



Annual Accounts 2020-21



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1. Introduction

Welcome to the financial statements for Fife Council and its group for the year ended 31 March 2021. The statements have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This commentary outlines the key messages regarding the performance of the Council over the 2020-21 financial year as well as providing an indication of risks and issues which may impact upon the Council in the future.

Coronavirus (COVID-19)

The first few months of 2020 saw the outbreak of a global pandemic, coronavirus (COVID-19) which resulted in both the UK and Scottish Governments imposing restrictions through guidance and law on the movement of people with full effect from 23 March 2020. Differing levels of government restrictions and lockdown arrangements continued throughout 2020-21 with all aspects of society continuing to be affected by the exceptional circumstances.

The impact of the COVID-19 outbreak was considered by CIPFA-LASAAC Code Board in respect of adjustments to the Code. It was concluded that full application of the Code for 2019-20 would apply and this continues in 2020-21.

Due to the COVID-19 outbreak, as with 2019-20, the Local Authority Accounts (Scotland) Regulations 2014 have been amended in respect of approval and publication of 2020-21 annual accounts. Under Regulation 5 of the Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2021 dates for publishing Annual Accounts may be extended up to 31 January 2022. The Council has determined again that it wishes to continue to work to the previously planned timetable for completion of the draft accounts and to the revised timescales for the audit process and publishing of Annual Accounts.

Impact of COVID-19 pandemic

Service Delivery

The nature of the pandemic and the government restrictions had a significant impact on the services delivered by the Council. With the closure of many buildings including schools, the Council had to deliver its services in different ways. Implementation of new digital technologies were rapidly enabled across the organisation. Work continues to support the most vulnerable including enhanced welfare support, community helplines and food resilience arrangements. Staff resources and processes were rapidly mobilised within the Council to execute the payment of an extensive number of business grants with varying conditions to the business community across Fife. The Council worked closely with all community partners including Public Health and NHS Fife and also delivered a Community Testing programme.

Following the emergency response, the focus is now on Recovery and Reform with a route map for Fife developed and aligned to that of the Scottish Government. As the vaccine programme rolls out and there is gradual easing of restrictions, the Council will play a critical role in supporting recovery including supporting the local economy, tackling increased poverty levels and continuing to address the challenge of climate change. With this in mind, the Council has been working with the Fife Partnership Board on the three-year update of the Plan for Fife, this process was managed throughout 2021 with the final plan approved by Fife Council on 23rd September 2021. The work advanced to date suggests that the overall vision is likely to remain the same and the ten-year ambitions will be largely unchanged. The Plan for Fife refresh is likely to focus on a smaller number of priorities that are considered essential to post COVID-19 recovery and renewal.

Revenue and Funding

The General Fund revenue budget for 2020-21 was approved on 27 February 2020, against a backdrop of a reduction in core revenue funding and inflationary pressures, budget savings of £5.872m were approved and council tax was increased by 4.84% raising £7.943m to reach a balanced budget position.

The COVID-19 outbreak quickly became significant with initial financial consequences focussing on the immediate lockdown period of 14 weeks being reported to Policy and Co-ordination Committee on 21 May 2020.

In August 2020, Policy and Co-ordination Committee agreed a Short-Term Financial Strategy to deal with the potential costs and possible risks that were predicted at that time. At that time the costs were estimated in the region of £78m and the strategy identified funding sources including the potential use of general fund balances up to a level of £10m. When the initial estimates were prepared there was a lack of certainty about additional funding sources. However, at that time it was difficult to predict with any level of certainty, what the financial position for the year would be and indeed, the situation evolved and changed rapidly over the course of the year.

The Council's financial position was monitored throughout the year with regular updates to the Policy and Co-ordination Committee with cost estimates being continually updated taking account of revised government restrictions and the continued response to the pandemic and ultimately a further lockdown at the beginning of 2021. By the end of the year the costs of COVID-19 are reported as being in the region of £51m.

Throughout the financial year the Scottish Government provided additional funding totalling £87.3m. The funding was provided for a number of specific pressures such as the Loss of Income scheme, Education Recovery and free school meals and some funding was of a more general nature such as Barnett Consequentials. Almost 50% of the funding was announced in the last few weeks of the financial year which meant that there was limited scope to use within the financial year. It was accepted nationally that the majority of the funding received late in the year would be carried forward to deal with the impact of the ongoing Pandemic.

The outturn position across all general fund services is an overspend of £6.035m but after taking into account additional income and underspend on other items there is an overall contribution to balances of £71.878m.

Capital

Whilst there was undoubtedly an impact from the pandemic, the Council still made relatively good progress and this is reflected in the total investment of £138m. Construction sites were closed in the early part of 2020-21 in compliance with government guidance. As part of the capital plan review process, estimated costs and phasing were revised to reflect the expected impact of COVID-19.

Agency Arrangements

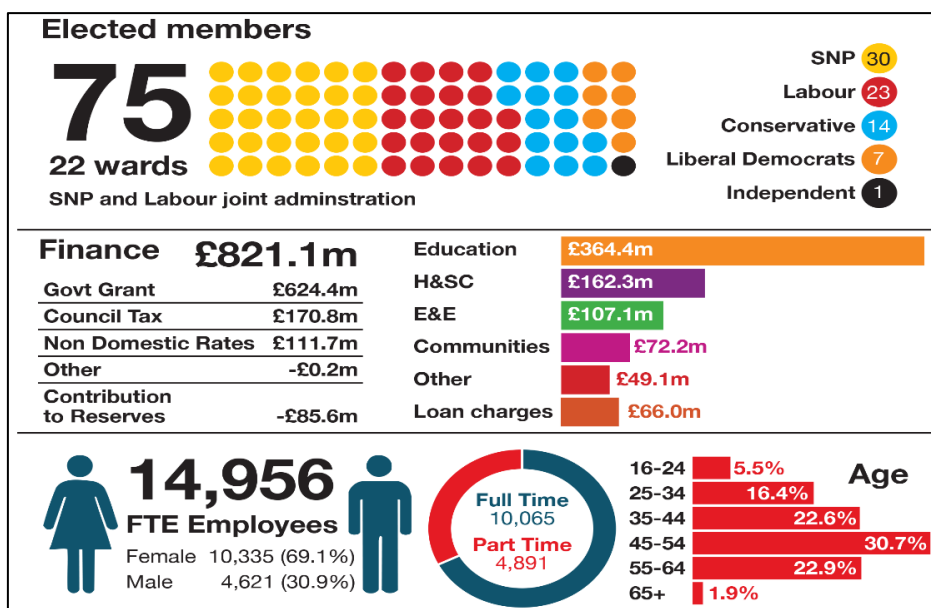
In response to the lockdown arrangements the Scottish Government introduced a number of grants for both businesses and individuals which Councils administered on their behalf. Fife Council paid out £103.761m of COVID19 support funding to businesses and individuals on an agency basis as detailed below:

	Business £m	Individuals £m	Total £m
Business Support Grants	59.229	0.000	59.229
Strategic Framework Business Fund*	37.162	0.000	37.162
Taxi & Private Hire Vehicle Driver Support Fund	1.647	0.000	1.647
Break Restrictions & Small Accommodation Providers paying Council Tax	1.255	0.000	1.255
Newly Self Employed Hardship Fund	0.910	0.000	0.910
Contingency Plus (Travel Agents, Brewers and Indoor Football Centres)	0.355	0.000	0.355
ELC Transitional Support Funding	0.351	0.000	0.351
ELC Temporary Restrictions Fund	0.135	0.000	0.135
Large Self Catering & Exclusive Use	0.103	0.000	0.103
Winter Hardship Payments	0.000	1.105	1.105
Spring Hardship Payments	0.000	1.309	1.309
Self Isolation Grants	0.000	0.200	0.200
Total Reserves	101.147	2.614	103.761

* paid to businesses via Business Gateway

2. Profile of Fife Council

Fife Council was constituted under the Local Government (Scotland) Act 1994 in April 1996 bringing together the work of the previous regional council and 3 district councils and is Scotland's third largest area by population. Fife has approximately 370,000 residents, two-thirds of which live in principal towns of Dunfermline, Kirkcaldy, Glenrothes and the group of towns forming Levenmouth, but there are also many other rural and urban settlements, which has implications on the costs of providing services. Some key statistics for the Council are shown below.



The Council provides a range of essential public services throughout Fife. The Council is structured into 5 main Directorates and is led by the Chief Executive, Steve Grimmond who is responsible for ensuring the Council delivers high quality services to Fife residents.

DIRECTORATES



The Integration Joint Board is a partnership with both Fife Council and NHS Fife and is responsible for the planning and operational oversight of Integrated Services, and through the Chief Officer, known as the Director of Health and Social Care, is responsible for the operational management of those services delegated and managed by the Board.

The Council has a number of Arms' Length subsidiary organisations who provide services on behalf of Fife Council – Fife Cultural Trust, Fife Sports and Leisure Trust, Fife Golf Trust, Fife Coast and Countryside Trust and Fife Resource Solutions. Section 4 contains more details about these and the other entities in the Fife Council Group.

3. Objectives and Strategy of the Council

Fife Council and its Community Planning Partners (The Fife Partnership) have a clear strategic ambition to “want Fife to be a place where all residents live good lives, make informed choices and have a sense of control so that they can reach their full potential, and where all children are safe, happy and healthy. We also want Fife to be a place where we make best use of our assets and facilities, while sustaining them for future generations”. The overall vision being “A Fairer Fife”. Fife Council have set out their vision and ambitions in the Local Outcomes Improvement Plan (LOIP) known as the “Plan 4 Fife”, which was published in November 2017. As outlined, the three-year review of the Plan took place during 2021. The review focussed on recovery from COVID-19 emergency and on a smaller number of priorities associated with reform and recovery. The overall vision is remains the same.

The current four priority themes and 12 ambitions are shown below.

Ambitions for Fife

 Opportunities for All <ul style="list-style-type: none"> • Fife has lower levels of poverty in line with national targets. • Educational attainment continues to improve for all groups • Fife has reduced levels of preventable ill health and premature mortality across all communities 	 Thriving Places <ul style="list-style-type: none"> • Everyone has access to affordable housing options • Fife's main town centres stand out as attractive places to live, work and visit. • All our communities benefit from low levels of crime and anti-social behaviour. • Every community has access to high quality outdoor, cultural and leisure opportunities 	 Inclusive Growth and Jobs <ul style="list-style-type: none"> • Economic activity and employment in Fife is improving faster than in the rest of Scotland. • Economic activity and employment in Mid-Fife is catching up with the rest of Fife and Scotland. • Fife has year on year increases in visitor numbers and tourism spend. 	 Community Led Services <ul style="list-style-type: none"> • Our public services are more joined up and acting 'one step sooner'. • Fife's communities and individuals are more involved in local decision making and in helping to plan and deliver local services.
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The Plan for Fife is supported by Local Community Plans developed in each of the 7 areas of Fife. These have been approved in early 2018. The full Plan for Fife can be viewed via the following link:

<https://www.fife.gov.uk/kb/docs/articles/about-your-council2/council-performance/a-new-plan-for-fife>

4. Finance and Performance

Performance Reporting

Under the Local Government in Scotland Act 2003, Fife Council has a statutory duty to deliver Best Value. Public Performance Reporting (PPR) is an essential component of Best Value and has a strategic approach in the way it is reported to the public. In 2018 a Balanced Scorecard approach was adopted to report the Council's operational performance and latest Local Government Benchmarking Framework (LGBF) information. This information is used internally to ensure sound governance and management, and a variety of performance reports are available to the public via the council website <https://www.fife.gov.uk/kb/docs/articles/about-your-council2/council-performance>

Reporting of Financial Performance includes regular budget monitoring reports for both Revenue and Capital expenditure and provide a projection of the financial position of the Council for the year and also the level of reserves held by the Council. These are presented at a high level to the Policy and Co-ordination Committee of the Council as well as more detailed financial performance reports being presented to the Sub-Committees.

The following sections provide commentary on the single entity that is Fife Council, details of Group information are provided later in this section of the Management Commentary.

General Fund

The budget for 2020-21 was approved by the Council on 27 February 2020. Constraints on public expenditure continued to result in difficult and challenging times for Fife Council. However, against the backdrop of reducing resources over a number of years and increased pressures on expenditure, the Council continues to utilise its available resources and deliver services.

There is an overspend of £6.035m against budget within Service Expenditure and underspends of £58.558m in COVID-19 Funding, £11.890m in Contingencies and £8.439m in loan charges, and an under recovery of £0.974m in Council Tax Income. This means that the overall position for the General Fund is an underspend of £71.878m against budget. This equates to (7.92%) of Budget. The outturn position reflects the exceptional year and the level of uncertainty that existed throughout in relation to restrictions, impact on finances and level of support that would be provided.

Education and Children's Services reported an underspend of £4.344m. Devolved School Management (DSM) reported an underspend of £1.902m, with vacant teaching posts accounting for an underspend of £3.628m and an overspend of £1.719m on stationery, communications and computing equipment as staffing underspends have supplemented remote learning.

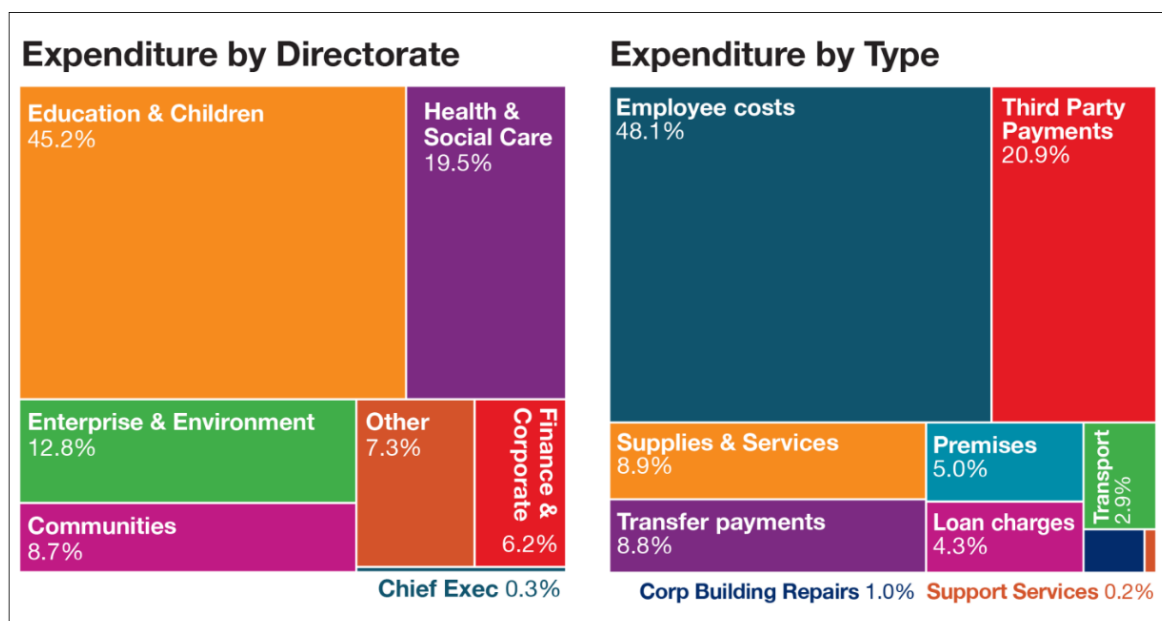
Non-DSM and Childcare reported an underspend of £1.529m. There has been an overspend of £3.256m on long term absence and maternity costs across schools. This has been offset by underspends within employee costs across Nursery of £0.732m due to the timing of recruiting Early Years Officers and the delay to the implementation of 1140 hours provision due to COVID-19.

Children and Families reported an underspend of £0.913m, of which £0.967m is due to staff turnover, and £0.592m in a reducing number of purchased placements. Additional income of £0.867m was received in relation to unaccompanied asylum seeker children and secure placements Continuing care reported an overspend of £1.194m, and Family Placements such as kinship care and foster care were overspent by £1.355m.

Enterprise and Environment reported an overspend of £2.722m. Car parking income was under-recovered by £2.178m due to the COVID-19 pandemic, the impact of the national lockdown and the resultant suspension of car parking charges. Winter maintenance was overspent by £1.764m as a result of increased winter gritting activity during the freezing January period and the unplanned road and footway snow clearing during and after Storm Darcy in February 2021. Building Services overspend was £1.328m, this was due to the impact of the COVID-19 pandemic on the trading account income as the service were unable to progress certain work during the various lockdown periods.

Communities reported an overspend of £7.418m, mainly due to a loss of income as a result of COVID-19. Trust income was under-recovered by £3.177m, Community Use income was under-recovered by £1.604m and Halls and Centres closures reduced income by £0.730m.

The revenue outturn position reported to Policy and Co-ordination Committee on 24th June 2021, is analysed by Directorate and Type as follows, and is compared to the primary statements of these accounts, in the table below.



2020-21 Financial Year	General Fund Outturn				Annual Accounts			
	Outturn	Budget	Variance	Variance	General Fund	HRA	Transfers	Total
	£m	£m	£m	%	£m	£m	£m	£m
Education & Children	378.729	383.073	(4.344)	(1.13%)	364.391		38.381	402.772
Health & Social Care	162.323	162.358	(0.035)	(0.02%)	162.323		7.155	169.478
Enterprise & Environment	107.128	104.406	2.722	2.61%	107.128		45.771	152.899
Communities	72.170	64.752	7.418	11.46%	72.170	(31.736)	19.916	60.350
Finance & Corporate	51.309	51.444	(0.135)	(0.26%)	46.176		11.723	57.899
Chief Executive	0.257	0.291	(0.034)	(11.68%)	0.257		0.015	0.272
Corporate & Democratic	2.647	2.204	0.443	20.10%	2.647		(3.356)	(0.709)
Service expenditure	774.563	768.528	6.035	0.79%	755.092	(31.736)	119.605	842.961
Loan Charges & CFR	60.664	69.103	(8.439)	(12.21%)	65.797	26.754	(92.551)	0.000
Contingencies	0.000	11.890	(11.890)	(100.00%)				0.000
Government Grant Income	(736.073)	(736.073)	0.000	0.00%	(736.073)			(736.073)
Council Tax Income	(170.789)	(171.763)	0.974	(0.57%)	(170.789)			(170.789)
COVID Funding		58.558	(58.558)	(100.00%)				
(Surplus)/Deficit in year	(71.635)	0.243	(71.878)		(85.973)	(4.982)	27.054	(63.901)
Other Income & Expenditure							1.173	1.173
Budgeted Use of Balances	(0.243)	(0.243)	0.000					
(Restoration) / Use of Balances	(71.878)	(0.000)	(71.878)					
Transfer to(from) Reserves								
- Unusable Reserves							(26.363)	(26.363)
- Useable Reserves	(4.374)				(4.617)	(0.018)	(1.864)	(6.499)
(Increase) / Decrease in Reserves	(76.252)				(90.590)	(5.000)	0.000	(95.590)

Note 1 – The Transfers column represents adjustments between accounting basis and funding basis under regulations (detailed further in the Expenditure & Funding Analysis Statement in the accounts).

Note 2 – Annual Accounts figures show changes since reported to Committee due to two changes arising from the audit process: - £14.338m Government grant income, previously held a Receipt in Advance in the Balance Sheet, is now shown as Income in the year to Education & Children's Services. This has increased Reserves held at year end and will now be held as an earmarked balance. In addition, £5.133m of expenditure in relation to Insurance Fund expenditure on capital projects has moved from Finance & Corporate Services to Loan Charges & CFR.

Reserves

The opening general balance of £45.444m includes a restatement of £12.755m made during 2020-21 to reflect the correction of accounting treatment of provisions for Housing Benefit Overpayments and Statutory Penalties for Non Domestic Rates and Council Tax. During the year the level of General Fund balances increased by £90.590m from £45.444m to £136.034m, as shown in Movement in Reserves Statement of these accounts.

For 2020-21 reserves of £0.243m were utilised to augment service budgets. These included honouring commitments in respect of budget carry forward arrangements (£1.506m) and Change Fund (£0.806m) as well as contributions to balances for budgets that are being carried forward into 2021-22 including DSM, Roads Maintenance and Local Area budgets. There was also a transfer into general reserves of £1.140m in 2020-21, which represents ring fenced capital receipts which have then subsequently been utilised as a funding stream for transformational projects.

The significant increase in balances reflects the exceptional year experienced with the disruption in Services, financial uncertainty and funding announcements coming late in the year. A large proportion of the increase in balances (£58.475m) represents government funding received but not used in the year. A significant level of funding was received in the last quarter £51.320m and when the funding was announced by the Scottish Government it was accepted that the majority of this funding would need to be carried forward into 2021-22. In recognition that the future financial implications may also be significant, the additional funding received has been earmarked to fund the continuing costs of the pandemic, in line with the General Fund Revenue Budget report approved in March 2021.

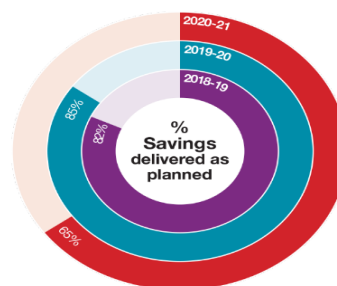
With all existing commitments taken into consideration the level of uncommitted balances is forecast to be £47.029m.

The Council continues to consider the likely financial implications for 2021-22 and an updated Financial Plan was presented to the Policy and Co-ordination Committee in September 2021. This means that the increase in reserves is temporary and will assist in securing the financial stability of the Council over the medium term. It is apparent that the impact of the pandemic will be here for many years to come and the Council will play a crucial role in economic recovery, addressing poverty, building back communities and at the same time will need to deal with the financial pressures directly linked to the Pandemic. Whilst the temporary increase in the level of reserves will assist in recovery, it will not be able to alleviate the pressures in the underlying core revenue budget.

The Council continues to consider financial risks on a regular basis, reviewing and updating the financial risk register

Delivery of Savings

Overall, savings of £12.938m were planned to be delivered during 2020-21 of which £8.442m (65%) were delivered, predominately as a result of delays in implementation due to the Pandemic. Where there is a shortfall in savings achieved against target, services are required to identify and implement alternative savings to contain expenditure with budget.



Housing Revenue Account

There is a statutory requirement for Local Authorities to maintain a Housing Revenue Account (HRA) separate from the General Fund. The HRA must break even in its own right. All expenditure incurred, and income received in the provision of rented accommodation must be included in the HRA. The bulk of income to the HRA is derived from rents, and this must be sufficient to cover the expenditure on the HRA.

During 2020-21 the total income target of £125.728m was met and the HRA made a positive contribution of £5.000m to balances. The HRA Fund balances therefore increased from £3.005m to £8.005m. Details of the financial position for 2020-21 are included within these financial statements.

Capital Expenditure

The gross Capital Expenditure for 2020-21 was £138.473m, a variance of £23.950m (14.75%) against budget. Comparable expenditure for the previous 3 years was £175.104m (2019-20) £144.083m (2018-19) and £139.673m (2017-18). Expenditure variances exist across all themes within the Capital Programme, the most significant in the Housing Revenue Account. The nature of capital expenditure being large, complex projects involving a number of stakeholders and dependencies can lead to expenditure differences within a particular year. However, the budget is not restricted to an annual profile.

