

# Falkirk Council

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of Falkirk Council and the Controller of Audit  
November 2023

---

# Contents

---

Key messages	3
Introduction	5
1. Audit of 2022/23 annual accounts	7
2. Best Value	14
3. Financial management	21
4. Financial sustainability	31
5. Vision, leadership and governance	34
6. Use of resources to improve outcomes	37
Appendix 1. Action plan 2022/23	41

---

# Key messages

---

## 2022/23 annual accounts

- 1 An unmodified independent auditor's report has been issued for the 2022/23 Annual Accounts of the council and its group and the section 106 charity administered by the council. The accounts show a true and fair view of the council's financial position.

## Best Value

- 2 Falkirk Council has an appropriate best value framework in place.
- 3 A refreshed Performance Monitoring Framework is now in place but it is too early to conclude on whether this is fully effective in driving improved performance across the council.
- 4 The council has made progress in each of the Best Value improvement recommendations from previous years but further work is required in some areas.

## Vision and leadership

- 5 Following the local government elections in May 2022, the council remains under its minority administration and has 15 new members.
- 6 The council's leadership has been effective in setting out a clear vision and priorities in the Council Plan 2022-27 (Council Plan).

## Financial management

- 7 The council operated within budget in 2022/23 with 70 percent of planned efficiency savings being achieved.
- 8 Changes in the council's approach to capital programming are beginning to show improved levels of spend against budget.
- 9 The council has effective financial management processes in place to manage budgets and support the sustainability of services in the medium-term.
- 10 Systems of financial control generally operated effectively however we identified some areas where controls could be strengthened.

## Financial sustainability

- 11** The council approved a balanced budget for 2023/24 in March 2023.
- 12** The council's Financial Strategy for 2023-24 to 2026-27 was reported to members in September 2022 and showed an anticipated budget gap of £69 million over the 4 years, with £33.5 million falling in 2023/24. This was updated in September 2023 for the period 2024/25 to 2028/29 and reported a budget gap of £64.4 million over the next 5 years.
- 13** The council has taken some significant decisions as it strives to deliver its priorities on a sustainable basis however it is essential that the council continues this momentum to address the challenges it faces going forward.

## Vision, Leadership and Governance

- 14** Governance arrangements are appropriate and operated effectively.
- 15** A Climate Emergency Strategy is being developed, setting out how the council intends to work towards meet its organisational and national net-zero target. The council has acknowledged that this target will be challenging, however progress has been made in taking appropriate steps towards achieving the target.

## Use of resources to improve outcomes

- 16** Performance reporting arrangements have improved and there is a clear link to show performance against the Council Plan.
- 17** The council has arrangements in place for the preparation and publication of Statutory Performance Information (SPIs).

---

# Introduction

---

**1.** This report summarises the findings from the 2022/23 annual audit of Falkirk Council (the council). The scope of the audit was set out in an Annual Audit Plan presented to the April 2023 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](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment from 2022/23

**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. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [\*Code of Audit Practice\*](#) which was introduced for financial years commencing on or after 1 April 2022.

**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 and we look forward to working together constructively over the course 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 and 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 we raise 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 2022/23 audit fee of £375,970 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**10.** We add 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 2022/23 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 of public funds.

---

---

## Main judgements

An unmodified independent auditor's report has been issued for the 2022/23 Annual Accounts of the council and its group and the section 106 charity administered by the council.

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 Management Commentary, Annual Governance Statement and Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

---

## Audit opinions on the annual accounts are unmodified

**11.** The Audit Committee approved the annual accounts for Falkirk Council and its group for the year ended 31 March 2023 on 21 August 2023. 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 financial reporting framework
- 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 as £17 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 and planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

---

## Exhibit 1

### Materiality values

Materiality level	Amount
Overall materiality	£17 million
Performance materiality	£8.5 million
Reporting threshold	£250,000

---

**14.** The overall materiality threshold for the audit of the annual accounts of the council was set with reference to gross expenditure, which we 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 50% of overall materiality, reflecting the fact that this was the first year of our audit appointment and our limited knowledge of any history of errors in the accounts.

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

## Significant findings and key audit matters

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

**18.** The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

**19.** The significant findings are summarised in [Exhibit 2](#).



## Exhibit 2

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

Issue	Resolution
<p><b>1. Pension Balance</b></p> <p>The council is a member of Falkirk 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. Annual valuations are dependent on a number of external variables, including projected rates of return on assets, projected rates of price and pay inflation, interest rates and mortality estimates.</p> <p>In common with many other public bodies and in contrast to previous years, the council's 2022/23 pension valuation showed an asset of £211.175 million (2021/22: liability of £230.345 million). Guidance was issued to bodies on how a net asset should be accounted for but this was not available when the unaudited accounts were prepared.</p> <p>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. The unaudited accounts incorrectly included the full pension asset instead of applying the ceiling which would cap the asset at nil.</p>	<p>Applying IAS 19 to the council's pension fund asset resulted in the pension asset being revised down to nil in the Balance Sheet, reducing net assets by £211.175 million. The pension reserve was also reduced by £211.175 million.</p> <p>The accounts were amended to include the appropriate disclosures to support the use of the asset ceiling.</p>
<p><b>2. Changes to group boundary</b></p> <p>The council in-sourced the services provided by Falkirk Community Trust Ltd and Falkirk Community Stadium Ltd during 2022/23. On review of the accounting treatment, we found that the council had restated prior year balances in the primary statements to reflect these changes.</p> <p>Notes and statements did not adequately disclose the transfer and opening balance adjustments.</p>	<p>The correct accounting treatment was applied in the audited financial statements and additional disclosures added to ensure transparency in the transfer of services from these former subsidiaries to the council. There is no impact on the annual accounts.</p>
<p><b>3. Depreciation charges</b></p> <p>At the year-end depreciation charges are calculated and checked before revaluations at 31</p>	<p>We reviewed the work undertaken to correct the entries in the annual accounts and were satisfied that the</p>

Issue	Resolution
<p>March are processed. During this process for 2022/23, an error arose where the system charged a further £1.035 million in depreciation, split between 2021/22 and 2022/23. The council identified the error prior to the annual accounts being submitted to audit and manual adjustments were made to ensure the correct accounting entries were applied. Officers engaged with the system provider, Capita, to resolve the issue.</p>	<p>appropriate adjustments had been made.</p> <p>The council has confirmed that following engagement with Capita, a fix has now been tested and applied to the live system. Matter resolved.</p>
<p><b>4. Asset disposals</b></p> <p>We tested 5 asset disposals and found that 3 of these were assets that had been disposed of in prior years but had been processed through the 2022/23 accounts after being identified from the revaluation process. While we are satisfied that the annual accounts are not materially mis-stated through assets being included that are no longer held, the council should ensure it has processes in place to assure itself that the asset register accurately reflects its asset base.</p>	<p>The council should ensure that appropriate arrangements are in place to capture asset disposals timeously.</p> <p><a href="#">Recommendation 1</a></p>

## Other matters identified from our audit of the Annual Accounts

**20.** In addition to our findings in exhibit 2 above, the following matters were identified through our audit testing:

- **Pension costs** – review of the pension disclosures in the unaudited accounts found that the costs included in the Comprehensive Income and Expenditure Account did not agree to the Hymans Robertson actuarial report. This was due to provisional figures being used in the preparation of the unaudited accounts. The impact of this error is £0.269 million. The council does not plan to amend the accounts for this.
- **Lease incorrectly classified** – testing on leases found one sample amounting to £4.3 million which did not meet the definition of a lease, but was in fact income for maintaining common parts of an estate. This was a disclosure error only and the accounts were amended to correct the error.

