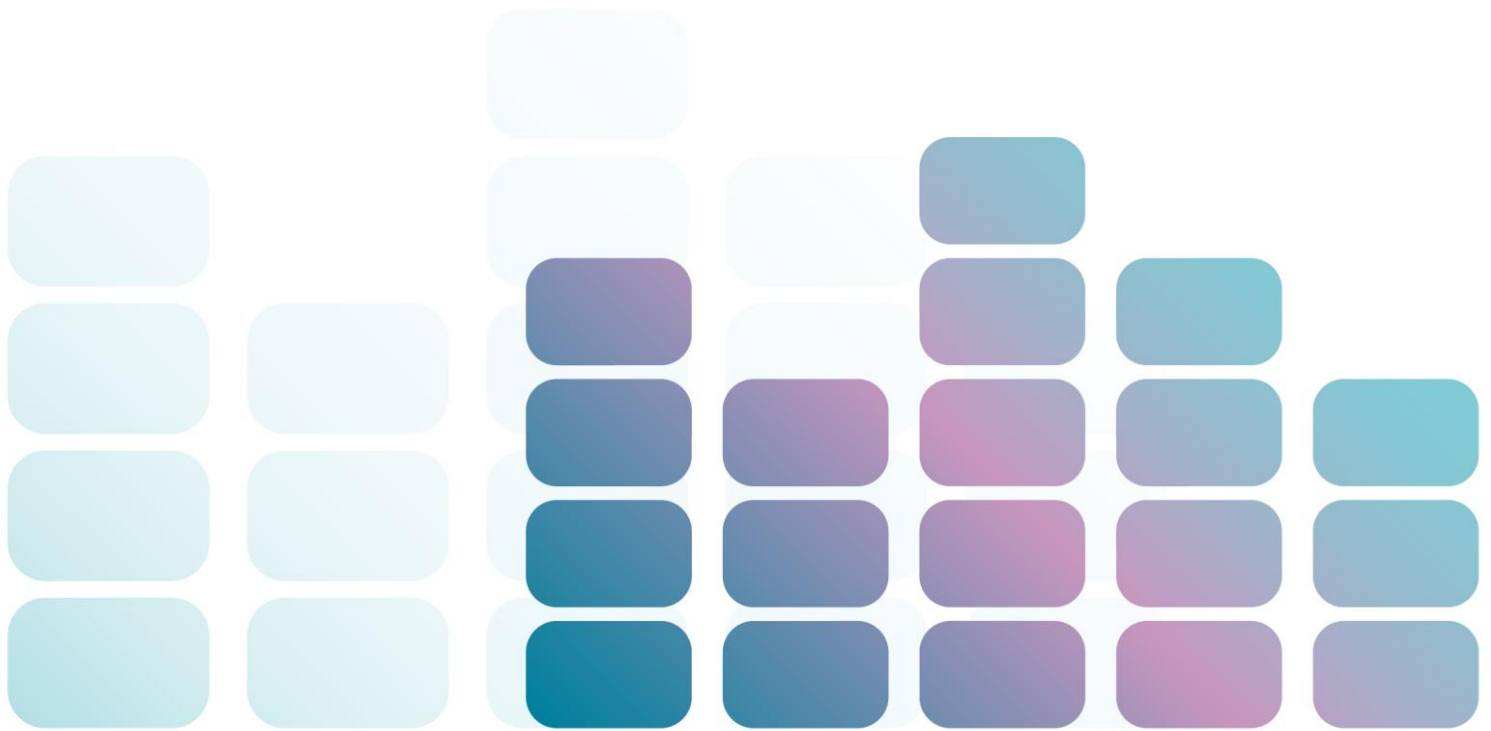


# Falkirk Council Pension Fund

2024/25 Annual Audit Report



Prepared for Falkirk Council Pension Fund and the Controller of Audit  
September 2025

---

# Contents

---

|                                  |    |
|----------------------------------|----|
| Key messages                     | 3  |
| Introduction                     | 4  |
| Audit scope and responsibilities | 5  |
| Audit of the annual accounts     | 7  |
| Wider scope and Best Value audit | 14 |
| Appendix 1                       | 23 |
| Appendix 2                       | 25 |

---

## Accessibility

You can find out more and read this report using assistive technology on our website [www.audit.scot/accessibility](http://www.audit.scot/accessibility).

