

Falkirk Council

2023/24 Annual Audit Report



Prepared for the Members of Falkirk Council and the Controller of Audit
October 2024

Contents

Key messages	3
Introduction	5
1. Audit of 2023/24 annual accounts	7
2. Best Value	16
3. Financial management	20
4. Financial sustainability	29
5. Vision, leadership and governance	34
6. Use of resources to improve outcomes	37
Appendix 1. Action plan 2023/24	43

Key messages

2023/24 annual accounts

- 1 Audit opinions on the annual accounts of the council, its group and the section 106 charity administered by the council are unmodified.
- 2 Material and non-material adjustments have been made to the annual accounts as a result of the audit process.

Best Value

- 3 Our thematic review of Workforce Innovation identified several areas for improvement and actions were agreed with management.
- 4 In May 2024 the Accounts Commission concluded that substantial improvements had been made since the Best Value Assurance Report in 2022, but noted there was still work to do.
- 5 Good progress has been made in addressing the recommendations made in the 2022/23 best value thematic report.

Financial management

- 6 Effective and appropriate budget monitoring arrangements are in place.
- 7 The council operated within budget in 2023/24 and achieved 70 percent of planned savings. However, the housing revenue account reported a deficit of £3.3 million.
- 8 The council's usable reserves balance increased by £57.5 million at 31 March 2024, primarily due to the release of service concessions.
- 9 The significant improvements in capital programming realised in 2022/23 were sustained in 2023/24 however the reach of spend has been impacted by inflationary cost pressures.

Financial sustainability

- 10 The council approved a balanced budget for 2024/25 in March 2024 which implemented the nationally set, council tax freeze.
- 11 The council's Financial Strategy 2024-25 to 2028-29 was approved by Council in September 2023 and provides clear direction on how the council will deploy its financial resources to achieve council priorities. The Strategy highlights a funding gap of £64.4 million for the period 2024/25 to 2028/29.

- 12** The PFI contract for five schools will terminate in August 2025, at which time, ownership of the schools will transfer to the council. The council is taking the appropriate steps to manage the termination of the contract.
- 13** The council has entered into a partnership with others to operate the Forth Green Freeport, a project which aims to deliver grow the local economy, create high quality jobs and support the transition to net zero.

Vision, leadership and governance

- 14** The council has a clear vision, strategy, and priorities as set out in the Council Plan.
- 15** Effective and appropriate governance arrangements in place that support scrutiny of decisions made by the Council.

Use of resources to improve outcomes

- 16** Performance reporting arrangements have been enhanced to provide a more comprehensive suite of indicators which align with the Council Plan.
- 17** Local Government Benchmarking Framework (LGBF) analysis shows the council is improving against 60 percent of the indicators while there has been a deterioration in performance against 37 percent of the indicators.
- 18** The council has arrangements for the preparation and publication of Statutory performance information (SPIs).
- 19** The council works well with partner bodies but has not yet implemented joint working on a significant scale.
- 20** The Falkirk Temperance Trust has been set up to provide support to people affected by addiction in the Falkirk area but there has been no expenditure to deliver this support in recent years. This is in part due to the tight conditions of the trust.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of Falkirk Council (the council). The scope of the audit was set out in the Annual Audit Plan presented to the April 2024 meeting of the Audit Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of the council's annual accounts
- conclusions on the council's performance in meeting its Best Value duties
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes.

2. This report is addressed to the Members of Falkirk Council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment

3. I, Pauline Gillen, have been appointed by the Accounts Commission as auditor of Falkirk Council for the period from 2022/23 until 2026/27.

4. My team and I would like to thank councillors, audit committee members, senior management, and other staff, particularly those in finance, for their cooperation and assistance in this year's audit and we look forward to working together constructively over the remainder of the five-year appointment.

Responsibilities and reporting

5. Falkirk Council (the council) has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The council is also responsible for compliance with legislation, and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

6. The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice 2021](#) and supplementary guidance, and International Standards on Auditing in the UK.

7. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of the council from its responsibility to address the issues raised and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

Auditor Independence

9. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2023/24 audit fee of £398,510 as set out in our 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. The annual audit adds value to the council by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

1. Audit of 2023/24 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Audit opinions on the annual accounts of the council, its group and the section 106 charity administered by the council are unmodified.

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

Audit opinions on the annual accounts are unmodified

11. The council approved the annual accounts for Falkirk Council and its group for the year ended 31 March 2024 on 29 October 2024. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report was prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.
- the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Overall materiality was assessed on receipt of the unaudited annual accounts as £17.2 million

12. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

13. Our initial assessment of materiality was carried out during the risk assessment phase of the audit. This was reviewed on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£17.2 million
Performance materiality	£10.3 million
Reporting threshold	£0.340 million

14. The overall materiality threshold for the audit of the annual accounts of the council was set with reference to gross expenditure, which was judged as the figure most relevant to the users of the financial statements.

15. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 60% of overall materiality, reflecting the fact that this was the second year of our audit appointment and there were no significant errors identified in 2022/23 notwithstanding the national issue around accounting for a net pension asset which resulted in a material change to the unaudited accounts.

16. It is our responsibility to request that all misstatements, other than those below the reporting threshold The final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

17. Under ISA (UK) 260, we communicate significant findings from the audit to the council, including our view about the qualitative aspects of the council's accounting practices.

18. The Code of Audit Practice also requires me to highlight key audit matters, which are defined in ISA (UK) 701 as those matters judged to be of most significance.

19. The significant findings including key audit matters, are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters from the audit of the annual accounts

Issue	Resolution
<p>1. Valuation of Council Dwellings overstated</p> <p>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.</p> <p>The valuation is based on housing stock figures provided by the council in advance of the valuation date of 31 March 2024. Officers advised that as the figures supplied to the DV are based on estimates at the time sent, there may be differences by the year end. The housing stock figures provided for the 2023/24 valuation were overstated by 90 properties compared to what was reported in the Housing Revenue Account.</p> <p>The average value per property is £31,121. Given the valuation was based on 90 additional properties, council dwellings is overstated by around £2.8 million.</p> <p>A revaluation reserve balances exist 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.</p>	<p>The error is below materiality and has not been adjusted in the annual accounts. The council has agreed to enhance its year-end procedures to identify any material change in housing stock numbers between those provided to the valuer and those reported in the annual accounts.</p> <p>Recommendation 1 (Refer Appendix 1, action plan)</p>
<p>2. Revaluation of assets prior to transfer to assets held for sale</p> <p>The Code of Practice on Local Authority Accounting 2023/24 requires any non-current assets transferred to "Assets Held for Sale" to be revalued immediately prior to transfer with any gain or loss being addressed through the Revaluation Reserve where possible before any residual losses are charged to the Comprehensive Income and Expenditure Statement. Any further losses arising after transfer cannot be addressed through any Revaluation Reserve balance. These would be accounted for as a charge to the CIES.</p> <p>In 2023/24, the council transferred the site of the former Municipal Buildings asset from surplus assets to assets held for sale but there was no revaluation immediately prior to the transfer.</p>	<p>The error is below materiality and has not been adjusted in the annual accounts.</p> <p>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.</p> <p>Recommendation 2 (Refer Appendix 1, action plan)</p>

Issue	Resolution
<p>The asset was included in the annual accounts at a value of £4 million. However, an offer was approved in August 2024 to sell the land at £6.2 million, less any abnormal costs that have yet to be identified and quantified. This means that the value being carried in the annual accounts could be understated by up to £2.2 million.</p> <p>The council transferred a further four assets to assets held for sale in 2023/24, none of which were revalued prior to transfer. Indications are that any error in the carrying value of these is not material to the accounts. However, the council has not acted in accordance with the Code of Practice in accounting for these assets.</p>	
<p>3. 2023/24 Pension accounting entries</p> <p>The council is a member of Falkirk Council Pension Fund. Valuation of pension fund assets and liabilities is assessed by an independent firm of actuaries (Hymans Robertson LLP). Pension assets and liabilities are calculated annually for each individual member body, by the actuary, for inclusion in the annual accounts.</p> <p>As was the case in 2022/23, the council's 2023/24 pension valuation showed an asset of £194.829 million (2022/23: asset of £211.175 million). Proper accounting practice, as outlined in International Accounting Standard (IAS) 19 and International Financial Reporting Interpretations Committee (IFRIC) 14 requires the measurement of a net defined benefit asset to be limited to the lower of the surplus in the defined benefit plan and the pension asset ceiling.</p> <p>The actuary provides the council with an annual report which sets out the information required for inclusion in the council's accounts, including the impact of applying the asset ceiling. An initial report was provided to the council on 30 April 2024 however this did not contain all of the information required to prepare the accounts. A further report was issued to the council on 29 May 2024. Our testing found that the entries in the accounts had been prepared using the earlier report, rather than the later, more comprehensive report. We also found that the council did not make use of the additional asset ceiling calculation paper provided by the actuary.</p>	<p>Applying the information provided by the actuary resulted in the pension asset increasing to £109.950m in the SOFP.</p> <p>A liability of £29.950m was created in the SOFP in respect of the unfunded liabilities related to the award of discretionary benefits.</p> <p>The appropriate adjustments were made to the CIES.</p> <p>The pension reserve was adjusted to provide the contra-entry to the above adjustments.</p>

