

Standards and Audit Committee

Due to Scottish Government guidance relating to COVID-19, this meeting will be held remotely.



Thursday, 16th December, 2021 - 10.00 a.m.

AGENDA

Page Nos.

- | | | |
|----|---|-----------|
| 1. | APOLOGIES FOR ABSENCE. | |
| 2. | DECLARATIONS OF INTEREST – In terms of Section 5 of the Code of Conduct, members of the Committee are asked to declare any interest in particular items on the agenda and the nature of the interest(s) at this stage. | |
| 3. | MINUTE – Minute of the meeting of the Standards and Audit Committee of 7th October, 2021. | 3 – 6 |
| 4. | FIFE COUNCIL AND CHARITABLE TRUSTS - ANNUAL AUDIT REPORT AND AUDITED ACCOUNTS – Report by the Executive Director - Finance and Corporate Services. | |
| | (a) Report by Executive Director, Finance and Corporate Services | 7 – 9 |
| | (b) ISA 580 Covering letter Fife Council and Charitable Trusts | 10 – 26 |
| | (c) Fife Council and Charitable Trusts Annual Audit Report 2020-21 | 27 – 64 |
| | (d) Fife Council Annual Accounts 2020-21 | 65 – 136 |
| | (e) Fife Council Charitable Trusts Annual Report and Accounts 2020-21 | 137 – 158 |
| 5. | 2020/21 NATIONAL FRAUD INITIATIVE EXERCISE - PROGRESS TO DATE – Report by the Service Manager, Audit and Risk Management Services. | 159 – 165 |
| 6. | 2021/22 ISSUED AUDIT REPORTS – Report by the Executive Director - Finance & Corporate Services. | 166 – 170 |
| 7. | REGULATION OF INVESTIGATORY POWERS (SCOTLAND) ACT 2000 – Report by the Executive Director - Finance and Corporate Services. | 171 – 173 |
| 8. | THE STANDARDS COMMISSION FOR SCOTLAND - ANNUAL REPORT AND ACCOUNTS FOR 2020/21; AND DECISIONS TAKEN BY THE HEARING PANEL OF THE SCS – Report by the Head of Legal and Democratic Services. | 174 – 176 |
| 9. | STANDARDS AND AUDIT COMMITTEE FORWARD WORK PROGRAMME. | 177 – 178 |

Members are reminded that should they have queries on the detail of a report they should, where possible, contact the report authors in advance of the meeting to seek clarification.

Lindsay Thomson
Head of Legal and Democratic Services
Finance and Corporate Services

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9th December, 2021

Please contact:
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www.fife.gov.uk/committees

THE FIFE COUNCIL - STANDARDS AND AUDIT COMMITTEE – REMOTE MEETING

7th October, 2021

10.00 a.m. – 12.20 p.m.

PRESENT: Councillors Dave Dempsey (Convener), John Beare, Gordon Langlands, Jonny Tepp, Ann Verner and Ross Vettraino.

ATTENDING: Elaine Muir, Head of Finance; Lindsay Thomson, Head of Legal and Democratic Services, Diarmuid Cotter, Head of Customer and Online Services, Communities; Martin Kotlewski, Service Manager – Solutions and Service Assurance, Business and Technology Solutions; Carolyn Ward, Audit Team Manager, Audit and Risk Management Services; Laura McDonald, Lead Officer, and David Thomson, Customer Experience Lead Officer/SPSO Liaison Officer, Customer and Online Services; Helena Couperwhite, Manager - Committee Services, Fiona Stuart, Data Protection Officer and Wendy MacGregor, Committee Officer, Legal and Democratic Services.

ALSO IN ATTENDANCE: Patricia Fraser, Senior Audit Manager and Ross Hubert, Auditor, Audit Scotland.

APOLOGIES FOR ABSENCE: Councillors Dave Coleman and Derek Noble.

189. DECLARATIONS OF INTEREST

No declarations of interest were made in terms of Standing Order No.7.1.

190. MINUTES

The Committee considered:-

- (a) the minute of the meeting of the Standards and Audit Committee of 3rd June, 2021

Decision

The Committee agreed to approve the minute.

- (b) the minute of the meeting of the Standards and Audit Committee of 29th June, 2021.

Decision

The Committee agreed to approve the minute.

191./

191. INFORMATION REQUESTS ANNUAL REPORT 2020-21

The Committee considered an annual report by the Head of Customer and Online Services, Communities detailing requests for information received by Fife Council in terms of the Freedom of Information (Scotland) Act 2002 (FOISA); the Environmental Information (Scotland) Regulations 2004 (EIR); and the GDPR/ Data Protection Act 2018 (DPA).

Decision

The Committee:-

- (1) noted the workload arising from managing information requests;
- (2) discussed and provided comment on the performance detailed in the report; and
- (3) requested that 2021 statistics which detailed the number of SARS requests received by Fife Council and Appendix 1 to the report, AR Information requests, be included in the annual report submitted to the Committee in 2022, so that a comparison in annual data would be available for members to scrutinise.

192. DATA PROTECTION ANNUAL REPORT

The Committee considered an annual report by the Data Protection Officer, Legal and Democratic Services, highlighting key data protection statistics for Fife Council and developments in relation to data protection law and practice. Data protection priorities for Fife Council over the last year and steps taken to action these were also detailed in the report.

Decision

The Committee:-

- (1) noted the work of the Data Protection Officer and the Data Protection Team to ensure continued compliance across the Council with the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018 and in continuing to adapt processes to enable vital COVID related data sharing initiatives and projects to take place in a compliant way;
- (2) provided comment on the performance detailed in this report acknowledged concern in relation to the low number of employees in some Fife Council Services who had not completed the data protection training;
- (3) noted the steps taken via the Information Governance Working Group, the ICT Governance Board and staff communications to improve performance; whilst noting the recommendation to reassess the statistics towards the end of 2021; and
- (4) agreed that an update report would be submitted to this Committee at its meeting on 17th February, 2022 with a focus on training statistics and work carried out to enforce the requirement to complete the online Data Protection training module by employees of Fife Council.

193. COMPLAINTS UPDATE

The Committee considered a report by the Executive Director - Communities providing a brief update on Fife Council complaints closed between 1st April, 2020 and 31st March, 2021 (performance and information).

Decision

The Committee discussed and commented on the Council's performance during the pandemic, noted the increased volume, the subject matter of complaints received, and the associated responsiveness.

194. FIFE COUNCIL - MANAGEMENT REPORT 2020-21

The Committee considered a report by the Head of Finance presenting the Fife Council Management Report provided by Audit Scotland. A summary of the key issues was identified during the interim audit work carried out at Fife Council by Audit Scotland as well as the management responses from Council officers. The findings in the report determine the approach to the audit of the 2020/21 annual accounts carried out by Audit Scotland.

Decision

The Committee:-

- (1) considered and acknowledged the contents of the report; and
- (2) noted that Audit Scotland would use the results of the interim audit work to determine their approach to the audit of the 2020-21 annual accounts.

195. UPDATE ON 2021/22 AUDIT PERFORMANCE AND ANALYSIS OF ISSUED REPORTS

The Committee considered a report by the Audit Team Manager, Risk Management Services, providing an update on 2021/22 audit performance information and providing an analysis of the findings in audit reports issued since the last report to this Committee. Highlighted in the report were areas of concern and instances where Services were not taking appropriate action.

Decision

The Committee:-

- (1) noted the contents of the report and the Analysis of Issued Audit Reports detailed in Appendix 1 to the report; and
- (2) requested that Fife Council Services were notified where no further audit actions were required and congratulated on their achievement.

196./

196. INTEGRATION JOINT BOARD ANNUAL REPORT 2020/21

The Committee considered a report by the Head of Finance presenting the Integration Joint Board (IJB) Annual Audit Report for noting as part of the overall assurance portfolio in support of the governance statement. In return, the Fife Council Annual Audit Report was shared with the IJB Audit and Risk Committee.

Decision

The Committee noted the Integration Joint Board Annual Audit Report 2020/21.

197. STANDARDS AND AUDIT FORWARD WORK PROGRAMME

The Committee considered the Standards and Audit Forward Work Programme,

Decision

The Committee noted the Standards and Audit Forward Work Programme which would be updated accordingly.

16th December, 2021

Agenda Item No. 4

Fife Council & Charitable Trusts - Annual Audit Report and Audited Accounts

Report by: Eileen Rowand, Executive Director of Finance and Corporate Services

Wards Affected: All

Purpose

This report contains the Audited Accounts for Fife Council and Charitable Trusts for 2020-21, as well as, the Annual Audit Report. This report also provides a brief response to the External Auditor's report to Fife Council and the Controller of Audit.

Recommendation

It is recommended that Members approve the Audited Accounts for signature and note the report by Audit Scotland, the Council's External Auditors and the management responses.

Resource Implications

None.

Legal & Risk Implications

None.

Policy & Impact Assessment

None.

Consultation

None.

1.0 Background

- 1.1. The Local Authority Accounts (Scotland) Regulations 2014 require the audited accounts to be approved for signing by the Committee whose remit includes audit or governance functions. Once the accounts are approved the statements which form part of the Annual Accounts are then signed. In considering the accounts the Committee must consider a report by the appointed auditor.
- 1.2. The Council's External Auditor requires to communicate matters relating to the audit of the Financial Statements to those charged with governance of the organisation. The appropriate committee to consider governance within Fife Council is the Standards and Audit Committee.

2.0 Issues

- 2.1 Fife Council has a good record of delivering Financial Statements which the Council's External Auditor agrees give a true and fair view of the Council's financial position and this year is no exception.
- 2.2 The auditor's opinion in relation to the financial statements for 2020-21 is unqualified and this means the auditor has concluded that the accounts give a true and fair view of the financial position of Fife Council, its income and expenditure for the year ended 31 March 2021 and that the accounts have been properly prepared in accordance with relevant legislation and accounting regulations. The auditor found no material weaknesses in the accounting and internal control systems. The results of the audit of the internal control systems were presented to this committee on 07 October 2021.
- 2.3 The auditor has identified 3 recommendations and reported these in the Annual Audit report, these relate to Budget Monitoring and Control, COVID-19 pressures and balances and Register of Interests.
- 2.4 The issue surrounding Budget Monitoring and Control focussed on the lack of routine pay and non-pay monitoring reports for budget holders resulting from both the impact of COVID-19 and the introduction of new financial systems and the need to focus on high level organisational financial planning. This has been fully rectified and routine budget monitoring at budget holder level has been re-introduced.
- 2.5 External Audit have highlighted that although officers have estimated detailed future cost estimates of COVID-19, the detail has not yet been shared with members. Management have responded by highlighting that this will be addressed during the budget process and it is expected that the reserves carried forward are sufficient to cover the expected costs.

- 2.6 One recommendation has been brought forward from 2019/20 in respect of the completion of Register of Interests by elected members. Although procedures are in place Audit Scotland have highlighted that 13 councillors had not updated the register since 2019. Management have agreed to remind elected members of their responsibilities.
- 2.7 Details of these recommendations and management responses can be found at Appendix 1 of the Annual Audit Report.

3.0 Conclusions

- 3.1 In overall terms the audit report is positive, and the audit opinion is unqualified. Preparation of the Annual Accounts is one of the key outputs for the Finance and Corporate Services Directorate. I wish to record my thanks to staff across the Council who have contributed to this process. My thanks also go to Audit Scotland staff for their contribution to the process and for their willingness to work in partnership with Fife Council.

Report Contact

Elaine Muir
Head of Finance
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Fife Council Standards and Audit Committee 16 December 2021

Fife Council and Fife Charitable Trusts

Audit of 2020/21 annual accounts

Independent auditor's report

1. Our audit work on the 2020/21 annual accounts is now substantially complete. Subject to the satisfactory conclusion of the outstanding matters referred to later in this letter and receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 16 December 2021 (the proposed report is attached at [Appendix A](#)).

Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Standards and Audit Committee's consideration our draft annual report on the 2020/21 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.

3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.

4. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected.

6. If corrected, this would reduce net expenditure by £0.26 million and reduce prepayments in the balance sheet by the same amount.

Fraud, subsequent events and compliance with laws and regulations

7. In presenting this report to the Standards and Audit Committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

Representations from Section 95 Officer

8. As part of the completion of our audit, we are seeking written representations from the Section 95 Officer on aspects of the annual accounts, including the judgements and estimates made.

9. A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

Outstanding matters

10. There are some areas where we still require additional information, and these are identified below:

- council tax - a system report listing council tax exemptions applied in 2020/21
- supporting documentation for sample testing of Council Tax accounts
- quantified reports for reductions, discounts and exemptions for 2020/21.

Appendix A: Proposed Independent Auditor's Report

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 skilfulness 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, Annual 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 Annual 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 Annual 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 Annual 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
4th Floor, The Athenaeum Building

8 Nelson Mandela Place,

Glasgow, G2 1BT

APPENDIX A: Proposed Independent Auditor's Report – Fife Council Charitable Trusts

Proposed Independent Auditor's Report

Independent auditor's report to the trustees of Fife Council Charitable Trusts 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 statement of accounts of Fife Council Charitable Trusts for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the 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 the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Fife Council Charitable Trusts as at 31 March 2021 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

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 am independent of the charities 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. 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 charities' 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.

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

As explained more fully in the Statements of Responsibilities, the Trustees and the Executive Director of Finance and Corporate Services are 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 trustees determine 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 Trustees and the Executive Director of Finance and Corporate Services are responsible for assessing the charities' 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.

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 charities are complying with that framework;
- identifying which laws and regulations are significant in the context of the charities;
- 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 charities' 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 skilfulness 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

Statutory other information

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual 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 to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinion prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report 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 Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or

- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

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.

Patricia Fraser CPFA

Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

Patricia Fraser is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973

APPENDIX B: Letter of Representation (ISA 580) Fife Council

Brian Howarth, Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Dear Brian

Fife Council Annual Accounts 2020/21

- 1.** This representation letter is provided about your audit of the annual accounts of Fife Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
- 2.** I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of Fife Council 's annual accounts for the year ended 31 March 2021.

General

- 3.** Fife Council and I have fulfilled our statutory responsibilities for the preparation of the 2020/21 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Fife Council have been recorded in the accounting records and are properly reflected in the financial statements.
- 4.** I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

- 5.** The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (2020/21 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
- 6.** In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Fife Council [and its Group] at 31 March 2021 and the transactions for 2020/21.

Accounting Policies & Estimates

- 7.** All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2020/21 accounting code where

applicable. Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Fife Council circumstances and have been consistently applied.

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed Fife Council 's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Fife Council 's ability to continue as a going concern.

Assets

10. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2021 does not differ materially from that which would be determined if a revaluation had been carried out at that date.

11. I carried out an assessment at 31 March 2021 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.

12. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2021.

13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.

14. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Liabilities

15. All liabilities at 31 March 2021 of which I am aware have been recognised in the annual accounts.

16. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2021 of which I am aware where the conditions specified in the 2020/21 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2021. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

17. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2021 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

18. The accrual recognised in the financial statements for holiday untaken by 31 March 2021 has been estimated on a reasonable basis.

19. The pension assumptions made by the actuary in the IAS 19 report for Fife Council have been considered and I confirm that they are consistent with management's own view.

20. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Contingent liabilities

21. There are no significant contingent liabilities, other than those disclosed in Note 29 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and IAS 37.

22. With specific reference to equal pay claims I can confirm that it is not possible to quantify the contingent liability.

Fraud

23. I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated because of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

24. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

25. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2020/21 accounting code. I have made available to you the identity of all the Fife Council 's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

26. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

Management commentary

27. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

28. I confirm that Fife Council has undertaken a review of the system of internal control during 2020/21 to establish the extent to which it complies with proper practices set out in the

Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

29. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2021, which require to be reflected.

Group Accounts

30. I have identified all the other entities in which Fife Council has a material interest and have classified and accounted for them in accordance with the 2020/21 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

Events Subsequent to the Date of the Balance Sheet

31. All events subsequent to 31 March 2021 for which the 2020/21 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Eileen Rowand MBA CPFA

Executive Director Finance and Corporate Services

APPENDIX B: Letter of Representation (ISA 580) – Fife Council Charitable Trusts

Patricia Fraser, Senior Audit Manager
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

Dear Patricia

Fife Council Charitable Trusts Annual Accounts 2020/21

1. This representation letter is provided about your audit of the annual accounts of Fife Council Charitable Trusts (the Trusts) for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the Trustees' Annual Report.

