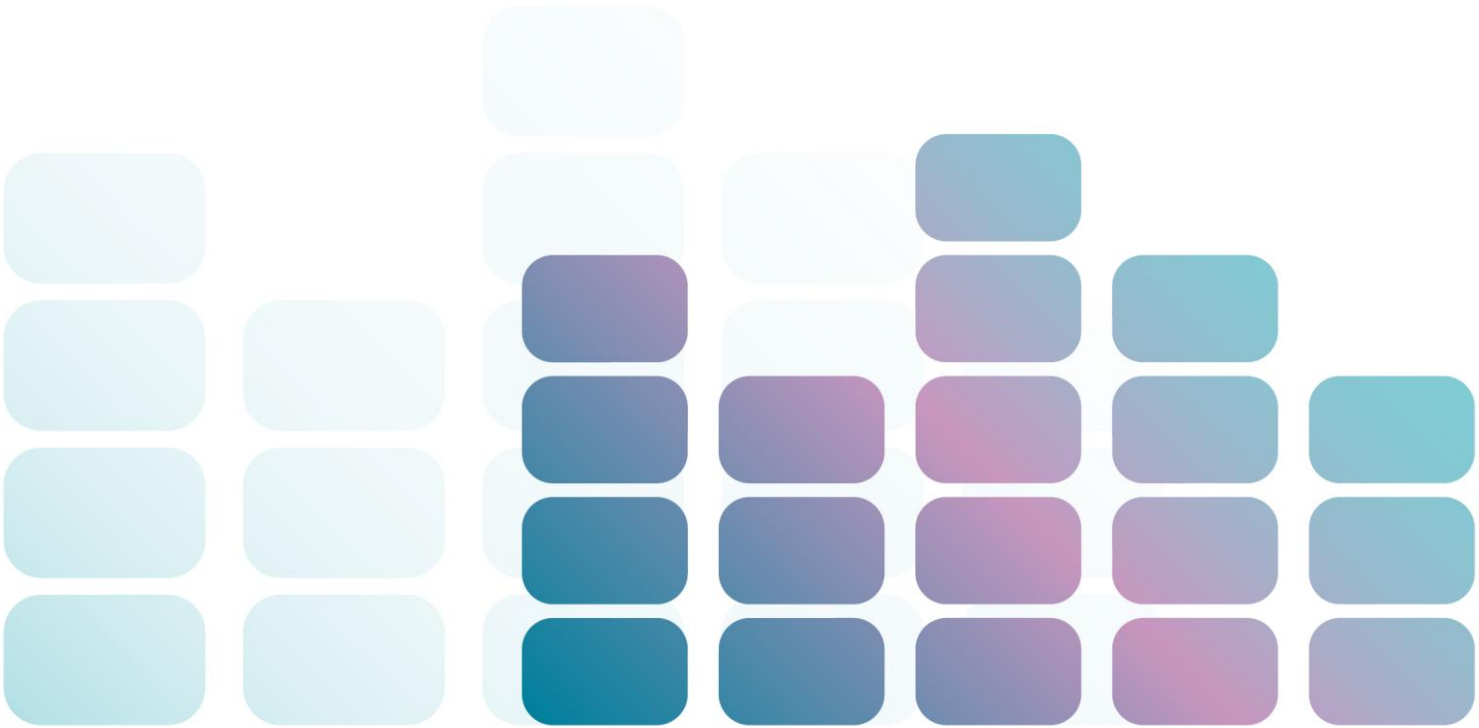


Falkirk Council

2025/26 Annual Audit Report



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Summary of audit opinions and conclusions

Audit of the annual accounts

- 1 All audit opinions stated that the annual accounts were free from material misstatement.
- 2 There were no material adjustments required to the unaudited financial statements.

Wider scope audit

- 3 Falkirk Council generally has effective and appropriate arrangements in place for Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes, however some recommendations have been made to enhance the arrangements in place.
- 4 The council's usable reserves balance increased by £7.8 million, primarily due to underspends on services and planned transfers to reserves, coupled with lower use of service concessions than planned.
- 5 The council operated within budget and achieved 100 percent of planned savings in 2025/26.
- 6 Effective financial planning has allowed the council to balance its 2026/27 revenue budget without the use of service concessions.
- 7 The council is working with neighbouring councils to identify opportunities for greater collaboration, service improvement and efficiencies through joint working.

Best Value audit

- 8 Falkirk Council has effective and appropriate arrangements in place for securing Best Value and has made good progress in addressing our recommendations.

- 9** The Management Report on themes prescribed by the Accounts Commission reported Falkirk Council has a clear asset management strategy in place which is supported by effective governance and accountability arrangements.
 - 10** Falkirk Council has effective and appropriate arrangements in place for preparing and publishing statutory performance information.
-

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2025/26 audit of Falkirk Council's annual accounts and the wider scope areas specified in the Code of Audit Practice (2021).
2. The Annual Audit Report is addressed to Falkirk Council, hereafter referred to as 'the council' and the Controller of Audit and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. Pauline Gillen, of Audit Scotland, has been appointed as the external auditor of Falkirk Council for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Pauline Gillen as engagement lead and the audit team are independent of Falkirk Council in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from Falkirk Council, including no provision of non-audit services.

Acknowledgements

4. We would like to thank Falkirk Council and its staff, particularly those involved in preparation of the annual accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit scope, responsibilities, and fee

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, namely the Management Commentary and Annual Governance Statement.
- An opinion on the audited part of the Remuneration Report.
- Conclusions on Falkirk Council's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on Falkirk Council's arrangements for securing Best Value.
- Providing assurance on the Housing Benefit Subsidy Claim, Non-Domestic Rates Return, Whole of Government Accounts return, and summary financial statements.
- A review of Falkirk Council's arrangements for preparing and publishing statutory performance information.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of Falkirk Council and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts and concluding on Falkirk Council's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve Falkirk Council from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

Falkirk Council's responsibilities

10. Falkirk Council has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements for Falkirk Council and its group that give a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit Fee

11. The audit fee for the 2025/26 audit was reported in the Annual Audit Plan and was set at £423,740. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

National performance audit reporting

12. The Auditor General for Scotland and the Accounts Commission regularly publish performance audit reports. These cover a range of matters, many of which may be of interest to Falkirk Council and the Audit Committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 3](#).

Audit of the annual accounts

Main judgements

All audit opinions stated that the annual accounts were free from material misstatement.

There were no material adjustments required to the unaudited financial statements.

Audit opinions on the annual accounts

13. Falkirk Council and its group's annual accounts were approved by the Audit Committee on 29 September 2026 and certified by the appointed auditor on 29 September 2026. The Independent Auditor's Report is included in Falkirk Council's annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



Audit timetable

14. The unaudited annual accounts and all working papers were received on 25 June 2026 in accordance with the agreed audit timetable.

Materiality

15. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

16. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

17. Materiality levels for the audit of Falkirk Council and its group were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts and materiality levels were updated as can be seen in [Exhibit 1](#).

Exhibit 1**2025/26 Materiality levels for Falkirk Council and its group**

Materiality	Falkirk Council	Group
Materiality – set at 2% of gross expenditure	£19.4 million	£19.4 million
Performance materiality – set at 60% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£11.6 million	£11.6 million
Reporting threshold – set at 2% of materiality.	£0.385 million	£0.385 million

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged with governance, which for Falkirk Council is the Audit Committee.

19. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

20. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

21. The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

Exhibit 2
Significant findings and key audit matters

Significant findings and key audit matters	Outcome
Valuation of non-current assets For 2025/26, CIPFA/LASAAC has updated the Code of Practice on Local Authority Accounting to reflect HM Treasury’s reforms to public sector asset valuations. Under the revised approach, local authorities will now move to quinquennial (five-yearly) valuations, usually through a rolling programme of valuations, with annual indexation applied in the intervening years to ensure asset values remain materially accurate. As has been the practice in previous years, in 2025/26 the council undertook desktop reviews of assets not subject to full revaluation in year, to understand and apply any movements in the valuation of each class of asset, thereby mitigating the risk that assets are materially mis-stated in the balance sheet. While undertaking desktop reviews the valuer makes use of locally tailored indices, which have been applied to the assets, this approach is not in accordance with the requirements of the Code.	The approach taken has been accepted as this is a transitional year for implementing the new Code requirements, however, the council should ensure it applies indexation to assets not subject to full revaluation, from 2026/27. Recommendation 1 (Refer to appendix 1, action plan)

Significant findings and key audit matters	Outcome
Maddiston Primary School In 2024/25 we reported that Maddiston Primary School was identified as an asset of audit interest due to the extensive structural issues with the asset. The value of the school was impaired down to £1.410 million in 2024/25 in recognition of these issues. The school is now partially in use and has been revalued to £9.116 million at 31 March 2026, with most of the increase in value offsetting the revaluation loss in 2024/25. While the school continues to be in partial use, the council recently announced that the full reopening is delayed from the planned date of August 2027 to August 2028, due to further structural issues identified during remedial works.	For information only. We are satisfied that the appropriate accounting treatment has been applied.

Source: Audit Scotland

Qualitative aspects of accounting practices

22. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of Falkirk Council’s accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

23. The appropriateness of accounting policies adopted by Falkirk Council was assessed as part of the audit. These were considered to be appropriate to the circumstances of Falkirk Council, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Accounting estimates

24. Accounting estimates are used in a number of areas in Falkirk Council’s financial statements, including the valuation of land and buildings assets and the valuation of the pension balance. Audit work considered the process that management of Falkirk Council has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

25. Details of the audit work performed and the outcome of the work on accounting estimates that gave rise to significant risks of material misstatement are outlined in [Exhibit 5, \(page 17\)](#).

Disclosures in the financial statements

26. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as financial instruments and valuation of the pension liability.

Group audit

27. Falkirk Council is part of a group and prepares group financial statements. The group is made up of four components, including Falkirk Council which is the parent of the group. As outlined in the Annual Audit Plan, audit work was required on a number of the components for the purposes of the group audit, and this work was performed by a combination of the audit team and the components' audit teams. The audit work performed on the components is summarised in [Exhibit 3 \(page 13\)](#).

Exhibit 3

Summary of audit work on the group's components

Group component	Auditor and audit work required	Summary of audit work performed
Falkirk Council	Audit Scotland Full scope audit of Falkirk Council's annual accounts.	The outcome of audit work performed is reported within the Annual Audit Report, with details of significant findings and key audit matters reported in Exhibit 2.
Common Good Fund	Audit Scotland Audited as part of the Falkirk Council Annual Accounts	The outcome of audit work performed is reported within the Annual Audit Report, with details of significant findings and key audit matters reported in Exhibit 2.

Group component	Auditor and audit work required	Summary of audit work performed
Falkirk Integration Joint Board	Audit Scotland Analytical procedures at the group level	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
Central Scotland Valuation Joint Board	Deloitte Analytical procedures at the group level	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.

Source: Audit Scotland

28. ISA (UK) 600 requires auditors to report the following matters if these are identified or encountered during an audit:

- any instances where review of a component auditor's work gave rise to issues and how this was resolved.
- any limitations on the group audit.
- any frauds or suspected frauds involving group or component management.

29. No issues of this nature were identified during the course of the audit.

Other matters to report

30. Auditing standards require auditors to report a number of other matters if they are identified or encountered during an audit. The matters identified or encountered on the audit of Falkirk Council are outlined in [Exhibit 4](#).

Exhibit 4

Other matters to report

Auditing standard requirement	Matter to report	Outcome
Other ISA (UK) 260 matters In addition to the matters already reported under ISA (UK) 260 in the Annual Audit Report, this standard also requires auditors to report: - Any significant difficulties encountered during the audit. - Circumstances that affect the form and content of the auditor's report. - Any other matters that are relevant to those charged with governance.	Internal Audit Annual Assurance Report In line with good practice, the Internal Audit Annual Assurance Report is typically considered by the Audit Committee, prior to the issue of the unaudited annual accounts, as this provides assurances to those charged with Governance. The 2025/26 assurance report was not considered by the committee prior to the issue of the unaudited accounts.	The Internal Audit Annual Assurance Report was provided to us to provide assurance over the Governance Statement. It will be considered by the September 2026 Audit Committee. Recommendation 2 (Refer to appendix 1, action plan)
Related parties ISA (UK) 550 requires auditors to report any significant matters in connection with related parties identified during the audit.	Audit testing identified the following issues: - One instance where there was no register of interests published on the council website for one Member - Two instances where the register of interests were not up to date - The registers of interests available on the council's website were not dated to show the date when they were last reviewed - A senior officers' register of interests was introduced with effect from 1 August 2026 but this has not been published on the council's website.	Audit testing found there was no impact on the disclosures in the accounts from these issues. However, the council should ensure the registers of interest are kept up to date and display the latest review date. We have also recommended that the registers of interest for senior officers are published on the council's website. Recommendation 3 (Refer to appendix 1, action plan)

Significant matters discussed with management

31. All significant matters identified during the audit and discussed with Falkirk Council's management have been reported in the Annual Audit Report.

Audit adjustments

32. One audit adjustment was made to the financial statements in respect of the council tax bad debt provision being overstated by £0.377 million, however there were no adjustments greater than the reporting threshold of £0.385 million.

33. In addition to the corrected misstatement outlined above, there were other misstatements identified greater than the reporting threshold. The value, nature, and circumstances of the uncorrected misstatements were considered, individually and in aggregate, by the audit team, and it was concluded these were not material to the financial statements. As a result, these did not have any impact on the audit opinions given in the Independent Auditor's Report.

34. It is the auditor's responsibility to request that all misstatements greater than the reporting threshold are corrected, even if they are not material. Management of Falkirk Council have not processed any audit adjustments to correct these misstatements. However, the final decision on whether an audit adjustment is processed to correct a misstatement rests with the Audit Committee as those charged with governance.

35. Details of the aggregated uncorrected misstatements can be seen in [Appendix 2](#).

Whole of Government Accounts (WGA) return

36. Falkirk Council is part of the WGA boundary and therefore prepares a return that is used by HM Treasury to prepare the WGA. The National Audit Office (NAO) is the auditor for the WGA and issues instructions outlining audit procedures auditors must follow when auditing a WGA return. The threshold for requiring audit procedures to be performed on the WGA return was set at £2 billion. The council was below this threshold and therefore only limited audit procedures were required, and submission of an assurance statement to the NAO.

Significant risks of material misstatement identified in the Annual Audit Plan

37. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 5, \(page 17\)](#).

Exhibit 5**Significant risks of material misstatement to the financial statements**

Risk of material misstatement	Planned audit response	Outcome of audit work
Fraud caused by management override of controls International Standard on Auditing (UK) 240, states that management is in a unique position to perpetrate fraud because of the ability to override controls that otherwise appear to be operating effectively. The risk of fraud caused by management override of controls is therefore considered a mandatory risk for all audits.	The audit team will: • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.	Audit work performed found: • The design and implementation of controls over journal processing were appropriate. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No significant issues were identified from transactions outside the normal course of business. • Substantive testing of related party relationships and transactions found no issues which impact the annual accounts. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias. Conclusion: no evidence of fraud caused by management override of controls.

Prior year recommendations

38. Falkirk Council has made substantial progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with Falkirk Council and are outlined in [Appendix 1](#).

Wider scope audit

Conclusion

Falkirk Council generally has effective and appropriate arrangements in place for Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes, however some recommendations have been made to enhance the arrangements in place.

The council's usable reserves balance increased by £7.5 million, primarily due to underspends on services and planned transfers to reserves, coupled with lower use of service concessions than planned.

The council operated within budget and achieved 100 percent of planned savings in 2025/26.

Effective financial planning has allowed the council to balance its 2026/27 revenue budget without the use of service concessions.

The council is working with neighbouring councils to identify opportunities for greater collaboration, service improvement and efficiencies through joint working.

Audit approach to wider scope

Wider scope

39. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

40. Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements Falkirk Council has in place for each of these is reported in this chapter.