---

# Key messages

---

## Audit of the annual accounts

- 1 Our audit opinion on the annual report and accounts is unmodified.

## Wider scope and Best Value audit

- 2 Falkirk Council Pension Fund has effective and appropriate arrangements in place for Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
  - 3 At 31 March 2025, the value of Fund assets was £3.6 billion while the estimated Fund Liability was £2.22 billion. This equates to an estimated funding level of 162 per cent. This is an increase from the funding level at the triennial valuation of 137 per cent.
  - 4 Falkirk Council Pension Fund has sound governance arrangements in place, including arrangements for compliance with the Pensions Regulator Public Service Code.
  - 5 The Fund reported a positive investment return, exceeding its annual benchmark return and benchmarks within key policy groups.
  - 6 The administering authority, Falkirk Council, has appropriate arrangements in place for securing Best Value.
-

---

# Introduction

---

## Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of Falkirk Council Pension Fund annual accounts and the wider scope areas specified in the Code of Audit Practice (2021).
2. The Annual Audit Report is addressed to Falkirk Council Pension Fund, hereafter referred to as 'the Fund', and the Controller of Audit and will be published on Audit Scotland's website in due course.

## Appointed auditor and independence

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

## Acknowledgements

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

---

# Audit scope and responsibilities

---

## Scope of the audit

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

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, namely the Management Commentary and Annual Governance Statement.
- Conclusions on the Fund's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on the Fund's arrangements for securing Best Value.
- Provision of this Annual Audit Report.

## Responsibilities and reporting

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

### Auditor's responsibilities

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

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

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

## **Falkirk Council Pension Fund's responsibilities**

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

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

## **National performance audit reporting**

**11.** The Auditor General for Scotland and the Accounts Commission regularly publish performance audit reports. These cover a range of matters, many of which may be of interest to the Fund and the Pensions Committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 2](#).

# Audit of the annual accounts

## Main judgements

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

The annual accounts of Falkirk Council Pension Fund give a true and fair view of the financial transactions of the Fund as at 31 March 2025 and have been properly prepared in accordance with the financial reporting framework.

## Audit opinions on the annual accounts

**12.** The Fund annual accounts were approved by the Pensions Committee on 25 September 2025 and certified by the appointed auditor on the same day. The Independent Auditor's Report is included in the Fund's annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



## Audit timetable

**13.** The unaudited annual accounts and all working papers were received on 24 June 2025 in accordance with the agreed audit timetable. Working papers provided were of a high standard and allowed the audit team to efficiently complete the audit fieldwork. We received good support and comprehensive responses from finance staff which enabled us to complete the audit in accordance with the audit timetable.

## Audit Fee

**14.** The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £31,820. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

## Materiality

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

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

**17.** Materiality levels for the audit of the Fund were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts and are detailed in [Exhibit 1](#) Exhibit 1.

---

**Exhibit 1**  
**2024/25 Materiality levels for the Fund**

| Materiality                                                                                                                                                                                                                                                                               | Amount       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| <b>Materiality</b> – set at 2% of net assets                                                                                                                                                                                                                                              | £71 million  |
| <b>Performance materiality</b> – set at 70% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required. | £50 million  |
| <b>Reporting threshold</b> – set at 5% of materiality.                                                                                                                                                                                                                                    | £3.5 million |