2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Trustees, the following representations given to you in connection with your audit of the Trusts' annual accounts for the year ended 31 March 2021.

General

3. The Trustees and I have fulfilled our statutory responsibilities for the preparation of the 2020/21 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by the Trusts have been recorded in the accounting records and are properly reflected in the financial statements.

4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 7 and 8 of The Charities Accounts (Scotland) Regulations 2006.

6. I have ensured that the financial statements give a true and fair view of the financial position of the Trusts at 31 March 2021 and the transactions for 2020/21.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2020/21 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All

accounting policies applied are appropriate to the Trusts' circumstances and have been consistently applied.

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed the Trusts' ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on the Trusts' ability to continue as a going concern.

Liabilities

10. All liabilities at 31 March 2021 of which I am aware have been recognised in the annual accounts.

11. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Contingent liabilities

12. There are no significant contingent liabilities arising either under formal agreement or through formal undertakings requiring disclosure in the accounts.

Fraud

13. I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated because of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

14. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

15. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements. I have made available to you the identity of all the Trusts' related parties and all the related party relationships and transactions of which I am aware.

Management commentary

16. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

17. I have fulfilled my responsibilities for the Trusts' corporate governance arrangements. I have disclosed to you all deficiencies in internal control of which I am aware.

18. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2021, which require to be reflected.

Events Subsequent to the Date of the Balance Sheet

19. All events subsequent to 31 March 2021 for which the 2020/21 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Eileen Rowand MBA CPFA

Executive Director Finance and Corporate Services

Fife Council

Fife Council

2020/21 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of Fife Council and the Controller of Audit
December 2021

Contents

Key messages	3
Introduction	4
1. Audit of 2020/21 annual accounts	7
2. Financial management	14
3. Financial sustainability	20
4. Governance and transparency	22
5. Best Value	24
Appendix 1	28
Appendix 2	32
Appendix 3	36
Appendix 4	37

Key messages

2020/21 annual accounts

- 1 Our audit opinions on the annual accounts are unmodified.
- 2 The audited accounts have been updated to correct a £24 million prior year overstatement in depreciation charges; include Fife council's share of reserves held by the IJB of £15 million and to recognise unspent Early Learning & Childcare grant (£14 million) as income.

Financial management and sustainability

- 3 The council reported an underspend against its 2020/21 budget of £86 million, mainly due to unspent Covid-19 funding received late in the financial year, with General Fund Reserves increasing significantly as a consequence.
- 4 The council received £87 million additional funding for Covid-19 and administered a further £104 million of grant payments to businesses and individuals.
- 5 The introduction of remote working and new systems adversely impacted key controls in 2020/21.
- 6 The Council has a three-year planning horizon and has identified a cumulative core funding gap of £47m to 2024/25 for planning purposes. The Council has plans in place to bridge the funding gap in 2021/22 and is refreshing its approach to identifying solutions in the medium to longer term.

Governance, transparency and Best Value

- 7 Progress against Best Value recommendations continues to be slow but are progressing despite Covid-19.
- 8 A revised Plan for Fife was completed in September aligning it with the reform and recovery programme.
- 9 Some service performance information has been publicly reported for 2020/21, but further improvements are needed.

Introduction

1. This report summarises the findings arising from the 2020/21 audit of Fife Council (the Council) and its group. The scope of the audit was set out in our 2020/21 Annual Audit Plan presented to the June meeting of the Standards and Audit Committee. This report comprises the findings from:

- an audit of the annual accounts
- consideration of the four wider audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#).

2. The main elements of our audit work in 2020/21 have been:

- an audit of the annual accounts of the Council; its group and the Section 106 charities administered by the Council and the issue of independent auditor's reports setting out our opinions
- a review of the Council's key financial systems
- an assessment of the Council's approach to implementing the outstanding recommendations included in the Council's BVAR published in May 2018.
- consideration of the four wider audit dimensions (financial management, financial sustainability, governance and transparency, and value for money)

Adding value through the audit

3. We add value to the council through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports ([Appendix 4](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability

Responsibilities and reporting

4. The Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The Council is also responsible for compliance with legislation, and putting arrangements in

place for governance, propriety and regularity that enable it to successfully deliver its objectives.

5. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the Code of Audit Practice 2016 and supplementary guidance, and International Standards on Auditing in the UK.

6. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the effectiveness of the Council's performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements, and financial position,
- the arrangements for securing financial sustainability and,
- Best Value arrangements.

7. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice 2016. and supplementary guidance.

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

9. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

Auditor Independence

10. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £ 534,970 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

11. This report is addressed to both the Council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course. We would like to thank the management

and staff who have been involved in our work for their cooperation and assistance during the audit.

1. Audit of 2020/21 annual accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

Our audit opinions on the annual accounts are unmodified.

The audited accounts have been updated to correct a £24 million overstatement in depreciation charges included in the 2019/20 accounts.

The group accounts have been amended to disclose Fife Council's share of reserves held by the IJB of £15 million.

The unspent Early Learning & Childcare grant of £14 million is now recognised as income rather than as a revenue receipt in advance.

Our audit opinions on the annual accounts are unmodified

12. The accounts for the Council and its group for the year ended 31 March 2021 were approved by the Standards and Audit Committee on 16 December. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

13. Our opinions on the Section 106 charitable Trust accounts for 2020/21 were also unmodified.

Covid-19 had a significant impact on the Council and the audit

14. During 2020/21 the Council has operated in challenging circumstances presented by Covid-19. The introduction of remote working and changes to key systems impacted on the control environment.

15. Fife Council published and provided the unaudited accounts to audit on 1 July 2021 in accordance with the statutory

timescale. These were formally considered by the Standards and Audit Committee at its meeting on 29 June 2021.

16. We continued to audit remotely and Covid-19 has impacted on the volume of audit work and the time taken to complete our audit, due in part to the legacy of 2019/20 impacts of Covid-19. We also undertook additional audit procedures as a result of identified weaknesses in control ([Paragraph 49.](#) and to confirm the operation of controls in the disbursement of Government Covid-19 grants ([Paragraph 38.](#))

There were no objections raised to the annual accounts

17. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on their websites that include details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The Council complied with the regulations. There were no objections to the 2020/21 accounts.

Overall materiality of the Council and its Group is £15 million

18. We apply the concept of materiality in both planning and performing the audit, in evaluating the effect of identified misstatement on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. We identify a benchmark on which to base overall materiality, such as gross expenditure, and apply what we judge to be the most appropriate percentage level for calculating materiality values.

19. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the annual accounts. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

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

Exhibit 1

Council materiality values

Materiality level	Amount
Overall materiality	£15 million
Performance materiality	£7.5 million
Reporting threshold	£250 thousand

Overall materiality of the Charitable Trusts is £15,000

We also set separate materiality levels for the charitable trusts as outlined in [Exhibit 2](#).

Exhibit 2

Charitable Trusts materiality values

Materiality level	Amount
Overall materiality	£15,000
Performance materiality	£10,500
Transaction Performance materiality	£250
Reporting Threshold	£150

Appendix 2 identifies the main risks of material misstatement and our audit work performed to address these

21. [Appendix 2](#) provides our assessment of the risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the team were directed. The appendix identifies the work we undertook to address these risks and our conclusions from this work.

Accounts were revised to reflect our significant findings

22. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. We have reported a number of issues from the work done on the identified risks of material misstatement. These are included in the action plan at [Appendix 1](#).

23. The significant findings are summarised in [Exhibit 3](#) - for the Council and its Group and in [Exhibit 4](#) for the Charitable Trusts.

Exhibit 3

Significant findings from the audit of the Council and its Group

Issue	Resolution
<p>Corrections to asset lives and depreciation</p> <p>Note 11 in the unaudited accounts detailed depreciation charges of £49 million for 2020/21 and £71 million 2019/20. We investigated this significant reduction between the two years and found that depreciation charges in 2019/20 had been overstated by £24 million. Asset lives for some school components had been incorrectly updated in the asset register in 2019/20 to reflect indexation valuations which were undertaken in March 2020.</p>	<p>The audited Annual Accounts depreciation charges have been updated to reflect the correct depreciation charge of £46million for 2019/20.</p>
<p>Accounting for Covid-19 personal protective equipment (PPE) and testing kits</p> <p>Due to the late publication of guidance and availability of information, unaudited annual accounts did not account for Covid-19 PPE equipment and testing kits. These were supplied, free of charge, to local authorities in 2020/21 by National Services Scotland (NSS).</p> <p>NHS NSS data on PPE issued to community hubs was not agreed until the end of June. Fife Council received £7 million of stock based on NSS records.</p> <p>LASAAC guidance to practitioners in July 2021 was only produced after the draft accounts were completed, however the guidance advised on the accounting treatment of PPE and testing kits.</p>	<p>Audited accounts were updated once the guidance was issued, to recognise the receipt and use of this equipment in 2020/21.</p> <p>In accordance with the LASAAC guidance, an additional £1 million of income and expenditure is disclosed in the audited accounts. There was no net impact on the Council's reserves and balances.</p> <p>Officers determined that £6 million of equipment had been passed on to external organisations such as care homes. This is correctly classified as agency funding and is not recognised in the Comprehensive Income and Expenditure Statement.</p>
<p>Integration Joint Board adjustments</p> <p>The accounts were amended to correctly disclose Fife Council's share of reserves held by the IJB and to ensure the level of commissioning funding and income agrees to the disclosure in the IJB accounts.</p>	<p>Management have adjusted for this in the audited 2020/21 Annual Accounts with adequate disclosure provided.</p>

Issue	Resolution
<p>The IJB had a balance of reserves of £30 million at 31 March 2021 and Fife council's share of this balance was £15 million.</p>	
<p>Social care year end accruals – external providers</p> <p>Fife Council has a policy to accrue for individual expenditure items over £50k at the year end</p> <p>In 2020/21, Social care services changed the way they applied the policy and rather than applying it to invoices within individual ledger codes it was applied to individual suppliers.</p> <p>The year- end accrual for 2020/21 totals £1 million, but if the figure been calculated on the same basis as prior years, the accrual would have been £3 million. This would have increased social care expenditure by £2 million.</p>	<p>We considered the estimate in accordance with ISA 540 and have concluded that the change in the application of the Council's policy is reasonable but optimistic.</p>
<p>Accounting treatment ringfenced grants</p> <p>Fife Council accounted for an Early Learning & Childcare grant totalling £37 million as a revenue receipt in advance. Only £23 million of income had been credited to services in 2020/21 with the balance of £14 million included in current liabilities in the balance sheet. The Scottish Government increased councils' flexibility in applying this grant due to Covid-19 in 2020/21.</p> <p>The treatment was consistent with prior years but does not comply with the Code which requires grants to be recognised immediately as income unless any conditions have not been met. No conditions are attached to the grant.</p>	<p>The audited accounts have been adjusted to recognise the total Early Learning & Childcare grant as income in 2020/21.</p> <p>Income to services has increased by £14 million with a corresponding increase in reserves.</p> <p>No prior year adjustment has been required to 2019/20 figures as these sums were not material in previous years.</p>

Exhibit 4

Significant findings from the audit of the Charitable Trusts

Issue	Resolution
<p>“Dormant” charities</p> <p>In general, if a charity does nothing for a prolonged period, it is unlikely to be providing</p>	<p>The Council is continuing to take action to address “dormant” charities. In 2020/21, a</p>

Issue	Resolution
public benefit and this may result in it failing the charity test.	further three charitable trusts were closed and the balances transferred to agreed recipients.
<p data-bbox="113 371 794 483">Controls should be set up to ensure that grants have been used for the purposes intended.</p> <p data-bbox="113 495 794 607">The Charitable Trusts awarded 66 grants totalling £85,095 to support local communities.</p> <p data-bbox="113 618 794 797">Satisfactory controls are in place and are operating effectively for the approval and payment of grants, but there are no checks to make sure that monies have been used as intended.</p>	Trustees should make arrangements to perform sample checks each year to ensure that monies granted have been used for the purposes intended.
<p data-bbox="113 842 794 909">Area Committees should approve all grants</p> <p data-bbox="113 920 794 1144">Audit testing found one instance of a grant for £8,000 which had been awarded without approval of the relevant area committee. We are satisfied that this was an isolated failure of control due to remote working arrangements forced by Covid-19.</p>	Approval of the grant has since been reported to the Trustees and has been confirmed as satisfactory.

Identified misstatements of £45 million were adjusted in the Council and Group accounts

24. Total misstatements identified were £45 million. We considered the need for further audit procedures and extended our checks on asset lives following the last revaluation and have concluded that the misstatements identified arose from issues that have been isolated in 2019/20 and identified in their entirety and do not indicate further systemic error.

25. Management have not adjusted for the items in [Appendix 3](#), as they consider the net impact of £0.260 million would not have a material impact on the accounts.

The audited charities accounts include unadjusted misstatements

26. Total misstatements identified in the audit of the charitable trusts were £3,800. These relate to under accrued investment income and an understated accrual of funds transferred from Stuart Bursary to St Andrews University. We considered whether we needed to amend our audit procedures further and have concluded that the misstatements identified arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error.

Decisions to correct misstatements lie with the Committee

27. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected although the final decision on making the correction lies with those charged with governance considering advice from senior officers.

Good progress was made on prior year recommendations

28. The Council has completed one of our four prior year recommendations. One recommendation remains outstanding with the remaining two in progress. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Main judgements

The council reported an underspend against its 2020/21 budget of £86 million, mainly due to unspent Covid-19 funding, a large proportion of which was received late in the financial year, with General Fund Reserves increasing significantly as a consequence.

The Council received £87 million additional funding for Covid-19 and administered a further £104 million of grant payments to businesses and individuals.

The introduction of remote working and new systems adversely impacted key controls in 2020/21.

The 2020/21 original budget was set at £841 million

29. The Council approved its three-year budget for 2020/21 to 2023/24 in February 2020. The budget for 2020/21 was set at £841 million and included an agreed savings target of £6 million, an increase in Council tax of 4.84% (£7 million) and a reduction in health and social care grant of £2 million.

Covid-19 additional funding was £87 million

30. Since February 2020 the Council has received £87m additional Covid-19 funding and increased revenue grant. Almost 50% of the additional Covid-19 funding was received in the last month of the year.

31. Initial estimates of Covid-19 cost pressures reported in May 2020 were £78 million. These forecasts were updated throughout the year and by January 2021 the estimate had fallen to £51 million in line with actual reported Covid-19 expenditure.

The underspend was £86 million, mainly due to unspent Covid-19 funding

32. In June 2021 the Council reported an underspend against its 2020/21 budget of £72 million, including £58 million of unspent Covid-19 funding. The

final outturn figure for 2020/21 is a surplus of £86 million taking in to account the post audit adjustment of £14 million. ([Exhibit 2](#)). The more significant underspends are summarised in Exhibit 5.

Exhibit 5 Summary of significant under/overspends against budget

Area	£m	Reason for variance
Underspends		
Covid-19 funding	£58	Carried forward to 2021/22
Contingencies	£12	Set aside as part of the Council's budget process, no longer required due to other cost reductions and additional government funding.
Loan charges	£8	The Council applied the income method for re-profiling loans fund advances with one investment relating to on-lending to National Housing Trust, generating £7 million.

Source: Fife Council 2020/21 Annual Accounts

The housing revenue account operated within budget

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

34. During 2020/21 the total income target of £126 million was met and the HRA made a positive contribution of £5 million to General Fund balances. The HRA balance within the General Fund Reserve increased from £3 million at 31 March 2020 to £8 million at 31 March 2021.

The Council did not use fiscal flexibilities in 2020/21

35. Fiscal flexibilities, agreed between the Scottish Government and CoSLA, were made available to local authorities to address the short-term funding pressures they faced due to Covid-19. The Council elected not to use the fiscal flexibilities available in 2020/21 and will review for 2021/22.

The Council administered £104 million of grants to businesses and individuals on behalf of the Scottish Government

36. The Scottish Government asked Councils to administer a significant element of its Covid-19 economic support package. This involved the rapid development of systems and processes to provide direct payments to eligible businesses.

37. The Small Business Support Grant and Retail, Hospitality and Leisure Support Grant were administered primarily by Fife Council's revenues service with a total of £59 million paid out, predominantly in the first quarter of 2020/21.