Conclusions on wider scope audit

Financial Management

The council operated within its revised budget in 2025/26

41. The council approved its 2025/26 revenue budget on 6 March 2025. The budget was set at £486 million and identified a budget gap of £33.8 million. This was addressed through £10m of agreed savings, £1.2m of fees and charges increases, £11.5m service concessions and £11.1m from increasing council tax. Following amendments to the administration's proposed budget, the council applied a 15.61 per cent increase in council tax for 2025/26, the highest increase in Scotland. As well as helping to address the budget gap, the council tax increase also included an additional 1.5 per cent for capital expenditure in 2025/26.

42. The budget was subsequently revised to £500.769 million during the year due to increased funding allocations for initiatives including the Local Government pay award and the Teacher Induction Scheme. The council reported outturn expenditure of £494.535 million at the year end, amounting to a £6.2 million underspend due to a combination of savings on staff costs and lower than expected energy costs.

43. The budget was set based on planned use of Service Concessions amounting to £11.5 million, however, this was reduced to £4.9 million to reflect the in-year underspend. The council was also able to earmark £4.7m to reserves for a range of purposes including feasibility studies, communities and engagement work, commercial property works and general budget pressures.

44. Services were charged with the delivery of planned savings amounting to £11.549 million in 2025/26. Budgets were reduced at the start of the year, so any instances where savings could not be delivered, would result in an overspend. The outturn report presented to the Executive in June 2026, reports that savings of £11.549 million were achieved (100 per cent of target). This reflects year on year improvement in meeting savings targets, with 70 per cent achieved in 2023/24 and 94 per cent in 2024/25. This improvement reflects the increased focus on the Council of the Future (CoTF) programme, with 45 per cent of the savings achieved relating to CoTF projects.

HRA reported an underspend of £1.82 million in 2025/26 following the application of rent increases in year

45. The council approved its Housing Revenue Account (HRA) budget for 2025/26 on 30 January 2025. The 2025/26 budget was set at £85.502 million and was funded by rent increases of 9.5 per cent, with no planned use of reserves. The budget showed that the planned use of reserves in 2024/25 reduced reserve balances to below the level considered prudent (£7 million to £8 million). Consequently, no further use of reserves was planned in 2025/26, and rising costs would instead be met through rent

increases. Planned rent increases of 9% for 2026/27 and 7% for 2027/28 were included in the budget.

46. The HRA budget was later revised to include a planned contribution to reserves. The revised budget projected expenditure of £83.175 million, income of £83.729 million and a surplus of £0.554 million. The year-end outturn showed expenditure of £82.211 million and higher than expected income, resulting in an underspend of £1.820 million for the year.

The council delivered 98.2 per cent of its final capital budget after reprofiling a number of projects into future years

47. Total capital expenditure in 2025/26 was £98.6 million of which £53.2 million related to general services and £45.4 million to the housing revenue account. This compares to final budgets of £54.213 million and £51.836 million respectively and represents spend of 98.2 per cent against the final budget on the General Fund and 87.6 per cent on housing. The council had originally set the General Fund capital budget at £80.949 million in March 2025, however this was revised throughout the year as a number of projects were reprofiled into future years. Members were kept updated on changes to the planned capital programme during the year through regular updates to the Executive which set out the reasons for reprofiling. There were no significant changes to the housing capital budget during the year.

48. Despite the downward revision in the general fund capital programme in year, the council has continued to demonstrate improved financial management in respect of its capital programmes, with clear reasons and explanations for changes. The council has set aside £52.8 million of service concessions which is predominantly expected to support capital investment in future years.

Usable reserves increased by £7.8 million in 2025/26

49. One of the key measures of financial health of a body is the level of reserves held. The council held usable reserves amounting to £116.7 million at 31 March 2026, an increase of £7.8 million from 2024/25. The £52.8 million service concessions highlighted above sit within in this balance. As reported in our 2024/25 Annual Audit Report, these are funded from borrowing and do not represent cash that can be used to fund services.

Financial monitoring information supports effective scrutiny

50. Effective financial management relies of timely and comprehensive budget monitoring information. Revenue and capital provisional outturn reports are presented to the Executive, providing a good level of information on the reasons for variances, the projected financial outturn, movement from the previous reporting period and the challenges the council is facing. The council has appropriate financial monitoring arrangements in place.

Systems of financial control operated effectively but we identified two areas where controls could be strengthened

51. We reviewed the design and implementation of systems of internal control (including those relating to IT) and we did not identify any issues that represented a risk of material misstatement for the audit of the 2025/26 annual accounts. However, we did identify the following two areas where controls could be strengthened:

- Timely and authorised reconciliations are an important control to ensure differences are identified and resolved promptly. Our testing found that reconciliations between key financial systems and the general ledger were generally completed; however, some were prepared late or were not independently reviewed and approved due to staffing pressures.

Recommendation 4

The council should ensure it has appropriate contingency arrangements in place to ensure its internal controls around reconciliations continue to operate, even in times of unexpected staffing pressures.

- Regular review of payroll employee listings is an important control to ensure that only valid employees are paid. The payroll team issues a monthly report to line managers for review; however, managers are not required to confirm that the report has been checked and is accurate. The Council intends to address this through its Financial Regulations, but at the time of our review this requirement had not been included.

Recommendation 5

The Financial Regulations should be updated to include the requirement for line managers to check the accuracy of the payroll report and report any issues or concerns to the payroll team.

Overall, we have concluded that the council has generally sound financial management arrangements in place. In addition to the above, this is evidenced from the following:

- Throughout 2025/26, the council had an experienced finance team with established processes in place to allow members to carry out effective scrutiny of the council's finances.
- We reviewed the council's arrangements for the prevention and detection of fraud and found these to be appropriate. However, in our 2023/24 Annual Audit Report we made a recommendation for the council to enhance its reporting arrangements around the

National Fraud Initiative (NFI). The council has now incorporated reporting on NFI as part of Internal Audit Progress reports as required.

Financial Sustainability

The council approved a balanced budget for 2026/27 without the use of service concessions

52. The Council approved a balanced budget of £508.418 million for 2026/27 in March 2026. This includes a contribution of £145.273 million to the Integration Joint Board (IJB). The contribution has increased from £104.285 million in 2025/26. The main reason for this increase is the transfer of Children and Families and Justice Services to the IJB from 2026/27.

53. The budget setting process demonstrated negotiation and collaboration between Members as the administration's proposed budget was adjusted to take account of different proposals on the day. This shows a marked change in recent years as Members work constructively, within political alliances, to deliver for the people of Falkirk.

54. The result was that an amended budget was passed which included:

- £11.2 million of service savings and increases to fees and charges
- Council tax increase of 8.77 per cent providing £8.021 million of additional funding.

55. The use of service concessions has enabled the council to meet budget gaps from 2023/24 to 2025/26. The 2026/27 revenue budget does not include the use of service concessions to deliver a balanced budget. This is in line with the council's plans to move towards using service concessions to invest in capital projects.

56. CIPFA's Treasury Management in the Public Services Code of Practice sets out that local authorities are required to publish their strategy on proposed treasury management activities before the start of the financial year. For 2026/27, Falkirk Council did not consider the Treasury Management Strategy until June 2026, some three months into the financial year, due to the capital budget not being set until 26 March 2026, and the implications of that approved budget needing to be reflected in the strategy. The council should set its Treasury Management Strategy before the commencement of the financial year to ensure compliance with the guidance.

The council's Financial Strategy highlights a funding gap of £43.9 million for the period 2024/25 to 2028/29 but the five-year budget gap continues to decrease

57. The council's Financial Strategy 2026/27 to 2030/31 was approved in October 2025. The plan considers a range of scenarios and assesses the

impact of known pressures on council finances, such as inflation, the challenging economic climate, and estimated changes to funding.

58. The strategy outlines an anticipated budget gap of £43.9 million over the five-year period. £18.8 million of this falls into 2026/27. The strategy sets out measures amounting to £16 million to bridge the gap each year but a further £27.9 million of savings are still to be identified.

