. Account | Unusable Reserves of Group Entities | Total Group Unusable Reserves | Total Group Reserves | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| 1. Analysis of Other Comprehensive Income and Expenditure | | | | | | | | | | | | | | | | |
| Net Gain on Sale of Assets | (37) | (1,670) | - | - | - | 248 | (1,459) | - | - | - | - | - | (185) | (185) | (1,644) | |
| Capital Receipts Received | - | - | 2,280 | - | - | 20 | 2,300 | - | - | - | - | - | - | - | 2,300 | |
| Capital Grants Received | (23,798) | (3,753) | - | 764 | - | (992) | (27,779) | 26,787 | - | - | - | - | 992 | 27,779 | - | |
| Net Book Value of Asset Disposals | - | - | - | - | - | - | - | (594) | (63) | - | - | - | (84) | (741) | (741) | |
| Long Term Debtor | 72 | - | - | - | - | - | 72 | - | - | - | - | - | - | - | 72 | |
| Deficit on Revaluation of Fixed Assets | - | - | - | - | - | - | - | 370 | 559 | - | - | - | (82) | 847 | 847 | |
| Actuarial Loss on Pension Fixed Assets and Liabilities | - | - | - | - | - | - | - | - | - | 977 | - | - | (42,339) | (41,362) | (41,362) | |
| Total | (23,763) | (5,423) | 2,280 | 764 | - | (724) | (26,866) | 26,563 | 496 | 977 | - | (41,698) | (13,662) | (40,528) | | |
| 2. Analysis of Adjustments between accounting basis and funding basis under regulations | | | | | | | | | | | | | | | | |
| 2a. Reversal of items debited or credited to the CIES | | | | | | | | | | | | | | | | |
| Depreciation and impairment of non-current assets | 42,585 | 28,039 | - | - | - | 1,651 | 72,275 | (70,624) | - | - | - | - | (1,651) | (72,275) | - | |
| Amortisation of intangible assets | 8 | - | - | - | - | 39 | 47 | (8) | - | - | - | - | (39) | (47) | - | |
| 2b. Insertion of items not debited or credited to the CIES | | | | | | | | | | | | | | | | |
| Statutory Repayment of Debt (Loans Fund Advances) | (10,107) | (8,254) | - | - | - | (283) | (18,644) | 18,361 | - | - | - | - | 283 | 18,644 | - | |
| Capital expenditure charged to the General Fund Balance (CFCR) | (232) | (1,555) | - | - | - | - | (1,787) | 1,787 | - | - | - | - | - | 1,787 | - | |

FALKIRK COUNCIL

GROUP MOVEMENT IN RESERVES STATEMENT – FOR THE YEAR ENDED 31 MARCH 2013

| | Usable Reserves | | | | | | | Unusable Reserves | | | | | | | Total |
|--|---------------------------------|-------------|---------------------------|----------------------------------|----------------|---|-----------------------------|----------------------------|---------------------|-----------------|------------------------------|---------------------------------------|-------------------------------------|-------------------------------|----------------------|
| | General Fund Balance (excl HRA) | HRA Balance | Capital Receipts Reserves | Capital Grants Unapplied Account | Other Reserves | Usable Reserves of Other Group Entities | Total Group Usable Reserves | Capital Adjustment Account | Revaluation Reserve | Pension Reserve | Accumulated Absences Account | Financial Instruments Adjust. Account | Unusable Reserves of Group Entities | Total Group Unusable Reserves | Total Group Reserves |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Statutory Repayment of Debt (Finance Lease Liabilities) | - | (1,193) | - | - | - | - | (1,193) | 1,193 | - | - | - | - | - | 1,193 | - |
| Statutory Repayment of Debt (PFI) | (4,629) | - | - | - | - | - | (4,629) | 4,629 | - | - | - | - | - | 4,629 | - |
| Borrowing Consent | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2c. Adjustments involving the Capital Receipts Reserve | | | | | | | | | | | | | | | |
| Capital Receipts applied to fund Capital Expenditure | - | - | (3,024) | - | - | (603) | (3,627) | 3,024 | - | - | - | - | 603 | 3,627 | - |
| 2d. Adjustments involving the Repairs and Renewals Fund and Devolved Management Reserve (DMR) | | | | | | | | | | | | | | | |
| Use of the Repairs & Renewals Fund & DMR to Finance new capital expenditure | (1,750) | - | - | - | (449) | (227) | (2,426) | 2,199 | - | - | - | - | 227 | 2,426 | - |
| 2e. Adjustments involving the Financial Instruments Adjustment Account | | | | | | | | | | | | | | | |
| 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 | (264) | (63) | - | - | - | - | (327) | - | - | - | - | 327 | - | 327 | - |
| 2f. Adjustments involving the Pensions Reserve | | | | | | | | | | | | | | | |
| Amount by which pension costs calculated in accordance with the Code are different from the amount of pension contributions due under the pension scheme regulations | 8,792 | 628 | - | - | - | 17,110 | 26,530 | - | - | (9,420) | - | - | (17,110) | (26,530) | - |