38. A further £37 million was paid out through the Strategic Framework Business Fund, (SFBF). The Council's Economic Development service was responsible for approving grants and payments were made on the Council's behalf by its subsidiary: Business Gateway Fife.

39. We reviewed the arrangements and controls implemented by Fife Council and Business Gateway Fife for processing grant applications to ensure only entitled applicants received payments and concluded that these were appropriate.

40. Fife Council acted as an agent in administering grants on behalf of the Scottish Government. The income and expenditure relating to these grants is therefore not included in Fife Council's Income and Expenditure for the year. Full details have been disclosed in the Management Commentary.

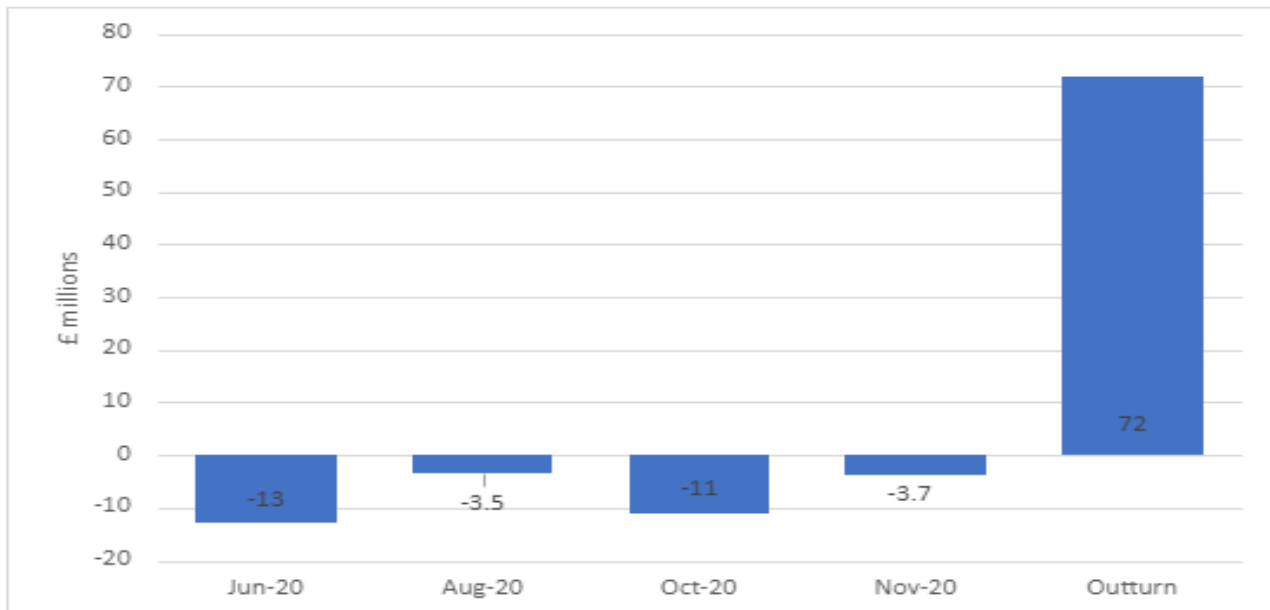
Financial management was challenging as the Council responded to continually changing Covid-19 pressures and funding

41. As reflected in [Exhibit 6](#), financial management was challenging during 2020/21, as forecasts of Covid-19 pressures and associated funding continually changed. Covid-19 cost pressure reports were submitted to Policy and Co-ordination (P&C) committee meetings in May, June and July 2020. In August 2020 the Council agreed a short-term financial strategy and full budget monitoring reports were submitted to P&C meetings in August and November 2020 and February 2021.

42. The Council was predicting a slight overspend throughout 2020/21 until the end of February 2021. The slight overspends changed to a significant surplus at the end of March 2021 following receipt of the additional £41 million of Covid-19 funding. By June 2021 the outturn position was a surplus of £72 million. The final outturn post-audit is a surplus of £86 million.

Exhibit 6

Outturn projections (£ million) including Covid-19 pressures and additional funding

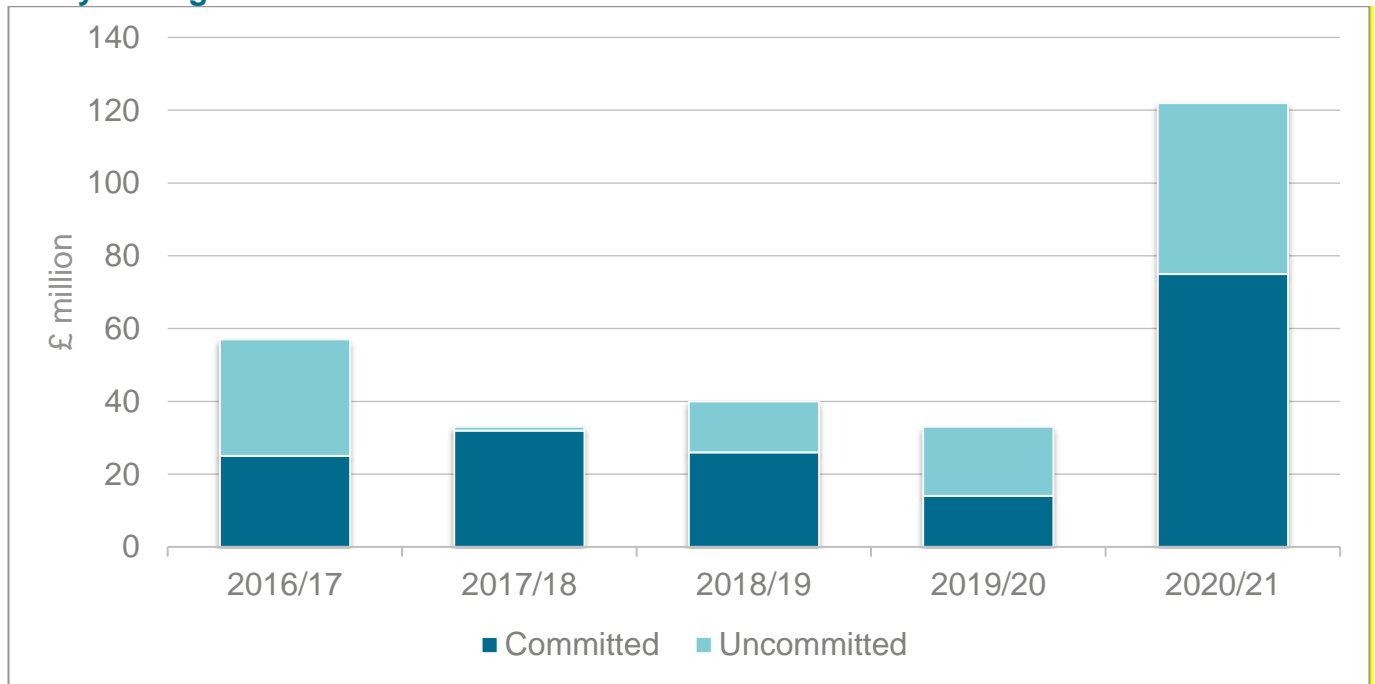


General Fund reserves have increased significantly

43. The level of usable reserves held by the Council increased from £33 million in 2019/20 to £136 million in 2020/21, due to the underspend. £89 million of these reserves are held as earmarked balances, with £47 million held as uncommitted balances to provide against unforeseen circumstances. £58 million of the increase in balances represents government funding received but not used in 2020/21. A significant amount of the government funding was received in the last month of the financial year ([Paragraph 30.](#)) and was carried forward to be applied in 2021/22 and beyond.

44. [Exhibit 7](#) provides an analysis of the general fund over the last five years split between committed and uncommitted reserves.

Exhibit 7 Analysis of general fund balance



Source: Fife Council audited accounts

The Council achieved 65 per cent of planned efficiency savings

45. In 2020/21, Fife Council planned to achieve efficiency savings of £13 million to address the budgeted funding gap. The Council achieved actual savings of £8 million (65 per cent of this total). The shortfall was dealt with by in-year alternative savings, such as alternative cost reductions, unused contingency funding and a change in accounting treatment of loan charges.

The introduction of remote working and new systems impacted on the operation of key controls

46. The significant challenges associated with COVID-19 and the subsequent introduction of remote working and new systems adversely impacted key controls in 2020/21. The Council implemented new general ledger, accounts payable and payroll systems during 2020/21. These went live in July 2020 and November 2020 and have been used to produce the 2020/21 financial statements. As part of our work, we tested and confirmed the accuracy of the transfer of balances to the new general ledger system and we also reviewed the processes and controls in the new systems.

47. Our management report presented to the Standards and Audit Committee on 7 October 2021 detailed our findings from the review of systems of internal controls. We concluded that the introduction of remote working and new systems impacted on the operation of key controls.

48. Budget monitoring was not as systematic in 2020/21 as in previous years. Detailed budget monitoring reports were not systematically produced for scrutiny by all budget holders. However, at a Council-level, due to the challenging nature of the emerging Covid-19 pandemic, the Council prioritised more frequent higher-level risk-based monitoring and forecasting. Financial reporting to P&C committee increased during 2020/21 and targeted reviews were performed rather than the usual systematic process for all services and cost centres.

49. In response to these control issues, we increased our substantive testing of journals, accruals, non-pay expenditure and payroll. We established that year-end reconciliations existed and increased our testing of any reconciling items. We identified some minor errors ([Appendix 2](#)

50.) with staff costs but concluded that there were no material errors in the financial statements.

51. Council Officers are working with the software supplier to resolve ongoing issues with the Teachers Pay and Leave Specification. This is a complicated process which is not yet providing accurate information. Due to the higher than expected error rate, all new starts, leavers and contract changes are being checked to confirm accuracy and corrected as appropriate.

Recommendation 1

The Council should ensure that systematic budget holder level budget monitoring is re-introduced.

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

52. Fife Council is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption. Furthermore, it is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

53. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. Fife council is proactive in investigating matches and reporting the outcomes of NFI activity. The Council is currently progressing 1,700 matches which were received in August 2021, with 4,500 matches having been investigated to date. Outcomes will be reported in due course.

3. Financial sustainability

Financial sustainability looks forward to the medium and long term to consider whether the Council is planning effectively to continue to deliver its services or the way in which they should be delivered

Main judgements

The Council has a three-year revenue budget to 2023/24 which is underpinned by the council's Medium Term Financial Strategy.

The Council has a three-year planning horizon and has identified a cumulative core funding gap of £47m to 2024/25 for planning purposes. The Council has plans in place to bridge the funding gap in 2021/22 and is refreshing its approach to identifying solutions in the medium to longer term.

The Council approved a three-year revenue budget to 2023/24

54. The council approved a three-year revenue budget for the period to 2023/24 in March 2020.

55. The Council agreed to freeze Council Tax for 2021/22 and the covering report highlighted there was scope for £4 million investment in the financial year 2021/22 but estimated funding gaps totalling £34 million over the following two years.

56. The budget is underpinned by the council's Medium Term Financial Strategy (MTFS). The MTFS is a principles-based plan which details the latest planning assumptions and is provided to Members annually in September.

The core budget cumulative funding gap is currently estimated to be £47 million to 2024/25

57. The most recent budget planning assumptions reported to the Policy and Co-ordination committee in September 2021 separates the recurring core budget from the temporary financial impact of Covid-19. The plan identifies an increase in cumulative funding gap in the core budget from £34 million in March 2021 to £47 million in September 2021 for the period 2021/22 to 2024/25 due to adding an additional year to the assumptions and an assumed reduction in grant funding in addition to increases in pay and pension costs.

Covid-19 cost pressures and balances

58. The financial consequences of Covid-19 are difficult to predict but are expected to continue in future years. Covid-19 cost pressures are estimated to be around £32 million in 2021/22. Additional GRG of £17 million for 2021/22 has been provided in relation to continuing costs of the pandemic. The council has

reported that this additional funding coupled with the £58 million of unspent Covid-19 balance brought forward from 2020/21 will be sufficient to cover the current level of estimated costs associated with Covid-19 in 2021/22 without applying uncommitted general fund reserves and ensuring that the continuing financial impact in future years can be managed to a certain degree.

59. Officers have detailed plans identifying future Covid-19 pressures and allocation of balances but have not yet shared the plans with Members of the Council.

The council is working to identify solutions to bridge the core funding gap for the period 2022-2025

60. The council is working to identify solutions to bridge the core funding gap for the period 2022-2025 and is continuing to use the principles in the MTFS as estimates to cost pressures change and increases to levels of funding are agreed.

Recommendation 2

Council officers should share detailed plans identifying future Covid-19 cost pressures and allocation of balances with Members of the Council.

4. Governance and transparency

The effectiveness of scrutiny and oversight and transparent reporting of information

Main Judgements

Governance and transparency arrangements are appropriate but were affected by Covid-19.

Governance and transparency arrangements are appropriate, but were affected by COVID-19

61. As part of our audit process we continually assess the governance arrangements within Fife Council. Our previous year's conclusion is still relevant: that governance and transparency arrangements are appropriate.

62. The impacts of Covid-19 from March 2020 on the Council's governance arrangements have been set out in the Annual Governance Statement in the Council's Annual Accounts. These were significant and allowed the body to manage the unprecedented nature and scale of the threat to its communities and staff. In particular:

- the Council's committee structure was suspended with the Chief Executive being granted temporary delegated authority for critical decisions that would normally require committee approval.
- all staff were asked to work from home where possible. Since October 2021, the Council has begun implementing blended working for some staff and Members.
- all Council meetings were initially cancelled and all have since resumed on a staggered basis. The P&C Committee met more frequently during 2021. P&C sub-committees were established with powers to take decisions on day-to-day operational activities.

Standing orders were amended and a temporary variation to financial regulations was agreed for a period of six months to

allow the implementation and operation of the supplier relief scheme

63. The new way of operating due to the Covid-19 pandemic gave rise to some operational/procedural issues:

- Standing Orders were amended to enable the smooth running of remote Council and Committee meetings.
- A temporary variation to the Financial Regulations was initially agreed for a period of six months and has now been extended to March 2022 to allow the implementation and operation of the supplier relief scheme (designed to assist suppliers who are critical to the operation of the Council).

Thirteen councillors have not updated the register of interests since 2019

64. In 2019/20 we reported that three councillors had not updated the register of interests since 2017. Audit work in 2020/21 identified that a total of 13 councillors have not updated the register of interests since 2019.

Recommendation 3

Councillors should be reminded of the requirement to keep the register of interests up to date to ensure compliance with the code of conduct.

Common Good Fund

65. We have previously reported that the 2014 Common Good policy is ambiguous about the use of Common Good funds. The policy was due to be reviewed by the council in early 2021 but this has been delayed due to pressures brought about by the pandemic. A review of the Common Good policy is now scheduled for completion in 2022.

5. Best Value

Using resources effectively and continually improving services.

Main judgements

Progress against Best Value recommendations continues to be slow, but a further three (of eight) are now complete and others are progressing despite Covid-19

A revised Plan for Fife was completed in September aligning it with the reform and recovery programme.

Service performance information has been publicly reported for 2020/21, but further improvements are needed.

Progress against Best Value recommendations continues to be slow, but a further three (of eight) are now complete and others are progressing despite Covid-19

66. Best value is assessed over the audit appointment, as part of the annual audit work. This year we continued to follow-up progress made by the Council in response to the Best Value Assurance Report (BVAR) published in May 2018, which contained eight recommendations agreed with the Council. In response to this, the Council produced an implementation plan setting out the proposed actions to address the recommendations.

67. Our follow-up review in 2019/20, concluded that there had been slow progress implementing recommendations, but that one recommendation was completed last year concerning neighbourhood plans.

68. Our best value work this year as concentrated on the evidence to support the Council's progress in implementing the other remaining best value recommendations. [Exhibit 8](#) provides a summary of our findings for each of the outstanding recommendations included in the BVAR and our overall assessment of progress made by the Council since 2018.

A revised Plan for Fife was completed in September 2021

69. As noted below, three of the remaining BVAR recommendations relate to the implementation and development of the Plan for Fife. This is the single plan developed by Fife Council and its community planning partners. The plan was refreshed in September 2021 to reflect the changing demands caused by the pandemic and align it with its reform

and recovery programme. Two of the three actions connected to this plan have not yet been fully implemented.