Source: Audit Scotland

---

**Significant findings and key audit matters**

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

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

**20.** In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.



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

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

## Exhibit 2

### Significant findings and key audit matters

| Significant findings and key audit matters                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Outcome                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Valuation of Investment Assets</b></p> <p>Audit procedures performed on investment assets included sample testing of individual investments through agreement to independent, third party, published prices for each investment.</p> <p>For level three investments, where published prices or other observable data are not used in the valuation, the fair values in the unaudited accounts were based on estimates using the latest available fund manager reports adjusted for any transactions in the period from valuation statement to 31 March 2025. Updated valuation statements were provided by fund managers during the financial statements audit to provide final valuations as at 31 March 2025.</p> <p>Audit procedures over Level 3 investments therefore include a comparison of the fair value of each investment disclosed in the accounts and the values provided in the fund manager reports as at 31 March. Of the investments sampled, total absolute variances of £12.140 million were identified. The impact of these would be a net overstatement of £1.232 million in investment assets.</p> | <p>The differences identified relate to the timing of accounts being prepared and the timing of fund manager's issuing year end valuation statements.</p> <p>Management provided a full analysis of the total variance across all Level 3 investments in the accounts against the updated valuation statements. This highlighted a net difference of £2.8 million which is not material.</p> <p>We also note that similar timing differences have been identified in prior years. As the absolute value of the difference exceeds our minimum reporting threshold it has been reported for members' information.</p> <p>We are content that the value of investments is not materially misstated. The accounts have not been adjusted for this difference.</p> |

## Qualitative aspects of accounting practices

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

### Accounting policies

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

### Accounting estimates

**24.** Accounting estimates are used in a number of areas in the Fund's financial statements, including the valuation of investment assets and the valuation of the pension liability. Audit work considered the process management that the Fund has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

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

**25.** Details of the audit work performed on the accounting estimates involved in the valuation of investment assets that gave rise to a significant risk of material misstatement are outlined in [Exhibit 3](#).

### Disclosures in the financial statements

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

## Significant matters discussed with management

**27.** All significant matters identified during the audit and discussed with the Fund's management have been reported in the Annual Audit Report.

## Audit adjustments

**28.** There were no audit adjustments required to the financial statements.

## Significant risks of material misstatement identified in the Annual Audit Plan

**29.** Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 3](#).

### Exhibit 3

#### Significant risks of material misstatement to the financial statements

| Risk of material misstatement                                                                                                                                                                                                       | Planned audit response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Outcome of audit work                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Fraud caused by management override of controls</b></p> <p>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>The audit team will:</p> <ul style="list-style-type: none"> <li>• Evaluate the design and implementation of controls over journal entry processing.</li> <li>• Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries.</li> <li>• Test journals entries at the year-end and post-closing entries with focus on significant risk areas.</li> <li>• Consider the need to test journal entries and other adjustments throughout the year.</li> <li>• Evaluate any significant transactions outside the normal course of business.</li> <li>• Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements.</li> </ul> | <p>Audit work performed found:</p> <ul style="list-style-type: none"> <li>• The design and implementation of controls over journal processing were appropriate.</li> <li>• No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting.</li> <li>• No significant issues were identified from testing of journal entries.</li> <li>• No significant issues were identified from transactions outside the normal course of business.</li> <li>• The controls in place for identifying and disclosing related party relationships and transactions were adequate.</li> <li>• No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias.</li> </ul> |

| Risk of material misstatement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Planned audit response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Outcome of audit work                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <ul style="list-style-type: none"> <li>Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.</li> <li>Substantively test income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                     | <b>Conclusion:</b> no evidence of fraud caused by management override of controls.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <p><b>Valuation of investment assets</b></p> <p>There is a significant degree of subjectivity in the measurement and valuation of the pension fund's investment assets.</p> <p>A significant proportion of these assets relate to the fair value of Level 2 and Level 3 investments. Level 3, and some Level 2, investments have at least one input that could have a significant effect on the valuation that is not based on observable inputs such as active market data.</p> <p>The high level of estimation and judgement involved in the valuation of these investments increases the risk of material misstatement in the carrying value of the investment.</p> | <p>The audit team will:</p> <ul style="list-style-type: none"> <li>Confirm year-end valuations to valuation reports and/ or other supporting documentation, including third party confirmation.</li> <li>Review relevant investment manager controls reports for qualifications or exceptions that may affect the audit risk.</li> <li>Review the arrangements in place to assess investment manager's governance arrangements.</li> <li>Review the adequacy of the disclosures included in the accounts in relation to investments including valuation techniques, key assumptions, and sensitivity analysis.</li> <li>Verify observable inputs and assess significant unobservable inputs for reasonableness.</li> </ul> | <p>Audit work performed found:</p> <ul style="list-style-type: none"> <li>Year-end valuations were confirmed to Custodian reports for all Investments. For Level 3 investments, valuations were also agreed to third party Fund Manager reports on a sample basis. Minor variances were identified due to timing and availability of information (see Exhibit 2).</li> <li>Fund Manager controls reports were reviewed on a sample basis for Fund Managers with Level 3 investments. No qualifications or exceptions were highlighted that impacted our conclusions.</li> <li>No issues were identified in relation to the Fund's assessment of Fund Manager's governance arrangements.</li> <li>The disclosures in the accounts in relation to investments were adequate and in line with Code requirements.</li> </ul> |