59. While all councils in Scotland are facing substantial financial challenge, the Local Government Budgets 2025/26 briefing, published June 2025, noted that Falkirk Council had the highest budget gap as a percentage of total revenue budget, of all Scottish Councils. The council has taken steps to address this gap and deliver sustainable services, as set out below:

- The council updates the Financial Strategy annually to ensure members are provided with up-to-date information.
- Applied a 15.61 per cent increase in council tax for 2025/26, the highest increase in Scotland
- The Council of the Future (COTF) programme sets out the council's ambitions for transformation and improvement. Per the 2025/26 budget, the council aimed to deliver savings across 11 different projects.
- The council had £2.1 million in its Spend to Save fund at 31 March 2026. This fund will be used to meet the costs of any voluntary severance packages, spend to save initiatives and enabler projects to deliver on the council's priorities. The council utilised £0.686 million from this fund in 2025/26.

60. Key financial information considered in forming the judgement on Falkirk Council's arrangements for securing financial sustainability is outlined in [Exhibit 6 \(page 25\)](#).

Exhibit 6**Key financial information**

Budget setting	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)
Budget gap	28.7	35.1	33.7	14.45
Planned to be met via:				
• Savings and flexibilities	7.9	8.8	11.1	11.2
• Use of reserves	15.3	22.5	11.5	
• Additional council tax / funding	5.5	3.8	11.1	5.8
Actual				
Savings delivered	5.5	8.1	11.5	n/a
Reserves				
Use of / (contribution to) reserves	(57.5)	15.7	7.5	n/a
Total usable reserves carried forward	124.5	108.8	116.3	n/a
General Fund:				
• Earmarked	102.1	88.4	92.2	n/a
• Uncommitted	11.8	11.8	11.8	n/a

Source: Falkirk Council's 2025/26 annual accounts and the Audit Committee papers

Expiry of Class 98 contract

61. The council operated two Private Finance Initiative (PFI) schemes covering nine schools. The Class 98 contract ended on 1 August 2025, and responsibility for five schools transferred back to the council. The 2025/26 capital programme included £5.520 million to purchase these schools in line with the contract terms.

62. To prepare for the contract ending, the council commissioned independent condition surveys to assess whether Class 98 had met its contractual obligations. This work was carried out over a three-year period, allowing any required remedial works to be completed before the contract expired. The schools were subsequently handed back in a satisfactory condition, in accordance with the contract requirements. However, the council will need to continue investing in these assets to maintain their condition.

The council has made significant progress in Community Asset Transfers

63. The council's Strategic Property Review (SPR) project was introduced in response to the council concluding it had too many buildings that were underutilised, in poor condition and were inefficient to run. The aims of the SPR were to rationalise the estate and in doing so deliver savings for the council. In March 2023, the council agreed the SPR framework, with one option for rationalisation being Community Asset Transfers (CAT), whereby community groups would take on the ownership and running of council assets.

64. As at January 2026, the council had approved 28 CATs, with 16 legally concluded. The council created a £6 million Capital Enablement Fund to support groups with the asset transfers. This was subsequently reduced to £3 million, with the other £3 million being redirected to support the delivery of community sport and leisure facilities at Bo'ness, Denny and the Braes. Following the success of CATs to date, in January 2026, the council agreed to provide a further £1.6 million to the Enablement Fund to support the higher than expected community asset transfer applications.

Consultation and engagement is expected following the publication of the Scottish Government's Programme for Government 2026-31

65. The Scottish Government's Programme for Government 2026-31 focuses on eradicating child poverty, growing the economy, tackling the climate emergency, and delivering a strong NHS and public services. Within health and social care, it prioritises reducing waiting times, improving access to care, and shifting more services from hospitals into community settings to support prevention and independent living.

66. The Programme proposes modernisation and significant reform including replacing the current 14 territorial health boards with two strategic health boards. For local authorities, the Programme signals potential reform of health and social care governance and delivery arrangements and reducing duplication and increasing efficiency in the delivery of public services. While the direction of travel is towards greater integration, prevention and community-based care, the full implications for local authorities remain uncertain. Greater clarity is expected in the coming months as the Scottish Government undertakes planned consultation and engagement on the future of social care and local governance.

Vision, Leadership and Governance

67. The council has a clear vision, strategy and priorities as set out in the Council Plan 2022-27. The Council Plan is supported by a suite of strategies which have been refreshed and are aligned to the plan. We previously recommended the council publish service plans to show how the plan will be delivered.

68. The council's 2025/26 service plans have been published in the performance reporting section of its website. As service plans are updated annually, the council should ensure that the 2026/27 plans are published promptly and that the website continues to be updated each year with the latest service plans.

Governance arrangements are effective and appropriate with evidence of scrutiny from Members

69. The council is supported by a range of committees, including the Executive, the Audit Committee and Scrutiny Committee. Agenda papers and minutes of these, and all other committee meetings, are available on the Council's website. Members are engaged in the council's business, and we have observed effective scrutiny, with members regularly taking opportunities to comment on and challenge matters of interest.

70. During 2024/25, the council revised its governance arrangements and increased the lead time for submitting reports for council and committee agendas to two weeks. While this may support members by providing more time to review reports, it has increased pressure on officers and creates a risk that information may be out of date by the time it is presented. Officers advised that the Standing Orders were reviewed in June 2026, at which time, the Standing Orders Working Group considered that the longer lead in time was helpful in allowing more time to review reports and submit motions and amendments. The council should keep this arrangement under review and satisfy itself that the longer lead times are improving scrutiny and decision-making, rather than reducing their effectiveness because information has changed before being considered.

Capacity issues remain in the delivery of Internal Audit

71. Internal Audit staffing issues have improved; however, capacity pressures remain due to the significant resources required to deliver the Clackmannanshire Council internal audit service. Although plans are in place to strengthen the Clackmannanshire audit team, recruitment of a senior auditor has been delayed. While officers and members have capped the level of support provided to Clackmannanshire Council and additional fees have been charged to reflect the extra work undertaken. We understand that some additional internal audit resource was procured from another council to help manage pressures and that the council's Transformation Through Collaboration (TTC) work includes an Internal Audit and Fraud project. Under current arrangements, resource pressures continue to pose a risk to the delivery of the Internal Audit service.

Recommendation 6

While the level of demand on the role of Internal Audit is by its nature, unpredictable, the council should ensure that the resources available to the service are appropriate to meet the demands.

Good practice

72. The audit team identified examples of good practice from the audit work performed. Details of the good practice identified are outlined below:

- **Reporting progress against audit recommendations** – the council reports progress against audit recommendations to the Audit Committee with the unaudited annual accounts. This allows those charged with governance to monitor progress against audit recommendations and action points.

Use of Resources to Improve Outcomes

The council's performance management framework allows for effective scrutiny of performance

73. The council has a performance management framework which reports actions from the Council Plan on a regular basis throughout the year. The 2025/26 mid-year report was presented to the Scrutiny Committee in February 2026, which reported on 37 indicators.

74. For each measure members are provided with the annual target, the status in the current and previous quarter and the trend for the measure. Each indicator has some narrative to explain the position which is particularly important for scrutiny over those not being achieved or in declining performance. The mid-year report shows a very similar position to the 2024/25 year-end report, with 25 indicators meeting target, four being slightly off target and eight not meeting the target. The Annual Performance Report is not available until October 2026 and will report on 56 local indicators and the Local Government Benchmarking Framework.

75. The council website includes a link to the Local Government Benchmarking Framework (LGBF) indicators. The LGBF reports against 108 indicators across all service areas. In comparison to the base year, Falkirk Council has improved in 64 (59 percent), remained consistent 4 (4 percent) and declined in 40 (37 percent) indicators. Further information on the council's performance progress and on specific indicators is provided in the Best Value section of this report.

76. Overall, the council continues to face challenges meeting its performance targets in some areas. However, the council is actively seeking to enhance its performance management framework through the range of indicators being measured and updating these to ensure they remain relevant, as well as including prior period data and a status indicator in its performance reporting.

