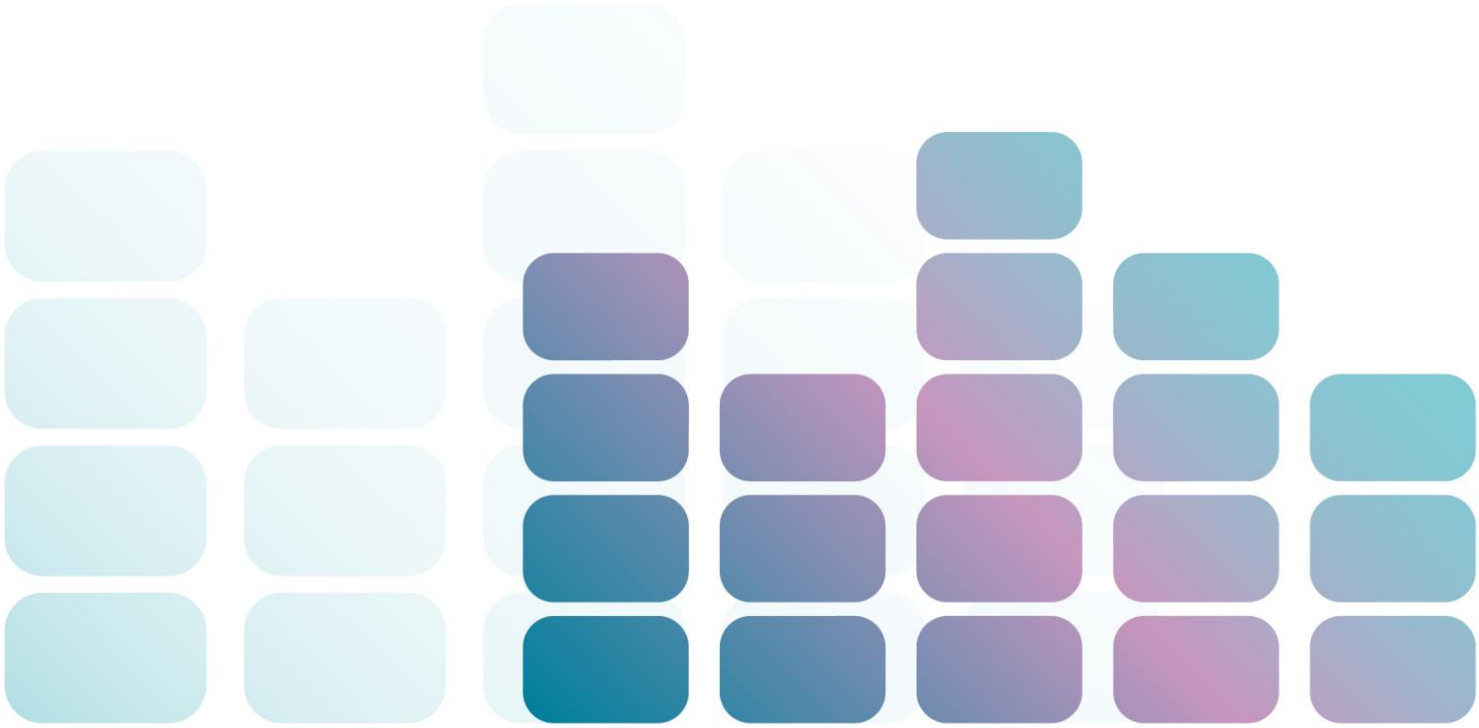
Falkirk Council

2024/25 Annual Audit Report



AUDIT SCOTLAND

Prepared for Falkirk Council and the Controller of Audit
September 2025

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Accessibility

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Key messages

Audit of the annual accounts

1 Audit opinions on the annual accounts of the council and its group are unmodified.

2 Material and non-material adjustments have been made to the annual accounts as a result of the audit process.

Wider scope audit

3 Falkirk Council has effective and appropriate arrangements in place for Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.

4 The council operated within budget in 2024/25 and achieved 94 percent of planned savings.

5 The council's usable reserves balance decreased by £14.9 million, primarily due to the planned use of service concessions.

6 The council has continued to demonstrate improved financial management in respect of its capital programmes.

7 Falkirk has the second highest budget gap as a percentage of its revenue budget. While the position is significant, the council has arrangements in place to address this.

Best Value audit

8 Falkirk Council has effective arrangements in place for securing Best Value but our recommendations show that there is more to do.

9 The Management Report on service transformation reported the council has effective governance arrangements in place for managing the Council of the Future programme but should improve how it reports progress to elected members.

10 The council has effective and appropriate arrangements in place for preparing and publishing Statutory Performance.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 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 the 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 and responsibilities

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 the 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 the council and its group that gives 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.

National performance audit reporting

11. 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.

Material and non-material adjustments have been made to the annual accounts as a result of the audit process. There are also three unadjusted errors identified.

Audit opinions on the annual accounts

12. Falkirk Council and its group's annual accounts were approved by the Audit Committee on 30 September 2025 and certified by the appointed auditor on 30 September 2025. 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

13. The unaudited annual accounts and all working papers were received on 30 June 2025 in accordance with the agreed audit timetable.

Audit Fee

14. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £406,120 (in 2023/24 the fee was £398,510). There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

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 the 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 are detailed in Exhibit 1.