| Risk of material misstatement | Planned audit response                                                                                                             | Outcome of audit work                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                               | <ul style="list-style-type: none"> <li>Assess the competence, capabilities, and objectivity of the investment managers.</li> </ul> | <ul style="list-style-type: none"> <li>Valuation methodology, inputs and assumptions were verified for Level 3 investments and were judged to be reasonable.</li> <li>No issues were identified in relation to the competence, capabilities, and objectivity of the fund managers or the Custodian.</li> </ul> <p><b>Conclusion:</b> We are satisfied that the valuation of investments is free from material misstatement and adequate arrangements are in place for accounting for investments.</p> |

Source: Audit Scotland

## Prior year recommendations

**30.** There was one recommendation made from the prior year audit. We reviewed progress with this and consider it to be complete. An action plan is included at [Appendix 1](#).

---

# Wider scope and Best Value audit

---

## Conclusion

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

At 31 March 2025, the value of Fund assets was £3.6 billion while the estimated Fund Liability was £2.2 billion. This equates to an estimated funding level of 162 per cent. This is an increase from the funding level at the triennial valuation of 137 per cent.

Falkirk Council Pension Fund has sound governance arrangements in place, including compliance with the Pensions Regulator Public Service Code.

The Fund reported a positive investment return and exceeded its annual benchmark return and within key policy groups.

Falkirk Council, as the administering authority has appropriate arrangements in place for securing Best Value.

## Audit approach to wider scope and Best Value

### Wider scope

**31.** As reported in the Annual Audit Plan, the wider scope audit areas covered by public sector audit in Scotland are:

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

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

Best Value

33. As pension funds are not deemed to be local authorities or separate bodies that fall within section 106 of the Local Government (Scotland) Act 1973, the statutory responsibility for securing Best Value for pension funds lies with the administering local authority, Falkirk Council.

34. Therefore, consideration of the arrangements the Fund has put in place to secure Best Value has been carried out as part of the Falkirk Council audit, and a conclusion on the arrangements and any matters relating to the Fund are reported in this chapter.

Conclusions on wider scope audit

Financial Management

35. As at 31 March 2025, the value of Fund assets was £3.6 billion while the estimated fund liability was £2.2 billion. This equates to a funding level of 162 per cent which is an increase of 25 percentage points from the full triennial valuation at 31 March 2023. The movement in funding level is outlined at [Exhibit 4](#).

Exhibit 4  
Fund Performance

| Net Assets                                            | Funding Level                                                                               | Investment Performance                                                            |
|-------------------------------------------------------|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| <b>£3.6 billion</b><br>Net assets as at 31 March 2025 | <b>162%</b><br>Net assets of the scheme vs promised retirement benefits as at 31 March 2025 | <b>9.46%</b><br>Average annual return on investments over 5 years (Benchmark: 5%) |
| <b>£3.4 billion</b><br>Net assets as at 31 March 2024 | <b>137%</b><br>As at last formal funding valuation (31 March 2023)                          | <b>3.93%</b><br>Investment return in 2024/25 (Benchmark: 0.98%)                   |

Source: 2024/25 Falkirk Council Pension Fund Annual Report and Accounts

36. The Chief Finance Officer for Falkirk Council is the Proper Officer responsible for Falkirk Council Pension Fund. The financial regulations of Falkirk Council, as administering authority, apply to the Fund. We consider these to be current, comprehensive, and supporting of good financial management.

37. Effective financial management encompasses investment performance and monitoring as well as the day-to-day administration of

the Fund. Performance is monitored on a regular basis through the Joint Investment Forum (JIF) – a collaborative arrangement between Falkirk, Fife, and Lothian Pension Funds – which includes independent advisers and professional investment specialists.