The council reviewed its Community Engagement Strategy

77. The Council approved its Community Engagement Strategy in December 2024, to enhance collaboration with communities and advance its key priorities. It aims to build strong, trust-based relationships through open dialogue and inclusive participation. The council committed to

undertake a formal review of the strategy after 18 months to provide a refreshed document based on the findings of that review.

The council is working with neighbouring councils to identify opportunities for greater collaboration, service improvement and efficiencies through joint working.

78. The Council is working with Stirling and Clackmannanshire Councils through the “Transformation through Collaboration (TTC)” programme to identify opportunities for greater joint working and service improvement. Oversight is provided by a Board comprising the three Chief Executives, Directors and senior officers, with regular updates reported to Members and staff.

79. Work is progressing to explore options across a number of priority areas, including governance, housing services, internal audit and fraud, procurement of IT for education, resilience and emergency planning, and revenues and benefits. In August 2026, the Council confirmed that the Housing Services and IT for Education Procurement workstreams are now being taken forward, looking at how the councils can work together and what potential benefits this could bring.

Best Value audit

Conclusion

Falkirk Council has effective and appropriate arrangements in place for securing Best Value and has made good progress in addressing our recommendations.

The Management Report on themes prescribed by the Accounts Commission reported Falkirk Council has a clear asset management strategy in place which is supported by effective governance and accountability arrangements.

Falkirk Council has effective and appropriate arrangements in place for preparing and publishing statutory performance.

Audit approach to Best Value

80. Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within the annual audit. As part of the annual audit, auditors are required to take a risk-based approach to assessing and reporting on whether Falkirk Council has made proper arrangements for securing Best Value in accordance with statutory guidance, including follow up of findings previously reported in relation to Best Value.

81. The Accounts Commission also reports nationally on thematic aspects of councils' approaches to, and performance in, meeting their Best Value duties. As part of the annual audit, thematic reviews, as directed by the Accounts Commission, are conducted on Falkirk Council. The thematic review for 2025/26 was on the subject of asset management and considered how councils are managing their assets to ensure high quality services while also responding to challenges around financial sustainability and climate change. Conclusions and judgements on the thematic review were reported in a separate Management Report and summarised in this chapter.

Conclusions on Best Value

Falkirk Council has effective arrangements in place for securing Best Value, however there remains scope for improvement

82. The audit work performed on the arrangements Falkirk Council has in place for securing Best Value and its community planning arrangements found these were effective and appropriate. This judgement is evidenced by:

- the council having well established and effective governance arrangements in place, with Best Value being a key aspect of the governance arrangements.
- the arrangements the council has in place around the four wider scope audit areas, which are effective and appropriate, contribute to it being able to secure Best Value.
- progress that the council is making to embed sustainability into corporate and operational plans and enhance reporting arrangements around sustainability.

Themes prescribed by the Accounts Commission

83. As previously outlined, the Accounts Commission reports nationally on thematic aspects of councils approaches to, and performance in, meeting their Best Value duties, with the thematic review for 2025/26 on the subject of asset management. Conclusions and judgements on Falkirk Council's approach to asset management were outlined in a separate Management Report which was presented to the Audit Committee in June 2026, and which is available on the Audit Scotland website. A summary of the conclusions and judgments made in the report is outlined below.

- The council is developing a new Corporate Asset Management Strategy, creating an opportunity to strengthen strategic asset management and better align assets with current priorities, future demands and net zero ambitions.
- There is an opportunity to strengthen the asset management approach further by updating existing property and roads strategies and extending coverage across all asset classes. Refreshing these to reflect current corporate priorities, with clear timescales, would support timely decision making.
- The council is improving its approach to the governance of asset management, through a more strategic, asset class approach, supported by asset boards and lead officers to enhance oversight, transparency and delivery of asset management priorities.
- The council has made significant progress in implementing its Capital Programme and Strategic Property Review, delivering planned savings and demonstrating improving performance across key Local Government Benchmarking Framework measures. For two of the three current indicators, performance is above both the national average and the family group average.
- There is an opportunity to strengthen collaboration with partners further in managing assets as a shared resource. The council has already successfully delivered office co-location projects through its Strategic Property Review.

- The council has established a clear and transparent approach to community asset transfers, achieving a high level of successful transfers and providing support to community organisations. It has also undertaken extensive engagement and impact assessment work and continues to use feedback to develop proposals.

Statutory performance information (SPI) and service performance

84. The Accounts Commission has issued a [Statutory Performance Information Direction](#) which requires Falkirk Council to publish information that will:

- enable comparisons of performance between councils and over time
- show how well it is improving local outcomes with community planning partners in their area.

85. Auditors have a statutory duty to satisfy themselves that Falkirk Council has made proper arrangements for preparing and publishing SPI in accordance with the Direction and report a conclusion in the Annual Audit Report.

86. The arrangements Falkirk Council has in place for preparing and publishing SPI were assessed by considering:

- whether information reported allowed comparison of performance between councils and over time
- the indicators it uses for reporting and whether it maximises use of the Local Government Benchmarking Framework (LGBF) indicators (and explaining the rationale when the LGBF is not used)
- whether information reported was balanced, timely, and accessible
- whether information reported covered the four key areas set out in the Schedule to the Direction.

87. Audit work on the arrangements Falkirk Council has in place for preparing and publishing SPI concluded the arrangements in place were effective and appropriate.

88. The Accounts Commission also requires auditors to report a summary of the LGBF indicators Falkirk Council has reported, which can be seen in [Exhibit 7 \(page 33\)](#).

Exhibit 7**Summary of LGBF indicators Falkirk Council has reported**

	Cost indicators	Performance indicators	Satisfaction indicators	All indicators
	%	%	%	%
Movement in last year				
Improved	8	42	4	54
Stayed the same	2	16	1	19
Declined	10	20	6	36
Movement since base year				
Improved	12	51	1	64
Stayed the same	0	4	0	4
Declined	8	22	10	40
Indicators in the top two quartiles				
Most recent year	11	45	6	62
Base year	11	32	6	49

Source: LGBF at 2 September 2026

89. There are no specific indicators where Falkirk Council has seen significant improvements or worsening of performance. However, the LGBF indicators available typically cover up to 2024/25 so there will be further movement in 2025/26 which is not yet reported. Some observations from review of the performance data are highlighted below:

- The council is performing well in the vulnerable children indicators, typically performing above the family group and the Scottish average. Indicators include school attendance rates, school exclusions rates and the literacy attainment gap.
- The number of days people spend in hospital when they are ready to be discharged had risen sharply before closing the gap with the family group and the Scottish average in 2025/26.
- Sickness absence days per teacher sits below the family group and the Scottish average at 5.3 days per teacher compared to 7.2 days and 7.8 days respectively.

- The council outperforms the Scottish average and the family group in the cost of waste collection, waste disposal and the percentage of waste recycled but has lower satisfaction rates than them.
- Gross rent arrears due as a proportion of the rent due for the year are higher for the council at 13.3 per cent, compared to the family group at 7.8 per cent and the Scottish average at 8.6 per cent.
- The council continues to reduce its CO2 emissions from transport per 1,000 population, sitting at 8.17 tonnes in 2024/25 compared to the family group at 21.21 tonnes and the Scottish average at 29.38 tonnes. In contrast, the CO2 emissions area wide, last recorded at 2023/24, are significantly higher at 12.09 tonnes compared to 4.84 tonnes and 4.54 tonnes. This reflects the Grangemouth Refinery within the council boundary.
- The council performs well against the family group and the Scottish average for all of the financial indicators, with the exception of ratio of financing costs to net revenue stream – Housing Revenue Accounts, where it sits at 33 per cent compared to 31.3 per cent for the family group and 20.7 per cent for the Scottish average.

90. Best Value findings and recommendations have been made in previous years' Annual Audit Reports, Management Reports on themes prescribed by the Accounts Commission, and in Best Value reports published by the Accounts Commission, which are based on Controller of Audit reports.

91. Details of previous recommendations and progress Falkirk Council is making against these can be seen in [Appendix 1](#), with nine of the eleven recommendations implemented to date, and progress being made with two further recommendations. The recommendations made in the 2025/26 thematic work are included in [Appendix 1](#), but not in the progress information here as the target dates have not yet been reached for these. Overall, the pace and depth of improvements resulting from the recommendations is positive, with many improvements occurring quickly after the recommendations were implemented.