Exhibit 1
2024/25 Materiality levels for the council and its group

Materiality	Falkirk Council	Group
Materiality – set at 2% of gross expenditure	£19.7 million	£19.7 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.	£11.8 million	£11.8 million
Reporting threshold – set at 2% of materiality.	£390,000	£390,000

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 Council Dwellings overstated The council employs the services of the District Valuer (DV) to carry out a desktop review of the council's housing stock each year and provide a valuation for inclusion in the annual accounts. The valuation is based on housing stock figures provided by the council in advance of the valuation date of 31 March 2025. In 2023/24 we identified a difference of 90 properties between the number reported in the Housing Revenue Account (HRA) and the number used by the DV in the valuation. The council agreed to implement year-end checks to ensure consistency however, in 2024/25, we found a difference of 101 houses between the HRA and the valuation report. This was largely due to the error identified in 2023/24 not being adjusted in the opening housing stock balance for 2024/25. The council has provided an assessment of the impact of the error, being that council dwellings are overstated by around £3 million. A revaluation reserve balance exists for the housing stock so the overstatement would be corrected through a charge to the reserve balance rather than being a cost charged to the Comprehensive Income and Expenditure Statement.	The error is below materiality and has not been adjusted in the annual accounts. As was the case in 2023/24, the council has agreed to enhance its year-end procedures to identify material change in housing stock numbers between those provided to the valuer and those reported in the annual accounts. **Recommendation 4** (Refer to appendix 1, action plan)

Significant findings and key audit matters	Outcome
Impact of implementation of IFRS 16 In 2024/25 IFRS 16 Leases was adopted by the Code of Accounting Practice, meaning that assets previously accounted for as operating leases are now required to be accounted for as Right of Use assets on the council's balance sheet. In addition, any Private Finance Initiative (PFI) contracts are subject to remeasurement, for both the associated assets and liabilities. The changes are to be applied retrospectively through adjustments to the opening balances in the 2024/25 annual accounts. The implementation of IFRS 16 resulted in the inclusion of Right of Use assets with a net book value of £4.952 million in the council's Balance Sheet. Audit testing found errors in the calculations used in determining the values of two assets and their corresponding liabilities which resulted in right of use assets being overstated by £1.059 million. For the council's PFI contracts, IFRS 16 adjustments amounted to an increase of £52.726 million in the associated assets and an increase of £52.726 million for the corresponding liabilities. The council engaged the services of MUFG to support the required accounting entries for these changes. Audit testing found that while the remeasurement of liabilities had been correctly effected, the correct accounting treatment was not applied for the remeasurement of the value of the assets.	**Right of Use Assets** The council has noted the error in the valuation of right of use assets. This will be an unadjusted error in the annual accounts **PFI Assets** The impact of correcting the error is to increase the opening balance of Other Land and Buildings (OLB) by £52.726 million, which is then subsequently revalued downwards by the same amount. There is no net impact on the balance sheet as the adjustment is addressed through the revaluation reserve. The accounts were amended to correct this error.

Significant findings and key audit matters	Outcome
Equal Pay Provision Our testing of provisions found that there was an amount set aside for an expected equal pay liability but that this was included in the General Fund rather than as a provision. The affected employees deliver services on behalf of the IJB so the council is of the view that the costs sit with the IJB but the employees are council employees so the council will meet the liability. We concluded that this should have been included as a provision.	The impact of this error is that expenditure in the CIES has been understated and provisions understated by the value of the provision. The accounts were amended to correct the error.
Housing Benefit Overpayment debtors The debtors balance in the annual accounts includes £0.8 million due to be repaid to the council for housing benefit overpayments. Audit testing found that a provision for impairment of these debts 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 has advised that this provision for impairment will be reviewed as part of the 2025/26 budget setting process. **Recommendation 1** (Refer to appendix 1, action plan)
Impairment of assets Maddiston Primary School and Bo'ness Recreation Centre were identified as assets of audit interest due to the extensive coverage around structural issues arising in these assets. As part of the annual accounts process, we confirmed that the correct accounting treatment had been applied to impair the value of these assets and to ensure that appropriate steps had been taken to confirm that no other assets were affected by similar issues which would require specific consideration for the accounting requirements.	The assets were impaired in line with accounting requirements and appropriate consideration was given to whether the issues identified applied to the wider asset base. The value of Maddiston Primary School reduced from £11.175 million in 2023/24 to £1.410 million in 2024/25 and Bo'ness Recreation Centre from £3.697 million in 2023/24 to £0.950 million in 2024/25, representing the land value of both assets.

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 building assets, the valuation of the pension liability and the level of provisions recognised. Our audit work considered the process that management of Falkirk Council has in place when 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.

Disclosures in the financial statements

25. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was appropriate, 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

26. 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 group's components for the purposes of the group audit. The audit work performed on the group's components is summarised in Exhibit 3.

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.
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

27. 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.

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

Other matters to report

29. 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.	Audit testing on council tax reliefs and discounts found several instances where the claimant was in receipt of 25% Single Person Discount but there was no evidence to support entitlement. The council advised that periodic reviews are undertaken on a risk-based approach (e.g. properties with more than one voter registered) however, acknowledged that further work could be done to ensure that only valid discounts are awarded.	The council engaged the services of Civica UK Limited from August 2025 to undertake monthly checks on the council tax database against a range of datasets, including credit reference data. This will ensure that real-time checks are being undertaken to ensure that only valid discounts are awarded.

Auditing standard requirement	Matter to report	Outcome
Other ISA (UK) 260 matters	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, with reliance generally being placed on the fact that as a small team, finance would be aware. While audit testing has not found any known omissions, the council should implement specific consideration of these areas as part of its year-end processes.	Assurances have been provided to support the disclosures in the 2024/25 accounts. The council has agreed to include specific consideration of these areas as part of the year-end processes from 2025/26. **Recommendation 2** (Refer to appendix 1, action plan)

Source: Audit Scotland

Significant matters discussed with management

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

Audit adjustments

31. Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. Details of all audit adjustments greater than the reporting threshold of £0.390 million are outlined in Exhibit 5.

Exhibit 5
Audit adjustments

Details	Financial statements lines impacted	Comprehensive Income and Expenditure Statement (CIES)		Balance Sheet	
Audit adjustments to financial statements		**Dr**	**Cr**	**Dr**	**Cr**
		£000	**£000**	**£000**	**£000**
1. As outlined in Exhibit 2, an adjustment was required to the opening value of the PFI assets to reflect the requirements of IFRS 16.					
	Non-current assets			52,726	
	Capital Adjustment Account				(52,726)
	Revaluation Reserve			52,726	
	Impairment of non-current assets				(52,726)
2. As outlined in Exhibit 2, the council had earmarked a balance in the General Fund for employee costs instead of creating a provision for these costs.					
	Expenditure	750			
	Provisions				(750)
Net impact on financial statements		**750**		**105,452**	**(106,202)**

Source: Audit Scotland

32. In addition to the corrected misstatements outlined in Exhibit 5, 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.