Issue	Resolution
<p>This led to the following errors in the unaudited accounts:</p> <ul style="list-style-type: none"> • The asset ceiling report from the actuary calculated an asset ceiling of £109.335 million. This should have been recognised in the Statement of Financial Position (SOFPI). • The actuaries report to 31 March 2024 included £29.95 million of unfunded liabilities. This should be presented on the SOFPI as a liability separate to the asset described above. The unaudited accounts did not include this liability. • There are also entries to the Comprehensive Income and Expenditure Account (CIES) as a result of IAS 19: <ul style="list-style-type: none"> ○ pension interest cost and interest income on plan assets ○ remeasurements of pension assets/liabilities ○ effect of the asset ceiling limitation on the net defined benefit asset. <p>Each of these lines in the CIES required correction to reflect the updated IAS 19 report and the impact of the asset ceiling correction.</p>	
<p>3. Prior period adjustment for pension accounting entries</p> <p>As reported in the 2022/23 Annual Audit Report and above, the council reported a net pension asset in the 2022/23 unaudited accounts. The asset ceiling calculation reduced this to nil in the audited Statement of Financial Position.</p> <p>Last years actuary report, also reported an unfunded liability of £30.393 million. The accounts last year did not present this as a separate liability in the Statement of Financial Position. As the value of this is above materiality the prior year accounts require restatement to account for this. The 2022/23 annual accounts did not disclose the unfunded liability separately as the guidance on this was finalised after the annual accounts were approved.</p>	<p>A prior year adjustment was made to the annual accounts.</p>
<p>4. Accounting adjustment in the MIRS</p> <p>The Movement in Reserves Statement (MIRS) includes the line “adjustments between accounting</p>	<p>We are satisfied that there is no impact on the revenue balances so there is nil overall effect in the accounts. Officers plan to undertake further work to review</p>

Issue	Resolution
<p>basis and funding basis under regulations". These adjustments are broken down in note 9 of the accounts and include adjustments for depreciation, impairment and the downward revaluation of non-current assets among others.</p> <p>Audit testing found a difference of £1.8 million between the £46.034 million included in note 9 and the £44.234 million included in the supporting schedules. Officers advised that they had applied a £1.8 million amendment to balance the Comprehensive Income and Expenditure Statement (CIES) with the MIRS and the unusable reserves as the adjustments through the revenue account did not match with the reserve movement. The council investigated the reason for the difference further but was unable to identify a clear explanation. They were able to demonstrate that the difference lay in the reserve movements so there was no impact on the General Fund balance or the Housing Revenue Account.</p>	<p>and improve accounting for the reserve movements in 2024/25.</p> <p>Recommendation 3</p> <p>(Refer Appendix 1, action plan)</p>

Audit work responded to the risks of material misstatement we identified in the annual accounts

20. We obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements identified in our 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Assessed the design and implementation of controls over journal entry processing.</p> <p>Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Tested journals at the year-end and post-closing entries</p>	<p>We did not identify any significant issues within our work on journals. Our testing of accruals and prepayments did not identify any errors and there were no significant transactions outside the normal course of business.</p>

Audit risk	Assurance procedure	Results and conclusions
	<p>and focus on significant risk areas.</p> <p>Considered the need to test journal entries and other adjustments throughout the year.</p> <p>Evaluated significant transactions outside the normal course of business.</p> <p>Assessed the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</p> <p>Assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>Substantively tested income and expenditure transactions around the year-end to confirm they were accounted for in the correct financial year.</p> <p>Performed focussed testing of accounting accruals and prepayments.</p>	

21. In addition, we identified “areas of audit focus” in our 2023/24 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. These areas of specific audit focus were:

- Estimations in valuation in land and buildings:** There is a significant degree of subjectivity in the valuation of land and buildings. We assessed the approach the council has adopted to ensure that assets are not materially misstated and reviewed the work of management’s experts in this area. We identified some errors as reported in Exhibit 2 however these were considered to be isolated errors rather than an issue with the valuation of land and buildings as a whole.
- Estimations in valuation of pension assets and liabilities:** There is a significant degree of subjectivity in the measurement and valuation of

the pension assets and liabilities. We reviewed the work of management's expert in this area and the communications between the council and the actuary to ensure the valuations were based on appropriate information. We found the arrangements in place to be satisfactory. However, other issues were identified with pensions accounting as set out at [Exhibit 2](#) above.

22. Based on the findings of the audit procedures performed, there are no further matters which we need to bring to your attention.

There were two of non-material misstatements identified within the financial statements

23. As outlined at [Exhibit 2](#), the audit team identified three misstatements which were not corrected by management in the audited accounts. We considered the size, nature and circumstances leading to all uncorrected misstatements, individually and in aggregate, and concluded that these were not material. The net impact of the two non-current assets misstatements is that the non-current assets are overstated by £0.5 million. The £1.8 million misstatement is an error within the reserve movements and has no impact on the General Fund or HRA.

The unaudited annual accounts were received in line with the agreed audit timetable

24. The unaudited annual accounts were received in line with the agreed audit timetable on 27 June 2024. We were provided with an initial package of working papers to support the unaudited accounts and further working papers were provided on request. There was a notable improvement in the timing of response to audit requests during the audit process which helped ensure the flow of the audit and the timeous resolution of outstanding matters. Going forward, we will seek to continue to build on this progress with a view to receiving a full suite of working papers, as set out the working papers checklist, at the start of the annual accounts audit process.

Our audit opinions on Section 106 charities were unmodified

25. Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of Falkirk Council are sole trustees, irrespective of the size of the charity. For Falkirk Council, the Temperance Trust is the only registered charity where the Members of the council act as sole trustees.

26. Our audit opinions on the Section 106 charity are unmodified.

Good progress was made on prior year recommendations

27. The council has made good progress in implementing the agreed prior year audit recommendations. From the 15 recommendations made and brought forward from 2022/23, 10 are complete, one has yet to be actioned and four are in progress. For actions in progress and not yet implemented, revised

responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Best Value

Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions.

Conclusions

Our thematic review of Workforce Innovation identified several areas for improvement and actions were agreed with management.

In May 2024 the Accounts Commission concluded that substantial improvements had been made since the Best Value Assurance Report in 2022, but noted there was still work to do.

Good progress has been made in addressing the recommendations made in the 2022/23 best value thematic report.

Best Value work in 2023/24

28. Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions. Expectations are laid out in the [Best Value Revised Statutory Guidance 2020](#).

29. As set out in the [Code of Audit Practice 2021](#), Best Value audit is integrated with other wider-scope annual audit work. For 2023/24 the scope of Best Value work included conclusions on:

- The Accounts Commission's requested thematic work on workforce innovation
- Progress made against Best Value improvement actions made in previous years
- Effectiveness of council performance reporting
- Council service performance improvement.

30. In addition to the work set out in the remainder of this section, Best Value work has informed the content and conclusions set out in parts 3 to 6 of this Annual Audit Report.

Workforce Innovation – how councils are responding to workforce challenges

31. Annual thematic Best Value work is set by the Accounts Commission. For the 2023/24 financial year, auditors were asked to focus on workforce

innovation within the council. The results of this work were reported to [Falkirk Council](#) in June 2024. This report will be published on the Audit Scotland website soon.

32. The key findings in this report are:

- In September 2023 the council published its Workforce Strategy and Workforce Plan 2023-27. These are aligned with the priorities and enablers contained within the Council Plan 2022-27. Both the workforce strategy and plan support the enabler within the Council Plan of a 'Valued Sustainable Workforce'.
- In developing the workforce plan, the council considered its financial strategy and also consulted with trade unions, but staff groups were not directly consulted. The Workforce Plan 2023-27 contains a range of demographic workforce data. Service plans report on workforce profile and future requirements, but the level of detail included varies across services.
- The council's Digital Falkirk Strategy 2020-25 is integral to the council's transformation agenda. The strategy did not outline expected resource efficiencies or contain targets linked to the ambitions across the six digital priority areas, but there are a range of digital and data projects underway.
- Digital skills and leadership are key strands of the council's digital strategy. The council recognises the need to increase digital skills capacity across services, but it would benefit from assessment of its current digital skills profile, versus what it requires in the future, and where any gaps exist across services.
- Flexible and hybrid working arrangements are embedded across the council workforce. The council has a hybrid working policy in place and staff have to apply to become a hybrid worker. By April 2024, 1,685 employees have opted to work in a hybrid way, representing 22 per cent of the council's total headcount workforce. The council has not yet reported the impact of these arrangements on productivity or staff wellbeing. Workforce engagement data demonstrates that flexible working is valued by staff.
- The development of the Health and Social Care Partnership (HSCP) Workforce Plan 2022-25 endorsed a partnership approach. The council and the HSCP have introduced a number of initiatives to improve the skills and capacity of its future and existing workforce. There have been no formal evaluations of these programmes and more could be done to demonstrate the overall impact they will have.
- The council shares some posts with other councils but has not implemented joint working on a significant scale. The council collaborates with partners more widely through partnerships such as the Health and Social Care Partnership (HSCP), Community Planning Partnership (CPP), and the Falkirk City Region and Growth deal.

- The temporary workforce has increased since the pandemic and now makes up 12 per cent of total staff numbers. Individual services report on their casual and agency staff costs, and this is considered by the Corporate Management Team, but the council does not have comprehensive oversight of total casual and agency headcount or whole-time equivalent numbers, which presents a gap in its workforce planning analysis.
- The Workforce Plan 2023-27 contains an action plan that is linked to the six themes from the Workforce Strategy. The council has arrangements in place to monitor progress against its Workforce Strategy 2023-2027. It has identified three key performance measures to assess impact against the strategy. These are incorporated in the council's refreshed performance management framework, Falkirk Performs. The council also utilises employee experience data to assess progress, but there is scope to develop a broader range of measures to assess impact.
- Most service workforce plans do not identify specific performance measures. The council plans to review its workforce plan on an annual basis to support ongoing monitoring and improvement.

33. The audit recommendations made in Best Value thematic report, with the management responses, are included in Appendix 1 of this report. We will report on the progress over the term of our audit appointment.

In May 2024 the Accounts Commission concluded that substantial improvements had been made since the Best Value Assurance Report in 2022, but noted there was still work to do.

34. The 2022/23 Best Value thematic report on the leadership of the development of new strategic priorities was presented to the [Audit Committee](#) in November 2023. It reported that the council's leadership had been effective in setting out a clear vision and priorities in the Council Plan 2022-27 (Council Plan), but work was now required to ensure the council take the decisions necessary to address the challenges it faces. It concluded that the council had taken clear steps to deliver on the principles of best value, but further work was now required around aligning supporting plans and strategies with the Council Plan, ensuring the budget clearly aligns to the council's priorities, strengthening community engagement arrangements and developing a Climate Emergency Strategy.