**38.** During 2024/25, the JIF continued to meet on a quarterly basis to review investment performance, the macroeconomic environment, risk and other investment related issues. The Chief Finance Officer and the JIFs assessment of performance was reported quarterly at Committee and Board meetings in 2024/25. We found the Fund's arrangements for monitoring of investments and fund managers to be effective, appropriate, and compliant with required regulations.

**39.** Separate to investment activity and performance, management of the Fund prepare an annual budget each year focusing on controllable expenditure. The Pensions Committee approved the 2024/25 budget which was set at £8.269 million for Benefits Administration Costs, Oversight & Governance Costs, and Investment Management costs.

**40.** The 2024/25 budget outturn was a £2.092 million underspend for the year. The main reasons for the variances were:

- £247k underspend in Benefits Administration mainly due to staff vacancies and resultant savings in payroll costs
- £523k underspend in Oversight and Governance costs due to staff vacancies and lower expenditure for investment and tax advice
- £1.321m underspend in Investment Management costs attributed to savings in fees paid to Fund Managers as a result of moving equity mandate from Newton to LPFI Ltd .

**41.** In March 2025, the Fund published its first Business Plan which sets out the development and improvement work to be undertaken during 2025/26. This is considered good practice and will facilitate effective financial management and good governance of the Fund in achieving short-term operational objectives.

**42.** From our audit work we were able to conclude that the Fund has sound arrangements in place for securing financial management as evidenced by:

- a system of internal control in place that is operating effectively and has no significant weaknesses or deficiencies. In 2024/25, Internal Audit provided substantial assurance over the Fund's risk management, governance and control environment.
- clear and up-to-date policies and procedures, for example, financial regulations and scheme of delegation, in place that ensure effective financial management.



- clear and up-to-date policies in place for preventing and detecting fraud and other irregularities, and participation in fraud prevention and detection activities such as the National Fraud Initiative (NFI).
- suitably qualified and experienced staff leading the pensions team, which has sufficient skills, capacity, and capability to effectively fulfil its role.
- effective scrutiny of arrangements that support sound financial management, and effective scrutiny and challenge provided by the Pension Committee.

## Financial Sustainability

**43.** Financial Sustainability for the Pension Fund means ensuring the Fund has sufficient assets to be able to pay pensions and benefits as they fall due – now and in the future. There is a statutory requirement for local government pension funds to undertake a full actuarial valuation of assets and liabilities every three years. This is referred to as a triennial valuation.

**44.** The most recent triennial funding valuation took place across all Local Government Pension Scheme funds based on data as at 31 March 2023. The results of the 2023 triennial valuation of the Fund showed a funding level of 137 per cent, a significant increase from the 2020 level of 94 per cent. As at March 2025, the funding level is estimated at 162 per cent. The increase in funding level is generally due to the increase in the value of the fund assets (particularly the higher than expected return from equities) against the favourable market conditions under which the Fund's liabilities have been valued.

**45.** The audit work performed on the arrangements the Fund has in place for securing financial sustainability found that these were effective and appropriate. We have considered the following when reaching this judgement:

- The Fund making appropriate arrangements to develop a Funding Strategy that aligns with the core objectives of the Fund. A revised version of the Funding Strategy Statement was agreed by the Pensions Committee in March 2024. This version clearly specifies the Fund's objectives in terms of funding level, cash management, and employer contributions.
- The Funding Strategy is a key consideration by the actuary in undertaking the triennial valuations, setting employer contribution rates, and informing investment strategy. The Funding Strategy facilitates successful delivery of outcomes for the Fund over the long-term and ensures the Fund is resilient to change and economic uncertainty.
- The estimated funding level at 31 March 2025 is 162% which shows the Fund is in a strong position from a Financial Sustainability

perspective. However, it should be noted that the funding level is an estimate at a point in time and is subject to volatility. The 2025 estimate is improved from the 2023 triennial valuation and the prior year valuation which demonstrates the Fund is achieving and maintaining its longer-term objectives.