Exhibit 8

Progress in implementing best value recommendations

BVAR Recommendation	Progress in implementing each recommendation
<p>2. The framework for managing performance against the Plan for Fife should be finalised as early as possible</p> <p>3. The Council should develop a range of delivery plans to support the identified actions and wider ambitions outlined in the Plan for Fife. These actions should be measurable with clear deadlines</p> <p>4. The Council's new programme board should ensure alignment between the aims of the Plan for Fife and service change plans. It should develop a focus on outcomes rather than being led by budget-changes</p>	<p>The Council and Partnership Board approved a revised Plan for Fife in September 2021. A revised framework for managing performance was also agreed.</p> <p>Work to develop detailed delivery plans for the revised actions is still ongoing. Revised governance arrangements for the plan have been introduced but it is too soon to assess their impact.</p> <p>Amber/in progress</p>
<p>5. The Council should work with Fife Health and Social Care Partnership and NHS Fife to accelerate the redesign of adult health and social care services and mitigate medium-term financial pressures</p>	<p>The Council has worked in partnership to deliver a medium-term financial strategy (MTFS) for 2020/23. Around 75% of the recurrent savings achieved by year three of the strategy are expected to come from service redesign and transformation.</p> <p>The delivery of transformation and change has been impacted due to Covid-19. However, the Chief Finance Officer of the IJB took on responsibility for transformation projects in July 2021 and a project management office is being set up.</p> <p>Work on refreshing transformation projects, and the framework in which they operate, is now underway. These are looking at the balance of care and support provided 'at home' and 'in homes' through the home-first and bed-based initiatives. These aim to reduce the dependency on more expensive residential and nursing homes and better</p>

support people at home in order to cope with the needs of an ageing population.

Amber/in progress

6. As a partner in the Fife Health and Social Care Partnership, the Council should seek early agreement over roles and responsibilities, so that the management and governance arrangements of the FHSCP support the significant service redesign challenges it faces

The revised integration scheme has now been approved by ministers for application in 2021/22.

The revised integration scheme clarifies the IJB's responsibilities for strategic direction and operational oversight with operational delivery being the responsibility of the IJB chief officer who is accountable to the constituent bodies in that role.

Complete

7. The Council should extend its improvement methodology on raising educational attainment in deciles 1-3 to a broader range of young people

A key priority for the Council, as set out in the 2021-23 Education and Children's Services Directorate plan, is to ensure a sustained closing of the attainment gap for all disadvantaged and vulnerable children. The Attainment Reform programme provides an overarching framework for this work, as part of the Council's recovery and reform agenda. This work is further developing the Directorate's use of improvement methodologies and improving the use of tracking and monitoring data, to ensure that these are fully embedded across all schools.

Amber/in progress

8. The Council should continue its new approach to managing sickness absence rates

A Health, Safety and Wellbeing Strategy has been finalised and refers to the organisation moving to a supportive culture focussed on wellbeing. The strategy provides good direction for the organisation going forward.

Complete

70. Fife Council is continuing to implement the recommendations set out in our 2018 BVAR. We are pleased to note that although progress remains slow, that despite Covid-19, a further two actions have been finalised in 2020/21 and all other recommendations are progressing.

Service performance information has been publicly reported for 2020/21, but further improvements are needed.

71. The Accounts Commission issued a revised Statutory Performance Information (SPI) Direction in December 2018 which requires a Council to report:

- its performance in improving local public services provided by the Council (on its own and with its partners and communities), and progress against agreed desired outcomes
- its own assessment and independent audit assessments of how it is performing against its duty of Best Value, how it plans to improve these assessments and how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

72. We have previously reported issues with the development of performance reporting in the Council and we found that only limited improvements have been made in performance reporting in 2020/21. Service performance information was reported to committees in autumn 2021, with links to the reports available on the council's website. This was the first batch of performance reports since the implementation of the new Oracle Cloud system and reports are still being developed, for example on sickness absence. There is still scope to review and improve the presentation of performance information on the Council's website, before the Council can comply fully with the Accounts Commission Direction. This would include:

- facility to review data on the website and interrogate it rather than just read separate reports on each service.
- some form of overall assessment on Council performance to provide an accessible overview to residents.
- detailed assessment of service performance against the Plan for Fife.

73. The Council continues to submit data for the Local Government Benchmarking Framework (LGBF) but information on 2020/21 and in some cases 2019/20 (educational attainment) will not be publicly available until January /February 2022.

National performance audit reports

74. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2020/21, Audit Scotland published a number of reports which may be of interest to the body. These are outlined in [Appendix 4](#).

75. Fife Council has a system in place for reviewing national reports and disseminating relevant reports to senior managers, however there is no formal mechanism to ensure they are presented to members through consideration at committees.

Appendix 1

Action plan 2020/21

2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Budget Monitoring and control</p> <p>The new general ledger system and budgeting module introduced in July 2020 did not include the systematic production of routine and systematic pay and non-pay budget monitoring reports for scrutiny by budget holders.</p> <p>Risk: Unexpected financial outturns develop during the year and reduced scrutiny of detailed reports increases the risk of fraud and error remaining undetected.</p>	<p>The Council should ensure that routine and systematic budget monitoring for budget holders is re-introduced to ensure that figures included in financial reports are accurate and to support effective decision making.</p> <p>Paragraph 49</p>	<p>Routine systematic budget monitoring at budget holder level has been re-introduced.</p> <p>Head of Finance</p> <p>Complete</p>
<p>2. Covid-19 cost pressures and balances</p> <p>Officers have detailed plans identifying Covid-19 pressures and allocation of balances but have not yet shared the plans with Members of the Council.</p> <p>Risk: – Members are not fully informed.</p>	<p>Council officers should share detailed plans identifying Covid-19 cost pressures and allocation of balances with Members of the Council.</p> <p>Paragraph 58</p>	<p>The financial consequences of COVID-19 have fluctuated significantly over the course of the pandemic. Detailed information and assumptions have been used to estimate the future temporary costs of COVID-19 as being in the region of £25m over the next three years.</p> <p>These estimates will be revisited again as part of the budget process in the new year and will be updated in</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>light of the circumstances associated with the pandemic at that stage. At present the anticipated costs can be contained within the ear-marked reserves set aside for this purpose.</p> <p>Head of Finance</p>
<p>3. Register of interests b/f from 2019/20</p> <p>Local Councillors are required to follow a code of conduct and declare any interests, gifts or hospitality which may influence any decisions they may make as a Councillor. This register is updated as information from Councillors is received and reviewed annually every August. We noted that 13 Councillors have not updated the register of interests since 2019.</p> <p>Risk: There is a risk that interests are not always declared and influences on decision making processes are not always transparent.</p>	<p>Councillors should be reminded of the requirement to keep the register of interests up to date to ensure compliance with the code of conduct.</p> <p>Paragraph 61</p>	<p>Although completion and updating of their Register of Interests is the responsibility of individual members, officers do send out two reminders each year. These reminders ask members to respond, even when there is no change in their interests. Where no response is received, the matter is escalated to the political group leader.</p> <p>The standards and Audit Committee also receive an annual report on the outcomes of the Standards Commission for Scotland hearing process, which includes cases relating to register of interest code breaches. Training on the code is also provided to members on an ad hoc basis</p> <p>Officers will continue to remind Members as well as contact those individually reminding them that failure to respond may lead to a breach of the Councillors' Code of Conduct</p> <p>Head of Legal and Democratic Services</p> <p>31 March 2022</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
b/f 1. Housing benefit overpayment bad debt provision	The Council should review its processes for recording housing benefit overpayment debt in the annual accounts and establish whether the current debtor balances and associated bad debt provision are complete and correctly valued.	<p>Complete</p> <p>The Council has performed a review of Statutory Penalties and Housing Benefit Overpayments and adjustments have been made to the Audited Accounts to reflect an increase in the General Fund Useable reserves at 1 April 2019 of £12 million and at 1 April 2020 of £13 million.</p>
b/f 2. General Fund balance	The Council needs to ensure it has sufficient contingency to deal with unexpected financial pressures and is not going to deplete its General Fund reserves over the medium term.	<p>Ongoing</p> <p>The Council has reported its commitment to maintaining a sustainable level of core funding going forward and £58 million of unused Covid-19 funding has been included in the accounts as an earmarked balance to support ongoing costs of the pandemic and recovery funding.</p>
b/f 3. Register of interests	Councillors should be reminded of the requirement to keep the register of interests up to date to ensure compliance with the code of conduct.	<p>Outstanding.</p> <p>Refer to 2020/21 action plan point 2.</p>
b/f 4. Service Performance Reporting	The Council should more clearly align service performance reporting to the Plan for Fife in order to effectively demonstrate the Council's progress in achieving its strategic outcomes. The performance section of the Council's website should contain clear and current links to individual service reports.	<p>In progress</p> <p>We found that limited improvements have been made in performance reporting in 2020/21. Service's performance management information was publicly reported in November 2021. There is still scope to review and improve the presentation and timeliness of performance</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>information on the Council's website.</p> <p>Work is in progress to move to a more interactive online reporting tool which will deliver the facility to review data on the website and interrogate it rather than just read separate reports on each service. This will be rolled out to the whole Council performance reporting for the 2021/22 reporting cycle.</p> <p>Linkage to P4F - Now that there is an agreed and approved plan for the P4F it allows more opportunity to ensure linkages between P4F and performance are made. We will also strengthen the need to align to the P4F in the revised guidance to services</p> <p>Programme Manager End December 2022</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement caused by management override of controls</p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>	<p>Reviewed the appropriateness of journal entries and other adjustments recorded in the general ledger and financial statements.</p> <p>Reviewed accounting estimates for biases.</p> <p>Evaluated significant transactions that are outside the normal course of business.</p> <p>Focused testing of accruals and prepayments</p>	<p>Results: Our work on journals and prepayments did not identify any issues.</p> <p>One issue has been raised in relation to accruals. See Exhibit 2. Where a change in the application of the accruals de-minimis of £50,000 in Social Work resulted in a reasonable though optimistic estimate of total accruals. The impact was below our performance materiality.</p> <p>There were no significant transactions outside the normal course of business.</p> <p>Conclusion: No issues were identified that indicate management override of controls.</p>
<p>2. Risk of material misstatement in estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non-current assets, and pensions. This subjectivity represents an increased risk</p>	<p>Assessed the scope, independence and competence of the professionals engaged in providing estimates for non-current assets and pensions.</p> <p>Reviewed appropriateness of actuarial assumptions and results including comparison with other Councils.</p>	<p>Results: Our assessment of the management experts and the estimates provided for pension valuations did not identify any significant issues.</p> <p>The basis of estimates in housing and other land and buildings was appropriate, this included management review of any increase in</p>

Audit risk	Assurance procedure	Results and conclusions
<p>of misstatement in the financial statements.</p> <p>As a result of the Covid-19 pandemic, valuers issued material uncertainty declarations as part of their valuations of non-current assets and some pension fund investments in 2019-20. If this remains in place for 2020-21, disclosures in the accounts will be required.</p>	<p>Performed a walkthrough of the process of valuation to understand the basis for significant judgements</p> <p>Established officers' arrangements for ensuring the completeness and accuracy of professional estimations for non-current assets and pensions.</p> <p>Considered the impact of any material uncertainty in valuations on our audit opinion</p>	<p>years between valuation exercises.</p> <p>We found one material error in the valuation of other land and buildings which was caused by an error in the depreciation charged for a small number of schools in 2019/20.</p> <p>Management have adjusted the accounts to correct the error.</p> <p>Conclusion: The valuations of other land and buildings were correctly stated in the audited financial statements.</p>
<p>3. New financial and payroll systems</p> <p>During 2020/21, Fife Council introduced new general ledger, accounts payable and payroll systems. The systems went live in July 2020 and November 2020.</p> <p>The new systems will be used to produce the 2020/21 financial statements, and, as with any major change in financial systems, there is an increased risk of misstatement in the figures and balances.</p>	<p>Establish, review and test the controls in place within the general ledger, accounts payable and payroll systems.</p> <p>Confirmed the completeness and accuracy of the balances transferred from the old systems to the new.</p>	<p>Results: We confirmed the accuracy of balances transferred from the old system to the new ledger.</p> <p>Our substantive testing in payroll identified an underpayment of one leaver and of a new starter; two miscalculations of outstanding annual leave and overpayment of an individual on maternity leave.</p> <p>Conclusion: There were control issues as a result of the new systems at a time when staff were working from home due to Covid-19 restrictions. There were also more errors identified in our audit testing, but we were able to conclude that these were not material to the financial statements.</p>
<p>4. COVID-19</p> <p>Covid-19 has had a significant impact on the Council in the 2020/21 audit year:</p>	<p>Reviewed the 2020-21 outturn position and assess the impact of Covid-19 related expenditure and funding on the Council's reserves position.</p>	<p>Results: Overall, financial management was challenging during 2020/21 as forecasts of Covid-19 pressures and associated funding continually changed.</p>

Audit risk	Assurance procedure	Results and conclusions
<ul style="list-style-type: none"> •Financial Management – increases in expenditure caused by the pandemic have been largely met through additional Scottish Government grants and increased flexibilities for certain areas of funding and accounting practices. In February, the Council was forecasting a deficit of £3.6 million at 31 March 2021. •Financial reporting - The Council is required to make judgements on the correct accounting treatment in relation to additional funding arrangements – including whether the Council is acting as agent or principal. •Administration of business support grants - Fife Council has been asked to administer more than £90 million of Covid-19 business support grant payments on behalf of the Scottish Government in 2020-21. Nearly £30 million of this has been paid by Business Gateway Fife on behalf of the Council. There is a risk that the internal controls and governance arrangements were not suitably robust to mitigate fraud. 	<p>Reviewed treatment and disclosure of COVID-19 funding in the 2020/21 accounts and confirm that this is in line with Scottish Government and CIPFA/LASAAC guidance on accounting.</p> <p>Held discussions with management during the year to consider the use of financial flexibilities.</p> <p>For the most significant support grants (by value), established the conditions attached and the associated controls implemented over these.</p> <p>Confirmed existence and operation of these controls by completing a walkthrough.</p> <p>Reviewed potential NFI data matches.</p>	<p>Detailed budget monitoring was not as systematic in 2020/21 as in previous years.</p> <p>The Council received £87 million additional Covid-19 funding and administered £104 million of grants to businesses and individuals, with appropriate controls in place.</p> <p>Conclusion: The Council has put procedures in place to administer and track Covid-19 expenditure and funding.</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>4. Financial sustainability Scottish Government Covid-19 funding is unlikely to be</p>	<p>Reviewed the impact of Covid-19 on the 2021/22</p>	<p>Results: Efficiency savings</p>

Audit risk	Assurance procedure	Results and conclusions
<p>recurring. The Council's ability to achieve efficiency savings has been impacted by the pandemic with only 52% forecasted to be achieved in 2020-21 compared to 85% in 2019-20.</p> <p>Current risk share arrangements as part of health and social care integration are being considered as part of the review of the Integration Scheme due for completion by 31 March 2021. With a relatively low level of general fund reserves, the medium-term financial outlook presents a risk to the financial sustainability of the Council.</p>	<p>budget and medium-term financial plans.</p> <p>Assessed the impact of any changes to the risk share arrangements for the Integrated Joint Board.</p>	<p>Overall, the Integrated Joint Board has improved and strengthened its financial management arrangements. The revised Integration Scheme has now been approved by constituent bodies for application in 2021/22, following final approval by the Scottish Government. The IJB made a total surplus of £30million in 2020/21 of which £15 million is the Council's share.</p> <p>Conclusion: The financial outlook has improved though this may be temporary due to the significant level of unspent Covid-19 funding by the Council and the IJB. The Council needs to develop medium term plans for core and Covid-19 budgets</p>

Appendix 3

Summary of uncorrected misstatements

We report all uncorrected misstatements in the annual accounts that are individually greater than our reporting threshold of £250k and request they be corrected.

The table below summarises uncorrected misstatements that were identified during our audit testing and have not been corrected by management. Cumulatively these errors are below our performance materiality level as explained in [Exhibit 2](#). We are satisfied that these errors do not have a material impact on the financial statements however we request that they be corrected.