FALKIRK COUNCIL

GROUP MOVEMENT IN RESERVES STATEMENT – FOR THE YEAR ENDED 31 MARCH 2013

| | Usable Reserves | | | | | | | Unusable Reserves | | | | | | | Total | |
|--|---------------------------------|---------------|---------------------------|----------------------------------|----------------|---|-----------------------------|----------------------------|---------------------|-----------------|------------------------------|---------------------------------------|-------------------------------------|-------------------------------|----------------------|--|
| | General Fund Balance (excl HRA) | HRA Balance | Capital Receipts Reserves | Capital Grants Unapplied Account | Other Reserves | Usable Reserves of Other Group Entities | Total Group Usable Reserves | Capital Adjustment Account | Revaluation Reserve | Pension Reserve | Accumulated Absences Account | Financial Instruments Adjust. Account | Unusable Reserves of Group Entities | Total Group Unusable Reserves | Total Group Reserves | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| 2g. Adjustments involving the Accumulated Absences Account | | | | | | | | | | | | | | | | |
| Net transfer to or from earmarked reserves required by legislation | (369) | (1) | - | - | - | 15 | (355) | - | - | - | 370 | - | (15) | 355 | - | |
| 2h. Other Adjustments | | | | | | | | | | | | | | | | |
| Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost | - | - | - | - | - | - | - | 3,727 | (3,727) | - | - | - | - | - | - | |
| Total | 34,034 | 17,601 | (3,024) | - | (449) | 17,702 | 65,864 | (35,712) | (3,727) | (9,420) | 370 | 327 | (17,702) | (65,864) | - | |
| 3. Analysis of transfers to/from Other Statutory Reserves | | | | | | | | | | | | | | | | |
| Transfer to Insurance Fund | (459) | - | - | - | 459 | - | - | - | - | - | - | - | - | - | - | |
| Transfer from Repairs and Renewals Fund | (173) | - | - | - | 173 | - | - | - | - | - | - | - | - | - | - | |
| Revenue Grant Reserve | 742 | (742) | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Total | 110 | (742) | - | - | 632 | - | - | - | - | - | - | - | - | - | - | |

NOTES TO THE GROUP ACCOUNTS

1. Group Accounting Policies

The group accounting policies are those specified for the single entity financial statements. The accounting policies of all group members are materially the same as those of the single entity.

2. Analysis of Resources (Group Entities)

| Total 2012/13 £'000 | Valuation Board £'000 | Falkirk Community Stadium Ltd £'000 | Common Good Funds £'000 | Falkirk Community Trust Ltd £'000 | Total 2013/14 £'000 |
|---------------------------|-----------------------------|---|----------------------------------|--|---------------------------|
| (322) | (11) | - | - | - | (11) |
| - | - | - | - | - | - |
| (357,988) | (2,497) | - | - | - | (2,497) |
| (13,802) | - | - | - | - | - |
| 3,423 | - | 3,423 | - | - | 3,423 |
| 2,226 | - | - | - | 229 | 229 |
| 18,000 | 28 | - | 188 | - | 216 |
| - | - | - | - | - | - |
| (2,734) | 375 | (4,586) | 896 | 723 | (2,592) |
| <u>(351,197)</u> | <u>(2,105)</u> | <u>(1,163)</u> | <u>1,084</u> | <u>952</u> | <u>1,232</u> |

3. 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 associates.

The Financial Statements in the Group Accounts have been prepared in accordance with the Accounting Policies set out in the Accounting Policies on pages 11 to 29.