## Our audit work responded to the risks of material misstatement we identified in the annual accounts

**21.** We have 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 we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we

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 International Standard on Auditing (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 and focus on significant risk areas.</p> <p>Considered the need to test journal entries and other adjustments during the period.</p> <p>Evaluated significant transactions outside the normal course of business.</p> <p>We assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>Performed focussed testing of accounting accruals and prepayments.</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>

**22.** In addition, we identified “areas of audit focus” in our 2022/23 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 found the arrangements in place to be satisfactory.

- 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](#) and paragraph 24.

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

### **Identified misstatements of £211.175 million were adjusted for in the Annual Accounts**

**24.** We identified material misstatements with a gross value of £211.175 million in the unaudited Annual Accounts. As the total was above our performance materiality level, we considered the need to revise our audit approach. The misstatement relates entirely to the pension issue outlined at [Exhibit 2](#). This is an isolated error and therefore we did not need to revise our audit approach.

**25.** Management have now adjusted the Annual Accounts to correct all material misstatements. Further details of these adjustments are included in [Exhibit 2](#) and paragraph 19. Other than the corrected material misstatement detailed as a significant finding in [Exhibit 2](#), and the unadjusted error reported at paragraph 20, our audit identified no other misstatements above our reporting threshold.

**26.** We identified a number of 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 unaudited annual accounts were received in line with the agreed audit timetable**

**27.** The unaudited annual accounts were received in line with our agreed audit timetable on 28 June 2023. The working papers to support the unaudited accounts followed on a more phased basis. We worked with the council throughout the audit to provide clarity over our working paper requirements and this is an area we will continue to build on in preparation for the 2023/24 audit.

### **Our audit opinions on Section 106 charities were unmodified**

**28.** 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.

**29.** Our audit opinion on the Falkirk Temperance Trust is unmodified.

### **Good progress was made on prior year recommendations**

**30.** The council has made good progress in implementing the audit recommendations identified by Ernst & Young, the council's previous external auditor. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

**31.** At present only progress against internal audit action points are reported routinely to the Audit Committee. The council should ensure it has appropriate arrangements in place to gain assurance that all audit recommendations are being addressed. To this end, tracking recommendations made by external audit, internal audit and other inspectorates should be a regular agenda item for the Audit Committee. This would allow members to obtain assurance that agreed recommendations arising from audit/inspectorate work have been, or are being, implemented in a timely and satisfactory manner.

---

### **Recommendation 2**

Management should prepare an audit recommendations tracking report for consideration by the Audit Committee.

---

---

## 2. Best Value

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

---

---

### Conclusions

Falkirk Council has an appropriate best value framework in place.

A refreshed Performance Monitoring Framework is now in place but it is too early to conclude on whether this is fully effective in driving improved performance across the council.

The council has made progress in each of the Best Value improvement recommendations from previous years but further work is required in some areas.

---

### Best Value work in 2022/23

**32.** For 2022/23 the scope of Best Value work included conclusions on:

- Leadership of the development of new local strategic priorities (2022/23 thematic work)
- Council service performance improvement
- Effectiveness of council performance reporting
- Progress made against Best Value improvement actions made in previous years.

**33.** As set out in the [Code of Audit Practice 2021](#), Best Value audit is integrated with other wider-scope annual audit work. Therefore, 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.

### Leadership of the development of new local strategic priorities

**34.** Annual thematic Best Value work is set by the Accounts Commission. For the 2022/23 financial year, auditors were asked to focus on the councils' leadership of the development of new local strategic priorities. The results of this work will be reported to elected members at the Audit Committee in November 2023. This report will be published on the Audit Scotland website soon.

**35.** The key findings in this report are:

1. Following the local government elections in May 2022, the council remains a minority administration. The council's leadership has been effective in setting out a clear vision and priorities in the Council Plan 2022-27 (Council Plan), but work is now required to ensure the council take the decisions necessary to address the challenges it faces.
2. The Council Plan was developed based on extensive consultation undertaken with stakeholders for the Falkirk Plan, the Local Outcomes Improvement Plan, in 2021.
3. Service plans have been developed as operational documents to support the delivery of the Council Plan, however these are high level and are not publicly available. Detailed service plans should be published to demonstrate how the council will deliver the priorities set out in the Council Plan.
4. The council has a suite of strategies and plans in place which support the council in its activities. Generally, these pre-date the Council Plan so work is required to update these strategies and plans to ensure they are current and reflect the priorities of the council. The council intends to refresh its Council Plan, financial strategy and workforce strategy in September 2023.
5. A refreshed Performance Monitoring Framework is now in place but it is too early to conclude on whether this is fully effective in driving improved performance across the council. This is expected to be refined when the refreshed Council Plan is considered in September 2023.
6. The council has demonstrated a commitment to public engagement on key decisions and there is evidence of the council amending proposals to reflect the feedback obtained. However, further work is required to ensure consistent, high quality and meaningful consultation with communities on all key decisions.
7. The council approved a balanced budget for 2023/24 in March 2023. It is unclear how the budget is aligned to the council's priorities or how the budget consultation exercise influenced budget decisions.
8. The council has a longer-term financial strategy in place however it does not currently align with the priorities set out in the Council Plan. The council should ensure that the financial strategy is clearly aligned to its priorities when it completes its planned refresh in September 2023.
9. The council is working with its community planning partners to reduce inequalities through delivery of the Local Outcomes Improvement Plan. The Council Plan is based upon a core set of principles that include addressing both inequalities and the climate emergency.

10. A Climate Emergency Strategy is being developed, setting out how the council intends to meet its organisational and national net-zero target. This is expected to be approved by December 2023.

36. The audit recommendations made in this report, with the management responses, are included in Appendix 1 of this report.

### **Council service performance improvement**

37. The Best Value: Revised Statutory Guidance 2020 sets out that councils should be able to demonstrate a trend of improvement over time in delivering its strategic priorities.