Account areas	Comprehensive income and expenditure statement		Balance sheet	
	Dr £000	Cr £000	Dr £000	Cr £000
1. HSC Expenditure		(260)		
Prepayments			260	
2. ECS Expenditure	300			
HSC Expenditure		(300)		
Net impact		(260)	260	

Notes:

1. A prepayment made to Fife College for HSC training to be delivered in 2021/22 affecting IJB services
2. A missed accounting entry to transfer costs from HSC to ECS affecting IJB services (Both of these misstatements would require corresponding reductions in funding income from the IJB, but an increase in the Council's share of the IJB reserve)

Appendix 4

Summary of national performance reports 2020/21

April

[Affordable housing](#)

June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

July

[The National Fraud Initiative in Scotland 2018/19](#)

January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February

[NHS in Scotland 2020](#)

March

[Improving outcomes for young people through school education](#)

Fife Council

Draft 2020/21 Annual Audit Report

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Annual Accounts 2020-21



	Page No.
Management Commentary	3
Explanatory and Assurance Statements	
Corporate Governance Statement	13
Remuneration Report	19
Statement of responsibilities for the Financial Statements	26
Expenditure and Funding Analysis and related note	
	27
Principal Financial Statements for Fife Council Group	
Movement in Reserves Statement	29
Comprehensive Income and Expenditure Statement	30
Balance Sheet	31
Cash Flow Statement	32
General Accounting Policies & Assumptions	
1 General Accounting Policies	33
2 Accounting Standards Issued, Not Yet Adopted	34
3 Critical Judgement in Applying Accounting Policies	34
4 Assumptions Made about the Future and Other Major Sources of Estimation	34
Notes to Financial Statements	
Movement in Reserves Statement	
5 Adjustments between Accounting Basis and Funding Basis under Accounting Standards and Statute	35
6 Usable Reserves and Earmarked Balances	36
7 Unusable Reserves	38

	Page No.
Comprehensive Income & Expenditure Account	
8 Analysis of Income and Expenditure by Segment/Nature	40
9 Other Income and Expenditure	41
10 Grant Income	41
Balance Sheet	
11 Property, Plant and Equipment	42
12 Heritage Assets	44
13 Assets Held for Sale	44
14 Intangible Assets	45
15 Capital Expenditure and Capital Financing	45
16 Leases	46
17 Public Private Partnerships (PPP)	47
18 Debtors and Creditors	48
19 Provisions	48
20 Inventories	49
21 Financial Instruments	49
22 Nature and Extent of Risks Arising from Financial Instruments	50
Other notes	
23 Financial Guarantees	51
24 Pension Schemes Accounted for as Defined Contribution Schemes	52
25 Defined Benefit Retirement Schemes	52
26 Agency Income and Expenditure	54
27 Group and Related Parties	55
28 Events after the Reporting Period	56
29 Contingent Assets and Liabilities	57
30 Prior Period Adjustments / Restatements	57
Supplementary Accounts	
Housing Revenue Account	58
Non-Domestic Rate Income Account	60
Council Tax Income Account	61
Common Good Accounts	62
Charities and Trust Funds	64
Independent Auditor's Report	66

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

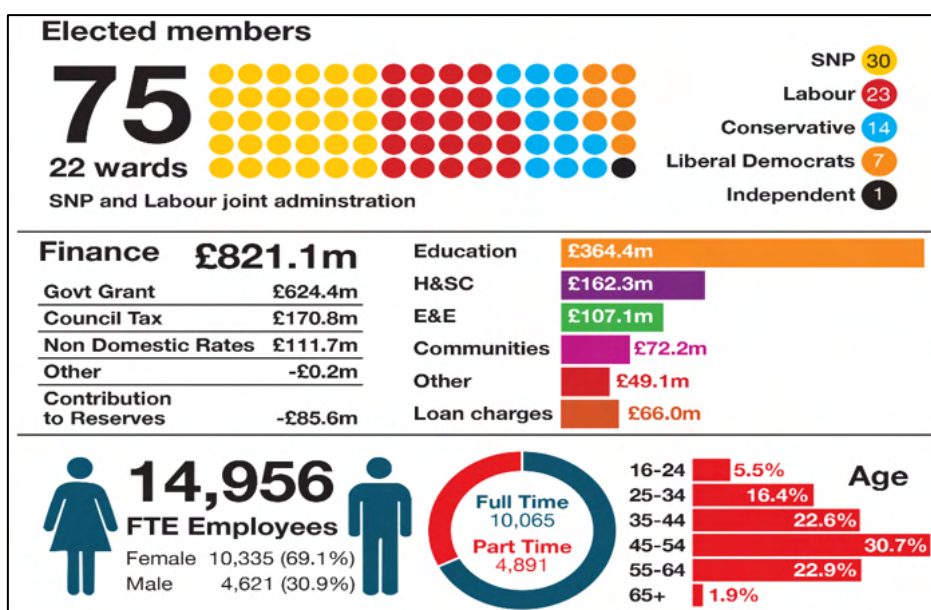
In response to the lockdown arrangements the Scottish Government introduced a number of grants for both businesses and individuals which Councils administered on their behalf. Fife Council paid out £103.761m of COVID19 support funding to businesses and individuals on an agency basis as detailed below:

	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

 <p>Opportunities for All</p> <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 	 <p>Thriving Places</p> <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 	 <p>Inclusive Growth and Jobs</p> <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. 	 <p>Community Led Services</p> <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.

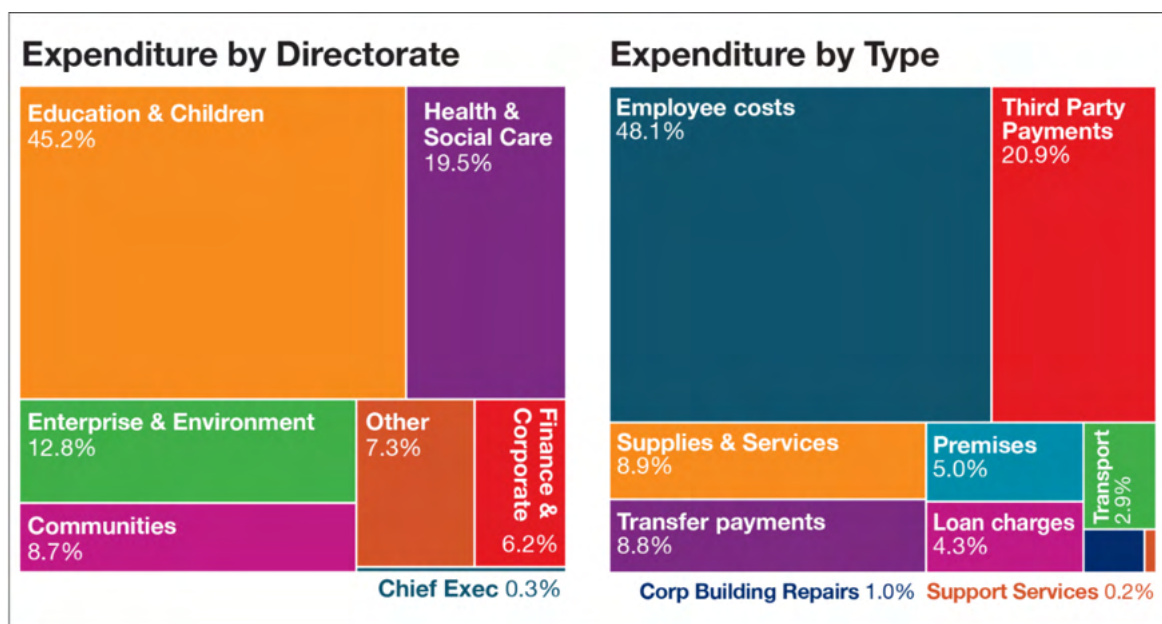
Non-DSM and Childcare reported an underspend of £1.529m. There has been an overspend of £3.256m on long term absence and maternity costs across schools. This has been offset by underspends within employee costs across Nursery of £0.732m due to the timing of recruiting Early Years Officers and the delay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

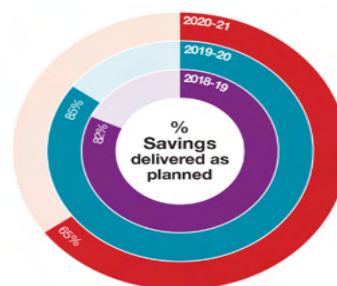
With all existing commitments taken into consideration the level of uncommitted balances is forecast to be £47.029m.

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	8,000	1,000	-
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	5,000	-	-
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	5,000	-	-

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		Change from 31/03/20
			2020-21 £	2019-20 £	2020-21 £	2019-20 £	at 31/03/21		
							£	£	
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

2019-20			Movement in Inventories (measured at lower of cost and net realisable value)	2020-21		
Stores & Raw Materials £m	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	Group		Fife Council	Group
£m	£m		£m	£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)
Movement in Reserves during 2019-20			
(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)
Movement in Reserves during 2020-21			
(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, Annual 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 Annual 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 Annual 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 Annual 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
4th Floor, The Athenaeum Building
8 Nelson Mandela Place,
Glasgow, G2 1BT



Fife Council
Charitable Trusts

**Trustees' Annual Report
& Financial Statements
2020-21**

TABLE OF CONTENTS	Pages
Trustees' Annual Report	2
Trustees	5
Charitable Trusts and Purpose	6
Statements of Responsibilities	7
Statement of Financial Activities	8
Balance Sheet	9
Notes to the Financial Statements	
Accounting Policies	10
Donations & Legacies	11
Investment Income	11
Other Expenditure	11
Charitable Activities	12
Outline Summary of Fund Movements	13
Investments	14
Debtors	14
Cash at Bank and in Hand	14
Trustees' Remuneration and Expenses	14
Related Parties	14
Post Balance Sheet Events	14
Independent Auditor's Report	15

TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 2020-21

Introduction

Elected members of Fife Council act as trustees' for the Charitable Trusts listed at page 5 which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR). The financial statements included within this report incorporate all of the charities detailed on page 6 of this report.

The principal address of the Charitable Trusts is:

Fife Council
Finance and Corporate Services
Fife House
North Street
Glenrothes
Fife
KY7 5LT

Fife Council administers the Charitable Trusts and separately accounts for them. They do not form part of the Council's single entity balance sheet, although under Section 222 of the Local Government (Scotland) Act 1973, the property of the Charitable Trusts vest[s] in the relevant local authority. However they are included in the financial statements of the Council and its group.

The Trust Auditors are:-

Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

Trustees

As per guidance provided by OSCR, "Trustees" of the Charitable Trusts are described as those who have "general control and management" of the charity. The Council has determined that members of the relevant Area Committee will be the trustees for charitable trusts. For the purposes of this report it is our interpretation of the aforementioned that all elected members are Charity Trustees.

A full list of Trustees of the Charitable Trusts in their capacity as elected members of Fife Council can be found on page 5 of this report.

Day to day management of the Charitable Trusts is delegated to the Executive Director of Finance and Corporate Services of Fife Council. All of the Trustees for the accounts are normally elected or re-elected at local government elections. By-elections are held on the occasions of elected members vacating their positions to elect new members, who automatically become Trustees.

Objectives and Activities

The objective of the Charitable Trusts is to provide support to organisations and individual, in the form of grants, payments and awards, for projects which fulfil the criteria of the Trusts.

Income to the Charitable Trusts comprises; donations, investment returns and bank interest.

There are 46 Charitable Trusts, 30 of which are Settlement Trust funds. The following Financial Statements for all 46 registered charities have been prepared using the connected charities provision. Administration of the Settlement Trusts has been devolved to Area Committees to allow more localised decision making on spend, in line with the Council's overall objective of decentralisation.

Following a review in the North East Fife area, it was agreed that 3 Trusts be closed, and the balances held were transferred to agreed recipients. These Trusts have not been formally closed by OSCR at 31 March 2021.

Structure, Governance and Management

The Charitable Trusts are constituted in a variety of ways, many coming from bequests from individuals or families who have entrusted a predecessor local authority with the task of distributing the fund for a charitable purpose. Individual Trusts and an indication of their purpose can be found on page 6 of this report.

Information regarding many of the Trusts is not available owing to their antiquity and the fact that since coming into public control they have been administered by several local government bodies, the purpose of these trusts have been agreed with OSCR and updated on the OSCR online register. Trustees have assured themselves that, where governance documents are missing, the charity nevertheless meets its objectives, in terms of the reporting process to them which has set out the purposes to which the funds have historically been put as well as correspondence with OSCR to confirm their understanding of the current purposes.

The Executive Director of Finance and Corporate Services has responsibility for ensuring an effective system of internal financial control is maintained and operated. This system of internal financial control can only provide reasonable and not absolute assurance that assets are safeguarded, transactions are recorded and properly authorised, and that material errors or irregularities are either prevented or would be detected within a timely period. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures and a system of delegation and accountability. The Executive Director of Finance and Corporate Services is responsible for keeping proper accounting records which are up to date and ensure that the financial statements comply with the Charities Accounts (Scotland) Regulations 2006.

Decisions regarding the overall operation, assets, processes or policies of the Charitable Trusts were delegated by the Council to Policy and Co-ordination Committee for 2020-21. However, as previously stated, the Scheme of Administration allows Area Committees to take most decisions on individual charitable trusts within their Area.

Risk

The Trustees have overall responsibility for the Charitable Trusts system of internal control that is designed by senior management to ensure effective and efficient operations, including financial reporting and compliance with laws and regulations. The Trustees acknowledge that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The main risk identified is the movement in market value and returns from investments held by the Trusts. Fife Council has a risk adverse appetite which is demonstrated by the outsourcing of investment management to Janus Henderson Investors who are an international investment company, however the coronavirus (COVID-19) pandemic has seen worldwide volatility in financial markets.

Achievements and Performance

The Charitable Trusts made grants totalling £85,095 in the year to support local communities. These were made from 23 individual Trusts and a total of 66 separate grants were awarded in 2020-21 an increase from the 43 grants awarded in 2019-20. Details of the most significant donations are detailed below which includes £53,372 paid out from 4 Trusts following the North East Fife (NEF) Area Non-Settlement Trust Review. This review resulted in the closure of 3 Trusts in the year and a significant balance transfer from the fourth.

Anstruther & Cellardyke Settlement Trust

Scottish Fisheries Museum - Knitting the Herring project between Fife and the Outer Hebrides	£2,500
East Neuk Foodbank - Project Co-Ordinator salary costs	£2,500

Bell Fund/Good Templars Fund

Madras College Endowment Trust - Support the upkeep and developing Madras Pipe Band	£7,950
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Culross Settlement Trust

The Stables to purchase kitchen equipment for weekly food hub	£1,500
Community Kitchen Garden - supply local pantries and foodbanks	£1,494

Dunfermline Settlement Trust

Help cover costs associated with issuing safety packs to children starting Primary School	£1,488
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Kirkcaldy Settlement Trust

Nourish - towards food and personal care items	£1,000
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Newburgh Settlement Trust

Newburgh Junior's FC - Training course for level 4 awareness in First Aid for mental health of players & staff	£1,000
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NEF Area Non-Settlement Trust Review

Buist Bequest - transfer entire balance to Fife Council Bruce Embankment capital project	£31,487
Stuart Bursary - transfer entire balance to St Andrews University	£1,890
St Andrews War Memorial - transfer entire balance to Fife Council Local Community Planning	£1,054
Thomson Bequest & Laing Library- transfer of part of the balance to Age Concern	£18,942

Financial Statements

Financial Statements for Fife Council Charitable Trusts have been prepared in accordance with the Charities Accounts (Scotland) Regulations 2006 and the Accounting and Reporting by Charities Statement of Recommended Practice (Charities SORP). The main statements included are;

- Statement of Financial Activities: Providing an analysis of incoming and outgoing transactions for the period.
- Balance Sheet: Showing the value as at the Balance Sheet date of the assets and liabilities recognised by the Charitable Trusts. The Balance Sheet also summarises final closing balances at the end of the year.
- Notes to the Financial Statements: To expand on or explain the information contained in Statement of Financial Activities and Balance Sheet.

A Cash flow statement is not required as stated in FRS102

Financial Review

The Charitable Trusts have no explicit reserves policy, but as a general principle the “Capital” of the funds is held effectively as a permanent endowment, with only the annual income available for disbursement in the year. Trustees are permitted to use “Capital” balances should they require, however this will result in a reduction in the level of funding available for future investment. All funds within the Trusts have been classified as unrestricted funds in terms of the OSCR returns.

The main funding sources for the Charitable Trusts consist of UK government bond interest and bank interest. Given the reliance on deposit interest the faltering economic recovery is having a negative impact on income generated.

In 2020-21, the net movement in funds is an increase of £96,649. The main reason for this change is the increase in the market value of investments £151,168, a result of the markets partly recovering following coronavirus (COVID19) pandemic. The balances are £1,548,713 as at 31 March 2021.