33. 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 the council have not processed all audit adjustments to correct other 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. The Audit Committee is requested to correct these misstatements.

34. Details of the uncorrected misstatements can be seen in Appendix 2.

Whole of Government Accounts (WGA) return

35. 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

36. 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 6.

Exhibit 6
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 Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	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. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • 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.

Source: Audit Scotland

Prior year recommendations

37. Falkirk Council has made good 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 has effective and appropriate arrangements in place for Financial Management; Financial Sustainability, Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.

The council operated within budget in 2024/25 and achieved 94 percent of planned savings.

The council's usable reserves balance decreased by £14.9 million, primarily due to the planned use of service concessions.

The council has continued to demonstrate improved financial management in respect of its capital programmes.

Falkirk Council has the second highest budget gap as a percentage of its revenue budget. While the position is significant, the council has arrangements in place to address this

Audit approach to wider scope

Wider scope

38. 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.

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

Conclusions on wider scope audit

Financial Management

40. The council approved its 2024/25 revenue budget on 28 February 2024. The budget was set at £465 million based on Revenue Support

Grant of £363.7 million, council tax income of £78.7 million, and the use of service concessions amounting to £22.5 million. With council tax frozen, there was a funding gap of £35.1 million. The budget was subsequently revised to £494.804 million during the year due to increased funding allocations to fund minimum pay requirements for adult social care services workers in the private sector, teachers pension costs and Discretionary Housing Payments.. Per the annual accounts, the council reported outturn expenditure of £486.539 million at the year end.

41. The council approved its Housing Revenue Account (HRA) budget for 2024/25 on 31 January 2025. The 2024/25 budget was set at £79.072 million and was funded by rent increases of 5 per cent and included planned use of reserves of £1.783 million. The budget was subsequently revised to £80.3 million during the year. The reported outturn for HRA was £79.4 million. This reduced the planned use of reserves by £0.9 million.

42. Total capital expenditure in 2024/25 was £103.2 million of which £49.3 million related to general services and £53.9 million to the housing revenue account. This compares to final budgets of £52.2 million and £58.9 million respectively and represents spend of 94.4 per cent against budget on the General Fund and 91.5 per cent on housing. The council has continued to demonstrate improved financial management in respect of its capital programmes.

43. One of the key measures of financial health of a body is the level of reserves held. The council held usable reserves amounting to £109.6 million at 31 March 2025, a decrease of £14.9 million from the previous year. It should be noted that the balance increased from £66.9 million in 2022/23 to £124.5 million in 2023/24, due almost entirely to the application of service concessions in 2023/24. Service concessions are funded from borrowing and do not represent cash that can be used to fund services.

44. We have concluded that the council has sound financial management arrangements in place, although we have identified an area where controls could be strengthened as set out at paragraph 45. This is evidenced from the following:

- The council has effective financial management processes in place to manage budgets and support the sustainability of services in the medium term. Regular provisional outturn reports are presented to the Executive throughout the year. These reports provide a good level of information on the reasons for variances, the projected financial outturn and the challenges facing the council for the year. They also show the movement from the previous reporting period showing how the outturn has developed throughout the year.

- The council has an experienced finance team with established processes in place to allow members to carry out effective scrutiny of the council's finances.

- Planned service savings for 2024/25 were £8.619 million. Per the outturn report presented to the Executive in June 2025, £8.136 million (94 per cent) had been achieved. This is an improvement on the previous year when only 70 per cent of planned savings were achieved. Only a small amount of the savings achieved were non-recurring and related to vacancy management in Children's services.

- The council had planned to utilise £22.5 million of service concessions to enable them to balance the budget. Underspends in year of £6 million meant that only £16.6 million was applied in 2024/25.

- We reviewed the design and implementation of systems of internal control (including those relating to IT) and we did not identify any issues that represent a risk of material misstatement for the audit of the 2024/25 annual accounts. However, we did identify areas for improvement where the council uses external providers to host systems. This is explained further at paragraph 45.

- 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. We have reviewed the council's progress against the recommendation and concluded this was still in progress. The council completed a NFI self-assessment in August 2024 which resulted in training sessions from Internal Audit and the Corporate Fraud Team. We have seen through attendance at the Audit Committee that updates on the latest NFI exercise have been presented and have been advised that more detailed information will be reported via Internal Audit/ Corporate Fraud Update Reports when available in future.

45. 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. However, the council could strengthen these arrangements as follows:

- For both the NEC Housing system and Liquid Logic system, the council should consider getting confirmation that an effective Disaster Recovery Plan is in place, that it has been tested and they have been able to effectively restore data from back ups.

- For the Liquid Logic system, the council should get confirmation from the supplier that a SOC Type 2 service auditor report has been

obtained and that an action plan is in place to address in improvements required.

Recommendation 3

Council assurance over hosted financial systems.

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.

Financial Sustainability

46. The council approved a balanced budget for 2025/26 of £487.938 million in March 2025. This includes a contribution to the Integration Joint Board of £104.285 million.

47. In recent years the council has sought to bring savings proposals to members throughout the year to allow scrutiny of proposals in advance of the budget setting process. However, at the 2025/26 budget setting meeting, some elected members expressed concern regarding the lack of information within the revenue budget report on the impact of proposed service cuts. This included concerns over the level of consultation and compliance with General and Public Sector Equality Duties.

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

- £11.1 million of service savings and increases to fees and charges
- £11.5 million of service concessions with a commitment to remove the reliance on these for the revenue budget by 2026/27
- Council tax increase of 15.61 per cent providing £11.1 million of additional funding.

49. All councils in Scotland are facing substantial financial challenge. However, per the '*Local Government budgets 2024/25'* briefing published by the Accounts Commission, Falkirk has the second highest budget gap as a percentage of its revenue budget. While the position is significant, the council has arrangements in place to address this:

- The council's Financial Strategy 2025/26 to 2029/30 was approved in October 2024. It aims to provide clear direction on how the council will deploy its financial resources to deliver on its priorities. The plan provides a picture of the likely challenges to be faced in the coming years. It also 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.