35. The findings and eight improvement recommendations reported in the 2022/23 Best Value thematic report were also included in our 2022/23 Annual Audit Report that was presented to the [Audit Committee](#) in November 2023.

36. Once over the course of a five-year audit appointment, the annual audit report for each council is reviewed by the Accounts Commission, through a Controller of Audit report. These reports cover the latest annual audit report and include a summary of Best Value work and judgements reported. The Accounts Commission undertook this review in 2024 for Falkirk Council which was based

on the 2022/23 Annual Audit Report for the council, which included the findings from the Best Value thematic report referred to above.

37. The Accounts Commission agreed to make findings on the Controller of Audit's Statutory Report on Best Value in Falkirk Council at its meeting on 18 April 2024. The Commission's findings together with the report were published on 2 May 2024 and were presented to the [Council meeting](#) held on 26 June 2024.

Good progress has been made in addressing the recommendations made in the 2022/23 best value thematic report

38. The report to Council highlights that the findings from the Accounts Commission reflect the Best Value recommendations included in our 2022/23 Annual Audit Report. As part of our 2023/24 audit, we followed up on the agreed actions (see [Appendix 1](#)) and we concluded that the council has made good progress in addressing these recommendations.

3. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Conclusion

Effective and appropriate budget monitoring arrangements are in place.

The council operated within budget in 2023/24 and achieved 70 percent of planned savings. However, the housing revenue account reported a deficit of £3.3 million.

The council's usable reserves balance increased by £57.5 million at 31 March 2024, primarily due to the release of service concessions. Service concessions are funded from borrowing and are not cash balances that can be used to fund services.

The significant improvements in capital programming realised in 2022/23 were sustained in 2023/24 however the reach of spend has been impacted by inflationary cost pressures.

The council operated within budget in 2023/24

39. The council approved its 2023/24 budget on 2 March 2023. The budget was set at £427.7 million with a funding gap of £23.2 million. The budget was subsequently revised to £447.8 million during the year. Per the annual accounts, the council reported outturn expenditure of £441.9 million at the year end. The more significant under and overspends are summarised in Exhibit 4.

Exhibit 4

Summary of significant under/overspends against budget

Area	£m	Reason for variance
Underspends		
Place Services	£2.375	Underspends on employee costs and waste disposal costs along with increased service income receipts.

Area	£m	Reason for variance
Transformation, Communities and Corporate	£1.781	Underspends on employee costs due to vacancies across the service as it sought to progress towards the delivery of 2024/25 savings, particularly within the Customer and Business Support service.
Energy Provision	£2.087	Underspend due to energy costs being lower than anticipated following the increases incurred in 2022/23.
Capital financing costs	£3.234	Underspend due to lower borrowing costs following the higher rates incurred in 2022/23.
Overspends		
Children's Services	£3.281	<p>Overspend of £3.987 million in Education mainly due to the planned reduction in teacher numbers to meet the 2023/24 savings target not being realised and the planned savings measure on home to school transport not being implemented.</p> <p>The Education overspend was offset by underspends in Children and Families.</p>

Source: Falkirk Council 2023/24 Revenue Financial Outturn

Housing revenue account outturned with a deficit of £3.3 million which was met from the accumulated HRA balance.

40. The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set a level which will at least cover the costs of its social housing provision.

41. The council approved its Housing Revenue Account (HRA) 2023/24 budget on 23 February 2023, along with indicative budgets for 2024/25 to 2027/28. The 2023/24 budget was set at £72.9 million with a funding gap of £1.5 million which was to be funded by rent increases of 2 per cent. The budget included the planned use of £0.6 million of reserves.

42. The reported outturn for the HRA was a deficit of £3.3 million which was met through use of the accumulated reserve balance. There were overspends of £8.4 million and £1.3 million on property costs and supplies and services respectively due to increased repair work. Some of which was outsourced externally due to capacity issues within the Building Maintenance Division. These overspends were offset to some extent by underspends on employee costs and capital charges.

43. The drawdown from the HRA accumulated balance represents a 50 per cent reduction in 2023/24, leaving a balance of £3.3 million. Effective financial management will be required to ensure that the HRA operates within budget in future years to avoid depletion of the fund balance.

There are well-established budget monitoring and reporting processes in place

44. The council has effective financial management processes in place to manage budgets and support the sustainability of services in the medium-term. This is supported by an experienced finance team and the processes in place allow members to carry out effective scrutiny of the council's finances.

45. Regular provisional outturn reports are considered by 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. The reports also show the movement from the previous reporting period showing how the outturn has developed throughout the year. The information is provided at timely intervals, allowing for effective scrutiny from members.

There has been a significant movement in the level of General Fund reserves

46. One of the key measures of the financial health of a body is the level of reserves held. The level of usable reserves held by the council 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. The application of this flexibility released £76.5 million of funding in 2023/24. £9.6 million was applied during the year with the remaining £66.9 million held within the General Fund. It is worth noting that service concessions are funded from borrowing and this does not represent cash that can be used to fund services. The council's usable reserves are set out in [Exhibit 5](#).

Exhibit 5

Falkirk Council - usable reserves

Reserve	31 March 2022 £'million	31 March 2023 £'million	31 March 2024 £'million
General fund	50.483	49.700	110.693
Housing revenue account	7.228	6.617	3.272
Capital grants and receipts unapplied	1.050	0.339	0.206
Repairs and renewals	1.739	1.980	2.043
Capital receipts reserve	3.332	3.218	3.146
Insurance Fund	4.952	5.096	5.132
Total usable reserves	68.784	66.950	124.492

Source: Falkirk Council Annual Accounts 2020/21 to 2023/24

47. As detailed in the March 2023 *CIPFA Bulletin 13 Local Authority Reserves and Balances*, there is no prescribed level of reserves, but the Proper Officer (the council's Chief Finance Officer) has a responsibility to advise members on the creation and levels of reserves that are appropriate to the council's circumstances. Reserves balances can be held for three main purposes:

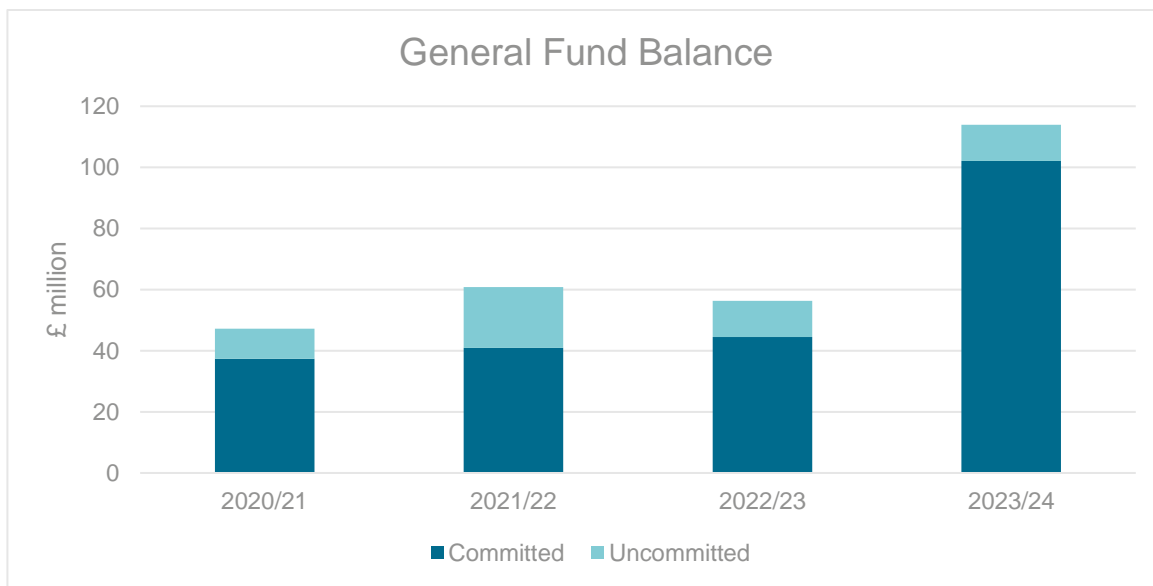
- Working balance: To help smooth the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- Contingency: To cushion the impact of unexpected events or emergencies.
- Known requirements: To build up funds to meet known or predicted requirements.

48. The General Fund reserve includes an unearmarked balance of £11.8 million. The council's reserves policy aims to hold uncommitted reserves of 2% of annual revenue expenditure, giving a range of between £8.5 million to £12.4 million to deal with unforeseen circumstances. At £11.8 million, the current uncommitted balance is comfortably within this range.

49. [Exhibit 6](#) provides an analysis of the General Fund over the last four years split between committed and uncommitted reserves. This shows that there has been a sharp increase in 2023/24 due to the release of service concessions, as set out above. It is important to note that the use of service concessions gives a one-off benefit and does not provide a long-term solution to ensuring the council is financially sustainable.

Exhibit 6

Analysis of general fund balance



Source: Falkirk Council audited accounts 2020/21 – 2023/24

50. As set out in [Exhibit 5](#), the council held usable reserves amounting to £124.5 million at 31 March 2024. This represents a significant amount of resource available to the council; however, it is essential that reserves are utilised in a planned way to ensure the financial sustainability of the council. A reserves strategy provides a strategic overview of how the council plans to build and utilise reserves.

51. Our review found that the reserves policy the council currently adheres to dates back to 2012. The council frequently references the strategy and is clear about the prudent use of reserves in the financial strategy and annual budget setting, but the formal document has not been updated since then. Given the level of reserves held and the financial challenges facing councils, it is essential that the council has a clear strategy for managing reserves which supports financial decision making.

Recommendation 4

Management should prepare a refreshed reserves strategy which sets out the council's approach to managing reserves.