4. Group Entities

On 1 April 2013 Scottish Police and Fire Services transferred to the Scottish Government. The Joint Board arrangements (Central Scotland Joint Fire and Rescue Board and Central Scotland Joint Police Board) ceased at this time and are no longer part of Falkirk Council's group arrangements. The total assets/liabilities/reserves transferred to the relevant new bodies on this date amounted to £350.151m.

For the purpose of consolidation and incorporation within the Group Accounts, the Council has two Subsidiaries (Falkirk Community Stadium Ltd and Falkirk Community Trust Ltd) and one Associate (Central Scotland Joint Valuation Board).

NOTES TO THE GROUP ACCOUNTS**FCSL (Holdings) Ltd and Falkirk Community Stadium Ltd (FCSL)**

The Council owns 100% of the share capital of FCSL (Holdings) Ltd, which in turn owns all of the share capital of Falkirk Community Stadium Ltd. The principal activity of both companies is the operation of a stadium at Westfield, Falkirk. The accounts are available from the FCSL Company Secretary, Municipal Buildings, Falkirk. The accounting period is to 31 March. The financial results for FCSL (Holdings) Ltd are included in the figures shown for Falkirk Community Stadium Ltd in note 2.

Common Good Funds

Falkirk Council administers the Common Good Account 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 is to 31 March.

Falkirk Community Trust Ltd and Falkirk Community Trading Ltd

Falkirk Community Trust Ltd was established by Falkirk Council on 1 July 2011 to take responsibility for the management and operation of a range of community sport, recreation, arts, heritage and library services. The company has charitable status and the Scottish Charity Number is SC042403. A wholly owned subsidiary, Falkirk Community Trading Ltd has been established to govern those activities which are not recognised as charitable. The accounting period is to 31 March. The accounts are available from Falkirk Council. The financial results for Falkirk Community Trading Ltd are included in the figures shown for Falkirk Community Trust Ltd in note 2.

5. Nature of Combination

The Council has accounted for its interest in its Associate by the merger method of accounting.

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

The Council has accounted for its interest in its Subsidiaries using the acquisition method of accounting. In all instances, the consideration paid by the Council equalled the fair value of the assets and liabilities acquired and, therefore, no goodwill arose on acquisition. Falkirk Community Trust Ltd has been consolidated as a subsidiary under SIC12 (Special Purpose Entities).

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

6. Financial Impact of Consolidation

By including the Associate and Subsidiary bodies (details of which are shown in Note 2 above), the effect on the Group Balance Sheet is a reduction in both Reserves and Net Assets of £1.232m. This represents the Council's share of the net liabilities in those entities.

7. Non-Material Interest in Other Entities

The Council has a relationship with the following entities which have been set up for specific purposes. They are not consolidated into the Group Accounts as they are not considered to be a material part of the Group.

- The Helix Project (transforming land between Grangemouth and Falkirk into an exciting outdoor recreational area)
- Trust Funds (administered by Falkirk Council)
- The Hub Initiative (established to aid delivery of capital investment projects)
- ThinkWhere (previously named Forth Valley GIS Limited – delivers geographical information services)

FALKIRK COUNCIL

NOTES TO THE GROUP ACCOUNTS

8(a). Amounts Reported for Resource Allocation Decisions 2013/14

The analysis of income and expenditure by service on the face of the Group Comprehensive Income and Expenditure Statement is that specified by SERCOP. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across Service portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular,

- the cost of retirement benefits is based on cashflows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:-