Acknowledgements

The Trustees wish to thank all officers and staff involved in the preparation of the Report and Financial Statements.

Eileen Rowand MBA CPFA
Executive Director Finance & Corporate Services
Fife Council

Councillor David Alexander
Trustee
Fife Council

Councillor David Ross
Trustee
Fife Council

TRUSTEES BY COMMITTEE AREA AS AT 31 MARCH 2021

DUNFERMLINE

James Calder
Gavin Ellis
Ian Ferguson
Derek Glen
Garry Haldane
Helen Law (Chair)
Jim Leishman
Jean Hall Muir
Ross Paterson
David J Ross
Fay Sinclair

COWDENBEATH

Alistair Bain
Alex Campbell
Linda Erskine (Chair)
Gary Guichan
Rosemary Liewald
Mary Bain Lockhart
Lea McLelland
Darren Watt

GLENROTHES

John Beare
Altany Craik
Julie Ford
Fiona Grant (Chair)
Mick Green
Derek Noble
Ross J Vettraino OBE
Craig Walker
Vikki Wilton
Jan Wincott

LEVENMOUTH

David Alexander
Ken Caldwell (Chair)
Colin Davidson
David Graham
John O'Brien
Graham Ritchie
Ryan Smart
Alistair Suttie

NORTH EAST FIFE

Tim Brett
Bill Connor
John Docherty
Andy Heer
Linda Holt
Margaret Kennedy
Jane Ann Liston
Donald Lothian (Chair)
David MacDiarmid
Karen Marjoram
Tony Miklinski CBE
Dominic Nolan
Bill Porteous
Jonny Tepp
Brian Thomson
Ann Verner

SOUTH & WEST FIFE

David Barratt
Bobby Clelland
Dave Coleman
Dave Dempsey
Sharon Green-Wilson
Mino Manekshaw
Alice McGarry (Chair)
Tony Orton
Kate Stewart
Andrew Verrecchia

KIRKCALDY

Lesley Backhouse
Alistair Cameron
Ian Cameron
Rod Cavanagh
Neil Crooks (Chair)
Judy Hamilton
Zoe Hisbent
Gordon Langlands
Kathleen Leslie
Carol Lindsay
David Ross
Richard Watt

CHARITABLE TRUSTS AND THEIR PURPOSES

Trust Name	Charity Number	Purpose of the Trust
Settlement Trusts		
Ladybank	SC042143	The purpose of the Settlement Trusts are as follows:- a) The prevention or relief of poverty; b) The advancement of education; c) The advancement of health; d) The saving of lives; e) The advancement of citizenship or community development; f) The advancement of the arts, heritage, culture or science; g) The advancement of public participation in sport; h) The provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended; i) The advancement of human rights, conflict resolution or reconciliation; the promotion of religious or racial harmony; j) The promotion of equality and diversity; k) The advancement of environmental protection or improvement; l) The relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantage; m) The advancement of animal welfare; n) Any other purpose that may reasonably be regarded as analogous to any of the preceding purposes.
Kingskettle	SC042144	
Kilconquhar	SC042145	
Freuchie And Area	SC042148	
Falkland	SC042149	
Crail	SC042150	
Cupar	SC042151	
Auchtermuchty	SC042152	
St Monans	SC042153	
Elie	SC042154	
Newburgh	SC042155	
Anstruther & Cellardyke	SC042156	
St Andrews	SC042157	
Dunfermline	SC042161	
Leslie	SC042170	
Collessie	SC042172	
Tayport	SC042173	
Pittenweem	SC042174	
Leven	SC042207	
Kennoway	SC042208	
Buckhaven And Methil	SC042211	
Burntisland	SC042382	
Kirkcaldy	SC042383	
Kinghorn	SC042385	
Auchtertool	SC042387	
Culross	SC042749	
Limekilns	SC042750	
Kincardine	SC042751	
Lochgelly	SC042904	
Ballingry	SC042905	
Other Trusts		
Waugh & Wharrie Bequest	SC018777	Poor and needy of Aberdour
Adam Smith & Gow Bequest (Michael Beveridge Bequest)	SC019331	Provision of Beveridge Park and Adam Smith and Beveridge Halls
A A Wilkie Trust	SC019334	To supply toys to children in hospital at Christmas
F L Lawsons Executry	SC019335	Interest to be used towards the upkeep of Star Hall
Raemore Mort. K/L	SC019339	Income to be applied for the benefit of the Poor of the Parish
Frances Lawson's Bequest	SC019392	Benefit of Library at Simpson Institute
Ogilvy Dalgleish Mortification	SC019396	Coal for the poor
Macintosh Bequest	SC019399	Benefit of industrious poor
B F Nisbet's Trust & Garden	SC019402	Upkeep of public gardens, Station Road, Lundin Links
Thomas S Grieg's Bequest	SC019417	To provide pavilion in Tayside Park
Thomson Bequest And Laing Library	SC019420	(1) Thomson - Benefit of the old folks (2) Laing Library - Upkeep of library
Buist Bequest	SC019434	Improvements or necessary repairs in St Andrews
Bell Fund/Good Templars Fund	SC019435	Moral and religious improvement of St Andrews
Stuart Bursary	SC019436	Benefit of St Andrews University
St Andrews War Memorial	SC019437	Upkeep of War Memorial
Thomas Ireland's Trust	SC019447	Provision of coal etc

STATEMENTS OF RESPONSIBILITIES

The Trustees Responsibilities

The Trustees are 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 Charitable Accounts (Scotland) Regulations 2006) and the Accounting and Reporting by Charities Statement of Recommended Practice (Charities SORP), 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).

We certify that the Annual Accounts have been approved for signature by, or on behalf of, the authority.

Signed on behalf of Fife Council

Councillor David Alexander
Trustee
Fife Council

Councillor David Ross
Trustee
Fife Council

The Executive Director Finance and Corporate Services Responsibilities

The Executive Director Finance and Corporate Services is responsible for the preparation of the Fife Council Charitable Trusts Annual Accounts in accordance with proper practices as required by legislation and as set out in the Charities Accounts (Scotland) Regulations 2006 and the Accounting and Reporting by Charities Statement of Recommended Practice (Charities SORP).

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 accounting and reporting by charities: Statement of Recommended Practice (in so far as it is compatible with legislation)

The Executive Director Finance and Corporate Services has also:-

- 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 charities trusts at the reporting date and the transactions of the charities trusts for the year ended 31 March 2021.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services
Fife Council

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDING 31 MARCH 2021

Total Funds 2019-20 £		Total Funds 2020-21 £	Notes
	Income from:		
(17,532)	Donations & Legacies	(24,834)	2
<u>(44,793)</u>	Investments	<u>(30,701)</u>	3
<u>(62,325)</u>	Total	<u>(55,535)</u>	6
	Expenditure on:		
27,344	Charitable activities	85,095	5
<u>17,532</u>	Other expenditure	<u>24,959</u>	4
<u>44,876</u>	Total	<u>110,054</u>	6
162,932	Net (gains)/losses on investments	(151,168)	6
<u>145,483</u>	Net (income)/expenditure	<u>(96,649)</u>	
0	Other recognised gains/losses	0	
<u>145,483</u>	Net movement in funds	<u>(96,649)</u>	
	Reconciliation of funds:		
(1,597,547)	Total funds brought forward	(1,452,064)	6
<u>(1,452,064)</u>	Total funds carried forward	<u>(1,548,713)</u>	6

All funds are unrestricted

BALANCE SHEET AS AT 31 MARCH 2021

31 March 2020		31 March 2021	Note
£		£	
	Fixed assets:		
736,479	Investments	<u>900,579</u>	7
<u>736,479</u>	Total fixed assets	<u>900,579</u>	
	Current assets:		
9,396	Debtors	7,660	8
706,189	Cash at Bank and in Hand	<u>640,474</u>	9
<u>715,585</u>	Total current assets	<u>648,134</u>	
<u>715,585</u>	Net current assets	<u>648,134</u>	
<u>1,452,064</u>	Total net assets	<u>1,548,713</u>	
	Funds of the charity		
(1,452,064)	Unrestricted funds	(1,548,713)	6
<u>(1,452,064)</u>	Total Charity Funds	<u>(1,548,713)</u>	

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

Eileen Rowand MBA CPFA
Executive Director Finance & Corporate Services
Fife Council

Councillor David Alexander
Trustee
Fife Council

Councillor David Ross
Trustee
Fife Council

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

A General Principles

The financial statements for the period ended 31 March 2021 have been compiled in accordance with Charities Accounts (Scotland) Regulations 2006, Accounting and Reporting by Charities Statement of Recommended Practice Charities SORP (FRS102). They are designed to give a true and fair view of the financial performance and position of the Charitable Trusts and comparative figures for the previous financial year are provided. There are no significant departures from accounting standards other than that outlined specifically below.

The accounting concepts of “materiality” and “going concern” 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 to justify its inclusion. The going concern concept assumes that the Charitable Trusts will not significantly curtail the scale of its operations. Trustees are of the opinion that the Charitable Trusts are a going concern based on a review of activities undertaken and expected commitments in the coming year and, as such, these financial statements are prepared on a going concern basis.

These accounts have been prepared on an accruals basis, accruals are made for all material debtors and creditors within the accounts and on the basis of the “connected charities” provision outlined in Section 7 of the Charities Accounts (Scotland) Regulations 2006. In addition, the accounts have been prepared under the historic cost convention, other than changes resulting from the revaluation of certain categories of assets.

All investments are listed investments held at fair value.

The following accounting policies used in its preparation have been reviewed following the introduction of Financial Reporting Standard 18 “Accounting Policies” (FRS18).

B Recognition of Income

Income is included in the Statement of Financial Activities when due and receivable in the period to which it relates

- Investment Income: This is included in the accounts when due and receivable, investments are held in Janus Henderson Investors. The investment strategy is to generate income whilst preserving and growing capital.
- Investment Gains and Losses: This includes any gain or loss on the sale of investments and any gain or loss resulting from revaluing investments.

C Expenditure

These are recognised in the accounts when they are due and payable.

- Costs of Generating Funds: The cost of administering the Charitable Trusts is borne by Fife Council.
- Governance Costs: where applicable, include; cost of preparation and examination of statutory accounts, cost of any legal advice to trustees on governance or constitutional matters; and the cost of administering grants.
- Charitable Activities: Decisions regarding the way the charitable income is spent are taken by the relevant Area Committee. These are recognised in the accounts when the grant is paid.

D Assets

The fixed assets of the Charitable Trusts are listed investments held with Janus Henderson Investors. Accounting Policies in respect of fixed asset valuation, depreciation and impairment are consistent with that of Fife Council.

2. Donations & Legacies

2019-20		2020-21
£		£
(5,332)	Accountancy Costs	(10,576)
(719)	Legal & Democratic Costs	(740)
(6,700)	Audit Fee	(6,850)
(4,781)	Management & Admin Support	(6,668)
(17,532)	Total Donations & Legacies	(24,834)

3. Investment Income

2019-20	Income Description	2020-21
£		£
(40,207)	Dividends and interest on listed investments	(30,307)
(4,586)	Interest on cash deposits	(394)
(44,793)	Total Investment Income	(30,701)

4. Other Expenditure

2019-20	Other Resources Expended	2020-21
£		£
5,332	Accountancy Costs	10,576
719	Legal & Democratic Costs	740
6,700	Audit Fee	6,850
4,781	Management & Admin Support	6,668
0	Other Premises Expenditure	125
17,532	Total Other Resources Expended	24,959

5. Charitable Activities

2019-20		Fund Name	Activities Undertaken	2020-21	
Individuals £	Organisations £			Individuals £	Organisations £
		Settlement Trusts			
		Ladybank	Prevention of Poverty	178	
		Kingskettle	Prevention of Poverty	43	
		Kilconquhar	Prevention of Poverty	167	
		Freuchie & Area	Advancement of Education		114
	146	Freuchie & Area	Provide Recreational Facilities		
	2,000	Crail	Prevention of Poverty	700	
		Crail	Provide Recreational Facilities		550
1,450	400	Cupar	Prevention of Poverty	1,829	
		St Monans	Advancement of Citizenship		250
	530	St Monans	Advancement of Education		
870		St Monans	Prevention of Poverty	969	
		Newburgh	Advancement of Health		1,000
1,125	1,438	Newburgh	Prevention of Poverty	910	
		Newburgh	Provide Recreational Facilities	250	
	4,000	Anstruther & Cellardyke	Advancement of Arts		942
	200	Anstruther & Cellardyke	Advancement of Education		2,500
		Anstruther & Cellardyke	Advancement of Health		50
		Anstruther & Cellardyke	Prevention of Poverty	(35)	2,500
	1,792	Anstruther & Cellardyke	Provide Recreational Facilities		
		St Andrews	Advancement of Education		979
		St Andrews	Advancement of Health		50
	1,800	St Andrews	Advancement of Public Participation in Sport		
299	2,690	St Andrews	Prevention of Poverty	1,270	240
	1,000	Dunfermline	Advancement of Education		
1,000	1,900	Dunfermline	Advancement of Public Participation in Sport		
		Dunfermline	Prevention of Poverty		1,488
200	800	Leslie	Prevention of Poverty		
260		Tayport	Prevention of Poverty	259	
	250	Leven	Prevention of Poverty		
	100	Buckhaven & Methil	Prevention of Poverty		
238		Burntisland	Prevention of Poverty		
	450	Kirkcaldy	Advancement of Education		
		Kirkcaldy	Advancement of Health		129
116	2,010	Kirkcaldy	Prevention of Poverty	1,460	1,000
		Kinghorn	Prevention of Poverty		600
		Culross	Prevention of Poverty		2,994
		Limekilns	Advancement of Citizenship	200	
	200	Limekilns	Prevention of Poverty		
		Other Trusts			
	80	Waugh & Wharrie Bequest	Prevention of Poverty		80
		Bell Fund / Good Templars Fund	Moral & Religious Improvement		7,950
		Thomas Ireland's Trust	Provision of Coal etc	106	
		* Thomson Bequest & Laing Library	Age Concern - Benefit of Old Folks		18,942
		* Buist Bequest	Improvements & Necessary Repairs-St Andrews		31,487
		* Stuart Bursary	Advancement of Education		1,890
		* St Andrews War Memorial	Upkeep of War Memorial		1,054
5,558	21,786	TOTAL		8,306	76,789
	27,344				85,095

* Payments made as a result of the North East Fife Area Non-Settlement Trust Review which total £53,372