Full detail of material variances is reported to the relevant sub-committees. The Council continues to make significant investment in housing, schools, early learning and infrastructure projects. The major elements of expenditure are analysed as follows:

Project Spend 2020-21	£m
Scottish Housing Quality Standards	36.040
Affordable Housing Programme	21.162
Maintaining Our Assets–Rolling Programme	26.634
Building Fife's Future Programme	18.953
Early Learning and Childcare	12.039

Assets and Liabilities

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2021 and explanatory notes are provided. Net assets have reduced by £59.223m to £1,783.742m as detailed in the following table;

	2020-21 £m	2019-20 £m	Movement £m
Long Term Assets	3,636.903	3,538.224	98.679
Current Assets	242.219	190.874	51.345
Current Liabilities	(313.209)	(325.656)	12.447
Long Term Liabilities			
-Defined Benefit Pension Liability	(819.646)	(572.923)	(246.723)
-Other Long Term Liabilities	(962.525)	(987.554)	25.029
Net Assets/(Liabilities)	1,783.742	1,842.965	(59.223)
Useable Reserves			
-General Fund	(136.034)	(45.444)	(90.590)
-Housing Revenue Account (HRA)	(8.005)	(3.005)	(5.000)
-Capital Grants & Receipts Unapplied	(10.290)	(13.294)	3.004
-Insurance Fund	(17.287)	(20.782)	3.495
Unusable Reserves			
-Defined Benefit Pension Liability	819.646	572.923	246.723
-Other Unusable Reserves	(2,431.772)	(2,333.363)	(98.409)
Total Reserves	(1,783.742)	(1,842.965)	59.223

Long term assets have increased in value as a result of the Council's investment in capital projects as well as revaluation increases as part of the rolling programme of revaluation of Property, Plant and Equipment.

Defined benefit pension liabilities are valued using an approach that is common across all entities by applying international accounting standards (IAS19), this involves the fund actuary updating the technical assumptions applied at the time of the triennial valuation to calculate the impact on future assets and liabilities and provide a point in time comparison across organisations. In doing so the Actuary has calculated that the Defined Benefit Pension Liability has increased by £246.723m to £819.646m which reflects changes in financial assumptions. Application of IAS19 also impacts on the net operating expenditure which was an increase in expenditure of £37.668m.

Treasury Management Activity

In July 2016, the Scottish Government issued Regulations which set out new statutory arrangements for local authority borrowing and lending. The Regulations state that any repayment of Loans Fund advances should be reasonably commensurate with the period and pattern of the benefits provided to the community from the capital expenditure. Councils were given scope to determine what is prudent for their organisations including consideration of reprofiling of previous years' advances.

The Council, in conjunction with our treasury advisors, Link Asset Services, undertook a review of its loan fund policy during 2019-20 which was amended in line with the Regulations. Separate Loan Fund advances policies are maintained for the Housing Revenue Account and for the General Fund.

- For the Housing Revenue Account, it is not considered prudent for the Council to reprofile previous years' advances which will continue to apply the existing annuity method. All future advances will be repaid using the Asset Life method, by which the loans fund advance is repaid in line with the expected life of the asset to which the capital expenditure relates to .
- For General Fund it is considered prudent to use the Asset Life method for both future years Loans Fund advances, and to reprofile previous years' advances. The Council has also opted to make use of the Funding/Income Profile method by which loans fund advances will be repaid by reference to an associated income stream where it is considered appropriate to do so.

The reprofiling of the previous year's General Fund loans fund advances will reduce the charge to the revenue account in the short to medium-term by spreading the repayment of principal over a longer period, resulting in a saving in Loans Charges in the immediate term. As a direct result of the reduced principal repayment, the Capital Financing Requirement going forward will be higher and it will take longer to repay the total advances. This revised policy was implemented from 2019-20 onwards and subsequent budget savings were delivered in 2020-21. During 2020-21 the income method was applied to loans fund advances related to On-Lending to National Housing Trust, this resulted in a one off catch up benefit which coupled with work done to re-profile older debt has resulted in a one off saving of £8.439m.

The Council has a treasury management strategy which ensures that all decisions taken on treasury management give primary importance to minimising and managing potential risk. Detailed reports in relation to Capital investment and the Treasury Management strategy are considered by the Council's Policy and Co-ordination Committee and can be found at https://www.fife.gov.uk/_data/assets/pdf_file/0027/164736/Treasury-Management-Strategy-Statement-and-Annual-Investment-Strategy-2020-23.pdf

Key Financial Ratios

The Chartered Institute of Public Finance and Accountancy (CIPFA) Directors of Finance Section recommends that certain "financial ratios" are included in the Management Commentary to assist the reader to assess the performance of the Council over the financial year and the affordability of its ongoing commitments.

Financial Indicator	2020-21	2019-20	Commentary
Reserves			
Uncommitted General Fund reserve as a proportion of Annual Budgeted Net Expenditure	5.18%	3.86%	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's policy is a minimum of 2% of annual turnover which is considered appropriate in the context of the Council's financial and ongoing risk profile. The level of reserves has increased significantly largely due to one off adjustments.
Movement in Uncommitted General Fund Balance	£15.238m	£6.208m	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve.
Council Tax			
In-year Collection Rate	94.38%	95.33%	Reflects the Council's effectiveness in collection Council Tax debt and financial management. This has reduced due to debt recovery being slowed down and individuals struggling to pay their Council Tax linked to the Pandemic.
Ratio of Council Tax Income to Overall Level of Funding	18.81%	19.85%	Reflects the Council's capacity to vary expenditure by raising Council Tax income, the only principal source of finance within the Local Authority Control. Fife Council, in common with all Scottish Local Authorities froze Council Tax at 2007-08 levels until 2017-18. For 2020-21 a 4.84% increase was applied in line with legislation.
Financial Management			
Actual Outturn Compared to Budgeted Expenditure	(7.92%)	(0.41%)	How closely expenditure compares to the budget reflects the effectiveness of financial management.
Actual Contribution to/(from) Unallocated General Fund Balance compared to Budget	£71.878m	£3.341m	This is significantly higher than usual due to the receipt of funding to address the financial impact of the Pandemic. The indicator is based on the format of budget monitoring as reported throughout the year.
Debt/Long-term borrowing			
Capital Financing Requirement (CFR) for the Current Year	£1,118.253m	£1,121.785m	External debt levels are lower than the CFR for 2020-21. This demonstrates that borrowing is for capital investment purposes. In 2019-20, external debt levels were greater than CFR as a result of borrowing for cash flow purposes in response to COVID-19.
External Debt Levels for the Current Year	£1,059.937m	£1,142.312m	
Ratio of Financing Costs to Net Revenue Stream			These two ratios complement the assurances of borrowing only being for capital purposes with an indication of the scale of financing costs compared with the level of funding available to the Council.
- General Fund	6.08%	7.79%	
- HRA	21.98%	21.54%	

Fife Council Group Accounts

Local Authorities are required to prepare Group Accounts in addition to their own Council's accounts where they have a material interest in other organisations. The Group Accounts consolidate the results of the Council and its other entities. The Group comprises of the following:

<p>Subsidiaries</p> <ul style="list-style-type: none"> • Fife Sports and Leisure Trust • Fife Coast and Countryside Trust • Fife Golf Trust • Fife Cultural Trust • CIRECO (Scotland) Ltd (formerly Resource Efficient Solutions) • Fife Resource Solutions, Limited Liability Partnership • Business Gateway Fife 	<p>Joint Venture – Fife Integration Joint Board</p> <p>Charities & Trusts</p> <p>Common Good</p>
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By including the Subsidiary bodies, Common Good and Trusts and Joint Venture, the effect on the Balance Sheet is a net increase in both Net Assets and Reserves of £15.199m (2019-20 £9.797m). This represents the Council's share of the net assets in these entities. The effect on the Comprehensive Income and Expenditure Statement is an increase to the surplus on the Provision of Services of (£14.292m) (2019-20, increase to deficit £6.505m).

COVID-19 had a significant impact on the subsidiaries of the Council with lockdown arrangements forcing closure to the public resulting in loss of income for the year for the Trusts and Fife Resource Solutions in particular. To address this the companies accessed appropriate government grants including make use of the furlough scheme. The Council has worked closely with these organisations, providing the necessary support and additional funding to compensate. The Health and Social Care Partnership managed by Fife Integration Joint Board played a pivotal role in the response to COVID-19 incurring additional costs of £26.0m dealing with the effects. This expenditure has been funded by the Scottish Government through the Local Mobilisation Plan. Business Gateway Fife also played a critical role in assisting the Council in making grant payments to support businesses across Fife.

All Subsidiaries of Fife Council have an accounting period to 31 March and for the purposes of consolidation and disclosure their final accounts to 31 March 2021 have been used.

	Operating (Surplus) / Deficit to 31 March 2021 £m	Net Assets / (Liabilities) at 31 March 2021 £m
Fife Sports and Leisure Trust Limited	0.812	(8.244)
Fife Coast and Countryside Trust Limited	0.146	0.795
Fife Golf Trust Limited	0.118	(0.591)
Fife Cultural Trust Limited	(0.434)	1.336
CIRECO (Scotland) Ltd (formerly Resource Efficient Solutions)	0.000	0.000
Fife Resource Solutions LLP	1.300	(7.509)
Business Gateway Fife	0.009	0.536
Charities & Trusts	(0.515)	4.680
Common Good	(0.906)	9.374
Total	0.530	0.377

Going Concern

The future financing of the Council and its Group's liabilities will be met by future grants and the application of future income. The approval of core income for 2021-22 has already been given and there is no reason to believe that future approvals will not be forthcoming. However, the recovery from the COVID-19 pandemic is likely to have a continued impact on the financial position of the Council and its Group, both in terms of increased additional costs and loss of income. Continued financial evaluation of the Council and its subsidiaries is ongoing and a short-term financial strategy is being developed and funding streams including the potential use of balances continue to be identified. We have accordingly considered it appropriate to adopt a going concern basis for the preparation of these financial statements.

5. Principal Risks and Uncertainties - Our Plans for the Future

Prior to the COVID-19 outbreak the Council faced a number of challenges in respect of reducing resources over a number of years, increased demand and inflationary pressure. In recognition of the scale of the challenge the Council implemented a Medium-Term Financial Strategy and Financial Risk Register as a framework to manage and support budget decisions. Directorates work with three-year change plans and a corporate change programme designed to ensure the Council becomes more commercial, works smarter, manages demand and reshapes service delivery.

Following a turbulent year whilst operating in emergency business critical mode, adapting and dealing with exceptional circumstances both in terms of service delivery and financial consequences, the Council set a core balanced budget for 2021-22. However, there continues to be pressures around demographic growth, reduced funding levels and increased inflationary pressures which will need addressed.

It is recognised that the financial impact of COVID-19 has been significant for both expenditure and income. It is expected this is set to continue into the coming financial years but with uncertain circumstances around restrictions, activities associated with recovery and reform, it is incredibly difficult to predict the costs and likely impact. That said, work was advanced to develop an updated financial plan and medium-term finance strategy as the situation evolves. An up to date financial assessment and updated strategy was presented to members in September 2021.

COVID-19 continues to present a significant risk to the financial sustainability of the Council and continual close monitoring will be carried out, with reports to Policy and Co-ordination Committee on a routine basis combined with continued robust internal governance and strong financial management.

Alongside considering COVID-19 the strategy will consider other pressures the Council for example achieving savings, inflationary pressures and strategic growth. Work will also be advanced to consider the core budget of the Council and this is where the main concern exists going forward. The level of reserves that the Council holds provides a means to address financial pressures on a one off basis but there is a danger of over reliance being placed on using these for recurring expenditure unless exit strategies are agreed at the outset for this type of commitment. It is apparent that there will be significant pressures on national budgets and commitments have already been made to invest heavily in other areas of the public sector such as the NHS. This carries the risk of significant reductions to unprotected budgets such as local government. The Pandemic has demonstrated the critical role of Councils to support the nation and this will remain the case as the country continues to recover from the impact of the Pandemic and reforms services over the medium term.

The potential impact of BREXIT on procurement arrangements, sourcing of materials and the wider economy also presents risks which are currently difficult to assess and quantify but will no doubt have an influence on future costs.

As we move through each of the phases of recovery from the pandemic, Directorates will need to consider all options to reconfigure services and potentially use different operating models to provide services in a different, more cost-effective way to ensure best value to the Council.

The Council is committed to working with partners and to build on the positive partnership working experienced during the pandemic. Fife's recovery depends on the ability of partners to work together and focus on key priorities. With this in mind the Plan for Fife has been reviewed with a focus on a smaller number of priorities essential to recovery.

6. Acknowledgements

Thanks to all elected members and officers of the Council for their active support and co-operation in the effective management of the Council's finances during what has been a considerably challenging year.

The production of these statements is very much a team effort and once again the accounts were completed by the statutory 30 June deadline. We would like to thank all employees who were involved in the preparation of the accounts, both within Finance & Corporate Services and other Directorates, for their effort in achieving this deadline, this is of particular significance this year given the challenges faced by all officers who successfully completed the relevant year end entries, processes and consolidation of these accounts whilst continuing to work from home.

Councillor David Alexander
Co-Leader of Council

Councillor David Ross
Co-Leader of the Council

Steve Grimmond
Chief Executive

Eileen Rowand MBA CPA
Executive Director Finance and Corporate Services

1.0 Scope of responsibility

- 1.1 Fife Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently, and effectively. Fife Council also has a duty under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised. In discharging this responsibility, elected members and senior officers are responsible for putting in place proper arrangements for the governance of Fife Council's affairs and facilitating the effective exercise of its functions which includes the management of risk.
- 1.2 In discharging this overall responsibility, Fife Council approved and adopted a Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE (Chartered Institute of Public Finance & Accountancy/Society of Local Authority Chief Executives and Senior Managers) Framework "Delivering Good Governance in Local Government". The Code of Corporate Governance has been developed based on the guidance developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) in association with the Society of Local Authority Chief Executives and Senior Managers (SOLACE) entitled 'Delivery Good Governance in Local Governance Framework' (2016 Edition). The framework comprises of 40 statements that are considered by designated Lead officers and Directorates. The approach is intended to consider the views of Directorates along with a more corporate assessment of the way in which the Council's governance arrangements are operating. The corporate assessment has been enhanced this year through the use of a working group in order to gain a wider perspective. A copy of the Code is available at: <https://www.fife.gov.uk/kb/docs/articles/about-your-council2/politicians-and-committees/committees/governance-documentation> or can be obtained from Eileen Rowand, Executive Director Finance and Resources. This statement explains how Fife Council has complied with the Code.
- 1.3 Fife Council has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. Specifically, it has developed and adopted a risk management strategy for the Council.
- 1.4 A lead officer (Executive Director, Finance & Corporate Services) has been appointed to:
 - oversee the implementation and monitor the operation of the Code of Corporate Governance; and
 - review the operation of the Code in practice.
- 1.5 In addition, Fife Council's Service Manager, Audit & Risk Management Services has been given the responsibility to review independently and report to the Standards and Audit Committee annually to provide assurance on the adequacy and effectiveness of the Code of Corporate Governance and the extent of compliance with it.
- 1.6 However, it should be noted that a sound system of Corporate Governance and internal control provides only reasonable, but not absolute, assurance that the Council will not be hindered in achieving its objectives or in the orderly and legitimate conduct of its business by circumstances which may reasonably be foreseen. A system of Corporate Governance and internal control cannot provide protection with certainty against an organisation failing to meet its objectives or material errors, losses, fraud, or breaches of laws or regulations.
- 1.7 This statement also covers the organisations included in the Council's Group Accounts.

2.0 Purpose of the governance framework

- 2.1 The governance framework comprises the structure, systems and processes, and culture and values by which the Council is directed and controlled and the activities through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 Key elements of good corporate governance include honesty; trust and integrity; openness; performance focus; responsibility and accountability; management of risk; mutual respect; and commitment to the organisation. To that end, the system of corporate governance and internal control in Fife Council is based on a framework that includes:
 - Local Outcome Improvement Plan: The Plan for Fife
 - Codes of Conduct for councillors and employees
 - Member/Officer Protocol and associated guidance notes
 - training and development arrangements for councillors and employees
 - List of Committee Powers and List of Officer Powers
 - Standing Orders

- Financial Regulations
 - the Scheme of Scrutiny and Performance
 - regular planning and performance management reports
 - comprehensive financial management systems
 - periodic and annual financial reports which indicate actual and projected financial performance against budget
 - setting and monitoring targets for financial and other performance
 - embedding risk management within the Council
 - clearly defined capital expenditure guidelines
 - Digital Strategy
 - Procurement Strategy
 - the Capital Plan and the role of the Investment Strategy Group which considers high-level performance monitoring reports in relation to capital
 - HR Plans and Policies
 - as appropriate, formal programme and project management disciplines
- 2.3 Audit and Risk Management Services provides the internal audit function for Fife Council and operates in accordance with the Public Sector Internal Audit Standards which apply to Local Government. The Service undertakes an annual programme of audit work approved by the Standards and Audit Committee based on a five-year strategic audit plan. The strategic audit plan is based on a formal risk assessment process and is amended on an ongoing basis to reflect evolving risks and changes within the Council. A review of the effectiveness of the Standards & Audit Committee is undertaken annually and the Service Manager, Audit and Risk Management Services also provides an assurance statement to the Chief Executive and the Executive Director (Finance & Corporate Services).
- 2.4 All internal audit reports are issued to the appropriate Executive Director and Head of Service and to all members of the Standards and Audit Committee, the Executive Director (Finance & Corporate Services), other relevant Executive Directors and Heads of Service and the External Auditor. Where necessary, the Standards and Audit Committee can seek further reports from the appropriate Executive Director or Head of Service.
- 2.5 The Council is determined to protect itself and the public from fraud and corruption and is committed to the rigorous maintenance of a strategy for the prevention and detection of fraud and corruption which will provide a framework for:
- encouraging fraud deterrence and prevention
 - raising awareness of fraud and corruption and promoting their detection
 - performing investigations and facilitating recovery
 - invoking disciplinary proceedings and referral to Police and/or Procurator Fiscal
 - monitoring, publicising and updating the policy and its related procedures and performance
 - appropriate action consistent with the Serious Organised Crime Taskforce objectives

3.0 Review of effectiveness

- 3.1 Fife Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review of effectiveness is informed by:
- the work of the executive directors and managers within the authority who have responsibility for the development and maintenance of the governance environment which they report on through their annual assurance statements; a separate Trust Assurance Framework has been in place since 2012-13;
 - the Service Manager, Audit & Risk Management Services' annual assurance statement. In this regard, the most recent assurance statement concludes that a medium/high level of control exists and that reasonable assurance can be placed on the adequacy and effectiveness of the Council's system of Corporate Governance and internal control system in the year to 31 March 2021. This is the same level of control rating as in the 2019-20 statement;
 - comments made by the external auditors and other review agencies and inspectorates;
 - feedback from elected members and committees carrying out their scrutiny role;
 - issues considered by the Standards & Audit Committee; and
 - the review of various forms of customer and stakeholder feedback.
- 3.2 The current approach to the Council's Local Code of Corporate Governance was agreed by the Standards and Audit Committee in 2019. A key factor in developing the new process was to avoid a box-ticking exercise and to encourage a more rounded, qualitative approach. In addition to simplifying the previous assurance process by reducing the number of statements to be completed annually by Directorates from 118 to 40 some of the statements were assigned to designated Lead Officers in order to provide a more corporate assessment of the way in which the Council's governance arrangements are operating. Once completed the returns were analysed to identify areas of good practice; areas for improvement/future actions etc. Key governance issues have then been captured into this statement.

- 3.3 In December 2017, the Council approved the “Plan for Fife” which sets out the priorities the Fife Community Planning Partnership (which includes the Council) will collectively focus on in order to add most value for local communities. The Plan sets out ten-year ambitions and priorities, along with a number of short-term actions. Elected members were closely involved in taking forward work on five cross-cutting reform and recovery priorities from October 2020 to March 2021 through elected member working groups of relevant Council sub-committees. These reform and recovery priorities provide the basis for current work on the three-year update of the Plan for Fife, which will also serve as Fife’s renewal plan following the Covid-19 pandemic. A final Plan was presented to the Fife Partnership Board in August and Fife Council in September 2021.
- 3.4 Four priority themes of Opportunities for All; Thriving Places; Community-Led Services; and Inclusive Growth and Jobs have been translated into twelve “ambitions” and twenty-four “areas of focus” and centre on prevention and early intervention and on reducing inequality. Each of the community planning partners in Fife has committed to these and will be responsible for planning, scrutinising, and reporting on performance and delivery to the partnership, the public and other key stakeholders. Local priorities and accountability are an essential part of this, and local community plans and neighbourhood plans will be reviewed and developed in order to improve outcomes for those with the greatest needs.
- 3.5 Appropriate monitoring and reporting will help the Council to track progress towards the delivery of desired outcomes and assist strategic committees, area committees and Fife Partnership in scrutinising performance. Service performance reporting continued during 2020, largely reporting on progress from the 2019-20 financial year. These contain SPI’s and measures relating to the Plan for Fife. The Plan for Fife themed reporting will resume as the new plan is refreshed.
- 3.6 The Council also has in place the components for the effective management of its resources. These include a Medium-Term Financial Strategy, a Procurement Strategy, a Risk Management Strategy, a Corporate Workforce Plan and HR Policies. A Digital Strategy and IT investment plan have been developed and delivery of these is monitored through the Council’s Change Board. In addition, Services have developed and maintain Directorate Business Continuity Plans, and these inform the ICT Systems Recovery Plans which are documented and subject to regular testing.
- 3.7 The Council’s resilience plans, and risk management processes have been tested during the Covid-19 Pandemic and the Council has responded well to this emergency that is still ongoing. Revised governance arrangements were put in place to allow decisions to be made and for limited virtual committees to take place. The Financial regulations were updated to allow spend to be incurred in advance of funding solutions being identified, debt recovery was relaxed, and additional support was provided to suppliers. The relaxation of the financial regulations remain in place until September 2021 and the position will need to be reviewed then. A financial strategy was agreed by the Policy and Coordination Committee during the year and this was revisited at several points as the impact of the Pandemic was updated and the level of funding from the Scottish Government and other means to address the pressure were identified.
- 3.8 The Council implemented Oracle Cloud during the year, and this was particularly challenging given it coincided with the need to respond to the Pandemic. Finance and Procurement went live in July and HR and Payroll followed in November. The intention was originally to go live in April with Finance and Procurement however this was deemed to be too risky given the move to home working in response to the Pandemic. The decision was therefore taken to delay this element, and this subsequently had a knock-on effect on the timing of HR/Payroll. Overall, the implementation has gone well but there are still some teething issues to be addressed mainly around reporting, forecasting and recruitment. Interim audit work carried out by our external auditors recognised some weaknesses in internal controls. These have been deemed to have a temporary impact on the level of internal controls. However, updated controls continue to be developed taking into account new processes associated with the change.
- 3.9 We have been advised on the result of the review of the effectiveness of the governance framework by the processes and procedures outlined in Para. 3.1 above and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. We are also clear that the Council’s financial management arrangements conform to the governance requirements of the Chartered Institute of Public Finance and Accountancy’s Statement on the Role of the Chief Financial Officer in Local Government (2010).

4.0 Significant Governance Issues

- 4.1 The table below shows progress on significant governance issues during the year and actions planned for the coming year. Oversight is provided by a governance group, chaired by the Executive Director (Finance & Corporate Services). This group will review and monitor progress on a quarterly basis throughout the year to ensure appropriate actions are taken.

Members Involvement in Setting the Tone from the Top

Issue: Members take a lead in developing the principles and values for the Council and ensure that these values are communicated and embedded in appropriate policies and processes.

Progress made in 2020-21: Members participated in a number of interactive workshop sessions with the Monitoring Officer on the draft amended Councillors' Code of Conduct and the output from these sessions informed the Council's response to the Scottish Government's consultation exercise. The pandemic has delayed the finalisation of the new Code and adoption of this is now planned for late 2021/early 2022. There were four cases of breach of the Code by Fife Councillors progressed to the Standards Commission during 2020-21; one was dismissed and three were upheld with sanctions applied, being one censure and two suspensions.

Action Planned within 2021-22: The launch of the updated Councillors' Code of Conduct will be an opportunity to refresh the training for Elected Members in this area and reinforce what constitutes appropriate standards of behaviour.

Embedding Risk Management

Issue: The recent Risk Management Strategy review identified well established risk management processes, mature programme and project risk management and a positive culture of risk ownership in some areas. However, it also identified priority areas for improvement, which if implemented will improve the Council's risk management maturity.

Issues were raised by the Council's property insurers in relation to property risk management, particularly in relation to vacant properties.