| Portfolio Income and Expenditure 2013/14 | Education £'000 | Social Work £'000 | Development Services £'000 | Community Services £'000 | Corporate & N'hood Services £'000 | Miscell. Services £'000 | Joint Boards £'000 | Trading Accounts £'000 | HRA £'000 | Other Costs £'000 | Total £'000 |
|---|--------------------|----------------------|----------------------------------|--------------------------------|--|-------------------------------|--------------------------|------------------------------|-----------------|-------------------------|------------------|
| Income | (12,397) | (35,352) | (24,717) | - | (25,913) | (47,136) | - | (35,281) | (52,417) | - | (233,213) |
| Total Income | (12,397) | (35,352) | (24,717) | - | (25,913) | (47,136) | - | (35,281) | (52,417) | - | (233,213) |
| Employee Expenses | 101,450 | 41,150 | 19,907 | - | 18,885 | 4,448 | - | 13,553 | 6,386 | 289 | 206,068 |
| Property Expenses | 13,290 | 2,018 | 4,305 | - | 2,514 | 208 | - | 462 | 24,722 | - | 47,519 |
| Transport Expenses | 3,249 | 1,277 | 2,805 | - | 7,333 | - | - | 1,573 | 13 | - | 16,250 |
| Supplies & Services | 8,782 | 3,331 | 9,210 | - | 3,927 | 2,039 | - | 6,127 | 3,501 | - | 36,917 |
| Third Party Expenses | 31,800 | 65,809 | 12,255 | - | 1,000 | 3,875 | 13,395 | 12,125 | 1,158 | - | 141,417 |
| Transfer Payments | 698 | 3,752 | - | - | - | 41,917 | - | - | - | - | 46,367 |
| Support Costs | 9,180 | 5,917 | 4,949 | - | 3,210 | 6,698 | - | 656 | 3,821 | (782) | 33,649 |
| Capital Charges | 22,536 | 843 | 9,930 | - | 3,076 | 15 | - | 64 | 15,354 | (17,938) | 33,880 |
| TOTAL EXPENDITURE | 190,985 | 124,097 | 63,361 | - | 39,945 | 59,200 | 13,395 | 34,560 | 54,955 | (18,431) | 562,067 |
| NET EXPENDITURE | 178,588 | 88,475 | 38,644 | - | 14,032 | 12,064 | 13,395 | (721) | 2,538 | (18,431) | 328,854 |

Reconciliation of Portfolio Income and Expenditure to Cost of Services in Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

| | |
|--|------------------|
| Net Expenditure in the Portfolio Analysis | £'000 328,854 |
| Net expenditure of services and support services not included in the Analysis | 721 |
| Amount of Subsidiaries consolidated on a line by line basis | (4) |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | 34,324 |
| Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement | 929 |
| Cost of Services | 364,824 |

FALKIRK COUNCIL

NOTES TO THE GROUP ACCOUNTS

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement

| | Portfolio Analysis £'000 | Services not in Analysis £'000 | Not reported to Management £'000 | Not included in CIES £'000 | Allocation of Recharges £'000 | Allocation of Supp Services £'000 | Effect of Including Group Accounts £'000 | Net Cost of Services £'000 | Corporate Amounts £'000 | Total £'000 |
|--|--------------------------------|--------------------------------------|---|-------------------------------------|--|--|--|-------------------------------------|-------------------------------|------------------|
| Income | (233,213) | 35,281 | (938) | 294 | 41,839 | (170) | (2,050) | (158,957) | (86,342) | (245,299) |
| Surplus or (Deficit) on associates and joint ventures | - | - | - | - | - | - | 27 | 27 | - | 27 |
| Interest and investment income | - | - | - | - | - | - | - | - | (594) | (594) |
| Government grants and contributions | - | - | - | - | - | - | - | - | (274,846) | (274,846) |
| Income from council tax | - | - | - | - | - | - | - | - | (51,913) | (51,913) |
| Total Income | (233,213) | 35,281 | (938) | 294 | 41,839 | (170) | (2,023) | (158,930) | (413,695) | (572,625) |
| Employee Expenses | 206,068 | (13,553) | 1,059 | - | (12,442) | 14,875 | (6,222) | 189,785 | 14,071 | 203,856 |
| Property Expenses | 47,519 | (462) | - | - | (1,487) | 1,499 | 2,394 | 49,463 | 462 | 49,925 |
| Transport Expenses | 16,250 | (1,573) | - | - | (6,306) | 39 | 175 | 8,585 | 1,573 | 10,158 |
| Supplies & Services | 36,917 | (6,127) | 1,150 | 635 | (2,343) | 4,863 | 5,397 | 40,492 | 26,650 | 67,142 |
| Third Party Expenses | 141,417 | (12,125) | (18,002) | - | (2,278) | 280 | - | 109,292 | 12,125 | 121,417 |
| Transfer Payments | 46,367 | - | - | - | (68) | - | - | 46,299 | - | 46,299 |
| Support Service recharges | 33,649 | (656) | 1,482 | - | (12,707) | (21,768) | - | - | - | - |
| Depreciation, amortisation and impairment | 33,880 | (64) | 49,573 | - | (4,208) | 382 | 287 | 79,850 | 64 | 79,914 |
| Interest Payments | - | - | - | - | - | - | 18 | 18 | 57,539 | 57,557 |
| Total Expenditure | 562,067 | (34,560) | 35,262 | 635 | (41,839) | 170 | 2,049 | 523,784 | 112,484 | 636,268 |
| (Surplus) or Deficit on the Provision of Services | 328,854 | 721 | 34,324 | 929 | - | - | 26 | 364,854 | (301,211) | 63,643 |