The council achieved 70 per cent of planned efficiency savings in 2023/24 with further savings achieved on a non-recurring basis

52. Recurring savings are savings, that once achieved, recur year-on-year from that date. Non-recurring savings are one-off savings that apply to one financial year and do not result in ongoing savings in future years. To facilitate effective financial management, it is important to understand whether savings have been achieved on a recurring or non-recurring basis.

53. The 2023/24 revenue budget identified a funding gap of £23.2 million after the planned 7% council tax increase. To address this, the council planned to realise £7.9 million of service savings (recurring) and utilise £15.3 million of service concessions (non-recurring). There was a planned drawdown from Covid reserves of £3.4 million.

54. Savings proposals included plans to adjust Devolved School Management (DSM) funds to reflect demographic changes, strategic reviews under the Council of the Future programme and reviews of processes and structures to support employee reductions through vacancy management and voluntary severance. In addition, the council aimed to increase income through improved processes around income collection.

55. The provisional outturn report to the Executive in June 2024 showed that £5.5 million of savings had been achieved, representing 70 percent of the target set. The key area where planned savings were not realised was the adjustments to DSM funds, the proposed changes to school transport provision and the proposed closure of swimming pools. The council has recognised the knock-on impact of not having delivered the £1.4 million DSM savings and has increased the budget for 2024/25 to reflect a realistic baseline.

56. In addition to the service savings achieved, the council applied £9.6 million of service concessions in 2023/24, some £5.7 million less than budgeted. This leaves a balance of £66.9 million of service concessions that can be applied in future years. Using flexibilities to meet immediate spending pressures may help councils to balance their budgets, but it defers costs to later years and does not tackle the underlying challenges to financial sustainability.

The significant improvements in capital programming realised in 2022/23 were sustained in 2023/24 however the reach of spend has been impacted by inflationary cost pressures

57. Total capital expenditure in 2023/24 was £125.8 million of which £49.6 million related to general services and £76.2 million to the housing revenue account. This compares to final budgets of £55.6 million and £76.4 million respectively and represents spend of 89.2 per cent against budget on the General Fund and 99.7 per cent on housing.

58. In 2022/23, the council spent £39.3 million on General Fund and £60.2 million in housing, representing spend of 87.9 percent and 83.6 percent against budget. The increased spend against budget in 2023/24 shows that the progress made in 2022/23 in improving capital planning and spend has been sustained in 2023/24.

Borrowing levels have increased but remain well within the limits set in the Treasury Management Strategy

59. At 31 March 2024, long term borrowing stood at £251.7 million, an increase of £21.7 million on the 2023 level of £230 million. During the same period, short term borrowing increased from £63.4 million to £140.4 million. The increase in long-term borrowing reflects new PWLB loans in 2023/24 which were used to fund capital expenditure. The increase in short term borrowing is largely due to PWLB loans nearing maturity and these have been reclassified from long term to short term. The council continues to use short-term borrowing where appropriate to manage the volatility in interest rates.

60. Total external debt, which includes the council's long-term liabilities, was within the authorised limit and operational boundary set by the treasury management strategy. The council's treasury management strategy set a limit of £645 million and actual borrowing at 31 March 2024 amounted to £451m.

Systems of financial control generally operated effectively

61. From a review of the design and implementation of systems of internal control (including those relating to IT), we did not identify any issues that represent a risk of material misstatement for the audit of the 2023/24 annual accounts, in terms of the council's ability to record, process, summarise and report financial and other data. We did however identify some areas where controls could be enhanced, and which required some additional audit testing to secure the assurances necessary for the integrity of the data in the annual accounts:

- Journal authorisation - The financial ledger does not currently require a second officer to authorise journals. The lack of control in this area raises a risk that invalid, erroneous or fraudulent journals could be posted to the financial ledger. This was raised in 2022/23, and the council advised they did not consider this to be a significant risk and no further action was planned. We substantively sampled journals to ensure they had been raised for an appropriate reason and that they were adequately supported and can confirm that no errors were identified.
- Employee validation - Employee validation checks to confirm the existence of employees provides assurance on the completeness and accuracy of payroll records. In 2022/23 we reported that there was no evidence of comprehensive checks being in place. The council has now introduced arrangements to confirm that managers have reviewed their employee listings however this was not in place during 2023/24. We will review the revised arrangements as part of the 2024/25 audit planning process.

Internal audit operates well but has experienced staffing challenges which have impacted on their ability to deliver on the Annual Audit Plan in year

62. The council's internal audit function is carried out in-house. The team is led by the Internal Audit, Fraud and Corporate Risk Manager ensuring good oversight of key governance areas across the council. The council also has a Corporate Fraud team that sits alongside internal audit.

63. As reported in 2022/23, the Internal Audit team is relatively small and in addition to providing services to the council, also provides an internal audit function to various other bodies.

64. The section has experienced some challenges in the recruitment and retention of staff as well as well as managing long-term absences. The Internal Audit, Risk, and Corporate Fraud Manager has reported the challenges to the Audit Committee throughout the year and has managed the impact on the delivery of the audit plan as far as possible by prioritising work to allow the necessary assurances for the Annual Governance Statement and by deferring work where practical.

65. Internal Audit provides an essential function to the council, providing independent assurance that the risk management, governance and internal control processes are operating effectively. To be able to do this, it is essential that it has the resources available to deliver the approved risk-based plan.

66. The Internal Audit Assurance Report 2023/24 was taken to the Audit Committee in June 2024. This showed that Internal Audit was able to provide substantial assurance to the committee on the arrangements for risk management, governance and control for the year. The report also showed that Internal Audit had met or exceeded all of its key performance indicators for the year.

Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate

67. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants, and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery, and corruption.

68. We reviewed the council's arrangements for the prevention and detection of fraud and found these to be appropriate. The council has a Corporate Fraud team in place which is managed by the Internal Audit, Fraud and Corporate Risk Manager. The Corporate Fraud Annual Update Report 2023/24 was presented to the Audit Committee in June 2024. The report provided an update on activity and performance for 2023/24, as well as an updated Corporate Fraud Action Plan for 2024/25. Typically, there is 6-monthly reporting to the Audit Committee on fraud however this was disrupted in 2023/24 due to staffing issues. These issues have now been resolved, with the section operating at full complement.

National Fraud Initiative

69. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The council participates in this biennial exercise. The 2022/23 exercise concluded during the 2023/24 financial year and the final report, [The National Fraud Initiative in Scotland 2024](#), was published in August 2024.

70. We reviewed the work undertaken by the council for this exercise in February 2024 and found that overall, the council was making good progress in identifying and following up NFI matches. The following areas were identified where arrangements could be enhanced:

- The self-appraisal checklist, referred to in the 2022 NFI Report, was not considered by management and those charged by Governance as part of the planning for the 2022/23 NFI exercise. The self-appraisal checklist should be considered going forward to ensure that any areas for improvement are identified;
- There is high-level reporting to the Audit Committee on the NFI exercise but there is no reporting to senior officers out with these formal reports. The reporting arrangements could be enhanced to ensure clear oversight by senior officers and elected members;
- The council has prioritised following up high-risk data matches but resourcing pressures have meant that these are not necessarily being pursued promptly.

71. The Corporate Fraud update to the Audit Committee in June 2024 reported progress in investigating the NFI matches released to Falkirk Council in January 2023. The report noted that to date 572 matches had been cleared:

- with 59 cases under investigation within the CFT; and
- 44 errors identified, resulting in adjustments totalling c£28,700 of overpaid Single Persons Discount and potential estimated savings of c£23,000 (relating to the discount that would have been claimed in the following two years had the NFI exercise not identified a match).

72. Overall, the council has appropriate arrangements in place for investigating NFI matches, however capacity issues mean that this work is being done as additional workload for officers which can result in delays in investigating matches. Reporting arrangements are in place but these are high level and could be enhanced to give clearer oversight to senior officers and elected members.

Recommendation 5

NFI reporting arrangements could be enhanced to provide clearer oversight to senior officers and elected members.

4. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

The council approved a balanced budget for 2024/25 in March 2024 which implemented the nationally set, council tax freeze.

The council's Financial Strategy 2024-25 to 2028-29 was approved by Council in September 2023 and provides clear direction on how the council will deploy its financial resources to achieve council priorities. The Strategy highlights a funding gap of £64.4 million for the period 2024/25 to 2028/29.

The PFI contract for five schools will terminate in August 2025, at which time, ownership of the schools will transfer to the council. The council is taking the appropriate steps to manage the termination of the contract.

The council has entered into a partnership with others to operate the Forth Green Freeport, a project which aims to deliver grow the local economy, create high quality jobs and support the transition to net zero.

The council approved a balanced budget for 2024/25 which implemented the nationally set, council tax freeze

73. The council approved a balanced budget for 2024/25 of £464.9 million in March 2024. This includes a contribution to the Falkirk Integration Joint Board of £92.4 million. The budget was set 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.

74. In February 2024, the Deputy First Minister and Cabinet Secretary for Finance (DFM) wrote to CoSLA leaders outlining the funding that would be made available to councils to fund a council tax freeze in 2024/25. For Falkirk Council, this funding equated to a 5 per cent increase in council tax charges.

75. To balance the budget, the council identified service savings of £8.6 million. Equality impact assessments were prepared for all savings proposals and these were included in the package of papers to support the budget proposals.

76. The council continued its practice of bringing savings proposals to members throughout the year to allow scrutiny of proposals in advance of the budget-setting process. Some examples of areas where savings and income generation measures were approved include reductions in early years childcare, review of cemeteries and crematoriums fees and charges, charges for brown bin collections and vacancy management.

The council's Financial Strategy provides clear direction on how the council will deploy its financial resources to achieve council priorities but highlights a funding gap of £64.4 million for the period 2024/25 to 2028/29

77. The council's Financial Strategy 2024-25 to 2028-29 was approved by Council in September 2023. It aims to provide clear direction on how the council will deploy its financial resources to achieve council priorities. The plan provides a picture of the likely challenges to be faced in the coming years. This should help to focus attention and inform decisions on areas of priority and non-priority spend for the council. The plan considers a range of scenarios and assesses the impact of known pressures on the council's finances, such as inflation, the challenging economic climate, and estimated changes to funding.