Progress made in 2020-21: In 2020-21, progress on the Risk Management Strategy and Strategic Risk Register reviews was delayed due to the emergency response to the pandemic. However, in early 2021, we initiated both reviews, with a survey on strategic risks, and a risk management health check as a starting point for the risk management strategy review.

Action Planned within 2021-22: In 2021-22, it is planned to form a Risk Management Strategy Group, which will be tasked with developing an action plan to drive improvements in risk management across the Council. A review of strategic risks is also underway, which ensure risks reflect the refresh of the Plan for Fife and the recovery and reform agenda.

Progress has been made with improving vacant property management processes, and further work on the strategic approach and responsibilities for building management, maintenance, and disposal/demolition will be progressed in 2021-22.

Restructuring, Movement of Staff and Change to Processes

Issue: Work undertaken during the year by audit has highlighted that the continued restructuring and movement of staff has increased the risk of failings in governance arising as new processes and structures are embedded. This risk is likely to continue given the financial pressures facing the Council.

Progress made in 2020-21: This has continued to be managed during the year and mitigating action has been identified. Succession planning and the use of written procedures has continued to be encouraged in order to reduce the risk.

Action Planned within 2021-22: There will continue to be a focus on the actions identified to date and managers will ensure plans are in place to minimise the impact and risk of staff reductions. Planning mechanisms are well established within the Council in order to ensure that services are adapted as resources reduce.

Review of Governance and Decision Making

Issue: There is a need to fully embed changes to the Governance Scheme overall following the work undertaken by the Cross-Party Governance Review Working Group.

Progress made in 2020-21: Governance arrangements were quickly adapted during the initial lockdown period to ensure efficient and effective decision making. As soon as it was appropriate to do so, formal meetings of the Council and its Committees recommended on a remote basis Members were provided with appropriate equipment and training to ensure that they could fully participate in remote meetings and that decision making was not compromised. As part of the Council's recovery plan, the Committee structure was updated and amended in late summer 2020 to give a sharper focus to Covid-19 recovery matters with the Policy & Co-ordination Committee taking on an oversight role in this regard.

Action Planned within 2021-22: Work is underway to develop a long-term format for formal meetings that meets the aspirations of the Elected Members and is also transparent, robust, and legally compliant. The success of remote meetings will be built on to ensure the Council is able to quickly adapt in the event of any future local or national lockdowns in future.

Change Programmes

Issue: The Council needs to ensure that traction is made on the delivery of change.

Progress made in 2020-21: Delivery has progressed in line with plans with progress and benefits tracking regularly reported to the Reform Board (approximately 6 weekly) and through the Members Reference group to Policy and Co-ordination Committee (March 2020 update to P&C members electronically and April 2021 P&C committee - conclusion of programme).

Action Planned within 2021-22: The Changing to Deliver Programme has concluded with follow on activity identified and benefits tracking mechanisms put in place. Change is being progressed through the recovery and reform work initiated in August 2020 which reported progress to the October 2020, March 2021, and April 2021 P&C committees. The Plan for Fife is being refreshed and is building on the recovery and reform work with a draft plan being reported to P&C committee in June 2021.

Health and Social Care Integration

Issue: The actions identified within the self-assessment on progress of integration and effective governance needs to be advanced as outlined above.

Progress made in 2020-21: During 2020-21 progress on the action plan for the Ministerial Strategic Group recommendations was severely impacted by Covid, however, work began to be picked up again towards the end of the year. There has been progress in several areas including significant progress on the review of the Integration Scheme which was concluded through governance structures in September 2021. We now consider that 12 of the 22 proposals are established, 8 partly established and 2 not yet established, although work is now progressing on these two areas which relate to the delegated hospital budgets and set aside budget requirements.

Action Planned within 2021-22: We will continue to progress these actions alongside the restructure of the Health and Social Care Partnership. Regular dialogue with both partner organisations will continue to ensure that there is a shared understanding and commitment to delivery of the recommendations. Regular updates will also take place in terms of progress.

Elected Member Support and Development

Issue: The 2019 member training programme that has been agreed needs to be delivered and monitored to ensure that member's development needs are met.

Progress made in 2020-21: The planned sessions were held online due to public health restrictions. This helped to increase attendance levels and those Members that did attend found the sessions to be helpful and informative.

Actioned Planned within 2021-22: The Members Development programme is being refreshed in advance of the Local Government Election in May 2022. This will include a review of the topics covered, particularly as part of the induction for new Members, and the format of training. It is hoped that making more use of online training sessions and webcasts will make training more accessible to Members that have struggled to attend in person sessions in the past. A Working Group of Members and Officers has been established to take this work forward.

Impact of the Pandemic on Planning and Delivery of Services

Issue: Responding to the pandemic has impacted on the way we plan and deliver services.

Progress made in 2020-21: Service Change Plans covering three years from April 2020 were concluded just before the pandemic impacted. They contained a 3-year vision and related changes to be progressed, including those that had budget implications which had been signed off as part of the budget process. As the pandemic progressed planning shifted to the immediate aspects impacted upon in terms of essential services and vulnerable groups requiring support. Recovery and reform planning was formally initiated in August 2020 at the Policy and Co-ordination committee and reported progress back to the same committee in October 2020.

Actioned Planned within 2021-22: Planning work continues, and the refreshed Plan for Fife is being progressed and will be approved in Autumn 2021. Update reports have also been taken to the Policy and Co-ordination committee in April and May of 2021 and a draft Plan for Fife will be reported to it in June 2021. Plans for the potential return to offices and the impact on workstyles are also being progressed and will also be reported in June to the Policy and Co-ordination committee.

5.0 Conclusions

- 5.1 We have revised our Corporate Governance Framework to ensure that it is fit for purpose.
- 5.2 The last year has been an exceptional year for all and the Council has continued to deliver its services, supporting communities, individuals and businesses during these difficult times whilst safeguarding the Council's financial sustainability. This has been a challenging period and the complexity of issues that the Council has faced has been compounded by the replacement of major financial systems during this time. However, we consider the governance and internal control environment operating within 2020-21 to provide reasonable assurance and the actions identified in section 4 will address the governance issues that have been highlighted. We are satisfied that the actions highlighted in this Statement reflect the Council's commitment to continuous improvement and will further enhance our corporate governance and internal control arrangements.

Councillor David Ross
Co- Leader of the Council

Councillor David Alexander
Co-Leader of the Council

Steve Grimmond,
Chief Executive

1. The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No 2011/64) amended the Local Authority Accounts (Scotland) Regulations 1985 (SI No 1985/267) requires local authorities in Scotland to prepare a Remuneration Report as part of their annual accounts. All information disclosed in the Tables A to F contained within this Remuneration Report will be audited by Audit Scotland. The other sections of the Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Remuneration Arrangements

2. Senior Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183), and The Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2020 (SSI 2020/26). The Regulations provide for differing levels of remuneration for councillors depending on the positions they hold i.e. the Council Leader, the Civic Head (Provost), Senior Councillors or Councillors. The Council Leader and the Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

The salary that is to be paid to the Council Leader is set out in the Regulations. For 2020-21 the maximum salary for the Fife Council Leader is £41,662. The Regulations permit the council to remunerate one Civic Head and set out the maximum salary for that position. Fife Council policy is to pay the Provost at 75% of the maximum salary for the Council Leader.

The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a senior councillor is 75% of the total yearly amount payable to the Council Leader. The total yearly amount payable by the Council for remuneration of its senior councillors shall not exceed £466,455. The Council is able to exercise local flexibility in the determination of the precise number of senior councillors (up to a maximum of 19) and their salary within these maximum limits.

Table A details remuneration paid by the Council to its 18 senior councillors (totalling £410,364), to the Co-Leaders and to the Provost (at 75% of the permitted rate). The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of councillors who elect to become councillor members of the pension scheme. The Fife Council Scheme of Councillors' Remuneration and Expenses which encompasses the salaries of all elected members including the Council Leader/Co-Leaders, Provost and Senior Councillors was agreed at a meeting of the full Council on 15 May 2017 and last revised at a meeting of the full Council on the 26th September 2019.

In addition to the senior councillors of the Council, the Regulations also set out the remuneration payable to councillors with the responsibility of a Convenor or a Vice Convenor of a Joint Authority. The Regulations require the remuneration to be paid by the Council of which the Convenor or Vice Convenor is a member. The Council is also required to pay any pension contributions arising from the Convenor or Vice Convenor being a member of the Local Government Pension Scheme. The Council is reimbursed by the Joint Authority for any additional remuneration paid to the member from being a Convenor or Vice Convenor of a Joint Authority.

3. Senior Employees

A senior employee is defined as being any local authority employee who meets at least one of these criteria:-;

- has responsibility for management of the local authority to the extent that the person has power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons;
- holds a post politically restricted by reason of section 2(1)(a),(b) or (c) of Local Government & Housing Act 1989
- has annual remuneration, including remuneration from a local authority subsidiary body, of £150,000 or more.

The salary of senior employees is set by reference to national arrangements. Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/150 sets the salary for the Chief Executive of Fife Council for the period 1 April 2018 to 31 March 2021.

Executive Director pay is based on a Fife Council review of senior manager salaries by Sir Neil McIntosh following his review of Chief Executives' salaries at national level on behalf of COSLA (the Convention of Scottish Local Authorities). The Fife Council review took market forces, salaries in comparable authorities and reductions in overall Chief Official numbers into consideration. Posts at Executive Director level are only agreed by Committee.

Heads of Service and Senior Manager salaries are determined using Fife Council role criteria. The salary for each role is fixed at a point on the national spinal column. Any new Chief Officer posts below Executive Director level are evaluated and assessed by the Head of HR, approved by the Chief Executive under delegated Officer Powers and reported to Committee through Directorate Performance Reports, previously reporting was through the Annual Workforce Report. Appointment to Chief Officer posts are subject to a recruitment process by the Council's Appointments Committee, unless there is a legal obligation to redeploy for redundancy or other statutory reason.

Remuneration policy of one of Fife Council's subsidiary bodies Business Gateway Fife is set by its own Board of Directors. Fife Council is represented on this board of five members by two officers. Fife Council has no direct influence on the determination of the remuneration policy. The other subsidiary bodies are encouraged to maintain grading links with Fife Council which evaluates posts for the Trust Boards when requested.

Details of senior employees for Fife Council and Subsidiary bodies are shown in Tables A & B.

4. Pensions Benefits

Pension benefits for employees and Councillors are provided through the Local Government Pension Scheme (LGPS). The LGPS is a funded scheme made up of contributions from employees and councillors and the employer. The LGPS in Scotland changed on 1 April 2015 from a final salary scheme to a career average revalued earnings (CARE) scheme. All members, both employee and Councillor members, now build up a pension based on 1/49th of pensionable pay received in each scheme year. The scheme year runs from 1 April to 31 March.

However, pension benefits built up before 1 April 2015 are protected for employee and Councillor members. This means that membership built up to 31 March 2015 by employee members will continue to be based on final salary when the member retires or leaves. Councillor benefits built up to 31 March 2015 will continue to be calculated using average pay over the whole period of scheme membership, including both pre and post 2015 membership. The councillor's pay for each year or part year ending 31 March (other than the pay in final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of revalued pay is then divided by period of membership to calculate career average pay for the pre 2015 benefits. The normal pension age of the new scheme is linked to State Pension Age but with a minimum age of 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members based on how much pay falls into each tier. This is designed to give more equality between costs and benefits of scheme membership. Prior to 2009 contribution rates were set at 6% for all non-manual employees. From 1 April 2015, part time members' contribution rates are now based on actual pensionable pay as opposed to whole time pay.

Actual Pay 2020-21	Contribution Rate 2020-21	Actual Pay 2019-20	Contribution Rate 2019-20
Up to and including £22,200	5.50%	Up to and including £21,800	5.50%
Above £22,201 and up to £27,100	7.25%	Above £21,801 and up to £26,700	7.25%
Above £27,101 and up to £37,200	8.50%	Above £26,701 and up to £36,600	8.50%
Above £37,201 and up to £49,600	9.50%	Above £36,601 and up to £48,800	9.50%
Above £49,601	12.00%	Above £48,801	12.00%

The calculation of pension benefits for employee and Councillor members is as follows:

- For membership from date of joining the pension scheme to 31 March 2009 the accrual rate is 80ths
- For membership from 1 April 2009 to 31 March 2015 the accrual rate is 60ths
- For membership under the new CARE scheme from 1 April 2015 to date of retirement the accrual rate is 49ths

A pension lump sum is only automatically paid for scheme membership between date of joining the scheme and 31 March 2009, with an accrual rate of 3/80ths. However, a member may opt to give up (commute) pension for lump sum in accordance with the limit set by the Finance Act 2004.

Value of accrued benefits is calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without adjustment for the effects of future inflation.

The pension figures shown in Tables A & B relate to the benefits that the person has accrued as a consequence of; for Councillors, their service as a councillor with Fife Council and any appropriate transfers into the scheme; for employees, their local government service, and not just their current appointment.

5. Trade Union Facility Time

The Council is required to publish details of Trade Union facility time, which is the provision of paid or unpaid time off from employees normal roles to undertake Trade Union duties and activities. Details are in Table C and also at: https://www.fife.gov.uk/_data/assets/pdf_file/0031/258475/Facility-Time-Report-2020-21.pdf

Table A- Fife Council

Name	Responsibility	Remuneration (Note 1)		Pension Benefits (Note 2)				
		Salary, Fees & Allowances		Employer's pension contributions		Accrued Pension Benefits		Change from 31/03/20
		2020-21 £	2019-20 £	2020-21 £	2019-20 £	at 31/03/21		
		£	£	£	£	£	£	
Senior Councillors								
David Alexander	Co-Leader of Fife Council	31,285	30,716	7,665	7,526	Pension Lump Sum	2,000	1,000
David Ross	Co-Leader of Fife Council	31,285	30,716	-	-	Pension Lump Sum	-	-
Jim Leishman	Provost	31,285	30,716	7,665	7,526	Pension Lump Sum	6,000	1,000
Julie Kelly	Depute Provost	22,798	22,384	5,585	5,484	Pension Lump Sum	2,000	-
Dave Dempsey	Leader of Opposition, Convener: Standards & Audit Committee and Convener: Superannuation and Pensions Sub-Committee	22,798	22,384	5,585	5,484	Pension Lump Sum	7,000	1,000
Tim Brett	Convener: Scrutiny Committee	22,798	22,384	5,585	5,484	Pension Lump Sum	2,000	-
Ken Caldwell	Convener: Levenmouth Area Committee	22,798	22,384	5,585	5,484	Pension Lump Sum	2,000	1,000
Altany Craik	Convener: Economy, Tourism, Strategic Planning & Transportation Committee	22,798	22,384	5,585	5,484	Pension Lump Sum	4,000	-
Neil Crooks	Convener: Kirkcaldy Area Committee & Planning Committee	22,798	22,384	5,585	5,484	Pension Lump Sum	8,000	-
Linda Erskine	Convener: Cowdenbeath Area Committee & HR Spokesperson	22,798	22,384	5,585	5,484	Pension Lump Sum	5,000	1,000
Fiona Grant	Convener: Glenrothes Area Committee	22,798	22,384	5,585	5,484	Pension Lump Sum	1,000	-
Judy Hamilton	Convener: Community & Housing Services Committee	22,798	22,886	5,894	5,926	Pension Lump Sum	7,000	1,000
Helen Law	Convener: City of Dunfermline Area Committee	22,798	22,384	5,585	5,484	Pension Lump Sum	5,000	1,000
Rosemary Liewald	Chair - Joint Health & Social Care Partnership and Fife Corporate Parent Board	22,798	22,384	5,585	5,486	Pension Lump Sum	2,000	1,000
Carol Lindsay	Convener: Regulation & Licensing Committee and Fife Licensing Board	22,798	22,384	5,585	5,484	Pension Lump Sum	5,000	-
Donald Lothian	Convener: North East Fife Area Committee	22,798	22,384	5,585	5,484	Pension Lump Sum	1,000	-

Name	Responsibility	Remuneration (Note 1)		Pension Benefits (Note 2)				
		Salary, Fees & Allowances		Employer's pension contributions		Accrued Pension Benefits		Change from 31/03/20
		2020-21	2019-20	2020-21	2019-20	at 31/03/21		
£	£	£	£	£	£	£		
Senior Councillors (Continued)								
Alice McGarry	Convener: South West Fife Area Committee & Planning Committee (West)	22,798	22,384	5,585	5,484	Pension Lump Sum	6,000 2,000	- -
Tony Miklinski	Convener: Scrutiny Committee Education & Children's Services and Health & Social Care (from September 2019)	22,798	8,954 (fy 22,384)	-	-	Pension Lump Sum	- -	- -
Fay Sinclair	Convener: Education & Children's Services Committee (until Nov 2020)	14,232 (fy 22,798)	22,384	3,487	5,484	Pension Lump Sum	3,000 -	1,000 -
David Barratt	Convener: Assets & Corporate Services Committee (from December 2020)	8,566 (fy 22,798)	-	2,108	-	Pension Lump Sum	1,000 -	1,000 -
Ross Vettraino	Convener: Environment, Protective Services & Community Safety Committee	22,798	22,384	-	-	Pension Lump Sum	- -	- -
Craig Walker	Convener: Education & Children's Services Committee	22,798	22,384	5,585	5,484	Pension Lump Sum	3,000 -	1,000 -
	Total Senior Councillors	504,219	482,132	105,009	103,240	Pension Lump Sum	86,000 21,000	12,000 -
Senior Employees (Note 3)								
Steve Grimmond	Chief Executive (Note 4)	161,635	167,685 (restated)	39,989	37,794	Pension Lump Sum	78,000 144,000	3,000 5,000
Keith Winter	Executive Director Enterprise & Environment	126,803	123,539 (restated)	31,067	29,564	Pension Lump Sum	65,000 111,000	4,000 3,000
Carrie Lindsay	Executive Director Education & Children's Services	126,803	123,535	31,067	30,266	Pension Lump Sum	78,000 -	5,000 -
Eileen Rowand	Executive Director Finance & Corporate Services	126,803	123,535	31,067	30,266	Pension Lump Sum	51,000 68,000	4,000 2,000
Michael Enston	Executive Director Communities	126,803	123,538 (restated)	31,067	29,598	Pension Lump Sum	67,000 117,000	4,000 3,000
	Total Senior Employees	668,846	661,831	164,256	157,488	Pension Lump Sum	339,000 440,000	20,000 13,000

Note 1 - Full year equivalent (fy) salaries are shown in brackets for those senior councillors and employees who have started, or who have left in the year.

Note 2 - The accrued pension benefits for senior councillors and employees who have left during the year have been shown as the benefits accrued at the time of leaving.

Note 3 - The 2019-20 remuneration for 3 senior officers is restated to recognise a change in the presentation of deductions in respect of the Council's buy leave scheme.

Note 4 - The remuneration for the Chief Executive includes payments made in respect of his role as Returning Officer (2020-21-£0, 2019-20-£10,237)

Table B- Joint Initiatives and Subsidiary Bodies - Senior Employees

Senior Employees	Responsibility	Organisation	Remuneration (Note 1)		Pension Benefits (Note 2)				
			Salary, Fees & Allowances		Employer's pension contributions		Accrued Pension Benefits at 31/03/21		Change from 31/03/20
			2020-21 £	2019-20 £	2020-21 £	2019-20 £			£
Joint Initiative									
Nicky Connor	Director-Health & Social Care (from 02-08-19)	Health & Social Care Partnership (Note 3)	84,831	55,086 (fy 83,762)	17,625	11,513	Pension Lump Sum	3,000 -	2,000 -
	Total Joint Initiative		84,831	55,086	17,625	11,513	Pension Lump Sum	3,000 -	2,000 -
Subsidiary Bodies									
Heather Stuart	Chief Executive	Fife Cultural Trust	101,165	99,143	22,762	22,307	Pension Lump Sum	17,000 -	2,000 -
Joseph Hamilton	Chief Executive (03-02-20 - 08-06-20)	Fife Sport & Leisure Trust	15,500 (fy 130,350)	21,662 (fy 130,350)	-	-	Pension Lump Sum	- -	- -
Emma Walker	Chief Executive (from 08-06-20)		70,256 (fy 93,675)	-	12,997	-	Pension Lump Sum	2,000 -	2,000 -
Alistair MacGregor	Golf Services Manager	Fife Golf Trust	66,815	65,018	14,098	13,719	Pension Lump Sum	29,000 42,000	2,000 1,000
Jeremy Harris	Chief Executive (from 19-08-19)	Fife Coast & Countryside Trust	64,225	37,683 (fy 59,543)	13,973	8,215	Pension Lump Sum	2,000 -	1,000 -
Robin Baird	Chief Operating Officer	Fife Resource Solutions LLP & CIRECO (Scotland) Ltd (formerly Resource Efficient Solutions LLP)	85,114	83,492	18,980	18,619	Pension Lump Sum	23,000 18,000	2,000 1,000
Fraser McKee	Senior Growth Adviser (from 23-09-19)	Business Gateway	40,905	21,513 (fy 40,000)	-	257	see Note 4		
	Total Subsidiary Bodies		443,980	328,511	82,811	63,117	Pension Lump Sum	73,000 60,000	9,000 2,000

Note 1 - Full year equivalent (fy) salaries are shown in brackets for those employees who have started, or who have left senior positions in the year.

Note 2 - The accrued pension benefits for senior employees who have left during the year have been shown as the benefits accrued at the time of leaving.

Note 3 - The position of Director of Health & Social Care Joint Initiative is employed by the NHS.

Note 4 - Business Gateway Fife employees are members of a defined contribution pension scheme therefore disclosure of pension benefits accrued in year is not possible.

Table C - Trade Union Facility Time

2019-20 (Restated)		2020-21
106	Number of employees who were relevant union officials during the relevant period	94
97.8	Number of full time equivalent employees	88.1
	Number of employees analysed by % of time spent on facility time	
40	0%	62
55	1% - 50%	21
3	51% - 99%	4
8	100%	7
£0.455m	Total cost of Facility Time	£0.648m
0.1%	% of Total pay bill spent on Facility Time	0.1%

Table D - Members Expenses

Details of the salaries, allowances and expenses paid to all councillors (including the senior councillors above)

2019-20 £m	Type of Remuneration	2020-21 £m
1.424	Salaries	1.464
0.044	Travel and Subsistence	0.005
0.007	Training/ Conference and Meeting Expenses	0.000
0.017	Telephone and Information Technology Expenses met by Council	0.018
0.003	Cost of Provision of Council Cars met by Council	0.002
0.000	Other Expenses and Allowances	0.000
1.495	Total	1.489

The annual return of councillors' salaries and expenses for 2020-21 is available on Fife Council's website at ; <https://www.fife.gov.uk/kb/docs/articles/about-your-council2/politicians-and-committees/your-local-councillors>

The annual return will also be available for any member of the public to view at all Fife Council libraries and public offices during normal working hours however, due to the restrictions put in place by the Scottish Government to control the incidence and transmission of Coronavirus, access to these offices is restricted at this time.

Table E - Fife Council Employees Analysis by Pay Band

2019-20 (Restated)	Remuneration Bands	2020-21	2019-20 (Restated)	Remuneration Bands	2020-21
279	£50,000 - £54,999	301	0	£110,000 - £114,999	1
210	£55,000 - £59,999	208	0	£115,000 - £119,999	0
115	£60,000 - £64,999	105	4	£120,000 - £124,999	0
46	£65,000 - £69,999	68	0	£125,000 - £129,999	4
11	£70,000 - £74,999	11	0	£130,000 - £134,999	0
18	£75,000 - £79,999	17	0	£135,000 - £139,999	0
7	£80,000 - £84,999	6	0	£140,000 - £144,999	0
7	£85,000 - £89,999	5	0	£145,000 - £149,999	0
5	£90,000 - £94,999	5	0	£150,000 - £154,999	0
13	£95,000 - £99,999	16	0	£155,000 - £159,999	0
1	£100,000 - £104,999	1	0	£160,000 - £164,999	1
1	£105,000 - £109,999	0	1	£165,000 - £169,999	0
			718	Total	749

Included in 2020-21 are 21 employees who left during the year, 14 of which appear above as a result of the inclusion of their associated redundancy or early retirement payments costs.