38. Please refer to section 6 'Use of resources to improve outcomes' of this report for more information on the council's service performance.

### **A refreshed Performance Monitoring Framework is now in place but it is too early to conclude on whether this is fully effective in driving improved performance across the council.**

39. The Best Value: Revised Statutory Guidance 2020 also sets out that performance management arrangements should be in place to promote the effective use of the local authority's resource, which includes effective performance reporting.

40. The council approved its new Performance Management Framework following the approval of the new Council Plan in September 2022.

41. A suite of arrangements have been put in place to monitor performance. A review of the key performance indicators (KPIs) is currently being undertaken and will be presented to Council in September 2023, alongside the refreshed Council Plan. The first performance report against the Council Plan was considered by the Scrutiny Committee in June 2023, covering half a year since it was developed in September 2022.

42. As this is the first performance monitoring report under the refreshed arrangements, it is not yet possible to conclude on the progress made in improving performance reporting.

43. 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.

### **The council has made progress in each of the Best Value improvement recommendations from previous years but further work is required in some areas**

44. Falkirk Council received a full Best Value Assurance report (BVAR) in January 2022. Nine recommendations were made for the Council in this report. As part of our annual work programme, we followed up on each of these agreed actions.



**45.** In February 2022, the council published an action plan to address each of the recommendations. From the nine recommendations, there were 40 strategic action points created, each with an owner and timescale assigned to them. The Council then provided further updates on the action plan points in August and December 2022 and in April 2023.

**46.** Per the final update in April 2023, the majority of the action points are complete. 15 were considered complete but with further work to be done and one still in progress. Elected Members and officers completed a Best Value Self-Assessment which went to full council in June 2023. Of the original nine recommendations, they consider one to be complete. The self-assessment concluded that good progress had been made on five of the recommendations and moderate or limited progress had been made on the remaining three recommendations.

**47.** We reviewed the progress made in each recommendation, taking the self-assessment into consideration.

BVAR Recommendation	Progress
<p>Elected members and senior officers need to work more constructively together to lead the council more effectively and decisively. All elected members need to recognise that they have a responsibility to deliver Best Value, and they need to work together, and take difficult decisions in a timelier manner to allow the council to progress with its agreed priorities.</p>	<p>The council has progressed in all of the actions set against this recommendation.</p> <p>As per our Thematic Report, 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 transformation required if a collaborative approach is not achieved.</p> <p><b>In progress</b> – to be taken forward through recommendation 8 from the Thematic Report.</p>
<p>It is crucial that the council makes far greater progress in delivering its transformation programme and in making savings, given the scale of the challenges it faces. To do this:</p> <ul style="list-style-type: none"> <li>• as we previously recommended in 2018, the council's chief executive and senior officers need to lead the COTF programme more effectively</li> <li>• the council needs to adopt a multi-year approach to budgeting that supports transformational change</li> <li>• the council must ensure that all staff are fully engaged in the transformation programme, and that budget holders are</li> </ul>	<p>The council has made progress in each of the actions mapped to this recommendation.</p> <p><b>Substantially complete</b> – no further audit follow up work required.</p>

clear on expectations to deliver the planned savings and are held to account

- elected members need to be provided with better information more frequently about the status of the COTF projects, the savings delivered and projected savings to support better scrutiny.

The council should continue to improve its approach to reporting performance to elected members and the public to support more effective scrutiny. To do this the council needs to:

- add more commentary to reports to explain how its performance compares with previous performance and other councils
- add more commentary to its plans to explain how it will address areas of poorer performance.

Please refer to paragraphs 37 to 41 of this report.

**In progress** – to be taken forward through recommendation 1 from the Thematic Report.

The council needs to better manage its capital programmes to deliver planned projects.

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.

**In progress**

The council and its community planning partners need to improve how they manage and report their performance. To do this they need to:

- determine clear outcome milestones for the new Falkirk Plan
- improve performance reporting to enable better scrutiny of performance and more focus on areas in which improvement is needed.

Please refer to paragraphs 37 to 41 of this report.

**In progress** – to be taken forward through recommendation 1 from the Thematic Report.

The council and its community planning partners urgently need to develop and implement locality plans to allow them to

Three community action plans have been published.

better focus on the needs of local communities.

An action plan has been developed to implement the nine-locality model in a phased manner over the next two to three years.

Work is underway to design the delivery and monitoring approach for community action plans.

**Substantially complete** – no further audit follow up work required.

The council and its community planning partners need to embed their new approach to community engagement and empowerment. To do this they need to:

- make community engagement an integral part of service improvement and delivery
- apply the lessons learned from effective engagement activity across all council services and CPP activities
- focus on the timely delivery of the actions agreed and report on progress
- clearly communicate the results of, and the council's response to, community consultation
- support community groups in the completion of asset transfers, participation requests and participatory budgeting initiatives.

The Community Partnership Team has been established and are in contact with 15 other Scottish local authorities to share learning, best practice and consider areas where they could collaborate in future.

Members received induction training on communities in May 2022.

A cross-service Community Empowerment Action Team has been relaunched and meets monthly. They have provided community engagement planning support to projects.

The council is developing a new Community Engagement Strategy which is due to be in place before the end of 2023.

As reported in our Thematic Report the council has a dedicated page on its website for live and previous consultations. 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.

**In progress** – to be taken forward through recommendation 2 from the Thematic Report.

The council needs to ensure that it can deliver the benefits envisaged from bringing the services provided by the Falkirk Community Trust in-house by making the difficult decisions required to realise savings.

Falkirk Community Trust staff, services, projects, and assets are successfully integrated into the Council. The Review of Integration of Services report (presented to the Council in October 2022) identified recurring savings of £0.75 million from the in-sourcing of the Falkirk Community Trust.

**Complete**

The council should act to fully embed equalities across the council and comply with statutory requirements.

The council has made progress in embedding equalities in its decision making. This is evidenced by:

- the refreshed Equalities group which meets regularly
- development of Equalities Outcomes and the Equalities Self-Assessment and Improvement plan
- the introduction of a programme of equalities training.

While progress has been made with services reviewing Equalities and Poverty Impact Assessments (EPIAs), these require further refinement to ensure they 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 Government's Fairer Scotland Duty guidance.

**In progress** – to be taken forward through recommendation 3 from the Thematic Report.

---

# 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

The council operated within budget in 2022/23 with 70 percent of planned efficiency savings being achieved.

Changes in the council's approach to capital programming are beginning to show improved levels of spend against budget.

The council has effective financial management processes in place to manage budgets and support the sustainability of services in the medium-term.

Systems of financial control generally operated effectively however we identified some areas where controls could be strengthened.