- As in 2023/24, net movement of cash flows in and out of the Fund meant that the Fund operated in a negative cash flow position in 2024/25. This can be attributed to a reduction in contribution rates as a result of the 2023 valuation exercise and a large Scheme employer exiting the fund and the resultant cash outflows payable to Strathclyde Pension Fund (SPF). The Fund was able to manage its cashflow to pay the SPF share of assets without having to sell assets of the fund.
- The longer-term cashflow trend is expected to continue to be one where outflows exceed inflows. There are a number of factors contributing to this including the increase in pensioners and undecided members in 2024/25 continuing the trend of a steadily increasing fund maturity level over the last five years. The ratio of non-active members to total members was 62.7% in 2024/25.
- However, the Fund has a well-diversified portfolio and funding strategy to ensure pension payment obligations can be fulfilled long-term. The contribution rates for employers will be reassessed during the 2026 triennial valuation exercise.
- The Fund has effective arrangements in place for identifying risks to financial sustainability over the medium and longer-term, and these are mitigated effectively through adherence to the investment strategy, Statement of Investment Principles and other appropriate mitigating actions. Financial Sustainability risks are given due consideration on the Fund's risk register. However, the risk register should be reviewed on a regular basis to ensure emerging risks are captured and changes in operating environment are reflected (see paragraph 48).

## Vision, Leadership and Governance

**46.** Falkirk Council is the administering authority for Falkirk Council Pension Fund. The council has delegated authority for governance to the Pensions Committee. This committee, supported by the Board (made up of four employer representatives and four member representatives), is responsible for establishing arrangements that ensure the proper conduct of the affairs of the Fund. It is also responsible for ensuring that decisions are made within the terms of the Local Government Pension Scheme.

**47.** The arrangements the Fund has in place around its Vision, Leadership and Governance are generally effective, apart from issues that were identified with the review process for the Fund's risk register as outlined in

paragraph 48. We have considered the following when reaching this judgement:

- The Fund's governance arrangements have been set out in the Annual Governance Statement in the annual report and accounts. We have reviewed these arrangements and concluded they were appropriate and effective.
- Agenda papers and minutes for the Pensions Committee are generally available on the council's website. Some papers, such as updates from the Joint Investment Forum, are taken in private and not available. However, this is considered appropriate due to the sensitive nature of these.
- Given the specialised nature of pension funds, it is vital that elected members have appropriate knowledge and understanding to provide appropriate challenge and scrutiny. The Fund's Training Policy sets out expectations for Committee and Board members. The Fund maintains a record of attendance at training events and the annual report and accounts detail the number of hours of training undertaken by each member. While attendance at training events varied from member to member, each attended the minimum number of events. There are also plans to add shorter training sessions to the start of each Pensions Committee meeting.
- The Fund is progressing with the implementation of the McCloud remedy. A report commissioned by the Fund's current actuary, Hymans Robertson, indicated that a potential 9,750 Falkirk members could be impacted by the remedy being adopted, which may require considerable resource commitment. Implementation has been challenging due to the level of manual intervention required.
- There were no breaches reported to the Pensions Regulator in 2024/25. Although, we note that a small percentage of annual benefits statements were not issued in time (4 per cent) and a small percentage of contributions were not received within the statutory deadline (1 per cent). The Fund does not consider these events to be material or reportable.
- There is currently no mandatory reporting on climate related disclosures for the Fund. The annual report and accounts reference the recommendations made by the Task Force on Climate Related Financial Disclosures and set out how it manages the wider climate change risk. The Fund's Statement of Responsible Investment Principles also makes three commitments around climate change which they report on in the annual report and accounts. The Fund has been working with private fund managers to progress one of the commitments to assess the carbon intensity of assets (using estimates if necessary) by the end of the 2023/24 reporting cycle.

This has been challenging due to the number of investments held by the Fund.

**48.** The Risk Management Policy, Risk Register, and Risk Assurance Map form part of the Fund's overall risk management arrangements. All relevant documents were subject to review in March 2024. Per the Fund's internal Risk Management Policy, the Risk Register and Risk Assurance Map should be reviewed at least annually. As at September 2025, these documents had not been reviewed. Management advised that this delay was due to staff absence. Emerging risks to the Fund may not be captured on a timely basis if the Risk Register is not reviewed with sufficient regularity. The level of threat on identified risks, risk appetite and mitigating actions may also become outdated if the register is not reviewed regularly. This is particularly important in times of economic and geopolitical uncertainty. As a result, the following recommendation has been made with further details outlined in [Appendix 1](#).