Appendix 1

Action plan 2025/26

2025/26 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Indexation of non-current assets The Code requires annual indexation to be applied to property, plant and equipment assets not subject to a full revaluation in year. As has been the practice in previous years, in 2025/26 the council undertook desktop reviews of assets not subject to full revaluation in year and did not apply indexation. As permitted by the Code, 2025/26 has been treated as a transition year. However, for 2026/27 management will have to fully comply with the requirement to carry out indexation in the years between formal valuations.	In line with the Code requirements, the council should apply indexation to assets not subject to full revaluation in year, from 2026/27.	Accepted A new programme of indexation will be adopted for the 2026/27 accounts. Responsible officer – Chief Finance Officer Agreed date – by 31 March 2027.

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
2. Internal Audit Annual Assurance Statement In line with good practice, the Internal Audit Annual Assurance Report is typically considered by the Audit Committee, prior to the issue of the unaudited annual accounts, as this offers assurances for those charged with Governance. The 2025/26 assurance report was not considered by the committee prior to the issue of the unaudited accounts.	The council should ensure that the Internal Audit Annual Assurance Report is considered by those charged with governance prior to the issue of the unaudited accounts in line with the Audit Committee's Terms of Reference and good practice.	Accepted Typically the Annual Assurance Report is taken to the June Audit Committee. The June 2026 Audit Committee was cancelled, and the report was moved to September Committee in error. Moving forward, Council will ensure that the Annual Assurance Report is considered alongside the Unaudited Accounts. However, it is worth noting that the Annual Governance Statement within the Unaudited Accounts for 2026/27 included an update on the Internal Audit Assurance level. Responsible officer – Chief Finance Officer Agreed date – by 31 August 2026.
3. Registers of Interests Audit testing on related party disclosures identified a number of issues where member registers of interests were not completed, were out of date or were not published on the council's website.	The council should ensure it has robust procedures in place to ensure the registers of interests are complete and up to date and that they note the date reviewed. In addition, to ensure transparency, the council should publish the senior officer's register of interests on its website.	Accepted The Council continue to remind councillors of the need to keep their registers of interest updated. The Council will publish the senior officers' register of interests and is exploring the best means of doing this. Responsible Officer - Chief Governance Officer Agreed date - 31 March 2027

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
4. Reconciliations between the financial systems Timeous, authorised reconciliations between the ledger and other financial systems are an essential control in ensuring that any discrepancies are identified and remedied promptly. While these were generally being completed, we found there were instances of delayed preparation and reconciliations not being formally signed off by a second officer, due to staffing pressures.	The council should ensure it has appropriate contingency arrangements in place to ensure its internal controls around reconciliations continue to operate, even in times of unexpected staffing pressures.	Accepted Exceptional circumstance in 2026 meant that there was a delay in the completion of reconciliations. The Council has run recruitment exercises to fill vacancies and moving forward resources will be re-directed if/where unplanned absences may otherwise impact on any control work. Responsible officer – Head of Communities, Innovation and Housing Agreed date – by 31 May 2026
5. The Financial Regulations should include the requirements around employee verification Regular review of employee listings is an essential control to ensure that only valid employees are being paid through the payroll. The payroll team issue a report to line managers each month, which should be reviewed and checked for accuracy. Best practice would be for line managers to provide positive confirmation that the report has been checked and confirmed as accurate, however the council advised that there are no plans to require positive confirmation, instead relying on the requirement to check these reports being incorporated into the Financial Regulations. At the time of review, no such requirement had been included in the Financial Regulations.	The Financial Regulations should be updated to include the requirement for line managers to check the accuracy of the payroll report and report any issues or concerns to the payroll team.	Accepted The Financial Regulations are due to be updated during 2027, and we will consider this recommendation as part of that work. We will work with our Governance colleagues to timetable this appropriately with the arrangements following the Local Government elections in May 2027. Responsible officer – Chief Finance Officer Agreed date – by 31 October 2027.

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
6. Internal Audit capacity The Internal Audit function continues to face significant capacity pressures due to high demands coupled with limited resources. While steps are being taken to support the team, work pressures continue.	While the level of demand on the role of Internal Audit is by its nature, unpredictable, the council should ensure that the resources available to the service are appropriate to meet the demands.	Accepted As previously outlined to Audit Committee work is ongoing to look at resource, including through the TTC programme. The Internal Audit business case is due to be presented to Council in December 2026. Responsible officer – Chief Finance Officer Agreed date – by 31 March 2027

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
7. 2024/25 AAR Housing Benefit Overpayments The debtors balance in the annual accounts include £0.8 million due for housing benefit overpayments. Audit testing found that a provision for impairment of £1.6 million has been off-set against the debt, thereby exceeding the value of the debt by £0.8 million. The impact of this error is that the debtors balance is understated by between £0.8 million and £1.6 million, depending on the likelihood of recovery of these debts. Given the nature of these debts, an unadjusted error of £0.8 million is being reported for 2024/25.	The council should review the provision for impairment of housing benefit overpayment debts to ensure it reflects the expected collection of the debtor balance. Accepted Details of agreed action: We will be reviewing this area in advance of the 2026/27 budget and evaluation the HBO bad debt provision in tandem with that. Responsible officer: Senior Service Manager, Housing & Communities Senior Service Manager, Corporate Finance Agreed date: 31 March 2026	Implemented The housing benefit provision for impairment was revised as part of the 2025/26 annual accounts process. The revised approach was accepted but matters were discussed with officers as to how the approach could be further refined going forward.
1. 2024/25 AAR	The council should enhance existing assurance processes	Implemented