Table F - Exit Packages

Termination benefits are defined as amounts payable as a result of either an employer's decision to terminate an employee's employment before normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits, as agreed by the Council. Exit packages detailed below include redundancy payments, compensatory lump sums, pension strain and estimated capitalised compensatory added years' costs for Fife Council and its group. These estimated values are based on an assessment of the present value of all future payments to the retiree until death. Exit packages relating to ill health retirements are not classified as termination benefits therefore amounts paid to individuals on this basis are not included in the table.

Exit Package Cost Band £	No. of Compulsory Redundancies	No. of Other Agreed Departures	Total No. of Exit Packages	Cash Value £m	Estimated CAY £m	Total Exit Packages Cost £m
2020-21						
0 - 19,999	0	10	10	0.116	0.000	0.116
20,000 - 39,999	1	9	10	0.286	0.017	0.303
40,000 - 59,999	0	7	7	0.310	0.021	0.331
60,000 - 79,999	0	2	2	0.159	0.000	0.159
80,000 - 99,999	0	6	6	0.524	0.032	0.556
100,000 - 149,999	0	11	11	1.095	0.260	1.355
Over 150,000	0	12	12	1.570	0.809	2.379
Total	1	57	58	4.060	1.139	5.199
2019-20						
0 - 19,999	4	17	21	0.226	0.000	0.226
20,000 - 39,999	1	19	20	0.603	0.000	0.603
40,000 - 59,999	0	6	6	0.279	0.030	0.309
60,000 - 79,999	1	4	5	0.339	0.020	0.359
80,000 - 99,999	0	3	3	0.220	0.102	0.322
100,000 - 149,999	0	9	9	0.800	0.327	1.127
Over 150,000	0	5	5	0.745	0.252	0.997
Total	6	63	69	3.212	0.731	3.943

The total cost of exit packages £5.199m in the table for 2020-21 above includes £0.293m cash value and £0.105m estimated CAY for exit packages that have been agreed, accrued for and charged to Fife Council's Comprehensive Income and Expenditure Statement in the current year.

Of the 2020-21 total cost of £5.199m, £0.666m relates to statutory redundancy payments, £0.621m to compensation for loss of office, £2.773m for enhanced pension benefits and £1.139m for estimated CAY.

As a consequence of the delivery of the 2020-21 savings each directorate has incurred termination payments. The Directorate incurring the largest cost is Communities £3.458m.

Councillor David Alexander
Co-Leader of the Council

Councillor David Ross
Co-Leader of the Council

Steve Grimmond
Chief Executive

The Authority's Responsibilities

The Authority is required to:-

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the authority has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Authority, that officer is the Executive Director Finance and Corporate Services.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014 and provisions contained in the Coronavirus (Scotland) Act 2020), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

We confirm that these Annual Accounts were approved for signature by the Standards and Audit Committee at its meeting on 16 December 2021.

Signed on behalf of Fife Council

Councillor David Alexander
Co-Leader of the Council

Councillor David Ross
Co-Leader of the Council

The Executive Director Finance and Corporate Services Responsibilities

The Executive Director Finance and Corporate Services is responsible for the preparation of the authority's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code),

In preparing the Annual Accounts, the Executive Director Finance and Corporate Services has:-

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with legislation
- Complied with the local authority Accounting Code (in so far as it is compatible with legislation)

The Executive Director Finance and Corporate Services has also:-

- Kept adequate accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the local authority and its group at the reporting date and the transactions of the local authority and its group for the year ended 31 March 2021.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Council (i.e. government grants, rents, fees and charges, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices under accounting standards or statutory provisions. It also shows how this expenditure is allocated for decision making purposes between Fife Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019-20 (Restated)			Expenditure chargeable to General Fund and HRA	2020-21		
Expenditure chargeable to the Gen Fund & HRA £m	Adjusts between Funding & Accounting Basis £m	Net Expenditure in the CIES £m		Expenditure chargeable to the Gen Fund & HRA £m	Adjusts between Funding & Accounting Basis £m	Net Expenditure in the CIES £m
376.646	46.272	422.918	Education & Children	364.391	38.381	402.772
156.202	11.694	167.896	Health & Social Care	162.323	7.155	169.478
99.568	32.649	132.217	Enterprise & Environment	107.128	45.771	152.899
35.339	14.252	49.591	Finance & Corporate	46.176	11.723	57.899
0.257	0.028	0.285	Chief Executive	0.257	0.015	0.272
2.697	(11.541)	(8.844)	Corporate & Democratic	2.647	(3.356)	(0.709)
66.322	15.520	81.842	Communities	72.170	12.480	84.650
(25.437)	3.166	(22.271)	Housing Revenue Account	(31.736)	7.436	(24.300)
92.905	(92.905)	0.000	Loan Charges	92.551	(92.551)	0.000
804.499	19.135	823.634	Net Cost of Services	815.907	27.054	842.961
0.000	2.304	2.304	Other Operating Expenditure	0.000	3.505	3.505
0.000	82.017	82.017	Financing and Investment Income & Expenditure	0.000	55.513	55.513
(810.969)	(72.507)	(883.476)	Taxation and Non Specific Grant Income & Expenditure	(906.862)	(57.845)	(964.707)
(6.470)	30.949	24.479	Total	(90.955)	28.227	(62.728)

(54.387)	Opening General Fund & HRA Balance	(48.449)
(6.470)	Less or Plus (Surplus) or Deficit on General Fund & HRA Balance in Year	(90.955)
12.408	Transfers to / (from) Other Reserves	(4.635)
(48.449)	Closing General Fund & HRA Balance at 31 March *	(144.039)

* For a split of this balance between the General Fund & the HRA see the Movement in Reserves Statement

**Adjustments from General Fund & HRA to arrive at Comprehensive Income & Expenditure Statement
(shown in Expenditure & Funding Analysis column 2)**

2019-20 (Restated)				Difference between the Statutory Charge to the Combined General Fund & HRA Balance compared to the (Surplus) or Deficit in the CIES	2020-21			
Adjustments for Capital Purposes £m	Net change for Pensions Adjustments £m	Other Differences £m	Adjustments between Accounting & Funding Basis £m		Adjustments for Capital Purposes £m	Net change for Pensions Adjustments £m	Other Differences £m	Adjustments between Accounting & Funding Basis £m
34.791	13.300	(1.819)	46.272	Education & Children	32.563	7.409	(1.591)	38.381
2.189	10.288	(0.783)	11.694	Health & Social Care	0.738	5.816	0.601	7.155
19.674	15.564	(2.589)	32.649	Enterprise & Environment	38.119	8.404	(0.752)	45.771
2.747	5.102	6.403	14.252	Finance & Corporate	1.778	2.654	7.291	11.723
0.000	0.028	0.000	0.028	Chief Executive	0.000	0.014	0.001	0.015
0.000	(11.765)	0.224	(11.541)	Corporate & Democratic	0.000	(3.513)	0.157	(3.356)
11.262	4.646	(0.388)	15.520	Communities	10.154	2.463	(0.137)	12.480
1.687	1.734	(0.255)	3.166	Housing Revenue Account	6.418	0.976	0.042	7.436
(47.116)	0.000	(45.789)	(92.905)	Loan Charges	(47.822)	0.000	(44.729)	(92.551)
25.234	38.897	(44.996)	19.135	Net Cost of Services	41.948	24.223	(39.117)	27.054
2.304	0.000	0.000	2.304	Other Operating Expenditure	3.505	0.000	0.000	3.505
0.000	20.269	61.748	82.017	Financing and Investment Income & Expenditure	0.000	13.445	42.068	55.513
(72.507)	0.000	0.000	(72.507)	Taxation and Non Specific Grant Income & Expenditure	(57.845)	0.000	0.000	(57.845)
(44.969)	59.166	16.752	30.949	Total	(12.392)	37.668	2.951	28.227

Explanation of Adjustment columns above: -

Adjustments for Capital Purposes adds depreciation and impairment and revaluation gains & losses within Net Cost of Services lines. The adjustment in Other Operating Expenditure relates to capital disposals with a transfer of income on the disposal and the amount written off for those assets. Taxation and Non Specific Grant Income and Expenditure adjustments - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue Grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year - the line is credited with Capital grants receivable in the year without conditions or those where the conditions were met in year.

Net change for Pension Adjustments reflects adjustments to remove employer pension contributions and add IAS19 Employee benefits pension related expenditure and income. For services this represents removal of employer pension contributions made by the Council by statute and replacement with current & past service costs. For Financing and Investment income & expenditure, net interest on defined benefit liability is charged to CIES.

Other Differences between amounts debited or credited to CIES and amounts payable/receivable recognised under statute which are not charged to General Fund or HRA balances. This represents accruals made for the cost of holiday entitlements earned by employees but not taken before the year end which are included in the net cost of services, and timing differences for premiums and discounts included in Financing and Investment income & expenditure. Also included in this column are other transfers between services to recognise differences between the reporting structure of the Council and the accounting basis.

The total of these adjustments are shown in column 2 of the EFA and represent the differences between the Revenue Provisional Outturn Report figures (shown in Column 1 of the EFA) and the Comprehensive Income and Expenditure Account (column 3 of the EFA)

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Total Comprehensive Income & Expenditure line shows the true economic cost of providing the Council's services, details of which are shown in the CIES. These are different from the amounts charged to General Fund Balance and Housing Revenue Account for council tax setting and dwellings rent setting purposes under accounting standards and statutory regulations. The Transfers (to)/from Other Statutory Reserves shows charges made to the CIES to be financed from a reserve. The Balances at 31 March are before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund £m	HRA £m	Insurance Fund £m	Capital Fund £m	Capital Grants and Receipts and Receipts Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Fife Council Reserves £m	Subsidiary Reserves & Share of Joint Venture £m	Total Group Reserves £m
Opening Balance 1 April 2019	(40.363)	(2.506)	(7.777)	0.000	(11.232)	(61.878)	(1,385.658)	(1,447.536)	(1.631)	(1,449.167)
Adjustment to opening balance	(11.518)	0.000	0.000	0.000	0.000	(11.518)	0.000	(11.518)	0.000	(11.518)
Opening balance 1 April 2019 (Restated)	(51.881)	(2.506)	(7.777)	0.000	(11.232)	(73.396)	(1,385.658)	(1,459.054)	(1.631)	(1,460.685)
<u>Movement in Reserves during 2019-20 (Restated)</u>										
Total Comprehensive Income & Expenditure	40.214	(15.735)	0.000	0.000	0.000	24.479	(408.390)	(383.911)	(8.166)	(392.077)
Adjustments between accounting & funding basis:										
- permitted by accounting standards	(22.694)	(5.729)	0.000	0.000	0.000	(28.423)	28.423	0.000	0.000	0.000
- required by statutory regulations	(23.822)	21.296	0.000	0.000	(2.659)	(5.185)	5.185	0.000	0.000	0.000
Transfers to/(from) Other Statutory Reserves	12.739	(0.331)	(13.005)	0.000	0.597	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in Year	6.437	(0.499)	(13.005)	0.000	(2.062)	(9.129)	(374.782)	(383.911)	(8.166)	(392.077)
Balance at 31 March 2020 (Restated)	(45.444)	(3.005)	(20.782)	0.000	(13.294)	(82.525)	(1,760.440)	(1,842.965)	(9.797)	(1,852.762)
<u>Movement in Reserves during 2020-21</u>										
Total Comprehensive Income & Expenditure	(38.546)	(24.182)	0.000	0.000	0.000	(62.728)	121.951	59.223	(5.402)	53.821
Adjustments between accounting & funding basis:										
- permitted by accounting standards	(24.555)	(5.190)	0.000	0.000	0.000	(29.745)	29.745	0.000	0.000	0.000
- required by statutory regulations	(22.872)	24.390	0.000	0.000	1.864	3.382	(3.382)	0.000	0.000	0.000
Transfers to/(from) Other Statutory Reserves	(4.617)	(0.018)	3.495	0.000	1.140	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in Year	(90.590)	(5.000)	3.495	0.000	3.004	(89.091)	148.314	59.223	(5.402)	53.821
Balance at 31 March 2021 c/fwd	(136.034)	(8.005)	(17.287)	0.000	(10.290)	(171.616)	(1,612.126)	(1,783.742)	(15.199)	(1,798.941)

This statement shows the cost of providing services and managing the Council during the year and includes, on an accruals basis, all of the Council's day-to-day expenses and related income but excludes any amounts relating to VAT, as VAT collected is payable to HM Revenue & Customs and VAT paid is recoverable from them.

The statement shows the accounting cost in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. Authorities raise taxation to cover net expenditure in accordance with statutory regulations which may be different from the accounting cost and the taxation position is shown in the Movement in Reserves Statement.

2019-20 (Restated)					2020-21			
Fife Council			Group		Fife Council			Group
Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure
£m	£m	£m	£m		£m	£m	£m	£m
465.058	(42.140)	422.918	422.918	Education & Children	470.928	(68.156)	402.772	402.772
420.709	(252.813)	167.896	167.896	Health & Social Care	437.566	(268.088)	169.478	169.478
167.546	(35.329)	132.217	132.595	Enterprise & Environment	185.992	(33.093)	152.899	153.702
163.361	(113.770)	49.591	49.591	Finance & Corporate	152.224	(94.325)	57.899	57.899
0.285	0.000	0.285	0.285	Chief Executive	0.272	0.000	0.272	0.272
(8.844)	0.000	(8.844)	(8.844)	Corporate & Democratic	(0.709)	0.000	(0.709)	(0.709)
100.068	(18.226)	81.842	85.562	Communities	103.212	(18.562)	84.650	85.312
99.941	(122.212)	(22.271)	(22.271)	Housing Revenue Account	101.428	(125.728)	(24.300)	(24.300)
1,408.124	(584.490)	823.634	827.732	Cost of Services	1,450.913	(607.952)	842.961	844.426
				Other Income & Expenditure				
		2.304	2.826	- Other Operating Expenditure			3.505	3.970
		82.017	83.957	- Financing & Investment			55.513	39.466
		(883.476)	(883.531)	- Taxation & Non-Specific Grant Income			(964.707)	(964.882)
		24.479	30.984	(Surplus)/Deficit on Provision of Services			(62.728)	(77.020)
				(Surplus)/Deficit on;				
		(118.265)	(118.721)	- revaluation of non-current assets			(90.432)	(90.461)
		16.108	16.108	- impairment of non-current assets			3.217	3.217
		1.483	1.483	- fair value of financial assets			0.111	0.111
		(307.716)	(321.931)	Remeasurement of net pensions liability			209.055	217.974
		(408.390)	(423.061)	Other Comprehensive Income & Expenditure			121.951	130.841
		(383.911)	(392.077)	Total Comprehensive Income & Expenditure			59.223	53.821

Material Items of Income and Expenditure

Fife Integration Joint Board (IJB) - Fife Council made contributions of £161.502m to the Integration Joint Board, £160.178m from Health & Social Care and £1.324m from Housing. Fife Council received amounts from the IJB totalling £226.636m.

COVID-19 -The cost to the Council in 2020-21 relating to the COVID-19 pandemic was £47.665m. This comprised of additional expenditure incurred of £26.803m and an estimated loss of income of £20.682m. In addition to this the Council also incurred agency expenditure of £103.761m which is not reflected in the CIES. These costs have been funded by additional grant income from the Scottish Government and any unspent grant in 2020-21 has been carried forward as either Receipts in Advance or earmarked balances for spending in future years.

The Council were also given Personal Protective Equipment and COVID Testing kits from the NHS to the value of £7.748m. Of this, £1.382m was used for Fife Council staff and £6.366m was provided to other organisations.

The Balance Sheet: shows the value of the assets and liabilities held by the Group which are matched by reserves (Usable and Unusable). Usable reserves are those the Group may use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves cannot be used by the Group to provide services and include reserves that hold unrealised gains and losses which only become available to provide services if assets are sold, and reserves that hold timing differences detailed in the Movement in Reserves Statement line 'Adjustments between accounting basis & funding basis under regulations'.

31 March 2020 (Restated)				31 March 2021	
Fife Council £m	Group £m		Notes	Fife Council £m	Group £m
3,484.436	3,489.936	Property, Plant & Equipment	11	3,587.963	3,593.207
28.252	28.294	Heritage Assets	12	28.252	28.294
0.030	0.030	Intangible Assets	14	0.000	0.000
2.743	8.651	Long Term Investments	21	2.456	9.709
0.000	0.000	Investment in Joint Venture	27	0.000	14.822
22.763	22.763	Long Term Debtors	21	18.232	18.232
3,538.224	3,549.674	Long Term Assets		3,636.903	3,664.264
0.000	0.437	Short Term Investments	21	0.000	0.768
3.370	3.554	Inventories	20	4.282	4.483
115.400	115.767	Short Term Debtors	18	96.928	98.610
66.681	74.760	Cash and Cash Equivalents	Cash Flow	137.418	146.920
5.423	5.423	Assets held for sale	13	3.591	3.591
190.874	199.941	Current Assets		242.219	254.372
(188.167)	(188.167)	Short Term Borrowing	21	(136.512)	(136.512)
(120.448)	(126.915)	Short Term Creditors	18	(160.940)	(169.511)
(0.580)	(0.580)	Provisions	19	(0.478)	(0.478)
(12.764)	(12.764)	Receipts in Advance - Revenue	10	(13.459)	(13.459)
(3.697)	(3.697)	Receipts in Advance - Capital	10	(1.820)	(1.820)
(325.656)	(332.123)	Current Liabilities		(313.209)	(321.780)
0.000	(0.157)	Long Term Creditors	21	0.000	(0.173)
(13.019)	(13.019)	Provisions	19	(13.897)	(13.897)
(875.745)	(875.745)	Long Term Borrowing	21	(850.848)	(850.848)
(572.923)	(577.019)	Defined Benefit Pension Liability	25	(819.646)	(835.217)
(88.272)	(88.272)	Other Long Term Liabilities	21	(81.861)	(81.861)
(0.888)	(0.888)	Receipts in Advance - Revenue	10	(0.840)	(0.840)
(9.630)	(9.630)	Receipts in Advance - Capital	10	(15.079)	(15.079)
(1,560.477)	(1,564.730)	Long Term Liabilities		(1,782.171)	(1,797.915)
1,842.965	1,852.762	Net Assets/(Liabilities)		1,783.742	1,798.941
(82.525)	(92.431)	Usable Reserves	6	(171.616)	(198.419)
(1,760.440)	(1,760.331)	Unusable Reserves	7	(1,612.126)	(1,600.522)
(1,842.965)	(1,852.762)	Total Reserves		(1,783.742)	(1,798.941)

The unaudited accounts were issued on 30 June 2021 and the audited accounts were authorised for issue on 16 December 2021.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services

The statement: shows the changes in cash and cash equivalents by operating, investing and financing activities. Net cash flows from operating activities is a key indicator of the extent to which operations are funded by taxation, grants or charges for services. Investing activities represent the extent to which cash outflows have been made for resources intended to contribute to future service delivery. Cash flows from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing).

2019-20 (Restated)			2020-21	
Fife Council	Group		Fife Council	Group
£m	£m		£m	£m
(24.479)	(30.984)	Net surplus or (deficit) on the provision of services	62.728	77.020
103.159	103.707	Depreciation & impairment	103.135	103.656
(0.675)	(0.736)	Downward/(upward) revaluations	14.715	14.744
0.064	0.064	Amortisation of intangibles	0.030	0.030
0.000	1.546	Movement in Fair Value of Investments	0.000	(1.343)
(13.424)	(12.707)	Increase/(decrease) in creditors	41.460	42.022
(19.732)	(19.946)	(Increase)/decrease in debtors	18.464	18.704
0.409	0.397	(Increase)/decrease in inventories	(0.912)	(0.929)
59.166	63.051	Movement in pension liability	37.668	40.224
(0.134)	(0.134)	Contributions to/(from) provisions	0.776	0.776
14.467	14.467	Carrying amount of assets sold	6.318	6.380
0.000	0.102	Other non-cash items	0.000	(15.152)
143.300	149.811	Adjustment for non cash movements	221.654	209.112
(72.507)	(72.562)	Capital Grants credited to surplus/(deficit) on provision of services	(57.845)	(58.020)
(12.163)	(12.163)	Proceeds from the sale of assets	(2.813)	(2.841)
(84.670)	(84.725)	Adjustment for investing & financing activities	(60.658)	(60.861)
34.151	34.102	Net cash flows from Operating Activities	223.724	225.271
(174.939)	(175.423)	Purchase of non-current assets	(135.501)	(135.827)
(0.009)	(0.009)	Purchase of investments	(0.004)	(0.004)
12.163	12.163	Proceeds from the sale of assets	2.813	2.841
71.897	71.952	Other receipts from investing activities	61.282	61.456
(90.888)	(91.317)	Net cash flows from investing activities	(71.410)	(71.534)
82.201	82.201	Cash receipts and repayments of short and long term borrowing	(76.251)	(76.251)
(6.217)	(6.217)	Cash payments reducing liabilities for finance lease & PPP contracts	(6.124)	(6.124)
(2.877)	(2.877)	Other financing activities	0.798	0.798
73.107	73.107	Net cash flows from financing activities	(81.577)	(81.577)
16.370	15.892	Net increase or (decrease) in cash and cash equivalents	70.737	72.160
50.311	58.868	Cash and cash equivalents at the beginning of reporting period	66.681	74.760
66.681	74.760	Cash and cash equivalents at the end of the reporting period	137.418	146.920
0.056	0.056	Cash in Hand	0.058	0.071
(1.411)	4.027	Bank	0.219	6.933
70.800	70.800	Short Term Investments	140.020	140.020
(2.764)	(0.123)	Advances from other accounts	(2.879)	(0.104)
66.681	74.760		137.418	146.920
		Net cash flows for operating activities include the following:-		
1.427	1.785	Interest received	0.621	0.851
(46.563)	(46.563)	Interest paid	(45.070)	(45.070)
(45.136)	(44.778)	Total	(44.449)	(44.219)

Note: An analysis of Liabilities included as Financing Activities (above) is shown in Note 21 of these accounts. The analysis shows the Fife Council figures only as there are no such Liabilities for the other Group bodies.

Notes to the Accounts

1. General Accounting Policies

General Principles

The Statement of Accounts summarises Fife Council and its Group transactions for the 2020-21 financial year and its position at the year-end of 31 March 2021. Fife Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 and the Service Reporting Code of Practice 2020-21, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting concepts of materiality, accruals, going concern and primacy of legislative requirements have been considered in the application of accounting policies. In this regard, the materiality concept means that information is included where the information is of such significance as to justify inclusion. The accruals concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which the cash is paid or received. The going concern concept assumes that the Council will not significantly curtail the scale of its operation. Wherever accounting principles and legislative requirements are in conflict, the latter shall apply.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The group accounting policies are materially the same as those specified above.

Accruals of Income and Expenditure

The accounts and related statements have been compiled on an accruals basis for both revenue and capital accounts. The accruals basis requires that activity is accounted for in the year it takes place, not simply when cash payments are made or received. Accruals are made for all material debtors and creditors within the accounts. Accruals have been made for payroll costs where pay has been earned but not paid, for supplies and services where they have been received or consumed within the financial year, for interest due and payable on external borrowings and for customer and client receipts due in and receivable in the period to which they relate.

The main accruals and estimation techniques used are as follows:

- Payroll Costs: An estimation of the salaries and wages paid in 2021-22 which relate to 2020-21 is accrued back to 2020-21 based on the number of days which relate to the period to 31 March 2021.
- Energy Costs: Information held by Energy Management Unit and Service records.
- Supplies & Services: Purchase ordering and goods receipting information held in the Council's financial systems.
- Interest: Based on the Council's Investment Team records of internal and external loans.
- Pension Liability: Estimate of future liability calculated by the Council's actuaries in accordance with IAS19.
- Holiday Pay: Based on a sample of employees holiday leave earned in 2020-21 but not taken by 31 March 2021.
- Termination Benefits: Accruals based on the estimated cost for those employees who returned written confirmation of their termination package by 31 March 2021.

Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement (MIRS). When expenditure to be financed from a reserve is incurred, it is charged to Surplus/Deficit on Provision of Services in the Comprehensive Income & Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in MIRS so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

Fair Value

The Council values some of its non-financial assets and financial instruments at Fair Value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The levels of the fair value are:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability
- Level 3 - unobservable inputs

Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries and a Joint Venture and is therefore required to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

2. Accounting Standards Issued, not yet Adopted

The code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

Accounting Standards not yet adopted, but to be introduced in the 2021-22 Code, are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The above accounting standards not yet adopted should not have a significant impact in the financial statements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has to make certain judgements about complex transactions or those involving uncertainty about future events. Where a critical judgement has been made, this is referred to in the relevant note to the financial statements. The most significant of these for the Council is;

Public Private Partnership (PPP) The Council is deemed to control the Services provided under the agreement for the provision of educational establishments. The accounting policies for PPP schemes and similar arrangements have been applied and the assets under the contract are included within Property, Plant & Equipment on the Council's Balance Sheet with further details are shown in a separate note to the accounts.

4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are below:-

Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment The Net Book Value of assets subject to depreciation is £1,775.571m. They are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and carrying amount of assets fall. It is estimated that for every year that useful lives have to be reduced, the annual depreciation charge for buildings would increase by approximately £3.562m.
Pensions Liability The Council's net liability to pay pensions has been assessed at £819.646m. This estimation depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	Changes to individual assumptions will have an effect on net pensions liability. For instance, a 0.5% decrease in the discount rate would increase the liability by £359m, a 0.5% increase in Pension Increase rate (CPI) would increase the liability by £307m and a 1 year increase in life expectancy assumptions would increase the liability by 3% - 5%.
Fair value measurements When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets (Level 1 inputs), it is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, inputs to valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values which typically include considerations such as uncertainty and risk. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value and these are disclosed in the relevant notes to the accounts.	Significant changes in any of the unobservable inputs would result in a significantly lower or higher value for the Council's assets which are measured at fair value.

5. Adjustments between Accounting Basis and Funding Basis under Accounting Standards and Statute

These are adjustments made to the comprehensive income & expenditure statement (CIES) recognised by the Council in accordance with proper accounting practice to the resources that are specified by accounting standards or statutory regulations as being available to the Council to meet future capital and revenue expenditure.

2019-20 (restated)						2020-21						
Usable Reserves						Usable Reserves						
General Fund £m	Housing Revenue Account £m	Capital Fund £m	Capital Grants & Receipts & Unapplied £m	Unusable Reserves £m	Total Reserves £m	General Fund £m	Housing Revenue Account £m	Capital Fund £m	Capital Grants & Receipts & Unapplied £m	Unusable Reserves £m	Total Reserves £m	
						Accounting Standards Adjustments						
						Adjustments for Capital Purposes						
(22.694)	(5.729)	0.000	0.000	28.423	0.000	Revaluation element of depreciation in CIES	(24.555)	(5.190)	0.000	0.000	29.745	0.000
						Statutory Adjustments						
						Adjustments for Capital Purposes						
(47.905)	(26.156)	0.000	0.000	74.061	0.000	Depreciation, Impairment & Revaluations	(58.767)	(29.338)	0.000	0.000	88.105	0.000
(0.064)	0.000	0.000	0.000	0.064	0.000	Amortisation of intangible assets	(0.030)	0.000	0.000	0.000	0.030	0.000
58.798	13.709	0.000	(1.359)	(71.148)	0.000	Capital grants & contributions	43.530	14.315	0.000	3.164	(61.009)	0.000
(2.420)	0.116	(12.163)	0.000	14.467	0.000	Gains/(Losses) on disposal of assets	(2.407)	(1.098)	(2.813)	0.000	6.318	0.000
0.000	0.000	10.780	0.000	(10.780)	0.000	Capital Fund applied to capital investment	0.000	0.000	1.488	0.000	(1.488)	0.000
0.000	0.000	0.083	0.000	(0.083)	0.000	Capital Fund applied to HRA debt repayment	0.000	0.000	0.025	0.000	(0.025)	0.000
0.000	0.000	1.300	(1.300)	0.000	0.000	Capital Fund applied to transformation projects	0.000	0.000	1.300	(1.300)	0.000	0.000
31.004	11.629	0.000	0.000	(42.633)	0.000	Statutory provision-financing capital investment	24.248	13.079	0.000	0.000	(37.327)	0.000
4.483	30.198	0.000	0.000	(34.681)	0.000	Capital expenditure charged to revenue	10.495	28.110	0.000	0.000	(38.605)	0.000
						Pensions Adjustments						
(56.738)	(2.428)	0.000	0.000	59.166	0.000	Difference in pension costs charged to CIES from those chargeable under regulations	(36.218)	(1.450)	0.000	0.000	37.668	0.000
						Financial Instruments Adjustments						
(10.156)	(5.803)	0.000	0.000	15.959	0.000	Difference in finance costs charged to CIES from those chargeable under regulations	1.689	0.971	0.000	0.000	(2.660)	0.000
						Employee Statutory Adjustments						
(0.824)	0.031	0.000	0.000	0.793	0.000	Difference in officer remuneration charged to CIES from those chargeable under regulations	(5.412)	(0.199)	0.000	0.000	5.611	0.000
(46.516)	15.567	0.000	(2.659)	33.608	0.000	Total Adjustments	(47.427)	19.200	0.000	1.864	26.363	0.000

6. Usable Reserves and Earmarked Balances

2019-20 (Restated) £m	Useable Reserves	2020-21 £m
(45.444)	General Fund	(136.034)
(3.005)	Housing Revenue Account (HRA)	(8.005)
(20.782)	Insurance Fund	(17.287)
0.000	Capital Fund	0.000
(13.294)	Capital Grants and Receipts Unapplied Account	(10.290)
(82.525)	Total Useable Reserves	(171.616)

Movements in usable reserves are outlined in the Movement in Reserves Statement (MIRS) which also shows movements in amounts set aside from General Fund balances in statutory reserves for the following purposes:-

- Insurance Fund

The Council purchases insurance cover and manages risk through its Insurance Fund with the exception of theft, malicious damage and accidental damage which are charged to the cost of services in the year they arise.

- Capital Fund

Capital receipts are transferred to this fund which is used to finance capital expenditure, set aside to repay HRA debt, or transferred to the Capital Grants & Receipts Unapplied account to fund Transformation Projects.

- Capital Grants and Receipts Unapplied Account

This account holds capital grants and receipts credited to Surplus / Deficit on Provision of Services but not yet applied to fund expenditure. When applied these are transferred in MIRS either to Capital Adjustment Account (when used to fund capital expenditure) or General Fund balances (when used to fund Transformation Projects).

Legislation in Scotland does not allow for creation of separate non-statutory earmarked reserves, however the Council has areas where funds are earmarked or committed but remain part of Useable Reserves. The table shows net transfers between Committed balances and Service budgets, either to increase Committed balances or to augment Service expenditure in the year, and also balances decommitted or transferred from other reserves.

2020-21	Balance 1 April 2020 (Restated) £m	Net Transfers to / (from) Services £m	Decommitted Balances & Other Transfers £m	Movement in Reserves (MIRS) £m	Balance 31 March 2021 £m
General Fund					
<u>Earmarked and Committed Balances:</u>					
Energy Management Fund	(0.966)	(0.086)	0.181	-	(0.871)
Council Tax - Second Homes	(6.092)	(0.826)	-	-	(6.918)
Earmarked Grants	(0.596)	(2.315)	-	-	(2.911)
Early Learning & Childcare Funding	-	-	(14.338)	-	(14.338)
Ring Fenced & Other Carry forwards	(1.170)	(0.590)	0.260	-	(1.500)
Change Fund	(1.819)	0.806	0.723	-	(0.290)
Fife Job Contract	(1.098)	0.283	-	-	(0.815)
BTS Investment	(1.039)	-	0.500	-	(0.539)
Contributions from Balances	(0.190)	0.157	-	-	(0.033)
Services Carry Forwards	-	-	(1.902)	-	(1.902)
COVID-19 GRG Funding	-	-	(58.475)	-	(58.475)
Other Commitments	(0.683)	2.814	(2.544)	-	(0.413)
Total Commitments	(13.653)	0.243	(75.595)	0.000	(89.005)
Uncommitted Balances	(31.791)	(0.243)	75.595	(90.590)	(47.029)
	(45.444)	0.000	0.000	(90.590)	(136.034)
Insurance Fund					
Insurance Fund - Earmarked	(16.405)	-	4.306	-	(12.099)
Insurance Fund	(4.377)	-	(4.306)	3.495	(5.188)
	(20.782)	0.000	0.000	3.495	(17.287)
Capital Grants & Receipts Unapplied					
Transformation Projects	(3.703)	-	(0.160)	-	(3.863)
Capital Grants and Receipts	(9.591)	-	0.160	3.004	(6.427)
	(13.294)	0.000	0.000	3.004	(10.290)

Explanatory Note

General Fund Balance

The General Fund Services balance increased by £90.590m in 2020-21, leaving a balance at the end of the year of £136.034m. Once the commitments of £89.005m shown above are set against this, an uncommitted balance of £47.029m remains as at 31 March 2021. The level of balances is continually being monitored to ensure a sufficient level is maintained to meet future potential liabilities.

Energy Management Fund

The Council's Energy Management Service has implemented a programme of energy efficiency projects where permanent energy cost savings have been achieved. A proportion of these savings has been appropriated to the General Fund and is now held for further initiatives and projects.

Council Tax - Second Homes

Scottish Government legislation requires that income collected from council tax for second homes is utilised to fund Affordable Housing. This reserve represents the balance of funds collected compared to those used.

Earmarked Grants

The balance held for earmarked grants relates to situations where the paying agency allows any unspent grant to be retained without imposing any conditions. In order to recognise that the grant is ring-fenced the element of the balance relating to the unspent grant has been earmarked.

Early Learning & Childcare Funding

The Council received a Government specific grant for the expansion of early learning and childcare. This balance is the grant which was unspent at 31st March due mainly to delays arising from the COVID-19 pandemic.

Ring Fenced Projects and other Carry forwards

The balance is held for Ring Fenced and temporary investment projects which are expected to be finalised in the following financial year and monies have been carried forward for this purpose.

Change Fund

In order to address the scale of the financial challenge the Council is facing in the coming years, Services will be required to change the way they operate. To facilitate this change, investment is required to enable major change initiatives within the Council and balances have been identified for this purpose.

Fife Job Contract

To address the growing issues related to Unemployment in Fife, the Council agreed to a £5.000m investment from General Fund balance in September 2012 to implement the Fife Youth Contract Programme to provide a blended approach to address the issues. The balance is the remainder of this initial investment.

BTS Investment Requirements

There is a requirement to invest in the Councils information and communications technology (ICT) to deliver planned work in relation to the "Enabling Change" scope.

Contribution from Balances

The 2019-20 Budget strategy included a commitment of £2.000m to enhance funding for Health & Social Care and Economic Development should sufficient surpluses be generated in 2018-19. A surplus was generated and added to Balances to honour the commitment.

Service Carry Forward

The Council operates a devolved school management scheme which allows an element of budget carry forward.

COVID-19 GRG Funding

The committed balance represents unused GRG (General Revenue Grant) relating to COVID-19 spend. The funding was received in late 2020-21 and will be spent in 2021-22.

Other Commitments

This represents a number of other minor commitments against balances.

Insurance Fund - Earmarked

The earmarked balance is held to cover own damage claims and anticipated incurred but not reported claims. The major part of the balance relates to a settlement received for fire damage incurred at Woodmill High School, Dunfermline.

Capital Grants and Receipts - Transformation Projects

The Scottish Government permits the use of capital receipts to fund projects designed to transform service delivery to reduce costs and/or demand. The balance held is to fund future projects of this nature.

7. Unusable Reserves

2019-20 (Restated) £m		2020-21 £m
(1,429.972)	Revaluation Reserve	(1,485.888)
0.734	Financial Instruments Revaluation Reserve	0.797
572.923	Pensions Reserve	819.646
(983.743)	Capital Adjustment Account	(1,029.250)
56.405	Financial Instruments Adjustment Account	53.745
23.213	Employee Statutory Adjustment Account	28.824
(1,760.440)	Total Unusable Reserves	(1,612.126)

Revaluation Reserve

The reserve contains unrealised gains arising from increases in the value of Property, Plant & Equipment and Heritage Assets, and gains accumulated for assets disposed in year transferred to Capital Adjustment Account. The reserve contains only revaluation gains accumulated since 1 April 2007, the date the reserve was created.

2019-20 (Restated) £m		2020-21 £m
(1,365.779)	Balance at 1 April	(1,429.972)
	Revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services	
(133.026)	Upward Revaluation & reversal of impairment losses	(106.959)
30.869	Downward revaluation & impairment losses	19.744
(102.157)		(87.215)
28.423	Revaluation element of depreciation charged to CIES	29.745
9.541	Accumulated gains on assets sold or scrapped written to Capital Adjustment Account	1.554
(1,429.972)	Balance at 31 March	(1,485.888)

Financial Instruments Revaluation Reserve

The reserve contains unrealised gains or losses made by the Council arising from changes in the fair value of its financial assets which includes the Council's employment land investments with Scottish Enterprise. The balance is reduced when investments are impaired, revalued downward or disposed of and the gains realised.

2019-20 £m		2020-21 £m
(0.978)	Balance at 1 April	0.734
1.483	(Surplus)/Deficit on Financial Instruments Revaluation	0.111
0.229	Transfer to Capital Adjustment Account - accumulated gains on assets disposed	(0.048)
0.734	Balance at 31 March	0.797

Pensions Reserve

The reserve absorbs timing differences arising from the different arrangements for accounting for post employment benefits (pension costs) and for funding pensions in accordance with statutory provisions. The Council accounts for pensions in the CIES as the benefits are earned by employees (e.g. accruing years of service, updating inflation assumptions and investment returns), whereas statutory arrangements require benefits to be financed as the Council makes its contributions to pension funds or pays any pensions for which it is directly responsible. The Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2019-20 £m		2020-21 £m
821.473	Balance at 1 April	572.923
(307.716)	Actuarial (gains) or losses on pensions assets and liabilities	209.055
136.466	Reversal of items relating to retirement benefits charged to CIES	118.211
(77.300)	Employer's pensions contributions & direct payments to pensioners payable	(80.543)
572.923	Balance at 31 March	819.646

Capital Adjustment Account

The account absorbs timing differences from accounting for consumption of long-term assets (e.g. depreciation, impairment) and financing the acquisition, construction or enhancement of those assets under statutory provisions.

2019-20 (Restated) £m		2020-21 £m
(903.240)	Balance at 1 April	(983.743)
	Reversal of items relating to capital expenditure charged to the CIES:-	
74.736	Depreciation and impairment of non-current assets	73.390
(0.675)	Revaluation losses/(gains) on non-current assets	14.715
0.064	Amortisation of intangible assets	0.030
2.304	(Gains)/Losses on disposal of assets	3.505
	Capital financing applied in the year:-	
(71.148)	Capital grants & contributions applied to finance capital expenditure	(61.009)
(42.633)	Statutory provision for the financing of capital investment	(37.327)
(34.681)	Capital expenditure charged to General Fund and HRA balances	(38.605)
1.300	Adjustment for Capital Fund applied to transformation projects	1.300
(9.541)	Adjusting amounts written out of the Revaluation Reserve	(1.554)
(0.229)	Adjusting amounts written out of the Financial Instruments Revaluation Reserve	0.048
(983.743)	Balance at 31 March	(1,029.250)

Financial Instruments Adjustment Account

The account absorbs timing differences for certain financial instruments between the different rates at which gains and losses are recognised under the Code and those to be met from General Fund and Housing Revenue Account balances under statutory requirements. The Council uses the account to manage effective interest rate adjustments and also premiums paid in prior years for the early redemption of loans over the unexpired term outstanding on those loans when they were redeemed - the longest of these terms being up to 2065-66.

In 2019-20 the Council opted to repay an inverse floater Lender Option Borrower Option (LOBO) loan, incurring a premium of £18.471m.

2019-20 £m		2020-21 £m
40.446	Balance at 1 April	56.405
	Amount by which costs charged to the CIES are different from costs chargeable in the year in accordance with statutory requirements:-	
(0.035)	Effective Interest Rate - Borrowings Loan Interest	(0.060)
(0.005)	Effective Interest Rate - Soft Loans	(0.019)
(2.472)	Proportion of prior year early redemption premiums	(2.581)
18.471	Premium paid for early redemption of LOBO Loan	0.000
56.405	Balance at 31 March	53.745
51.174	Premiums and discounts associated with the refinancing of loans	48.593
0.055	Loans to third parties granted at less than market interest rates	0.036
5.176	Borrowing where the loan is a stepped interest rate loan.	5.116
56.405	Balance at 31 March	53.745

Employee Statutory Adjustment Account

The account absorbs the differences that would otherwise arise on the General Fund and HRA balances from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund and HRA balances are neutralised by transfers to or from the account.

2019-20 £m		2020-21 £m
22.420	Balance at 1 April	23.213
(22.420)	Settlement or cancellation of accrual at previous financial year end	(23.213)
23.213	Amounts accrued at the end of the current year	28.824
23.213	Balance at 31 March	28.824

8. Analysis of Income and Expenditure by Segment/Nature

	Employee Expenditure £m	Other Service Expenditure £m	Adjustments for Capital Purposes £m	Net change for Pension Adjustment £m	Other adjustments £m	Total Expenditure £m	Fees, Charges & Service Income £m	Gov Grants & Contributions £m	Total Income £m	Net Exp in the CIES £m
2020-21										
Education & Children Services	321.999	110.548	32.563	7.409	(1.591)	470.928	(1.147)	(67.009)	(68.156)	402.772
Health & Social Care	86.391	344.020	0.738	5.816	0.601	437.566	(194.050)	(74.038)	(268.088)	169.478
Enterprise & Environment	125.025	15.196	38.119	8.404	(0.752)	185.992	(21.380)	(11.713)	(33.093)	152.899
Finance & Corporate Services	41.284	99.217	1.778	2.654	7.291	152.224	(4.158)	(90.167)	(94.325)	57.899
Chief Executive	0.253	0.004	0.000	0.014	0.001	0.272	0.000	0.000	0.000	0.272
Corporate & Democratic Core	2.402	0.245	0.000	(3.513)	0.157	(0.709)	0.000	0.000	0.000	(0.709)
Communities	39.301	51.431	10.154	2.463	(0.137)	103.212	(11.905)	(6.657)	(18.562)	84.650
Housing Revenue Account	18.161	75.831	6.418	0.976	0.042	101.428	(125.596)	(0.132)	(125.728)	(24.300)
Loan Charges	0.000	92.551	(47.822)	0.000	(44.729)	0.000	0.000	0.000	0.000	0.000
Net Cost of Services	634.816	789.043	41.948	24.223	(39.117)	1,450.913	(358.236)	(249.716)	(607.952)	842.961
Other Income and Expenditure										(905.689)
(Surplus) or Deficit on the Provision of Services										(62.728)

	Employee Expenditure £m	Other Service Expenditure £m	Adjustments for Capital Purposes £m	Net change for Pension Adjustment £m	Other adjustments £m	Total Expenditure £m	Fees, Charges & Service Income £m	Gov Grants & Contributions £m	Total Income £m	Net Exp in the CIES £m
2019-20 (Restated)										
Education & Children Services	304.052	114.734	34.791	13.300	(1.819)	465.058	(3.464)	(38.676)	(42.140)	422.918
Health & Social Care	83.109	325.906	2.189	10.288	(0.783)	420.709	(188.248)	(64.565)	(252.813)	167.896
Enterprise & Environment	123.772	11.125	19.674	15.564	(2.589)	167.546	(28.379)	(6.950)	(35.329)	132.217
Finance & Corporate Services	41.152	107.957	2.747	5.102	6.403	163.361	(19.089)	(94.681)	(113.770)	49.591
Chief Executive	0.251	0.006	0.000	0.028	0.000	0.285	0.000	0.000	0.000	0.285
Corporate & Democratic Core	2.478	0.219	0.000	(11.765)	0.224	(8.844)	0.000	0.000	0.000	(8.844)
Communities	38.068	46.480	11.262	4.646	(0.388)	100.068	(13.887)	(4.339)	(18.226)	81.842
Housing Revenue Account	13.703	83.072	1.687	1.734	(0.255)	99.941	(122.084)	(0.128)	(122.212)	(22.271)
Loan Charges	0.000	92.905	(47.116)	0.000	(45.789)	0.000	0.000	0.000	0.000	0.000
Net Cost of Services	606.585	782.404	25.234	38.897	(44.996)	1,408.124	(375.151)	(209.339)	(584.490)	823.634
Other Income and Expenditure										(799.155)
(Surplus) or Deficit on the Provision of Services										24.479

9. Other Income and Expenditure

2019-20 (Restated) £m		2020-21 £m
	Other Operating Expenditure	
2.304	(Gains)/losses on the disposal of assets	3.505
2.304		3.505
	Financing and Investment Income and Expenditure	
44.709	Interest payable and similar charges	42.708
(1.427)	Interest receivable and similar income	(0.621)
20.269	Pensions interest cost & expected return on pensions assets	13.445
(0.005)	Income & expenditure in relation to financial instruments and changes in their fair value	(0.019)
18.471	Premium paid for early redemption of Lender Option Borrower Option Loan	0.000
82.017		55.513
	Taxation and Non Specific Grant Income	
(163.282)	Council tax and community charge income	(170.789)
(165.717)	Non-domestic rates	(111.709)
0.000	Non ring-fenced government grants: COVID-19	(77.470)
(481.970)	Non ring-fenced government grants: Other	(546.894)
(72.507)	Capital grants and contributions	(57.845)
(883.476)		(964.707)

10. Grant Income

Whether paid on account by instalments or in arrears, government grants and third party contributions & donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments, and that the grants or contributions will be received. They are only credited to Comprehensive Income and Expenditure Statement (CIES) when any conditions are met, but if conditions are not met at financial year end they are held as Receipts in Advance in the Balance sheet. When capital grants are credited to CIES, they are reversed out of General Fund or HRA Balances in Movement in Reserves Statement.

2019-20 £m	Grants and Contributions credited to the CIES (excl non ring-fenced Government Grants)	2020-21 £m
	Credited to Services	
(89.589)	Government Grant: Housing Benefit Subsidy	(85.500)
(64.162)	Government Grants and Contributions: NHS	(72.679)
0.000	Government Grants and Contributions: COVID-19	(9.315)
(50.689)	Government Grants and Contributions: Other	(75.161)
(1.488)	EU Grants	(2.524)
(3.411)	Non-Government Grants and Contributions	(4.537)
(209.339)		(249.716)
	Credited to Taxation and Non Specific Grant Income	
0.000	Government Grants and Contributions: COVID-19	(3.008)
(69.444)	Government Grants and Contributions: Other	(46.434)
(3.063)	Non Government Grants and Contributions	(8.403)
(72.507)		(57.845)

31 March 2020 (Restated)		Receipts in Advance (balances at year end)	31 March 2021	
Short Term £m	Long Term £m		Short Term £m	Long Term £m
		Receipts in Advance - Revenue		
0.000	0.000	Government Grants: COVID-19	(6.160)	0.000
(12.264)	(0.554)	Government Grants: Other	(6.491)	(0.553)
(0.500)	(0.334)	Non Government Grants	(0.808)	(0.287)
(12.764)	(0.888)		(13.459)	(0.840)
		Receipts in Advance - Capital		
(3.697)	(1.154)	Government Grants	(1.820)	(2.524)
0.000	(8.476)	Non Government Grants	0.000	(12.555)
(3.697)	(9.630)		(1.820)	(15.079)

11. Property, Plant and Equipment

Property, Plant and Equipment (PPE) are assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year.