### Recommendation 1

The Risk Register should be formally reviewed on a biannual basis for discussion at the Pension Committee to ensure that emerging risks are identified and identified risks, mitigating actions, and risk scores remain appropriate and up to date.

### Use of Resources to Improve Outcomes

**49.** The audit work performed on the Fund's use of its resources found that the following arrangements were in place:

- The Pensions Committee meets quarterly and receives regular reports on both fund performance and investment performance. The focus of measuring the performance of the pensions administration includes both member experience and statutory compliance.
- The Fund's administration performance is on target for four out of the seven indicators. This is a slight decline from the performance in the previous year where five were met.
- Of the three which were not met, two were missed by a small amount and satisfactory explanations were provided for each. The target for retirement lump sums being paid within 15 days is 90 per cent, and the Fund reported that only 73 per cent met this. The achievement of this indicator is dependent on the receipt of information from other bodies and there were more instances this year of incomplete information being provided which delayed payment.
- The Fund works with around 40 external investment managers. Investment manager performance is reviewed regularly by the

Pensions Committee via quarterly reports, regular meetings with managers and reporting outcomes to the Joint Investment Forum (JIF)

- The Fund reported an overall investment return of 3.93 per cent for 2024/25 with returns against most asset classes, especially equities, being positive. This is above the benchmark return of 0.98 per cent and each policy group exceeded its individual benchmark return. Performance per policy group is outlined below in [Exhibit 4](#).

#### Exhibit 4

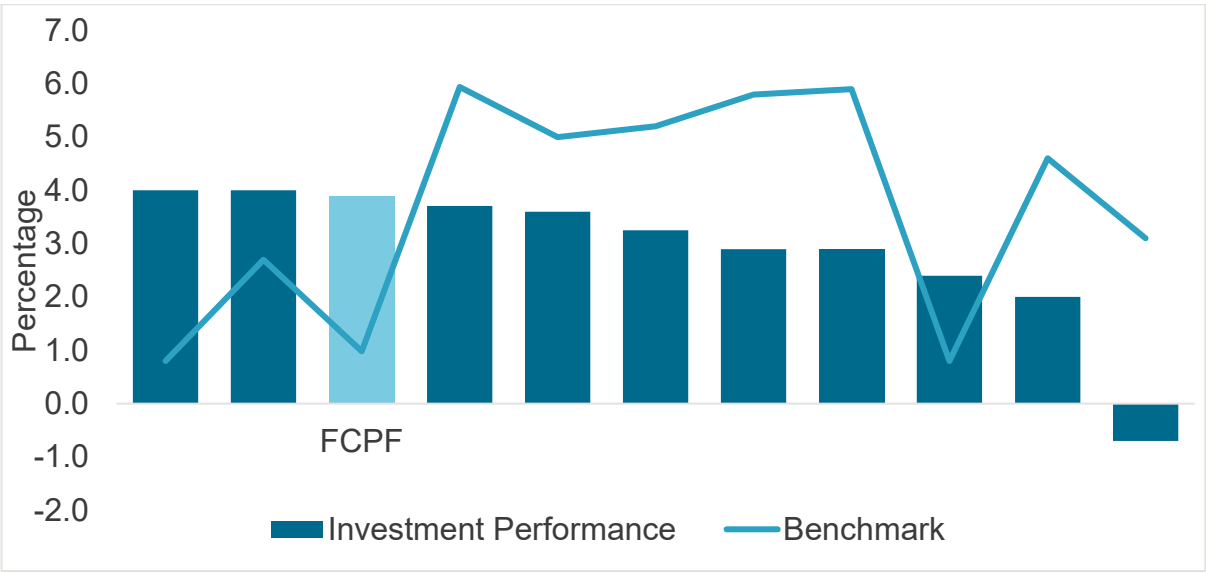
##### Fund Performance by policy group

| Policy Group      | Benchmark Return (%) | Actual return in 24/25 (%) |
|-------------------|----------------------|----------------------------|
| Equities          | 4.42                 | 8.69                       |
| Other Real Assets | 3.50                 | 4.20                       |
| Sovereigns        | -15.33               | -14.13                     |
| Credit            | 2.56                 | 3.76                       |
| Cash              | 5.09                 | 6.49                       |