78. As set out in [Exhibit 7](#), the strategy outlined an anticipated budget gap of around £64.4 million over the five years from 2024/25 to 2028/29, £34 million of which fell in 2024/25. The strategy also sets out measures amounting to £33.7 million for bridging the gap each year but a further £30.7 million of savings are still to be identified.

Exhibit 7 **Identified funding gaps 2024/25 – 2028/29**

	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'m	£'m	£'m	£'m	£'m	£'m
Financial Gap	34.0	8.2	7.8	7.9	6.5	64.4
Savings identified	13.1	12.2	6.9	1.5	-	33.7
Still to be identified	20.9	(4.0)	0.9	6.4	6.5	30.7

Source: Falkirk Council Financial Strategy 2024/25 – 2028/29

79. The council has identified four streams by which the funding gap can be addressed. These are council tax increases, service savings, increasing fees and charges and the application of service concessions.

80. The strategy represents a comprehensive overview of the medium term expected financial position of the council, but further work is now needed to ensure the council has a plan in place to identify appropriate ways of bridging

the financial gap. Particular consideration will be required on the impact of the 2024/25 council tax freeze because the financial strategy pre-dates the agreement to freeze council tax and assumed an increase of 5 per cent in each of the five years of the strategy. The council tax freeze in 2024/25 will impact on those planning assumptions and therefore increase the budget gap.

81. The Financial Strategy 2025/26 to 2029/30 was considered by Members in October 2024. This set out a budget gap for the 5-year period of £56.4 million after applying a 7 per cent council tax increase each year. The council has been clear that difficult decisions will be required to address the budget gap and deliver services on a sustainable footing.

The council continues to progress its Council of the Future programme to deliver transformational change

82. The Council of the Future (COTF) programme sets out the council's ambitions for transformation and improvement. The programme aims 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.

83. The council is clear that transformation is key to delivering the savings required to deliver sustainable services going forward and has appropriate arrangements in place to oversee progress.

The PFI contract for five schools will terminate in August 2025, at which time, ownership of the schools will transfer to the council. The council is taking the appropriate steps to manage the termination of the contract.

84. The council operates two Private Finance Initiative (PFI) schemes being Class 98 Ltd (known as ProjectCo) for the provision of five schools and Falkirk Schools Gateway for the provision of a further four schools. Payments to Class 98 Ltd commenced in August 2000 and the contract will terminate 1 August 2025, at which time, the schools will transfer back to the council for the start of the 2025/26 school session.

85. In preparation for this, the council is undertaking all necessary administrative, technical and contractual steps to conclude the contract in accordance with the prescribed timescales. Regular progress update reports have been taken to the Education, Children and Young People Executive, the most recent of which was May 2024.

86. The five schools under the ProjectCo contract are

- Bo'ness Academy
- Braes High School
- Graeme High School
- Larbert High School

- Former Carrongrange School (now used by Larbert High School and the Kinnaird Primary School Thistle Wing Annexe)

87. The handover project is now part of the Council of the Future programme (COTF), through which, progress is reported to the COTF Board monthly. The Project Team meets monthly and includes key officers from Children's Services, Place Services, Legal and Finance as well as external technical and commercial support from the Scottish Futures Trust and specialist legal support.

88. In preparation for the handover the council is working with the contractor to ensure the buildings are in an appropriate condition and establishing facilities management, catering and cleaning and staffing arrangements for when the schools come in-house to the council.

89. In exercising the lease option to bring the schools in-house, the council requires to pay ProjectCo the lesser of the sum of £5 million or a sum representing the market value of the school sites. Following work undertaken with the District Valuer, the market value of the schools has been assessed to be more than £5 million so the capital budget includes a £5 million payment at the end of the contract as well as further resource to provide for the associated legal, financial and other professional fees.

90. The council is taking the appropriate steps to manage the termination of the contract. We will continue to monitor and report on progress until the formal handover in 2025/26.

The council has entered into a partnership with others to operate the Forth Green Freeport, a project which aims to grow the local economy, create high quality jobs and support the transition to net zero.

91. A Green Freeport is a large zoned area within a defined boundary which includes rail, sea or airport. Operators and businesses in the zone can benefit from a package of tax and other incentives through a combination of levers. These are intended to boost innovation and inclusive growth within communities, while supporting Fair Work First practices, creating new green jobs, upholding environmental protections and supporting economic transformation.

92. The council, in partnership with others including Fife and City of Edinburgh councils, Forth Ports, Babcock and Ineos, successfully bid to operate a Green Freeport in Scotland, the Forth Green Freeport. The project aims to deliver the following:

- To support delivery of a just transition to net zero
- To attract inward investment
- To build international trade and export capability
- To create high quality and well-paid jobs.

93. The project is overseen by the Forth Green Freeport Board, on which the council is represented by one councillor. The council also acts as the

Accountable Body for the project which effectively means the council will oversee the capital funding for the project to ensure it is spent in accordance with the appropriate terms and conditions.

94. The overall delivery and management of the project will be co-ordinated by an operating company, which was incorporated in February 2024. The Chief Finance Officer and the councillor on the Board are both Directors of the operating company. We understand there were no financial transactions in 2023/24. The council has reported its interest as a non-consolidated interest in its group accounts.

95. Within the council, progress on the Forth Green Freeport is being reported to the Executive, with the most recent update being taken in [August 2024](#).

96. The Forth Green Freeport is at an early stage but there are clear ambitions within the council to deliver benefits for the people of Falkirk Council.

5. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Conclusion

The council has a clear vision, strategy, and priorities as set out in the Council Plan.

Effective and appropriate governance arrangements in place that support scrutiny of decisions made by the Council.

97. In May 2022, local government elections were held across Scotland. Thirty councillors were elected to Falkirk Council representing nine multi-member wards in Falkirk. The political composition of the council has changed since the election with one former SNP member and one former Conservative member now becoming Independent members. One Labour member resigned following his election to the UK Parliament at the July 2024 General Election, so the council is operating with 29 members until the by-election is held on 17 October 2024.

98. The current composition is as follows:

- Conservative – 4
- Independent - 4
- Labour – 8
- Non-aligned Independent Group - 2
- Scottish National Party (SNP) – 11.

99. The first meeting of the new council in May 2022 returned the minority SNP-led administration, with the former SNP Council Leader returning to the role. The council operates with a minority administration so effective relations between members is essential to ensure the council works constructively and collaboratively for the people of Falkirk.

100. Since our appointment in 2022/23 we have observed member to member and member to officer relations and have found that overall, these are generally constructive and focussed on delivering for the people of Falkirk. There will inevitably be political differences as members reflect party lines but in the main, relations and working practices are constructive.

101. During the year, members worked together to develop budget proposals which sought to deliver the best possible budget for the people of Falkirk. This was impacted to some extent with the Scottish Government move to push for a council tax freeze, but overall, budget discussions were amicable and constructive. This is a notable improvement from the position reported in the 2022 Best Value Audit Report which highlighted the need for collaborative leadership.

Governance arrangements are effective and appropriate

102. The Council is supported by a range of committees, including the Executive, the Audit Committee and the Scrutiny Committee. Agenda papers and minutes of these, and all other committee meetings, are available on the council website.

103. The Chief Executive of the council is joined in the Corporate Management Team by the Directors of Children's Services, Place Services and Transformation, Communities and Corporate Services. During the year, the Director of Children's Services post was held on an acting basis with a new, permanent appointment taking effect from May 2024.

104. Since our engagement on the audit, we have observed and attended various meetings of the council and the Audit Committee. Members are clearly invested in the council and there is evidence of scrutiny being undertaken with members generally taking their opportunities to comment and challenge on matters of interest. The depth and effectiveness of scrutiny will inevitably develop as members mature in their roles.

105. We have reviewed the council's governance arrangements and have concluded that they are appropriate and effective.

The council has processes in place for interests to be registered but these could be strengthened

106. A Register of Interests provides details of any financial interests or memberships somebody holds which could potentially be perceived as influencing the actions of that person. For a local authority, we would expect registers to be in place for both elected members and senior officers, and that these should be regularly updated and published to provide complete and timeous transparent information.

107. Our audit found that the council does not currently have a register of interests in place for senior officers and that the registers for elected members are updated by exception for changes in circumstances rather than by regular, periodic reviews. There is a risk that undisclosed interests could impact, or be perceived as impacting, decision making across the council.

108. We would recommend that the council introduces registers of interests for all senior officers and that it implements formal periodic reviews to complement the current requirement to update the register for any changes in circumstances.

Recommendation 6

The council should introduce registers of interests for all senior officers and implement formal periodic reviews for member's registers of interest.

6. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusions

Performance reporting arrangements have been enhanced to provide a more comprehensive suite of indicators which align with the Council Plan.

Local Government Benchmarking Framework (LGBF) analysis shows the council is improving against 60 percent of the indicators while there has been a deterioration in performance against 37 percent of the indicators.

The council has arrangements for the preparation and publication of Statutory performance information (SPIs).

The council works well with partner bodies but has not yet implemented joint working on a significant scale.

The Falkirk Temperance Trust has been set up to provide support to people affected by addiction in the Falkirk area but there has been no expenditure to deliver this support in recent years. This is in part due to the tight conditions of the trust.

Performance reporting arrangements have been enhanced to provide a more comprehensive suite of indicators which align with the Council Plan. The council faces challenges in meeting some performance targets but now has the building blocks in place to facilitate effective scrutiny of performance.

109. The council developed its performance management framework to report against the “we will” actions included in the 2022 Council Plan. The council had noted that this was a first step in developing its performance management framework and that it would be subject to further review to ensure the effectiveness of performance reporting.

110. The framework was revised to reflect the 2023 refresh of the Council Plan, and the 2023/24 performance report presented to the Scrutiny Committee in

June 2024 measured performance against the refreshed plan, as far as available data would allow.