Property, Plant & Equipment movements	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure £m	Community £m	Surplus £m	Assets Under Construction £m	Total PPE £m	PPP/NPD Assets Included in Total PPE £m
2020-21									
Net Book Value at 1 April 2020	1,026.919	2,006.678	41.455	307.237	1.250	25.179	75.718	3,484.436	218.117
Additions	41.020	20.198	7.424	13.775	0.575	0.247	55.230	138.469	0.606
Revaluations	6.739	75.186	0.000	0.000	0.000	(5.943)	0.000	75.982	11.624
Impairment	0.000	0.969	0.000	0.000	0.000	0.000	(3.949)	(2.980)	0.000
Depreciation	(34.162)	(48.537)	(9.598)	(10.866)	(0.038)	(0.171)	0.000	(103.372)	(6.404)
Disposals	0.000	(1.550)	(0.526)	0.000	0.000	(0.310)	(2.861)	(5.247)	0.000
Other Movements	13.878	(13.664)	0.000	5.374	0.121	5.858	(10.892)	0.675	0.000
Net Book Value at 31 March 2021	1,054.394	2,039.280	38.755	315.520	1.908	24.860	113.246	3,587.963	223.943
Gross Book Value	1,054.394	2,057.743	130.513	455.145	2.231	26.784	117.651	3,844.461	223.943
Accumulated Depreciation & Impairment	0.000	(18.463)	(91.758)	(139.625)	(0.323)	(1.924)	(4.405)	(256.498)	0.000
	1,054.394	2,039.280	38.755	315.520	1.908	24.860	113.246	3,587.963	223.943
2019-20 (Restated)									
Net Book Value at 1 April 2019	976.088	1,931.935	38.305	298.818	2.796	27.034	49.593	3,324.569	212.382
Additions	58.923	27.967	13.322	17.900	0.255	1.363	55.369	175.099	0.258
Revaluations	2.101	116.817	0.000	0.000	0.000	(0.627)	0.000	118.291	11.423
Impairment	0.000	(17.379)	0.000	0.000	0.000	(1.886)	0.000	(19.265)	0.000
Depreciation	(32.465)	(46.448)	(10.173)	(10.435)	(0.124)	(0.357)	0.000	(100.002)	(5.946)
Disposals	0.000	(11.259)	(0.494)	0.000	0.000	(0.559)	(0.371)	(12.683)	0.000
Other Movements	22.272	5.045	0.495	0.954	(1.677)	0.211	(28.873)	(1.573)	0.000
Net Book Value at 31 March 2020	1,026.919	2,006.678	41.455	307.237	1.250	25.179	75.718	3,484.436	218.117
Gross Book Value	1,026.919	2,042.097	130.775	435.542	1.376	27.138	76.035	3,739.882	218.117
Accumulated Depreciation & Impairment	0.000	(35.419)	(89.320)	(128.305)	(0.126)	(1.959)	(0.317)	(255.446)	0.000
	1,026.919	2,006.678	41.455	307.237	1.250	25.179	75.718	3,484.436	218.117

Recognition and De-Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. Assets are initially measured at cost, comprising: the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

When assets are disposed or decommissioned, the carrying values of those assets in the balance sheet are reduced accordingly and any proceeds from those disposals (less costs of sale) are treated as a capital receipt.

Measurement

Assets are carried in the Balance Sheet using the following measurement bases:-

- Council House Dwellings
Existing Use Value for Social Housing using Beacon approach (adjusted vacant possession)
- Surplus Assets
Fair Value, based on the market approach using current market conditions, recent sales prices and information for similar assets in the Fife area. In estimating fair value, highest and best use of the properties is current use.
- Dunfermline Museum and Art Gallery
Carnegie Library is an historic building with special features and is the first "Carnegie Library" built with donations from Dunfermline born philanthropist Andrew Carnegie. As such it is valued using reproduction valuation method
- Other Land & Buildings / Harbours (included in Infrastructure Assets)
Current Value, determined as the amount that would be paid for the asset in its existing use, in accordance with methodologies and bases for estimation in the Royal Institution of Chartered Surveyors Professional Standards.
- Vehicles, Plant & Equipment / Infrastructure (excl Harbours) / Community Assets / Assets Under Construction
Historic Cost, net of Depreciation

Revaluations

The Council's annual rolling valuation programme, undertaken by in-house and external valuers, ensures assets requiring valuation are valued at least every 5 years. Gross Book Values are analysed by year of valuation below;

Effective valuation date / Historic Cost (HC)	HC £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	Total £m
Council Dwellings	0.000	0.000	0.000	0.000	0.000	1,054.394	1,054.394
Surplus Assets	2.030	0.000	12.178	1.315	1.125	10.136	26.784
Other Land & Buildings	18.389	31.484	88.767	25.506	19.730	1,873.867	2,057.743
Infrastructure	454.228	0.000	0.000	0.000	0.917	0.000	455.145

Land and buildings are two distinct components of individual assets and accounted for separately. If the building component of an asset has a carrying value of over £10 million it is separated into further significant components.

Depreciation

Depreciation is provided by a straight line allocation of depreciable amounts over useful lives which is applied in year from 1st April based on asset values as at 31 March of the previous financial year, with significant components depreciated separately. Exceptions are made for assets without a determinable finite useful life (i.e. freehold land) and assets not yet available for use (i.e. assets under construction). Typical useful lives are:-

Buildings	1 - 99 years	Determined by the valuer
Vehicles, Plant & Equipment	1 - 25 years	Determined by suitably
Infrastructure	10 - 40 years	qualified officers

Impairment

Impairment reviews are undertaken at the end of each financial year to identify whether the value of any of the non-current assets of the Council has materially changed during the year and the reasons for changes. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised.

During 2020-21, the Council has recognised an impairment loss of £3.949m relating to the demolition of the Dalgairn Centre. The 2019-20 impairment relating to the major fire damage sustained at Woodmill High School in Dunfermline was reversed in 2020-21 as the High School is now operational.

Accounting Treatment

The CIES is charged with the following amounts relating to Property, Plant & Equipment during the year:

- depreciation and amortisation attributable to the assets used by the relevant service
- revaluation/impairment losses where no accumulated gains in Revaluation Reserve exist to write losses against
- revaluation/impairment gains to extent of previous losses charged to CIES, balance to Revaluation Reserve
- gain or loss arising from de-recognition of an asset

The Council is not required to raise council tax or HRA rents to cover these charges so these are a reconciling items in Movement in Reserves Statement (MIRS) with adjusting transactions in the capital adjustment account.

12. Heritage Assets

Heritage Assets are recognised as a separate class of assets in the financial statements. Heritage assets are those that are intended to be preserved in trust for future generations and are held and maintained principally for their contribution to knowledge and culture. They are deemed to have indeterminate lives and high residual value and as such it is considered inappropriate to charge depreciation. The Council has identified Heritage Assets which include historical buildings, archaeological sites, museums collections and works of art.

- The Council's fine art collections mainly comprise nineteenth century oil paintings, and a substantial number of works on paper and a small number of pieces of sculpture. The collection was valued in March 2018 by historic and contemporary fine arts specialists, Aitken Dott Ltd of Edinburgh and this is recognised in the balance sheet.
- The Council's museums collections were mainly built up in the 20th century by gifts from the public, are diverse in nature with information on individual items variable. They are recognised in the balance sheet at insurance value.
- The Council owns a small number of historical buildings and sites however these are not included on the balance sheet as valuation of these assets is neither practicable nor useful to potential users of the accounts.

Fife Council's museums are fully accredited under the Accreditation Scheme administered by Museums Galleries Scotland on behalf of Arts Council England. This sets minimum standards for collections care (including storage, documentation, handling and access). The Council's Museum Documentation Manual and the Council's Collection Care Plan govern the management and preservation of collections. The Museums Collections Development Policy 2019-23, agreed in February 2019 by Community & Housing Services Committee, governs acquisitions and disposals. The Plan and Policy form part of the services agreement between Fife Council and Fife Cultural Trust.

2019-20			Heritage Asset movements during the year	2020-21		
Fine Art £m	Other £m	Total £m		Fine Art £m	Other £m	Total £m
20.005	8.247	28.252	At 1 April	20.005	8.247	28.252
0.000	0.000	0.000	Revaluations	0.000	0.000	0.000
20.005	8.247	28.252	At 31 March	20.005	8.247	28.252

13. Assets Held for Sale

Current Assets Held for Sale are those that the Council has identified as surplus to requirements, are being actively marketed and it is expected that the sale will be realised within 12 months of the balance sheet date. The Council has no non-current Assets Held for Sale (sale expected to be realised over 12 months).

The assets are measured at lower of carrying value and fair value (less costs to sell). If assets no longer meet the Held for Sale criteria, they are classified as Property, Plant & Equipment and valued at lower of; carrying value immediately before being classified as Held for Sale; and recoverable amount at date of the decision not to sell.

Accounting treatment is the same as Property, Plant & Equipment with exceptions that no depreciation is charged, and **all** revaluation gains/losses are charged to CIES (gains limited to extent of previous losses to CIES).

2019-20 £m	Assets Held for Sale movements during the year	2020-21 £m
3.694	At 1 April	5.423
0.649	Revaluation gains/(losses)	(0.265)
1.573	Assets transferred to/(from) Property, Plant & Equipment	(0.675)
(0.493)	Assets sold	(0.892)
5.423	At 31 March	3.591

14. Intangible Assets

Intangible assets are non-monetary assets that do not have a physical substance but are controlled by the Council. Non-current intangible assets include software which is not an integral part of IT systems within Property, Plant & Equipment. Current intangible assets were Carbon Reduction Commitment Allowances which were fully disposed in 2019-20 (Gross Value £0.739m, Accumulated amortisation £0.739m). Amortisation is applied on a straight line basis on 1 April asset values over their remaining useful lives and accounting treatment of Intangible assets is the same as for Property, Plant & Equipment assets.

2019-20		Intangible Assets movements during the year	2020-21	
Non-Current £m	Current £m		Non-Current £m	Current £m
		Opening balance at 1 April		
1.302	0.709	Gross carrying amounts	1.302	0.000
(1.241)	(0.676)	Accumulated amortisation	(1.272)	0.000
0.061	0.033	Net carrying amount at start of year	0.030	0.000
(0.031)	(0.033)	Amortisation for the period	(0.030)	0.000
0.000	0.000	Disposals	0.000	0.000
0.030	0.000	Net carrying amount at end of year	0.000	0.000
1.302	0.000	Gross carrying amounts	1.302	0.000
(1.272)	0.000	Accumulated amortisation	(1.302)	0.000
0.030	0.000	Total	0.000	0.000

15. Capital Expenditure and Capital Financing

The Capital Financing Requirement (CFR) is a measure of the capital expenditure incurred historically that has yet to be financed. Shown below is capital expenditure in the year, the resources used to finance that expenditure and repayment of Loans Fund principal (relating to outstanding debt from prior years), which all impact on the CFR. Also shown are material capital contract commitments at 31 March which will impact on future year's CFR.

2019-20 £m	Capital Financing Requirement movements during the year	2020-21 £m
1,108.373	At 1 April	1,121.785
	Capital investment:-	
175.099	Property, Plant and Equipment	138.469
0.005	Financial Instrument Investments	0.003
	Sources of finance:-	
(10.863)	Capital receipts	(1.513)
(2.367)	Loan Repayments	(3.549)
(71.148)	Government grants and other contributions	(61.009)
(34.681)	Direct revenue contributions	(38.605)
(42.633)	Loans Fund principal repayments	(37.327)
1,121.785	At 31 March	1,118.254
757.232	Capital Financing Requirement - General Fund	752.738
364.553	Capital Financing Requirement - Housing Revenue Account	365.516
1,121.785	At 31 March	1,118.254
28.194	Capital Contract Commitments at 31 March - Property, Plant & Equipment	5.368

16. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Finance Leases

• Leased in Assets

Assets acquired under finance leases are included in non-current assets at the lower of the fair value or the present value of the minimum lease payments. The capital element of the lease is included as obligations under finance leases / creditors. The lease rentals comprise capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the Comprehensive Income & Expenditure Statement (CIES) on a straight line basis over its useful life, or the lease term if this is shorter.

Following a full review of Common Good heritable property assets, from 1 April 2014 Common Good entered into an arrangement with Fife Council to manage various land and buildings assets which are used and actively managed by the Council but whose ownership has been confirmed as Common Good. The agreement is considered to have the substance of a lease under IFRIC4 where the Council has assumed the risks and rewards from these properties and therefore is accounted for as a finance lease. The agreement is on a full repairs basis by the Council at a peppercorn rental (i.e. a rent at very low or nominal value) and the assets are included as Property, Plant & Equipment on the Council's balance sheet 31 March 2021 at a value of £147.811m.

There are no other finance lease agreements included in the Council's balance sheet at 31 March 2021.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on finance lease assets and these are therefore a reconciling item in the Movement in Reserves Statement with the Capital Adjustment Account. Instead, a prudent annual provision is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

• Leased out Assets

The Council has no finance leases agreements as a lessor in place at 31 March 2021.

Operating Leases

• Leased in Assets

The Council has a number of operating leasing agreements in place for land and buildings. Rentals paid under these are charged to the CIES as an expense of the services benefitting from use of the lease.

2019-20 £m	Future minimum lease payments due at 31 March under non-cancellable leases in future years:-	2020-21 £m
1.338	Not later than one year	1.618
2.157	Later than one year and not later than five years	3.025
7.051	Later than five years	6.914
10.546	Total	11.557

2019-20 £m	Expenditure charged to the CIES during the year in relation to these leases:-	2020-21 £m
2.079	Minimum lease payments	1.741
0.000	Contingent rents	0.000
2.079	Total	1.741

• Leased out Assets

The Council leases out property for a number of purposes. These are mainly to support economic growth by providing industrial and commercial lets at affordable levels for local business and to facilitate the provision of community, arts and tourism facilities within local communities. Rental income received under operating leases is credited to the relevant service in accordance with the terms specified in the lease agreement.

2019-20 £m	The future minimum lease payments at 31 March receivable in future years are:-	2020-21 £m
3.530	Not later than one year	3.281
8.506	Later than one year and not later than five years	8.525
76.199	Later than five years	77.789
88.235	Total	89.595

17. Public Private Partnerships (PPP) and Non-Profit Distribution (NPD) contracts

PPP and NPD contracts are agreements to receive services where responsibility for making assets available to provide the services passes to the PPP/NPD operator. As the Council is deemed to control the services provided and as ownership of the assets passes to the Council at the end of the contract periods for no additional charge, assets are carried on the Council Balance Sheet and are detailed in the Property, Plant & Equipment Note to these accounts. Fife Council has three such contracts in place for construction and servicing of certain facilities.

- **PPP1 (A New Way Forward)**-replacement of 2 secondary schools, a new primary school, sports hall and all weather pitch (total capital construction costs £42,812m). These were fully operational from August 2003, under contract operator Pinnacle Schools Fife Ltd.
- **PPP2 (Expanding Horizons)**-construction of 3 new primary schools and a community facility, replacement of 3 primary schools and a new combined campus to replace 2 further primary schools (total capital construction costs £63,460m). These were fully operational in June 2007 under contract operator Emblem Consortium.
- **NPD (Levenmouth Academy)**-construction of a new school which was operational in August 2016 under contract operator HUB East Central Scotland Ltd. Unlike PPP, the funding of the NPD project is entirely from borrowing, there is no equity element and therefore no distribution of surpluses at the end of the contract to investors. Any surpluses are passed to a designated charity.

The contracts allow the Council to use the facilities for Education and Community use and gives the right for the Council to vary the contracts in terms of changes to facilities, services to be provided and hours of use, they also include refinancing and termination mechanisms. The contract operators have obligations to maintain the assets to a high standard, to undertake any lifecycle replacement and to hand back the assets in a good condition. The facilities are passed back to the Council at the end of the contract periods (in 2028, 2032 and 2042 respectively).

For all three contracts, annual unitary charges (calculated to compensate operators for fair value of services provided, capital expenditure and interest charges) are payable by the Council to the operator over the contract period and are subject to annual indexation uplifts but can be reduced if the operator fails to meet availability and performance standards. The charges are partly offset by annual Scottish Government Grant support. The Council holds the outstanding capital expenditure element of the contracts as a liability on its Balance sheet.

2019-20		Annual Unitary Charge payments and Scottish Government Grant support	2020-21	
Unitary charge £m	Grant support £m		Unitary charge £m	Grant support £m
7.773	(3.680)	PPP1	8.220	(3.680)
8.235	(4.168)	PPP2	8.404	(4.168)
3.844	(3.212)	NPD	3.893	(3.212)
19.852	(11.060)		20.517	(11.060)

£m	Outstanding Liability on Balance Sheet	£m
100.614	1 April	94.397
(6.217)	Capital Repayments during the year	(6.124)
94.397	31 March	88.273

The annual unitary charge payments are analysed into elements which determine the accounting treatment. **Service costs** are Fair Value of Services received charged to Cost of Services in the Comprehensive Income and Expenditure Statement (CIES) and Lifecycle Replacement Costs posted as additions to Property, Plant & Equipment when work is undertaken; **Capital Repayment** is applied to write down the outstanding Balance Sheet liability; **Finance costs** are Interest Charges (on outstanding liability) and Contingent Rent (contract increases arising during the contract period) both charged to CIES (Financing and Investment Income & Expenditure).

Contract payments remaining to be made at 31 March 2021 (using 2.5% indexation excl availability/performance deductions)	Service Costs £m	Capital Repayment £m	Finance Costs £m	Total £m
Payable in 2021-22	6.648	6.412	7.205	20.265
Payable within two to five years	33.055	27.323	23.235	83.613
Payable within six to ten years	39.983	29.930	15.380	85.293
Payable within eleven to fifteen years	13.795	13.997	6.132	33.924
Payable within sixteen to twenty years	9.230	10.611	2.105	21.946
Payable within twenty one to twenty five	1.218	0.000	0.000	1.218
Total	103.929	88.273	54.057	246.259

18. Debtors and Creditors

31 March 2020		Short Term Debtors and Creditors	31 March 2021	
Debtors (Restated)	Creditors (Restated)		Debtors	Creditors
£m	£m		£m	£m
31.855	(10.105)	Central Government bodies	29.914	(12.060)
27.074	(0.495)	Local Taxation (Council Tax & Non-Domestic Rates)	30.671	(0.575)
1.997	(50.178)	Employees (Pay and Holiday Pay Accruals)	1.653	(57.746)
15.499	(36.477)	Financial Assets and Liabilities (Note 21)	15.514	(28.953)
16.135	0.000	Insurance Fund	4.640	0.000
0.000	0.000	Integration Joint Board (IJB)	0.000	(29.643)
22.840	(23.193)	Other Entities and Individuals	14.536	(31.963)
115.400	(120.448)		96.928	(160.940)
		Local Taxation Debtors		
		Past due (but not impaired) amount analysed by age of debt		
6.493		Up to 1 Year	8.306	
10.957		1-5 Years	12.532	
9.624		Greater than 5 Years	9.833	
27.074			30.671	

This analysis shows only balances where assessment indicates that, by exception, no impairment is required.

19. Provisions

The value of provisions is based upon the Council's obligations arising from past events, the probability that a transfer of economic benefit or service potential will take place, and a reliable estimate of the obligation. Provisions are charged to the relevant service line in the Comprehensive Income and Expenditure Statement in the year the obligation becomes known, and reviewed at each balance sheet date.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Where it becomes less than probable that a provision is required (or a lower settlement than anticipated is made), it is reversed and credited back to the relevant service.

	Insurance Claims £m	Expenses Awards £m	Employee Allowances £m	Asset Decomm. £m	Total £m
1 April 2020	(6.887)	(0.172)	(0.408)	(6.132)	(13.599)
Additional provisions made	(2.809)	0.102	0.043	(0.044)	(2.708)
Amounts used	2.055	0.000	(0.043)	0.000	2.012
Unused amounts reversed	0.000	0.000	0.000	0.000	0.000
Unwinding of discounting	(0.004)	0.000	0.000	(0.076)	(0.080)
31 March 2021	(7.645)	(0.070)	(0.408)	(6.252)	(14.375)
Short-Term Provisions	0.000	(0.070)	(0.408)	0.000	(0.478)
Long-Term Provisions	(7.645)	0.000	0.000	(6.252)	(13.897)
Balance 31 March 2021	(7.645)	(0.070)	(0.408)	(6.252)	(14.375)

- Insurance Claims - all known outstanding third party claims.
- Expenses Awards - expected awards against the Council as a result of Planning Committee decisions.
- Employee Allowances - expected costs resulting from Equal Pay Claims.
- Asset Decommissioning - expected landfill site aftercare costs, at Lochhead and Lower Melville Wood to continue to meet obligations when they reach the point of closure.

20. Inventories

Stores & Raw Materials £m	2019-20		Movement in Inventories (measured at lower of cost and net realisable value)	2020-21		
	Equipment Stock £m	Total £m		Stores & Raw Materials £m	Equipment Stock £m	Total £m
3.397	0.382	3.779	Opening Balance 1 April	3.209	0.161	3.370
16.364	1.549	17.913	Purchases	13.370	1.535	14.905
(16.552)	(1.770)	(18.322)	Recognised as in-year expense	(13.352)	(1.323)	(14.675)
0.000	0.000	0.000	Written off balances	0.682	0.000	0.682
3.209	0.161	3.370	Balance 31 March	3.909	0.373	4.282

21. Financial Instruments

Financial instruments are contracts which create a financial asset in one entity and a financial liability in another. They are recognised at fair value or amortised cost, or where no reliable measurement exists, measured at cost.

31 March 2020 (Restated)		Financial Instruments in the Balance Sheet	31 March 2021	
Short Term £m	Long Term £m		Short Term £m	Long Term £m
		Investments		
0.000	2.743	Employment Land	0.000	2.456
0.000	2.743		0.000	2.456
		Other Financial Assets		
1.017	8.691	Loan Debt - Police and Fire Authorities	0.988	7.703
0.000	13.880	Loan Advances - National Housing Trust (NHT)	0.000	10.331
0.012	0.187	Loan Advances - Soft Loans	0.015	0.198
14.470	0.005	Trade Debtors (at contract amount)	14.511	0.000
15.499	22.763		15.514	18.232
		Borrowings		
(8.751)	(540.064)	Loans - Public Works Loan Board (PWLB)	(21.620)	(518.444)
(15.000)	(330.600)	Loans - Money Market	(3.250)	(327.350)
(153.500)	0.000	Loans - Temporary Short Term	(101.000)	0.000
(10.821)	0.000	Loan Interest	(10.579)	0.000
(0.095)	(5.081)	Loan Liability - Effective Interest Rate (EIR)	(0.063)	(5.054)
(188.167)	(875.745)		(136.512)	(850.848)
		Other Financial Liabilities		
(6.125)	(88.272)	PPP, NPD and finance lease liabilities	(6.412)	(81.861)
(30.352)	0.000	Trade Creditors (at contract amount)	(22.541)	0.000
(36.477)	(88.272)		(28.953)	(81.861)

Investments

The Council is party to Employment Land investments with Scottish Enterprise. Market conditions are such that similar assets are actively sold so these are valued at Level 3 of the Fair Value hierarchy. Valuation changes are accounted for in Comprehensive Income & Expenditure Statement (CIES) and Financial Instruments Revaluation Reserve. Part of the investment was disposed in 2020-21 recognising a gain of £0.064m in CIES.

Other Financial Assets

The Council has loan debt due from Scottish Police & Fire Authorities, recognised in 2013 when the services were transferred from the Council, repayable annually until 2037; loan advances made under NHT Initiative repayable within 5-10 years of an advance; soft loans (below market rate of interest) to employees; and other trade debtors.