FALKIRK COUNCIL

NOTES TO THE GROUP ACCOUNTS

8(b). Amounts Reported for Resource Allocation Decisions 2012/13

The analysis of income and expenditure by service on the face of the Group Comprehensive Income and Expenditure Statement is that specified by SERCOP. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across Service portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular,

- the cost of retirement benefits is based on cashflows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:-

| Portfolio Income and Expenditure 2012/13 | Education £'000 | Social Work £'000 | Development Services £'000 | Corporate & N'hood Services £'000 | Miscell. Services £'000 | Joint Boards £'000 | Trading Accounts £'000 | HRA £'000 | Other Costs £'000 | Total £'000 |
|---|--------------------|----------------------|----------------------------------|--|-------------------------------|--------------------------|------------------------------|-----------------|-------------------------|------------------|
| Income | (11,464) | (34,080) | (17,839) | (25,978) | (47,308) | - | (44,023) | (52,018) | - | (232,710) |
| Total Income | (11,464) | (34,080) | (17,839) | (25,978) | (47,308) | - | (44,023) | (52,018) | - | (232,710) |
| Employee Expenses | 99,970 | 38,717 | 15,269 | 17,733 | 4,162 | - | 17,085 | 6,136 | 359 | 199,431 |
| Property Expenses | 13,855 | 2,269 | 3,854 | 2,850 | 463 | - | 387 | 23,624 | 23 | 47,325 |
| Transport Expenses | 3,128 | 1,210 | 611 | 7,504 | 1 | - | 3,948 | 15 | - | 16,417 |
| Supplies & Services | 11,214 | 3,263 | 4,314 | 5,595 | 1,723 | - | 7,901 | 3,020 | - | 37,030 |
| Third Party Expenses | 31,169 | 63,782 | 19,024 | 910 | 3,143 | 32,318 | 12,343 | 2,242 | (163) | 164,768 |
| Transfer Payments | 712 | 3,845 | - | (100) | 41,891 | - | - | - | - | 46,348 |
| Support Costs | 8,682 | 5,222 | 4,165 | 3,862 | 6,258 | - | 1,065 | 3,869 | (552) | 32,571 |
| Capital Charges | 13,382 | 467 | 24,115 | 3,846 | 20 | - | 329 | 13,193 | (24,368) | 30,984 |
| TOTAL EXPENDITURE | 182,112 | 118,775 | 71,352 | 42,200 | 57,661 | 32,318 | 43,058 | 52,099 | (24,701) | 574,874 |
| NET EXPENDITURE | 170,648 | 84,695 | 53,513 | 16,222 | 10,353 | 32,318 | (965) | 81 | (24,701) | 342,164 |

Reconciliation of Portfolio Income and Expenditure to Cost of Services in Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

| | |
|--|------------------|
| Net Expenditure in the Portfolio Analysis | £'000 342,164 |
| Net expenditure of services and support services not included in the Analysis | 901 |
| Amount of Subsidiaries consolidated on a line by line basis | 343 |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | 18,640 |
| Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement | (3,635) |
| Cost of Services | 358,413 |