## The council operated within budget in 2022/23

**48.** The council approved its 2022/23 budget on 2 March 2022. The budget was set at £392.3 million with a funding gap of £21 million. Per the annual accounts, the council reported outturn expenditure of £416.3 million against a revised budget of £421 million. As shown in [Exhibit 4](#), the council reported an overspend of £2.4 million in Children's Services, off-set by underspends in Place Services of £2.9 million, £1.2 million in Transformation, Communities and Corporate Services, £1.9 million on the Falkirk Community Trust and £1.1 million on capital financing costs.

### Exhibit 4

#### Summary of significant under/overspends against budget

Area	£m	Reason for variance
<b>Underspends</b>		
Place Services	2.904	Underspends on employee costs and energy costs along with increased service income receipts.

Area	£m	Reason for variance
Transformation, Communities & Corporate Services	1.238	Underspends on employee costs and energy costs which were off-set by increased ICT costs and HRA central support costs.
Falkirk Community Trust	1.890	The services previously provided by the Falkirk Community Trust were brought in-house on 1 April 2022. After the settlement of the Trust's outstanding debtors and creditors, the final balance transferred to the Council was £3.1m.
Capital Financing Costs	1.094	Lower borrowing and interest charges than budgeted.
<b>Overspends</b>		
Children's Services	2.479	Significant overspend on residential care services due to not achieving expected "Closer to Home" and other unallocated savings. The total overspend was off-set by savings realised through teacher strike action lower than expected teaching costs.

Source: Falkirk Council 2022/23 Provisional Outturn Report

## Housing Revenue Account operated within budget

**49.** 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.

**50.** The council approved its Housing Revenue Account (HRA) 2022/23 budget on 19 January 2022, along with indicative budgets for 2023/24 to 2026/27. The budget was set at £68.9 million with a funding gap of £1.2 million which was to be funded by rent increases to tenants at 2 percent. The budget included the planned use of £0.6 million of reserves. Overall income and expenditure for the year were in line with budget however there were some notable overspends in property costs and supplies and services which were off-set by underspends on employee costs, support services and capital charges.

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

**51.** 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.

**52.** The Executive regularly reviews progress against budget throughout the year. The budget updates provide a good level of information on the reasons for variances, the projected financial outturn and the challenges facing the council for the rest of the year. The information is provided at timely intervals throughout the year which enables scrutiny from members.

## Usable reserves decreased by £1.8 million in 2022/23 but uncommitted funds are marginally higher than the minimum required in the council's reserves policy

**53.** One of the key measures of the financial health of a body is the level of reserves held. As set out in [Exhibit 5](#), the level of usable reserves held by the council decreased from £68.8 million in 2021/22 to £66.9 million in 2022/23.

**54.** The most significant movements were in relation to the following:

- Planned use of £10.9 million from the General Fund, Covid reserves and the HRA agreed through decisions taken by members as part of the budget setting process.
- Decrease of £7.9 million in grants received but carried forward for spend in future years.
- Decrease of £9.5 million in Covid-19 grants as a result of the use of the brought forward balance to support education recovery, economic recovery and individuals at financial risk.

---

### Exhibit 5

#### Falkirk Council - usable reserves

Reserve	31 March 2021 £'million	31 March 2022 £'million	31 March 2023 £'million
General fund	39.409	50.483	49.700
Housing revenue account	7.825	7.228	6.617
Capital grants and receipts unapplied	1.061	1.050	0.339

Repairs and renewals	1.739	1.739	1.980
Capital receipts reserve	3.055	3.332	3.218
Insurance Fund	5.594	4.952	5.096
<b>Total usable reserves</b>	<b>58.683</b>	<b>68.784</b>	<b>66.950</b>

Source: Falkirk Council Annual Accounts 2020/21 to 2022/23

**55.** 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 cushion 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.

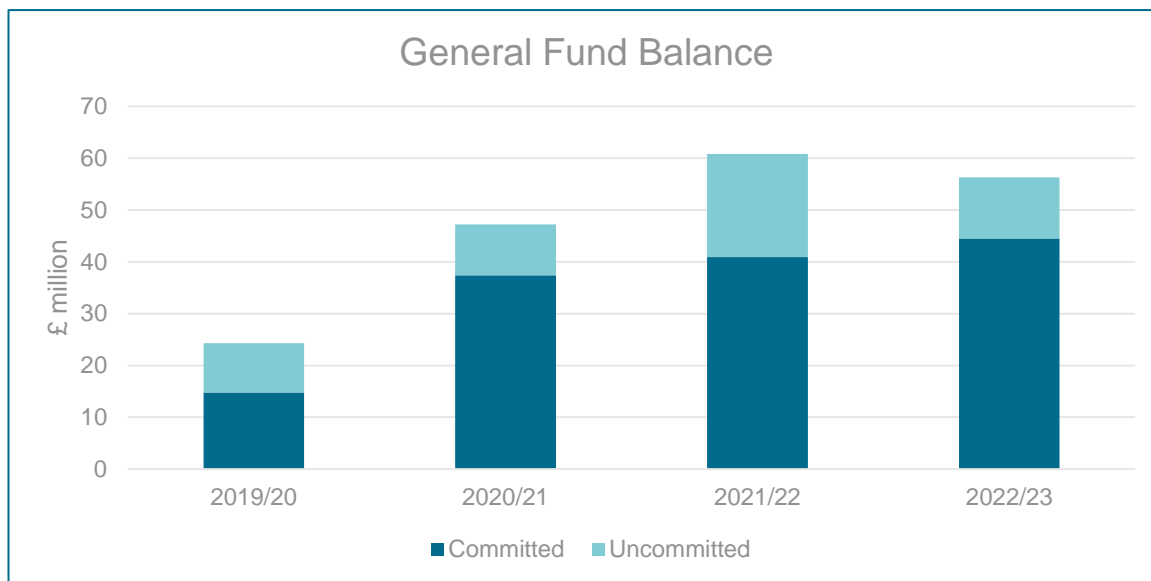
**56.** The general fund reserve includes an unearmarked balance of £11.8 million. The council's reserves policy aims to hold uncommitted reserves of between £7.5 million to £11 million to deal with unforeseen circumstances. At £11.8 million, the current uncommitted balance is marginally higher than the upper end of the range but ensures the council has scope to continue to manage its finances to navigate the challenging economic and financial landscape.

**57.** [Exhibit 6](#) provides an analysis of the general fund over the last four years split between committed and uncommitted reserves. This shows that while the council has a good level of reserves, these are substantially committed which has the potential to reduce the council's options to manage unforeseen financial challenges.



## Exhibit 6

### Analysis of general fund balance



Source: Falkirk Council audited accounts 2019/20 – 2022/23

## The council achieved 70 percent of planned efficiency savings in 2022/23 with further savings achieved on a non-recurring basis

**58.** The 2022/23 budget included planned savings and contributions from reserves to address the budgeted funding gap, amounting to £21 million. The council planned to use £10.9 million from reserves and to realise £5.2 million from service savings. Savings proposals included plans to reduce subsidies, review service levels and re-assess business needs. Service budgets were reduced at the outset so any failure to achieve the savings set became an overspend against budget.