- The Financial Strategy 2025/26 to 2029/30, as reported in October 2024, outlines an anticipated budget gap of £56.4 million over the five-year period. £29.3 million of this falls into 2025/26. The strategy sets out measures amounting to £34.6 million to bridge the gap each year but a further £21.8 million of savings are still to be identified.

- The use of service concessions has enabled the council to meet budget gaps for 2023/24 and 2024/25. However, these are only a temporary solution to address the council's underlying structural deficit. Their planned reliance reduces significantly from 2025/26 onwards allowing them to be used for capital investment.

- The council updates the Financial Strategy annually to ensure members are provided with up-to-date information. Following the approval of the 2025/26 budget, there was a commitment to update the Financial Strategy in September 2025 to reflect the significant increase in Council Tax which was approved.

- The Council of the Future (COTF) programme sets out the council's ambitions for transformation and improvement. Per the 2024/25 budget, the programme aimed to deliver savings of £26 million in the period 2024/25 to 2028/29, across 15 different projects. The programme itself continues to be monitored through reports to the COTF Board and at a higher level through the council's performance reporting. The overall savings attributed to the transformation programme in 2024/25 was approximately £4.8 million. The council is clear that transformation is key to delivering the savings required to deliver sustainable services going forward.

- The council operates two Private Finance Initiative (PFI) schemes for the provision of nine schools. The Class 98 contract terminated on 1 August 2025 and the five schools under this contract transferred back to the council for the start of the 2025/26 school session. The council's 2025/26 capital programme includes £5.5 for the purchase of these schools in line with the contract. We will review the accounting arrangements around this as part of the 2025/26 audit. This is a project within the Council of the Future (COTF) programme and progress is monitored through a project team and the COTF Board.

- The Falkirk and Grangemouth Growth Deal was formally signed on 14 November 2024 by the UK and Scottish Governments and Falkirk Council. The £80 million Deal is expected to deliver up to 1,660 jobs and generate £628 million in economic benefits over the next 10 years. Eleven projects are to move forward, including a CO_2 Utilisation Centre and Bioeconomy Pilot Plant in Grangemouth and

a Skills Transition Centre at Forth Valley College. Additional funding includes £10 million from the UK Government for future energy projects and £10 million from the Scottish Government for Greener Grangemouth. With contributions from Falkirk Council and Scottish Canals, total investment stands at £148.7 million.

50. Key financial information considered in forming the judgement on the council's arrangements for securing financial sustainability is outlined in Exhibit 7.

Exhibit 7
Key financial information

Budget setting	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)
Budget gap	21.0	28.7	35.1	33.7
Planned to be met via:				
• Savings and flexibilities	6.7	7.9	8.8	11.1
• Use of reserves / service concessions	10.9	15.3	22.5	11.5
• Additional council tax / funding	3.4	5.5	3.8	11.1
Actual				
Savings delivered	3.9	5.5	8.1	n/a
Reserves				
Use of / (contribution to) reserves	5.1	(57.5)	*14.9*	*n/a*
Total usable reserves carried forward	66.9	124.5	109.5	*n/a*
General Fund:				
• Earmarked	44.5	102.1	89.1	*n/a*
• Uncommitted	11.8	11.8	11.8	*n/a*

Source: Falkirk Council 2024/25 annual accounts, Falkirk Council and Executive papers

Vision, Leadership and Governance

51. We consider the council to have generally effective Vision, Leadership and Governance in place, however, we note that previous recommendations in this area are ongoing. We have considered the following when reaching this judgement:

- The council has a clear vision, strategy and priorities as set out in the Council Plan. 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. The council has advised that these have been presented to the Corporate Management Team and are due to be published following final consideration by the services. This remains in the action plan at Appendix 1.

- There has been progress in working relationships between members, and between members and officers since the position reported in the 2022 Best Value Audit Report. Through our observations of these, we have found them to be generally constructive. However, the Council will have to make more difficult decisions to address the financial challenge ahead and collaborative working is crucial to this.

- 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 invested in the council and we have seen evidence of scrutiny with Members generally taking their opportunity to comment and challenge on matters of interest.

- There is a Register of Interest available on the council's website for each elected member providing details of any financial interest or memberships held that could influence a person's actions. We previously recommended the council implement the same process and disclosure for senior officers. The council is still considering the option of introducing this but they take assurance from the Code of Conduct and updated Extra Mural Employment policy being in place. We have concluded that this recommendation remains in progress as set out in Appendix 1.

Use of Resources to Improve Outcomes

52. The council's arrangements to ensure the efficient use of its resources to improve outcomes are effective and appropriate, based on the factors set out below:

- The council has a performance management framework which reports on the 'we will' actions from the Council Plan.

- Bi-annual performance reports are presented to the Scrutiny Committee. A mid-year performance report is presented each January and a year end report is presented in September. The 2024/25 mid-year report was presented to the Scrutiny Committee in January 2025 and highlighted that a number of council indicators reported on in 2023/24 have been superseded by more relevant measures.

- Each measure is given a rating of red (target not achieved), amber (target narrowly missed) or green (on track or exceeding target). 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 provided to explain the position which is particularly important for scrutiny over those not being achieved or in declining performance.

- The report measures performance against 107 indicators, 42 of which were Local Government Benchmarking Framework (LGBF) indicators. Analysis published by the Improvement Service in March 2025, shows that, 60 (56 per cent) of indicators have improved since the base year. However, it shows a decline in performance across 42 per cent of the indicators. More detail on the council's performance progress and on specific indicators is provided from paragraph 61.

- Overall, the council is facing challenges in terms of 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 the direction of travel. The council has the building blocks in place to facilitate effective scrutiny of performance.

- The Council has developed a Community Engagement Strategy to enhance collaboration with communities and advance its key priorities. It aims to build strong, trust-based relationships through open dialogue and inclusive participation. Progress will be tracked using performance indicators and will be subject to an 18-month review.

Best Value audit

Conclusion

Falkirk Council has effective arrangements in place for securing Best Value but our recommendations show that there is more to do.