FALKIRK COUNCIL

NOTES TO THE GROUP ACCOUNTS

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement

| | Portfolio Analysis £'000 | Services not in Analysis £'000 | Not reported to Management £'000 | Not included in CIES £'000 | Allocation of Recharges £'000 | Allocation of Supp Services £'000 | Effect of Including Group Accounts £'000 | Net Cost of Services £'000 | Corporate Amounts £'000 | Total £'000 |
|--|--------------------------------|--------------------------------------|---|-------------------------------------|--|--|--|-------------------------------------|-------------------------------|------------------|
| Income | (232,710) | 44,052 | (152) | 549 | 35,451 | (363) | (4,963) | (158,136) | (95,671) | (253,807) |
| Surplus or (Deficit) on associates and joint ventures | - | - | - | - | - | - | 19,538 | 19,538 | - | 19,538 |
| Interest and investment income | - | - | - | - | - | - | - | - | (518) | (518) |
| Government grants and contributions | - | - | - | - | - | - | - | - | (283,136) | (283,136) |
| Income from council tax | - | - | - | - | - | - | - | - | (60,409) | (60,409) |
| Total Income | (232,710) | 44,052 | (152) | 549 | 35,451 | (363) | 14,575 | (138,598) | (439,734) | (578,332) |
| Employee Expenses | 199,431 | (17,085) | (1,656) | - | (5,354) | 14,311 | (3,133) | 186,514 | 17,085 | 203,599 |
| Property Expenses | 47,325 | (387) | 69 | - | (1,432) | 1,512 | 2,465 | 49,552 | 387 | 49,939 |
| Transport Expenses | 16,417 | (3,948) | - | - | (5,338) | 40 | 135 | 7,306 | 3,948 | 11,254 |
| Supplies & Services | 37,030 | (7,994) | (192) | (4,184) | (3,013) | 3,050 | 5,526 | 30,223 | 9,060 | 39,283 |
| Third Party Expenses | 164,768 | (12,343) | (18,277) | - | (1,745) | 339 | - | 132,742 | 12,343 | 145,085 |
| Transfer Payments | 46,348 | - | - | - | (68) | - | - | 46,280 | - | 46,280 |
| Support Service recharges | 32,571 | (1,065) | 183 | - | (12,438) | (19,251) | - | - | - | - |
| Depreciation, amortisation and impairment | 30,984 | (329) | 38,665 | - | (6,063) | 362 | 286 | 63,905 | 329 | 64,234 |
| Other Service Expenses | - | - | - | - | - | - | - | - | 55,135 | 55,135 |
| Interest Payments | - | - | - | - | - | - | 18 | 18 | - | 18 |
| Gain or Loss on Disposal of Non-Current Assets | - | - | - | - | - | - | (1) | (1) | - | (1) |
| Total Expenditure | 574,874 | (43,151) | 18,792 | (4,184) | (35,451) | 363 | 5,296 | 516,539 | 98,287 | 614,826 |
| (Surplus) or Deficit on the Provision of Services | 342,164 | 901 | 18,640 | (3,635) | - | - | 19,871 | 377,941 | (341,447) | 36,494 |

GLOSSARY OF TERMS

While much of the terminology used in this report is intended to be self-explanatory, the following additional definitions and interpretation of terms may be of assistance.

1. **Accumulated Absences Account**
The account holds the monetary value of annual leave accrued but untaken by employees as at the balance sheet date. The majority of the balance in this account will be in respect of teachers' annual leave as their leave is fixed and the majority of it falls in July and August each year.
2. **Administration**
This includes printing, stationery, advertising, postages, telephone costs and central/departmental support allocations for administration.
3. **Associate**
This is an entity other than a subsidiary or joint venture in which the reporting Council has a participating interest and over whose operating and financial policies the Council is able to exercise significant influence.
4. **Available For Sale Financial Instruments Reserve**
This fund is a store of gains on the revaluation of investments not yet realised through sales. This reserve is a technical accounting presentation and is not available for distribution.
5. **Capital Adjustment Account**
The Capital Adjustment Account is the store of capital resources set aside to meet past expenditure. This account is a technical accounting presentation and is not available for distribution.
6. **Capital Charges**
A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.
7. **Capital Expenditure**
This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing with repayment over a period of years, or by utilising the income from the sale of existing assets.
8. **Capital Financed from Current Revenue**
This heading covers the costs of creating, acquiring or improving assets where the expenditure is charged directly to the Revenue Account.
9. **Capital Grants Unapplied Account**
The Capital Grants Unapplied Account records grants and developers contributions which have been credited to the Comprehensive Income and Expenditure Statement but have still to be applied to fund capital expenditure. Once applied, the value will be transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account.
10. **Capital Receipts Reserve**
This represents the capital receipts that are available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.
11. **Corporate & Democratic Core**
This includes the costs of policy making and all other Councillor based activities together with costs which relate to the general running of the Council. The Service Reporting Code of Practice stipulates that such costs are to be excluded from the "total cost" relating to service activity.
12. **Employee Costs**
This includes salaries, wages, overtime, bonus, enhancements, employer's pension and national insurance contributions, travelling and subsistence expenses in addition to other employee allowances.