Source: 2024/25 Falkirk Council Pension Fund Annual Report and Accounts

- In the longer term the Fund has been able to demonstrate strong performance. As reported in the annual report and accounts the Fund has outperformed its three, five and ten-year benchmarks.
- 2024/25 was a relatively positive year for returns on investment assets across Scottish Local Government Pension Schemes. As shown in [Exhibit 5](#), while only five of the eleven funds reported a return higher than the benchmark, all but one reported positive returns for the year. Investment performance ranges from -0.7 per cent to 4 per cent (compared to returns ranging from 5.5 per cent to 15 per cent in 2023/24). Falkirk Council Pension Fund's return of 3.93 per cent (against a benchmark return of 0.98 per cent) placed it at the higher end of this range. We recognise that all Funds have different investment strategies which limits the value in these comparisons.

**Exhibit 5**  
**Scottish Local Government Pension Schemes performance against benchmark**



Source: 2024/25 Scottish LGPS pension funds unaudited annual accounts

**Conclusions on Best Value**

**50.** As noted at paragraph 34, statutory responsibility for arrangements for securing Best Value lies with Falkirk Council as the administering authority. The external auditors of Falkirk Council consider that overall Falkirk Council has effective arrangements in place for securing Best Value and has a well-established governance framework.

**51.** Recommendations were made in the Falkirk Council Best Value Thematic Report 2024/25 in relation to community engagement and the need for greater partnership working on transformation projects. There were no specific matters relating to the Fund.

# Appendix 1

## Action plan 2024/25

### 2024/25 recommendations

| Matter giving rise to recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Recommendation                                                                                                                                                                                                                                                                                                                                    | Agreed action, officer and timing                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| <p><b>1. Risk Management</b></p> <p>The Risk Management Policy, Risk Register, and Risk Assurance Map form part the Fund’s risk management arrangements. All documents were subject to review in March 2024.</p> <p>Per the Fund’s internal Risk Management Policy, the Risk Register and Risk Assurance Map should be reviewed at least annually. At September 2025, these documents had not been reviewed.</p> <p>There is a risk that emerging risks to the Fund are not captured if the Risk Register is not reviewed with sufficient regularity. The level of threat on identified risks, risk appetite and mitigating actions may also become outdated.</p> | <p>Management should aim to update the Risk Register and associated documents for discussion at next Pension Committee.</p> <p>Management should review the Risk Register on a biannual basis for discussion at Pension Committee to ensure the identified risks, mitigating actions, and risk scores remain appropriate.</p> <p>Paragraph 48</p> | <p>Accepted</p> <p>Responsible officer – Chief Finance Officer</p> <p>Agreed date – by 31 December 2025.</p> |

## Follow-up of prior year recommendations

| Matter giving rise to recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Recommendation, agreed action, officer and timing                                                                                                                                             | Update                                                                        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| <p><b>1. Service Auditor Reports for Altair</b></p> <p>The Fund uses the Altair system for the administration of the Fund. Altair is hosted by Heywood, which is considered a service organisation to the Fund. The Fund obtains and reviews service auditor reports on Heywood. However, they do not obtain and review service auditor reports for Service Express, who host data centres on behalf of Heywood.</p> <p>There is a risk that there are weaknesses in the hosting arrangements that the Fund is not aware of.</p> | <p>The Fund should obtain and review service auditor reports for Service Express to strengthen its assurance over the hosting service provided to the Fund for its administration system.</p> | <p><b>Complete</b></p> <p>Service Auditor Report was obtained in 2024/25.</p> |



# Appendix 2

## Supporting national and performance audit reports

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

# Falkirk Council Pension Fund

## 2024/25 Annual Audit Report



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
Phone: 0131 625 1500 **Email: [info@audit.scot](mailto:info@audit.scot)**  
**[www.audit.scot](http://www.audit.scot)**