Interest receivable is based on an effective rate of interest for each instrument and credited to CIES. For soft loans, a higher rate of interest is credited (reflecting interest foregone over the life of the loan) with transfers to Financial Instruments Adjustment Account to ensure only interest receivable impacts on Council Balances. Any gains and losses from de-recognition or impairment of loans & receivables are also charged to CIES.

Borrowings

The Council has significant long-term borrowing from the PWLB and Money Market Loans held on the balance sheet at amortised cost. For comparison purposes, Fair Value of these loans has been assessed which is greater than amortised cost, as the Council's portfolio of loans includes fixed rate loans where interest payable is higher than rates available on similar loans in the market at the balance sheet date.

2019-20 £m	PWLB and Money Market Loans	2020-21 £m
894.415	Carrying Value (amortised cost) at balance sheet date	870.664
1,172.436	Fair Value at balance sheets date	1,219.257
35.732	Interest on borrowings charged to CIES in the year	34.444

The Council has modified the structure of its Loan Debt in previous years and costs of this restructuring are added to amortised cost as an EIR liability written down over the life of the debt. The Impact on Balances is spread over the life of the debt by an annual transfer between the CIES and the Financial Instruments Adjustment Account.

Other Financial Liabilities

Liabilities include PPP, NPD & finance lease liabilities (detailed in Note 17 of these accounts) and trade creditors.

Movement in Liabilities recognised as Financing Activities

	1 April 2019 £m	Movements 2019-20		1 April 2020 £m	Movements 2020-21		31 March 2021 £m
		Cash £m	Non-Cash £m		Cash £m	Non-Cash £m	
Long & Short Term Borrowing	(965.714)	(82.201)	0.000	(1,047.915)	76.251	0.000	(971.664)
EIR Loan Liability	(5.212)	0.000	0.036	(5.176)	0.000	0.059	(5.117)
PPP & Lease Liabilities	(100.614)	6.217	0.000	(94.397)	6.124	0.000	(88.273)

22. Nature and Extent of Risks Arising from Financial Instruments

The Council's treasury management policies operate to minimise exposure to the unpredictability of the financial markets and protects the financial resources available to fund services. The Council has formally adopted the CIPFA Code of Practice on Treasury Management and, in accordance with the Prudential Code for Capital Finance in Local Authorities, the Council sets prudential and treasury indicators for the following three years as part of its annual budget report approved by full Council in February each year.

Liquidity and Re-Financing Risk

There is no significant risk that the Council will be unable to raise finance to meet its commitments, as it has access to readily available borrowing from PWLB. There is a risk however that the Council will be bound to replenish a significant proportion of its debt in a time of unfavourable interest rates.

The Council's approved treasury management indicators provide maximum limits for the maturity structure of borrowings and limits on investments maturing beyond one year. The Council's Borrowing & Investment Strategy addresses the main risks by monitoring the maturity profile of financial liabilities and investments and amending (by new borrowing or rescheduling existing debt) to ensure sufficient liquidity is available for day to day cash flow.

Maturity Analysis of Financial Liabilities (principal and interest)	PWLB	Money Market Loans (incl EIR)	Short- Term Loans	Total	Maturity Profile
	£m	£m	£m	£m	%
Less than one year	28.232	7.003	101.241	136.476	13.82%
Between one and two years	21.630	0.021	0.000	21.651	2.19%
Between two and five years	43.705	1.129	0.000	44.834	4.54%
Between five and ten years	44.441	2.949	0.000	47.390	4.80%
Ten years or more	408.668	328.341	0.000	737.009	74.65%
Total	546.676	339.443	101.241	987.360	100.00%

All trade and other payables are due to be paid in less than one year.

Credit Risk

Credit risk from financial instruments arises from the deposits placed with banks and financial institutions, loans to other Local Authorities and credit exposures to the Council's customers. The Council's policy for managing credit risk is outlined in the its Treasury Management Policy. Deposits are not made with banks and financial institutions unless they satisfy a minimum rating set by each of three leading credit agencies, and lending is limited to a maximum of £10.000m to each counterparty. There were no deposits outstanding at the Balance Sheet date.

The potential exposure to credit risk, based on experience of default and uncollectability is shown below. The majority of debt is past its due date for payment as the Council's payment policy is 14 days from the invoice date.

2019-20 (Restated) £m	Analysis of Trade Debtors	Within 3 months £m	3 - 6 months £m	6 - 12 months £m	Beyond 12 months £m	Total 2020-21 £m
17.695	At 31 March	7.508	3.522	1.247	5.803	18.080
18.20%	Historical experience of default					19.70%
3.225	Potential exposure to default					3.569

Market risk

• Interest Rate Risk

The Council is exposed to interest rate movements on borrowings and investments which have a direct impact on General Fund or HRA balances. e.g. an increase in interest rates would increase interest payable on variable borrowings and increase interest receivable on investments (if rates reduce the reverse applies). Borrowings are held at amortised cost, so gains and losses to fair value from a change in interest rates will not have an impact.

2019-20 £m	Impact of 1% increase in interest rate (assuming all other variables are constant)	2020-21 £m
1.304	Increase in Interest Payable	0.830
(0.760)	Increase in Interest Receivable	(1.260)
0.544	Net impact on the CIES	(0.430)

(197.246)	Reduction in Fair Value of Investments	(211.778)
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The Council's Treasury Management Policies manage interest rate exposure by limiting the amount of borrowing held at variable rates to 75% of its total portfolio. In previous years loans have been restructured into "variable structure" debt and risk is managed within the contracts as they are Lender Option Buyer Option (LOBO) loans where interest rates can only be reviewed on certain anniversary dates. If the Lender wishes to exercise their option to increase the rate on those dates, the Borrower can exercise their option to repay the loan.

• Price Risk and Foreign Exchange Risk

The Council does not invest in equity shares and has no financial asset or liabilities denominated in foreign currencies and therefore is not exposed to losses from share price or exchange rate movements.

23. Financial Guarantees

The Council has formal guarantees and arrangements in place for subsidiary bodies within the Council's Group;

- A pension guarantee, approved by the Council in September 2015, with Business Gateway Fife which ensures that if the company were unable to continue as active members of the pension scheme and their assets and liabilities would be pooled with Fife Council's within the Pension Fund.
- Two financial guarantees which relate to future years with CIRECO Scotland Ltd (formerly Resource Efficient Solutions) in respect of any defaults on energy from waste agreements which enable the diversion of waste from landfill. These are; Earlsgate site £5.280m due to open in 2022 (approved by the Council in April 2018); and Westfield site £11.899m due to open in 2024 (approved by the Council in May 2019).
- The Council also issued letters of comfort to Fife Sports & Leisure Trust, Fife Cultural Trust, Fife Coast & Countryside Trust, Fife Golf Trust and Fife Resource Solutions LLP Ltd to confirm the Council's commitment to the ongoing financial sustainability of those bodies.

In addition, the Council agreed in January 2020, to provide a pensions arrangement for small employers who wish to exit the Fife Pension Fund. Following consideration, six employers elected to take advantage of this proposal and have subsequently ceased participation in the scheme. The Council, as an Employer, has taken on the pension assets and liabilities of these employers which could result in increased liabilities depending on the future performance of the Fund.

24. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Scottish Government. The Scheme provides teachers with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, as the Scheme is unfunded, the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of these accounts, it is accounted for on the same basis as a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable for teachers' pensions in the year. The Council is responsible for costs of additional benefits awarded upon early retirement outwith the terms of the teachers' scheme which are accounted for on a defined benefit basis and included in the Defined Benefit Retirement Schemes Note.

2019-20 £m	Teachers' Retirement Benefits	2020-21 £m
30.742	Amounts due to Scottish Public Pensions Agency for Teachers' Pensions	35.678
4.496	Early Retirement Benefits outside the terms of the Teachers' Scheme	4.461

25. Defined Benefit Retirement Schemes

As part of the terms and conditions of employment of its workforce, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement. The Council participates in the following employment schemes:-

- The Local Government Pension Scheme, administered locally by Fife Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit final arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.

Basis for estimating assets and liabilities

Liabilities are assessed on an actuarial basis using the projected unit credit method, an estimate of pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the LGPS and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. Estimates are based on the roll-forward of the 2020 valuation as adjusted for changes in assumptions, additional benefit accrual and estimated cash flows. Assumptions vary depending on age profile of scheme members for each employer within the Council Group - Fife Sports & Leisure Trust are considered a 'Long Duration' employer, Business Gateway 'Short Duration', and all others (including Fife Council) 'Medium Duration'.

2019-20			Principal Assumptions used	2020-21		
Short Duration	Medium Duration	Long Duration		Short Duration	Medium Duration	Long Duration
			Mortality-Longevity at age 65 (years)			
20.5	20.5	20.5	Men (current pensioners)	20.3	20.3	20.3
21.6	21.6	21.6	Men (future pensioners)	21.5	21.5	21.5
23.0	23.0	23.0	Women (current pensioners)	23.1	23.1	23.1
24.6	24.6	24.6	Women (future pensioners)	25.1	25.1	25.1
			Financial			
2.00%	1.90%	1.80%	Rate of increase in pensions	2.85%	2.85%	2.80%
2.40%	2.30%	2.20%	Rate of increase in salaries	3.35%	3.35%	3.20%
2.30%	2.30%	2.30%	Rate for discounting scheme liabilities	1.95%	2.00%	2.05%
			Commutation			
50%*	50%*	50%*	Take-up of option to convert annual pension into a lump sum	50%*	50%*	50%*

* An allowance is included for future retirements to elect to take 50% maximum additional tax-free cash up to HM Revenue & Customs limits for pre-April 2009 service and 75% maximum tax-free cash for post-April 2009 service.

Transactions relating to post employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, in accordance with accounting regulations, the amount to be funded by council tax or HRA rents is based on benefits payable in the year, so an adjustment is made to General Fund/HRA balances in the Movement in Reserves Statement.

2019-20			2020-21	
Fife Council £m	Group £m		Fife Council £m	Group £m
Comprehensive Income & Expenditure Statement (CIES)				
Cost of Services:-				
120.619	128.381	Current Service Cost	100.944	107.256
(4.422)	(4.610)	Past service costs (incl. Curtailments)	3.822	3.822
Financing and Investment Income and Expenditure:-				
75.018	78.546	Interest cost	64.572	67.624
(54.749)	(57.878)	Interest Income on plan assets	(51.127)	(54.060)
136.466	144.439	Total charged to (Surplus)/Deficit on Provision of Services	118.211	124.642
(307.716)	(321.931)	Total remeasurements recognised in Other Expenditure	209.055	217.974
(171.250)	(177.492)	Total Post Employment Benefit charged to the CIES	327.266	342.616
Movement in Reserves Statement				
(136.466)	(144.439)	Reversal of charges to the CIES in accordance with accounting regulations	(118.211)	(124.642)
Amounts charged for pensions in the year against Balances:-				
69.957	74.034	Employers' contributions payable to scheme	73.208	77.071
7.343	7.354	Contributions in respect of unfunded benefits	7.335	7.347
(59.166)	(63.051)		(37.668)	(40.224)
Present value of scheme liabilities (defined benefit obligation)				
(3,092.026)	(3,233.587)	Balance at 1 April	(2,790.462)	(2,920.713)
(120.619)	(128.381)	Current Service Cost	(100.944)	(107.256)
4.422	4.610	Past Service Cost (including curtailments)	(3.822)	(3.822)
(75.018)	(78.546)	Interest Cost on defined benefit obligation	(64.572)	(67.624)
(16.481)	(17.562)	Participants Contributions	(17.040)	(18.135)
65.013	66.749	Estimated Benefits paid	76.372	78.758
7.343	7.354	Estimated Unfunded Benefits paid	7.335	7.347
310.001	326.048	Remeasurement: Change in financial assumptions	(751.580)	(793.897)
106.017	111.158	Remeasurement: Change in demographic assumptions	24.093	25.199
20.886	21.444	Remeasurement: Other experience	(32.531)	(32.395)
(2,790.462)	(2,920.713)	Balance at 31 March	(3,653.151)	(3,832.538)
Fair value of scheme assets				
2,270.553	2,397.688	Balance at 1 April	2,217.539	2,343.694
54.749	57.878	Interest Income on Plan Assets	51.127	54.060
16.481	17.562	Participants Contributions	17.040	18.135
69.957	74.034	Employers contributions	73.208	77.071
(65.013)	(66.749)	Estimated Benefits paid	(76.372)	(78.758)
(7.343)	(7.354)	Estimated unfunded benefits paid	(7.335)	(7.347)
7.343	7.354	Estimated contributions in respect of unfunded benefits paid	7.335	7.347
(129.188)	(136.719)	Return on assets excluding amounts included in net interest	550.963	583.119
2,217.539	2,343.694	Balance at 31 March	2,833.505	2,997.321
(572.923)	(577.019)	Total Surplus / (Deficit)	(819.646)	(835.217)

Return on assets is determined by considering expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at Balance Sheet date. Expected returns on equity investments reflect long-term real rates experienced in respective markets.

The table below shows the fair value of assets at bid value measured under accounting standard IAS19. Only Fife Council figures are shown as the other bodies within the Group are prepared using accounting standard FRS102.

31 March 2020					31 March 2021			
Prices Quoted in Active Markets £m	Prices not Quoted in Active Markets £m	Total £m	%		Prices Quoted in Active Markets £m	Prices not Quoted in Active Markets £m	Total £m	%
631.924	0.000	631.924	28%	Equity Securities	573.990	0.000	573.990	20%
				Debt Securities				
0.000	68.891	68.891	3%	• Corporate Bonds	0.000	71.226	71.226	3%
0.000	168.092	168.092	8%	• UK Government	0.000	163.525	163.525	6%
0.000	0.510	0.510	0%	• Other	0.000	0.457	0.457	0%
				Real Estate				
174.783	3.655	178.438	8%	• UK Property	166.706	0.961	167.667	6%
				Investment Funds & Unit Trusts				
899.333	0.000	899.333	41%	• Equities	1,157.668	0.000	1,157.668	41%
79.682	0.000	79.682	4%	• Bonds	410.496	0.000	410.496	14%
0.000	91.049	91.049	4%	• Infrastructure	0.000	137.818	137.818	5%
2.487	0.000	2.487	0%	• Other	0.000	0.000	0.000	0%
(0.327)	0.000	(0.327)	0%	Derivatives	0.070	0.000	0.070	0%
97.460	0.000	97.460	4%	Cash & Cash Equivalents	150.588	0.000	150.588	5%
1,885.342	332.197	2,217.539	100%	TOTAL	2,459.518	373.987	2,833.505	100%

Scheme History

	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m
Fife Council					
Funded Liabilities	(2,920.432)	(2,583.086)	(2,944.411)	(2,659.939)	(3,515.441)
Fair value of assets in the LGPS	2,019.791	2,097.911	2,270.553	2,217.539	2,833.505
Funded Scheme Surplus/(Deficit)	(900.641)	(485.175)	(673.858)	(442.400)	(681.936)
Unfunded Scheme Surplus/(Deficit)	(138.484)	(142.747)	(147.615)	(130.523)	(137.710)
Total Surplus/(Deficit)	(1,039.125)	(627.922)	(821.473)	(572.923)	(819.646)
Group					
Funded Liabilities	(3,048.660)	(2,702.801)	(3,085.577)	(2,789.836)	(3,694.419)
Fair value of assets in the LGPS	2,124.399	2,212.989	2,397.688	2,343.694	2,997.321
Funded Scheme Surplus/(Deficit)	(924.261)	(489.812)	(687.889)	(446.142)	(697.098)
Unfunded Scheme Surplus/(Deficit)	(138.526)	(142.953)	(148.010)	(130.877)	(138.119)
Total Surplus/(Deficit)	(1,062.787)	(632.765)	(835.899)	(577.019)	(835.217)

Contributions expected to be made to the funded scheme in financial year 2021-22

Fife(£m)	Group(£m)
70.459	74.322

26. Agency Income and Expenditure

Agency arrangements operate in some services where the Council undertakes work on behalf of other Local Authorities, Government or other public bodies. Expenditure and income relating to this work is excluded from the Comprehensive Income and Expenditure Statement because it is not part of the Council's responsibilities.

- The Council bills and collects domestic water and sewerage charges on behalf of Scottish Water along with its own Council Tax. During 2020-21 the Council transferred £61.381m (2019-20 £60.832m) to Scottish Water.
- The Council administered £103.761m of COVID-19 support funding schemes for businesses and individuals on behalf of Scottish Government, and distributed £6.366m of Personal Protective Equipment to external organisations on behalf of the NHS in 2020-21. There was no Agency expenditure related to these in 2019-20.

27. Group & Related Parties

Group accounts are required to be prepared where the Council has material interests in other organisations which can be classified as subsidiaries, joint ventures or associates in line with the level of control that the Council exerts.

Subsidiaries

Subsidiaries are independent bodies over which the Council is considered to have control. The following Subsidiaries have been identified and are included in the Group accounts where material.

Payments from Fife Council £	2019-20 Fife Council balances at 31 March			Payments from Fife Council £	2020-21 Fife Council balances at 31 March	
	Debtors £	Creditors £			Debtors £	Creditors £
			Included in Group Accounts			
2.879	0.113	0.027	Fife Sports and Leisure Trust	5.908	0.324	0.175
1.508	0.020	0.000	Fife Coast & Countryside Trust	1.517	0.040	0.015
0.581	0.217	0.000	Fife Golf Trust	0.598	0.178	0.016
7.645	0.206	0.000	Fife Cultural Trust	8.524	0.302	0.383
20.592	0.771	0.517	Fife Resource Solutions LLP	20.180	1.131	1.609
0.014	0.000	0.000	CIRECO (Scotland) Ltd	0.000	0.000	0.003
1.412	0.000	0.261	Business Gateway Fife	1.486	0.020	0.169
34.631	1.327	0.805		38.213	1.995	2.370
			Not included in Group Accounts (due to materiality levels)			
0.000	0.000	0.000	Sustainability Fife Ltd	0.000	0.000	0.000

Fife Sports & Leisure Trust is a company limited by guarantee with charitable status set up on 1 April 2008 to provide sport & leisure activities in Fife through 14 leisure facilities leased from the Council. The Council pays a management fee to the Trust and is represented on the Board of Directors by 6 board members.

Fife Coast & Countryside Trust is a company limited by guarantee with charitable status set up on 31 July 2006 providing countryside activities in Fife for the Council and partners including Scottish Natural Heritage. The Council pays a management fee to the Trust and is represented on the Board of Directors by 4 board members.

Fife Golf Trust is a company limited by guarantee with charitable status set up on 1st April 2011. The Trust provides golf across Fife through 7 golf courses which are owned by the Council and leased to the Trust. The Council pays a management fee to the Trust and is represented on the Board of Directors by 3 board members.

Fife Cultural Trust is a company limited by guarantee with charitable status set up on 1 October 2012 to provide arts, culture and entertainment across Fife, through library and museum services, an Arts Development service and management & operation of 4 theatre facilities, which are owned by the Council and leased to the Trust. The Council pays a management fee to the Trust and is represented on the Board of Directors by 4 board members.

Fife Resource Solutions Limited Liability Partnership was established on 1 April 2014 between Fife Council and Sustainability Fife Ltd to provide Waste Treatment and Disposal, Collection of Commercial and Industrial Waste, Waste Haulage and Transfer, Recycling Facilities, Energy Generation and Supply, and related Consultancy Services to Fife Council. The Council is represented on the Board of Directors by 4 board members.

CIRECO (Scotland) Ltd (formerly Resource Efficient Solutions Limited Liability Partnership) was established on 1 April 2014 between Fife Council and Fife Resource Solutions LLP to develop new income streams predominantly from provision of waste disposal, collection of commercial & industrial waste to external customers and provision of consultancy services. The Council is represented on the Board of Directors by 4 board members. During 2020-21 the company name changed to CIRECO (Scotland) Ltd.

Business Gateway Fife is a company limited by guarantee established as a joint venture between Fife Council and Scottish Enterprise to deliver support to start up and existing small businesses in Fife. The Council is now the sole funder, providing funding for financial assistance to small businesses, operational funding and a contribution to the Business Gateway national contract, and is represented on the Board of Directors by 2 board members. The payments to Business Gateway (above) exclude payments in relation to COVID-19 business grants which were administered by Business Gateway on behalf of Fife Council and the Scottish Government.

Sustainability Fife Ltd is wholly owned by the Council and established to form a partnership with the Council to create Fife Resource Solutions LLP. The Council is represented on the Board of Directors by 4 board members.

Joint Venture - Fife Integration Joint Board (IJB)

The IJB was established on 3 October 2015 as a Joint Venture with the NHS and is responsible for the planning and operational oversight of Integrated Services and for operational management of the services. The IJB is included in the Council's accounts on an equity basis and details are shown as material items of income & expenditure in the Comprehensive Income & Expenditure Statement in these accounts.

Associates

Associates are bodies which the Council has significant influence over, but do not meet criteria of Subsidiaries or Joint Ventures. The following Associate was identified but not included in Group accounts due to materiality levels.

Fife Historic Building Trust is a company which promotes and encourages the maintenance and improvement of the amenity of the area of Fife and the protection and preservation of its landscape, architectural and historical heritage. The Council has 3 of the 12 Board members and in 2020-21 contributed £0.280m (2019-20 £0.235m).

Other Related Parties

The Council transacts with 'related parties' on a regular basis i.e. bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party to bargain freely with the Council.

Members and Officers of the Council

In addition to Subsidiaries and Associates, elected members have registered interests in other bodies where the Council does not have significant influence over their operations. In 2020-21 the Council made material payments (>£0.100m) to 15 of these bodies totalling £4.274m. The members' interests register is available at:

<https://www.fife.gov.uk/kb/docs/articles/about-your-council2/politicians-and-committees/your-local-councillors>

There were no material payments to bodies where senior officers have a registered interest but members do not.

Scottish Government

The Scottish Government has effective control over the general operations of the Council. It provides the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (e.g. council tax, housing benefits). Grants received from government departments are shown in the Grant Income note to these accounts.

Other Organisations

The Council has interests in other bodies in collaboration with other local authorities, but are not Associates as the Council either has no significant influence, or does not invest in those bodies. These include SESTran (South East of Scotland Transport Partnership), SESPlan (South East of Scotland Strategic Development Planning Authority), TAYPlan (Tayside & North Fife Strategic Development Planning Authority), Tay Bridge Joint Board and Scotland Excel. Payments made to these bodies is included in Members and Officers section above where material. Fife Council also administers finance and human resources aspects of SESPlan and retains reserves on their behalf.

Local Government Pension Fund

Fife Council acts as the administering Authority for the Fife Pension Fund which is a Local Government Pension Scheme and a statutory scheme established by the Superannuation Act 1972. The Fund covers employees and pensioners of Fife Council and also a number of scheduled and admitted bodies but does not include Teachers. The Fife Pension Fund accounts are not part of the Council's accounts but subject to separate audit, and available from Pensions Team, Fife Council, North Street, Glenrothes, KY7 5LT. Email:pensions.section@fife.gov.uk.

2019-20 £m		2020-21 £m
1.698	Charges to the Pension Fund for support services related to administration	1.779
69.328	Employers' contribution paid to the Pension Fund	73.302
16.270	Employee's contributions collected and paid to the Pension Fund	17.102

External Audit

The agreed external audit fee for 2020-21 was £0.535m to Audit Scotland for work undertaken in accordance with the Code of Audit Practice (2019-20, £0.522m). No other services were provided by Audit Scotland in the year.

28. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date the Statement of Accounts is authorised for issue. There are two distinct types:- those that existed at the balance sheet date where the accounts should be adjusted to reflect these; and those which arose after the balance sheet date which require disclosure in the notes to the accounts if material. Fife Council had no such events for 2020-21.

29. Contingent Assets and Liabilities

Contingent assets or liabilities arise where an event occurs that gives the Council a possible asset or obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within control of the Council. Contingent liabilities also arise where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of obligation cannot be measured reliably.

At 31 March 2021 the Council has no contingent assets but has the following contingent liabilities: -

- The Council has developed a strategy for Workforce Change which would result in an FTE staff reduction of approximately 2,300 at an estimated cost of £76.000m over the 15 year period (2010-11 to 2024-25). Included in the 2020-21 accounts are costs totalling £4.060m for approximately 70 staff. There is significant uncertainty over the extent of employee reductions required over the next 4 years although it is estimated at approximately £21.000m for under 600 staff and no provision has been made for this contingency.
- The Scottish Child Abuse Inquiry was set up in October 2015 to examine the abuse of children in care from the 1930's to the present day. Fife Council have 4 establishments included in the list of Institutions being investigated along with investigations into Foster Care, Child Migrant, and a few individuals. The Council have received claims for £2.976m, however there is potential for more as the time bar has been removed for cases where the abuse occurred post September 1964. Legislation relating to Qualified One-Way Cost Shifting came into force in June 2021 which removes the risk of claimants having to pay defenders expenses if unsuccessful and therefore will further open the possibility of new cases or re-submissions of those which were rejected due to the time bar. It is not possible to determine exact timing or value of any future claims.

30. Prior Period Adjustments / Restatements

Prior period adjustments may arise as a result of; correction of a material error; or change in accounting policy when required by proper accounting practice or to provide more reliable or relevant information. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied or to correct the error. The Accounts include the following restatements:-

- Remuneration Report - Tables A&E: 2019-20 remuneration for 3 senior officers is restated for a presentational change for deductions under the Council's buy leave scheme. Table C:Trade Union Facility Time information for 2019-20 is restated as the disclosure in the 2019-20 accounts contained only part of the required information.
- A review of Statutory Penalties and Housing Benefit Overpayments was undertaken following the annual audit report 2019-20. This resulted in an increase to General Fund Useable Balances at 1 April 2019 of £11.518m and at 1 April 2020 of £12.755m. The Balance sheet has been restated to reflect this with corresponding changes in Short Term Debtors (£7.755m) and Short Term Creditors (£5.000m). The Comprehensive Income & Expenditure Statement has also been restated by £1.237m to reflect the in-year increase. This restatement also affects Expenditure & Funding Analysis, Movement in Reserves Statement, Cash Flow Statement, Note 6 Useable Balances, Note 8 Analysis by Segment/Nature and Note 18 Short Term Debtors & Creditors
- Note 9 Financing and Investment Income & Expenditure - A change in presentation for external loan interest resulted in a 2019-20 restatement of £1.198m for both Interest Payable and Interest Receivable lines. The restatement is also reflected in the Cash Flow Statement.
- Note 10 Grant Income - The 2019-20 Receipts in Advance - Revenue and Capital Short and Long Term figures have been restated as a result of a change in categorisation of a grant. Short Term £3.697m and Long Term £1.154m. This restatement is also reflected in the balance sheet.
- Note 11 Property, Plant & Equipment - There was a restatement of 2019-20 depreciation and revaluation of £24.274m in respect of School component assets depreciated over incorrect asset lives in 2019-20. This also adjusts Comprehensive Income & Expenditure Statement, Cash flow statement and Note 7 Unusable Reserves.
- Note 18 Short Term Debtors and Creditors - a change in presentation of this Note was introduced in 2020-21 and 2019-20 figures were restated accordingly. The change impacts on Trade Debtors which are also presented in Note 21 Financial Instruments and Note 22 Nature and Extent of Risks Arising from Financial Instruments.
- Insurance Fund - A change in presentation was introduced in 2020-21 in accordance with accounting guidance for internal transactions. The 2019-20 comparative figures were restated for this in the Expenditure & Funding Analysis, Movement in Reserves Statement, Comprehensive Income & Expenditure Statement, Note 8 Analysis by Segment/Nature, Note 9 Other Income & Expenditure and HRA Statements.
- Reserves - A change in presentation was introduced in 2020-21 in accordance with accounting guidance on reserves. The 2019-20 comparative figures were restated for this in Movement in Reserves Statement, Note 5 Adjustments between Accounting & Funding Basis, Note 7 Unusable Reserves and HRA Statements.

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations. This may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2019-20 (Restated) £m		2020-21 £m
	Income	
(114.720)	Dwelling Rents	(118.916)
1.231	Rent Voids	1.796
(3.503)	Non-dwelling Rents	(3.492)
(2.195)	Hostels - Accommodation Charges	(2.278)
(3.025)	Other Income	(2.838)
(122.212)	Total Income	(125.728)
	Expenditure	
40.196	Repairs and Maintenance	36.535
23.361	Supervision and Management	26.239
0.163	Rents, rates, taxes and other charges	0.182
31.885	Depreciation, impairment and revaluation losses of non-current assets	34.528
2.813	Impairment of Debtors	2.785
1.523	Other Expenditure	1.159
99.941	Total Expenditure	101.428
(22.271)	Net Expenditure or (Income) of HRA Services as included in the Comprehensive Income and Expenditure Statement	(24.300)
0.103	Share of Corporate and Democratic Core	0.107
0.122	HRA share of other amounts included in the whole Council Net Expenditure of Continuing Operations but not allocated to specific services	0.050
(22.046)	Net (Income) or Expenditure for HRA Services	(24.143)
	HRA Share of operating income and expenditure included in the whole Council Comprehensive Income and Expenditure Statement	
(0.116)	(Gain) or Loss on sale of HRA Non Current Assets	1.098
19.638	Interest Payable and Similar Charges	12.721
(0.196)	Interest and Investment Income	(0.016)
0.694	Pension Interest Cost and Expected Return on Pension Assets	0.473
(13.709)	Capital Grants and Contributions Receivable	(14.315)
(15.735)	(Surplus) or Deficit for the Year on HRA Services	(24.182)

Movement on the Housing Revenue Account Statement

2019-20 (Restated) £m		2020-21 £m
(15.735)	(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement	(24.182)
	Adjustments between accounting & funding basis:	
(5.729)	- permitted by accounting standards	(5.190)
21.296	- required by statutory regulations	24.390
(0.331)	Transfers to/(from) Other Statutory Reserves	(0.018)
(0.499)	Net (Increase) or Decrease In Year on HRA	(5.000)
(2.506)	Balance on the HRA at the end of the Previous Year	(3.005)
(3.005)	Balance on the HRA at the end of the Current Year	(8.005)

Housing Revenue Account Disclosures

1. Adjustments between accounting & funding basis under accounting & statutory regulations

2019-20 (Restated) £m		2020-21 £m
	Accounting Standards Adjustments	
	Adjustments for Capital Purposes	
(5.729)	Revaluation element of depreciation in CIES	(5.190)
	Statutory Adjustments	
	Adjustments for Capital Purposes	
(26.156)	Depreciation, Impairment and Revaluations	(29.338)
13.709	Capital Grants and Contributions	14.315
0.116	Gain or (loss) on sale of HRA non-current assets	(1.098)
11.629	Repayment of Debt	13.079
30.198	Capital expenditure funded by the HRA	28.110
(2.428)	HRA share of contributions to/(from) the Pensions Reserve	(1.450)
(5.803)	HRA Share of Transfer (to)/from Financial Instruments Adjustment Account	0.971
0.031	HRA adjustment for compensated absences	(0.199)
15.567		19.200

2. Housing Stock

31 March 2020 Number	Council housing stock analysed by number of bedrooms	31 March 2021 Number
251	0	252
7,425	1	7,442
14,423	2	14,444
7,267	3	7,333
1,089	4 - 8	1,126
30,455		30,597

3. Rent Arrears

31 March 2020 £m		31 March 2021 £m
5.628	Current Tenants	5.364
2.419	Former Tenants	1.618
0.147	Temporary Accommodation	0.152
8.194		7.134

4. Impairment of Debtors

A provision of £5.711m (80.1%), including £0.068m for temporary accommodation, (2019-20 £6.470m 78.9%) has been made in respect of uncollectable debts.

5. Weekly Rents

The average weekly house rent (52 week basis) for 2020-21 was £74.91 (2019-20, £73.38). The level of rent has increased in line with the Council's policy to increase rents by the Retail Price Index plus 1% over a 3 year period.

6. Total Outstanding Debt

The total debt outstanding as at 2020-21 was £377.626m (2019-20, £376.663m). The increase in the level of debt is mainly due to the scale of the investment programme that is in place to deliver the Affordable Housing and the Component Replacement Programme.

The Non-Domestic Rate Account (Scotland) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic pool.

2019-20 £m		2020-21 £m
(212.186)	Gross Rates Levied & Contributions in Lieu	(212.554)
40.399	Reliefs & Other Deductions	86.175
0.001	Payment of Interest	0.000
1.031	Debts Written Off and Allowance for Impairment	0.941
(170.755)	Net Non-Domestic Rate Income	(125.438)
12.583	Adjustment to previous years National Non-Domestic Rates	7.510
(158.172)	Contribution to Non-Domestic Rate Pool	(117.928)
(165.717)	Distribution from Non-Domestic Rate Pool	(111.709)
(165.717)	Non-Domestic Rate Income to the CIES	(111.709)

Analysis of Rateable Values at 31 March 2021:-	Number of Subjects	Total £m	%
Type of Subject			
Shops	3,350	79.061	19.18
Public Houses	248	5.567	1.35
Offices (including banks)	2,394	25.741	6.24
Hotels, Boarding Houses etc	178	9.592	2.33
Industrial and Freight Transport Subjects	3,429	76.278	18.50
Leisure, Entertainment, Caravans and Holiday sites	1,233	14.089	3.42
Garages and Petrol Stations	187	2.064	0.50
Education and Training	218	31.794	7.71
Public Service Subjects	496	19.615	4.76
Communications (Non Formula)	27	2.592	0.63
Quarries, Mines etc.	32	1.114	0.27
Petrochemical	13	14.969	3.63
Religious	326	3.981	0.97
Health/Medical	67	8.413	2.04
Care Facilities	334	10.344	2.51
Undertaking (including Scottish Water)	55	96.816	23.48
Cultural	69	1.676	0.41
Sporting Subjects	589	1.020	0.25
Advertising	49	0.266	0.06
Other	1,378	7.260	1.76
Total all Non-Domestic Subjects	14,672	412.252	100%

Explanatory Note

Non-Domestic Rates is a tax on the occupation of non-domestic land and property which is entered in the Valuation Roll. The amount levied is calculated by multiplying the Rateable Value by the Rate Poundage, which is prescribed by Scottish Government. For 2020-21 this rate was 49.8p (2019-20, 49p) which is uniform throughout Scotland. A rate poundage of 51.1p (2019-20, 51.60p) applies to properties with a rateable value of more than £51,000 but less than £95,000. A rate poundage of 52.4p applies to properties with a rateable value of more than £95,000. There are several types of rate reliefs which are available in certain circumstances.

The valuation of all Scottish Water utilities are valued by the Fife Assessor and is shown on the Fife Assessment roll. This income is included within the Net Non-Domestic Rate Income shown above.

The Council Tax Income Account shows the gross income raised from council taxes levied and deductions made under Statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement.

By law, the Council is required to bill and collect water and sewerage charges for Scottish Water however these are excluded from the Council's accounts except for any cash collected not yet paid over at the financial year end.

2019-20 £m		2020-21 £m
	Gross Tax Levied	
(214.784)	Council Tax	(226.871)
(0.191)	Council Tax - Prior Year Income	(0.323)
(0.559)	Contributions in lieu	(0.579)
(215.534)		(227.773)
	Deductions	
20.475	Council Tax Reduction	22.627
27.704	Discount and Exemptions	29.458
3.464	Debts Written Off and Allowance for Impairment	4.102
0.609	Prior Years Adjustments	0.797
52.252		56.984
(163.282)	Council Tax Income to CIES	(170.789)

Charges Levied

Council Tax payable is dependent on the valuation band of a dwelling and is payable on any dwelling which is not determined as Exempt. Discounts and exemptions as specified in legislation can be applied to the gross charge.

Valuation Band (£)	A Up to 27,000	B 27,000 -35,000	C 35,001 -45,000	D 45,001 -58,000	E 58,001 -80,000	F 80,001 -106,000	G 106,001 -212,000	H Over 212,000
2020-21 charges (£)	853.87	996.18	1,138.49	1,280.80	1,682.83	2,081.30	2,508.23	3,137.95
2019-20 charges (£)	814.45	950.19	1,085.93	1,221.67	1,605.14	1,985.21	2,392.44	2,993.09

Band D equivalent properties

The table below shows an analysis of properties at 31 March 2021 across valuation bandings. Certain prescribed dwellings are exempt and discounts are given to eligible taxpayers (e.g. single occupants) with reductions also granted to properties with certain attributes that are the sole and main residence of permanently disabled persons. The table converts the total number of properties into band D equivalents including a provision for non-payment.

Number of Dwellings	Total	Band								
		A(Dis)	A	B	C	D	E	F	G	H
Total Dwellings	179,964	0	40,399	48,730	23,825	21,421	24,115	14,186	6,778	510
Disabled Relief	0	66	133	(66)	12	76	(90)	(70)	(57)	(4)
Exemptions	(7,707)	0	(2,258)	(1,886)	(1,070)	(946)	(819)	(463)	(179)	(86)
Discounts	(19,777)	(7)	(6,576)	(5,544)	(2,684)	(1,984)	(1,734)	(796)	(408)	(44)
	152,480	59	31,698	41,234	20,083	18,567	21,472	12,857	6,134	376
Band D Ratio			240/360	280/360	320/360	360/360	473/360	585/360	705/360	882/360
	151,692	33	21,132	32,071	17,852	18,567	28,211	20,893	12,013	920
Non-payment provision- 2.10%	(3,185)	(1)	(444)	(673)	(375)	(390)	(592)	(439)	(252)	(19)
Band D Equivalent	148,507	32	20,688	31,398	17,477	18,177	27,619	20,454	11,761	901

Introduction

The introduction of LASAAC guidance “Accounting for the Common Good”, in December 2007, sets out the disclosure requirements for Common Good funds and requires that authorities prepare an Explanatory Foreword, a Comprehensive Income and Expenditure Statement (CIES) and a Balance Sheet. The statements are prepared in accordance with Fife Council’s accounting policies.

History and Background

The Common Good Fund relates to particular former Burghs and is administered by Fife Council who, as required by the Local Government (Scotland) Act 1973 must have regard to interests of inhabitants of the area to which the common good formerly related. There are 22 common good funds consolidated into the financial statements.

Common Good funds consist of a number of assets and properties, these being land and buildings, investments and cash balances. These assets provide sources of income to the fund such as rent, interest and investment income. The first call on this income is the maintenance and up-keep of Common Good properties. Thereafter the income is available for distribution in the interests of the inhabitants of the area where the fund was originally established. All expenditure of this nature is subject to a grant application and an approval process.

Financial Statements

The CIES records the income generated from rents, interest, investment income and any profit from sale of assets. Expenditure represents the costs incurred in relation to the Common Good Fund, such as repairs and maintenance, depreciation and disbursements. In 2020-21, the value of investments held by Common Good increased by £0.642m which was largely due to the recovery of the financial markets following the volatility shown last year in reaction to the COVID-19 pandemic.

Common Good Movement in Reserves Balance

	Useable Reserve £m	Unusable Reserves £m	Total Reserves £m
Opening Balance 1 April 2019	(5.051)	(3.467)	(8.518)
<u>Movement in Reserves during 2019-20</u>			
(Surplus) or deficit on provision of services	0.538	0.000	0.538
Other Comprehensive Expenditure and Income	0.000	(0.456)	(0.456)
Total Comprehensive Income & Expenditure	0.538	(0.456)	0.082
Adjustments between accounting & funding basis:	0.059	(0.059)	0.000
(Increase)/Decrease in year	0.597	(0.515)	0.082
Balance at 31 March 2020 carried forward	(4.454)	(3.982)	(8.436)
<u>Movement in Reserves during 2020-21</u>			
(Surplus) or deficit on provision of services	(0.906)	0.000	(0.906)
Other Comprehensive Expenditure and Income	0.000	(0.032)	(0.032)
Total Comprehensive Income & Expenditure	(0.906)	(0.032)	(0.938)
Adjustments between accounting & funding basis:	(0.049)	0.049	0.000
(Increase)/Decrease in Year	(0.955)	0.017	(0.938)
Balance at 31 March 2021 carried forward	(5.409)	(3.965)	(9.374)

Common Good Comprehensive Income and Expenditure Statement

2019-20 £m		2020-21 £m
	Expenditure	
0.177	Property Costs	0.053
0.132	Donations	0.222
(0.003)	Depreciation and Revaluations	0.089
0.029	Other Expenditure	0.010
0.335	Total Expenditure	0.374
	Income	
(0.182)	Interest on investments	(0.132)
(0.259)	Rents	(0.233)
(0.005)	Other Income	(0.092)
(0.446)	Total Income	(0.457)
0.000	Other Income and Expenditure	(0.005)
0.704	(Gain)/ Loss on Revaluation of Investment Fund	(0.643)
(0.055)	Capital Grant Received	(0.175)
0.649	Other Operating Income and Expenditure	(0.823)
0.538	(Surplus)/Deficit for year	(0.906)
(0.456)	Other Comprehensive Expenditure & Income	(0.032)
0.082	Total Comprehensive Expenditure & Income	(0.938)

Common Good Balance Sheet

2019-20 £m		2020-21 £m
3.983	Heritable Property	3.965
3.183	Investments	3.826
7.166	Long Term Assets	7.791
1.239	Advances to Loans Fund	1.545
0.046	Sundry Debtors	0.038
1.285	Current Assets	1.583
(0.015)	Sundry Creditors	0.000
(0.015)	Current Liabilities	0.000
8.436	Net Assets/(Liabilities)	9.374
	Financed by:	
(4.454)	Usable Reserves	(5.409)
(3.982)	Unusable Reserves	(3.965)
(8.436)	Total Reserves	(9.374)

The unaudited accounts were issued on 30 June 2021 and the audited accounts were authorised for issue on 16 December 2021.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services

Introduction

The Council is Trustee for 90 Charitable Trusts consolidated into these financial statements, comprising of an Explanatory Foreword, a Movement in Reserves Statement, Comprehensive Income & Expenditure Statement (CIES) and Balance Sheet. The statements are prepared in accordance with Fife Council's accounting policies.

The Council has 47 Trusts registered as charities and governed by the rules of the Office of Scottish Charities Regulator (OSCR), for which separate consolidated financial statements have also been prepared, with the remaining 43 Trusts non-registered charities. The Council also prepares separate financial statements for those charities where the Authority, or some members of the Authority, are sole trustees of the charity. These separate statements are available from Finance & Corporate Services, Fife Council, North Street, Glenrothes, KY7 5LT.

History and Background

Charities and Trust funds have been set up from donations made by various individuals and organisations over many years and consist of a number of assets such as land & buildings, investments and cash balances. These assets provide income from rent, interest and investments which is available for distribution in the interests of the beneficiaries of the trusts, subject to approval, ensuring that resources are available to meet continuing future requirements. In accordance with the Local Government (Scotland) Act 1973, Fife Council, as administrator of the funds, must have regard to the interests of beneficiaries for which each fund was established. The major trust administered by the Council is Fife Educational Trust whose main purpose is to promote education and reward educational achievement, through providing prizes, bursaries, scholarships, grants and equipment.

Financial Statements

The CIES records income generated and any profit from sale of assets. Expenditure represents costs incurred in relation to disbursements from the various Charities and Trust funds in accordance with individual trust conditions. In 2020-21, the value of investments held by Charities & Trust Funds increased by £0.512m due to the recovery of the financial markets following the volatility shown last year in reaction to the COVID-19 pandemic.

2019-20 Total £m	Summary of balances held at 31st March	Other Trust Funds £m	Registered Charities £m	2020-21 Total £m
(1.621)	Fife Educational Trust	0.000	(1.982)	(1.982)
(0.057)	Community Funds	(0.055)	0.000	(0.055)
(2.490)	Other Trusts/Charities	(1.094)	(1.549)	(2.643)
(4.168)		(1.149)	(3.531)	(4.680)

	Useable Reserve £m	Unusable Reserve £m	Total Reserves £m
Opening Balance 1 April 2019	(4.990)	(0.005)	(4.995)
<u>Movement in Reserves during 2019-20</u>			
(Surplus) or deficit on provision of services	0.827	0.000	0.827
Other Comprehensive Expenditure and Income	0.000	0.000	0.000
Total Comprehensive Income & Expenditure	0.827	0.000	0.827
Balance at 31 March 2020 carried forward	(4.163)	(0.005)	(4.168)
<u>Movement in Reserves during 2020-21</u>			
(Surplus) or deficit on provision of services	(0.515)	0.000	(0.515)
Other Comprehensive Expenditure and Income	0.000	0.003	0.003
Total Comprehensive Income & Expenditure	(0.515)	0.003	(0.512)
Balance at 31 March 2021 carried forward	(4.678)	(0.002)	(4.680)

2019-20 Total £m		2020-21		Total £m
		Other Trust Funds £m	Registered Charities £m	
	Expenditure			
0.140	Disbursements	0.113	0.156	0.269
0.022	Other Expenditure	0.000	0.015	0.015
0.162	Total Expenditure	0.113	0.171	0.284
	Income			
(0.177)	Interest on investments	(0.029)	(0.069)	(0.098)
0.000	Other Income	0.000	0.000	0.000
(0.177)	Total Income	(0.029)	(0.069)	(0.098)
0.842	Financing and Investment Income and Expenditure	(0.138)	(0.563)	(0.701)
0.827	(Surplus)/Deficit for year	(0.054)	(0.461)	(0.515)
0.000	Asset revaluations recognised in Revaluation Reserve	0.000	0.003	0.003
0.000	Other Comprehensive Expenditure & Income	0.000	0.003	0.003
0.827	Total Comprehensive Income and Expenditure	(0.054)	(0.458)	(0.512)

2019-20 Total £m		2020-21		Total £m
		Other Trust Funds £m	Registered Charities £m	
0.005	Heritable Property	0.000	0.002	0.002
2.725	Investments	0.810	2.617	3.427
2.730	Long Term Assets	0.810	2.619	3.429
1.402	Advances to Loans Fund	0.333	0.896	1.229
0.036	Sundry Debtors	0.006	0.016	0.022
1.438	Current Assets	0.339	0.912	1.251
0.000	Sundry Creditors	0.000	0.000	0.000
0.000	Current Liabilities	0.000	0.000	0.000
4.168	Net Assets/(Liabilities)	1.149	3.531	4.680
	Financed by:			
(4.163)	Usable Reserves	(1.149)	(3.529)	(4.678)
(0.005)	Unusable Reserve - Revaluation Reserve	0.000	(0.002)	(0.002)
(4.168)	Total Reserves	(1.149)	(3.531)	(4.680)

The unaudited accounts were issued on 30 June 2021 and the audited accounts were authorised for issue on 16 December 2021.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services

Independent auditor's report to the members of Fife Council and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Fife Council and its group for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the council and group Expenditure and Funding Analysis, Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash-Flow Statement, the council-only Housing Revenue Account (HRA) Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Non-Domestic Rate Income Account, the Council Tax Income Account, the Common Good Movement in Reserves Statement, the Common Good Comprehensive Income and Expenditure Statement, the Common Good Balance Sheet, the Charities and Trust Funds Movement in Reserves Statement, the Charities and Trust Funds Comprehensive Income and Expenditure Statement, the Charities and Trust Funds Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the council and its group as at 31 March 2021 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is five years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Executive Director Finance and Corporate Services and Fife Council for the financial statements

As explained more fully in the Statement of the Responsibilities, the Executive Director Finance and Corporate Services is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Executive Director Finance and Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director Finance and Corporate Services is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The council is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the council is complying with that framework;
- identifying which laws and regulations are significant in the context of the council;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skillfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

I have audited the part of the Remuneration Report described as audited. In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Statutory other information

The Executive Director Finance and Corporate Services is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Corporate Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Corporate Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on Management Commentary and Corporate Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Corporate Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of the Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Brian Howarth ACMA CGMA
Audit Director
Audit Scotland
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8 Nelson Mandela Place,
Glasgow, G2 1BT