**59.** Savings proposals were subsequently revised to £5.7 million and the provisional outturn report to the Executive in June 2023 showed that £3.9 million of savings had been achieved, representing 70 percent of the target set. The key area where planned savings were not realised was on the *Closer to Home* initiative which seeks to shift the balance of care for children and families closer to home. This is a key initiative of the council so further work will be required to meet this target, both in terms of improved service delivery and realising savings.

**60.** 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.

**61.** In delivering the outturn for 2022/23, the council realised non-recurring savings in areas such as teachers strike action and vacancy management. In setting the 2023/24 budget, the council will rely on non-recurring savings of £15.3 million from changes to service concession arrangements. While these are useful short-term measures, they do not address an underlying need to deliver savings measures on a sustainable basis. Savings should be delivered on a recurring basis where possible.

### **Changes in the council's approach to capital programming are beginning to show improved levels of spend against budget**

**62.** During 2022/23 the construction industry has returned to more normal levels of productivity and workflow, however, there continues to be challenges due to inflation, the impact of Brexit and the ongoing war in Ukraine.

**63.** Total capital expenditure in 2022/23 was £99.5 million of which £39.3 million related to general services and £60.2 million to housing. This compares to final budgets of £44.7 million and £72 million respectively and represents spend of 87.9 per cent against budget on the general fund and 83.6 per cent on housing. This compares to spend of £42 million on general fund and £35.9 million in housing in 2021/22, representing spend of 60 percent and 67 percent against budget.

#### **General services programme 2022/23**

**64.** General services capital programme monitoring reports are presented to the Executive throughout the year providing updates on the progress of current projects and the programme budget.

**65.** The general services capital programme budget was set at £22.3 million for 2022/23. Several revisions were made to the budget throughout the year resulting in a final budget of £44.7 million. Key areas of spend in 2022/23 included roads, school extensions and improvements, flood prevention works vehicle replacement and open space projects.

**66.** With spend of £39.3 million against a budget of £44.7 million, there was some slippage. The capital outturn report of June 2023 does not set out the reasons for the slippage but does highlight the main areas as children's services, place services – Invest Falkirk and growth, planning and climate. The council has stated that projects not delivered in year will be completed in forthcoming financial years.

**67.** The council was previously criticised for its approach to capital programming as part of the Best Value Audit Report in 2022. In response to this, the council took action to review the governance framework around capital programming and to improve the transparency and accountability around projects. In addition, the Strategic Asset Modernisation Board (SAMB) was established to work with services to revisit the capital programme to ensure it had an appropriate balance between ambitious and realistic projects. Spend of 88 percent against budget suggests that these interventions are starting to have an impact.

**68.** The council has acknowledged that although progress has been made, further changes are planned for the delivery of the 2023/24 capital programme. These which will seek to provide:

- a medium-term view of planned expenditure, enabling early identification of budget reprofiling and release of funds for reinvestment,
- as part of SAMB, a monthly operational review on a project-by project status progress update,
- a review of the rolling Capital Programme to ensure continued relevance in supporting Council priorities,
- a programme of financial capital training. Through working with services, Finance will identify and tailor training which meets service needs, providing support in the effective management of capital.

### **Housing capital programme 2022/23**

**69.** Housing capital programme monitoring reports are presented to the Executive throughout the year. The five year housing strategy was approved by the Council in January 2022, and set the 2022/23 budget at £72 million.

**70.** During 2022/23, the council spent £14.1 million on new build council houses and a further £9.7 million to buy back 84 properties into council ownership. In addition, the existing housing stock was enhanced through spend of £33.1 million on improvements including new kitchens and bathrooms and the replacement of windows, doors and heating systems.

**71.** The council's capital outturn report in June 2023 set out the reasons for the £11.8 underspend against budget as follows:

- Material supply issues and labour shortages impacting the maintenance and improvement projects;
- Inflationary pressures resulting in projects being delayed or not going ahead due to the high value of tender returns.
- Ongoing restrictions on accessing properties, which may be in part a legacy of the Covid pandemic.

**72.** Overall, the council has made good progress in improving its approach to capital planning and has plans in place to enhance planning and performance further.

### **The council's approach to borrowing has changed to reflect the economic circumstances**

**73.** At 31 March 2023, long term borrowing stood at £242.5 million, a reduction of £11 million on the 2022 level of £253.5 million. During the same period, short term borrowing increased from £33.9 million to £51.9 million. This reflects the council's strategy to use short term borrowing to manage the volatility in the interest rates which is expected to be relatively short-term.

## **Systems of financial control generally operated effectively however we identified some areas where controls could be strengthened**

**74.** From our 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 2022/23 annual accounts. We did however identify a number of areas where controls could be enhanced:

- 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. We recommend that the council seeks to implement the requirement for journals to be authorised by a second officer however management advised that there are mitigations in place with inherent reviews of journal activity through the ongoing review of monitoring projections, outturns, grants forms and reconciliations, so they do not plan to introduce such a control.
- Reconciliation between the payroll system and the ledger – No formal year end reconciliation between the payroll system and the ledger is completed. We were able to confirm that the employee costs in the ledger agreed to the underlying payroll system however we recommend officers prepare a reconciliation between the payroll system and the ledger on a monthly basis going forward.
- Employee validation - Employee validation checks to confirm the existence of employees provides assurance on the completeness and accuracy of payroll records. A monthly report of all employees paid is prepared and made available for managers to review, but there is currently no requirement for managers to confirm they have reviewed the report and agreed the information as correct. We recommend that the council introduces a requirement for managers to provide positive confirmation of the accuracy and validity of the employee listing.
- Review of Single Person Discount (SPD) on council tax accounts – Audit testing on SPD found there was no evidence that the council completes regular reviews to ensure individuals in receipt of single person discount on their council tax bill are still eligible. In 2022/23, the council relied on the NFI exercise to identify invalid claims. We recommend that the council reviews it arrangements over discounts and reliefs to ensure that these are subject to review at appropriate intervals to reduce the risk of discounts and reliefs being granted beyond entitlement. Officers advised that it typically does bulk reviews to verify entitlement to discounts and reliefs but that this had not been done in 2022/23. We are pleased to note that a bulk review commenced in August 2023.

---

### Recommendation 3

The council should review controls in its financial systems as outlined to ensure data within these systems is accurate.

---

**75.** Our audit response to these weaknesses included:

- extending our sample testing of journals
- requesting a year end reconciliation between the ledger and the payroll system
- undertaking our own employee validation checks
- considered the need for additional audit procedures over single person discounts.