111. The report measured performance against 93 indicators, 38 of which were Local Government Benchmarking Framework (LGBF) indicators. The report tracked performance based on a red / amber / green (RAG) measure with green being on track or achieved, amber being target just missed and red being target not achieved. The report showed that overall, 41 percent of indicators were green, 17 percent were amber, 29 percent were red and there was no data for 13 percent. A selection of the red indicators is noted in [Exhibit 8](#) below.

Exhibit 8: Red Indicators

Council Priority	Indicator
Supporting Stronger & Healthy Communities	<ul style="list-style-type: none"> • Number of additional affordable homes – buy back. • Average void property turnaround time • Average number of days to secure permanent housing from date of homeless decision • Percentage of child protection planning meetings held within 28 days • Percentage of rent due in the year that was lost due to voids (LGBF) • Percentage of stock meeting the Scottish Housing Quality Standard (SHQS)
Promoting Opportunities and Educational Attainment and Reducing Inequalities	<ul style="list-style-type: none"> • Percentage of pupils gaining 5+ awards at level 5 (LGBF) • Percentage of pupils gaining 5+ awards at level 6 (LGBF) • Percentage of pupils living in the 20% most deprived areas gaining 5+ awards at level 5 (LGBF) • Percentage of pupils living in the 20% most deprived areas gaining 5+ awards at level 6 (LGBF) • Percentage of unemployed people assisted into work from Council operated / funded Employability Programmes (LGBF)
Supporting a Thriving Economy and Green Transition	<ul style="list-style-type: none"> • CO2 emissions from operational buildings • Proportion of operational buildings that are suitable for their current use % (LGBF)
Financial Sustainability	<ul style="list-style-type: none"> • Reducing reliance on non-recurring reserves to balance the budget gap over the period of the financial strategy • Percentage of savings delivered in year

	<ul style="list-style-type: none"> • Cost of parks and open spaces per 1,000 of the population (LGBF) • Cost of planning and building standards per planning application • Cost of street cleaning per 1,000 population £ (LGBF) • Ratio of housing income that is used to fund borrowing costs from capital investment (LGBF) • Gross rent arrears (all tenants) as at 31 March each year as a percentage of rent due for the reporting year (LGBF)
COTF – Transformation & Improvement	<ul style="list-style-type: none"> • Percentage of projects that have clear benefits which can be measured • Percentage of projects delivered on time and on budget
Valued Sustainable Workforce	<ul style="list-style-type: none"> • Sickness absence percentage excluding teachers

Source: End of Year Public Performance Report – The Council Plan 2023/24

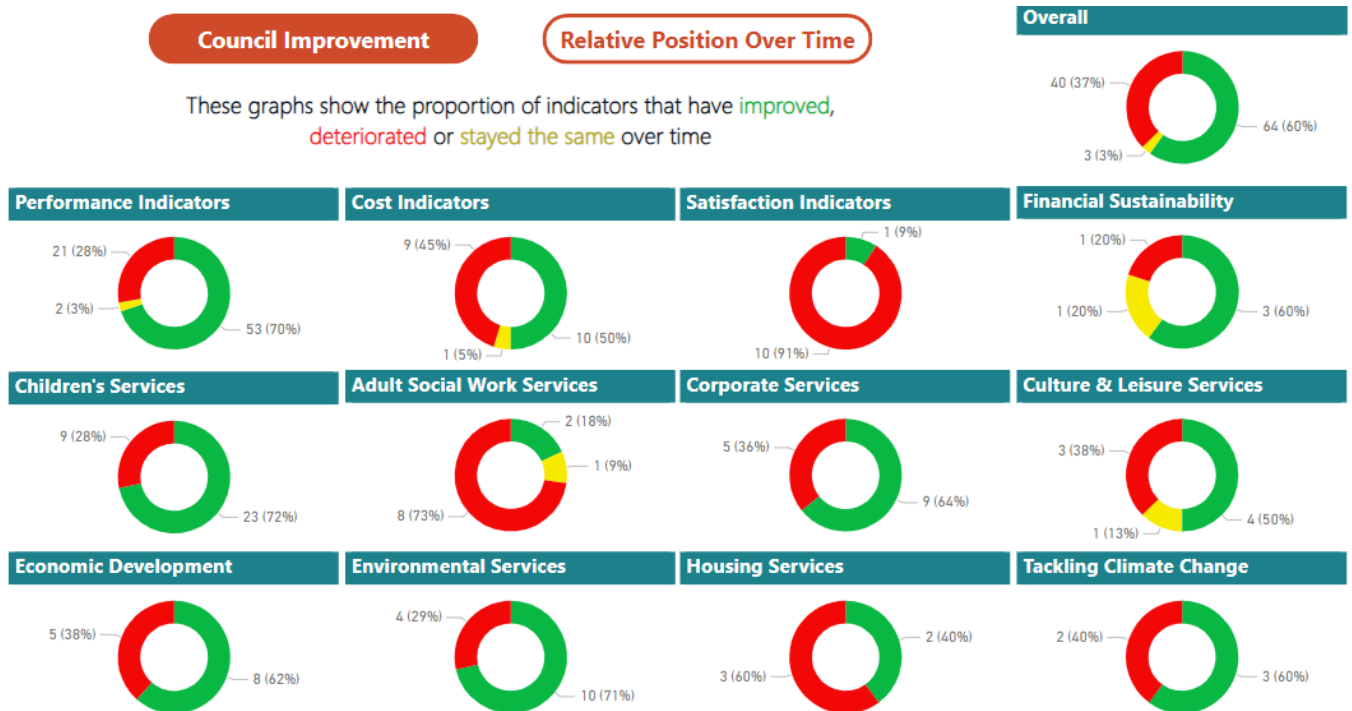
112. The 2023/24 performance report noted planned changes to the timing of the performance reporting with the mid-year report in January 2025 and the year-end report in September 2025 to ensure more complete reporting going forward.

113. The 2023/24 performance report shows that the council is facing challenges in terms of meeting its own performance targets in some areas. However, it is clear that the council is actively seeking to enhance its performance management framework through the range of indicators being measured, changes to timing to ensure timeous and complete information, and through the inclusion of prior period data to show the direction of travel. The council now has the building blocks in place to facilitate effective scrutiny of performance.

114. The 2022/23 LGBF data on the council, published by [Improvement Service](#) in March 2024, shows that, of the 107 indicators reported to date that are relevant to the council, 64 (60 per cent) of these have improved over time since the base year. [Exhibit 9](#) shows the council's 2022/23 LGBF performance across services compared with the relevant data's base year. This also shows a deteriorating position in 37 per cent of the indicators. The most significant areas of deterioration are in adult social work services, housing services, cost indicators and satisfaction indicators.

Exhibit 9

Falkirk Council LGBF results – trend since base year



Source: Improvement Service – LGBF 2022/23 (*data downloaded on 5 September 2024*)

The council has arrangements for the preparation and publication of Statutory performance information (SPIs)

115. The [Accounts Commission's 2021 Statutory Performance Direction](#) defines the performance information that councils must publish. The commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced, and engaging performance information.

116. The Direction sets out 2 measures that councils are required to meet:

- Statutory Performance Indicator 1: Improving local services and local outcomes
- Statutory Performance Indicator 2: Demonstrating Best Value

117. The council embedded these requirements into its performance reporting framework by setting performance measures for each of the priorities set out in the Council Plan. This ensured that the council's priorities and its performance reporting is targeted at improving local services and local outcomes.

118. As set out above, the council has continued to enhance its performance reporting arrangements through the expansion of the measures reported including an increased number of LGBF indicators.

119. The council has embedded Best Value requirements into its performance management framework, through setting performance measures and targets for each of the priorities and enablers set out in the Council Plan. This ensures that the council's priorities and enablers and performance reporting is targeted at improving local services, local outcomes and providing value for money.

120. The council has appropriate arrangements in place to demonstrate compliance with the requirements of the Statutory Performance Direction.

The council works well with partner bodies but has not yet implemented joint working on a significant scale

121. Our outcomes for public audit note that tackling complex social and environmental challenges requires better collaboration across public bodies, with an increase in the pace and scale of reform needed across the Scottish public sector. While public bodies need to deal with immediate financial pressures, they also need to change how services are delivered to people in a way that more effectively meets their needs.

122. As set out in the best value section of this report, the council has not implemented joint working on a significant scale, however the council collaborates with partners in areas such as the Health and Social Care Partnership (HSCP), Community Planning Partnership (CPP), the Falkirk Growth deal and Forth Green Freeport.

123. The council should continue to explore opportunities for joint working to support its transformation agenda in developing quality services on a sustainable basis.

The Falkirk Temperance Trust has been set up to provide support to people affected by addiction in the Falkirk area but there has been no expenditure to deliver this support in recent years

124. Falkirk Temperance Trust was established in 1919, following a bequest to help people refrain from alcohol. The purpose of the Trust was subsequently revised in 1991 to allow the Trust to expand its support to include assisting organisations and people to deal with alcohol abuse and other forms of drug addiction.

125. The Trust is administered by Falkirk Council, with the Chief Finance Officer appointed as Treasurer and three Councillors appointed as Trustees.

126. Since our appointment to the audit in 2022/23, there has been no transactions through the Trust, other than for bank interest and charges. The administrative costs and audit fee are met by Falkirk Council. Net assets amounted to £165,365 at 31 March 2024, representing significant funds which are available to support people with affected by addiction in the Falkirk area.

127. The council has advised that the legalities of the trust make it difficult for the entitlement criteria to be met but that the council does not have the capacity to devote resources to take the necessary legal steps to make the Trust monies more accessible. This funding could have a real impact for people affected by addiction in the Falkirk area so the council should explore options to expend the Trust in a way that will deliver the intended outcomes for people.

Recommendation 7

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.