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
Enhancements required to annual accounts assurance arrangements The annual accounts require disclosures in respect of a number of specific areas including related party transactions, financial guarantees, soft loans and events after the balance sheet date. Each of these require particular consideration to meet the necessary accounting requirements. Audit testing has found that there is no clear, formal process in place to ensure appropriate consideration of these areas as part of the annual accounts preparation process.	to include coverage of these specific areas. Accepted The year end procedures will be updated to include an annual statement that will be issued to Chief Officers in respect of related party transactions, financial guarantees, soft loans and events after the balance sheet date. Responsible officer: Senior Service Manager, Corporate Finance Agreed date: 30 May 2025	The council implemented arrangements to capture the necessary assurances for the 2025/26 annual accounts process.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
2. 2024/25 AAR Council assurance over externally hosted systems The council uses external providers to host some of its financial systems including the NEC Housing system and the Liquid Logic system for social care payments. The council has arrangements in place to gain assurance over the hosting arrangements, including having formal contracts in place with monitoring arrangements and regular meetings with suppliers There is a risk that the data held in one of these systems is lost or compromised.	The council should expand the assurances it obtains over externally hosted systems to get confirmation that an effective Disaster Recovery Plan is in place, that has been tested and confirms data can be restored from back ups. They should also get confirmation from the external host of the Liquid Logic system that a SOC Type 2 service auditor report has been obtained. Accepted The Council has annual auditing and testing of disaster recovery plans for externally hosted systems as part of its Cybersecurity Action Plan for 2025/26. Progress against this action plan and risk assurance is monitored by the Digital, Technology and Innovation Board on a bi-monthly basis. The Disaster Recovery Plan for LiquidLogic was tested on the 1st September 2025 and we have received a copy of current ISO9001/27001 accreditation from the vendors System C which gives us a higher level of assurance than a SOC Type 2 report. Responsible officer: Technology and Infrastructure Manager Agreed date: 31 March 2026	Implemented The Council has annual auditing and testing of disaster recovery plans as part of its Cybersecurity Action Plan for 2025/26. Progress against this action plan and risk assurance is monitored by the Digital, Technology, and Innovation board on a bi-monthly basis. The Disaster Recovery Plans for the 6 systems requested by Audit Scotland have all been reviewed and tested for 2025/26 and evidence of this has been supplied to Audit Scotland. The council has received a copy of current ISO9001/27001 accreditation from the vendors of System C (Liquidlogic) which gives a higher level of assurance than a SOC Type 2 report. This assurance information has been passed to Audit Scotland.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
3. 2024/25 AAR Valuation of Council Dwellings The value of Council Dwellings has been overstated in the annual accounts due to a difference in the number of properties notified to the valuer in advance of the year end and the actual numbers as reporting in the Housing Revenue Account. This was due to timing differences. There is a risk that the value of non-current assets are over-stated in the accounts.	The council should undertake a year-end check to identify any material change in housing stock numbers between those provided to the valuer as the basis for valuation, and those reported in the annual accounts. Accepted Housing and Finance will ensure that a meeting is held in November each year with external valuers who will be preparing full or desktop valuations to ensure the parameters for information to be provided is agreed in advance. Checks will be carried out to verify the opening housing stock balance and any in year changes, which will be clearly identified and documented. Responsible officer: Asset and Investment Service Manager and Capital and Treasury Manager Agreed date: 31 December 2025	Implemented The council's housing stock was revalued in 2025/26 with no issues identified.
4. 2024/25 AAR NFI reporting Reporting on progress on the NFI exercise provides oversight of the extent to which matches are being identified and followed up and any findings emerging from that work. Corporate Fraud updates to the Audit Committee include coverage of NFI work. Current reports are high-level only and there is no	NFI reporting arrangements could be enhanced to provide clearer oversight to senior officers and elected members. Accepted NFI self-assessment undertaken in August 2024 which resulted in further work initiated with managers and staff via training sessions performed by Internal Audit and the Corporate Fraud Team. All sessions were	Implemented Internal Audit progress reports provide updates on NFI as required.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
operational reporting to senior officers. There is a risk that management does not have sufficient oversight of the NFI process to drive progress and outcomes from this work.	undertaken prior to the end of 2024. These outcomes have been reported to Audit Committee in February 2025 with a further update reported to the June Audit Committee. More detailed information will be reported via Internal Audit / Corporate Fraud Update Reports when available in future. A further update has been provided to the Corporate Management Team on 4 September 2025 and as part of the Internal Audit Progress Report at 30 September 2025 meeting of the Audit Committee. More in depth NFI progress reporting is planned for later in 2025/26. Responsible officer – Internal Audit, Risk, and Corporate Fraud Manager Agreed date – by April 2026	
5. 2024/25 AAR Registers of Interest The council has arrangements in place to record the interests of elected members, and these are updated by exception to reflect any changes in circumstances rather than by regular, periodic reviews. No such register of interests is in place for senior officers. There is a risk that an undisclosed interests could impact, or be perceived as impacting, decision making across the council.	The council should introduce registers of interests for all senior officers and both these and the registers for elected members should be subject to formal periodic reviews to complement the current requirement to update the register for any changes in circumstances. Accepted Process in place annually for Members to complete a pro-forma with any updates / changes to their interests. 2) The Code of Conduct and updated Extra Mural Employment policy are both now in place to provide assurance for these areas.	In progress The council implemented a senior officer register of interests with effect from 1 August 2026 but this has not been subject to audit review and has not been published on the council's website. The senior officer register of interests will be reviewed as part of the 2026/27 audit.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	Consideration is being given to an alternative option of establishing a register of interests. Consideration is ongoing. CMT will be asked to take a view on whether existing arrangements provided adequate assurance. Responsible officer: Chief Governance Officer Agreed date: 31 December 2025	

2025/26 Best Value Thematic recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
6. Corporate asset management strategy (CAMS) The CAMS does not contain some key aspects of the council's strategic approach to asset management. In addition, the strategy has not been reviewed since it was published in 2021, therefore some key information is now out of date. Risk – There is a risk that asset management priorities are not aligned with council priorities and do not reflect the key asset issues for the council. This creates the risk of fragmented decision-making.	As part of the planned refresh of the CAMS, the council should set out: • how asset management will support the Council Plan priorities and contribute to meeting the changing demographics and needs of the population • governance arrangements for reporting and monitoring progress with achieving the priorities of the strategy • arrangements for reviewing the content of its asset management strategies its objectives and approach for working with partners on asset management.	Agreed action Engage with key stakeholders to inform development of new Corporate Asset Management Strategy. Draft new Corporate Asset Management Strategy. Responsible officer Head of Investment, Assets & Climate Actioned by March 2027

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
7. Asset class strategies The council does not have underpinning asset management strategies for all asset classes. The property and roads strategies do not align with priorities in the current Council Plan. The roads asset management plan does not align with the corporate asset management strategy and does not contain a current costed action plan with clear timescales. Risk – There is a risk that asset class strategies are not aligned with the council's current priorities and do not reflect current asset issues. This creates the risk of fragmented decision-making. A lack of clear actions and timescales makes it harder to assess whether priorities are on track to be delivered on time and on budget.	The council should ensure that asset class strategies align with the refreshed corporate asset management strategy, are based on up-to-date information, and include costed action plans with clear timescales, or clearly reference where such plans can be found.	Agreed action All asset categories will develop an Asset Strategy. Asset Lead Officers to undertake review of existing Asset Strategies and update as required. Asset Strategies to be reviewed and ensure alignment with new Corporate Asset Management Strategy. Asset performance and asset risk to be annually reported to Strategic Asset Modernisation Board. Responsible officer Head of Investment, Assets & Climate Actioned by March 2027
16. Strategic Asset Modernisation Board (SAMB) Terms of Reference The Terms of Reference dated June 2025 sets out the role, remit and membership of the board but lacks detail on how it will carry out some of its functions or how progress in delivering asset management strategies will be monitored and reported to Council. The council is revising its corporate asset management strategy including its performance management framework. The Terms of	The council should ensure the SAMB Terms of Reference align with the refreshed corporate asset management strategy and provide clear detail on its role in relation to monitoring and reporting on the delivery of the capital programme and asset management strategies.	Agreed action The SAMB Terms of Reference will be updated. Responsible officer Director of Place Services Actioned by March 2027

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
Reference should reflect roles and responsibilities associated with this. Risk – There is a risk that monitoring and reporting arrangements are not widely understood or consistently followed, affecting scrutiny, oversight and decision-making.		
17. Capital programme monitoring The CMT receives ad hoc updates related to capital projects. Management advised that due to the larger capital programme for 2026/27, the CMT will receive quarterly updates on major capital projects, reflecting the need for greater and more frequent oversight. This brings an opportunity for accessible and standardised reporting on progress with major capital projects to both the CMT and Executive. Risk – There is a risk that leaders do not receive sufficiently clear and frequent updates on progress against all major capital projects and do not take actions needed in a timely way.	The council should improve its capital plan financial monitoring reports to CMT and Executive by reporting on the progress of major capital projects against their budget and timescales in a standardised way.	Agreed action The reporting arrangements will be reviewed over the summer, in collaboration with Place Services, and a revised reporting approach for major capital projects introduced during 2026/27. Responsible officer Chief Finance Officer Actioned by March 2027

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
18.Community Asset Transfers (CAT) The council publishes information on CATs and the support provided to community bodies as part of its annual update on the SPR. However, this information does not directly align with the legal obligation to publish annual reports and is not clearly published or signposted on the council's webpage on CATs. Risk – There is a risk that information on CATs does not fully comply with legal duties and is not sufficiently transparent and accessible to members of the public.	The council should publish annual reports on CATs in line with legislative requirements.	Agreed action An annual report will be published from January 2027 onwards Responsible officer Head of Investment, Assets & Climate Actioned by March 2027