**76.** No issues were identified from this additional testing.

**77.** The control deficiencies reported here are limited to those we identified while completing our audit work for these purposes. Except for these suggested improvements, the key controls within the council's main financial systems were designed and implemented appropriately. As such, we are satisfied that the risk of material misstatement to its annual accounts is low.

### Internal audit

**78.** 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.

**79.** As part of our audit planning process we reviewed the level of Internal Audit resource and found that this was a relatively small section. The Internal Audit function provides this service to various other bodies in addition to the council. These are all done with existing resource except for the one auditor employed by and based at Clackmannanshire Council, who works only on that audit. The council assure itself that the level of resource attributed to Internal Audit is sufficient to provide the level of service agreed with other bodies while providing the assurances necessary for the council's Annual Governance Statement.

**80.** The Internal Audit Assurance Report 2022/23 was taken to the Audit Committee in June 2023. 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

**81.** 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.

**82.** The council has a Corporate Fraud team in place which is managed by the Internal Audit, Fraud and Corporate Risk Manager. There has been a recent history of whistleblowing allegations in some areas of the council although to date there has been no case proven. The council has committed extensive resource to investigating these allegations and in revisiting arrangements for the prevention and detection of fraud.

**83.** In response to recent allegations the council reviewed its whistleblowing policy, anti-fraud and corruption strategy, financial regulations and contract standing orders. They also introduced a corporate fraud action plan and annual report, both of which are reported to the audit committee on a six monthly basis.

**84.** The council has taken appropriate steps to ensure that it is as well prepared as possible to prevent, detect and investigate fraud.

### **National Fraud Initiative**

**85.** The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The council submitted its datasets timeously and has made good progress in following up matches in many datasets. Progress in NFI is reported through the Internal Audit Annual Assurance Report and its Progress Reports. The most recent update was taken to the Audit Committee in June 2023 as part of the Assurance Report.

**86.** To date, there has been limited evidence of follow up on creditor matches and Single Person Discount (SPD) for council tax. Internal audit advised that work is underway off-line on creditor matches and that this will be uploaded in due course. As a compensating control, internal audit performs regular checks to identify duplicate payments to creditors which offers assurance that duplicate payments are identified and addressed timeously.

**87.** As reported earlier in this report however, the in 2022/23 the council relied on NFI matches to review entitlement to SPD. While some progress has been made in following up matches in this area, this work is limited due to staffing changes in the corporate fraud team and the impact of competing work pressures.

---

# 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 2023/24 in March 2023.

The council's Financial Strategy for 2023-24 to 2026-27 was reported to members in September 2022 and showed an anticipated budget gap of £69 million over the 4 years, with £33.5 million falling in 2023/24. This was updated in September 2023 for the period 2024/25 to 2028/29 and reported a budget gap of £64.4 million over the next 5 years.

The council has taken some significant decisions as it strives to deliver its priorities on a sustainable basis however it is essential that the council continues this momentum to address the challenges it faces going forward.

---

## The council approved a balanced budget for 2023/24 in March 2023

**88.** We recognise the increasingly challenging financial environment councils are operating in. Additionally, in its Local Government in Scotland Overview 2023 report, the Accounts Commission commented on the limited flexibility councils have with their funding, noting that: "An increasing proportion of funding is ringfenced or directed for national policy initiatives. While this is important to help deliver national priorities, it prevents councils from making decisions about how funds can be used at a local level, to meet local need."

**89.** The council approved a balanced budget for 2023/24 of £427.7 million in March 2023. This includes a contribution to the Falkirk Integration Joint Board of £89.9 million. The budget was set based on Revenue Support Grant of £330.5 million, council tax income of £78.5 million, Covid reserves of £3.4 million, and the use of service concessions amounting to £15.3 million. The council tax income includes a seven percent increase in 2023/24 to fund service expenditure.

**90.** In balancing the budget, the council identified service savings of £7.9 million through service redesigns and reductions, reductions to budgets and a reduction of around 66 Full-time equivalent (FTE) staff across the council. Equality impact assessments were prepared for all savings proposals and these were included in the package of papers to support the budget proposals.

**91.** The council introduced a new approach to considering savings measures in 2023/24 whereby services brought policy and service delivery changes to Members for approval throughout the course of the year. This allowed members the opportunity to consider each proposal more fully and allowed time to revise proposals where appropriate. Some key decisions considered and taken in 2023/24 are around the review of the swimming pool estate, changes to eligibility for school transport and early years childcare.

**The council's financial strategy provides 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 strategy in place to identify appropriate ways of bridging the financial gap.**

**92.** Multi-year allocations were not included in the Scottish Government's 2023/24 budget. As such, the funding position beyond 2023/24 is particularly uncertain, with all councils working to a one-year grant settlement. Whilst we recognise that this funding model makes it challenging for councils to plan and budget effectively for the medium and longer-term, the development of financial plans is necessary to help councils plan for and deliver better outcomes and to address inequalities.

**93.** The council's Financial Strategy 2023-24 to 2026-27 was approved by Council in September 2022. 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.

**94.** As set out in [Exhibit 7](#), the strategy outlined an anticipated budget gap of around £69 million over the four years from 2023/24 to 2026/27, £33.5 million of which fell in 2023/24. The strategy also sets out some measures for bridging the gap each year but in the main, these are shown as still to be identified.

**95.** The plan 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 strategy in place to identify appropriate ways of bridging the financial gap. As set out above, the council has identified measures to bridge the gap for 2023/24 however an updated Financial Strategy for 2024/25 to 2028/29 was approved by Council in September 2023 and this shows an expected funding gap of £34 million in 2024/25 meaning that the gap in 2023/24 has been met through extensive non-recurring measures so the impact is pushed into future financial years.



**Exhibit 7****Identified funding gaps 2023/24 – 2026/27**

	2023/24	2024/25	2025/26	2026/27
<b>Financial Gap</b>	<b>33.5</b>	<b>18.3</b>	<b>9.1</b>	<b>8.1</b>
To be addressed by:				
Council Tax Strategy	(1.0)	(1.0)	(1.0)	(1.0)
COTF - Children's Services	(1.5)	(1.4)	(1.9)	(0.6)
COTF - Place Services	(0.8)	(1.7)	(0.8)	(0.8)
COTF - Transformation, Communities and Corporate Services	0	(0.4)	0	0
Improvement and budget reduction options	(2.6)	(5.6)	(3.3)	(0.5)
To be identified	(27.6)	(8.2)	(2.1)	(5.2)

Source: Falkirk Council Financial Strategy 2023/24 – 2026/27

---

# 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

Following the local government elections in May 2022, the council remains under its minority administration and has 15 new members.

Governance arrangements are appropriate and operated effectively.

A Climate Emergency Strategy is being developed, setting out how the council intends to work towards meet its organisational and national net-zero target. The council has acknowledged that this target will be challenging, however progress has been made in taking appropriate steps towards achieving the target.

---

## Following the local government elections, the council has a minority administration and a number of new members.

**96.** 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 following the election has changed since the election with one former SNP member now becoming an Independent member. The current composition is as follows:

- Conservative – 5
- Independent - 3
- Labour – 9
- Non-aligned Independent Group - 2
- Scottish National Party (SNP) – 11

**97.** In May 2022, at the first meeting of the new council, members 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 will be essential to ensure the council works constructively and collaboratively for the people of Falkirk.

**98.** The election resulted in 15 new members being elected to the Council, representing 50 percent of members. This inevitably creates a period of change and a learning curve as members seek to bed into their role. Officers sought to support members through a comprehensive induction process and through delivery of appropriate training on an ongoing basis.

### **Governance arrangements are appropriate and operated effectively**

**99.** The Council is supported by a range of committees, including the Executive, the Audit Committee and the Scrutiny Committee.

**100.** The Chief Executive of the council is joined in the Senior Leadership Team by the Directors of Children's Services, Place Services and Transformation, Communities and Corporate Services. The Chief Executive and Director of Children's Services have both been in post since August 2018 and April 2015 respectively, representing stability in the leadership team. The Director of Place Services took up post in January 2022 and the Director of Transformation, Communities and Corporate Services, in March 2022. This offers a good mix of stability and fresh personnel and positions the council well for driving forward change and improvement.

**101.** Since our engagement on the audit we have observed and attended various meetings of the council and the Audit Committee. There is a commitment for members to be involved and there is evidence of scrutiny being undertaken. Officers should continue to support members to develop their understanding of their role and to nurture scrutiny and challenge.

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

### **The council is taking steps to address climate change where possible but has acknowledged that this will be challenging**

**103.** The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

**104.** As set out in the Best Value section above, the council is developing a Climate Emergency Strategy, setting out how it intends to work towards its organisational and national net-zero target. This is expected to be approved by December 2023. The council has acknowledged that this target will be challenging, particularly without additional capital funding, however progress has been made in taking appropriate steps towards achieving the target.

**105.** The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-

specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

# 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 improved and there is a clear link to show performance against the Council Plan.

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

### Performance reporting arrangements have improved and there is a clear link to show performance against the Council Plan

**106.** As set out previously in this report, the council developed its performance management framework to report against the “we will” actions included in the Council Plan 2022. The first report, covering the second half of 2022/23 was reported to the Scrutiny Committee in June 2023.

**107.** The report measured performance against 44 indicators, 20 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, 61 percent of indicators were green, 18 percent were amber and 21 percent were red. The report also drills down to show the percentages achieved for LGBF indicators and against the enablers identified in the Council Plan of Financial Sustainability, Transformation and Improvement and Valued Sustainable Workforce.

**108.** The report identified the following indicators as red, meaning further work was required. These are shown at [Exhibit 8](#) below:

#### Exhibit 8: Red Indicators

Council Priority	Indicator
Supporting Stronger & Healthy Communities	Help people, in activities that improve health & wellbeing in a place that is appropriate for them - with particular

	focus on inclusivity and those who experience barriers to participation such as poverty, inequality and disability.
Supporting Stronger & Healthy Communities	Encourage the development of a strong and independent third sector - with an infrastructure that understands and supports the needs of communities.
Supporting Stronger & Healthy Communities	Encourage and support local third sector organisations to increase and develop community owned assets through the management and operation of community halls, centres and other public assets available for community transfer.
Supporting Stronger & Healthy Communities	Coordinate and develop the way we inform and engage with communities to make it easier for people to have an active role in decisions that shape Falkirk's future.
Supporting Stronger & Healthy Communities	Support and safeguard children where protection concerns have been raised.
Promoting Opportunities and Educational Attainment and Reducing Inequalities	Shift the balance of care for those children who need to be looked after away from home, from residential care to family-based care.
Promoting Opportunities and Educational Attainment and Reducing Inequalities	Develop our Library Service to create attractive opportunities (including digital), to further reduce inequalities and promote opportunities.
Transformation & Improvement	Deliver the COTF change programme.

Source: End of Year Public Performance Report – The Council Plan 2022/23

**109.** The performance report provided further information on the 20 LGBF indicators in terms of how the council performed compared to others. This showed that for 2021/22:

- Five of the success measures were in the top quartile meaning they were in the top eight councils in Scotland. These are in educational attainment and the cost of council tax collection per dwelling.
- Two of these success measures are in the bottom quartile for Scotland meaning they were in the bottom eight councils in Scotland. These are the cost per attendance at sport and leisure facilities and the cost per visit to libraries.
- The remaining indicators sit in the second and third (mid-range) quartiles.

**110.** As well as the formal report to the Scrutiny Committee, the council also reports performance through its "[Falkirk Performs](#)" dashboard on its website.

This allows stakeholders to access performance indicators by drilling down each council priority success measure or enabler success measure.

**111.** Since reporting the performance information in June 2023, the council has continued to develop its arrangements. The council sought to refresh the Council Plan and in doing so, took the opportunity to refresh the suite of indicators it measures. The refreshed Plan, including refreshed performance measures, were taken to Council in September 2023. As part of the plan to refresh the Council Plan, services undertook a review of the indicators they were reporting and members agreed to an enhanced range of reportable indicators.

**112.** Performance on the first half of 2023/24 will be reported to the Scrutiny Committee through the Mid-Year Public Performance Report, in November 2023. This report will be based on the measures approved in the Council Plan in September 2022. Thereafter, the measures approved in the September 2023 Council Plan refresh will be reported to the Scrutiny Committee, in compliance with the performance management reporting arrangements, and will be available through the council website on its performance reporting dashboard.

**113.** The council has made notable progress in developing its performance reporting framework and has shown clear intentions to drive continuous improvement through enhanced arrangements. The infancy of the new approach and the absence of prior period data to date, means it is too early to assess the impact on performance. We will continue to monitor progress and the impact this has on delivery service improvements for the people of Falkirk.

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

**114.** The Accounts [Commission's 2021 Statutory Performance Direction \(the direction\)](#) 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.

**115.** 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

**116.** 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. As set out above, further enhancements have been made to improve performance reporting further in 2023/24.

**117.** The council has had a clear focus on demonstrating Best Value since the publication of the BVAR report in January 2022. In terms of compliance with SPI 2, the council's performance reports include reporting against the "Enablers"

which go some way to aligning with the BV requirements. In addition, the council undertook a BV self-assessment which was reported to the Scrutiny Committee in June 2023. This considered progress against the council's Best Value action plan in preparation for the refresh of the Council Plan.