6. Outline Summary of Fund Movements

Fund Name	Charity Number	Funds Brought Forward at	Income	Expenditure	(Gains)/	Funds Carried
		01/04/2020	in Year	in Year	Losses on	Forward at
		£	£	£	Investments	31/03/2021
					£	£
Settlement Trusts						
Ladybank	SC042143	(8,388)	(169)	178	(811)	(9,190)
Kingskettle	SC042144	(2,076)	(38)	43	(184)	(2,255)
Kilconquhar	SC042145	(6,046)	(121)	167	(580)	(6,580)
Freuchie And Area	SC042148	(6,635)	(98)	114	(465)	(7,084)
Falkland	SC042149	(2,970)	(62)	0	(300)	(3,332)
Crail	SC042150	(95,889)	(1,871)	1,250	(8,985)	(105,495)
Cupar	SC042151	(61,183)	(1,404)	1,905	(6,775)	(67,457)
Auchtermuchty	SC042152	(12,071)	(238)	0	(1,133)	(13,442)
St Monans	SC042153	(49,641)	(1,095)	1,219	(5,277)	(54,794)
Elie	SC042154	(15,168)	(283)	0	(1,357)	(16,808)
Newburgh	SC042155	(74,937)	(1,982)	2,160	(9,595)	(84,354)
Anstruther & Cellardyke	SC042156	(175,202)	(4,509)	5,957	(21,826)	(195,580)
St Andrews	SC042157	(116,360)	(2,617)	2,539	(18,034)	(134,472)
Dunfermline	SC042161	(81,584)	(1,391)	1,488	(6,652)	(88,139)
Leslie	SC042170	(2,024)	(66)	0	(320)	(2,410)
Collessie	SC042172	(2,324)	(42)	0	(201)	(2,567)
Tayport	SC042173	(11,813)	(173)	259	(822)	(12,549)
Pittenweem	SC042174	(19,779)	(344)	0	(1,645)	(21,768)
Leven	SC042207	(9,816)	(177)	0	(849)	(10,842)
Kennoway	SC042208	(1,157)	(20)	0	(94)	(1,271)
Buckhaven And Methil	SC042211	(776)	(23)	0	(94)	(893)
Burntisland	SC042382	(23,133)	(191)	49	(882)	(24,157)
Kirkcaldy	SC042383	(194,190)	(3,878)	2,589	(18,656)	(214,135)
Kinghorn	SC042385	(26,948)	(489)	600	(2,344)	(29,181)
Auchtertool	SC042387	(1,674)	(34)	0	(162)	(1,870)
Culross	SC042749	(6,681)	(127)	2,994	(609)	(4,423)
Limekilns	SC042750	(4,322)	(144)	200	(709)	(4,975)
Kincardine	SC042751	(27,394)	(554)	0	(2,662)	(30,610)
Lochgelly	SC042904	(18,826)	(311)	0	(1,486)	(20,623)
Ballingry	SC042905	(10,253)	(199)	0	(954)	(11,406)
Other Trusts						
Waugh & Wharrie Bequest	SC018777	(2,356)	(55)	80	(267)	(2,598)
Adam Smith / Gow / Beveridge Bequest	SC019331	(9,343)	(169)	0	(809)	(10,321)
A. A. Wilkie Trust - Children	SC019334	(108)	(2)	0	(10)	(120)
Fl. Lawsons Executry	SC019335	(815)	(14)	0	(66)	(895)
Raemore Mort. K/L	SC019339	(2,654)	(55)	0	(263)	(2,972)
Frances Lawson's Bequest	SC019392	(1,177)	(17)	0	(82)	(1,276)
Ogilvy Dalgleish Mortification	SC019396	(1,905)	(40)	0	(195)	(2,140)
Macintosh Bequest	SC019399	(821)	(17)	0	(84)	(922)
B.F. Nisbet's Trust & Garden	SC019402	(6,508)	(107)	0	(513)	(7,128)
Thomas S. Greig's Bequest	SC019417	(20,493)	(495)	0	(2,390)	(23,378)
Thomson Bequest and Laing Library	SC019420	(37,479)	(841)	18,943	(4,057)	(23,434)
Buist Bequest	SC019434	(31,072)	(414)	31,486	0	0
Bell Fund/Good Templars Fund	SC019435	(261,539)	(5,723)	7,950	(27,593)	(286,905)
Stuart Bursary	SC019436	(1,870)	(20)	1,890	0	0
St. Andrews War Memorial	SC019437	(1,050)	(4)	1,054	0	0
Thomas Ireland's Trust	SC019447	(3,615)	(78)	106	(376)	(3,963)
		(1,452,064)	(30,701)	85,220	(151,168)	(1,548,713)
Donated Services (Support Services)			(24,834)	24,834		
TOTAL		(1,452,064)	(55,535)	110,054	(151,168)	(1,548,713)

7 Investments

2019-20		2020-21
£		£
899,411	Market Value as at beginning of year	736,479
(162,932)	Net increase/(decrease) in value of investments	164,100
736,479	Market Value at end of year	900,579

8 Debtors

Debtors balance related to accrued income on investments from Janus Henderson Investors of £7,660 (2019-20 £9,396).

9 Cash at Bank and in Hand

Cash at Bank and in Hand are balances held as part of Council's loans fund which have been accumulated over a number of years. In 2020-21 this amounted to £640,474 (2019-20 £706,189).

10 Trustee's Remuneration and Expenses

Neither the Trusts of the Charitable Trust nor any associated person connected with them have received any remuneration for their services. Further, no directly incurred expenses were reimbursed to the Trustees during the period.

11 Related Parties

During the period, the Charitable Trust Balances were invested by Fife Council, who manages the administration of the Funds on behalf of the Trustees. The costs of administering the Trusts is £24,834 and this is provided as a donated service by Fife Council resulting in no direct costs being incurred by the Charitable Trust. The Council acts as the banker for the Charitable Trust and all incomings and outgoings are made via the Council's financial systems.

12 Post Balance Sheet Events

There were no adjusting events after the balance sheet date.

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Fife Council Charitable Trusts for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the 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 the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Fife Council Charitable Trusts as at 31 March 2021 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

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 am independent of the charities 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. 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 charities' 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.

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

As explained more fully in the Statements of Responsibilities, the Trustees and the Executive Director of Finance and Corporate Services are 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 trustees determine 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 Trustees and the Executive Director of Finance and Corporate Services are responsible for assessing the charities' 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.

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 charities are complying with that framework;
- identifying which laws and regulations are significant in the context of the charities;
- 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 charities' 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 skilfulness 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

Statutory other information

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual 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 to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinion prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report 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 Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

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.

Patricia Fraser CPFA
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

Patricia Fraser is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973

16th December, 2021

Agenda Item No. 5

2020/21 National Fraud Initiative Exercise – Progress to Date

Report by: Pamela Redpath, Service Manager, Audit and Risk Management Services

Wards Affected: All

Purpose

To advise the Committee of progress to date on the 2020/21 National Fraud Initiative Exercise.

Recommendation(s)

The Standards and Audit Committee is asked to note and consider the contents of this report and the progress made to date.

Resource Implications

Participation in the National Fraud Initiative requires staff resources to be made available to investigate the matches identified.

Legal & Risk Implications

Participation in the exercise is mandatory.

Impact Assessment

An Equality Impact Assessment is not required because the report does not impact on Council policy and does not require a decision.

Consultation

Audit Services has consulted with all subjects of the reports.

1.0 Background

- 1.1 As part of the Council's overall fraud strategy, Fife Council takes part in the biennial National Fraud Initiative (NFI) run by Audit Scotland. This exercise complements the Council's own data matching and gives the Council access to data from other organisations.
- 1.2 Fife Council is required by law to protect the public funds it administers. In doing so, it may share information provided to it with other bodies responsible for auditing or administering public funds to prevent and detect fraud.
- 1.3 Data matching involves comparing computer records held by one body against other computer records held by the same or another body to identify matches. This is usually personal information. Computerised data matching allows potentially fraudulent claims and payments to be identified, but inclusion within a data matching exercise does not mean that any specific individual is under suspicion. Where a match is found, it indicates that there may be an inconsistency that requires further investigation. We cannot assume fraud has been committed until further investigations are carried out. The exercise can also help bodies ensure that their records are up to date.
- 1.4 The purpose of this report is to advise on the progress to date of the 2020/21 NFI exercise.

2.0 NFI 2020/21 Exercise Progress

- 2.1 Copies of NFI documentation for the 2020/21 exercise have been provided to all participants. Copies are also available on [Fife.gov.uk](https://fife.gov.uk) and the Council's intranet.
- 2.2 Datasets for the main exercise were made available to the Council by the Cabinet Office on 29 January 2021.
- 2.3 As part of the current NFI exercise additional data sets were released:
 - Grant Recipients (Covid-19) on 14 May 2021
 - Small Business Bonus Scheme (Business Rates) on 2 August 2021
- 2.4 For each dataset provided, a dataset contact has been identified. They are responsible for investigating or co-ordinating the investigation of the data matches allocated to them. In addition, the dataset contact is responsible for responding to enquiries from other matched bodies. This responsibility includes ensuring the appropriate sample testing of data is undertaken and that resources are made available to ensure the data is reviewed within a reasonable timescale.
- 2.5 All the dataset contacts were provided with guidance that included matching investigation requirements and reporting timescales. In addition, support and guidance was provided by Audit Services as and when queries arose.
- 2.6 The recommended approach by the Cabinet Office is to concentrate on high quality rated matches, other matches can be investigated if they meet local protocols and resources are available.

- 2.7 A total of 13,149 matches were identified for Fife Council, with those rated as high-quality amounting to 4,866 (see Appendix 1). Where there is a high volume of matches within an area, sample checking is undertaken.
- 2.8 As part of this exercise 4,516 matches have been investigated to date. The outcomes of the investigations are shown in Table 1 below, followed by more detailed explanations on the outcomes of matches.

Table 1 – Outcomes as at 4 October 2021

NFI Fife Council				
	Fraud	Errors	Outcome	Recovering
Blue Badge Parking Permit	0	275	£ -	£ -
Business Rates	0	4	£17,359.53	£ 17,359.53
Creditor History	0	1	£ 3,299.96	£ 3,299.96
Creditor Standing	0	0	£ -	£ -
Consessionary Travel Pass	0	0	£ -	£ -
Council Tax Reduction Scheme	0	2	£ 6,703.91	£ 6,703.91
Deferred Pensions	0	0	£ -	£ -
Grant Recipients (Covid-19)	0	0	£ -	£ -
Housing Benefits Claimants	0	7	£11,187.55	£ 11,187.55
Housing Tenants	0	0	£ -	£ -
Procurement	0	0	£ -	£ -
Pensions	1	16	£11,149.44	£ 7,165.98
Payroll	0	1	£20,288.93	£ 20,288.93
Right to Buy	0	0	£ -	£ -
Resident Parking Permit	0	0	£ -	£ -
Housing Waiting List	1	1	£ -	£ -
	2	307	£69,989.32	£ 66,005.86

- a) **Blue Badge Parking Permit** – Blue Badges rely on notification of deaths to keep their records up to date. For Blue Badges the Service reported that, as part of the NFI exercise and the deceased persons information, they have updated their records and cancelled 275 Blue Badges. In part the Council relies on the “Tell Us Once” process. This may be undertaken by members of the public when registering a death and informs relevant Services of the death so they can take appropriate action and update their records. However, the process is voluntary and relies on the completeness and accuracy of information provided by members of the public at a time which may be difficult for them.
- b) **Business Rates** – The Service has reported four matches that have highlighted changes in liability amounting to £17,359.53, recovery is in progress for all matches.
- c) **Creditor History** – The Service has reported one duplicate invoice payment amounting to £3,299.96. The supplier was contacted, and they have issued a credit note for the full amount.

- d) **Council Tax Reduction Scheme** – The Service has reported two errors. One is a change in eligibility amounting to £6,703.91 with recovery from the claimant in progress. The other error was administrative with no financial impact, the claimant's records have been updated.
- e) **Housing Benefit Claimants** – The Service reported that income was revised for seven individuals with a Student Loan and their eligibility adjusted. This resulted in overpayments of £11,187.55 for five of the individuals, with recovery in progress from these individuals for the full amount.
- f) **Pensions:**
- The Service has reported that, as a result of the deceased persons information provided as part of the NFI exercise, 16 pensions with a Gross Annual Pension amount of £42,472.00 have been stopped. This has resulted in over payments of £4,548.31. The Service has contacted the next of kin for three pensions with recovery in progress for £564.85. To date, the Service has been unable to contact the next of kin for the 13 remaining pensions amounting to £3,983.46.
 - In addition to the above there was one fraud identified with a Gross Annual Pension amount of £10,560.10 which was stopped and resulted in an overpayment of £6,601.13. This fraud was reported to Police Scotland and detailed in Audit Report No. CF017. Police Scotland have identified the individual who submitted the fraudulent bank mandate and have initially cautioned him with fraud. Following the caution, the full amount has been repaid.
 - As an outcome from the 2018/19 NFI Exercise it was agreed to undertake the twice-yearly additional matches offered by the Cabinet Office for Pensions to DWP Deceased Records. Pensions rely on notification of deaths to keep their records up to date. In part the Council relies on the "Tell Us Once" process, however, the process is voluntary and relies on the completeness and accuracy of information provided by members of the public at what can be a difficult time. The additional data matches are an effective control in identifying pensioners that have passed away.
- g) **Payroll** – The Service have identified one overpayment for an employee who left the Council on the 1 September 2019. They continued to be paid until February 2021, resulting in an overpayment of £20,288.93. The ex-employee has been invoiced for the full amount and recovery is in progress. Audit Services are investigating the circumstances surrounding this overpayment, a report will be issued along with any recommendations in due course.
- h) **Housing Waiting List** – The Service identified one fraudulent application. This applicant has since been removed from the housing waiting list.

3.0 National Entitlement Card Pilot

- 3.1 Fife Council is taking part in a pilot data matching exercise of National Entitlement Cards (NEC) to DWP deceased data. The NEC is Scotland's National Smartcard that is supported by Scottish Government to deliver national and local services. The NEC makes it convenient for cardholders to access various public services and facilities with only one card. This pilot is funded by Transport Scotland and its purpose is to establish the potential misuse of a NEC for concessionary travel which belongs to an individual who has passed away. This may be the continued use of the pass by relatives of the deceased, forgery of a card in the name of a deceased person or use of a stolen card.

- 3.2 This pilot is only data matching travel passes of elderly and disabled customers. No data will be accepted for anyone under 18 years of age. Data was provided by Fife Council on the 6 July 2021.
- 3.3 Datasets for this pilot were made available to the Council by the Cabinet Office on 30 August 2021, with 1,737 matches and with those rated as high quality amounting to 1,551 (these amounts are included with the totals reported at 2.7 above).
- 3.4 As both the Cabinet Office and Transport Scotland are looking for feedback on the pilot within a reasonable timescale, it was agreed that the Service should initially review a sample of 150-200 matches, recording outcomes on the NFI website by the end of November 2021. The Service will complete the review and reporting of all the remaining matches beyond the deadline for the initial pilot reporting. Audit Services will monitor progress to ensure all matches are reviewed.
- 3.5 The results from the initial review of matches will be anonymised and passed to Transport Scotland, who can then establish to what extent NEC are being used (e.g. concessionary travel) after the cardholder has passed away.
- 3.6 A further update will be provided to the Committee on the final outcome of this pilot in 2022.

4.0 Council Tax Re-Check Exercise 2020/21

- 4.1 As previously reported, the Council is not participating in the matching part of this exercise, though the required data upload for the exercise has been provided.
- 4.2 This exercise identifies matches for addresses where the householder is claiming a Council Tax Single Person Discount (CTSPD) on the basis that they live alone yet the Electoral Register suggests that there is more than one person in the household aged 18 or over.
- 4.3 Instead, Benefits and Council Tax have engaged a third party, Datatank, to carry out a review using data from a credit reference agency. The Service believes this approach is more efficient in identifying discrepancies with CTSPD.
- 4.4 The costs for the 2020/22 Datatank bulk review, ongoing monitoring and new CTSPD claims amounts to £38,735.
- 4.5 Datatank have screened 45,006 accounts with CTSPD. The screened accounts are risk scored and the medium and high-risk accounts are investigated to confirm eligibility for the discount, resulting in 8,728 customers being contacted in June 2021.
- 4.6 The estimated additional revenue generated for 2021/22 as a result of this exercise is £855,032. The Service have removed discounts and rebilled customers for this amount. As the collection rate has not dropped, this would indicate successful recovery.

5.0 Conclusions

- 5.1 The National Fraud Initiative is an important national exercise which complements Fife Council's fraud strategy and widens Fife's data matching by allowing access to

external records. The exercise gives assurance to the Council that its own data matching strategy is working, in addition to providing assurance to the External Auditors.

- 5.2 Fife Council is committed to taking part in this exercise and this report sets out progress to date.
- 5.3 A further update will be provided to the Committee on the final outcome of the exercise in 2022.

List of Appendices

- 1. Analysis of the 2020/21 NFI Matching Exercise

Report Contact

Neil Robertson
Corporate Fraud Officer, Audit & Risk Management

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Appendix 1 - Analysis of the 2020/21 NFI Matching Exercise – as at 4 October 2021

NFI Fife Council

	Total All	High Risk Score	Processed	In Progress	Fraud	Errors	Outcome	Recovering
Blue Badge Parking Permit	549	394	456	0	0	275	0.00	0.00
Business Rates	1,965	1,965	1,813	0	0	4	17,359.53	17,359.53
Creditor History	3,011	331	65	0	0	1	3,299.96	3,299.96
Creditor Standing	1,484	0	85	0	0	0	0.00	0.00
Consessionary Travel Pass	1,737	1,551	0	0	0	0	0.00	0.00
Council Tax Reduction Scheme	1,940	61	103	0	0	2	6,703.91	6,703.91
Deferred Pensions	9	8	9	0	0	0	0.00	0.00
Grant Recipients (Covid-19)	292	0	41	0	0	0	0.00	0.00
Housing Benefits Claimants	143	42	79	0	0	7	11,187.55	11,187.55
Housing Tenants	366	161	276	0	0	0	0.00	0.00
Procurement	159	0	636	0	0	0	0.00	0.00
Pensions	599	242	183	0	1	16	11,149.44	7,165.98
Payroll	94	14	83	6	0	1	20,288.93	20,288.93
Right to Buy	1	1	1	0	0	0	0.00	0.00
Resident Parking Permit	8	0	8	0	0	0	0.00	0.00
Housing Waiting List	792	96	678	0	1	1	0.00	0.00
	13,149	4,866	4,516	6	2	307	£69,989.32	£66,005.86

16th December, 2021

Agenda Item No. 6

2021/22 Issued Audit Reports

Report by: Pamela Redpath, Service Manager, Audit and Risk Management Services

Wards Affected: All

Purpose

To update the Committee with an analysis of the findings in audit reports issued since the last report to this Committee. The report highlights any areas of concern and instances where Services are not taking appropriate action.

Recommendation(s)

Members are asked to note the contents of this report and the Analysis of Issued Audit Reports at Appendix 1.

Resource Implications

None

Legal & Risk Implications

Without suitable internal controls, there is an increased risk that Services and/or the Council will not achieve their objectives.

Impact Assessment

An Equality Impact Assessment is not required because the report is not proposing a change or revision to existing policies and practices.

Consultation

Audit Services has consulted all subjects of the audit reports.

1.0 Background

- 1.1 Audit Services provides an assurance function that gives the Council an independent and objective opinion on the control environment by evaluating its effectiveness in achieving its objectives. We examine, evaluate and report, objectively, on the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 1.2 This report provides a summary of audit reports issued since the last report to this Committee. It describes key findings and highlights areas of concern.

2.0 Analysis of Issued Audit Reports

- 2.1 To enable the Standards and Audit Committee to form an opinion on the effectiveness of the internal control environment, to provide assurance where internal controls are working well and to highlight areas for concern, the Service Manager (ARM), prepares a report which provides a summary of the audit reports issued by Audit Services.
- 2.2 The reports issued in the current period cover a number of Services and areas. The summaries relate to Fife Council Audits and Corporate Fraud reports.
- 2.3 A short outline of each report is contained in Appendix 1.
- 2.4 For each completed audit / fraud risk review report, Services are asked to complete a Post Audit Review Action Plan (PAR). This indicates:
 - the Service's progress in implementing agreed actions;
 - reasons for non-implementation; and
 - explanations for redundant recommendations.
- 2.5 The results are reported twice-yearly to Standards and Audit Committee.

3.0 Conclusions

- 3.1 This period's audits reveal some instances of non-compliance with the Council's governance arrangements. However, these are not systemic failings and, in general, satisfactory procedures are in place and being followed. Appropriate actions have been agreed in all instances to address these shortcomings.
- 3.2 I conclude that the findings do not pose a significant risk and implementation of all actions will improve the Council's control framework.

List of Appendices

1. Summary of Audit Reports Issued

Report Contact:

Hazel Hastie

Auditor, Audit and Risk Management

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SERVICE, REPORT and PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
<p>1. Assets, Transportation & Environment Fleet Management (Report 68)</p>	<p>This audit reviews how well Assets, Transportation & Environment (ATE) controls its fleet and assesses the adequacy of its systems for managing and maintaining the Council's vehicles, plant and equipment.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> • Level of Assurance Grade 2 • System Materiality Grade 3 • Overall Risk Low <p><u>Findings:</u></p> <p>There are no areas for improvement.</p>
<p>2. Finance and Corporate Services Cybersecurity (Report 69)</p>	<p>This audit reviews how well BTS controls the risk of a cybersecurity attack on the Council's systems and services and ensures compliance with current regulations and guidance. The audit covered Information Security Policies and Procedures, Training, IASME Accreditation and remote working including Use Your Own Device (UYOD).</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> • Level of Assurance Grade 1 • System Materiality Grade 5 • Overall Risk Low <p><u>Findings:</u></p> <p>The following areas for improvement were identified:</p> <ul style="list-style-type: none"> • Documented policies and procedures are not subject to regular review or available in Oracle. • There are no measures in place to allow managers to monitor completion of compulsory eLearning modules. <p>Satisfactory action has been agreed for the two recommendations (both moderate) made by 31 December 2022.</p>

SERVICE, REPORT and PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
<p>3. Finance and Corporate Services Resource Transfers (Report 70)</p>	<p>This audit reviews how well Finance controls resource transfer arrangements between Fife Council and NHS Fife and ensures compliance with current regulations and guidance.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> • Level of Assurance Grade 1 • System Materiality Grade 5 • Overall Risk Low <p><u>Findings:</u></p> <p>The following area for improvement was identified:</p> <ul style="list-style-type: none"> • The Resource Transfer Guidance does not refer to budget monitoring and has not been reviewed or updated since June 2016. <p>Satisfactory action has been agreed for the one moderate recommendation made by 31 December 2021.</p>
<p>4. Housing Services Risk Management and Business Continuity (Report 71)</p>	<p>This audit assesses the current level of risk maturity in place within Housing Services using the Risk Management Maturity model developed by the Council based on the one used by the CIPFA benchmarking group.</p> <p>Our overall assessment of Housing Services' risk management is Level 3. The Council's Target is Level 4.</p> <p>Risk management is inconsistent, with inadequate evidence. Level 3 was achieved for: Leadership & Management; Strategy & Policy; and People and Level 2 for Partnerships & Joint Working; Processes; Business Continuity; and Results.</p> <p>The Service has agreed an Action Plan to achieve Level 4, through implementing 9 recommendations, by November 2022, including appointing a Coordinator to bring consistency across the Service.</p>

SERVICE, REPORT and PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
<p>5. Community and Corporate Development LEADER in Fife Programme 2014 - 2020 (Report 72)</p>	<p>This audit has been undertaken to meet the requirements of the Service Level Agreement between Scottish Ministers (Managing Authority and Paying Agency) and Fife Council.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> • Level of Assurance Grade 1 • System Materiality Grade 3 • Overall Risk Low <p><u>Findings:</u></p> <p>There are no areas for improvement.</p>
<p>6. Enterprise and Environment HR Recruitment – Service Level (Report 73)</p>	<p>This audit assesses whether Enterprise and Environment follows HR recruitment policies and procedures and ensures compliance with current regulations and guidance.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> • Level of Assurance Grade 1 • System Materiality Grade 4 • Overall Risk Low <p><u>Findings:</u></p> <p>The following area for improvement was identified:</p> <ul style="list-style-type: none"> • Planning kept no formal record of induction training given to new starts. <p>The Service has already implemented a recommendation that it does so.</p>

16th December, 2021

Agenda Item No. 7

Regulation of Investigatory Powers (Scotland) Act 2000

Report by: Executive Director – Finance and Corporate Services

Wards Affected: All

Purpose

To update Members on the use of these powers since 2019.

Recommendation(s)

The Committee is asked to note the use of these powers since 2019.

Resource Implications

Compliance with the Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) is covered within the overall operational cost of Legal & Democratic Services, Customer Service Improvement and those services using covert surveillance to gather information. There are no resource implications arising from this report.

Legal & Risk Implications

The Council is authorised to carry out covert surveillance by the Regulation of Investigatory Powers (Scotland) Act 2000. Any covert surveillance carried out outwith the statutory authorisation framework could be a breach of an individual's Human Rights in respect of Article 8 (right to respect of private and family life, home and correspondence) and Article 6 (right to a fair trial). Any evidence obtained in this way could be disregarded in any subsequent court proceedings. The Council could also be subject to reputational damage if it is found to be operating outwith the statutory framework.

Impact Assessment

An EqlA is not required because the report does not propose any changes to an existing policy.

Consultation

The RIPSA Working Group, comprising representatives from Legal Services, HR, Customer Improvement, Trading Standards and Safer Communities teams has been consulted in the preparation of this report.

1.0 Background

- 1.1 The Council is authorised to carry out covert surveillance for the purposes of preventing or detecting crime or the prevention of disorder; in the interests of public safety; and for the purpose of protecting public health. The RIPSA legislation sets out the authorisation framework that must be applied to any such surveillance and the Council has adopted a Policy and Procedures document in respect of this legislation. In addition, a statutory Code of Practice is issued by Scottish Government setting out more detail of the manner and circumstances in which covert surveillance should be used. Applications must be made to the Head of Legal & Democratic Services setting out the statutory purpose of any surveillance and the reasons why covert surveillance is necessary and appropriate.

2.0 Current Position

- 2.1 The Investigatory Powers Commissioner's Office last undertook an inspection of the Council's use of covert surveillance in November 2018 and the details of that inspection were reported to this Committee in April 2019. At that time the Commissioner was satisfied that the level of compliance demonstrated removed the requirement for a full inspection for the time being. Recently the Council has been advised that the Commissioner intends to undertake an inspection in the first quarter of 2022. Following the inspection there will be a report to the next available meeting of the Committee to provide an update on the outcome of the inspection process.
- 2.2 In preparation for the inspection the RIPSA working group has met and discussed two potential areas for performance improvement. First of all, it has been recognised that there has not been refresher training offered recently and this will now be considered. The group has also looked at how it might further develop its records management approach using Sharepoint. Updates in relation to these matters can be provided to the Committee in the report following the inspection.
- 2.3 The statutory Code of Practice on the use of these powers recommends regular reporting to Elected Members on the Council's policy and use of RIPSA. Whilst the Code suggests that reporting on the use of RIPSA powers be carried out on a quarterly basis, Fife Council makes limited use of these powers, so the reports to Committee have been submitted on an annual basis.
- 2.4 The last report in December 2020 advised Committee that in respect of 2019, there were 12 applications for use of RIPSA powers; all came from Trading Standards. Two applications were refused and all of those granted were in respect of online surveillance in respect of suspected trading in counterfeit goods, unsafe products and misleading health claims. The report also indicated that there had only been one application in 2020, which was granted. This was also from Trading Standards and was also in respect of online surveillance in respect of suspected trading in counterfeit goods. The significant reduction in the number of applications is a result of the team that would normally be undertaking this work continues to be diverted to other duties as a result of the COVID pandemic. This is reflected in there having been no applications for the use of RIPSA powers to date in 2021.

3.0 Conclusions

- 3.1 The Council makes very infrequent use of its powers under RIPSA but the use of these powers may increase again when the Council returns to business as usual models once the pandemic response work has abated.
- 3.2 In accordance with the Scottish Government's Code of Practice, regular reporting to Elected Members on the use of RIPSA will be undertaken, including the outcome of the forthcoming inspection.

Background Papers

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973:

- Scottish Government Code of Practice on Covert Surveillance and Property Interference

Report Contact

Lindsay Thomson
Head of Legal & Democratic Services
Finance & Corporate Services
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16th December, 2021
Agenda Item No. 8

The Standards Commission for Scotland – Annual Report and Accounts for 2020/21; and Decisions taken by the Hearing Panel of the SCS

Report by: Lindsay Thomson, Head of Legal and Democratic Services

Wards Affected: N/A

Purpose

The purpose of this report is to advise that the Standards Commission for Scotland has published its annual report and accounts for 2020/21; and to report on the findings of the Hearing Panel of the Standards Commission for Scotland during this period.

Recommendation(s)

The Committee is asked to note –

- (1) the annual report and accounts for 2020/21 of the Standards Commission for Scotland;
- (2) the findings of the Commissioner and the decisions of the Hearing Panel of the Standards Commission for Scotland, which will continue to be monitored and appropriate reports and/or advice given to the Council; and
- (3) a link to the Annual Report will be circulated to all elected members.

Resource Implications

There are no resource implications identified at this stage.

Legal & Risk Implications

The Council and its members should be aware of the work undertaken by the Standards Commission for Scotland and the decisions the Commission has taken. This will increase understanding of the Councillors' Code of Conduct and minimise the risk of any breach of that Code.

Impact Assessment

An EqIA is not required because the report does not propose a change or revision to existing policies and practices

None

1.0 Annual Report and Accounts for 2020/21

- 1.1 The Standards Commission for Scotland recently published its annual report and accounts for 2020/21 and a copy of this report can be accessed at the Standards Commission for Scotland website: standardscommissionscotland.org.uk
- 1.2 Of particular interest to members will be:
- (a) the statistics set out from page 21 of the report summarising decisions on case reports, hearings, sanctions, interim suspension, appeals and timescales for the process and
 - (b) in the 14 cases heard by the Commission in 2020/21, there were 13 findings of breaches of the Councillors' Code of Conduct resulting in 6 censures, 1 full suspension, 5 partial suspensions and 1 disqualification.
- 1.3 Members may also wish to note that key activities of the Commission in 2020/21 were:
- (a) Compliance related activity and in particular the provision of on-line training and the development and publication of guidance
 - (b) the issuing of directions to the Ethical Standards Commissioner in terms of the process for cases being referred to the Commission
 - (c) work supporting the Scottish Government's review of the Code of Conduct
 - (d) the development of on-line hearings and associated guidance
- 1.4 Further information on this work can be found in the "performance" section at part 3 of the report, and the governance and financial overview set out in part 6.

2.0 Hearing Panel - Decisions

- 2.1 The Committee has agreed that the reports and findings of the Standards Commission for Scotland be monitored to enable appropriate reports and/or advice to be given to the Council. These decisions are published on the website of the Standards Commission for Scotland www.standardscommissionscotland.org.uk.
- 2.2 It must be noted that four of the 14 cases considered at a Hearing in 2020/21 were from Fife Council. Two of the cases related to declaration of interest matters, resulting in one censure and one finding of no breach. The two other cases both resulted in partial suspensions for councillors following a finding of a failure to treat members of the public with courtesy and respect in one case and the disclosure of confidential information in another case.

2.3 There were another four cases from other authorities concerning registration or declaration of interest. Each of these cases resulted in censure for the councillors involved. There were also three other cases relating to disclosure of confidential information. One resulted in a censure and the other two, which both also included a finding of failure to show respect (to a senior officer and to a member of the public respectively), resulted in partial suspensions. There were two cases where the primary allegation was conduct which amounted to harassment or bullying. In one of these cases the outcome was a partial suspension and in another the harassment was so serious that the panel agreed to disqualify the councillor. This case (from Renfrewshire Council) was subsequently successfully appealed on procedural grounds and was remitted back to the Commission. In a re-hearing the panel again found that the councillor should be disqualified. Finally, there was one case which concerned the conviction of a councillor for a sexual offence. This offence was found to have taken place when it was perceived that the councillor was acting as a councillor and that finding resulted in the breach of the code. The councillor was suspended in full for 12 months.

3.0 Conclusion

3.1 The summaries of cases and the activity of the Standards Commission for Scotland in the year 2020/21 should be of interest to members and this report is another mechanism for sharing information on the Councillors' Code of Conduct and how it is enforced.

The Standards Commission has identified the publication and promotion of the revised code of conduct for members as one of its key activities for the next financial year 2021/22. Members will be kept up to date with this work.

Report Contact

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Standards and Audit Committee of 17th February 2022			
Title	Service(s)	Contact(s)	Comments
Minute of meeting 16.12.21	Finance and Corporate Services	Wendy MacGregor	
Post Audit Review Report	Finance and Corporate Services	Pamela Redpath	Pamela Redpath - Audit and Risk Management Services
Update on 2021/22 Issued Audit Reports	Finance and Corporate Services	Hazel Hastie	contact - Pamela Redpath Service Manager, Audit and Risk Management Services
Strategic Risk Register Report		Pamela Redpath	Pamela Redpath - Service Manager, Audit and Risk Management Services
Standards and Audit Committee Forward Work Programme		Wendy Macgregor	
Risk Management Strategy Report	Finance and Corporate Services	Pamela Redpath	Pamela Redpath, Service Manager - Audit and Risk Management Services
Safeguarding & Self- Assessment Action Plan, including Committee Self- Assessment 2021-22	Finance and Corporate Services	Pamela Redpath	Pamela Redpath - Service Manager, Audit and Risk Management Services
Data Protection Training - Update report	Legal & Democratic Services	Laura McDonald-im	request for update report following annual DP report submitted to committee on 07.10.21, low numbers of FC Services completing DP training, discuss with ICT Governance Board and discuss enforcement actions.
Update on Audit Plan	Finance and Corporate Services	Pamela Redpath	

Unallocated			
Title	Service(s)	Contact(s)	Comments
Financial Overview Report		Elaine Muir	
Local Government in Scotland: Challenges and Performance		Niki Ross	report from Audit Scotland