The Management Report on service transformation reported the council has effective governance arrangements in place for managing the Council of the Future programme but should improve how it reports progress to elected members.

The council has effective and appropriate arrangements in place for preparing and publishing Statutory Performance.

Audit approach to Best Value

53. 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 the body has made proper arrangements for securing Best Value, including follow up of findings previously reported in relation to Best Value.

54. 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 the council. The thematic review for 2024/25 is on the subject of service transformation and involves considering how the council is redesigning services to maintain outcomes and deliver services more efficiently. Conclusions and judgements on the thematic review are 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 but our recommendations show that there is more to do

55. Our audit work on the arrangements the council has in place for securing Best Value found these were generally effective. The council has a positive attitude to Best Value and takes on board recommendations for improvement. There is a challenge for the council in progressing a number of these actions amid the ongoing financial pressures it faces. This judgement is evidenced by:

- the audit work undertaken in each of the four wider scope audit areas
- the results of the thematic work as outlined at paragraph 56
- progress against previous audit recommendations as set out at paragraph 66 and Appendix 1.

56. As previously outlined, the Accounts Commission reports nationally on thematic aspects of council's approaches to, and performance in, meeting their Best Value duties, with the thematic review for 2024/25 on the subject of service transformation. Conclusions and judgements on the council's approach to service transformation are outlined in a separate Management Report 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 in its third wave of the Council of the Future transformation programme. The programme and individual projects are aligned with the council's priorities and financial plans, with transformation and improvement considered an enabler of the council plan. Due to this there is not a separate overarching transformation plan.
- The council faces a £58.5 million funding gap between 2025/26 and 2029/30. Previous waves of the Council of the Future programme and other council decisions have already achieved savings and changed service delivery. However, the financial challenge remains significant and the council will need to be ambitious and radical to continue to respond to this challenge.
- There is a Council of the Future Board which receives information on individual projects and savings achieved. However, this information is not published externally. There are effective arrangements for reporting progress to the senior leadership team but reporting to members could be improved.
- The council engages with communities but it is not always clear how the engagement has influenced changes to service design.
- The council acknowledges that more work could be done with partners on transformation projects as this has been very limited to date and there are no examples of projects which are jointly funded. Work has commenced in partnership with Clackmannanshire Council to review opportunities for future transformation, but this is at a very early stage.

Statutory performance information (SPI) and service performance

57. The Accounts Commission issued a Statutory Performance Information Direction which requires the council to report its:

- performance in improving services and progress against agreed desired outcomes, and
- a self-assessment and audit, scrutiny, and inspection council assessment of how it has responded to these assessments.

58. Auditors have a statutory duty to satisfy themselves that the council has made proper arrangements for preparing and publishing statutory performance information in accordance with the Direction and report a conclusion in the Annual Audit Report.

59. Audit work assessed the arrangements the council has in place for preparing and publishing SPI, including how it has responded to assessments, and concluded the arrangements in place were effective and appropriate. The council has appropriate arrangements in place to demonstrate compliance with the requirements of the Statutory Performance Direction.

60. The Accounts Commission also requires auditors to report a summary of the information on service performance reported by the council. We have outlined the process through which the council reports information on service performance at paragraph 52.

61. Overall, performance information reported by the council through its Mid-Year Performance Report presented to the Scrutiny Committee in January 2025 shows a slight decline in performance from the end of year report for 2023/24 presented to committee in September 2024. This is due to some indicators not having a full data set for the mid-year report. The report highlights that of the 107 indicators, 36 per cent were green (45 per cent in 2023/24), 7 percent were amber (18 per cent in 2023/24), 20 percent were red (37 per cent in 2023/24) and there was no data for 37 percent (0% in 2023/24). The timing of this report means the year end performance report is not yet available, however this is expected to be taken to the Scrutiny Committee in October 2025. A selection of the red indicators is noted in Exhibit 9 below:

Exhibit 9: Red Indicators

Council Priority	Indicator
Supporting Stronger and Healthier Communities	• Number of additional affordable homes - new build • Average length of time taken to relet properties in the last year (days) • Home Seeker as a percentage of applicants housed

	• Average number of days to secure permanent housing from date of homeless decision • Number of community asset transfers per year via ownership or lease • Percentage of Falkirk Council budgets subject to Participatory Budgeting • Percentage of adult support and protection referrals received by the health and social care partnership that are screened within 24 hours • Percentage of multiagency inquiries (adult support and protection referrals) completed within 5 working days • Percentage of reports of harm investigated (including visits, interviews, medical examinations, and the examination of records) within 10 working days • Percentage of rent due in the year that was lost due to voids (LGBF) • Percentage of council dwellings that meet the Scottish Housing Quality Standard (LGBF) • Percentage of adults supported at home who agree that they are supported to live as independently as possible
Promoting Opportunities and Educational Attainment and Reducing Inequalities	• Percentage of Crisis Grant Decisions within 1 day • Percentage of Community Choices Grant Decisions within 15 Days • Percentage of unemployed people assisted into work from Council operated/funded Employability Programmes (LGBF)
Supporting a Thriving Economy and Green Transition	• Employment Level - Percentage of working age people in employment • Proportion of internal floor area of operational buildings in satisfactory condition percentage (LGBF) • Percentage of unemployed people assisted into work from Council operated/funded Employability Programmes (LGBF)
Financial Sustainability	• Reducing reliance on non-recurring reserves to balance the budget gap over the period of the financial strategy
Transformation and Improvement	• Percentage of projects that have clear benefits which can be measured • Percentage of projects delivered on time and on budget

Source: Mid-Year Performance Report – The Council Plan 2024/25

62. Analysis published by the Improvement Service in March 2025, shows that, 60 (56 per cent) of indicators have improved since the base year. However, it shows a decline in performance across 42 per cent of the indicators. The most significant areas of deterioration are in adult social

work services, financial sustainability, housing services, cost indicators and satisfaction indicators. This largely aligns with the services the red indicators above relate to.

Progress against previous Best Value findings and recommendations

63. Best Value findings and recommendations have been made in previous years' Annual Audit Reports, Management Reports on themes prescribed by the Accounts Commission, and Controller of Audit Reports on the body's performance in meeting its Best Value duties.

64. Details of previous recommendations and progress the body is making against these can be seen in Appendix 1. Overall, the body is making some progress in implementing the previous recommendations made, with two of the eight recommendations made being implemented to date, and progress being made with the remaining six recommendations.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. 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

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
2. **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.	The council should enhance existing assurance processes 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

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
3. 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

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
4. **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** A task will be added to the year-end timetable to ensure that the service is contacted for verification of final housing stock figures as part of the year-end valuation process **Responsible officer** – Capital and Treasury Manager **Agreed date** – 30 June 2025	**In progress** – same issue arose in 2024/25. 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

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
5. **Revaluation of assets prior to transfer to assets held for sale** The Code of Practice on Local Authority Accounting 2023/24 requires any non-current assets transferred to the "Assets Held for Sale" to be revalued immediately prior to transfer. Audit testing found that five assets were transferred to assets held for sale in 2023/24, none of which were revalued prior to transfer. There is a risk that the assets held for sale are not accounted for in accordance with the relevant guidance.	The council should ensure that any assets transferred to assets held for sale in future are revalued immediately prior to transfer to ensure the correct accounting treatment is applied. **Accepted** The service has added this step to their annual revaluation programme. In addition, Finance will include a follow up action point as part of the Finance liaison meetings held bi-monthly with the service and will add this as a year-end timetable ask. **Responsible officer** – Capital and Treasury Manager **Agreed date** – 30 June 2025	**Complete**.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
6. **Adjustment to the MIRS** The Movement in Reserves Statement includes an entry for adjustments between the accounting basis and funding basis. Audit testing found that a balancing figure of £1.8 million had been applied to balance the Comprehensive Income and Expenditure Statement (CIES) with the MIRS and the unusable reserves. Officers investigated the reason for the difference but were unable to identify where the difference had arisen but were satisfied that it lay within the unusable reserves balances rather than impacting the revenue accounts. There is a risk that the reserve movements are mis-stated.	The council should review the arrangements for accounting for movements in reserves in 2024/25 to ensure that all movements are fully supported. **Accepted** Work has started on the review. **Responsible officer –** Senior Corporate Finance Manager **Agreed date –** 30 June 2025	**Complete**. The issue identified in 2024/25 has been resolved for the 2025/26 unaudited annual accounts.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
7. **Reserves Strategy** A reserves strategy provides a strategic overview of how the council plans to build and utilise reserves and is an essential tool in supporting the financial sustainability of the council. The reserves policy the council operates by has not been formally refreshed since 2012. There is a risk the council does not have a clear overview of how it plans to build and utilise its reserves.	Management should prepare a refreshed reserves strategy which sets out the council's approach to managing reserves. **Accepted** The Reserves Policy has been reviewed since 2012 with these reviews approved by Council. However, the last stand alone document for the Reserves Policy was 2012. Various reports to Members including Budget reports and the Financial Strategy have included commentary and recommendations about the prudent use of reserves, emphasising that recurring expenditure should be met from recurring income and that the use of non-recurring reserves should be kept to a minimum. Going forward, a clear update of the Reserves Policy will be included as part of the Budget Report and/or Financial Strategy as appropriate. **Responsible officer** – Chief Finance Officer **Agreed date** – 31 March 2025	**Complete** The reserves strategy refreshed as part of the 2025/26 budget setting process.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
8. **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 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.	NFI reporting arrangements could be enhanced to provide clearer oversight to senior officers and elected members. **Accepted** This work is already underway as part of the NFI self assessment. **Responsible officer** - Internal Audit, Risk, and Corporate Fraud Manager **Agreed date** – By May 2025	**In progress** 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 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

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
9. **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 a 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** The Council will put in place arrangements for an annual reminder to councillors to review their registered interests. In relation to senior officers, the Council will give consideration to the introduction of a register similar to that applicable to councillors. **Responsible officer** – Chief Governance Officer **Agreed date** – 31 March 2025 / 30 June 2025	**In progress** 1) 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. 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

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
10.**Expenditure from the Falkirk Temperance Trust** The Falkirk Temperance Trust was established to provide support for people affected by addiction. There has been no activity through the Trust in recent years due to the conditions attached to applications to the Trust. Capacity constraints have prevented the council from taking the necessary legal steps to make the money held in Trust more accessible. There is a risk that the intended benefits of the Trust are not being met.	The council should explore options to expend the funds held in the Falkirk Temperance Trust to deliver support for people affected by addiction in the Falkirk area. **Accepted** The Council will work with the Trustees to explore options that may be available to allow the funds to expended to support people affected by addiction. **Responsible officer** – Chief Governance Officer and Chief Finance Officer **Agreed date** – 31 March 2026	**In progress** Due to workload pressures, this work has not been prioritised. However, the Council retains an ambition to review this area when resources allow. A separate Annual Audit Report is now in place for Falkirk Temperance Trust so this issue will be taken forward within that report.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
11.**Tracking recommendations** The Audit Committee should be provided with regular reports tracking the implementation of audit recommendations. There is a risk that recommendations are not being implemented in a timely and satisfactory manner.	The council should introduce an audit recommendations tracker report which should be considered by the audit committee. Six monthly reporting on Internal Audit recommendations is already undertaken. Options will be explored on the mechanism for reporting External Audit and other related Inspections recommendations on a six-monthly basis. **Responsible officer** - Amanda Templeman **Agreed date** - 30 April 2024 Some progress has been made in this area. The report to the Audit Committee in June 2024 on the annual accounts included an appendix with progress on the 2022/23 External Audit recommendations. Officers will consider whether a more regular update is required. If so, this is likely to come to the October or February Audit Committee.	**Complete** Progress on External Audit Recommendations has been reported during the presentation of the 2023/24 unaudited annual accounts and the 2024/25 unaudited annual accounts. Consideration will be given to increasing the reporting period to six monthly.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
12.**b/f 4. Self-assessment against CIPFA Financial Management Code** Despite our recommendation in 2020/21, the Council has not yet conducted a self-assessment against the CIPFA Financial Management Code. This became a requirement for all local government bodies in 2021/22.	The Council should conduct a self-assessment against the CIPFA Financial Management Code. The Audit Committee should consider the self-assessment and scrutinise implementation. This remains part of the Financial Improvement Plan but has been delayed due to resourcing issues. Responsible Officer - Amanda Templeman Agreed date - 30 June 2024 The 30 June 2024 target was not met. However, there is still a commitment to carry out a Financial Management Code self-assessment. Responsible Officer - Amanda Templeman Agreed date - 31 March 2025	**Complete** A self-assessment against the CIPFA Financial Management Code has been carried out and the findings have been considered by CMT and the Financial Strategy Group.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
13.**b/f 6. IFRS 16 preparedness** As we have highlighted for a number of years, the Council will be required to adopt IFRS 16 in 2021/22. Early preparation should assist an efficient preparation and audit of the financial statements.	Preparations are currently ongoing and arrangements will be put in place to comply with the Code and reporting requirements. The Implementation date for IFRS 16 has been delayed a number of times and is currently 1 April 2024. Arrangements will be put in place to comply with the Code. Responsible Officer – Danny Cairney Agreed date – 30 June 2024 Work is currently underway to ensure arrangements are in place to comply with the Code for 2024/25. Responsible Officer – Senior Corporate Finance Officer Agreed date – 30 June 2025	**Complete** IFRS 16 implemented in 2024/25. Matter superceded by events.

2024/25 Best Value Thematic recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
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.	**Management response** An assessment of performance on COTF savings will be incorporated into the annual Budget report, the annually updated Financial Strategy and the End of Year performance report. **Responsible officer** Chief Finance Officer **Actioned by** Autumn 2025

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
2. Elected member reporting Reporting to elected members is currently project specific and lacks an overarching view of transformational activity. **There is a risk that elected members do not have appropriate oversight of the overall transformation programme.**	The council should enhance reporting to elected members to ensure they have oversight of the full transformation programme.	**Management response** Information on the Transformation Programme will be incorporated into the annual Budget report and annually updated Financial Strategy, enabling two updates to Members per year on the programme. **Responsible officer** Chief Finance Officer **Actioned by** Autumn 2025
3. Partnership working To date the council has focussed on internal transformation and has not involved partners in this process. **Without external collaboration opportunities to provide sustainable local services may be restricted.**	The council should consider where there are further opportunities to deliver more radical transformational change alongside its partners.	**Management response** Consideration will be given to further opportunities for radical transformation alongside partners, following receipt of the Discovery report being developed in partnership with Clackmannanshire Council. This will enable the Council to consider opportunities internally, with Clackmannanshire, and where appropriate, with other partners. **Responsible officer** Director of Transformation, Communities & Corporate Services **Actioned by** Autumn 2025

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
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. **There is a risk that the council does not identify and mitigate against potentially negative impacts of its transformational activities on communities.**	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.	**Management response** Consideration will be given to appropriate community engagement in line with the Council's recently revised Community Engagement Strategy, for relevant areas of work. This will be incorporated into reports presented to Committee/Council for decisions. **Responsible officer** All Directors **Actioned by** As and when relevant reports are presented to Committee/Council for decisions.
5. 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

Progress against previous Best Value findings and recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
1. **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 renewed service plans which are due to be published. **Management action**: All Services are due to review their workforce plans. The recommendations from Audit Scotland will be built into this review and workforce plans will be submitted to CMT to ensure oversight and consistency. **Date**: By December 2024 **Responsible officer**: All Directors with support from HR.	**In progress** 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

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
2. **Employee engagement** The council did not engage directly with staff in developing the workforce strategy.	The council should engage with employees as part of its annual review of the Workforce Plan. **Management action**: As part of the review of the Workforce Plan, engagement will continue to be undertaken with Trade Unions on the content. In addition, the Plan will be made available to all employees to submit views and comments prior to submission for approval. We will also look at Service based focused groups to discuss Service Workforce Plans. **Date**: By March 2025 **Responsible officer**: Human Resource and Payroll Manager supported by Service Directors.	**Complete** Employees were able to comment on the draft plan as part of the normal consultation process. Minimal comments were received.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
3. **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. **Management action**: Workshops with all Services will take place to ensure the refreshed Digital strategy meets service delivery requirements and supports successful delivery of the Council Plan priorities. **Date**: By the end of 2024 An action plan and success measures will be built into the final draft of the strategy which will be submitted to Committee for approval. **Date**: By summer 2025 **Responsible officer**: Chief Finance Officer	**In progress** This action has been agreed and will be part of the updated Digital Strategy to be presented to Members during 2025/26. A Digital Falkirk Update showing targets, progress and achievements was provided to CMT on 4 April 2024 and to Scrutiny Committee on 30 May 2024. A working group with representation from all Services has been established to refresh the Digital Strategy and the first draft of the new strategy was provided to the Digital, Technology and Innovation Board on 10 September25. Responsible officer: Innovation and Digital Manager Agreed date: 29 January 2026

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
4. **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: Information on hybrid working as assessed by each Service, will be incorporated into the review of workforce plans by each Service. **Date**: By December 2024 A survey to fully assess the impact of hybrid working from an employee and manager perspective will be undertaken. **Date**: By March 2025 Future workforce plans will incorporate any actions flowing from the survey of employees on hybrid working. **Date**: By autumn 2025 Responsible officer: Resource and Payroll Manager with support from Directors.	**In progress** 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

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
5. **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**: An assessment of good practice on skills assessments will be undertaken to inform the development of this work. **Date**: By the end of 2024 An assessment will be made of the desired future workforce profile to meet the future strategic needs of the Council. **Date**: By spring 2025 A mechanism will be put in place to assess the current skill profile of the workforce relative to the future profile. An assessment and action plan will be developed to support a transition of skills across the workforce to bridge any gaps identified. **Date**: By the end of 2025 **Responsible officers**: Human Resource and Payroll Manager and Innovation and Digital Manager.	**In progress** 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 Officer] Agreed date: March 2026

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
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.	**Management action**: A review of the various new techniques to improve recruitment and retention will be undertaken and reported to CMT. **Date**: By the end of 2024 and ongoing as new techniques are introduced. Workforce performance measures will be assessed, taking into account emerging themes from the latest employee experience survey and incorporated into workforce plans and the Councils public performance reporting tools. **Date**: By Q2 of the new year of public performance reporting (due early 2025) **Responsible officer**: Human Resource and Payroll Manager with support from Directors.	**In progress** The council has progressed to support improved recruitment, including: • Advert text template to ensure all job adverts follow a consistent format. • Information on the My Job Scotland website where all roles are advertised has been improved. • Videos have been used to support recruitment advertising and has proven to gather much greater engagement than providing the detail in text format. • Graduate advertising campaign ran to promote multiple new graduate posts being advertised. • The video gained a high level of views and engagement and the highest average number of applications per post since 2011. Workforce Performance measures have been identified and an annual report will be submitted to CMT for monitoring. A further employee survey is being progressed in October 2025 to assess employee experience. Responsible Officer: Human Resources and Payroll Manager Agreed date: January 2026

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
7. **b/f 2. Community Engagement** The council has taken considerable steps to enhance its community engagement and there is clear evidence that feedback from respondents has been reflected in decisions taken. The council should continue to build on the progress made by ensuring these improvements are fully embedded across all areas. There is a risk that some consultations are not performed in sufficient time or to an appropriate degree to allow communities to be involved in decisions.	The council should implement its community engagement strategy and ensure that its improved approach of there is meaningful, quality consultation is fully embedded across all areas to ensure with stakeholders to ensure they are involved in the council's decision-making. These actions are being taken forward as part of the Council's approach to community engagement. Responsible officer – Head of Housing and Communities Agreed date – 31 March 2024 A Policy Development Panel was commissioned in December 2023 and work began to develop the new Engagement & Consultation Strategy. The final strategy is expected to be published by January 2025.	**Complete** The new Community Engagement Strategy 2025 – 2028 was approved by the Council at the end of December 2024.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
8. b/f 5. The council has high-level service plans in place for Place Services and Transformation, Communities and Corporate Services, and Children's Services is working to its Community Learning and Development Plan and Education Service Recovery Improvement plan. 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. There is a risk that there is a lack of clarity and accountability over how the priorities set out in the Council Plan will be delivered.	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. Agreed. The Council is committed to reviewing its service planning process. Responsible officer - Amanda Templeman Agreed date - 31 March 2024	**In progress** Service Plans have been developed through spring and summer with services and align to the Council Plan and the requirements as set in the SPI Direction, December 2025. The new Service plans were discussed and approved at Corporate Management Team in August 2025. These will be published at the end of September 2025, with Mid Year reporting to Senior Management Teams in October 2025. Responsible officer: Chief Finance Officer Agreed date: 31 October 2025

9. **b/f 7. Alignment between the Council Plan and supporting strategies and plans** The council has a suite of strategies and plans that sit below the Council Plan to demonstrate how the council's priorities will be met. In general, these pre-date the new council plan so work is required to refresh all supporting plans to ensure they reflect the current priorities and provide a framework to support delivery of the priorities. There is a risk that the council does not have appropriate strategies and plans in place to support delivery of the Council Plan.	The council has plans in place to refresh the financial strategy and workforce plans in September 2023. The council should ensure that the refreshed plans reflect its current priorities and should refresh other supporting plans to ensure a golden thread between the Council Plan 2022 – 2027 and supporting strategies and plans. Agreed. The documents being presented to Council in September 2023 reflect the Council Plan priorities and aim to show the 'golden thread'. As strategies and plans are updated, these will reference Council Plan priorities. Responsible officers - All Directors The Workforce Strategy and Council Workforce Plan was approved by Council in September 2023. This sets out the council's priorities and how the workforce will support the delivery of these priorities. There is clear linkage between the Council Plan and the Workforce Strategy and Council Workforce Plan. The Financial Strategy 2024/25 – 2028/29 was approved by Council in September 2023. This sets out the council's priorities and how budget decisions align to these. Digital Strategy – currently being reviewed ahead on implementation in 2025 at the latest. The current Digital	**In progress** Financial Strategy updated. The Workforce Strategy and Council Workforce Plan was approved by Council in September 2023. At this time, we gave a commitment to review this in 2024 to ensure that it remained fit for purpose. The Workforce Strategy was refreshed in December 2024 following a thorough review to ensure it remained aligned to the outcomes from the employee experience work and Best Value Actions. The Councils Workforce Plan was refreshed in May 2025. Work continues on the update of the Digital Strategy which is likely to be presented to Members for approval in this financial year (2025/26). Responsible officer: Innovation and Digital Manager Agreed date: January 2026

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
	Strategy covers the period 2020/2025.	

Appendix 2

Summary of uncorrected misstatements

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
Uncorrected misstatements		**Dr**	**Cr**	**Dr**	**Cr**
		£000	**£000**	**£000**	**£000**
1. Provision for impairment of housing benefit overpayments debtors overstated					
	Housing benefit overpayments		800		
	Provision for impairment of housing benefit overpayments			(800)	
2. Valuation of Council Dwellings overstated					
	Revaluation Reserve			3,000	
	Non-current assets – council dwellings				(3,000)
3. Valuation of Right of Use assets overstated					
	Creditors – lease liabilities			1,059	
	Non-current assets – Right of Use assets				(1,059)
Uncorrected misstatements in disclosures			**800**	**3,259**	**(4,059)**

Appendix 3

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2024/25	15 May 2024
Scotland's colleges 2024	19 September 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Transformation in councils	1 October 2024
Alcohol and drug services	31 October 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
NHS in Scotland 2024: Finance and performance	3 December 2024
Auditing climate change	7 January 2025
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Transparency, transformation and the sustainability of council services	28 January 2025
Sustainable transport	30 January 2025
A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study	20 February 2025
Additional support for learning	27 February 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
General practise: Progress since the 2018 General Medical Services contract	27 March 2025
Council Tax rises in Scotland	28 March 2025

Falkirk Council

2024/25 Annual Audit Report

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