13. **Entity**
A body corporate, partnership, trust, unincorporated association, or statutory body that is delivering a service, or carrying on a trade or business, with or without a view to profit. It should have a separate legal persona and is legally required to prepare its own single-entity accounts.
14. **Financial Instruments Adjustment Account**
This is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and lending. This account is a technical accounting presentation and is not available for distribution.
15. **Financing Costs**
This includes the costs of financing the sums borrowed by the Council to cover the capital repayment of loans, interest charges and debt management expenses, as well as external repayments for operational leases.
16. **Fixed or Non-Current Assets**
These are created by capital expenditure incurred by the Council. They include property, vehicles, plant, machinery, roads, computer equipment, etc.
17. **Generally Accepted Accounting Practice in the UK (UK GAAP)**
This is the overall body of regulation that established how company and local authority accounts had to be prepared in the United Kingdom (prior to the transition to International Financial Reporting Standards).
18. **Gross Expenditure**
This includes all expenditure attributable to the service and activity including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, support services and capital charges.
19. **Gross Income**
This includes the charges to individuals and organisations for the direct use of the Council's services.
20. **Joint Venture**
This is an entity in which the Council has an interest on a long-term basis and is jointly controlled by the Council and one or more entities under a contractual or other binding agreement.
21. **Non-Distributable Costs**
These costs cannot be allocated to specific services and are, therefore, excluded from the total cost relating to service activity in accordance with the Service Reporting Code of Practice. Charges for added pension years and early retirement are examples of these costs.
22. **Payments to Other Bodies**
This includes grants to individuals and organisations, bursaries as well as payments to other local authorities, Health Boards, Joint Boards and organisations providing services that complement or supplement the work of the Council.
23. **Pension Reserve**
This represents the difference between accounting for pension costs in line with UK Accounting Standards, and the funding of pension costs from taxation in line with statutory requirements, and is equal to the change in the pension liability (i.e. the commitment to provide retirement benefits).
24. **Property Costs**
This includes rents, rates, insurance, repairs and maintenance, upkeep of grounds, heating, lighting, furnishings and fittings.
25. **Revaluation Reserve**
This fund is a store of gains on the revaluation of fixed assets not yet realised through sales. This reserve is a technical accounting presentation and is not available for distribution.
26. **Specific Government Grant**
This includes grants received from Central Government in respect of a specific purpose or service (e.g. housing benefit, education, community regeneration, or community services).
27. **Supplies & Services**
This includes food, materials, books, uniforms, protective clothing, the purchase of equipment, the purchase of tools, the maintenance of equipment or tools, and various services that are conducted by external contractors.

28. Transfer Payments

This includes the cost of payments to individuals for which no goods or services are received in return by the local authority e.g. Housing Benefit.

29. Transport Costs

This includes the costs of operating vehicles and plant such as fuel, repairs, maintenance, tyres, licences, insurance and the procurement of transport for school children.

30. Various Other Costs

This relates to items of expenditure that do not fall into any of the other categories.

INDEPENDENT AUDITOR'S REPORT**Independent auditor's report to the members of Falkirk Council and the Accounts Commission for Scotland**

I certify that I have audited the financial statements of Falkirk Council and its group for the year ended 31 March 2014 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Comprehensive Income and Expenditure Statements, Balance Sheets, Cash Flow Statements and Movement in Reserves Statements, the authority-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, the Non-Domestic Rates Account, the Common Good Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the 2013/14 Code).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2013/14 Code of the state of the affairs of the group and of the body as at 31 March 2014 and of the income and expenditure of the group and the body for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2013/14 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement does not comply with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.



Fiona Mitchell-Knight FCA
Assistant Director, Audit Services
Audit Scotland
4th Floor, The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

22 September 2014

Fiona Mitchell-Knight is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.