**118.** The council has appropriate arrangements in place to demonstrate compliance with the requirements of the Statutory Performance Direction. These will be further enhanced as the new performance reporting measures fully bed in.



# Appendix 1. Action plan 2022/23

## 2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Non-current asset accounting</b></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>There is a risk that the asset register is incorrect.</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 href="#">Paragraph 19.</a></p>	<p>A joint year-end review will be undertaken between Finance and Property.</p> <p>Responsible officers – Caroline McGill and Craig Isdale</p> <p>Agreed date – 30 May 2024</p>
<p><b>2. Tracking recommendations</b></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><a href="#">Paragraph 31.</a></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><b>3. Financial controls</b></p> <p>Our review of the financial controls operating within the council found the following areas where these controls should be strengthened:</p>	<p>The council should review controls in its financial systems as outlined to ensure data within these systems is accurate.</p> <p><a href="#">Paragraph 74.</a></p>	<p><b>Journals</b> - Overall we consider that the current arrangements for journals are sufficient.</p> <p>No further action planned.</p>

Issue/risk	Recommendation	Agreed management action/timing
<ul style="list-style-type: none"> <li>• The authorisation of journals</li> <li>• Completing a reconciliation between the payroll system and the financial ledger</li> <li>• Positive confirmation on employee validation checks</li> <li>• Periodic reviews of the eligibility of individuals in receipt of council tax discounts.</li> </ul> <p>There is a risk that data in key financial systems is not correct.</p>		<p><b>Reconciliations</b> - Reports have been prepared to demonstrate the reconciliation between the payroll system and the ledger.</p> <p>Responsible officer – Danny Cairney</p> <p>Agreed date – 31 October 2023</p> <p><b>Employee Validation Checks</b> - 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><b>Council Tax Discounts</b> - 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>

## 2022/23 recommendations from the BV thematic report

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Performance reporting</b></p> <p>The council introduced new performance reporting arrangements to support the Council Plan 2022 – 2027.</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</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>

Issue/risk	Recommendation	Agreed management action/timing
<p>There is a risk that the new arrangements do not support effective scrutiny.</p>	<p>enhance performance reporting and scrutiny.</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 will be reviewed and their effectiveness assessed.</p> <p>Responsible officer – Amanda Templeman</p> <p>Agreed date – 30 June 2024</p>
<p><b>2. Community Engagement</b></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><b>3. Equality and Poverty</b></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</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</p>	<p>Review Equalities and Poverty Impact 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>

Issue/risk	Recommendation	Agreed management action/timing
<p>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 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>assessments are conducted and how the results shape its strategic decisions and make them accessible to the public.</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>4. Plan to achieve net-zero target</b></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><b>5. Service Plans</b></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 Development Plan and Education Service Recovery Improvement plan. However, these service plans</p>	<p>The council should develop and publish comprehensive service plans to clearly and comprehensively demonstrate how the priorities in the Council Plan 2022 – 2027 will be delivered.</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>

Issue/risk	Recommendation	Agreed management action/timing
<p>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><b>6. The budget should clearly reflect the council's priorities</b></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><b>7. Alignment between the Council Plan and supporting strategies and plans</b></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</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>

Issue/risk	Recommendation	Agreed management action/timing
<p>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>Agreed date - As strategies are due for renewal.</p>
<p><b>8. Collaborative relations will be essential for delivering the council priorities</b></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 transformation required if a collaborative approach is not achieved.</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>

## Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>Accounting for Infrastructure assets</b></p> <p>The statutory override in respect of infrastructure assets is intended to be a short term solution to issues in respect of accounting for</p>	<p>The Council should ensure that greater detail on infrastructure assets is retained moving forward and appropriate consideration is given to disposals and replacements of infrastructure assets.</p>	<p><b>Complete</b></p> <p>Systems maintained by colleagues within Environment &amp; Operations provides a record of the information required for adoption of infrastructure assets.</p>

Issue/risk	Recommendation	Agreed management action/timing
infrastructure assets.		A survey of the systems maintained was completed in June 2023.
<p><b>Scrutiny over COTF</b></p> <p>Recent changes to governance arrangements mean that we are unable to conclude on the effectiveness of arrangements to track the costs, benefits and delivery of the revised COTF programme.</p>	<p>The Council should ensure that members receive timely, robust information on COTF projects to allow them to scrutinise progress and value for money.</p>	<p><b>Complete</b></p> <p>Reporting on COTF will continue as part of the Financial Strategy and through the Council's performance reporting.</p>
<p><b>Self-assessment against CIPFA Financial Management Code</b></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><b>Outstanding</b></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><b>Audit Committee training</b></p> <p>The Audit Committee composition has significantly changed following the local government elections.</p> <p>Revised guidance from CIPFA may provide helpful training materials on the important role of the audit committee.</p>	<p>The Audit Committee should use updated guidance from CIPFA to conduct a self-assessment against good practice arrangements, and identify further training requirements .</p>	<p><b>Complete</b></p> <p>This was undertaken in June 2023 with Audit Committee members by the Democratic Services Manager. The results will form part of an annual report being reported to Audit Committee by the Democratic Services Manager.</p>
<p><b>Whistleblowing – lessons learned</b></p> <p>There is scope to learn wider lessons from whistleblowing and emerging cultural issues within individual services as they could impact the</p>	<p>The number and nature of concerns expressed about the culture within individual services present a reputational risk to the Council. A review of the control environment should be undertaken and monitored by the Audit Committee. This</p>	<p><b>Complete</b></p> <p>Results from investigation work and internal audit work form part of the future work programmes of Internal Audit where operational gaps / weaknesses are found. This provides assurance to Audit</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>trust and reputation of the Council.</p> <p>Any review should be overseen by the Audit Committee as part of its governance and risk management role.</p>	<p>should include additional controls around the verification that works have been completed.</p>	<p>Committee members that issues are addressed. The internal audit and corporate fraud tracking of recommendations and reporting on issues allow Elected Members to effectively scrutinise emerging issues.</p> <p>Work has also been undertaken within Services and with the Unions to address concerns and impacts, with an Action Plan developed and maintained.</p>
<p><b>Addressing Climate Change</b></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><b>In Progress</b></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>



Issue/risk	Recommendation	Agreed management action/timing
<p><b>IFRS 16 preparedness</b></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 efficient preparation and audit of the financial statements.</p>	<p>Preparations are currently ongoing and arrangements will be put in place to comply with the Code and reporting requirements.</p>	<p><b>In Progress</b></p> <p>The Implementation date for IFRS 16 has been delayed a number of times and is currently 1 April 2024. Arrangements will be put in place to comply with the Code.</p> <p>Responsible Officer – Danny Cairney</p> <p>Agreed date – 30 June 2024</p>

# Falkirk Council

## 2022/23 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](http://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](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)