Progress against previous Best Value findings and recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
1. BV Thematic Impact reporting Progress reporting on the transformation programme is done through limited performance indicators which do not explain the impact transformational activity is having on council services.	The council should provide additional detail on the performance measures to demonstrate the impact of transformational activity to the public. Management response Reports to Committee/Council which respond to recommendations 1 and 2 will be public reports and available on the Councils website. In addition, consideration will be given to how the Transformation programme is reported through the performance management framework, to ensure better clarity on the impact. Responsible officer Chief Finance Officer Actioned by Autumn 2025	In progress To improve transparency and demonstrate the impact of transformational activities, the Council plans to publish information on the projects online. The Council of the Future content on the website will be developed to show project details, savings, benefits, and progress. All relevant reports to Council and Scrutiny will continue to be made publicly available online to ensure ongoing accountability. The council is currently reviewing the approach to monitoring and reporting progress of Council of the Future projects. This will support inclusion within Service Plan and Council Plan reporting to CMT and Scrutiny. Information published online will be developed further, with this work planned to be completed by September 2026. In addition to this, a review of the current performance indicators will be carried out for the new Council Plan due to be published in 2027. 30 November 2026

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
2. BV Thematic Skills assessment The council has not carried out a skills assessment to identify the skills profile of the workforce now, against what it may require in the future.	The council should assess the skills profile of the current workforce in line with its future workforce requirements. This should include a digital skills assessment. Management action: The Digital Maturity Assessment survey has been undertaken with staff and remains open for contributions. A strategy setting session has been held with Chief Officers and is with the Digital Office for analysis. Learning Pathways for employees and for managers have been developed within our e-learning platform (Olle). Research/assessment on optional Learning Management Systems to provide a system to support a wider skills assessment is underway. Learning pathways have been created for all employees. An options appraisal is being progressed for a Learning Management System which will allow for skills and gaps to be assessed and reported. Responsible officer: Human Resources & Payroll Manager Agreed date: March 2026	In progress A new Learning Management System has now been procured. Initial implementation work has progressed with the roll out of the system anticipated to commence imminently. Once the system is rolled out, work will begin to upload job profiles to allow the council to consider Training Needs Analysis and skills gaps. 31 December 2027
3. BV Thematic Service workforce plans Service workforce plans vary in consistency and the level of detailed analysis.	The council should ensure service workforce plans are of a consistent standard to allow for analysis, decision making and that they include measurable actions. These should also be aligned to the	Implemented Workforce Plans for each service are now finalised.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
	renewed service plans which are due to be published. Management action: All Service workforce plans have been completed, approved and distributed to Service Managers. The Corporate Workforce Plan has been reviewed and will be published shortly. Responsible officer: Human Resources and Payroll Manager Agreed date: Autumn 2025	
4. BV Thematic Hybrid and flexible working The council has not assessed the impact of the hybrid working policy on staff productivity, service outcomes, or savings.	The council should review the effectiveness of the hybrid working policy, and service workforce plan reviews should incorporate the impact of hybrid working. This should capture the benefit of hybrid working for staff, and any savings achieved or improvements to services. Management action: A Hybrid Working Policy is in place. A survey on Hybrid working has taken place with 598 responses, providing a 31% response rate (hybrid workers). These responses are being analysed. Responsible Officer: Human Resources and Payroll Manager. Agreed date: November 2025	Implemented A report on the outcome of the employee survey has now been developed and shared with Services. A short action plan has been created as a result, and these actions will be progressed.

Implemented Best Value findings and recommendations

Matter giving rise to recommendation	Recommendation	Implementation update
1. Transparency around the savings planned and delivered to date It is unclear what savings in the past have been delivered as a result of transformation waves and which projects will contribute to bridging the budget gap. The council may not be able to deliver sustainable services if required savings are not achieved.	The council should clearly set out the savings delivered through the COTF programme in its future reporting.	Implemented The COTF savings were reported as part of the Financial Strategy and the Financial Projection report to Executive.
2. Elected member reporting Reporting to elected members is currently project specific and lacks an overarching view of transformational activity.	The council should enhance reporting to elected members to ensure they have oversight of the full transformation programme.	Implemented There have been changes to the reporting of COTF projects in the Financial Strategy and the Financial Projection report to Executive. The council advised it will continue to develop and improve reporting, but the substantive action is complete.
3. Partnership working To date the council has focussed on internal transformation and has not involved partners in this process.	The council should consider where there are further opportunities to deliver more radical transformational change alongside its partners.	Implemented A programme of transformation is now in place with Stirling and Clackmannanshire Councils as partners. The actions outlined in the BV audit are now complete with the Council continuing to identify opportunities for collaboration as a matter of course. The Council is now working on implementation.

Matter giving rise to recommendation	Recommendation	Implementation update
4. Community engagement The council has engaged with relevant community groups, including vulnerable groups, on service redesign projects, but it does not always clearly document how the engagement has influenced changes. The council has also engaged with communities in the completion of certain equality and poverty impact assessments before the proposal is approved but this is not done consistently.	The council should ensure community engagement is consistently factored into its decision-making processes where appropriate and should clearly document how engagement with communities has informed changes to services.	Implemented Each Director will take appropriate action as and when required and will be monitored by Corporate Management Team when reports are submitted.
5. Digital The Digital Falkirk 2020-25 strategy does not contain an action plan with expected resource efficiencies and does not contain targets linked to the strategy's ambitions.	The council should identify targets linked to success measures for assessing progress against its digital priorities. Future iterations of the digital strategy should be supported by a detailed action plan.	Implemented Briefing sessions were held with Elected Members on 10 February 2026 to present and discuss the Digital Strategy. The Strategy was approved at Executive on 19 February 2026. Each pillar of the Strategy includes KPIs and delivery plan.
6. Measuring Impact The council has not assessed the impact of recruitment initiatives and does not routinely report on modern apprenticeship or graduate programmes. Its workforce KPIs are limited.	The council should evaluate and report on specific programmes it has introduced to improve recruitment retention. It should consider developing a broader range of workforce performance measures and incorporate measures to service workforce plans.	Implemented Recruitment, attraction, and retention are significant themes highlighted within the Councils Workforce Strategy. An annual update report on the Workforce Strategy was submitted to the Collaborative Leadership Group and to Directors to ensure outputs and relevant workforce performance indicators are transparent and monitored. The recruitment review group continues to meet to review

Matter giving rise to recommendation	Recommendation	Implementation update
7. Service Plans The council has high-level service plans in place. However, these service plans are operational documents only so are not available as published documents and the Children's Services plans are independent of the Council Plan. While these plans generally align to the priorities and enablers set out in the council plan, they do not include provide an overview of the service, its remit, staffing or budget.	The council should develop and publish comprehensive service plans to clearly and comprehensively demonstrate how the priorities in the Council Plan 2022 – 2027 will be delivered.	process and Performance Indicators. Implemented Service plans are now in place for all services.

Appendix 2

Summary of uncorrected misstatements

Details	Financial statements lines impacted	Comprehensive Income and Expenditure Statement (CIES)		Balance Sheet	
		Dr	Cr	Dr	Cr
Uncorrected misstatements		£000	£000	£000	£000
1. Valuation of Right of Use assets overstated					
	Creditors – lease liabilities			1,332	
	Non-current assets – Right of Use assets				(1,319)
	Capital Adjustment Account				(13)
Uncorrected misstatements in disclosures				1,332	(1,332)

Appendix 3

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2025/26	22 May 2025
NHS in Scotland: Spotlight on governance	28 May 2025
Delivering for the future: Responding to the workforce challenge	7 August 2025
Flooding in communities: Moving towards flood resilience	28 August 2025
Adult Disability Payment	18 September 2025
Scotland's colleges 2025	2 October 2025
Improving care experience: Delivering The Promise	8 October 2025
Local government performance: Spotlight on culture and leisure services	23 October 2025
Financial sustainability and taxes	13 November 2025
NHS in Scotland 2025: Finance and performance	4 December 2025
Delayed discharges: A symptom of the challenges facing health and social care	8 January 2026
Community health and social care: Performance 2025	8 January 2026
Administration of Scottish income tax 2024/25	16 January 2026
Local Government in Scotland: Financial bulletin 2024/25	29 January 2026
The Scottish Budget 2026/24: Supplement to the Financial bulletin 2024/25	12 February 2026
Integration Joint Boards: Finance bulletin 2024/25	26 February 2026
Annual Assurance and Risks Report: A review of 2024/25 local government audits in Scotland	12 March 2026
Transforming the approach to climate change: Lessons from public audit	19 March 2026

Falkirk Council

2025/26 Annual Audit Report



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