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Valuation of Council Dwellings</p> <p>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 reported in the Housing Revenue Account. This was due to timing differences.</p> <p>There is a risk that the value of non-current assets are over-stated in the accounts.</p>	<p>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.</p>	<p>Accepted</p> <p>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.</p> <p>Responsible officer – Capital and Treasury Manager</p> <p>Agreed date – 30 June 2025</p>
<p>2. Revaluation of assets prior to transfer to assets held for sale</p> <p>The Code of Practice on Local Authority Accounting 2023/24 requires any non-current assets transferred to “Assets Held for Sale” to be revalued immediately prior to transfer.</p> <p>Audit testing found that five assets were transferred to assets held for sale in 2023/24, none of which were revalued prior to transfer.</p>	<p>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.</p>	<p>Accepted</p> <p>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.</p> <p>Responsible officer – Capital and Treasury Manager</p> <p>Agreed date – 30 June 2025</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>There is a risk that the assets held for sale are not accounted for in accordance with the relevant guidance.</p>		
<p>3. Adjustment to the MIRS</p> <p>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.</p> <p>There is a risk that the reserve movements are mis-stated.</p>	<p>The council should review the arrangements for accounting for movements in reserves in 2024/25 to ensure that all movements are fully supported.</p>	<p>Accepted</p> <p>Work has started on the review.</p> <p>Responsible officer – Senior Corporate Finance Manager</p> <p>Agreed date – 30 June 2025</p>
<p>4. Reserves Strategy</p> <p>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.</p> <p>The reserves policy the council operates by has not been formally refreshed since 2012.</p> <p>There is a risk the council does not have a clear</p>	<p>Management should prepare a refreshed reserves strategy which sets out the council's approach to managing reserves.</p>	<p>Accepted</p> <p>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.</p> <p>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</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>overview of how it plans to build and utilise its reserves.</p>		<p>that the use of non-recurring reserves should be kept to a minimum.</p> <p>Going forward, a clear update of the Reserves Policy will be included as part of the Budget Report and/or Financial Strategy as appropriate.</p> <p>Responsible officer – Chief Finance Officer</p> <p>Agreed date – 31 March 2025</p>
<p>5. NFI reporting</p> <p>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.</p> <p>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.</p> <p>There is a risk that management does not have sufficient oversight of the NFI process to drive progress and outcomes from this work.</p>	<p>NFI reporting arrangements could be enhanced to provide clearer oversight to senior officers and elected members.</p>	<p>Accepted</p> <p>This work is already underway as part of the NFI self assessment.</p> <p>Responsible officer - Internal Audit, Risk, and Corporate Fraud Manager</p> <p>Agreed date – By May 2025</p>
<p>6. Registers of Interest</p> <p>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</p>	<p>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.</p>	<p>Accepted</p> <p>The Council will put in place arrangements for an annual reminder to councillors to review their registered interests.</p> <p>In relation to senior officers, the Council will give consideration to the introduction of a register</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>such register of interests is in place for senior officers.</p> <p>There is a risk that a undisclosed interests could impact, or be perceived as impacting, decision making across the council.</p>		<p>similar to that applicable to councillors.</p> <p>Responsible officer – Chief Governance Officer</p> <p>Agreed date – 31 March 2025/ 30 June 2025</p>
<p>7. Expenditure from the Falkirk Temperance Trust</p> <p>The Falkirk Temperance Trust was established to provide support for people affected by addiction.</p> <p>There has been no activity through the Trust in recent years due to the conditions attached to applications to the Trust.</p> <p>Capacity constraints have prevented the council from taking the necessary legal steps to make the money held in Trust more accessible.</p> <p>There is a risk that the intended benefits of the Trust are not being met.</p>	<p>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.</p>	<p>Accepted</p> <p>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.</p> <p>Responsible officer – Chief Governance Officer and Chief Finance Officer</p> <p>Agreed date – 31 March 2026</p>

2023/24 recommendations from the BV thematic report

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Service workforce plans</p> <p>Service workforce plans vary in consistency and the level of detailed analysis.</p>	<p>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.</p>	<p>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.</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>Date: By December 2024</p> <p>Responsible officer: All Directors with support from HR.</p>
<p>2. Employee engagement</p> <p>The council did not engage directly with staff in developing the workforce strategy.</p>	<p>The council should engage with employees as part of its annual review of the Workforce Plan.</p>	<p>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.</p> <p>Date: By March 2025</p> <p>Responsible officer: Human Resource and Payroll Manager supported by Service Directors.</p>
<p>3. Digital</p> <p>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.</p>	<p>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.</p>	<p>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.</p> <p>Date: By the end of 2024</p> <p>An action plan and success measures will be built into the final draft of the strategy which will be submitted to Committee for approval.</p> <p>Date: By summer 2025</p> <p>Responsible officer: Chief Finance Officer</p>
<p>4. Hybrid and flexible working</p>	<p>The council should review the effectiveness of the hybrid working policy, and service workforce plan reviews</p>	<p>Management action: Information on hybrid working as assessed by each Service, will be incorporated into the</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>The council has not assessed the impact of the hybrid working policy on staff productivity, service outcomes, or savings.</p>	<p>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.</p>	<p>review of workforce plans by each Service.</p> <p>Date: By December 2024</p> <p>A survey to fully assess the impact of hybrid working from an employee and manager perspective will be undertaken.</p> <p>Date: By March 2025</p> <p>Future workforce plans will incorporate any actions flowing from the survey of employees on hybrid working.</p> <p>Date: By autumn 2025</p> <p>Responsible officer: Resource and Payroll Manager with support from Directors.</p>
<p>5. Skills assessment</p> <p>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.</p>	<p>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.</p>	<p>Management action: An assessment of good practice on skills assessments will be undertaken to inform the development of this work.</p> <p>Date: By the end of 2024</p> <p>An assessment will be made of the desired future workforce profile to meet the future strategic needs of the Council.</p> <p>Date: By spring 2025</p> <p>A mechanism will be put in place to assess the current skill profile of the workforce relative to the future profile.</p> <p>An assessment and action plan will be developed to support a transition of skills across the workforce to bridge any gaps identified.</p> <p>Date: By the end of 2025</p> <p>Responsible officers: Human Resource and Payroll</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>6. Measuring Impact</p> <p>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.</p>	<p>The council should evaluate and report on specific programmes it has introduced to improve recruitment and retention.</p> <p>It should consider developing a broader range of workforce performance measures and incorporate measure to service workforce plans.</p>	<p>Manager and Innovation and Digital Manager.</p> <p>Management action: A review of the various new techniques to improve recruitment and retention will be undertaken and reported to CMT.</p> <p>Date: By the end of 2024 and ongoing as new techniques are introduced.</p> <p>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.</p> <p>Date: By Q2 of the new year of public performance reporting (due early 2025)</p> <p>Responsible officer: Human Resource and Payroll Manager with support from Directors.</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation and Agreed Action	Progress
<p>b/f 1. Non-current asset accounting</p> <p>Audit testing found instances where assets had been disposed of in previous years, but these had only been identified through the asset revaluation process in 2022/23. Officers advised that there are processes in place to capture disposals.</p>	<p>Officers should ensure year-end processes for the accounting for non-current assets are fit for purpose and lead to the correct accounting treatment in the financial statements.</p> <p>A joint year-end review will be undertaken between Finance and Property.</p>	<p>Complete</p> <p>Bi-monthly meetings are now held throughout the year to ensure information is updated promptly and both services have early sight of any relevant changes.</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p>There is a risk that the asset register is incorrect.</p>	<p>Responsible officers – Caroline McGill and Craig Isdale</p> <p>Agreed date – 30 May 2024</p>	
<p>b/f 2. Tracking recommendations</p> <p>The Audit Committee should be provided with regular reports tracking the implementation of audit recommendations.</p> <p>There is a risk that recommendations are not being implemented in a timely and satisfactory manner.</p>	<p>The council should introduce an audit recommendations tracker report which should be considered by the audit committee.</p> <p>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.</p> <p>Responsible officer - Amanda Templeman</p> <p>Agreed date - 30 April 2024</p>	<p>In progress</p> <p>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.</p> <p>Officers will consider whether a more regular update is required. If so, this is likely to come to the October or February Audit Committee.</p>
<p>b/f 3. Financial controls</p> <p>Our review of the financial controls operating within the council found the following areas where these controls should be strengthened:</p> <ul style="list-style-type: none"> • The authorisation of journals • Completing a reconciliation between the payroll system and the financial ledger • Positive confirmation on employee validation checks • Periodic reviews of the eligibility of individuals in receipt of council tax discounts. 	<p>The council should review controls in its financial systems as outlined to ensure data within these systems is accurate.</p> <p>Journals - Overall we consider that the current arrangements for journals are sufficient.</p> <p>No further action planned.</p> <p>Reconciliations - Reports have been prepared to demonstrate the reconciliation between the payroll system and the ledger.</p>	<p>Complete/ Risk accepted</p> <p>Agreed actions for reconciliations, employee validation checks and council tax discounts now complete.</p> <p>For journals, no action was planned. Audit has substantively tested a sample of journals to ensure they are appropriate, and that the correct accounting treatment has been applied. No issues identified.</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p>There is a risk that data in key financial systems is not correct.</p>	<p>Responsible officer – Danny Cairney</p> <p>Agreed date – 31 October 2023</p> <p>Employee Validation Checks - Arrangements will be put in place to confirm payroll reports have been appropriately reviewed.</p> <p>Responsible officer – Lisa Martin</p> <p>Agreed date – 31 March 2024</p> <p>Council Tax Discounts - Periodic Reviews of Council Tax discounts, in addition to NFI, in place from August 2023.</p> <p>Responsible Officer - Paul Ferguson</p> <p>Agreed date: Immediate/in place</p>	
<p>b/f 4. Self-assessment against CIPFA Financial Management Code</p> <p>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.</p>	<p>The Council should conduct a self-assessment against the CIPFA Financial Management Code. The Audit Committee should consider the self-assessment and scrutinise implementation.</p> <p>This remains part of the Financial Improvement Plan but has been delayed due to resourcing issues.</p> <p>Responsible Officer - Amanda Templeman</p> <p>Agreed date - 30 June 2024</p>	<p>Not complete.</p> <p>The 30 June 2024 target was not met. However, there is still a commitment to carry out a Financial Management Code self-assessment.</p> <p>Responsible Officer - Amanda Templeman</p> <p>Agreed date - 31 March 2025</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p>b/f 5. Addressing Climate Change</p> <p>The Council has acknowledged that the level of investment in climate change is not sufficient to deliver its 2030 target. Updated, realistic plans are needed to deliver the Scottish Government's target in the context of the Financial Strategy.</p>	<p>The Council should ensure that the updated Climate Emergency Strategy provides a realistic plan to achieve the Scottish Government's emissions targets.</p> <p>In Progress</p> <p>The Council are presenting the Climate Change Strategy (2023-2030) alongside the updated action plan to Executive on 17 October 2023. The strategy details how Falkirk Council will support the decarbonisation of various areas including – building energy, transport, waste, procurement, business, industry and land use. We also make it clear the challenge that the Council is facing with achieving the organisational 2030 net target.</p> <p>The action plan contains an update of key actions including waste to energy and the vehicle replacement programme.</p> <p>Falkirk Council will be scoping out when the organisational target will be realistically achieved given the current trajectory with funded projects early in 2024.</p>	<p>Complete</p> <p>The Executive approved the council's Climate Change Strategy and Action Plan 2023-2030 in October 2023.</p>
<p>b/f 6. IFRS 16 preparedness</p> <p>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</p>	<p>Preparations are currently ongoing and arrangements will be put in place to comply with the Code and reporting requirements.</p> <p>The Implementation date for IFRS 16 has been</p>	<p>In progress.</p> <p>Work is currently underway to ensure arrangements are in place to comply with the Code for 2024/25.</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p>efficient preparation and audit of the financial statements.</p>	<p>delayed a number of times and is currently 1 April 2024. Arrangements will be put in place to comply with the Code.</p> <p>Responsible Officer – Danny Cairney</p> <p>Agreed date – 30 June 2024</p>	<p>Responsible Officer – Senior Corporate Finance Officer</p> <p>Agreed date – 30 June 2025</p>
<p>Prior year BV thematic report recommendations</p>		
<p>b/f 1. Performance reporting</p> <p>The council introduced new performance reporting arrangements to support the Council Plan 2022 – 2027.</p> <p>There is a risk that the new arrangements do not support effective scrutiny.</p>	<p>Officers and members should review the revised arrangements once they are embedded to assess their effectiveness and should make any necessary amendments to further enhance performance reporting and scrutiny.</p> <p>The Council Plan will be presented to Council in September 2023. This includes a full refresh of the success measures that will be monitored and reported to Scrutiny Committee.</p> <p>An updated Performance Management Framework document has been produced (Falkirk Performs). This sets out the Council’s approach to performance reporting.</p> <p>Quarterly performance reports will be presented to CMT and six-monthly reports to the Scrutiny committee.</p> <p>Following a full cycle of reporting, arrangements</p>	<p>Complete</p> <p>Full year report reported to Scrutiny Committee June 2024. Changes planned to performance reporting going forward as set out in 2023/24 Performance Monitoring report.</p>

Issue/risk	Recommendation and Agreed Action	Progress
	<p>will be reviewed, and their effectiveness assessed.</p> <p>Responsible officer – Amanda Templeman</p> <p>Agreed date – 30 June 2024</p>	
<p>b/f 2. Community Engagement</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>These actions are being taken forward as part of the Council's approach to community engagement.</p> <p>Responsible officer – Kenny Gillespie</p> <p>Agreed date – 31 March 2024</p>	<p>In progress</p> <p>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.</p>
<p>b/f 3. Equality and Poverty</p> <p>Impact Assessments and consideration of human rights</p> <p>The council has made progress in embedding equalities in decision-making. Further refinement is now required to ensure Equality and Poverty Impact Assessments (EPIAs) provide robust assessments on which to base decisions, including consideration of any impact on human rights. The council should also ensure that these assessments are published in line with the Scottish</p>	<p>The council should continue its work to drive up the quality and coverage of EPIAs to ensure it fully considering the needs of communities.</p> <p>The council should also ensure that it clearly demonstrates how the assessments are conducted and how the results shape its strategic decisions and make them accessible to the public.</p> <p>Review Equalities and Poverty Impact</p>	<p>Complete</p> <p>The council has taken steps to improve its approach to EPIAs during the year. This is an area which will continue to progress, but recommendation considered complete as the council has taken the agreed action.</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p>Government's Fairer Scotland Duty guidance.</p> <p>There is a risk that the council is not demonstrating that it is fulfilling its responsibilities in respect of EPIAs and consideration of human rights.</p>	<p>Assessment process and guidance to make sure it takes a rights-based approach and includes specific consideration of the Fairer Scotland duty – March 2024</p> <p>Confirm process for publishing all Equality and Poverty Impact Assessments – December 2023</p> <p>Responsible officers - Brian Pirie and Sally Buchanan</p> <p>Agreed date - March 2024.</p>	
<p>b/f 4. Plan to achieve net-zero target</p> <p>The council is currently developing a Climate Change and Adaptation Strategy and delivery plan to set out how the council intends to meet its organisational and national net-zero target. This is expected to be approved by December 2023, in line with the Scottish Government timescales.</p> <p>There is a risk that the council is not able to meet its net-zero target.</p>	<p>The council should develop its Climate Change and Adaptation Strategy to provide a realistic account of when and how it will be able to meet its organisational and net-zero target.</p> <p>The actions to take this forward are detailed in Falkirk Council's Climate Strategy as well as the Climate Emergency Action Plan both documents will be published by the end of 2023.</p> <p>Responsible officer - Malcolm Bennie</p> <p>Agreed date - 31 March 2024</p>	<p>Complete</p> <p>The Executive approved the council's Climate Change Strategy and Action Plan 2023-2030 in October 2023.</p>
<p>b/f 5. Service Plans</p> <p>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</p>	<p>The council should develop and publish comprehensive service plans to clearly and comprehensively demonstrate how the priorities in the Council</p>	<p>Complete</p> <p>Directorate Plans have now been published.</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p>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.</p> <p>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.</p>	<p>Plan 2022 – 2027 will be delivered.</p> <p>Agreed. The Council is committed to reviewing its service planning process.</p> <p>Responsible officer - Amanda Templeman</p> <p>Agreed date - 31 March 2024</p>	
<p>b/f 6. The budget should clearly reflect the council's priorities</p> <p>The 2023/24 budget was set in March 2023. While the Council Plan was in place at this time, there is no clear link in the budget to show how budget decisions fit with the council's priorities.</p> <p>There is a risk that decisions taken at the budget setting process are not in line with the council's priorities.</p>	<p>The council should provide a clear link to show how budget decisions are aligned to its priorities.</p> <p>Agreed. The Financial Strategy which will be presented to Council in September 2023 includes a section on priorities and budget planning. This will be further developed as part of the 2024/25 budget report presented to Council in February/March 2024.</p> <p>Responsible Officer - Danny Cairney</p> <p>Agreed date - 31 March 2024</p>	<p>Complete</p> <p>The 2024/25 budget was presented to members 28 February 2024. The council has included details of the priorities set out in the Council Plan and has reported the spend in services and how these align to the council's priorities. In addition, the budget sets out how savings proposals impact on the council's priorities.</p> <p>The Financial Strategy 2024/25-2028/29 was approved by Council September 2023. This set out the investment decisions taken by the council and how these align to the council's priorities.</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p>b/f 7. Alignment between the Council Plan and supporting strategies and plans</p> <p>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.</p> <p>There is a risk that the council does not have appropriate strategies and plans in place to support delivery of the Council Plan.</p>	<p>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.</p> <p>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.</p> <p>Responsible officers - All Directors</p>	<p>In progress</p> <p>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.</p> <p>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 Strategy covers the period 2020/2025.</p>
<p>b/f 8. Collaborative relations will be essential for delivering the council priorities</p> <p>The 2022 BVAR reported that members and officers had not yet demonstrated collaborative leadership to drive transformation. There are early indications that relations have improved since May 2022 elections however this will require a real focus from members and officers to ensure work collaboratively for the people of Falkirk.</p> <p>There is a risk that the council is unable to deliver the</p>	<p>Members and officers should work collaboratively to ensure the delivery of the priorities for the people of Falkirk.</p> <p>Agree and there is ongoing work on this.</p> <p>Responsible officer - Kenneth Lawrie</p> <p>Agreed date - ongoing</p>	<p>Complete</p> <p>A range of work has been undertaken to support collaborative leadership and relations across the Council. This includes briefings for Members on various topics, lunch and learn sessions to update Members on operational work, briefings in advance of significant decisions at committee, cross party working on areas such as the Financial Strategy Group and Policy Development Panels.</p>

Issue/risk	Recommendation and Agreed Action	Progress
transformation required if a collaborative approach is not achieved.		These will continue and a further programme of work will be put in place to support collaborative working, in consultation with Group Leaders. Work is also ongoing to support employees in collaborative working and relations.
Other BV action points		
<p>b/f 9. Capital programme</p> <p>The council needs to better manage its capital programmes to deliver planned projects.</p>	<p>The council reviewed the governance framework around capital programming to improve the transparency and accountability around projects. The Strategic Asset Modernisation Board (SAMB) was established to work with services to revisit the capital programme to ensure there was an appropriate balance between ambitious and realistic projects. In 2022/23, the council reported spend of 88 percent against budget. This suggests that these interventions are starting to have an impact but more needs to be done. The council has plans in place that are set out at paragraph 62.</p>	<p>Complete</p> <p>The council has taken steps to improve delivery against the capital plan. Indications are that these changes are having a positive impact on capital spending across the council.</p>

Falkirk Council

2023/24 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

For the latest news follow us on social media or [subscribe to our email alerts.](#)



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk