

Standards, Audit and Risk Committee

Please note this meeting will be held remotely

Monday, 28th November, 2022 - 10.00 a.m.



AGENDA

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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(s) 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, Audit and Risk Committee of 31 st October, 2022.	3 – 6
4. FIFE COUNCIL AND CHARITABLE TRUSTS - ANNUAL AUDIT REPORT AND AUDITED ACCOUNTS – Report by the Executive Director, Finance Corporate Services.	
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8. THE ACTING ETHICAL STANDARDS COMMISSIONER FOR SCOTLAND ANNUAL REPORT 2021/22, THE STANDARDS COMMISSION FOR SCOTLAND (THE COMMISSION) ANNUAL REPORT FOR 2021/22; AND DECISIONS TAKEN BY THE HEARING PANEL OF THE COMMISSION – Report by the Head of Legal and Democratic Services.	229 – 232
9. STANDARDS, AUDIT AND RISK COMMITTEE FORWARD WORK PROGRAMME	233

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

Fife House
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21st November, 2022

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THE FIFE COUNCIL - STANDARDS, AUDIT AND RISK COMMITTEE – REMOTE MEETING

31st October, 2022

10.00 a.m. – 11.55 a.m.

PRESENT: Councillors Dave Dempsey (Convener); Tom Adams, Lesley Backhouse, John Beare, Dave Dempsey, Gary Holt, Sarah Neal, Gordon Pryde and Ann Verner.

ATTENDING: Elaine Muir, Head of Finance; Pamela Redpath, Service Manager - Audit and Risk Management Services, Carolyn Ward, Audit Team Leader, Audit and Risk Management Services; Pam Ewen, Head of Planning, Economy Planning and Employability Services; Ross Spalding, Service Manager, Climate Change and Partnerships; Diarmuid Cotter, Head of Customer and Online Services; Laura McDonald, Customer Experience Lead Officer and David Thomson, Customer Experience Lead Officer, Customer Service Development; Lindsay Thomson, Head of Legal and Democratic Services and Wendy MacGregor, Committee Officer, Legal and Democratic Services.

ALSO IN ATTENDANCE: Patricia Fraser, Senior Audit Manager, Audit Scotland.

APOLOGIES FOR ABSENCE: Councillors Al Clark and Graeme Downie.

9. DECLARATIONS OF INTEREST

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

10. MINUTE

The Committee considered the minute of the meeting of the Standards, Audit and Risk Committee of 30th June, 2022.

Decision

The Committee agreed to approve the minute.

11. INFORMATION REQUESTS ANNUAL REPORT

The Committee considered a report by the Head of Customer and Online Services, Communities, detailing requests for information received 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/

Decision

The Committee:-

- (1) acknowledged the workload arising from managing information requests; and
- (2) noted the performance information detailed in the report.

12. COMPLAINTS UPDATE

The Committee considered a report by the Executive Director – Communities, updating members on complaints closed between 1st April, 2021 and 31st March, 2022.

Decision

The Committee noted the information provided on complaints received, complaints responded to in target timescales and the proportionality of Service complaints.

13. 2022/23 ISSUED AUDIT REPORTS

The Committee considered a report by the Service Manager, Audit and Risk Management Services summarising findings from the Internal Audit Reports finalised since the last meeting of the Committee. Areas of concern were highlighted and, where applicable, instances where Services were not taking appropriate action.

Decision

The Committee noted the contents of the report and the summary of findings detailed in Appendix 1 to the report.

14. INTERNAL AUDIT PLAN - PROGRESS REPORT

The Committee considered a report by the Service Manager, Audit and Risk Management Services updating members on the progress towards delivering the 2021/22 and 2022/23 Internal Audit Plans.

Decision

The Committee noted the update on progress made toward delivering the 2021/22 and 2022/23 Internal Audit Plans as detailed in Appendix A and Appendix B to the report.

15. NATIONAL FRAUD INITIATIVE (NFI) IN SCOTLAND 2022

The Committee considered a report by the Service Manager, Audit and Risk Management Services, providing Audit Scotland's national report on the 2020/21 NFI exercise and an update on local planning and preparations for the 2022/23 NFI exercise.

Decision/

Decision

The Committee:-

- (1) noted Audit Scotland's national report and the outcomes from the 2020/21 National Fraud Initiative (NFI) exercise, published in August 2022, detailed in Appendix A to the report;
- (2) noted progress made toward planning and preparation for the 2022/23 NFI exercise; and
- (3) reviewed the completed NFI Self-Appraisal Checklist, for those charged with governance, detailed in Appendix B to the report.

16. NATIONAL FRAUD INITIATIVE - SCOTTISH NATIONAL ENTITLEMENT CARDS, PILOT EVALUATION

The Committee considered a report by the Service Manager, Audit and Risk Management Services providing a report from Audit Scotland entitled National Fraud Initiative – Scottish National Entitlement Cards Pilot Evaluation. Fife Council voluntarily and exclusively participated in the data matching pilot to which the report relates.

Decision

The Committee noted the contents of the report.

17. FRAUD AND IRREGULARITY 2021/22

The Committee considered a report by the Service Manager, Audit and Risk Management Services providing a summary of the Fraud and Irregularity 2021/22 national briefing compiled by Audit Scotland for public bodies and auditors.

Decision

The Committee noted the contents of the report and the key messages from the Audit Scotland briefing.

The Committee adjourned at 11.35 a.m

The Committee reconvened at 11.45 a.m.

18. FIFE INTEGRATION JOINT BOARD (IJB) 2021/22 ANNUAL INTERNAL AUDIT REPORT

The Committee considered a report by the Service Manager, Audit and Risk Management Services, presenting the Fife Integration Joint Board (IJB) 2021/22 Annual Internal Audit Report.

Decision/

Decision

The Committee noted the Fife Integration Joint Board (IJB) 2021/22 Annual Internal Audit Report detailed in Appendix 1 to the report.

19. STANDARDS, AUDIT AND RISK COMMITTEE FORWARD WORK PROGRAMME

The Committee considered the Standards, Audit and Risk Committee Forward Work Programme.

Decision

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

28th November, 2022

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 & Charitable Trusts for 2021-22, 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 2021-22 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 2022 and that the accounts have been properly prepared in accordance with relevant legislation and accounting regulations. The auditor found that there are areas for improvement in financial systems of internal control.
- 2.3 The auditor has identified 8 recommendations and reported these in the Annual Audit report, these relate to the methodology used for year end valuations of land and buildings, transfer of assets under construction, general fund bank reconciliations, errors in the information submitted to the actuary, dormant charities, controls associated with Charities and improvements in budget reporting.
- 2.4 The issue surrounding year end valuations of land and buildings relates to the methodologies being used by the Council and External Audit have indicated this should be reviewed. They also tested this against alternative methodologies and concluded that there would be no material difference to the accounts. However, a review will be carried out over the coming years.
- 2.5 External Audit have highlighted that the treatment of assets under construction was incorrect. The accounts were changed to correct this and year end procedures will be enhanced to reflect this requirement in the future.
- 2.6 One recommendation has highlighted the lack of reconciliation of the Council's general fund bank account. This is following the implementation of a new income management system in February 2022. Although implementation was due to be on a like for like basis there are differences in the report styles as well as way the volume of transactions is recorded. Reconciliation work has been ongoing since July with the team making steady progress and being able to demonstrate the system does reconcile with the ledger and bank. System development is required to further improve the reconciliation process and bring in automatic matching.

- 2.7 External audit identified an error in the cash flow information provided to the actuary for IAS19 reports. This was because of 14 pays being processed in the year and the pension contributions for one pay were not included. This is a once in 20 year event but year-end procedures will be updated to include further checks on this information.
- 2.8 Charities continue to feature with audit recommendations around the level of expenditure being low or nil in some cases. External audit recommend the Council should consider reorganising the charities.
- 2.9 Further, it is recommended sample checks should be introduced to ensure that any grants awarded from Charitable Trusts are spent as intended.
- 2.10 External audit recommended that budget reporting could be improved by ensuring the most up to date funding and expenditure information is available to members. The unique set of circumstances in relation to additional funding streams during 2021-22 is unlikely to be repeated, but process will be put in place to ensure reports are as up to date as possible.
- 2.11 In addition to recommendations following 2021-22 audit, some recommendations have been brought forward from 2020-21. These are complete or partially complete.
- 2.12 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

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Fife Council Standards, Audit and Risk Committee

28 November 2022

Fife Council and Fife Council Charitable Trusts Audit of 2021/22 annual accounts

Independent auditor's report

1. Our audit work on the 2021/22 annual accounts is now substantially complete. Subject to the 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 28 November 2022 (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, Audit and Risk Committee's consideration our draft annual report on the 2021/22 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 decrease net expenditure by £3.3m and increase the net assets 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.

Appendix A: Proposed Independent Auditor's Report – Fife Council

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 2022 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the council and its group as at 31 March 2022 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 six 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 ability of the council and its group 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.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, I report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report 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 Responsibilities for the Statement of Accounts, 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 ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

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 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 and its group is complying with that framework;

- identifying which laws and regulations are significant in the context of the council and its group;
- 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.

Other information

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

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 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 other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Corporate Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Brian Howarth ACMA CGMA
Audit Director
Audit Scotland
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Appendix A: Proposed Independent Auditor's Report – Fife Council Charitable Trusts

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 2022 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 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 charities as at 31 March 2022 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 Finance and Corporate Services for the financial statements

As explained more fully in the Statements of Responsibilities, the trustees and Executive Director 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 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 trustees and Executive Director 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 the trustees intend to discontinue the charities' operations, or have no realistic alternative but to do so.

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

Other information

The trustees are responsible for other information in the statement of accounts. The other information comprises the Trustees' Annual Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 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 other information and I do not express any form of assurance conclusion thereon except on the Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

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
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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
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G2 1BT

Dear Brian

Fife Council Annual Accounts 2021/22

1. This representation letter is provided about your audit of the annual accounts of Fife Council for the year ended 31 March 2022 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 2022.

General

3. Fife Council and I have fulfilled our statutory responsibilities for the preparation of the 2021/22 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 2021/22 (2021/22 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 Fife Council and its Group at 31 March 2022 and the transactions for 2021/22.

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 2021/22 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 2022 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 2022 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 2022.

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 2022 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 2022 of which I am aware where the conditions specified in the 2021/22 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 2022. 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 2022 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 2022 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 28 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 2021/22 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 2021/22 accounting code. I have made available to you the identity of all 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 2021/22 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 Corporate 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 2022, 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 2021/22 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

Common Good Fund

31. I confirm, to the best of my ability, that all material common good assets have been identified and correctly accounted for within the common good financial statements and where appropriate, common good assets in use by the Council have been assessed and accounted for in line with IAS 17.

Events Subsequent to the Date of the Balance Sheet

32. All events subsequent to 31 March 2022 for which the 2021/22 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

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 2021/22

- 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 2022 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 2022.

General

- 3.** The Trustees and I have fulfilled our statutory responsibilities for the preparation of the 2021/22 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 2022 and the transactions for 2021/22.

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 2021/22 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 2022 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 2022, which require to be reflected.

Events Subsequent to the Date of the Balance Sheet

19. All events subsequent to 31 March 2022 for which the 2021/22 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

2021/22 Annual Audit Report – DRAFT



Prepared for the Members of Fife Council and the Controller of Audit
November 2022

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Key messages

2021/22 annual accounts

- 1 Our audit opinions on the annual accounts of the council, its group and section 106 charities administered by the council are unmodified.
- 2 There were issues with the completeness of non-current asset valuations and a reconciliation for the main general fund bank account was not received by audit until the end of July, following the implementation of a new system in February 2022.
- 3 We recommend that the method of reflecting fair value changes in non-current assets is reviewed.

Financial management and sustainability

- 4 The council underspent its in-year budget by £59 million mainly due to unspent contingencies and grant funding and the general fund balance has increased to £183 million in 2021/22.
- 5 The latest Revenue Budget report identified a surplus of £2 million for 2022/23.
- 6 The latest revenue budget report is projecting a cumulative funding gap of £61 million to 2025/26.
- 7 We identified a number of areas where financial controls can be improved.

Governance, transparency and Best Value

- 8 Fife Council is proactive in ensuring that equality is mainstreamed.
- 9 The council is making slow progress in progressing recommendations from our Best Value Assurance Report published in May 2018.
- 10 Service performance information has been publicly reported for 2021/22, but further improvements are needed to fully comply with the SPI Direction.

Introduction

1. This report summarises the findings arising from the 2021/22 audit of Fife Council (the Council) and its group.
2. The scope of the audit was set out in our 2021/22 Annual Audit Plan presented to the April meeting of the Standards and Audit Committee. This report comprises the findings from an audit of the annual accounts and consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) namely, financial management, financial sustainability, governance and transparency and value for money.
3. The main elements of our audit work in 2021/22 have been:
 - an audit of the annual accounts of the council and 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 audit dimensions.

Adding value through the audit

4. 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 3](#)) 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

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

6. 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.

7. 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.

8. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#). and supplementary guidance.

9. 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.

10. 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

11. 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 2021/22 audit fee of £547,620 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

12. 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.

Audit appointment from 2022/23

13. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round. The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23, Azets will be the appointed auditor for Fife Council. We are working closely with the new auditors to ensure a well-managed transition.

14. A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016. There are several significant changes introduced by the new Code, namely the integration of Best Value work into wider scope audit work.

15. We would like to thank Standards and Audit Committee members, Executive Directors, and other staff, particularly those in finance for their co-operation and assistance over the last six years.

1. Audit of 2021/22 annual accounts

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

Main judgements

Our audit opinions on the annual accounts of the council, its group and section 106 charities administered by the council are unmodified.

The annual accounts were submitted for audit in line with our agreed audit timetable, but there were issues with the completeness of non-current asset valuations and a key bank reconciliation.

A reconciliation for the main general fund bank account was not received by audit until the end of July, following the implementation of a new system in February 2022.

We recommend that the method of reflecting fair value changes in non-current assets is reviewed; management oversight of assets under construction is improved and bank reconciliation processes are re-established.

Expenditure on charitable activities in 2021/22 totalled £15,000, which is 53% lower than in 2020/21, with 26 of the 43 Trusts incurring no expenditure.

Our audit opinions on the annual accounts are unmodified

16. The accounts for the Council and its group for the year ended 31 March 2022 were approved by the Standards and Audit Committee on 28 November. 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.

17. Our opinions on the Section 106 charitable Trust accounts for 2021/22 were also unmodified.

The annual accounts were submitted for audit in line with our agreed audit timetable, but there were issues with the completeness of non-current asset valuations and a key bank reconciliation

18. Fife Council published and provided the unaudited accounts to audit on 30 June 2022 in accordance with the statutory timescale. These were formally considered by the Standards and Audit Committee at its meeting on 30 June 2022.

19. The working papers provided with the unaudited accounts were of a reasonable standard and finance staff provided support to the audit team during the audit. However, the council's unaudited accounts did not reflect current value movements in non-current assets (NCA) and this resulted in further audit work to assess required changes. This led to a £32 million movement NCA valuation in the audited accounts ([Exhibit 3](#)). We also encountered delays in receiving an auditable reconciliation of the General Fund bank account ([Exhibit 3](#)). These issues had a significant impact on the audit process.

There were no objections raised to the annual accounts

20. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on its website that includes 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 2021/22 accounts.

Overall materiality is £16.5 million

21. We apply the concept of materiality in both planning and performing the audit and 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, we also determine a lower performance materiality threshold.

22. 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.

23. 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

Materiality values

Materiality level	Amount
Overall materiality	£16.5 million
Performance materiality	£8.3 million
Reporting threshold	£250 thousand

Overall materiality of the Charitable Trusts is £16,000

24. 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	£16,000
Performance materiality	£11,000
Transaction Performance materiality	£400
Reporting Threshold	£300

We have significant findings to report on the audited annual accounts

25. 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. 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 financial statements of the Council and its Group**

Issue	Resolution
<p>1. Year-end valuations of housing, land and buildings.</p> <p>The Code requires councils to measure Non-Current Assets at current value and revalue every five years, or more frequently where there are material changes.</p> <p>In recent years, there have been material annual rises in valuation assessments. In 2021/22 these valuation changes were not reflected in the unaudited statements.</p> <p>The methodology of applying valuation changes to the asset bases should be reviewed. This includes:</p> <ul style="list-style-type: none"> • issues with the housing formulae in spreadsheets (which have been corrected in 2021/22), • whether valuation changes should be reflected in changes to Net Book Values rather than Gross Book Values, • the rebasing of asset lives after each desktop valuation, • the principle of applying a mid-year estimate rather than a year end estimate of BCIS retender prices, • the revaluation programme is maintained on the Estates Module of TF Cloud but asset numbers and values differ from those on the Asset Register. <p>The Code also requires the balance on accumulated depreciation to be eliminated. The unaudited accounts had not eliminated the accumulated depreciation balance for those assets subject to desktop valuation.</p>	<p>The council made the necessary adjustments to correct formula errors.</p> <p>Adjustments have been made in the audited accounts to reflect fair value assessments at 31 March 2022 and the Net Book Value of all non-current assets has reduced by £32 million, with reductions in housing of £4 million and other land and buildings of £3 million.</p> <p>Although we identified issues with the Council's methodology, we considered that these did not lead to material misstatements in the estimates of current value at 31 March 2022.</p> <p>Recommendation 1 (Refer Appendix 1, action plan)</p>
<p>2. Transfers and valuation of Assets Under Construction to operational land and buildings</p> <p>The transfer of Madras College from assets under construction to operational Land and Buildings was processed incorrectly leading to an incorrect charge of £11 million to the Comprehensive Income and Expenditure Statement and a similar incorrect credit to the Revaluation Reserve.</p>	<p>Amendments were made in the audited accounts to correct this error.</p> <p>Management review of assets under construction and of completed asset transfers should be improved.</p> <p>Recommendation 2 (Refer Appendix 1, action plan)</p>

Issue	Resolution
<p>3. Bank Reconciliations of the main General Fund account</p> <p>Bank reconciliations were not carried out on a regular basis during 2021/22. Reconciliations were performed weekly From April to June 2021 and then monthly during July 2021 to December 2021.</p> <p>A new Adelante Smart Pay system was introduced on 23 February 2022 with a final bank reconciliation prepared on the CIVICA system, which was replaced.</p> <p>Following the introduction of Adelante Smart Pay, no further reconciliations were carried out until July 2022. The first bank reconciliation provided to audit was at the end of July, which did not balance, and included 1,500 unmatched bank transactions (payments of £79 million and receipts of £93 million) and 20,000 unmatched ledger transactions (payments of £125 million and receipts of £138 million).</p> <p>This compares to just 69 reconciling items in the previous year's reconciliation at 31 March 2021.</p> <p>Following discussions with management, a series of revised bank reconciliations were provided during August, each showing an improved position on the previous reconciliation. A reasonable year-end bank reconciliation (version 5) was provided on 31 August 2022.</p>	<p>We undertook additional audit procedures on the reconciliation provided on 31 August and concluded it was materially accurate and complete, despite a £1.78m duplicate ledger entry that was corrected on 2 April.</p> <p>The Council is progressing system reconciliations which have now been completed to the end of September 2022.</p> <p>This issue has been disclosed in the audited Governance Statement.</p> <p>Recommendation 3 (Refer Appendix 1, action plan)</p>
<p>4. Deminimis applied to Social Work Accruals</p> <p>The council has applied a deminimis level to the accrual of social work expenditure to individual providers of £50,000. This represent service provision which has not been paid for by the year end. We estimate that the effect of this is to under-accrue expenditure at the 31 March 2022 by £1.8 million. However, this policy has now been in place for 3 years and the net impact on 2021/22 is only £0.2 million, as a similar amount was under-accrued in 2020/21.</p>	<p>We consider that the deminimis approach to accrual of social work payments in now embedded and demonstrates that there is no material misstatement of expenditure as a result of this policy</p>
<p>5. Revision to loss due to Woodmill fire</p> <p>Following the year-end, the Loss Adjuster has increased the total estimate of claims in respect of the Woodmill High due to fire from £17.5m to £20m. A debtor is included in the accounts for £3m at the year-end and amounts received up to year</p>	<p>The audited accounts have not been adjusted for this change in estimate and the financial statements debtors and income are understated by £2.5 million.</p> <p>We do not consider this to be a material misstatement.</p>

Issue	Resolution
<p>end are £14.5m. The change in claim ceiling is a non-material adjusting Post Balance Sheet Event and debtors are understated by £2.5m.</p>	
<p>6. Cashflow information provided to the actuary</p> <p>The IAS19 report from the actuary identified Fife Council employer contributions at £74.789 million which is £5.4 million lower than the actual per the ledger.</p> <p>Further analysis identified that the wrong figure was reported to the actuary.</p>	<p>Although the wrong figure was submitted to the actuary we consider that this does not result in a material misstatement in the Council's pension liability and to charges in the Consolidated Income and Expenditure Statement. Charges to the general fund are based on actual contributions recorded in the ledger.</p> <p>Recommendation 4</p> <p>(Refer Appendix 1, action plan)</p>
<p>7. Housing Assets under construction</p> <p>Within the total of assets under construction (AUC) of £93.6 million, the majority is for housing projects (£81.5 million).</p> <p>Evidence based on a sample of projects totalling £28.6 million showed that the AUC amount was overstated. We determined that these projects contained over 188 houses, but 84 of these had been handed over by 31 March 2022 as completed assets. The known overstatement of AUC assets and understatement of completed assets based on the sample is £11.8 million. However beacon valuation adjustments are likely to reduce the valuations of these transfers to 50% or less. Resulting in write downs of £17 million.</p> <p>The council's wider review of the assets under construction category identified 120 council houses, which had been completed, but continued to be treated as assets under construction.</p>	<p>The council has undertaken a wider review of AUC housing assets and determined that the overall misstatement was £27 million.</p> <p>This has been corrected in the audited accounts.</p>
<p>8. Affordable Housing Programme Grant Income</p> <p>Our cut-off testing identified a grant receipt for the purchase of land at Lochgelly Road, Lumphinnans, where both the purchase of the land and the claim submission to the Scottish Government were completed before the year end, but the income was not accrued.</p>	<p>We performed a reconciliation between the general ledger and HARP (SG system for housing grants) which identified three more missed accruals.</p> <p>The audited accounts have not been adjusted for these errors and Capital Grant Income and Debtors are understated by £1.4m.</p>

Exhibit 4

Significant findings from the audit of the Charitable Trusts

Issue	Resolution
<p>1. “Dormant” charities</p> <p>Expenditure on charitable activities in 2021/22 totalled £15,000, which is 53% lower than in 2020/21, with 26 of the 43 Trusts incurring zero expenditure.</p> <p>In general, if a charity does nothing for a prolonged period, it is unlikely to be providing public benefit and this may result in it failing the charity test.</p>	<p>Trustees should consider reorganising the charities through merging or winding them up, particularly when they appear to be failing to meet their charitable aims (e.g. by not disbursing funds).</p> <p>Recommendation 5</p> <p>(Refer Appendix 1, action plan)</p>
<p>2. Payment of grants - key controls.</p> <p>Audit testing found one grant which had been awarded, but the claimant had not signed the application form. The grant was requested by the claimant’s social worker who also evidenced that the goods had been purchased and received, but there was no evidence to support delivery of goods to the claimants address. We also found that there are no checks to make sure that monies have been used as intended.</p>	<p>Trustees should make arrangements to perform sample checks each year to ensure that monies have been appropriately granted and have been used for the purposes intended.</p> <p>Recommendation 6</p> <p>(Refer Appendix 1, action plan)</p>
<p>3. Completeness of payments recorded in the ledger and Fife Council Charitable Trusts accounts</p> <p>There is no central record, independent of the ledger, which records all applications received and applications approved.</p>	<p>A central record of applications should be maintained and reconciled to the ledger on an annual basis to provide assurance over the completeness of payments recorded in the ledger and FCCT accounts.</p> <p>Recommendation 7</p> <p>(Refer Appendix 1, action plan)</p>

26. We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements [Exhibit 4](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan audit. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 5**Significant risks of material misstatement in the financial statements**

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Assess the design and implementation of controls over journal entry processing.</p> <p>Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Tested journals at the year-end and post-closing entries and focus on significant risk areas and transactions with related parties.</p> <p>Evaluated significant transactions outside the normal course of business.</p> <p>Assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>Performed substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</p> <p>Performed focussed testing of accounting accruals and prepayments.</p>	<p>Results & Significant Judgements:</p> <p>The controls over journal entry processing were appropriate and we noted arrangements for managements review of self-service journals</p> <p>We reviewed unusual journal activity and made enquiries of officers and did not identify any issues.</p> <p>Our testing of individual journals did not identify any significant issues.</p> <p>There was no evidence of significant transactions outside the normal course of business.</p> <p>Principles and methods of preparing accounting estimates were consistent with the prior year and reasonable.</p> <p>Our testing of income and expenditure and accruals and prepayments did not identify any material errors. We noted at Exhibit 3 issues with the Affordable Housing Programme Grant Income and we also identified that the pay award accrual was understated by £0.6 million on the basis of actual payments made in April, but the estimate was reasonably calculated at the year end based on data</p> <p>Conclusion: No issues were identified that indicate</p>

Audit risk	Assurance procedure	Results and conclusions
<p>2. Estimation in the valuation of other land and buildings</p> <p>Fife Council hold land and buildings (non-housing) with a NBV of £2,039 million at 31 March 2021. Land and buildings are revalued on a five-year rolling basis. Valuations are carried out by the Council's internal valuer. In intervening years, indexation is applied to reflect movements in BCIS price index.</p> <p>There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.</p> <p>The 2021/22 revaluation exercise is planned to cover a significant proportion of the estate.</p> <p>There is a risk that valuations will change significantly in 2021/22 and create material uncertainty over assets not subject to revaluation.</p>	<p>Review the information provided to the valuer to assess for completeness.</p> <p>Evaluate the competence, capabilities, and objectivity of the professional valuer.</p> <p>Complete a walkthrough of the valuation process to obtain an understanding of the process, including the methodologies and assumptions applied.</p> <p>Obtain an understanding of the management's involvement in the valuation process to assess if appropriate oversight has occurred.</p> <p>Examine management's assessment of any assets not revalued in 2021/22 against evidence of changes in other revalued assets.</p> <p>Test the reconciliation between the financial ledger and the property asset register.</p> <p>Perform sample testing of individual asset valuations and lives.</p>	<p>management override of controls.</p> <p>Results & Significant Judgements:</p> <p>Our assessment of the valuers and the actuaries did not identify any significant issues.</p> <p>Following a review of the approach to indexation the valuers applied a change in methodology in 2021/22. We reviewed the detail of the calculation and considered it to be supported by detailed accurate workings.</p> <p>We note in Exhibit 3 issues with the methodology of NCA fair value adjustments and the data provided to the actuary, but concluded that these issues are not material to the overall valuations in these areas.</p> <p>The financial ledger reconciled to underlying asset records.</p> <p>Our testing of asset lives identified an issue with rebasing of lives at each valuation (Exhibit 3).</p> <p>Conclusion: Although issues were identified with the Council's NCA valuation methodology and data provided to the actuary, we considered that these did not lead to material misstatements at 31 March 2022.</p>

Other areas of audit focus

27. We identified in our 2021/22 Annual Audit Plan one area where we considered there to be a risks of material misstatement to the financial

statements. Based on our assessment of the likelihood and magnitude of the risk, we did not consider it to represent significant risk. The area of specific audit focus was the pension liability valuation. We considered the reasonableness of actuarial estimates on material elements of the valuation using PwC LLP to review actuarial assumptions across Scottish LGPS and the accuracy of information provided to the actuary by the council and assurances from the auditor of Fife Pension Fund. We have noted the issues with data provided to the actuary on contributions in Exhibit 3 and Exhibit 5.

Across the UK, a technical accounting issue has been identified covering infrastructure assets.

28. Infrastructure assets typically include highways, footpaths, bridges and culverts and are included at historical cost in the accounts (£322 million at Fife Council). A replaced component of an asset has to be derecognised and at some councils the records of additions were not detailed enough to comply with accounting code requirements. A failure to derecognise assets correctly would have resulted in double-counting and an overstatement of the gross book value; accumulated depreciation and potentially the net book value of the assets.

29. CIPFA/LASAAC considered the matter and proposed amendments to the 2021/22 accounting code to allow a reasonable assumption that the net book value of replaced parts of infrastructure assets are £nil and a temporary adaptation to remove the requirement to disclose gross book value and accumulated depreciation in the financial statements. The Scottish Government has issued Finance Circular 9/2022 to implement these changes.

30. At Fife Council, management considered the records available to support infrastructure additions and have since applied the above statutory overrides and have amended the infrastructure disclosures in the audited accounts.

Identified misstatements of £107 million were identified and the majority (£97 million) was adjusted in the audited accounts.

31. Total misstatements of £107 million were identified, with the majority of these (£97 million) adjusted in the accounts. The adjustments reduced the year-end surplus on the Comprehensive Income and Expenditure statement by £31 million, but with no effect on the General Fund. The most significant adjustments relate to a reduction in the value of non-current assets of £31 million.

32. We have reviewed the nature and causes of these misstatements and have considered the need for further audit procedures. As noted in Exhibit 3, we undertook additional work covering non-current assets, grant accruals and bank reconciliations and concluded that, after audit adjustments, there were no further material errors that arose from the identified issues. We have concluded that the issues have been identified in their entirety and do not indicate further systemic error.

33. Misstatements, totalling £10 million were identified that have not been adjusted by management in the accounts, as they consider the value to be

immaterial. If adjusted, these would have reduced net expenditure by £2 million, with a similar impact on the General Fund ([Appendix 2](#)).

The audited charities accounts include unadjusted misstatements

34. Misstatements, totalling £3.5k were identified in the audited charities accounts that have not been adjusted by management due to the low value. These relate to an error of £3k in the unit price used in the calculation of investments in the UK Equity and Growth Fund at 31 March 2022, and a difference of £0.5k between estimated income and actual income in the fourth quarter of the year for Dividends and Interest. If adjusted the value of investments would increase by £3k and debtors and income would increase by £0.5k. 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.

Good progress was made on prior year recommendations

35. The council has made good progress in implementing prior year recommendations, with two recommendations fully implemented and three partly implemented. We found that limited improvements have been made in performance reporting in 2021/22.

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 underspent its in-year budget by £59 million mainly due to unspent contingencies and grant funding.

The general fund balance has increased from £136 million in 2021/22 to £183 million in 2021/22, a significant element of this is unspent Covid-19 funding and other grant support.

We identified a number of areas where financial controls can be improved.

The 2021/22 original budget was set at £899 million

36. The Council approved its three-year budget for 2021/22 to 2023/24 in March 2021. The budget for 2021/22 was set at £899 million and included an agreed savings target of £0.5 million. The Council agreed to freeze council tax at its meeting in February 2021 and received a compensatory allocation from Scottish Government of £6 million. This additional allocation equates to an increase in council tax of around 3%.

Additional funding of £66 million was received during 2021/22

37. During 2021/22 the Council received additional specific Covid funding of £17 million and additional revenue grant funding of £49 million, £48 million of which was received in the last quarter of the financial year.

The underspend was £59 million, mainly due to unspent contingencies and Covid-19 funding

38. The Council reports an underspend against its 2021/22 budget of £59 million including £39 million of unspent contingencies and £11 million unspent Covid-19 funding.

39. The Council's agreed strategy for financial management is to hold central contingencies balances each year to fund expenditure which cannot be reliably estimated at the time of setting the annual budget. Contingencies balances include funding for pay awards and corporate projects such as workforce change and are passported to services on a needs basis as costs are accurately identified.

40. The level of unspent contingencies has been increasing year-on-year for the last four years, increasing from £3 million in 2018/19 to £39 million in 2021/22, reflecting the late grant and Covid-19 funding and other areas which have not yet been reflected in service budgets. This level of underspend is expected to decrease going forward as additional Covid-19 and other grant funding reduces.

Exhibit 6

Summary of significant underspends against budget

Area	£m	Reason for variance
Underspends		
Contingencies	£39	Savings due to unspent grant funding.
Covid cost pressures	£11	Savings due to unspent Government funding received in last quarter of 2021/22.
Education and Children's Services	£7	Savings mostly attributable to children and families high cost placements and vacant teaching posts.

Source: Fife Council 2021/22 Annual Accounts

Improvements to financial reporting in the Management Commentary were identified

41. The Management Commentary that accompanies the annual accounts should clearly explain how the council has performed against its budget and how this is reconciled to the financial statements.

42. Figures relating to contributions to and from the IJB had not been confirmed and required adjusting by £9 million in the audited accounts. There was also lack of explanation of significant variances regarding contingencies and a lack of clarity over the approved budget and Covid-19 costs and funding. The Council updated the Management Commentary in the audited accounts to address these matters.

Housing revenue account balances reduced by £1 million

43. 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.

44. The HRA budget for 2021/22 was £128 million which was financed by income from dwelling rents (£121 million), income from non -dwelling rents (£3 million) and other income (£4 million). There were overspends in a number of expenditure areas, including repairs and maintenance as the number of repairs increased towards the end of the year following relaxation of Covid- 19 restrictions. Overspends were partly offset by underspends including the cost of borrowing, however the overall position was a net reduction in balances of £1 million, these were met from existing HRA balances, which reduced to £7 million at 31 March 2022.

Members receive regular budget information and there is a good level of scrutiny, with scope for improvement in information provided

45. We have observed from attendance at Policy and Co-ordination Committee (PCC) that members receive regular financial information on the Council's performance against budgets and there is a good level of scrutiny of the reports presented.

46. There was no mention of significant increases in GRG (£33 million) and Covid-19 funding (£13 million) in the monitoring report which was included in the papers for the March PCC meeting. There can be up to a three month lead in time in reporting of financial information to Committees but significant changes to figures in this period should be highlighted at meetings to fully inform strategic decisions by Members.

Recommendation 8

Members should receive more up to date funding and expenditure figures at committee meetings to fully inform strategic decisions, where there has been a significant change.

The Covid-19 pandemic resulted in costs of £35 million which were funded by the Scottish Government and from reserves.

47. The impact on public finances of the Covid19 pandemic has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy.

48. Direct Covid-19 spend is identified by the services in discussion with finance business partners and tracked on a template which is completed as part of the revenue monitoring process.

49. Covid-19 net costs for the year totalled £31 million, £1 million more than the budget, and were funded partly from Government funding received in year (£23 million) and partly from Covid-19 reserves brought forward from 2020/21 (£9 million).

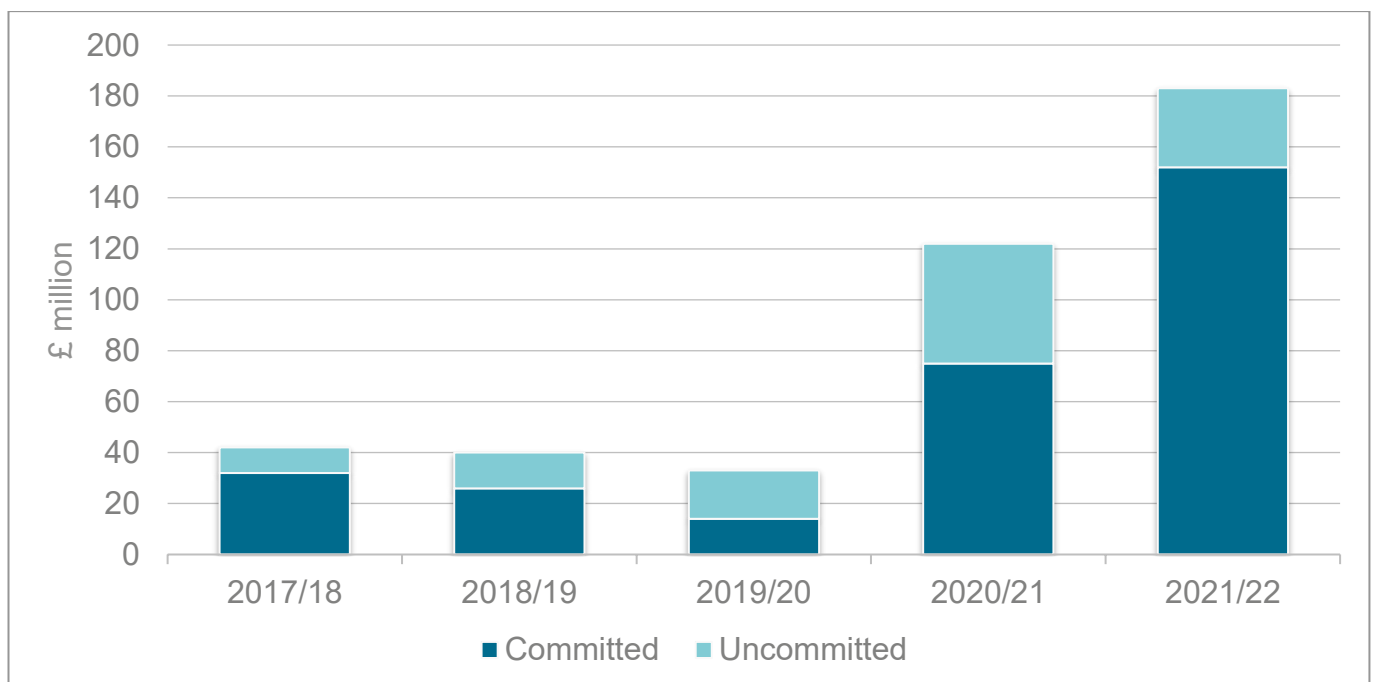
50. The Council ended the year with Covid-19 reserve balances of £66 million at 31 March 2022.

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

51. One of the key measures of the financial health of a body is the level of reserves held. The level of usable reserves held by the Council increased from £172 million in 2020/21 to £212 million in 2021/22.

52. The general fund is the largest usable reserve and is used to support the delivery of services. The general fund balance has increased from £136 million in 2020/21 to £183 million in 2021/22 [Exhibit 6](#). As noted at paragraph 47, a significant element of this is unspent Covid-19 support. It also includes increases in grants received for specific purposes (£16 million), the change fund (£10 million) and amounts to cover demographics/pay/pensions pressures (£18 million). The uncommitted element of the general fund balance has reduced from £47 million in 2020/21 to £31 million in 2021/22.

Exhibit 7 Analysis of general fund balance



Source: Fife Council audited accounts

The Council achieved 42 per cent of planned efficiency savings

53. In 2021/22, Fife Council planned to achieve efficiency savings of £2.6 million to address the budgeted funding gap. The Council achieved actual savings of £1.1 million (42 per cent of this total). The shortfall was dealt with by in-year alternative savings, such as alternative cost reductions and unused contingency funding.

Capital expenditure increased in 2021/22 with significant investment in schools.

54. Total capital expenditure in 2021/22 was £164 million (2020/21: £138 million). Major projects included the completion of Madras College, initial site clearance work for the Dunfermline Learning Campus and housing upgrades and new builds.

55. The Council approved its Capital Investment Plan 2022-2031 with a budget of £1,514 million in September 2022. The Plan suggests that capital investment is planned to continue to increase steadily each year over the next three years to £229 million in 2024/25, with a decrease in annual spend thereafter to March 2031. Planned capital investment is expected to reduce to £88 million in 2030/31.

56. The Council is also facing significant risks associated with high inflation and supply chain disruption which is likely to impact on the cost and delivery of the capital plan going forward.

We identified a number of areas for improvement in the financial systems of internal control

57. Auditing standards require external auditors to obtain an understanding of the accounting and internal control systems that exist within the audited body to allow us to plan and develop an effective audit approach for the annual accounts.

58. Our 2021/22 testing covered key controls in a number of areas including budget monitoring, payroll, journals, housing rents, council tax, non-domestic rates and IT access. We identified a number of areas where controls can be improved. See Exhibit 8 for details of the key controls risks we identified.

59. These findings impacted on our audit approach where we needed to carry out additional work to enable us to obtain the required assurance for our audit of the annual accounts.

Exhibit 8

Key findings from review of key controls

Audit finding	Additional audit procedures
<p>1. Payroll validation checks</p> <p>There was no positive validation control in operation. However as part of the annual budget setting process, budget holders were provided with detailed staffing costing reports generated from the payroll system.</p> <p>There is a risk that staff remain on the payroll after they have left.</p>	<p>We substantively tested an extended sample of paid employees to ensure they exist as current employees through confirmation to other records.</p>
<p>2. Bank reconciliations</p> <p>An appropriate control did not operate during the whole of 2021/22, mainly due to the introduction of a new cash management system and difficulties in preparing a reconciliation from the new system.</p> <p>We were unable to test user access controls as this had not yet been established in the new system.</p> <p>There are also key dependencies on individual members of staff involved in daily cash clearance, without adequate cover for absence</p> <p>There is a risk that the ledger cannot be reconciled properly to the actual bank movements and this undermines the reliability of financial reporting.</p>	<p>We undertook additional audit procedures on the General Fund bank reconciliation, as provided for audit in August 2022.</p> <p>This process identified reconciling items which should have been corrected prior to the year end. The net effect of these errors is that the Cash balance in the accounts was overstated by £0.5m. These errors were unadjusted and have been included in Appendix 3.</p>
<p>3. Second Officer Checks</p> <p>Council Tax and Housing Benefit</p> <p>In prior years, Revenues Officers in the revenues team carried out sample spot checks over the processing of new or amended claims for housing benefit, council tax reduction and discounts and exemptions.</p> <p>Due to the additional workload on the revenues team as a result of the Covid-19 pandemic these second officer checks were not carried out in 2020/21 or 2021/22.</p>	<p>We performed additional testing of council tax reliefs, discounts and exemptions.</p> <p>Housing benefit expenditure has been agreed to the system generated claim form. We have reviewed the fortnightly payment runs and are satisfied that the expenditure is free of material misstatement.</p>

Audit finding	Additional audit procedures
<p>NDR reliefs</p> <p>There have been no second officer checks or supervisory checks on the reliefs awarded for NDR during 2021/22.</p> <p>There is a risk that reliefs and discounts are awarded incorrectly. There is also a risk of fraud/error.</p>	<p>We performed additional testing of NDR reliefs awarded during 2021/22.</p>
<p>4. Control Account Reconciliations</p> <p>The following reconciliations have not been completed timeously during 2021/22:</p> <p>Rent Allowance Bank Account</p> <p>We found that reconciliations were not completed timeously during 2021/22 and were not reviewed by a second officer.</p> <p>The November 2021 reconciliation between the NDR system and ledger was received by audit at the end of August 2022.</p> <p>The March 2022 Rent Allowance Bank Account Reconciliation was received by audit at the end of July 2022.</p> <p>Rent control account</p> <p>The March 2022 Rent reconciliation was received by audit in July 2022. The reconciliation had not been reviewed by a second officer.</p> <p>NDR ledger</p> <p>We found that reconciliations were not completed timeously during 2021/22.</p>	<p>We performed detailed testing on year-end reconciliations.</p>

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

60. The 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.

61. We have reviewed the arrangements and concluded that there are appropriate arrangements for the prevention and detection of fraud, error and irregularities. There are also established arrangements to maintain standards of conduct.

National Fraud Initiative

62. 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 Internal Audit take an active role in reporting the outcomes of NFI activity to the Council Executive Team and Standards and Audit Committee.

63. Some of the areas highlighted in Audit Scotland's [National Report](#), published in May 2022 have been included in the 2022/23 Internal Audit Plan, such as Procurement Cards and Cybersecurity. We considered that the approach was appropriate.

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 initial balanced budget for 2022/23 did not require departmental savings or planned use of reserves.

The latest Revenue Budget report identified a surplus of £2 million for 2022/23.

The Council's Revenue Budget report published in August 2022 is predicting a cumulative funding gap of £61 million to 2025/26.

The initial balanced budget for 2022/23 did not require departmental savings or planned use of reserves

64. The General Fund Revenue Budget for 2022/23 of £945 million was approved by the council in February 2022. Initial funding levels were estimated to be £936 million with an opening budget gap of £9 million. Additional funding of £8 million has since been confirmed and an increase of 3% on council tax has been approved resulting in a small projected in year surplus of £4 million against the 2022/23 budget.

65. The 2022/23 budget paper did not require any savings, as the budget strategy agreed by PCC indicated that the services would not be asked for savings, but rather there would be corporate solutions to address the budget gap.

The latest Revenue Budget report identified a surplus of £2 million for 2022/23

66. The most recent Revenue Budget report presented to the Cabinet Committee in November 2022 identified a surplus of £2 million for 2022/23. However, there are still significant ongoing uncertainties and financial pressures associated with the costs of recovery from the pandemic, inflationary pressures and employee costs.

67. These pressures and the projected outturn are being closely monitored and presented to the relevant Scrutiny Committees as part of the Council's wider scrutiny and performance management reporting arrangements.

The Council has a cumulative funding gap of £61 million to 2025/26 with a Medium Term Financial Strategy to close the gap

68. 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 the third quarter of the year.

69. The latest MTFS reported in August 2022 is projecting provisional cumulative budget gaps of £31 million, £46million, and £61 million for 2023/24, 2024/25, and 2025/26 respectively. The Council recognises that bridging gaps of this magnitude will require major changes to services and how they are delivered and may require the use of general fund balances to provide resource and capacity for transformation.

70. The current economic climate remains uncertain, with the continuing impact of Covid-19 together with the added cost pressures from significant levels of inflation and the cost of-living crisis. The latest cost pressure and inflation figures have been applied in the MTFS. These pressures will continue to present significant challenges to financial planning and the ability of the council to deliver quality services.

4. Governance and transparency

The effectiveness of scrutiny and oversight and transparent reporting of information

Main Judgements

Overall governance arrangements operating throughout 2021/22 were appropriate and operated effectively.

Overall governance arrangements operating throughout 2021/22 were appropriate and operated effectively

71. As previously reported, Fife Council governance arrangements were adjusted as a result of the Covid-19 pandemic. Many changes have now been reversed, as set out in the Annual Governance Statement. All Council meetings have fully resumed and the council has piloted blended committee meetings during 2021/22, with this form of working continuing until a new framework for governance has been adopted.

72. We consider the overall governance arrangements operating throughout 2021/22 were appropriate.

Local Government elections led to a change in administration

73. The Local Government elections held in May 2022, and subsequent meeting of the council, led to a change in council leadership from joint administration to a minority administration with Labour, Liberal Democrat and Conservative councillors voting together to agree a governance structure.

74. The councillors voted for a new system of governance based on a Cabinet structure. The Cabinet Committee is responsible for strategic policy decisions and membership of the Cabinet consists of the Leader of the Council (Chair), six strategic spokespersons and ordinary members up to a total of 21 members.

The new council includes 33 new councillors

75. The elections resulted in the re-appointment of 42 councillors and the appointment of 33 new councillors.

76. The Council plans to develop a training strategy in 2022/23 which will be overseen by cross-party leaders and will cover induction as well as on-going training and development for individual members and groups.

5. Best Value

Using resources effectively and continually improving services.

Main judgements

Fife Council is proactive in ensuring that equality is mainstreamed.

The council is making slow progress in progressing recommendations from our Best Value Assurance Report published in May 2018.

Service performance information has been publicly reported for 2021/22, but further improvements are needed to fully comply with the SPI Direction.

Fife Council is proactive in ensuring that equality is mainstreamed

77. Exhibit 9 out the wider audit dimension risk, we identified in our [2021/22 annual audit plan](#). It summarises the audit procedures we performed during the year to obtain assurances over this risk and the conclusions from the work completed.

Exhibit 9 Audit dimension risks

Audit risk	Assurance procedure	Results and conclusions
<p>Fairness and Equality</p> <p>In accordance with annual planning guidance issued by Audit Scotland, auditors may carry out specific audit work covering the seven BV characteristics set out in the Scottish Public Finance Manual.</p> <p>There is an expectation that equalities will be advanced through the audit process, and auditors have been</p>	<p>We will review recent Fife Council activity on Fairness and Equality including a review of biennial reporting and action plans.</p>	<p>Results & Significant Judgements:</p> <p>We found that the Council has established equality arrangements and reporting in place.</p> <p>In line with the Equality Act 2010, the Council has developed an approach to mainstreaming equality which is outlined in the council's Equality, Diversity and Human Rights Equality Outcomes 2021-25 report. This report includes the Council's equality outcomes for the next four years and was approved by the Policy and Co-ordination Committee in June 2021. In accordance with the requirements of the Act, progress will be reported to the Committee every two years. The report sets out the Council'</p>

Audit risk	Assurance procedure	Results and conclusions
<p>advised to carry out work on the Fairness and Equality characteristic at least once during the audit appointment.</p> <p>Auditors should therefore aim to cover that area in 2021/22 if they have not done so in an earlier year.</p>		<p>achievements in progressing equalities since 2017, including:</p> <ul style="list-style-type: none"> • The Council has incorporated the requirements of Fairer Scotland Duty into the Equality Impact Assessment Guidance, and assessments are required as part of the committee reporting process. • A British Sign Language Implementation Group (BSLIG) has been established. • The Gaelic Language Plan has been in place since November 2015 and a number of activities to promote engagement have been undertaken by the Council. • Work was undertaken to support EU citizens to apply under the EU Settlement Scheme for Settled Status. • Production of an annual Equality and Diversity in Employment report. The Council has Disability Confident Status, is an accredited Living Wage Employer and has recently received bronze accreditation for Equally Safe at Work. • The Equality Outcomes 2021-25 report has taken into account the impact of the COVID-19 pandemic, and the associated challenges have been reflected in the outcomes for the next four year period.

The council is making slow progress in implementing recommendations from our Best Value Assurance Report published in May 2018.

78. Best value is assessed over the audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council has been considered by the Accounts Commission at least once over the last appointment round. The [BVAR report for the council](#) was published in May 2018.

79. Our follow-up review in 2020/21, concluded that there had been slow progress implementing recommendations, but that a further three recommendations were completed last year. Our best value work this year has concentrated on the evidence to support the Council's progress in implementing the five remaining best value recommendations.

80. [Exhibit 10](#) 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. The Council has continued to progress implementing the remaining five recommendations with a further one complete.

81. The Controller of Audit will consider the results of this follow up work and report to the Accounts Commission on the extent of improvements made.

Exhibit 10

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>Complete</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. A Leadership Board and boards for key priorities have been set up and delivery plans are being developed along with reporting mechanisms.</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>In progress</p> <p>Delivery plans are in place covering all of the Plan for Fife recovery and renewal priorities and ambitions. Delivery plan actions are being progressed and monitored by Plan for Fife Delivery Boards and the relevant strategic partnerships.</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>In progress</p> <p>The revised Fife Partnership structure is designed to provide the focus, leadership drive and accountability that will be needed to support the renewal of our public services, through the Council's commitment to community wealth building. It has three features:</p> <ul style="list-style-type: none"> • a leadership group with a focus on ensuring the alignment of key plans and strategies, supporting place leadership, and shaping and delivering actions on community wealth building

BVAR Recommendation	Progress in implementing each recommendation
	<ul style="list-style-type: none"> • programme leadership boards for each of the recovery and renewal priority areas • a reporting relationship to the key areas of partnership working, providing a basis for ensuring alignment of delivery plans and strategies. <p>Council assessment: 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>In progress</p> <p>The Council continues to work in partnership to support delivery of a medium term financial strategy (MTFS). There is regular dialogue between partners to ensure both a shared understanding of the budget gap and also robust savings to ensure financial sustainability over the medium term.</p> <p>The medium term financial strategy was not refreshed in 2022 to allow the key strategic documents of the Health and Social care Partnership to align. Approval of the strategic plan is imminent and the MTFS will follow shortly afterwards.</p> <p>The PMO has now been created and appropriate governance through a transformation board is in place.</p> <p>Council assessment: Amber/in progress</p>
<p>7. The Council should extend its improvement methodology on raising educational attainment in deciles 1-3 to a broader range of young people</p>	<p>In progress</p> <p>Strategic oversight for Attainment Reform is being led by the Education and Children's Services Directorate. The primary drivers for improvement in attainment and closing the attainment gap: equity; high quality learning, teaching and assessment; improved attendance and engagement will continue to frame the Council's improvement activity moving forward. The improvement work undertaken as part of this approach has already had a significant impact, with Fife projects and individuals winning in 4 of the 11</p>

BVAR Recommendation	Progress in implementing each recommendation
	<p>categories at the 2021 National Quality Improvement Awards.</p> <p>A key focus in developing the next phase of this programme is to ensure that learning gained from this work can be scaled up to achieve a system-level impact for learners with varied needs and from all social contexts. The voices of the children and young people, and their families, will continue to underpin the Council's on-going evaluation of what works best to improve the outcomes of all.</p> <p>Council assessment: Amber/in progress</p>

Service performance information has been publicly reported for 2021/22, but further improvements are needed to fully comply with the SPI Direction.

82. The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. In turn, councils have their own responsibility, under their Best Value duty, to report performance to the public. The commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

83. The Accounts Commission issued a revised 2018 Statutory Performance Information 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, and how it plans to improve these assessments and how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

84. We have previously reported issues with the development of performance reporting in the Council and improvements required to the presentation of performance information on the Council's website for the Council to comply fully with the Accounts Commission Direction. There has been limited progress in this area and there is still scope to improve the accessibility and comparability of performance information available to the public. Improvements are expected to progress in the coming months:

- The performance indicators used by each Service are being reviewed to agree which measures are relevant to them.

- New guidance and a template has been produced for the annual Service Performance reports. This is being introduced for the 2021/22 reports, which started being presented to Scrutiny Committees in November 2022. Performance indicators used in the reports are expected to include Local Government Benchmarking Framework and Plan for Fife measures.
- The Council has an online Community Portal which contains information on the Plan for Fife and local areas. It is intended that this site will be developed with the addition of performance information in early 2023.

National performance audit reports

85. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2021/22, Audit Scotland published a number of reports were issued which may be of interest to the body. These are outlined in [Appendix 3](#).

86. 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 2021/22

2021/22 and prior year (b/f) recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Methodology applied to year end valuations of land and buildings</p> <p>The methodology of applying fair value changes to the asset bases should be reviewed. This includes:</p> <ul style="list-style-type: none"> • issues with the housing formulae in spreadsheets (which have been corrected in 2021/22) • whether fair value changes should be reflected in changes to Net Book Values rather than Gross Book Values • the rebasing of asset lives after each desktop valuation • the principle of applying a mid-year estimate rather than a year end estimate of BCIS retender prices. <p>Risk: Issues with the methodology introduces material issues with the estimate of year end fair value.</p>	<p>The Council should review identified aspects of its fair value assessment of Non Current Assets at the year end.</p> <p>Although a five-year rolling revaluation programme is permitted per the Code of Audit Practice, significant movements in intervening years may suggest that revaluing each class of assets once every five years is not sufficient and this should be reconsidered, particularly as inflationary pressures are having a significant impact on retender and rebuild prices.</p> <p>Exhibit 3</p>	<p>The Council already has systems in place for reviewing in year changes to individual assets (extensions, demolitions, damage, etc) and to consider changes in the markets (including construction costs). We are therefore satisfied that any substantial in year movement in values will be captured.</p> <p>The resources are not available for an increase in revaluation frequency and it is considered that the improvements carried out over the past five years have addressed the issue of potential large five yearly increases. Part of this is the agreement with External Audit that all Depreciated Replacement Cost valuations will be indexed annually on the 31 March. This has been in place since 2018 and has worked well to date. After further research by the Estates Team a paper was produced and shared with External Audit earlier this year. This suggested</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>a change to the basis of indexation to address potential errors in the method. No objections were received and this new method was introduced. It was recommended that a further review be carried out in a few years.</p> <p>I am satisfied that this will address any concerns on in year changes in value.</p> <p>Senior Manager Property Services</p>
<p>2. Transfers and valuation of Assets Under Construction to operational land and buildings</p> <p>The transfer of Madras College from assets under construction to operational Land and Buildings was processed.</p> <p>A transfer of 120 completed council houses had not been processed.</p> <p>Risk – Adjustments between asset classes on completion of constructed assets are materially incorrect.</p>	<p>Management review of assets under construction and of completed asset transfers should be improved.</p> <p>Exhibit 3</p>	<p>Year-end procedures will be enhanced to ensure that any assets under construction that have been completed are transferred to operational land and buildings. This has been actioned retrospectively for 2021-22 and will be reflected in future years processes.</p> <p>Finance Operations Manager</p> <p>Complete for 2021-22 30 June 2023 for future.</p>
<p>3. Bank Reconciliations of the main General Fund account</p> <p>A new Adelante Smart Pay system was introduced on 23 February 2022 with a final bank reconciliation prepared on the CIVICA system, which was replaced.</p> <p>Following the introduction of Adelante Smart Pay, no further reconciliations were carried out until July 2022. The first bank reconciliation provided to audit was at the end of July and included 1,500 unmatched bank transactions (payments of £79 million, receipts of £93 million) and 20,000 unmatched ledger</p>	<p>The Council needs to implement a sound system of internal control over the Adelante Smart Pay system and prepare frequent and timely reconciliations.</p> <p>Exhibit 3</p>	<p>The new income management system went live just before the end of the financial year. This was extremely challenging but was essential due to previous contractual arrangements ending. However, good progress has been made in updating processes and to bring reconciliations up to date</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>transactions (Payments of £125 million and Receipts of £138 million).</p> <p>Following discussions with management, a series of revised bank reconciliations were provided between July and August each showing an improved position on the previous reconciliation. A coherent year end bank reconciliation (version 5) was provided on 31 August 2022.</p> <p>Risk – A delay in preparing and authorising reconciliations increases the risk of fraud and error in the ledger, as transactions are not confirmed to third-party evidence (bank).</p>		<p>and ensure controls are operating effectively.</p> <p>The timing of reconciliations needs to be considered to ensure that system matched transactions are correctly reflected and avoid the need for manual reconciliations retrospectively.</p> <p>Finance Operations Manager 31 March 2023</p> <p>Further development work is continuing with the software supplier to develop reports, summation of transactions and automatic matching.</p> <p>Finance Operations Manager 30 September 2023</p>
<p>4. Cashflow information provided to the actuary</p> <p>The IAS19 report from the actuary identified Fife Council employer contributions at £74.789 million which is £5.4 million lower than the actual per the ledger. Further analysis identified that the wrong figure was reported to the actuary.</p> <p>Risk – the pension liability is materially misstated in the financial statements.</p>	<p>Management should review figures submitted to the actuary for accuracy and completeness.</p> <p>Exhibit 3</p>	<p>Year End procedures will be reviewed and updated to include increased level of checks in the process.</p> <p>Finance Operations Manager 31 March 2023</p>
<p>5. Dormant Charities</p> <p>Expenditure on charitable activities in 2021/22 totalled £15,000, which is 53%</p>	<p>Trustees should consider reorganising the charities through merging or winding</p>	<p>It is recognised that expenditure has dipped. The option of merging or</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>lower than in 2020/21, with 26 of the 43 Trusts incurring zero expenditure.</p> <p>Risk - In general, if a charity does nothing for a prolonged period, it is unlikely to be providing public benefit and this may result in it failing the charity test.</p>	<p>them up, particularly when they appear to be failing to meet their charitable aims (e.g. by not disbursing funds).</p> <p>Exhibit 4</p>	<p>winding up will continue to be reviewed.</p> <p>In addition, promotion of the funds will again be taken forward in each of the Council areas.</p> <p>Dialogue to take place with Legal and Finance Services to explore rationalisation of charities</p> <p>Community Manager (Area)</p> <p>31 December 2023</p>
<p>6. Charities - Key Controls</p> <p>Audit testing found one grant which had been awarded but the claimant had not signed the application form. The grant was requested by the claimant's social worker who also evidenced that the goods had been purchased and received but there was no evidence to support delivery of goods to the claimants address. We also found that there are no checks to make sure that monies have been used as intended.</p> <p>Risk - there is a risk of fraudulent claims.</p>	<p>Trustees should make arrangements to perform sample checks each year to ensure that monies have been appropriately granted and have been used for the purposes intended.</p> <p>Exhibit 4</p>	<p>Standard process to be developed including sample checks to confirm the outcome achieved through the dispersal of charitable funds aligns with the purposes intended</p> <p>Community Manager (Area)</p> <p>31 March 2023</p>
<p>7. Completeness of payments recorded in the ledger and Fife Council Charitable Trusts accounts</p> <p>There is no central record, independent of the ledger, which records all applications received and applications approved.</p> <p>Risk – there is a risk that payments recorded in the ledger and the financial statements are incomplete.</p>	<p>A central record of applications should be maintained and reconciled to the ledger on an annual basis to provide assurance over the completeness of payments recorded in the ledger and FCCT accounts.</p> <p>Exhibit 4</p>	<p>A central record of applications and a reconciliation process will be developed and introduced.</p> <p>Responsible Officer: Community Manager</p> <p>Date due 31 March 2023</p>
<p>8 Improvements in budget reporting</p> <p>Members should receive more up to date funding and expenditure figures at committee meetings to fully inform</p>	<p>Members should receive more up to date funding and expenditure figures at</p>	<p>The announcement of a significant number and frequency of funding streams and grants was</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>strategic decisions, where there has been a significant change.</p> <p>Risk – Members are not fully informed when making strategic decisions.</p>	<p>committee meetings to fully inform strategic decisions, where there has been a significant change.</p> <p>Paragraph 46.</p>	<p>exceptional due to COVID-19 and unlikely to be repeated.</p> <p>However, reviews for additional funding will take place as part of the routine reporting process.</p> <p>Head of Finance</p> <p>Immediate</p>
<p>b/f 9. Budget Monitoring and control</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>Complete</p> <p>The council has implemented a revised reporting format for budget monitoring. Four full exercises were completed in year but officer checking of the accuracy of reports will be better evidenced.</p>
<p>b/f 10. Covid-19 cost pressures and balances</p>	<p>Council officers should share detailed plans identifying Covid-19 cost pressures and allocation of balances with Members of the Council.</p>	<p>Complete</p> <p>Direct covid spend is identified by the services in discussion with finance business partners and tracked on a template which is completed as part of the revenue monitoring process. Explanations for service variances, included in the monitoring reports to PCC during the year, highlighted the main covid costs and funding source.</p>
<p>b/f 11. Register of interests b/f from 2019/20</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>Completion and updating of the Register of Interests is the</p>	<p>Complete</p> <p>Reminders were issued during 2021.</p> <p>We performed a review of the Register of Interests and</p>

	responsibility of individual members. Officers send out two reminders each year. Where no response is received, the matter is escalated to the political group leader.	found it to be up to date and accurate with one exception.
b/f 12. General Fund balance	<p>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> <p>The Council has reported its commitment to maintaining a sustainable level of core funding going forward.</p>	<p>Complete</p> <p>Covid-19 funding has increased reserves and the levels of current underspend and projected pressures do not suggest any medium-term concerns, at this time, that the General Fund will be depleted. Though increased inflationary pressures and the one off use of Covid-19 reserves will mean that the position will need to be kept under review.</p>
b/f 13. Service Performance Reporting	<p>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. We found that limited improvements have been made in performance reporting in 2020/21. There was still scope to review and improve the presentation and timeliness of performance information on the Council's website, but work was 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.</p> <p>The Council also agreed to strengthen the alignment to the</p>	<p>Partially Complete</p> <p>New reporting arrangements have been established for the start of the new Scrutiny Committee cycle and 2021/22 reports are currently progressing through these committees. These will be added to the Community Portal once agreed amendments have been finalised.</p> <p>Service Manager (Change and Improvement)</p> <p>31 March 2023</p>

P4F in the revised guidance to services.

Appendix 2. 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. Employee Expenditure	600			
Short Term Creditors				(600)
2. Service Expenditure	1,300			
Property, Plant and Equipment				(1,300)
3. Usable Reserves			600	
Unusable Reserves				(600)
4. Cash and Cash Equivalents			450	
Short Term Debtors				(450)
5. Short Term Debtors			1,900	
Cash and Cash Equivalents				(1,900)
6. Cash and Cash Equivalents			1,300	

Account areas	Comprehensive income and expenditure statement		Balance sheet	
	Dr £000	Cr £000	Dr £000	Cr £000
Short Term Debtors				(1,300)
7. Cash and Cash Equivalents			250	
Short Term Debtors				(250)
8. Short Term Debtors			1,440	
Taxation and Non-Specific Grant Income		(1,440)		
9. Short Term Debtors			2,500	
Service Income		(2,500)		
Net Impact		(2,040)	2,040	

Notes:

1. Understatement of teachers pay award accrual.
2. Net understatement on COMIS recharges for HRA component replacements.
3. Understatement on loans fund repayments.
4. Unreconciled differences on payroll bank accounts.
5. Adjustments for housing rent receipt mispostings not corrected until after the year end.
6. Bank receipts not posted to the ledger in the current year.
7. Impact of HRA rent arrears being calculated from Genero reports run on 2/4/22 instead of 31/3/22.
8. Affordable Housing Programme – 2021/22 grant receipt not accrued.
9. Increase in claim estimated by Loss Adjuster for fire at Woodmill High School.

Appendix 3. National performance reports and briefings

May

[Local government in Scotland Overview 2021](#)

June

[Covid 19: Personal protective equipment](#)

July

[Community justice: Sustainable alternatives to custody](#)

September

[Covid 19: Vaccination programme](#)

January

[Planning for skills](#)

[Social care briefing](#)

February

[NHS in Scotland 2021](#)

March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

Fife Council

Draft 2021/22 Annual Audit Report

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1. Introduction

Welcome to the financial statements for Fife Council and its group for the year ended 31 March 2022. 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 2021-22 financial year as well as providing an indication of risks and issues which may impact upon the Council in the future.

Due to the ongoing effects of the pandemic and the delays experienced in the 2020-21 audit process, the Local Authority Accounts (Scotland) Regulations 2014 have been amended in respect of approval and publication of 2021-22 annual accounts. Under Regulation 2 of the Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2022 dates for publishing Annual Accounts may be extended up to 15 December 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.

Ongoing Impact of COVID-19 pandemic

Service Delivery

During 2021-22 Services continued to work within government guidelines and restrictions and adapt as necessary to the changing situation of the pandemic and reacting to new variants such as Omicron. However, the focus is now on Recovery and Reform with a strategic framework for Fife developed and aligned to that of the Scottish Government. The Council will continue to 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. Whilst all government restrictions have now been lifted, the financial consequences arising from the pandemic continue to be a feature in the Council finances, both in terms of the impact on services and the level of grant funding being received from the Scottish Government.

Revenue and Funding

The indicative General Fund revenue budget for 2021-22 was approved by Council on 11 March 2021, prior to the final Budget Bill being approved by the Scottish Government. Following this bill being approved the Local Government Finance Order was issued which provided updated funding information, consequently the budget was updated and reported to Policy and Co-ordination Committee. The Council continues to utilise all its available resources to deliver services.

In September 2021, the Policy and Co-ordination Committee agreed an updated Financial Plan to deal with the potential costs and possible risks of the pandemic that were predicted at that time. Additional costs associated with COVID-19 were estimated to be £35m and cost reductions in the region of £3m, bringing the additional funding requirement down to £32m. The strategy identified funding sources including additional General Revenue Grant (GRG) funding of £17.721m and utilising the earmarked reserves set aside at the end of 2020-21 for this purpose. Additional investment to promote recovery was made available as part of the revenue budget process and further investment was agreed in September 2021.

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 guidance and response to the pandemic. By the end of the year the costs of COVID-19 are reported as being in the region of £31m, funded by both earmarked reserves and grant awarded in 2021-22.

Throughout the financial year the Scottish Government provided non-recurring General Revenue Grant funding totalling £30.562m in relation to COVID-19, some of which was not utilised and carried forward into 2022-23.

The outturn position across all general fund services is an underspend of £7.357m but after considering additional income and underspend on other items there is an overall contribution to balances of £58.974m.

Although this is a significant contribution to the level of balances, the scale of financial pressures on the Council following the pandemic including supply chain disruption and considerable inflationary cost pressures have never been so substantial. Work is continually ongoing to review these fast-changing cost pressures in the immediate term and commitments against balances are being updated to reflect this.

Capital

Whilst there was undoubtedly an impact from the early stages of the pandemic, the Council still made excellent progress, and this is reflected in the total investment of £164m. That said, there is now a significant level of financial risk associated with high inflationary costs and supply chain disruption. As a result, some capital projects have required additional funding to meet increased costs. This has been funded from reserves carried forward from 2020-21 and will no doubt have an adverse impact on planning for future investment

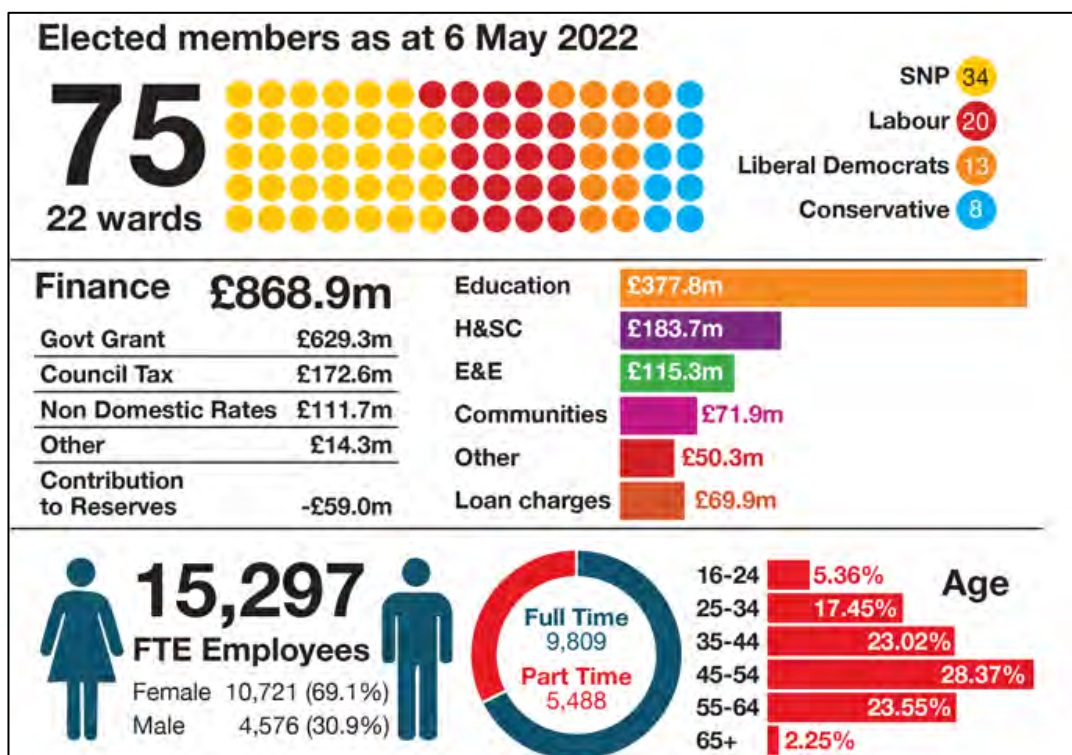
Agency Arrangements

In response to the pandemic, the Scottish Government introduced a number of grants for both businesses and individuals which Councils administered on their behalf. Fife Council paid out £55.852m of COVID-19 support funding to businesses and individuals on an agency basis as detailed below:

	Business	Individuals	Total
	£m	£m	£m
COVID-19: £500 payment for health & social care staff		4.990	4.990
Self Isolation Support		1.947	1.947
Business Support - Small Accommodation Providers Paying Council Tax (SAP-CFT): Third Wave' & 'Scottish Business Restart Grant'	0.444		0.444
Nightclub Closure Fund	0.240		0.240
Restart and Transition Grant	26.717		26.717
Route Map Extension Restrictions Fund	0.865		0.865
December & January Hospitality Fund	3.486		3.486
January Hospitality Top-Up Fund	1.413		1.413
Public House Table Service Restriction Fund	0.460		0.460
Additional Soft Play Support Fund	0.021		0.021
Brewer Support Fund	0.031		0.031
Taxi and Private Hire Operator Support Fund	3.626		3.626
Ventilation Grant Fund	0.019		0.019
Scottish Child Payment Bridging Payments		3.551	3.551
Family Pandemic Payments		2.646	2.646
Childcare Sector Omicron Impact Grants	0.183		0.183
ELC Temporary Restrictions Fund	0.048		0.048
Low Income Pandemic Payments		4.456	4.456
£400 Payment to Secondary Teachers and Lecturers		0.711	0.711
	37.552	18.300	55.852

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. Local council elections were held on May 5th, 2022 and following this the Council became a minority administration with Labour, Liberal Democrat and Conservative councillors voting together to agree a governance structure. Some key statistics for Fife 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 lead 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 is for A Fairer Fife.

Fife Council has set out its vision and ambitions in its ten-year local outcomes improvement plan (LOIP) – Plan for Fife – which was published in November 2017. The Plan was recently reviewed and a three-year update – Plan for Fife Recovery and Renewal – was agreed in August 2021. As well as being the three-year update of the Plan for Fife, the updated Plan is also Fife's recovery and renewal plan following the COVID-19 pandemic. The Plan sets out three recovery and renewal priorities to be taken forward as part of an overall community wealth-building approach: tackling poverty and preventing crisis, leading economic recovery, and addressing the climate emergency.

These recovery and renewal priorities are being taken forward in the context of 13 ten-year ambitions for Fife. Twelve of these ambitions were set out in the original plan:

Ambitions for Fife

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



A thirteenth ambition was added as part of the 2021 plan update in relation to addressing the [climate emergency](#) which the Council declared 2019. The targets and actions are set out in [Climate Fife](#). Fife Council provides an annual [Public Body Duties Report](#) which is required in compliance with climate change duties established under S44 of the Climate Change (Scotland) Act 2009 and in accordance with subsequent orders.

The Plan for Fife is supported by local community plans in each of Fife's seven local committee areas. These plans are currently being updated in line with the revised Plan for Fife. The full Plan for Fife can be viewed via the following link: [Recovery and Renewal \(fife.gov.uk\)](https://www.fife.gov.uk/recovery-and-renewal)

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 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 and a similar approach will be taken for the new Committee structure. The following section provides commentary on the single entity that is Fife Council, details of Group information are provided on page 11.

General Fund

The budget for 2021-22 was approved by the Council on 11 March 2021. 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 underspend of £7.357m against budget within Service Expenditure, underspend of £1.795m on Loan charges and underspends on corporate budgets of £49.822m. This creates an overall underspend in the General Fund of £58.974m against budget. This equates to (6.36%) of Budget. The outturn position reflects another exceptional year and the level of uncertainty that existed throughout in relation to recovery, impact on finances and global economic crisis, as well as levels of additional funding received in advance of requirement to incur expenditure, with 25% of the additional funding being announced in the last quarter of the year.

Education and Children's Services reported an overall underspend of £7.555m. The contributing factors included Devolved School Management (DSM) with an underspend of £3.625m, with vacant teaching posts accounting for an underspend of £5.708m and an offsetting overspend of £1.960m on stationary, communications and computing equipment as staffing underspends have continued to supplement remote learning.

Non-DSM and Childcare reported an overspend of £2.145m. There has been an overspend of £3.152m on long term absence and maternity costs across schools. This has been offset by underspends within employee costs across Nursery of £0.489m due to the timing of recruiting Early Years Officers and the delay of the implementation of 1140 hours provision due to COVID-19.

Children and Families reported an underspend of £6.075m, of which £7.406m is due to a reduction in the number of purchased placements arising from the Belonging to Fife Strategy. These underspends are partly offset by overspends on Continuing Care of £1.039m, Family Placements such as kinship care and foster care of £1.576m, and Supported Lodgings of £0.388m.

Enterprise and Environment reported an underspend of £0.756m. Grounds maintenance was underspent by £1.243m caused by low response to successive seasonal labour recruitment. Sustainability was overspent by £0.716m due to an increase in the Landfill Aftercare provision of £0.447m due to increased inflation and increased tonnage costs of £0.249m. There was an underspend of £1.745m in Economy, Planning & Employability of which £0.872m was due to vacancies and £0.213m due to fewer events being held as a result of the pandemic. Additional planning fee income and building standards fee income was £0.566m.

Properties, Repairs and Maintenance was £1.462m underspent due to COVID-19 restrictions for most of the year.

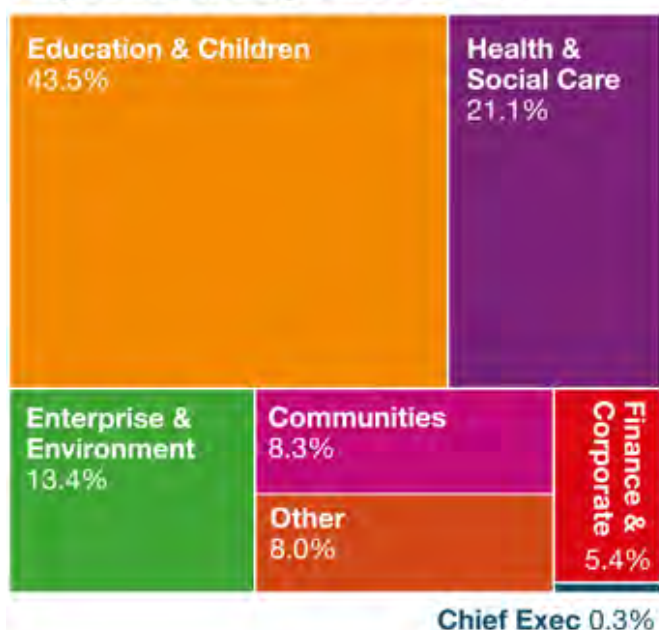
Car parking income was under-recovered by £0.726m due to the COVID-19 pandemic, the impact of the national lockdown and the resultant suspension of car parking charges. Winter maintenance was overspent by £0.736m and Building Services overspend was £1.293m as a result of a net under-recovery of income as productivity reduced due to impact of COVID-19 health and safety measures.

Communities reported an overspend of £1.977m. Trusts, Community Use and Halls and Centres were not able to fully operate, and demand has not yet fully recovered, which has impacted negatively on the level of income received.

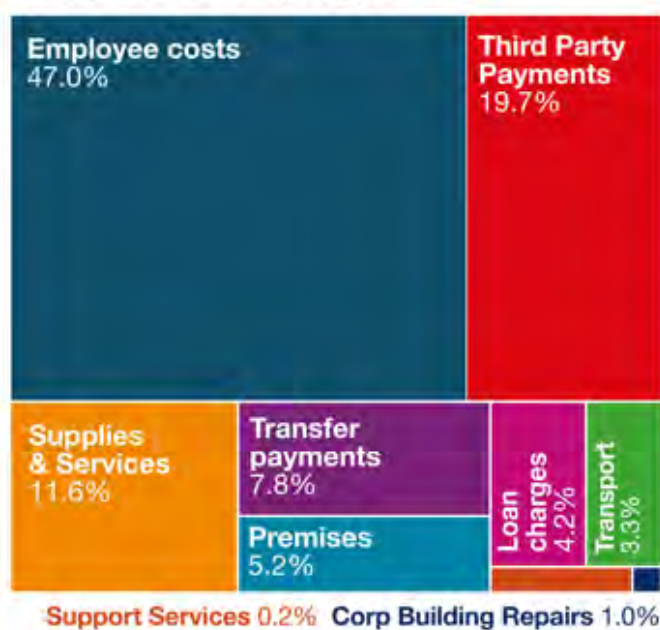
Corporate Budgets reported a total underspend of £49.822m, represented by £38.564m in Contingencies, £11.258m underspend on COVID-19 government funding. The variance in Contingencies represents earmarked grants and additional Scottish Government funding via redetermination of settlement, which although welcome, has not been fully used in 2021-22. The underspend on COVID-19 funding represents additional funding received but not required in 2021-22, this funding was of a general nature. **Loan Charges** also had an underspend of £1.795m as interest costs were less than expected due to reduced borrowing requirements.

Net revenue expenditure for 2021-22 was £868.905m (Net Service expenditure £799.006m and Loan Charges & CFCR £69.899m) and is categorised by Directorate below. Gross expenditure by Type is also shown below:

Expenditure by Directorate



Expenditure by Type



The revenue outturn position was reported to the Cabinet Committee on 25th August 2022, and a comparison to the primary statements of these accounts, is detailed in the table below: -

2021-22 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	377.787	385.342	(7.555)	(1.96%)	377.787		56.653	434.440
Health & Social Care	183.745	183.745	0.000	0.00%	183.745		18.846	202.591
Enterprise & Environment	115.295	116.051	(0.756)	(0.65%)	115.295		55.748	171.043
Communities	71.881	69.904	1.977	2.83%	71.881	(26.246)	26.865	72.500
Finance & Corporate	47.315	48.330	(1.015)	(2.10%)	47.315		19.500	66.815
Chief Executive	0.261	0.293	(0.032)	(10.92%)	0.261		0.044	0.305
Corporate & Democratic	2.722	2.698	0.024	0.89%	2.722		(3.166)	(0.444)
Service expenditure	799.006	806.363	(7.357)	(0.91%)	799.006	(26.246)	174.490	947.250
Loan Charges & CFCR	69.899	71.694	(1.795)	(2.50%)	69.899	27.396	(97.295)	0.000
Contingencies	-	38.564	(38.564)	(100.00%)				0.000
Government Grant Income	(741.026)	(741.026)	0.000	0.00%	(741.026)			(741.026)
Council Tax Income	(172.593)	(172.593)	0.000	0.00%	(172.593)			(172.593)
COVID Funding		11.258	(11.258)	(100.00%)				
(Surplus)/Deficit year	(44.714)	14.260	(58.974)		(44.714)	1.150	77.195	33.631
Other Income & Expenditure							10.490	10.490
Budgeted Use of Balances	(14.260)	(14.260)	0.000					
Movement in Balances	(58.974)	(0.000)	(58.974)		(44.714)	1.150	87.685	44.121
Transfers to(from) Reserves								
- Unusable Reserves							(84.639)	(84.639)
- Useable Reserves	12.195				(2.065)	(0.150)	(3.046)	(5.261)
(Increase) / Decrease in Reserves	(46.779)				(46.779)	1.000	0.000	(45.779)

Note – The Transfers column represents adjustments between accounting basis and funding basis under regulations (detailed further in the Expenditure & Funding Analysis Statement on page 28).

Reserves

The General Fund balance increased during the year from £136.034m to £182.313m. This net movement of £46.779m which was a contribution to balances of £58.974m plus transfers from other statutory reserves of £2.065m less £14.260m of budgets transferred from balances brought forward and used in year, as shown on page 36.

For 2021-22 reserves of £14.260m were utilised to augment service budgets. These included honouring commitments in respect of funding COVID-19 costs (£8.403m) and funding agreed recovery investment (£3.400m) as well as contributions to balances for budgets that are being carried forward into 2022-23 including Temporary Investment and Local Area budgets. There was also a transfer into general reserves of £1.499m in 2021-22, 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 experiences with the disruption in Services, financial uncertainty and funding announcements coming late in the year. The movement in balances includes £49.822m which represents government funding received but not used in year. Owing to the timing of funding announcements and receipt of funds it is necessary for funding to be carried forward into 2022-23. In recognition that the future financial implications may also be significant, the additional funding received has been earmarked to fund the purpose for which it was provided including the continuing costs of the pandemic, in line with the updated financial plan in September 2021.

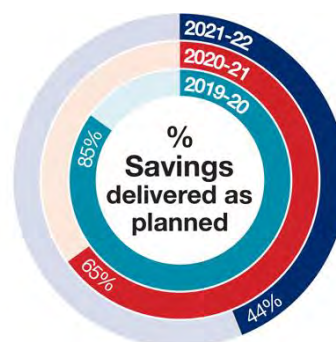
With all existing commitments taken into consideration the level of uncommitted balances is forecast to be £31.758m.

The Council is now faced with considering the likely financial implications of steeply rising inflation and considering likely financial scenarios for 2022-23 and beyond. This has implications for the increase in reserves which will no doubt be required to assist the Council in securing the financial stability 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 recovery and the challenging economic environment. 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, particularly with the current levels of steeply rising inflation.

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

Delivery of Savings

Overall, savings of £2.575m were planned to be delivered during 2021-22 of which £1.134m (44%) 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 from tenants, and this must be sufficient to cover the expenditure on the HRA.

During 2021-22 the total income target of £128.086m was met. However, during the year the HRA utilised reserves of £1.000m and the HRA Fund balances therefore reduced from £8.005m to £7.005m. Throughout the year commitments were approved including funding for COVID-19 mitigation, Transitional Affordable Housing Programme and improving Estates Management. After taking these commitments into account the level of uncommitted HRA Fund balances is £3.005m. Details of the financial position for 2021-22 are included within these financial statements.

Capital Expenditure

The gross Capital Expenditure for 2021-22 was £163.805m, a variance of £27.972 (14.59%) against budget. Comparable expenditure for the previous 3 years was £138.473 (2020-21) £175.104m (2019-20) and £144.083m (2018-19). Expenditure variances exist within all Themes within the Capital Programme, the most significant was in Maintaining our Assets – Rolling Programme. 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 capital expenditure variances was regularly reported to the P&C Committee and the relevant sub-committees. The major elements of expenditure are analysed as follows:

Project Spend 2021 22	£m
Scottish Housing Quality Standards	34.376
Affordable Housing Programme	28.388
Maintaining Our Assets - Rolling Programmes	32.662
Secondary Schools West Fife	20.102

Assets and Liabilities

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2022 and explanatory notes are provided. Net assets have increased by £363.723m to £2,147.465m as detailed in the following table;

	2021 22 £m	2020 21 £m	Movement £m
Long Term Assets	3,676.326	3,636.903	39.423
Current Assets	227.666	242.219	(14.553)
Current Liabilities	(230.569)	(313.209)	82.640
Long Term Liabilities			
-Defined Benefit Pension Liability	(531.427)	(819.646)	288.219
-Other Long Term Liabilities	(994.531)	(962.525)	(32.006)
Net Assets/(Liabilities)	2,147.465	1,783.742	363.723
Useable Reserves			
-General Fund	(182.813)	(136.034)	(46.779)
-Housing Revenue Account (HRA)	(7.005)	(8.005)	1.000
-Capital Grants & Receipts Unapplied	(5.745)	(10.290)	4.545
-Insurance Fund	(16.571)	(17.287)	0.716
Unusable Reserves			
-Defined Benefit Pension Liability	531.427	819.646	(288.219)
-Other Unusable Reserves	(2,466.758)	(2,431.772)	(34.986)
Total Reserves	(2,147.465)	(1,783.742)	(363.723)

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 decreased by £288.219m to £531.427m, which reflects current year charges against Useable Reserves (£100.945m) offset by changes in financial assumptions of £389.164m.

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 reduced 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. 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.

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 then Policy and Co-ordination Committee and can be found at [Treasury Management Strategy | Fife Council](#)

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	2021 22	2020 21	Commentary
Reserves			
Uncommitted General Fund reserve as a proportion of Annual Budgeted Net Expenditure	3.42%	5.18%	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's policy is to hold a minimum of 2% of annual turnover over a three-year period which is considered appropriate in the context of the Council's financial and ongoing risk profile.
Increase/(decrease) in the Uncommitted General Fund Balance	(£15.272m)	£15.238m	Reflects the extent to which the Council is using Uncommitted General Fund Reserves.
Council Tax			
In-year Collection Rate	95.31%	94.38%	Reflects the Council's effectiveness in collection Council Tax debt and financial management. This level is consistent with the last 3 financial years.
Ratio of Council Tax Income to Overall Level of Funding	18.60%	18.81%	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 2020-21 levels for 2021-22.
Financial Management			
Actual Outturn Compared to Budgeted Expenditure	(6.36%)	(7.92%)	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. The indicator is based on the format of budget monitoring as reported throughout the year.
Actual Contribution to/(from) Unallocated General Fund Balance compared to Budget	£58.974m	£71.878m	
Debt/Long term Borrowing			
Capital Financing Requirement (CFR) for the Current Year	£1,133.121m	£1,118.253m	External debt levels remain lower than the CFR which reflects the borrowing requirements
External Debt Levels for the Current Year	£1,022.655m	£1,059.937m	
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	6.39%	6.08%	
HRA	22.04%	21.98%	

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 2022-23 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 and subsequent national cost of living crisis are 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.

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 • Fife Resource Solutions LLP • 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, Trusts and Fife Integration Joint Board, the effect on the Balance Sheet is a net increase in both Net Assets and Reserves of £56.086m (2020-21 £15.199m). This represents the Council's share of the net assets in these entities. The effect is an increase in Total Comprehensive Income & Expenditure surplus of £40.826m (2020-21, decrease in deficit of £5.402m).

The Council has continued to work closely with its subsidiaries as they recover from COVID-19 providing the necessary support and additional funding where appropriate to compensate for levels of income not yet returning to pre-pandemic levels.

The Health and Social Care Partnership managed by the Fife Integration Joint Board played a pivotal role in the response to COVID-19 incurring additional costs of £17.5m dealing with the effects. This expenditure has been funded by the Scottish Government through the Local Mobilisation Plan.

Business Gateway Fife played a critical role in assisting the Council in making grant payments to support businesses across Fife.

The Fife Integration Joint Board and all Subsidiaries of Fife Council have an accounting period to 31 March and for the purposes of consolidation and disclosure their Draft Accounts to 31 March 2022 have been used.

The table below shows the figures included in the annual accounts from Group bodies which includes the impacts of Defined Pension Liabilities.

Subsidiaries and Council's share of Joint Venture (IJB)	Operating (Surplus) / Deficit to 31 March 2022 £m	Net Assets / (Liabilities) at 31 March 2022 £m
Fife Sports and Leisure Trust	(4.561)	(3.683)
Fife Coast and Countryside Trust	(0.163)	0.958
Fife Golf Trust	(0.791)	0.200
Fife Cultural Trust	(5.450)	6.786
CIRECO (Scotland) Ltd	0.000	0.000
Fife Resource Solutions	(3.902)	(3.607)
Business Gateway Fife	(0.010)	0.546
Fife Integration Joint Board	(25.034)	39.856
Charities & Trusts	(0.014)	4.694
Common Good	(0.901)	10.336
Total	(40.826)	56.086

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 pressures. In recognition of the scale of the challenge, the Council implemented a Medium-Term Financial Strategy and a financial Risk Register as a framework to manage and support budget decisions. At that time Directorates worked 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 another challenging year as the Council worked towards recovery from the pandemic as well as, adapting to and dealing with exceptional circumstances both in terms of service delivery and financial consequences, the Council set a core balanced budget for 2022-23. However, the current global economic crisis means there is likely to be heightened financial pressures beyond anything seen in recent decades and these will need addressed both in the immediate term i.e. inflationary pressures associated with additional energy costs, construction inflation and pay costs and the longer term i.e. demographic growth and uncertainty around funding levels. To quantify the likely costs of inflation, details of energy contracts and price increase have been reviewed and modelled. This coupled with close monitoring of capital projects costs, review of sector price increases and market intelligence allows indicative estimates to be made of the likely impacts both in the short term and impact on the base budget.

Over the last two financial years the financial consequences of COVID-19 have been significant for both expenditure and income. Uncertainty around the longer-term impacts of recovery and inflationary pressures is set to continue into the coming financial years.

The current global economic uncertainty continues to present a significant risk to the financial sustainability of the Council and continual close monitoring will be carried out, with reports to Cabinet Committee on a routine basis combined with continued robust internal governance and strong financial management.

In preparation for dealing with the medium term and likely budget gaps the Council is assessing a range of future scenarios and developing two concurrent processes. Firstly, a short-term process looking at expenditure trends and any changes to expenditure patterns in order to identify areas where budget may be reduced more easily. And the second parallel process will begin to look at a wider programme of change and explore lines of enquiry with a view to assessing wider opportunities where more fundamental change might be planned. A scoping exercise is currently being carried out to assess the possible scale that might be achieved.

The Council will also need to consider other pressures the Council is facing, for example achieving savings, inflationary pressures and strategic growth, all areas will likely have a detrimental impact on the core budget of the Council. The core budget is where the main concern and risk 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, so exit strategies will need to be 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 as across local government.

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 alternative 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 is being 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 another 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 Ross
Leader of Council

Steve Grimmond
Chief Executive

Eileen Rowand MBA CPFA
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 of Good Governance in Local Government Framework' (2016 Edition). The framework comprises of 40 statements that are considered by designated Lead officers, Directorates and other significant group entities. 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 can be obtained from Eileen Rowand, Executive Director, Finance and Corporate Services or is available at: <https://www.fife.gov.uk/kb/docs/articles/about-your-council2/politicians-and-committees/committees/governance-documentation> 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 and Corporate Services) has been appointed to:
 - oversee the implementation and to monitor the operation of the Code of Corporate Governance; and
 - review the operation of the Code in practice.
- 1.5 In addition, the lead officer, chairs the Corporate Governance Group which has responsibility to input to and review the Statements before it is presented to and approved by the Standards, Audit and Risk Committee. The statement is subject to External Audit who are responsible for auditing the content against 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:

Governance

- 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
- Statutory Officers
- Standing Orders
- A Standards and Audit Committee, and Scrutiny Committees held in public / live streamed
- Corporate Governance Groups

Planning

- Plan for Fife
- Local Community Plans
- Service Change Planning
- Council Executive Team, Directorate Leadership Teams, Council Leadership Team
- Digital Strategy
- HR Plans and Policies and strong Organisational Development Framework
- Procurement Strategy
- As appropriate, formal programme and project management disciplines

Performance

- Performance management framework - including Public Reporting requirements from Best Value
- Regular planning and performance reports – for management and committee scrutiny
- Setting and monitoring targets for financial and other performance aspects

Financial Governance

- Financial Regulations
- Medium Term Financial Strategy
- Comprehensive financial management systems
- Periodic and annual committee reports which indicate forecast financial performance against budget, covering both Capital and Revenue expenditure
- Clearly defined capital and revenue expenditure guidelines
- The role of the Investment Strategy Group, including setting Capital Strategy, developing 10-year investment plans and monitoring high-level capital delivery performance

Risk Management

- Risk Management Policy and Strategy (reviewed March 2022)
- Strategic and Service-level Risk Registers
- Risk Management Strategy Group, chaired by the Executive Director, Finance and Corporate Services as Senior Responsible Officer for risk

- 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 (PSIAS), which apply to Local Government. Conformance with the PSIAS has been confirmed independently, through the completion of a formal External Quality Assurance process. The Service undertakes a risk-based annual programme of audit work approved by the Standards and Audit Committee. 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 annual report to the Members of Fife Council, Chief Executive and Executive Director of Finance and Corporate Services, including the internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control framework. The overall audit opinion for the year to 31 March 2022 is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 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 and 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, and supporting policies and procedures, for the prevention and detection of fraud and corruption (including participation in the National Fraud Initiative, a biennial data matching exercise co-ordinated at a national level by the Cabinet Office) 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 2020-21 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. An officer working group was established within 2021 in order to review corporate governance arrangements on an ongoing basis. This group has representation from all directorates and considers ongoing and new improvement actions that are required in order to enhance governance arrangements.
- 3.3 An updated Plan for Fife was presented to the Fife Partnership Board in August 2021 and Fife Council in September 2021. The plan updated the 2017 version which included 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 provided the basis for the work on the three-year update of the Plan for Fife, which also serves as Fife's renewal plan following the Covid-19 pandemic.
- 3.4 Four priority themes of Opportunities for All; Thriving Places; Community-Led Services; and Inclusive Growth and Jobs have been translated into thirteen "ambitions", with addressing the climate emergency added. Four Strategic boards have been created – Leading Economic Recovery, Tackling Poverty and Preventing Crisis, Addressing Climate Emergency and Community Wealth Building in order to focus 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 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 in 2021-22 financial year. Going forward, these reports will contain high level indicators relating to the work of the newly formed committees. Major change projects have governance boards established which meet regularly to monitor and track progress and risks.
- 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 Capital Strategy, a Procurement Strategy, a Risk Management Strategy, a Workforce Strategy which sets out the vision for the workforce for the period 2022-25 (Our People Matter), and a refreshed approach to workforce planning, which is designed to be more agile and responsive and will relate to and assist the current service planning approach (Our People Plan). There are also HR Policies. A Digital Strategy and IT investment plan have been developed and delivery of these is monitored through the Council's Reform and Recovery Board. In addition, Services have maintained and updated Directorate Business Continuity Plans, and these inform the ICT Systems Recovery Plans which are documented and subject to regular testing and updating.
- 3.7 The Council's resilience plans, and risk management processes were significantly tested during the Covid-19 Pandemic and the Council continues to respond well to recovery from this emergency. Governance arrangements evolved allowing both virtual and, more recently, blended committees were piloted to allow decisions to be made in a more routine manner. Following a review, the previous changes to the Financial

regulations were extended to continue to allow spend to be incurred in advance of funding solutions being identified, debt recovery was relaxed, and additional support was provided to suppliers. This change in governance has now come to an end and the financial regulations have reverted back to their original requirements. Continued emphasis on financial planning throughout the year was highlighted in a number of reports considered by the Policy and Coordination Committee, this took account of the fluid nature of the significant financial consequences of the pandemic and also the changing landscape in relation to a high number of grant funding streams from the Scottish Government.

- 3.8 The Council implemented Oracle Cloud during 2020, and this was particularly challenging given it coincided with the need to respond to the Pandemic. The focus during 2021-22 has been to continue to address post implementation issues and ensure that the value of using an integrated system is maximised. Work during the year has focused on key areas such as security, reporting, forecasting, payroll and recruitment. 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, controls continue to be developed taking into account new processes associated with the change.
- 3.9 The Council implemented a replacement cash management system, Adelante Smartpay, near the end of 2021-22 with a go-live date of 24 February 2022. This was particularly challenging given the timing and that it coincided with the recovery from the pandemic and as a result, was implemented with support provided remotely rather than on site. The focus in 2021-22 was to achieve “go-live” and replace the system with a like for like product. The implementation included a new build of a bank reconciliation module but availability of the product for testing was delayed. The frequency of bank reconciliations was temporarily changed to monthly to create capacity for testing and implementation of the new system. Since implementation, challenges in producing a bank reconciliation were experienced, impacting on internal controls. However, reconciliations are being brought up to date.
- 3.10 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 Areas for Improvement and Development in Governance

- 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 forward. An action plan, containing individual actions, along with responsible officers and implementation dates will assist with the monitoring process.

Members Involvement in Setting the Tone from the Top
<p>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.</p> <p>Progress made in 2021-22: The revised code of conduct for Councillors was published in December 2021. The Monitoring Officer led several training sessions for members summarising key changes to the Code. The sessions were well attended and afforded opportunity for questions and discussion. Members have also been kept up to date with updates from the Standards Commission through its regular bulletin which is circulated by Members Services and the annual report on standards was presented to the Standards and Audit Committee. There were two cases in this time period (one involving 3 councillors) where the Standards Commission, having received a report from the Ethical Standards Commissioner, decided to take no further action. A new process for registration of interests was also implemented so that members’ individual interests were displayed on the Fife Council individual web–page for each member in addition to the collective register for all Councillors.</p> <p>Action Planned within 2022-23: The local government election has resulted in the election of 33 new Councillors. There is an extensive programme of induction planned for new members and a further refresh for returning Councillors. The Standards Commission has produced a video for new councillors and the Monitoring Officer has prepared a similar one for returning members. The sessions which were delivered on the code focussed on clarifying areas of the code that required further discussion and the use of scenarios. This new approach will be assessed for effectiveness and then further engagement sessions planned. The Council will also be invited to agree Committee Powers which includes an articulation of the Council approving Fife Council values.</p>

Embedding Risk Management

Issue: The Council's risk management arrangements have improved significantly during 2021/22. However, further development is required during 2022-23.

Progress made in 2021-22:

The Risk Management Policy and Strategy, including roles and responsibilities and reporting arrangements, were reviewed and revised.

A Risk Management Strategy Group (RMSG) was established, with formal remit and meeting timetable agreed.

The Council's Strategic Risk Register was updated as planned, with risks re-defined to reflect the Plan for Life and control frameworks in place to mitigate those risks being assessed for their effectiveness.

The RMSG, which is chaired by the Executive Director - Finance and Corporate Services as Senior Responsible Officer for risk, is attended by senior officers representing every Council directorate and the Health and Social Care Partnership.

An action plan to drive improvements in risk management was also developed as planned.

Action Planned within 2022-23:

The action plan compiled during 2021-22 be further developed to drive forward continuous improvement in relation to risk management. Progress towards implementation of the actions contained within it will be actively monitored by the RMSG.

The RMSG will continue to meet in line with the agreed timetable and its formal remit will be reviewed again to ensure ongoing relevance.

Plans are already in place to formally define the Council's risk appetite, which, once approved will be incorporated into the risk management framework as appropriate.

The Council is actively recruiting a Risk Management Co-ordinator. Once appointed, the post-holder, will be part of Finance and Corporate Services but hold a key corporate support role within the organisation, helping to shape the development of corporate arrangements and working alongside services to support implementation.

Existing procedural documentation will be reviewed and revised to help support delivery of the revised Policy and Strategy.

The Council's Performance and Risk Management system, Pentana, will be enhanced in conjunction with the software supplier and system reports will be developed to meet the needs of key stakeholders.

Risk Management training will also be developed further during 2022-23.

Restructuring, Movement of Staff and Change to Processes

Issue: Restructuring and movement of staff had increased in previous years, however, during 2021-22, this was not a significant issue.

Progress made in 2021-22: This has become less of an issue over the year due to fewer restructures and management have continued to manage any change in processes.

Action Planned within 2022-23: As we emerge from the pandemic, work will continue to embed new ways of working, to create workforce stability and to embed associated processes.

Review of Governance and Decision Making

Issue: Governance structures need to enable transparent and appropriate decision making.

Progress made in 2021-22: Governance arrangements continued to be reviewed to ensure they were appropriate and supported decision making. There were pilots of blended committee meetings with some members attending the committee remotely and some from the room. This technology is now being rolled out. A survey of members was carried out on the suitability of the governance arrangements and this survey was also offered to officers. There was also a review of committee business by the committee services team.

Action Planned within 2022-23: Planning is underway for the new Council post the 2022 local government elections. Officers will provide advice to members about the governance structures that could be adopted to support decision making and the Council will decide on a new framework for governance. The current work piloting hybrid meetings will continue until there is a decision about the most appropriate way forward. It will be important to retain the ability to meet remotely for business continuity reasons. The Council's report template will be adjusted to include a revised risk assessment section and training sessions for officers will be delivered over recess.

Change Programmes

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

Progress made in 2021-22: Change was progressed through the recovery and reform work initiated in 2020-21. The Plan for Fife was refreshed and builds on the recovery and reform work with the refreshed plan reported to P&C committee in June 2021. The committee agreed the draft three-year plan, proposed delivery and monitoring arrangements for the plan and noted the progress in delivering the short-term actions for reform and recovery agreed by Committee in March 2021.

Action Planned within 2022-23: Change continues to be progressed through the Plan for Fife. Service based change is being progressed to identify change activity that will feed into the 2023-24 budget process. Longer term change work is governed by the Reform and Recovery Board which meets regularly to consider updates and progress.

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 2021-22: In September, Council approved the revised Integration Scheme and this was provided to the Scottish Government for approval. Following some engagement, the Scheme was signed off and the minor changes reported back to the Council and Board for information.

Action Planned within 2022-23:

Development and implementation of approved Risk Strategy, risk appetite and robust Risk Management reporting. Regular risk reporting does occur. A session on risk appetite is planned for the coming year 2022-23.

Further refinement of the Board's skill matrix and Board self-assessment framework.

Formal adoption and implementation of self-assessment governance review to provide focus on key areas of development. Further work will be required to refine this now the review of the Integration Scheme is complete.

Further work continues in relation to the Ministerial Steering Group report.

Development of statutory guidance regarding set aside services in collaboration with NHS Fife.

Develop a Board Induction Programme in conjunction with NHS Education for Scotland (NES).

Elected Member Support and Development

Issue: Elected members need to be supported to undertake their role through a programme of induction, development and learning.

Progress made in 2021-22: A limited number of development sessions were held towards the end of year as members began to reach the end of the Council term. A members' survey was issued to capture views about the range and effectiveness of the programme of training that had been carried out and this was used to design the induction programme. A new webpage for Council inductions was created for the new cohort of elected members so that information was captured in a central place and in a digital format.

Action planned within 2022-23: A members development training strategy will be developed with the working group and overseen by cross-party leaders. This will cover induction as well as on-going training and development for individual members and groups.

Impact on Planning and Delivery of Services

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

Progress made in 2021-22: In June 2021, the Council approved the three-year update of the "Plan for Fife". It sets out the priorities the Fife Community Planning Partnership (which includes the Council) will collectively focus on to add most value for local communities. The Plan sets out ten-year ambitions, along with renewal and recovery priorities following the Covid-19 pandemic. The final updated Plan was published in August 2021. As the impact of the pandemic developed during 2021, planning shifted towards recovery and renewal with services transitioning out of lockdown phases, planning the restart of service delivery and return to physical buildings.

Actioned Planned within 2022-23: Planning work will continue throughout 2022-23 and will take cognisance of the potential changing levels relating to Covid. Workforce Planning was significantly impacted by the pandemic due to the need to divert resources. As a result of this, workforce planning will be prioritised over the next year with a refreshed model for workforce planning, with actions, being aligned with resourcing challenges.

Health and Safety

Issue: The need for a robust health and safety regime was tested throughout the Pandemic.

Progress made in 2021-22: Health, safety and wellbeing was significantly impacted by the pandemic and the need to divert resources.

Action Planned within 2022-23: The Corporate Health and Safety Group will look to continue to embed good practice, use evidence to assess risk and monitor, review and report on associated action plans.

Employee Wellbeing

Issue: Our employees worked in different ways during the Pandemic and different approaches were required to protect and ensure our employees wellbeing.

Progress made in 2021-22: A range of self-help tools and information was cascaded through different media. In-person Employee Assistance support and some training was re-profiled to continue on-line.

Actioned Planned within 2022-23: The Stress Overview Group will develop a comprehensive picture of the scale of issues. The Health Needs Assessment will provide benchmark data and a Wellbeing Pulse survey will be produced using this data.

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 a challenging year for the Council and the focus has been to ensure that support is provided to communities, individuals and businesses during these difficult times whilst safeguarding the Council's financial sustainability and maintaining service delivery. We consider that the governance and internal control environment operating within 2021-22 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 once implemented, will further enhance our corporate governance and internal control arrangements.

Councillor David Ross
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 2021-22 the maximum salary for the Fife Council Leader is £43,412. 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 £486,049. 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 £418,090), 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/151 sets the salary for the Chief Executive of Fife Council for the period 1 April 2021 to 31 March 2022.

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 2021-22	Contribution Rate 2021-22	Actual Pay 2020-21	Contribution Rate 2020-21
Up to and including £22,300	5.50%	Up to and including £22,200	5.50%
Above £22,301 and up to £27,300	7.25%	Above £22,201 and up to £27,100	7.25%
Above £27,301 and up to £37,400	8.50%	Above £27,101 and up to £37,200	8.50%
Above £37,401 and up to £49,900	9.50%	Above £37,201 and up to £49,600	9.50%
Above £49,901	12.00%	Above £49,601	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/kb/docs/articles/jobs-and-training2/working-for-us/fair-work-first>

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	
		2021 22	2020 21	2021 22	2020 21	at 31/03/22	31/03/21	
		£	£	£	£	£	£	
Senior Councillors								
David Alexander	Co-Leader of Fife Council	32,593	31,285	7,985	7,665	Pension Lump Sum	3,000	1,000
David Ross	Co-Leader of Fife Council	32,593	31,285	-	-	Pension Lump Sum	-	-
Jim Leishman	Provost	32,593	31,285	7,985	7,665	Pension Lump Sum	7,000	1,000
Julie Ford	Depute Provost	23,751	22,798	5,819	5,585	Pension Lump Sum	3,000	1,000
Dave Dempsey	Leader of Opposition, Convener: Standards & Audit Committee and Convener: Superannuation and Pensions Sub-Committee	23,751	22,798	5,819	5,585	Pension Lump Sum	8,000	1,000
Tim Brett	Convener: Scrutiny Committee	23,751	22,798	5,819	5,585	Pension Lump Sum	2,000	-
Ken Caldwell	Convener: Levenmouth Area Committee	23,751	22,798	5,819	5,585	Pension Lump Sum	2,000	-
Altany Craik	Convener: Economy, Tourism, Strategic Planning & Transportation Committee	23,751	22,798	5,819	5,585	Pension Lump Sum	5,000	1,000
Neil Crooks	Convener: Kirkcaldy Area Committee & Planning Committee	23,751	22,798	5,819	5,585	Pension Lump Sum	10,000	2,000
Linda Erskine	Convener: Cowdenbeath Area Committee & HR Spokesperson	23,751	22,798	5,819	5,585	Pension Lump Sum	9,000	1,000
Fiona Grant	Convener: Glenrothes Area Committee	23,751	22,798	5,819	5,585	Pension Lump Sum	6,000	1,000
Judy Hamilton	Convener: Community & Housing Services Committee	23,751	22,798	5,819	5,585	Pension Lump Sum	1,000	-
Helen Law	Convener: City of Dunfermline Area Committee	25,158	24,055	6,164	5,894	Pension Lump Sum	8,000	1,000
Rosemary Liewald	Chair - Joint Health & Social Care Partnership and Fife Corporate Parent Board (until November 2021)	13,827 (fy 23,751)	22,798	3,388	5,585	Pension Lump Sum	4,000	-
Carol Lindsay	Convener: Regulation & Licensing Committee and Fife Licensing Board	23,751	22,798	5,819	5,585	Pension Lump Sum	6,000	1,000
Donald Lothian	Convener: North East Fife Area Committee	23,751	22,798	5,819	5,585	Pension Lump Sum	2,000	1,000

Name	Responsibility	Remuneration (Note 1)		Pension Benefits (Note 2)				
		Salary, Fees & Allowances		Employer's pension contributions		Accrued Pension Benefits at 31/03/22		Change from 31/03/21
		2021 22 £	2020 21 £	2021 22 £	2020 21 £	£		£
Senior Councillors (Continued)								
Alice McGarry	Convener: South West Fife Area Committee & Planning Committee (West)	23,751	22,798	5,819	5,585	Pension Lump Sum	8,000 2,000	2,000 -
Tony Miklinski	Convener: Scrutiny Committee Education & Children's Services and Health & Social Care	23,751	22,798	-	-	Pension Lump Sum	- -	- -
David Barratt	Convener: Assets & Corporate Services Committee (from December 2020)	23,751	8,566 (fy 22,798)	5,819	2,108	Pension Lump Sum	2,000 -	1,000 -
Ross Vettraino	Convener: Environment, Protective Services & Community Safety Committee	23,751	22,798	-	-	Pension Lump Sum	- -	- -
Craig Walker	Convener: Education & Children's Services Committee	23,751	22,798	5,819	5,585	Pension Lump Sum	3,000 -	- -
	Total Senior Councillors	516,780	491,244	106,988	101,522	Pension Lump Sum	100,000 24,000	17,000 3,000
Senior Employees								
Steve Grimmond	Chief Executive (Note 3)	174,125	161,635	39,793	39,989	Pension Lump Sum	82,000 144,000	4,000 -
Keith Winter	Executive Director Enterprise & Environment	127,800	126,803	31,311	31,067	Pension Lump Sum	69,000 112,000	4,000 1,000
Carrie Lindsay	Executive Director Education & Children's Services	127,800	126,803	31,311	31,067	Pension Lump Sum	81,000 -	3,000 -
Eileen Rowand	Executive Director Finance & Corporate Services	127,800	126,803	31,311	31,067	Pension Lump Sum	54,000 69,000	3,000 1,000
Michael Enston	Executive Director Communities	127,800	126,803	31,311	31,067	Pension Lump Sum	71,000 118,000	4,000 1,000
Kathryn Henwood	Head of Children & Families & Criminal Justice (Chief Social Work Officer)	100,825	99,799	24,702	24,451	Pension Lump Sum	44,000 9,000	2,000 -
	Total Senior Employees	786,150	768,646	189,739	188,708	Pension Lump Sum	401,000 452,000	20,000 3,000

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 remuneration for the Chief Executive includes payments made in respect of his role as Returning Officer in 2021-22 of £11,493 (2020-21 £0)

Table B- Joint Initiatives and Subsidiary Bodies - Senior Employees

Senior Employees	Responsibility	Organisation	Remuneration (Note 1)		Pension Benefits (Note 2)				
			Salary, Fees & Allowances		Employer's pension contributions		Accrued Pension Benefits at 31/03/22		Change from 31/03/21
			2021 22 £	2020 21 £	2021 22 £	2020 21 £	£		£
Joint Initiative									
Nicky Connor	Director-Health & Social Care	Health & Social Care Partnership (Note 3)	88,897	84,831	18,580	17,625	Pension Lump Sum	4,000 -	1,000 -
	Total Joint Initiative		88,897	84,831	18,580	17,625	Pension Lump Sum	4,000	1,000
Subsidiary Bodies									
Heather Stuart	Chief Executive	Fife Cultural Trust	102,726	101,165	23,113	22,762	Pension Lump Sum	19,000 -	2,000 -
Emma Walker	Chief Executive	Fife Sport & Leisure Trust	95,014	70,256 (fy 93,675)	17,578	12,997	Pension Lump Sum	4,000 -	2,000 -
Alistair MacGregor	Golf Services Manager	Fife Golf Trust	68,027	66,815	14,353	14,098	Pension Lump Sum	31,000 43,000	2,000 1,000
Jeremy Harris	Chief Executive	Fife Coast & Countryside Trust	68,268	64,225	14,781	13,973	Pension Lump Sum	4,000 -	2,000 -
Robin Baird	Chief Executive Officer	Fife Resource Solutions LLP & CIRECO (Scotland) LLP	93,980	85,114	20,957	18,980	Pension Lump Sum	27,000 19,000	4,000 1,000
Fraser McKee	Senior Growth Adviser	Business Gateway	42,429	40,905	-	-	see Note 4		
	Total Subsidiary Bodies		470,444	428,480	90,782	82,810	Pension Lump Sum	85,000 62,000	12,000 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

2020 21			2021 22	
Non Education staff	Education staff		Non Education staff	Education staff
74	20	Number of employees who were relevant union officials in the year	58	18
69.7	18.4	Number of full time equivalent employees	51.6	15.2
		Number of employees analysed by % of time spent on facility time		
54	8	0%	34	6
13	8	1% - 50%	16	9
1	3	51% - 99%	2	2
6	1	100%	6	1
£0.334m	£0.315m	Total cost of Facility Time	£0.326m	£0.315m
0.1%	0.1%	% of Total pay bill spent on Facility Time	0.1%	0.1%
0%	0%	Time on paid Activities as % of total paid Facility Time	5%	5%

Table D - Members Expenses

Details of the salaries, allowances and expenses paid to all councillors (including senior councillors in Table A).

2020 21 £m	Type of Remuneration	2021 22 £m
1.464	Salaries	1.517
0.005	Travel and Subsistence	0.003
0.000	Training/ Conference and Meeting Expenses	0.003
0.018	Telephone and Information Technology Expenses met by Council	0.005
0.002	Cost of Provision of Council Cars met by Council	0.003
0.000	Other Expenses and Allowances	0.000
1.489	Total	1.531

The annual return of councillors' salaries and expenses for 2021-22 is available for any member of the public to view at all Fife Council libraries and public offices during normal working hours. It is also available on the Fife Council website at the following link; [Members Publishing 2021 22 1.xlsx \(live.com\)](#)

Table E - Fife Council Employees Analysis by Pay Band

The figures below are the total number of Council employees receiving more than £50,000 remuneration for the year (including any associated redundancy or early retirement payments).

2020 21	Remuneration Bands	2021 22	2020 21	Remuneration Bands	2021 22
301	£50,000 - £54,999	349	0	£115,000 - £119,999	0
208	£55,000 - £59,999	275	0	£120,000 - £124,999	0
105	£60,000 - £64,999	113	4	£125,000 - £129,999	4
68	£65,000 - £69,999	84	0	£130,000 - £134,999	0
11	£70,000 - £74,999	13	0	£135,000 - £139,999	0
17	£75,000 - £79,999	12	0	£140,000 - £144,999	0
6	£80,000 - £84,999	11	0	£145,000 - £149,999	0
5	£85,000 - £89,999	10	0	£150,000 - £154,999	0
5	£90,000 - £94,999	2	0	£155,000 - £159,999	0
16	£95,000 - £99,999	2	1	£160,000 - £164,999	0
1	£100,000 - £104,999	16	0	£165,000 - £169,999	0
0	£105,000 - £109,999	0	0	£170,000 - £174,999	1
1	£110,000 - £114,999	1	749	Total	893

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
2021-22						
0 - 19,999	0	17	17	0.188	0.006	0.194
20,000 - 39,999	0	13	13	0.333	0.000	0.333
40,000 - 59,999	0	1	1	0.050	0.000	0.050
60,000 - 79,999	0	2	2	0.117	0.025	0.142
80,000 - 99,999	0	3	3	0.257	0.000	0.257
100,000 - 149,999	0	4	4	0.399	0.077	0.476
Over 150,000	0	8	8	1.248	0.412	1.660
Total	0	48	48	2.592	0.520	3.112
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

The total cost of exit packages £3.112m in the table for 2021-22 above includes £0.246m cash value and £0.104m 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 2021-22 total cost of £3.112m, £0.507m relates to statutory redundancy payments, £0.503m to compensation for loss of office, £1.582m for enhanced pension benefits and £0.520m for estimated CAY.

As a consequence of the delivery of the 2021-22 savings each directorate has incurred termination payments. The Directorate incurring the largest cost is Communities £2.022m.

Councillor David Ross
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 28th November 2022.

Signed on behalf of Fife Council

Councillor David Ross
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 31st March 2022.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services

The objective of this Analysis is to demonstrate to council tax and rent payers how 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 resources consumed or earned by authorities in accordance with generally accepted accounting practices under accounting standards or statutory provisions, and also shows how net expenditure is allocated for decision making purposes between Council directorates. Expenditure under generally accepted accounting practices is presented more fully in Comprehensive Income & Expenditure Statement (CIES).

2020 21			Expenditure chargeable to General Fund and HRA	2021 22		
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
364.391	38.381	402.772	Education & Children	377.787	56.653	434.440
162.323	7.155	169.478	Health & Social Care	183.745	18.846	202.591
107.128	45.771	152.899	Enterprise & Environment	115.295	55.748	171.043
46.176	11.723	57.899	Finance & Corporate	47.315	19.500	66.815
0.257	0.015	0.272	Chief Executive	0.261	0.044	0.305
2.647	(3.356)	(0.709)	Corporate & Democratic	2.722	(3.166)	(0.444)
72.170	12.480	84.650	Communities	71.881	18.940	90.821
(31.736)	7.436	(24.300)	Housing Revenue Account	(26.246)	7.925	(18.321)
92.551	(92.551)	0.000	Loan Charges	97.295	(97.295)	0.000
815.907	27.054	842.961	Net Cost of Services	870.055	77.195	947.250
(906.862)	1.173	(905.689)	Other Income & Expenditure not charged to Net Cost of Services	(913.619)	10.490	(903.129)
(90.955)	28.227	(62.728)	Total	(43.564)	87.685	44.121

(48.449)	Opening General Fund & HRA Balance	(144.039)
(90.955)	(Surplus) / Deficit for the year	(43.564)
(4.635)	Transfers to / (from) Other Reserves	(2.215)
(144.039)	Closing General Fund & HRA Balance *	(189.818)

* For a split of Net Expenditure in CIES between General Fund & HRA see the Movement in Reserves Statement.

Adjustments between funding & accounting basis (above) is comprised of the following 3 items which are detailed by Council directorate in Note 8-Analysis of Income and Expenditure by Segment/Nature.

- **Adjustments for Capital Purposes** in Net Cost of Services reflect impairment & revaluation gains/losses and depreciation charged to CIES. Adjustments outwith Net Cost of Services include gains/losses on disposal of assets and capital grants receivable in the year.

- **Net change for Pension Adjustments** in Net Cost of Services are the removal of employer pension contributions made by the Council, replaced with current & past service costs calculated under IAS19. Adjustments outwith Net Cost of Service includes net interest on defined benefit liability under IAS19.

- **Other Adjustments** in Net Cost of Services include an accrual for costs of holiday entitlement earned by employees not taken before year end, and other transfers between services to recognise differences between the reporting structure of the Council and the accounting basis. Adjustments outwith Net Cost of Services include timing differences for premiums and discounts relating to Financial Instruments.

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 2020	(45.444)	(3.005)	(20.782)	0.000	(13.294)	(82.525)	(1,760.440)	(1,842.965)	(9.797)	(1,852.762)
Movement in Reserves during 2020-21										
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	(136.034)	(8.005)	(17.287)	0.000	(10.290)	(171.616)	(1,612.126)	(1,783.742)	(15.199)	(1,798.941)
Movement in Reserves during 2021-22										
Total Comprehensive Income & Expenditure	60.317	(16.196)	0.000	0.000	0.000	44.121	(407.905)	(363.784)	(40.826)	(404.610)
Adjustments between accounting & funding basis:										
- permitted by accounting standards	(26.198)	(5.025)	0.000	0.000	0.000	(31.223)	31.223	0.000	0.000	0.000
- required by statutory regulations	(78.833)	22.371	0.000	0.000	3.046	(53.416)	53.416	0.000	0.000	0.000
Transfers to/(from) Other Statutory Reserves	(2.065)	(0.150)	0.716	0.000	1.499	0.000	0.000	0.000	0.000	0.000
Transfer to/(from) Common Good Reserves	0.000	0.000	0.000	0.000	0.000	0.000	0.061	0.061	(0.061)	0.000
(Increase)/Decrease in Year	(46.779)	1.000	0.716	0.000	4.545	(40.518)	(323.205)	(363.723)	(40.887)	(404.610)
Balance at 31 March 2022 c/fwd	(182.813)	(7.005)	(16.571)	0.000	(5.745)	(212.134)	(1,935.331)	(2,147.465)	(56.086)	(2,203.551)

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.

2020 21					2021 22			
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
470.928	(68.156)	402.772	402.772	Education & Children	507.396	(72.956)	434.440	434.440
437.566	(268.088)	169.478	169.478	Health & Social Care	485.959	(283.368)	202.591	202.591
185.992	(33.093)	152.899	153.702	Enterprise & Environment	207.144	(36.101)	171.043	172.292
152.224	(94.325)	57.899	57.899	Finance & Corporate	160.183	(93.368)	66.815	66.815
0.272	0.000	0.272	0.272	Chief Executive	0.305	0.000	0.305	0.305
(0.709)	0.000	(0.709)	(0.709)	Corporate & Democratic	(0.441)	(0.003)	(0.444)	(0.444)
103.212	(18.562)	84.650	85.312	Communities	111.131	(20.310)	90.821	95.520
101.428	(125.728)	(24.300)	(24.300)	Housing Revenue Account	109.944	(128.265)	(18.321)	(18.321)
1,450.913	(607.952)	842.961	844.426	Cost of Services	1,581.621	(634.371)	947.250	953.198
				Other Income & Expenditure				
		3.505	3.970	- Other Operating Expenditure			1.001	1.402
		55.513	39.466	- Financing & Investment			57.593	32.849
		(964.707)	(964.882)	- Taxation & Non-Specific Grant Income			(961.723)	(962.015)
		(62.728)	(77.020)	(Surplus)/Deficit on Provision of Services			44.121	25.434
				(Surplus)/Deficit on;				
		(90.432)	(90.461)	- revaluation of non-current assets			(18.346)	(18.747)
		3.217	3.217	- impairment of non-current assets			0.047	0.047
		0.111	0.111	- fair value of financial assets			(0.442)	(0.442)
		209.055	217.974	Remeasurement of net pensions liability			(389.164)	(410.902)
		121.951	130.841	Other Comprehensive Income & Expenditure			(407.905)	(430.044)
		59.223	53.821	Total Comprehensive Income & Expenditure			(363.784)	(404.610)

Material Items of Income and Expenditure

Fife Integration Joint Board (IJB) - Fife Council made contributions of £182.480m to the Integration Joint Board, £180.951m from Health & Social Care and £1.529m from Housing. Fife Council received amounts from the IJB totalling £246.606m. The Council's share of the IJB underspend has increased by £25.034m in 2021-22 and this is included in the Group Financing & Investment line above.

COVID-19 -The cost to Council Services in 2021-22 relating to the COVID-19 pandemic was £28.734m. This comprised of additional expenditure incurred of £17.720m and an estimated loss of income of £11.014m. In addition to this, the Council also incurred capital expenditure of £2.453m and agency expenditure on behalf of the Scottish Government of £55.852m. These costs have been funded by additional grant income from the Scottish Government and any unspent grant in 2021-22 has been carried forward as either Receipts in Advance or earmarked balances for spending in future years.

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 2021 (Restated)				31 March 2022	
Fife Council £m	Group £m		Notes	Fife Council £m	Group £m
3,587.963	3,593.207	Property, Plant & Equipment	11	3,638.527	3,644.094
28.252	28.294	Heritage Assets	12	28.252	28.620
0.000	0.000	Intangible Assets	14	0.000	0.000
18.232	18.232	Long Term Debtors	21	6.853	6.853
2.456	9.709	Long Term Investments	21	2.694	10.649
0.000	14.822	Investment in Joint Venture	27	0.000	39.856
3,636.903	3,664.264	Long Term Assets		3,676.326	3,730.072
137.418	146.920	Cash and Cash Equivalents	Cash Flow	110.093	118.072
3.591	3.591	Assets held for sale	13	11.078	11.078
4.282	4.483	Inventories	18	4.384	4.474
96.928	98.610	Short Term Debtors	19	102.111	105.298
0.000	0.768	Short Term Investments	21	0.000	0.803
242.219	254.372	Current Assets		227.666	239.725
(15.279)	(15.279)	Short Term Receipts in Advance	10	(15.394)	(15.394)
(160.940)	(169.511)	Short Term Creditors	19	(147.641)	(156.503)
(0.478)	(0.478)	Short Term Provisions	20	(0.479)	(0.479)
(136.512)	(136.512)	Short Term Borrowing	21	(67.055)	(67.055)
(313.209)	(321.780)	Current Liabilities		(230.569)	(239.431)
(15.919)	(15.919)	Long Term Receipts in Advance	10	(15.112)	(15.112)
(13.897)	(13.897)	Long Term Provisions	20	(13.992)	(13.992)
0.000	(0.173)	Long Term Creditors	21	0.000	(0.065)
(850.848)	(850.848)	Long Term Borrowing	21	(889.197)	(889.197)
(81.861)	(81.861)	Other Long Term Liabilities	21	(76.230)	(76.230)
(819.646)	(835.217)	Defined Benefit Pension Liability	24	(531.427)	(532.219)
(1,782.171)	(1,797.915)	Long Term Liabilities		(1,525.958)	(1,526.815)
1,783.742	1,798.941	Net Assets/(Liabilities)		2,147.465	2,203.551
(171.616)	(199.842)	Usable Reserves	6	(212.134)	(266.005)
(1,612.126)	(1,599.099)	Unusable Reserves	7	(1,935.331)	(1,937.546)
(1,783.742)	(1,798.941)	Total Reserves		(2,147.465)	(2,203.551)

The unaudited accounts were issued on 30th June 2022. and the audited accounts were authorised for issue on 28th November 2022.

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).

2020 21			2021 22	
Fife Council £m	Group £m		Fife Council £m	Group £m
62.728	77.020	Net surplus or (deficit) on the provision of services	(44.121)	(25.434)
103.372	103.892	Depreciation charges	106.553	107.112
14.478	14.508	Downward/(upward) revaluations & Impairments	12.650	12.643
0.030	0.030	Amortisation of intangibles	0.000	0.000
0.000	(1.343)	Movement in Fair Value of Investments	0.000	(0.109)
41.460	42.022	Increase/(decrease) in creditors	(10.805)	(9.829)
18.464	18.704	(Increase)/decrease in debtors	(3.801)	(6.098)
(0.912)	(0.929)	(Increase)/decrease in inventories	(0.102)	0.009
37.668	40.224	Movement in pension liability	100.945	107.904
0.776	0.776	Contributions to/(from) provisions	0.096	0.096
6.318	6.380	Carrying amount of assets sold	4.995	5.001
0.000	(15.152)	Other non-cash items	0.000	(25.069)
221.654	209.112	Adjustment for non cash movements	210.531	191.660
(57.845)	(58.020)	Capital Grants in surplus/(deficit) on provision of services	(48.104)	(48.397)
(2.813)	(2.841)	Proceeds from the sale of assets	(3.994)	(3.994)
(60.658)	(60.861)	Adjustment for investing & financing activities	(52.098)	(52.391)
223.724	225.271	Net cash flows from Operating Activities	114.312	113.835
(135.501)	(135.827)	Purchase of non-current assets	(166.440)	(167.184)
(0.004)	(0.004)	Purchase of investments	(0.010)	(0.665)
2.813	2.841	Proceeds from the sale of assets	3.994	3.994
61.282	61.456	Other receipts from investing activities	57.910	58.263
(71.410)	(71.534)	Net cash flows from Investing Activities	(104.546)	(105.592)
(76.251)	(76.251)	Cash receipts and repayments of short & long term borrowing	(30.870)	(30.870)
(6.124)	(6.124)	Cash payments reducing liabilities on finance leases & PPP	(6.412)	(6.412)
0.798	0.798	Other financing activities	0.191	0.191
(81.577)	(81.577)	Net cash flows from Financing Activities	(37.091)	(37.091)
70.737	72.160	Net increase or (decrease) in cash & cash equivalents	(27.325)	(28.848)
66.681	74.760	Cash & cash equivalents at beginning of reporting period	137.418	146.920
137.418	146.920	Cash & cash equivalents at end of reporting period	110.093	118.072
0.058	0.071	Cash in Hand	0.058	0.071
0.219	6.933	Bank	0.935	6.011
140.020	140.020	Short Term Investments	111.990	111.990
(2.879)	(0.104)	Advances from other accounts	(2.890)	0.000
137.418	146.920		110.093	118.072
		Net cash flows for Operating Activities include:-		
0.621	0.851	Interest received	0.089	0.404
(45.070)	(45.070)	Interest paid	(42.838)	(42.838)
(44.449)	(44.219)	Total	(42.749)	(42.434)

Movement in Liabilities held in the Balance Sheet recognised as Financing Activities (£m)

	2019 20	Cash	Non Cash	2020 21	Cash	Non Cash	2021 22
Long & Short Term Borrowing	(1,047.915)	76.251	0.000	(971.664)	30.870	0.000	(940.794)
PPP & Lease Liabilities	(94.397)	6.124	0.000	(88.273)	6.412	0.000	(81.861)
EIR Loan Liability	(5.176)	0.000	0.059	(5.117)	0.000	0.027	(5.090)

Notes to the Accounts

1. General Accounting Policies

General Principles

The Statement of Accounts summarises Fife Council and its Group transactions for the 2021-22 financial year and its position at the year-end of 31 March 2022. 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 2021-22 and the Service Reporting Code of Practice 2021-22, 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: Estimate of salaries & wages based on number of days relating to the period up to 31 March
- 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 2021-22 but not taken by 31 March 2022.
- Termination Benefits: Accruals based on the estimated cost for those employees who returned written confirmation of their termination package by 31 March 2022.

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. Those to be introduced in the 2022-23 Code, are:

- IFRS16 Leases
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Annual Improvements to IFRS Standards 2018–2020 (no significant effect on financial statements expected).
IFRS1 (First-time adoption)–amendment for foreign operations of acquired subsidiaries transitioning to IFRS
IAS37 (Onerous contracts)–clarifies the intention of the standard
IFRS16 (Leases)–amendment removes a misleading example that is not referenced in the Code material
AS41 (Agriculture)–only expected to apply to local authorities in limited circumstances.

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 2022 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 £1,801,088m. 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 £1.907m.
Pensions Liability The Council's net liability to pay pensions has been assessed at £531.427m. 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. e.g. a 0.1% decrease in the discount rate would increase liability by £68m, a 0.1% increase in Pension Increase rate (CPI) would increase liability by £60m and a 1 year increase in life expectancy assumptions would increase 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), it is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, these techniques are based on observable data, but if not possible judgement is required in establishing fair values, typically including considerations such as uncertainty and risk. Where Level 1 inputs are unavailable, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value.	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.

2020 21						2021 22						
Usable Reserves				Unusable Reserves	Total Reserves	Usable Reserves				Unusable Reserves	Total Reserves	
General Fund	Housing Revenue Account	Capital Fund	Capital Grants & Receipts & Unapplied			General Fund	Housing Revenue Account	Capital Fund	Capital Grants & Receipts & Unapplied			
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
						Accounting Standards Adjustments						
						Adjustments for Capital Purposes						
(24.555)	(5.190)	0.000	0.000	29.745	0.000	Revaluation element of depreciation in CIES	(26.198)	(5.025)	0.000	0.000	31.223	0.000
						Statutory Adjustments						
						Adjustments for Capital Purposes						
(58.767)	(29.338)	0.000	0.000	88.105	0.000	Depreciation, Impairment & Revaluations	(58.961)	(29.019)	0.000	0.000	87.980	0.000
(0.030)	0.000	0.000	0.000	0.030	0.000	Amortisation of intangible assets	0.000	0.000	0.000	0.000	0.000	0.000
43.530	14.315	0.000	3.164	(61.009)	0.000	Capital grants & contributions	37.192	10.912	0.000	4.416	(52.520)	0.000
(2.407)	(1.098)	(2.813)	0.000	6.318	0.000	Gains/(Losses) on disposal of assets	(1.146)	0.145	(3.994)	0.000	4.995	0.000
0.000	0.000	1.488	0.000	(1.488)	0.000	Capital Fund applied to capital investment	0.000	0.000	2.471	0.000	(2.471)	0.000
0.000	0.000	0.025	0.000	(0.025)	0.000	Capital Fund applied to HRA debt repayment	0.000	0.000	0.153	0.000	(0.153)	0.000
0.000	0.000	1.300	(1.300)	0.000	0.000	Capital Fund applied to transformation projects	0.000	0.000	1.370	(1.370)	0.000	0.000
24.248	13.079	0.000	0.000	(37.327)	0.000	Statutory provision-financing capital investment	28.655	14.096	0.000	0.000	(42.751)	0.000
10.495	28.110	0.000	0.000	(38.605)	0.000	Capital expenditure charged to revenue	11.571	29.142	0.000	0.000	(40.713)	0.000
						Pensions Adjustments						
(36.218)	(1.450)	0.000	0.000	37.668	0.000	Difference in pension costs charged to CIES from those chargeable under regulations	(97.116)	(3.829)	0.000	0.000	100.945	0.000
						Financial Instruments Adjustments						
1.689	0.971	0.000	0.000	(2.660)	0.000	Difference in finance costs charged to CIES from those chargeable under regulations	1.629	0.966	0.000	0.000	(2.595)	0.000
						Employee Statutory Adjustments						
(5.412)	(0.199)	0.000	0.000	5.611	0.000	Difference in officer remuneration charged to CIES from those chargeable under regulations	(0.657)	(0.042)	0.000	0.000	0.699	0.000
(47.427)	19.200	0.000	1.864	26.363	0.000	Total Adjustments	(105.031)	17.346	0.000	3.046	84.639	0.000

6. Usable Reserves and Earmarked Balances

2020 21 £m	Useable Reserves	2021 22 £m
(136.034)	General Fund	(182.813)
(8.005)	Housing Revenue Account (HRA)	(7.005)
(17.287)	Insurance Fund	(16.571)
0.000	Capital Fund	0.000
(10.290)	Capital Grants and Receipts Unapplied Account	(5.745)
(171.616)	Total Useable Reserves	(212.134)

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.

2021-22	Balance 1 April 2021 £m	Net Transfers to / (from) Services £m	Decommitted Balances & Other Transfers £m	Movement in Reserves (MIRS) £m	Balance 31 March 2022 £m
General Fund					
<u>Earmarked and Committed Balances:</u>					
Energy Management Fund	(0.871)	(0.591)	-	-	(1.462)
Council Tax - Second Homes	(6.918)	(1.413)	-	-	(8.331)
Earmarked Grants	(2.911)	(1.397)	-	-	(4.308)
Grants Received & Carried Forward	(15.838)	1.500	(17.472)	-	(31.810)
Change Fund	(0.290)	0.265	(9.975)	-	(10.000)
Demographics/Pay/Pensions	-	-	(18.000)	-	(18.000)
Workforce Change	-	-	(6.000)	-	(6.000)
Service Carry Forwards	(1.902)	1.902	(3.625)	-	(3.625)
COVID-19 and other specific funding	(58.475)	11.803	(18.321)	-	(64.993)
Other Commitments	(1.800)	2.191	(2.918)	-	(2.527)
Total Commitments	(89.005)	14.260	(76.311)	0.000	(151.056)
Uncommitted Balances	(47.029)	(14.260)	76.311	(46.779)	(31.757)
	(136.034)	0.000	0.000	(46.779)	(182.813)
Insurance Fund					
Insurance Fund - Earmarked	(12.099)	-	1.562	-	(10.537)
Insurance Fund	(5.188)	-	(1.562)	0.716	(6.034)
	(17.287)	0.000	0.000	0.716	(16.571)
Capital Grants & Receipts Unapplied					
Transformation Projects	(3.863)	-	0.129	-	(3.734)
Capital Grants and Receipts	(6.427)	-	(0.129)	4.545	(2.011)
	(10.290)	0.000	0.000	4.545	(5.745)

Explanatory Note

General Fund Balance

The General Fund Services balance increased by £46.779m in 2021-22, leaving a balance at the end of the year of £182.813m. Once the commitments of £151.056m shown above are set against this, an uncommitted balance of £31.757m remains as at 31 March 2022. 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.

Grants Received & Carried Forward

The balance is held for Grants Received 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.

Demographics/Pay/Pensions

There is a known temporary demographics pressure arising in the coming years within secondary school rolls which will be challenging to contain within the resources available. This, coupled with the fact that pay settlements have yet to be agreed leads to a recommendation that an additional £18m over the coming three years be committed from balances to cover demographics, pay and pensions. Services will be asked to assess mitigating actions where possible but it may not be possible for them to fully mitigate these costs.

Workforce Change

The balance relates to future costs in relation to the Council's continuing strategy of workforce change.

Service Carry Forward

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

COVID-19 and other specific funding

The committed balance represents mainly unused GRG (General Revenue Grant) relating to COVID-19 spend.

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

2020 21 £m		2021 22 £m
(1,485.888)	Revaluation Reserve	(1,472.583)
0.797	Financial Instruments Revaluation Reserve	0.285
819.646	Pensions Reserve	531.427
(1,029.250)	Capital Adjustment Account	(1,075.133)
53.745	Financial Instruments Adjustment Account	51.150
28.824	Employee Statutory Adjustment Account	29.523
(1,612.126)	Total Unusable Reserves	(1,935.331)

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.

2020 21 £m		2021 22 £m
(1,429.972)	Balance at 1 April	(1,485.888)
	Revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services	
(106.959)	Upward Revaluation & reversal of impairment losses	(57.376)
19.744	Downward revaluation & impairment losses	39.077
(87.215)		(18.299)
29.745	Revaluation element of depreciation charged to CIES	31.223
1.554	Transfer to Capital Adjustment Account - accumulated gains on assets disposed	0.279
0.000	Transfer to/(from) Common Good Reserves	0.102
(1,485.888)	Balance at 31 March	(1,472.583)

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.

2020 21 £m		2021 22 £m
0.734	Balance at 1 April	0.797
0.111	(Surplus)/Deficit on Financial Instruments Revaluation	(0.442)
(0.048)	Transfer to Capital Adjustment Account - accumulated gains/(losses) on disposals	(0.070)
0.797	Balance at 31 March	0.285

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.

2020 21 £m		2021 22 £m
572.923	Balance at 1 April	819.646
209.055	Actuarial (gains) or losses on pensions assets and liabilities	(389.164)
118.211	Reversal of items relating to retirement benefits charged to CIES	182.825
(80.543)	Employer's pensions contributions & direct payments to pensioners payable	(81.880)
819.646	Balance at 31 March	531.427

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.

2020 21		2021 22
£m		£m
(983.743)	Balance at 1 April	(1,029.250)
	Reversal of items relating to capital expenditure charged to the CIES:-	
73.627	Depreciation of non-current assets	75.330
14.478	Revaluation & Impairments losses/(gains) on non-current assets	12.650
0.030	Amortisation of intangible assets	0.000
3.505	(Gains)/Losses on disposal of assets	1.001
	Capital financing applied in the year:-	
(61.009)	Capital grants & contributions applied to finance capital expenditure	(52.520)
(37.327)	Statutory provision for the financing of capital investment	(42.751)
(38.605)	Capital expenditure charged to General Fund and HRA balances	(40.713)
1.300	Adjustment for Capital Fund applied to transformation projects	1.370
(1.554)	Adjusting amounts written out of the Revaluation Reserve	(0.279)
0.048	Adjusting amounts written out of the Financial Instruments Revaluation Reserve	0.070
0.000	Transfer to/(from) Common Good Reserves	(0.041)
(1,029.250)	Balance at 31 March	(1,075.133)

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.

2020 21		2021 22
£m		£m
56.405	Balance at 1 April	53.745
	Amount by which costs charged to the CIES are different from costs chargeable in the year in accordance with statutory requirements:-	
(0.060)	Effective Interest Rate - Borrowings Loan Interest	(0.027)
(0.019)	Effective Interest Rate - Soft Loans	0.013
(2.581)	Proportion of prior year early redemption premiums	(2.581)
53.745	Balance at 31 March	51.150
5.116	Borrowing where the loan is a stepped interest rate loan.	5.090
0.036	Loans to third parties granted at less than market interest rates	0.049
48.593	Premiums and discounts associated with the refinancing of loans	46.011
53.745	Balance at 31 March	51.150

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.

2020 21		2021 22
£m		£m
23.213	Balance at 1 April	28.824
(23.213)	Settlement or cancellation of accrual at previous financial year end	(28.824)
28.824	Amounts accrued at the end of the current year	29.523
28.824	Balance at 31 March	29.523

8. Analysis of Income and Expenditure by Segment/Nature

	Employee Expenditure £m	Other Service Expenditure £m	Adjustments between funding & accounting basis			Total Expenditure £m	Fees, Charges & Service Income £m	Grants & Contribution Income £m	Total Income £m	Net Expenditure in the CIES £m
			Adjustments for Capital Purposes £m	Net change for Pensions for adjustments £m	Other adjustments £m					
2021-22										
Education & Children Services	340.331	110.412	36.122	24.383	(3.852)	507.396	(2.086)	(70.870)	(72.956)	434.440
Health & Social Care	90.316	376.797	1.474	17.884	(0.512)	485.959	(205.680)	(77.688)	(283.368)	202.591
Enterprise & Environment	130.351	21.045	32.878	26.151	(3.281)	207.144	(27.931)	(8.170)	(36.101)	171.043
Finance & Corporate Services	41.572	99.111	2.627	8.032	8.841	160.183	(5.576)	(87.792)	(93.368)	66.815
Chief Executive	0.257	0.004	0.000	0.044	0.000	0.305	0.000	0.000	0.000	0.305
Corporate & Democratic Core	2.500	0.225	0.000	(3.382)	0.216	(0.441)	0.000	(0.003)	(0.003)	(0.444)
Communities	39.315	52.876	12.057	7.422	(0.539)	111.131	(14.444)	(5.866)	(20.310)	90.821
Housing Revenue Account	15.753	86.266	4.902	3.197	(0.174)	109.944	(128.092)	(0.173)	(128.265)	(18.321)
Loan Charges	0.000	97.295	(54.321)	0.000	(42.974)	0.000	0.000	0.000	0.000	0.000
Net Cost of Services	660.395	844.031	35.739	83.731	(42.275)	1,581.621	(383.809)	(250.562)	(634.371)	947.250
Other Income and Expenditure	0.000	0.000	(47.103)	17.214	40.379	10.490	(172.622)	(740.997)	(913.619)	(903.129)
(Surplus)/Deficit on Provision of Services	660.395	844.031	(11.364)	100.945	(1.896)	1,592.111	(556.431)	(991.559)	(1,547.990)	44.121
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	0.000	0.000	(54.340)	13.445	42.068	1.173	(170.789)	(736.073)	(906.862)	(905.689)
(Surplus)/Deficit on Provision of Services	634.816	789.043	(12.392)	37.668	2.951	1,452.086	(529.025)	(985.789)	(1,514.814)	(62.728)

9. Other Income and Expenditure

2020 21 £m		2021 22 £m
	Other Operating Expenditure	
3.505	(Gains)/losses on the disposal of assets	1.001
3.505		1.001
	Financing and Investment Income and Expenditure	
42.708	Interest payable and similar charges	40.455
(0.621)	Interest receivable and similar income	(0.089)
13.445	Pensions interest cost & expected return on pensions assets	17.214
(0.019)	Income & expenditure related to financial instruments and changes in their fair value	0.013
55.513		57.593
	Taxation and Non Specific Grant Income	
(170.789)	Council tax income	(172.593)
(111.709)	Non-domestic rates (contribution from National Non Domestic Rates Pool)	(135.763)
0.000	Non-domestic rates (Tax Incremental Financing projects)	(0.029)
(77.470)	Non ring-fenced government grants: COVID-19	(30.458)
(546.894)	Non ring-fenced government grants: Other	(574.776)
(57.845)	Capital grants and contributions	(48.104)
(964.707)		(961.723)

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.

2020 21 £m	Grants and Contributions credited to the CIES (excl non ring-fenced Government Grants)	2021 22 £m
	Credited to Services	
(85.500)	Government Grant: Housing Benefit Subsidy	(83.607)
(72.679)	Government Grants and Contributions: NHS	(77.414)
(9.315)	Government Grants and Contributions: COVID-19	(4.201)
(75.161)	Government Grants and Contributions: Other	(79.077)
(2.524)	EU Grants	(0.902)
(4.537)	Non-Government Grants and Contributions	(5.361)
(249.716)		(250.562)
	Credited to Taxation and Non Specific Grant Income	
(3.008)	Government Grants and Contributions: COVID-19	(1.576)
(46.434)	Government Grants and Contributions: Other	(40.350)
(8.403)	Non Government Grants and Contributions	(6.178)
(57.845)		(48.104)

31 March 2021		Receipts in Advance (balances at year end)	31 March 2022	
Short Term £m	Long Term £m		Short Term £m	Long Term £m
		Receipts in Advance - Revenue		
(6.160)	0.000	Government Grants: COVID-19	(2.381)	0.000
(6.491)	(0.553)	Government Grants: Other	(5.182)	0.000
(0.808)	(0.287)	Non Government Grants	(1.895)	0.000
(13.459)	(0.840)		(9.458)	0.000
		Receipts in Advance - Capital		
(1.820)	(2.524)	Government Grants	(5.936)	(3.405)
0.000	(12.555)	Non Government Grants	0.000	(11.707)
(1.820)	(15.079)		(5.936)	(15.112)
(15.279)	(15.919)	Total Receipts in Advance	(15.394)	(15.112)

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. Scottish Government statutory guidance, introduced in 2021-22, states that Infrastructure Assets within PPE are not required to show Gross Book Value and Accumulated Depreciation & Impairment, and this is reflected below.

Property, Plant & Equipment movements	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant & Equipment £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Infrastructure Assets £m	Total PPE £m	PPP/NPD Assets included in Total PPE £m
2021-22									
Net Book Value at 1 April 2021	1,054.394	2,039.280	38.755	1.908	24.860	113.246	315.520	3,587.963	223.943
Additions	45.205	15.080	14.503	0.639	0.140	69.638	18.572	163.777	0.619
Revaluations & Impairments to Net Cost of Services	0.939	(6.631)	(0.799)	0.000	(4.282)	0.000	0.000	(10.773)	0.000
Revaluations & Impairments to Revaluation Reserve	10.354	8.098	0.000	0.000	(0.153)	0.000	0.000	18.299	(0.700)
Depreciation	(35.081)	(50.002)	(9.504)	(0.110)	(0.240)	0.000	(11.616)	(106.553)	(6.628)
Disposals	0.000	(0.063)	(0.248)	0.000	(0.995)	(1.823)	0.000	(3.129)	0.000
Other Movements	29.737	64.406	0.000	0.417	5.463	(111.080)	0.000	(11.057)	0.303
Net Book Value at 31 March 2022	1,105.548	2,070.168	42.707	2.854	24.793	69.981	322.476	3,638.527	217.537
Gross Book Value	1,105.548	2,089.457	142.343	3.320	25.256	74.037			217.537
Accumulated Depreciation & Impairment	0.000	(19.289)	(99.636)	(0.466)	(0.463)	(4.056)			0.000
Net Book Value at 31 March 2022	1,105.548	2,070.168	42.707	2.854	24.793	69.981	322.476	3,638.527	217.537
2020-21 (Restated)									
Net Book Value at 1 April 2020	1,026.919	2,006.678	41.455	1.250	25.179	75.718	307.237	3,484.436	218.117
Additions	41.020	20.198	7.424	0.575	0.247	55.230	13.775	138.469	0.606
Revaluations & Impairments to Net Cost of Services	0.213	(12.952)	0.000	0.000	(0.741)	(0.733)	0.000	(14.213)	11.624
Revaluations & Impairments to Revaluation Reserve	6.526	89.107	0.000	0.000	(5.202)	(3.216)	0.000	87.215	0.000
Depreciation	(34.162)	(48.537)	(9.598)	(0.038)	(0.171)	0.000	(10.866)	(103.372)	(6.404)
Disposals	0.000	(1.550)	(0.526)	0.000	(0.310)	(2.861)	0.000	(5.247)	0.000
Other Movements	13.878	(13.664)	0.000	0.121	5.858	(10.892)	5.374	0.675	0.000
Net Book Value at 31 March 2021	1,054.394	2,039.280	38.755	1.908	24.860	113.246	315.520	3,587.963	223.943
Gross Book Value	1,054.394	2,057.743	130.513	2.231	26.784	117.651			223.943
Accumulated Depreciation & Impairment	0.000	(18.463)	(91.758)	(0.323)	(1.924)	(4.405)			0.000
Net Book Value at 31 March 2021	1,054.394	2,039.280	38.755	1.908	24.860	113.246	315.520	3,587.963	223.943

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 (included in Other Land & Buildings Assets)
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	2017 18 £m	2018 19 £m	2019 20 £m	2020 21 £m	2021 22 £m	Total £m
Council Dwellings	0.000	0.000	0.000	0.000	0.000	1,105.548	1,105.548
Surplus Assets	0.529	5.365	1.092	1.273	9.088	7.909	25.256
Other Land & Buildings	28.740	84.844	25.397	18.750	28.081	1,903.645	2,089.457

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 and amortisation is applied on a straight line basis on 1 April asset values over their remaining useful lives with significant components depreciated separately. Exceptions are made for assets without a determinable finite useful life (i.e. land) and 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 if the value of any asset has materially changed in the year and the reasons for that change. Where this is the case, the recoverable amount of the asset is estimated and, if this is less than the carrying amount of the asset, an impairment loss is recognised.

One impairment was made to assets during 2021-22 with a value of £0.799m. The impairment related to a wind turbine at Lower Melville Wood which is no longer 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 those that are intended to be preserved in trust for future generations, held and maintained principally for their contribution to knowledge and culture. They are deemed to have indeterminate lives and high residual values and as such it is considered inappropriate to charge depreciation. The Council has identified Heritage Assets which include works of art, museums collections, historical buildings and archaeological sites.

- 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 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.

2020 21			Heritage Asset movements during the year	2021 22		
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	Movements in year	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).

2020 21 £m	Assets Held for Sale movements during the year	2021 22 £m
5.423	At 1 April	3.591
0.000	Additions	0.018
(0.265)	Revaluation gains/(losses)	(1.877)
(0.675)	Assets transferred (to)/from Property, Plant & Equipment	11.057
(0.892)	Assets sold	(1.650)
0.000	Transfer (to)/from Common Good	(0.061)
3.591	At 31 March	11.078

14. Intangible Assets

Intangible assets are non-monetary assets that do not have a physical substance but are controlled by the Council. The Council's Intangible assets are software assets which are not an integral part of IT systems within Property, Plant & Equipment (PPE). Accounting treatment of Intangible assets is the same as for PPE assets.

2020 21 £m	Intangible Assets movements during the year	2021 22 £m
	Opening balance at 1 April	
1.302	Gross carrying amounts	1.302
(1.272)	Accumulated amortisation	(1.302)
0.030	Net carrying amount at start of year	0.000
(0.030)	Amortisation for the period	0.000
0.000	Net carrying amount at end of year	0.000
1.302	Gross carrying amounts	1.302
(1.302)	Accumulated amortisation	(1.302)
0.000	Total	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.

2020 21 £m	Capital Financing Requirement movements during the year	2021 22 £m
1,121.785	At 1 April	1,118.254
	Capital investment:-	
138.469	Property, Plant and Equipment	163.777
0.000	Assets Held for Sale	0.018
0.003	Financial Instrument Investments	0.010
	Sources of finance:-	
(1.513)	Capital receipts	(2.624)
(3.549)	Loan Repayments	(10.330)
(61.009)	Government grants and other contributions	(52.520)
(38.605)	Direct revenue contributions	(40.713)
(37.327)	Loans Fund principal repayments	(42.751)
1,118.254	At 31 March	1,133.121
752.738	Capital Financing Requirement - General Fund	746.223
365.516	Capital Financing Requirement - Housing Revenue Account	386.898
1,118.254	At 31 March	1,133.121
5.368	Capital Contract Commitments at 31 March - Property, Plant & Equipment	0.000

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 at 31 March 2022 at a value of £144.672m.

There are no other finance lease agreements included in the Council's balance sheet at 31 March 2022.

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 2022.

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.

2020 21 £m	Future minimum lease payments due at 31 March under non-cancellable leases in future years:-	2021 22 £m
1.618	Not later than one year	1.698
3.025	Later than one year and not later than five years	2.385
6.914	Later than five years	6.855
11.557	Total	10.938

2020 21 £m	Expenditure charged to the CIES during the year in relation to these leases:-	2021 22 £m
1.741	Minimum lease payments	1.717
0.000	Contingent rents	0.000
1.741	Total	1.717

• 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.

2020 21 £m	The future minimum lease payments at 31 March receivable in future years are:-	2021 22 £m
3.281	Not later than one year	3.095
8.525	Later than one year and not later than five years	8.058
77.789	Later than five years	75.834
89.595	Total	86.987

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, which 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. 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.

2020 21		Annual Unitary Charge payments and Scottish Government Grant support	2021 22	
Unitary charge £m	Grant support £m		Unitary charge £m	Grant support £m
8.220	(3.680)	PPP1	8.294	(3.680)
8.404	(4.168)	PPP2	8.597	(4.168)
3.893	(3.212)	NPD	3.865	(3.212)
20.517	(11.060)		20.756	(11.060)

£m	Outstanding Liability on Balance Sheet	£m
94.397	1 April	88.273
(6.124)	Capital Repayments during the year	(6.412)
88.273	31 March	81.861

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 2022 (using 2.5% indexation excl availability/performance deductions)	Service Costs £m	Capital Repayment £m	Finance Costs £m	Total £m
Payable in 2022-23	9.076	5.631	5.854	20.561
Payable within two to five years	34.003	29.264	21.605	84.872
Payable within six to ten years	36.349	28.110	13.757	78.216
Payable within eleven to fifteen years	9.833	10.103	4.331	24.267
Payable within sixteen to twenty years	8.572	8.753	1.521	18.846
Total	97.833	81.861	47.068	226.762

18. Inventories

Stores / Raw Materials £m	2020 21		Movement in Inventories (measured at lower of cost and net realisable value)	Stores / Raw £m	2021 22	
	Equipment Stock £m	Total £m			Equipment Stock £m	Total £m
3.209	0.161	3.370	Opening Balance 1 April	3.909	0.373	4.282
13.370	1.535	14.905	Purchases	17.704	1.191	18.895
(13.352)	(1.323)	(14.675)	Recognised as in-year expense	(18.564)	(1.229)	(19.793)
0.682	0.000	0.682	Stock adjustments-write on/(off)	1.000	0.000	1.000
3.909	0.373	4.282	Balance 31 March	4.049	0.335	4.384

19. Short Term Debtors and Creditors

31 March 2021		Short Term Debtors and Creditors (after provision for impairment)	31 March 2022	
Debtors £m	Creditors £m		Debtors £m	Creditors £m
29.914	(12.060)	Central Government bodies	33.005	(17.526)
30.671	(0.575)	Local Taxation (Council Tax & Non-Domestic Rates)	30.692	(0.866)
1.653	(57.746)	Employees (Pay & Holiday Pay Accruals)	3.147	(32.936)
15.514	(28.953)	Financial Assets and Liabilities (see Note 21)	16.847	(30.636)
0.000	(29.643)	Integration Joint Board (IJB)	0.000	(36.277)
19.176	(31.963)	Other Entities and Individuals (incl. Insurance Fund)	18.420	(29.400)
96.928	(160.940)		102.111	(147.641)
		Local Taxation Debtors analysed by age of debt		
8.306		Up to 1 Year	6.348	
12.532		1-5 Years	14.020	
9.833		Greater than 5 Years	10.324	
30.671			30.692	

20. Provisions

The value of provisions is based on the Council's obligations arising from past events, probability that transfer of economic benefit or service potential will take place and reliable estimate of the obligation. Provisions are charged to the relevant service in the CIES when 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 2021	(7.645)	(0.070)	(0.408)	(6.252)	(14.375)
Additional provisions made	(1.161)	(0.021)	(0.024)	(0.447)	(1.653)
Amounts used	1.565	0.020	0.024	0.000	1.609
Unwinding of discounting	(0.010)	0.000	0.000	(0.042)	(0.052)
31 March 2022	(7.251)	(0.071)	(0.408)	(6.741)	(14.471)
Short-Term Provisions	0.000	(0.071)	(0.408)	0.000	(0.479)
Long-Term Provisions	(7.251)	0.000	0.000	(6.741)	(13.992)
Balance 31 March 2022	(7.251)	(0.071)	(0.408)	(6.741)	(14.471)

- 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.

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 2021		Financial Instruments in the Balance Sheet	31 March 2022	
Short Term £m	Long Term £m		Short Term £m	Long Term £m
		Investments		
0.000	2.456	Employment Land	0.000	2.694
0.000	2.456		0.000	2.694
		Other Financial Assets		
0.988	7.703	Loan Debt - Police and Fire Authorities	1.016	6.687
0.000	10.331	Loan Advances - National Housing Trust (NHT)	0.000	0.000
0.015	0.198	Loan Advances - Soft Loans	0.016	0.166
14.511	0.000	Trade Debtors	15.815	0.000
15.514	18.232		16.847	6.853
		Borrowings		
(21.620)	(518.444)	Loans - Public Works Loan Board (PWLB)	(21.630)	(556.814)
(3.250)	(327.350)	Loans - Money Market	0.000	(327.350)
(101.000)	0.000	Loans - Temporary Short Term	(35.000)	0.000
(10.579)	0.000	Loan Interest	(10.368)	0.000
(0.063)	(5.054)	Loan Liability - Effective Interest Rate (EIR)	(0.057)	(5.033)
(136.512)	(850.848)		(67.055)	(889.197)
		Other Financial Liabilities		
(6.412)	(81.861)	PPP, NPD and finance lease liabilities	(5.631)	(76.230)
(22.541)	0.000	Trade Creditors (at contract amount)	(25.005)	0.000
(28.953)	(81.861)		(30.636)	(76.230)

Investments

The Council is party to Employment Land investments with Scottish Enterprise. Market conditions show that similar assets are actively sold so these are valued at Level 3 of the Fair Value hierarchy. Valuation changes are shown in Comprehensive Income & Expenditure Statement (CIES) & Financial Instruments Revaluation Reserve. Part of the investment was disposed in 2021-22 recognising a loss of £0.065m 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 which were fully repaid in 2021-22; 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

Borrowing from the PWLB, Money Market and Temporary Loans is held at amortised cost. Fair Value of these loans has been assessed and 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.

2020 21 £m	PWLB and Money Market Loans	2021 22 £m
870.664	Carrying Value (amortised cost) at balance sheet date	905.794
1,219.257	Fair Value at balance sheets date	1,144.286
34.444	Interest on borrowings charged to CIES in the year	32.795

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 General Fund and Financial Instruments Adjustment Account.

Other Financial Liabilities

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

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, approved annually prudential and treasury indicators for the following three years.

Liquidity and Re-Financing Risk

There is no significant risk that the Council will be unable to raise finance to meet its commitments, as borrowing is readily available from PWLB, but there is a risk that it will be bound to replenish a significant proportion of debt in a time of unfavourable interest rates. The Council's treasury management indicators provide maximum limits for maturity structure of borrowings and investments maturing beyond one year, and its Borrowing & Investment Strategy addresses the main risks by monitoring maturity profiles of financial liabilities and investments, and amending (by new borrowing or rescheduling debt) to ensure sufficient liquidity is available for daily cash flow.

Maturity Analysis of Financial Liabilities	PWLB & Money Market £m	Temp Loans & Interest £m	EIR Loan Liability £m	Total £m	Maturity Profile %
Less than one year	21.630	45.368	0.057	67.055	7.01%
Between one and two years	36.426	0.000	0.044	36.470	3.81%
Between two and five years	18.457	0.000	0.150	18.607	1.95%
Between five and ten years	57.048	0.000	0.260	57.308	5.99%
Ten years or more	772.233	0.000	4.579	776.812	81.24%
Total	905.794	45.368	5.090	956.252	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 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.

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.

2020 21 £m	Analysis of Trade Debtors	Within 3 months £m	3 - 6 months £m	6 - 12 months £m	Beyond 12 months £m	Total 2021 22 £m
18.080	At 31 March	7.982	1.758	3.151	7.606	20.497
19.70%	Historical experience of default					22.80%
3.569	Potential exposure to default					4.682

Market 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.

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.

2020 21 £m	Impact of 1% increase in interest rate (assuming all other variables are constant)	2021 22 £m
0.830	Increase in Interest Payable	0.157
(1.260)	Increase in Interest Receivable	(0.926)
(0.430)	Net impact on the CIES	(0.769)

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. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Scottish Teachers' Superannuation Scheme, an unfunded scheme administered by the Scottish Public Pensions Agency. The scheme is accounted for as a defined contribution scheme as it is a national scheme which does not allow for the identification of pension liabilities consistently and reliably between participating authorities. The accounts, therefore, include the payments made by the Council to the scheme in year but do not reflect estimated pension assets or liabilities. The Council is however responsible for 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.

2020 21 £m	Teachers' Retirement Benefits	2021 22 £m
35.678	Amounts due to Scottish Public Pensions Agency for Teachers' Pensions	36.360
4.461	Early Retirement Benefits outside the terms of the Teachers' Scheme	4.393

24. 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.

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.

2020 21			2021 22	
Fife Council £m	Group £m		Fife Council £m	Group £m
		Comprehensive Income & Expenditure Statement (CIES)		
		Cost of Services:-		
100.944	107.256	Current Service Cost	161.902	171.638
3.822	3.822	Past service costs (incl. Curtailments)	3.709	5.307
		Financing and Investment Income and Expenditure:-		
64.572	67.624	Interest cost	74.011	77.721
(51.127)	(54.060)	Interest Income on plan assets	(56.797)	(60.132)
118.211	124.642	Total charged to (Surplus)/Deficit on Provision of Services	182.825	194.534
209.055	217.974	Total remeasurements recognised in Other Expenditure	(389.164)	(410.902)
327.266	342.616	Total Post Employment Benefit charged to the CIES	(206.339)	(216.368)
		Movement in Reserves Statement		
(118.211)	(124.642)	Reversal of charges to the CIES under accounting regulations	(182.825)	(194.534)
		Amounts charged for pensions in the year against Balances:-		
73.208	77.071	Employers' contributions payable to plan	74.789	79.513
7.335	7.347	Contributions in respect of unfunded benefits	7.091	7.117
(37.668)	(40.224)		(100.945)	(107.904)

Contributions expected to be made to the funded plan in financial year 2022-23

74.281	78.147
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Value of Plan Assets and Liabilities

2020 21			2021 22	
Fife Council £m	Group £m		Fife Council £m	Group £m
		Fair Value of Plan assets		
2,217.539	2,343.694	Balance at 1 April	2,833.505	2,997.321
51.127	54.060	Interest Income on Plan Assets	56.797	60.132
17.040	18.135	Participants Contributions	18.033	19.135
73.208	77.071	Employers contributions	74.789	79.513
(76.372)	(78.758)	Benefits paid	(76.156)	(78.611)
(7.335)	(7.347)	Unfunded benefits paid	(7.091)	(7.117)
7.335	7.347	Contributions in respect of unfunded benefits paid	7.091	7.117
550.963	583.119	Return on assets excluding amounts included in net interest	122.092	128.864
2,833.505	2,997.321	Balance at 31 March	3,029.060	3,206.354
		Present Value of Plan liabilities (defined benefit obligation)		
(2,790.462)	(2,920.713)	Balance at 1 April	(3,653.151)	(3,832.538)
(100.944)	(107.256)	Current Service Cost	(161.902)	(171.638)
(3.822)	(3.822)	Past Service Cost (including curtailments)	(3.709)	(5.307)
(64.572)	(67.624)	Interest Cost on defined benefit obligation	(74.011)	(77.721)
(17.040)	(18.135)	Participants Contributions	(18.033)	(19.135)
76.372	78.758	Benefits paid	76.156	78.611
7.335	7.347	Unfunded Benefits paid	7.091	7.117
(751.580)	(793.897)	Remeasurement: Change in financial assumptions	249.294	263.602
24.093	25.199	Remeasurement: Change in demographic assumptions	22.377	23.437
(32.531)	(32.395)	Remeasurement: Other experience	(4.599)	(5.001)
(3,653.151)	(3,832.538)	Balance at 31 March	(3,560.487)	(3,738.573)
(819.646)	(835.217)	Net Asset / (Liability)	(531.427)	(532.219)
2,833.505	2,997.321	Fair value of Plan Assets	3,029.060	3,206.354
(3,515.441)	(3,694.419)	Present value of funded liabilities	(3,432.039)	(3,609.217)
(137.710)	(138.119)	Present value of unfunded liabilities	(128.448)	(129.356)
(819.646)	(835.217)	Net Asset / (Liability)	(531.427)	(532.219)

31 March 2021				Fair Value of Plan Assets at bid value (under accounting standard IAS19)	31 March 2022			
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	%
573.990	0.000	573.990	20%	Equity Securities	546.962	0.000	546.962	18%
				Debt Securities				
				• Corporate Bonds	0.000	69.817	69.817	2%
				• UK Government	0.000	260.500	260.500	9%
				• Other	0.000	0.410	0.410	0%
				Real Estate				
				• UK Property	187.365	0.934	188.299	6%
				Investment Funds & Unit Trusts				
				• Equities	1,229.518	0.000	1,229.518	41%
				• Bonds	430.808	0.000	430.808	14%
				• Infrastructure	0.000	204.938	204.938	7%
				Derivatives	0.008	0.000	0.008	0%
				Cash & Cash Equivalents	97.800	0.000	97.800	3%
2,459.518	373.987	2,833.505	100%	TOTAL	2,492.461	536.599	3,029.060	100%

Only Fife Council figures are shown above as other Group bodies are prepared using accounting standard FRS102.

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'.

Short Duration	2020 21		Principal Assumptions used	2021 22		
	Medium Duration	Long Duration		Short Duration	Medium Duration	Long Duration
			Mortality-Longevity at age 65 (years)			
20.3	20.3	20.3	Men (current pensioners)	20.1	20.1	20.1
21.5	21.5	21.5	Men (future pensioners)	21.2	21.2	21.2
23.1	23.1	23.1	Women (current pensioners)	22.9	22.9	22.9
25.1	25.1	25.1	Women (future pensioners)	24.9	24.9	24.9
			Financial			
2.85%	2.85%	2.80%	Rate of increase in pensions	3.30%	3.20%	3.15%
3.35%	3.35%	3.20%	Rate of increase in salaries	3.80%	3.70%	3.65%
1.95%	2.00%	2.05%	Rate for discounting scheme liabilities	2.70%	2.70%	2.75%
			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.

25. 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 2021-22 the Council transferred £62.921m (2020-21 £61.381m) to Scottish Water.
- The Council administered £55.852m of COVID-19 support funding schemes for businesses and individuals on behalf of Scottish Government in 2021-22 (£103.761m, 2020-21).

26. 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 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 March 2023 (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 and Fife Resources Solutions LLP 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. 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.

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 £m	2020 21 Fife Council balances at 31 March			2021 22 Fife Council balances at 31 March		
	Debtors £m	Creditors £m		Payments from Fife Council £m	Debtors £m	Creditors £m
			Included in Group Accounts			
5.908	0.324	0.175	Fife Sports and Leisure Trust	6.089	0.449	0.055
1.517	0.040	0.015	Fife Coast & Countryside Trust	1.634	0.188	0.269
0.598	0.178	0.016	Fife Golf Trust	0.643	0.303	0.033
8.524	0.302	0.383	Fife Cultural Trust	8.461	0.031	0.000
20.180	1.131	1.609	Fife Resource Solutions LLP	23.784	1.606	0.772
0.000	0.000	0.003	CIRECO (Scotland) Ltd	0.006	0.000	0.000
1.486	0.020	0.169	Business Gateway Fife	1.550	0.003	0.121
38.213	1.995	2.370		42.167	2.580	1.250
			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 4 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 5 board members.

CIRECO (Scotland) Ltd was established (as Resource Efficient Solutions Limited Liability Partnership) on 1 April 2014 as a partnership 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 5 board members.

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 5 board members.

Joint Venture - Fife Integration Joint Board (IJB)

The IJB, established on 3 October 2015 as a Joint Venture with NHS, is responsible for planning, operational oversight and management of Integrated Health & Social Care Services. The Council's share of IJB reserves at 31 March 2022 is £39.856m (31 March 2021 £14.822m) which is included in the Council's accounts on an equity basis. Further details are shown as material items in the Comprehensive Income & Expenditure Statement.

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 2021-22 contributed £0.183m (2020-21 £0.280m).

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.

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.

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 2021-22 the Council and its Group made material payments (>£0.100m) to 19 of these bodies totalling £7.723m. The members' interests register is here:

<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.

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), 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 had interests in two Strategic Development Planning Authorities (SESPlan & TAYPlan) which ceased operations in 2021-22.

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.

2020 21 £m		2021 22 £m
1.779	Charges to the Pension Fund for support services related to administration	1.645
73.302	Employers' contribution paid to the Pension Fund	81.193
17.102	Employee's contributions collected and paid to the Pension Fund	19.266

External Audit

The agreed external audit fee for 2021-22 was £0.550m to Audit Scotland for work undertaken in accordance with the Code of Audit Practice (2020-21, £0.535m). No other services were provided by Audit Scotland in the year.

28. 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 2022 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 2,200 at an estimated cost of £74.000m over the 16 year period (2010-11 to 2025-26). Included in the 2021-22 accounts are costs totalling £2.597m for approximately 40 staff. There is significant uncertainty over the extent of employee reductions required over the next 4 years although it is estimated at approximately £13.000m for under 400 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 £4.080m, however there is potential for more as the time bar has been removed for cases where the abuse occurred post September 1964. The introduction of Qualified One-Way Cost Shifting in 2021 removed the risk of the claimant having to pay defenders expenses if their claim is unsuccessful and therefore this 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.

29. Prior Period Adjustments / Restatements

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting policies are only made when required by proper accounting practices or to provide more reliable or relevant information on the Council's financial position. 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. Material errors discovered in prior period figures are also corrected retrospectively.

The following restatements are included in these Accounts: -

- Note 11 Property, Plant & Equipment - Changes in presentation were introduced in 2021-22 in accordance with the Accounting Code of Practice requirements for Property, Plant & Equipment Assets and from Scottish Government statutory guidance on Infrastructure assets. The 2020-21 figures have been restated to reflect
- Common Good Fund Reserves - The presentation of the Common Good Movement In Reserves Statement and Balance Sheet has changed. The Capital Reserve is now shown separately from Revaluation Reserve and shown as a Useable Reserve in line with guidance on accounting for Common Good Funds in Scotland. This has also had an impact on The Group Balance Sheet. The 2020-21 figures have been restated to reflect this.

30. 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 2021-22.

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.

2020 21 £m		2021 22 £m
	Income	
(118.916)	Dwelling Rents	(121.218)
1.796	Rent Voids	1.728
(3.492)	Non-dwelling Rents	(3.484)
(2.278)	Hostels - Accommodation Charges	(2.343)
(2.838)	Other Income	(2.948)
(125.728)	Total Income	(128.265)
	Expenditure	
36.535	Repairs and Maintenance	45.549
26.239	Supervision and Management	26.560
0.182	Rents, rates, taxes and other charges	0.236
34.528	Depreciation, impairment and revaluation losses of non-current assets	34.044
2.785	Impairment of Debtors	2.335
1.159	Other Expenditure	1.220
101.428	Total Expenditure	109.944
(24.300)	Net Expenditure or (Income) of HRA Services as included in the Comprehensive Income and Expenditure Statement	(18.321)
0.107	Share of Corporate and Democratic Core	0.179
0.050	HRA share of other amounts included in the whole Council Net Expenditure of Continuing Operations but not allocated to specific services	0.037
(24.143)	Net (Income) or Expenditure for HRA Services	(18.105)
	HRA Share of operating income and expenditure included in the whole Council Comprehensive Income and Expenditure Statement	
1.098	(Gain) or Loss on sale of HRA Non Current Assets	(0.145)
12.721	Interest Payable and Similar Charges	12.402
(0.016)	Interest and Investment Income	(0.068)
0.473	Pension Interest Cost and Expected Return on Pension Assets	0.632
(14.315)	Capital Grants and Contributions Receivable	(10.912)
(24.182)	(Surplus) or Deficit for the Year on HRA Services	(16.196)

Movement on the Housing Revenue Account Statement

2020 21 £m		2021 22 £m
(24.182)	(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement	(16.196)
	Adjustments between accounting & funding basis:	
(5.190)	- permitted by accounting standards	(5.025)
24.390	- required by statutory regulations	22.371
(0.018)	Transfers to/(from) Other Statutory Reserves	(0.150)
(5.000)	Net (Increase) or Decrease In Year on HRA	1.000
(3.005)	Balance on the HRA at the end of the Previous Year	(8.005)
(8.005)	Balance on the HRA at the end of the Current Year	(7.005)

Housing Revenue Account Disclosures

1. Adjustments between Accounting Basis and Funding Basis under Statute

2020 21 £m		2021 22 £m
	Accounting Standards Adjustments	
	Adjustments for Capital Purposes	
(5.190)	Revaluation element of depreciation in CIES	(5.025)
	Statutory Adjustments	
	Adjustments for Capital Purposes	
(29.338)	Depreciation, Impairment and Revaluations	(29.019)
14.315	Capital Grants and Contributions	10.912
(1.098)	Gain or (loss) on sale of HRA non-current assets	0.145
13.079	Repayment of Debt	14.096
28.110	Capital expenditure funded by the HRA	29.142
(1.450)	HRA share of contributions to/(from) the Pensions Reserve	(3.829)
0.971	HRA Share of Transfer (to)/from Financial Instruments Adjustment Account	0.966
(0.199)	HRA adjustment for compensated absences	(0.042)
19.200		17.346

2. Housing Stock

31 March 2021 Number	Council housing stock analysed by number of bedrooms	31 March 2022 Number
252	0	253
7,442	1	7,432
14,444	2	14,475
7,333	3	7,376
1,126	4 - 8	1,186
30,597		30,722

3. Rent Arrears

31 March 2021 £m		31 March 2022 £m
5.364	Current Tenants	5.012
1.618	Former Tenants	1.549
0.152	Temporary Accommodation	0.248
7.134		6.809

4. Impairment of Debtors

A provision of £5.249m (77.1%), including £0.119m for temporary accommodation, (2020-21 £5.711m 80.1%) has been made in respect of uncollectable debts.

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, deductions made under statute and income retained by the Council for approved Tax Incremental Financing (TIF) projects. The net income is paid to Scottish Government as a contribution to the national non-domestic pool.

2020 21 £m		2021 22 £m
(212.554)	Gross Rates Levied & Contributions in Lieu	(206.237)
86.175	Reliefs & Other Deductions	66.778
0.000	Payment of Interest	0.000
0.941	Debts Written Off and Allowance for Impairment	0.837
(125.438)	Net Non-Domestic Rate Income	(138.622)
7.510	Adjustment to previous years National Non-Domestic Rates	10.859
0.000	Non-domestic rate income retained by authority (TIF)	0.029
(117.928)	Contribution to Non-Domestic Rate Pool	(127.734)
(111.709)	Distribution from Non-Domestic Rate Pool	(135.763)
(111.709)	Non-Domestic Rate Income to the CIES	(135.763)

Analysis of Rateable Values at 31 March 2022	Number of Subjects	Total £m	%
Type of Subject			
Shops	3,359	79.719	19.56
Public Houses	248	5.605	1.38
Offices (including banks)	2,372	25.875	6.35
Hotels, Boarding Houses etc	177	9.568	2.35
Industrial and Freight Transport Subjects	3,417	73.327	17.99
Leisure, Entertainment, Caravans and Holiday sites	1,304	14.083	3.46
Garages and Petrol Stations	184	2.031	0.50
Education and Training	218	31.544	7.74
Public Service Subjects	491	18.910	4.64
Communications (Non Formula)	27	2.580	0.63
Quarries, Mines etc.	32	1.094	0.27
Petrochemical	12	13.429	3.30
Religious	322	3.962	0.97
Health/Medical	67	8.422	2.07
Care Facilities	336	10.511	2.58
Undertaking (including Scottish Water)	57	96.479	23.68
Cultural	68	1.623	0.40
Sporting Subjects	588	1.025	0.25
Advertising	42	0.235	0.06
Other	1,404	7.431	1.82
Total all Non-Domestic Subjects	14,725	407.453	100.00%

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 2021-22 this rate was 49p (2020-21, 49.8p) which is uniform throughout Scotland. A rate poundage of 50.3p (2020-21, 51.10p) applies to properties with a rateable value of more than £51,000 but less than £95,000. A rate poundage of 51.6p (2020-21, 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.

2020 21 £m		2021 22 £m
	Gross Tax Levied	
(226.871)	Council Tax	(228.399)
(0.323)	Council Tax - Prior Year Income	(0.148)
(0.579)	Contributions in lieu	(0.552)
(227.773)		(229.099)
	Deductions	
22.627	Council Tax Reduction	22.159
29.458	Discount and Exemptions	29.316
4.102	Debts Written Off and Allowance for Impairment	4.067
0.797	Prior Years Adjustments	0.964
56.984		56.506
(170.789)	Council Tax Income to CIES	(172.593)

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	B	C	D	E	F	G	H
	Up to 27,000	27,000 35,000	35,001 45,000	45,001 58,000	58,001 80,000	80,001 106,000	106,001 212,000	Over 212,000
2021-22 charges (£)	853.87	996.18	1,138.49	1,280.80	1,682.83	2,081.30	2,508.23	3,137.95
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

Band D equivalent properties

The table below shows an analysis of properties at 31 March 2022 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	180,972	0	40,353	48,739	24,042	21,594	24,444	14,394	6,892	514
Disabled Relief	0	73	139	(81)	7	99	(110)	(56)	(67)	(4)
Exemptions	(7,436)	0	(2,132)	(1,820)	(1,111)	(827)	(817)	(456)	(185)	(88)
Discounts	(19,791)	(9)	(6,563)	(5,483)	(2,719)	(2,008)	(1,755)	(809)	(403)	(42)
	153,745	64	31,797	41,355	20,219	18,858	21,762	13,073	6,237	380
Band D Ratio			240/360	280/360	320/360	360/360	473/360	585/360	705/360	882/360
	153,210	36	21,198	32,165	17,972	18,858	28,593	21,243	12,215	930
Non-payment provision-2.1%	(3,217)	(1)	(445)	(675)	(377)	(396)	(600)	(446)	(257)	(20)
Band D Equivalent	149,993	35	20,753	31,490	17,595	18,462	27,993	20,797	11,958	910

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. There was no significant movement in the value of investments held by Common Good in the year.

The presentation of the Movement in Reserves statement and Balance Sheet has changed. The Capital Reserve is now shown separately from Revaluation Reserve and classified as a Useable Reserve in line with the "Accounting for the Common Good" guidance referred to above.

Common Good Movement in Reserves Statement (Restated)

	Useable Reserves Revenue £m	Capital Reserve £m	Revaluation Reserve £m	Total Reserves £m
Opening Balance 1 April 2020	(4.454)	(1.408)	(2.574)	(8.436)
<u>Movement in Reserves during 2020-21</u>				
(Surplus) or deficit on provision of services	(0.906)	0.000	0.000	(0.906)
Other Comprehensive Expenditure and Income	0.000	0.000	(0.032)	(0.032)
Total Comprehensive Income & Expenditure	(0.906)	0.000	(0.032)	(0.938)
Adjustments between accounting & funding basis	(0.049)	(0.015)	0.064	0.000
Transfers between Reserves	0.000	0.000	0.000	0.000
(Increase)/Decrease in year	(0.955)	(0.015)	0.032	(0.938)
Balance at 31 March 2021 carried forward	(5.409)	(1.423)	(2.542)	(9.374)
<u>Movement in Reserves during 2021-22</u>				
(Surplus) or deficit on provision of services	(0.500)	0.000	0.000	(0.500)
Other Comprehensive Expenditure and Income	0.000	0.000	(0.401)	(0.401)
Total Comprehensive Income & Expenditure	(0.500)	0.000	(0.401)	(0.901)
Adjustments between accounting & funding basis	0.250	(0.290)	0.040	0.000
Transfers to/(from) Fife Council Reserves	0.000	0.041	(0.102)	(0.061)
Transfers between Reserves	0.034	(0.034)	0.000	0.000
(Increase)/Decrease in Year	(0.216)	(0.283)	(0.463)	(0.962)
Balance at 31 March 2022 carried forward	(5.625)	(1.706)	(3.005)	(10.336)

Common Good Comprehensive Income and Expenditure Statement

2020 21 £m		2021 22 £m
	Expenditure	
0.053	Property Costs	0.028
0.222	Donations	0.168
0.089	Depreciation and Revaluations	0.054
0.010	Other Expenditure	0.004
0.374	Total Expenditure	0.254
	Income	
(0.132)	Interest on investments	(0.158)
(0.233)	Rents	(0.233)
(0.092)	Other Income	0.000
(0.457)	Total Income	(0.391)
(0.005)	Other Income and Expenditure	(0.068)
(0.643)	(Gain)/ Loss on Revaluation of Investment Fund	(0.003)
(0.175)	Capital Grant Received	(0.292)
(0.823)	Other Operating Income and Expenditure	(0.363)
(0.906)	(Surplus)/Deficit for year	(0.500)
(0.032)	Other Comprehensive Expenditure & Income	(0.401)
(0.938)	Total Comprehensive Expenditure & Income	(0.901)

Common Good Balance Sheet

2020 21 (Restated) £m		2021 22 £m
3.965	Heritable Property	4.711
3.826	Investments	3.829
7.791	Long Term Assets	8.540
1.545	Advances to Loans Fund	1.762
0.038	Sundry Debtors	0.034
1.583	Current Assets	1.796
0.000	Sundry Creditors	0.000
0.000	Current Liabilities	0.000
9.374	Net Assets/(Liabilities)	10.336
	Financed by:	
(5.409)	Useable Reserves: Revenue	(5.625)
(1.423)	Useable Reserves: Capital	(1.706)
(2.542)	Unusable Reserve: Revaluation Reserve	(3.005)
(9.374)	Total Reserves	(10.336)

The unaudited accounts were issued on 30th June 2022. and the audited accounts were authorised for issue on 28th November 2022.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services

Introduction

The Council is Trustee for 81 Charitable Trusts consolidated into these financial statements, comprising of an Explanatory Foreword, a Movement in Reserves Statement, a Comprehensive Income and Expenditure Statement (CIES) and a Balance Sheet. The statements are prepared in accordance with Fife Council's accounting policies.

The Council has 44 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 37 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. The valuation of investments increased by £0.105m in the year.

2020 21 Total £m	Summary of balances held at 31st March	Other Trust Funds £m	Registered Charities £m	2021 22 Total £m
(1.982)	Fife Educational Trust	0.000	(2.116)	(2.116)
(0.055)	Community Funds	(0.048)	0.000	(0.048)
(2.643)	Other Trusts/Charities	(0.958)	(1.572)	(2.530)
(4.680)		(1.006)	(3.688)	(4.694)

	Useable Reserve £m	Unusable Reserve £m	Total Reserves £m
Opening Balance 1 April 2020	(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)
<u>Movement in Reserves during 2021-22</u>			
(Surplus) or deficit on provision of services	(0.014)	0.000	(0.014)
Other Comprehensive Expenditure and Income	0.000	0.000	0.000
Total Comprehensive Income & Expenditure	(0.014)	0.000	(0.014)
Balance at 31 March 2022 carried forward	(4.692)	(0.002)	(4.694)

2020 21 Total £m		2021 22		Total £m
		Other Trust Funds £m	Registered Charities £m	
	Expenditure			
0.269	Disbursements	0.181	0.054	0.235
0.015	Other Expenditure	0.000	0.014	0.014
0.284	Total Expenditure	0.181	0.068	0.249
	Income			
(0.098)	Interest on investments	(0.034)	(0.124)	(0.158)
0.000	Other Income	0.000	0.001	0.001
(0.098)	Total Income	(0.034)	(0.123)	(0.157)
(0.701)	Financing and Investment Income and Expenditure	(0.004)	(0.102)	(0.106)
(0.515)	(Surplus)/Deficit for year	0.143	(0.157)	(0.014)
0.003	Asset revaluations recognised in Revaluation Reserve	0.000	0.000	0.000
0.003	Other Comprehensive Expenditure & Income	0.000	0.000	0.000
(0.512)	Total Comprehensive Income and Expenditure	0.143	(0.157)	(0.014)

2020 21 Total £m		2021 22		Total £m
		Other Trust Funds £m	Registered Charities £m	
0.002	Heritable Property	0.000	0.002	0.002
3.427	Investments	0.814	2.718	3.532
3.429	Long Term Assets	0.814	2.720	3.534
1.229	Advances to Loans Fund	0.186	0.942	1.128
0.022	Sundry Debtors	0.006	0.026	0.032
1.251	Current Assets	0.192	0.968	1.160
0.000	Sundry Creditors	0.000	0.000	0.000
0.000	Current Liabilities	0.000	0.000	0.000
4.680	Net Assets/(Liabilities)	1.006	3.688	4.694
	Financed by:			
(4.678)	Usable Reserves	(1.006)	(3.686)	(4.692)
(0.002)	Unusable Reserve - Revaluation Reserve	0.000	(0.002)	(0.002)
(4.680)	Total Reserves	(1.006)	(3.688)	(4.694)

The unaudited accounts were issued on 30th June 2022. and the audited accounts were authorised for issue on 28th November 2022.

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 2022 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the council and its group as at 31 March 2022 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 six 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 ability of the council and its group 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.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, I report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report 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 Responsibilities for the Statement of Accounts, 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 ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

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 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 and its group is complying with that framework;
- identifying which laws and regulations are significant in the context of the council and its group;
- 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

Opinions 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.

Other information

The Executive Director Finance and Corporate Services is responsible for other information in the annual accounts. The other information comprises the Management Commentary, Corporate Governance Statement 2021-22, Statement of Responsibilities for the Statement of Accounts and the unaudited part of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 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 other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Corporate Governance Statement 2021-22 to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of 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
2021-22**

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TRUSTEES' ANNUAL REPORT

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 Trusts' 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 43 Charitable Trusts, 30 of which are Settlement Trust funds. The following Financial Statements for all 43 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 in 2020-21. These Trusts were formally closed by OSCR in 2021-22.

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 which ensure that the financial statements comply with the Charities Accounts (Scotland) Regulations

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 2021-22. 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.

Achievements and Performance

The Charitable Trusts made grants totalling £14,884 in the year to support local communities. These were made from 17 individual Trusts and a total of 47 separate grants were awarded in 2021-22, a decrease from the 66 grants awarded in 2020-21. Details of the most significant donations are detailed below

Anstruther & Cellardyke Settlement Trust	
Anstruther Harbour Festival Trust - To support and deliver the festival	£1,500
East Neuk Foodbank - Funding for Foodbank Co-Ordinator and general running costs	£2,500
Anstruther Tennis Club - Joint initiative with Active Schools to encourage Primary schools children to become more involved in Tennis	£500
Crail Settlement Trust	
Crail Town Hall - Contribution towards upgrade of the hall	£1,000
St Andrews Settlement Trust	
St Andrews Spider Park - Contribution towards upgrade of park	£1,000
Cosmos Centre - Replacing fittings in sports hall	£654
Kirkcaldy Settlement Trust	
18 Small payments from purchase cards to various Individuals	£2,690

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 dividends and interest from UK government bonds, with interest from bank deposits forming a lesser proportion of income. Given the sources, the income is subject to market fluctuation and can change as a result of economic factors.

In 2021-22, the net movement in funds is an increase of £23,567. The main reason for this is that income received from donations and investments exceeded grants paid out for charitable activities in the year. The valuation of investments remained relatively stable following two years of volatility due to the COVID-19 pandemic. The balances held are £1,572,280 as at 31 March 2022.

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 Ross
Trustee
Fife Council

TRUSTEES BY COMMITTEE AREA AS AT 31 MARCH 2022

DUNFERMLINE

James Calder
Gavin Ellis
Ian Ferguson
Derek Glen
Garry Haldane
Helen Law (Chair)
Jim Leishman MBE
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)
Michael 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
Bill Porteous
Jonny Tepp
Brian Thomson
Ann Verner
Vacancy

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
Bell Fund/Good Templars Fund	SC019435	Moral and religious improvement of St Andrews
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 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 2022.

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

STATEMENT OF FINANCIAL ACTIVITIES

Total Funds 2020-21 £		Total Funds 2021-22 £	Notes
	Income from:		
(24,834)	Donations & Legacies	(29,760)	2
<u>(30,701)</u>	Investments	<u>(37,674)</u>	3
<u>(55,535)</u>	Total	<u>(67,434)</u>	6
	Expenditure on:		
85,095	Charitable activities	14,884	5
24,959	Other expenditure	29,760	4
<u>110,054</u>	Total	<u>44,644</u>	6
<u>(151,168)</u>	Net (gains)/losses on investments	<u>(777)</u>	6
<u>(96,649)</u>	Net (income)/expenditure	<u>(23,567)</u>	
0	Other recognised gains/losses	0	
<u>(96,649)</u>	Net movement in funds	<u>(23,567)</u>	
	Reconciliation of funds:		
(1,452,064)	Total funds brought forward	<u>(1,548,713)</u>	6
<u>(1,548,713)</u>	Total funds carried forward	<u>(1,572,280)</u>	6

All funds are unrestricted

BALANCE SHEET

31 March 2021		31 March 2022	Note
£		£	
	Fixed assets:		
900,579	Investments	<u>901,356</u>	7
<u>900,579</u>	Total fixed assets	<u>901,356</u>	
	Current assets:		
7,660	Debtors	8,099	8
640,474	Cash at Bank and in Hand	<u>662,825</u>	9
<u>648,134</u>	Total current assets	<u>670,924</u>	
<u>648,134</u>	Net current assets	<u>670,924</u>	
<u>1,548,713</u>	Total net assets	<u>1,572,280</u>	
	Funds of the charity		
(1,548,713)	Unrestricted funds	(1,572,280)	6
<u>(1,548,713)</u>	Total Charity Funds	<u>(1,572,280)</u>	

The unaudited financial statements were issued on 30th June 2022 and the audited financial statements were authorised for issue on 28th November 2022.

Eileen Rowand MBA CPFA
Executive Director Finance & Corporate Services
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 2022 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.

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

Fixed assets are listed investments held with Janus Henderson Investors held at fair value. Accounting Policies in respect of fixed asset valuation, depreciation and impairment are consistent with that of Fife Council.

2. Donations & Legacies

2020-21		2021-22
£		£
(10,576)	Accountancy Costs	(10,302)
(740)	Legal & Democratic Costs	0
(6,850)	Audit Fee	(7,000)
(6,668)	Management & Admin Support	(12,458)
(24,834)	Total Donations & Legacies	(29,760)

3. Investment Income

2020-21	Income Description	2021-22
£		£
(30,307)	Dividends and interest on listed investments	(36,982)
(394)	Interest on cash deposits	(692)
(30,701)	Total Investment Income	(37,674)

4. Other Expenditure

2020-21	Other Resources Expended	2021-22
£		£
10,576	Accountancy Costs	10,302
740	Legal & Democratic Costs	0
6,850	Audit Fee	7,000
6,668	Management & Admin Support	12,458
125	Other Premises Expenditure	0
24,959	Total Other Resources Expended	29,760

5. Charitable Activities

2020-21		Fund Name	Activities Undertaken	2021-22	
Individuals £	Organisations £			Individuals £	Organisations £
		Settlement Trusts			
178		Ladybank	Prevention of Poverty	190	
43		Kingskettle	Prevention of Poverty		
167		Kilconquhar	Prevention of Poverty		
	114	Freuchie & Area	Advancement of Education		
		Freuchie & Area	Advancement of Environmental Protection		99
700		Crail	Prevention of Poverty		
	550	Crail	Provide Recreational Facilities		1,000
		Cupar	Advancement of Education	200	
		Cupar	Advancement of Health	250	
1,829		Cupar	Prevention of Poverty	875	
		Auchtermuchty	Advancement of Arts		100
	250	St Monans	Advancement of Citizenship		
969		St Monans	Prevention of Poverty	319	600
	1,000	Newburgh	Advancement of Health		
910		Newburgh	Prevention of Poverty	577	
250		Newburgh	Provide Recreational Facilities		
	942	Anstruther & Cellardyke	Advancement of Arts		1,500
	2,500	Anstruther & Cellardyke	Advancement of Education		
	50	Anstruther & Cellardyke	Advancement of Health		
(35)	2,500	Anstruther & Cellardyke	Prevention of Poverty	250	2,500
		Anstruther & Cellardyke	Advance Participation in Sport		500
	979	St Andrews	Advancement of Education		
	50	St Andrews	Advancement of Health		
1,270	240	St Andrews	Prevention of Poverty		
		St Andrews	Advancement of Environmental Protection		1,000
		St Andrews	Advance Participation in Sport		654
	1,488	Dunfermline	Prevention of Poverty		
		Dunfermline	Relief for those in Need		500
		Tayport	Advancement of Education		100
259		Tayport	Prevention of Poverty		
		Pittenweem	Prevention of Poverty	350	
		Leven	Prevention of Poverty		250
		Buckhaven & Methil	Prevention of Poverty		100
		Kirkcaldy	Advancement of Citizenship	35	
	129	Kirkcaldy	Advancement of Health	675	
1,460	1,000	Kirkcaldy	Prevention of Poverty	1,980	
	600	Kinghorn	Prevention of Poverty		
	2,994	Culross	Prevention of Poverty		
200		Limekilns	Advancement of Citizenship		25
		Limekilns	Prevention of Poverty		25
		Limekilns	Provide Recreational Facilities		150
		Other Trusts			
	80	Waugh/Wharrie Bequest	Prevention of Poverty		80
	7,950	Bell Fund / Good Templars Fund	Moral & Religious Improvement		
106		Thomas Ireland's Trust	Provision of Coal etc		
	18,942	Thomson Bequest & Laing Library	Age Concern - Benefit of Old Folks		
	31,487	Buist Bequest	Improvements & Repairs		
	1,890	Stuart Bursary	Advancement of Education		
	1,054	St Andrews War Memorial	Upkeep of War Memorial		
8,306	76,789	TOTAL		5,701	9,183
	85,095				14,884

6. Outline Summary of Fund Movements

Fund Name	Charity Number	Funds Brought Forward at	Income	Expenditure	(Gains)/	Funds Carried
		01/04/2021	in Year	in Year	Losses on Investments	Forward at
		£	£	£	£	£
Settlement Trusts						
Ladybank	SC042143	(9,190)	(203)	190	(4)	(9,207)
Kingskettle	SC042144	(2,256)	(46)	0	(1)	(2,303)
Kilconquhar	SC042145	(6,580)	(145)	0	(3)	(6,728)
Freuchie And Area	SC042148	(7,083)	(119)	99	(2)	(7,105)
Falkland	SC042149	(3,333)	(75)	0	(2)	(3,410)
Crail	SC042150	(105,495)	(2,252)	1,000	(46)	(106,793)
Cupar	SC042151	(67,457)	(1,681)	1,325	(35)	(67,848)
Auchtermuchty	SC042152	(13,441)	(287)	100	(6)	(13,634)
St Monans	SC042153	(54,794)	(1,313)	919	(27)	(55,215)
Elie	SC042154	(16,807)	(341)	0	(7)	(17,155)
Newburgh	SC042155	(84,353)	(2,367)	577	(49)	(86,192)
Anstruther & Cellardyke	SC042156	(195,580)	(5,382)	4,750	(112)	(196,324)
St Andrews	SC042157	(134,472)	(4,704)	1,654	(93)	(137,615)
Dunfermline	SC042161	(88,140)	(1,681)	500	(34)	(89,355)
Leslie	SC042170	(2,410)	(78)	0	(2)	(2,490)
Collessie	SC042172	(2,566)	(51)	0	(1)	(2,618)
Tayport	SC042173	(12,549)	(210)	100	(4)	(12,663)
Pittenweem	SC042174	(21,768)	(416)	350	(8)	(21,842)
Leven	SC042207	(10,842)	(214)	250	(4)	(10,810)
Kennoway	SC042208	(1,271)	(24)	0	(1)	(1,296)
Buckhaven And Methil	SC042211	(893)	(27)	100	(1)	(821)
Burntisland	SC042382	(24,156)	(240)	0	(5)	(24,401)
Kirkcaldy	SC042383	(214,135)	(4,667)	2,690	(96)	(216,208)
Kinghorn	SC042385	(29,181)	(590)	0	(12)	(29,783)
Auchtertool	SC042387	(1,870)	(41)	0	(1)	(1,912)
Culross	SC042749	(4,423)	(149)	0	(3)	(4,575)
Limekilns	SC042750	(4,975)	(173)	200	(4)	(4,952)
Kincardine	SC042751	(30,610)	(667)	0	(14)	(31,291)
Lochgelly	SC042904	(20,622)	(377)	0	(8)	(21,007)
Ballingry	SC042905	(11,405)	(240)	0	(5)	(11,650)
Other Trusts						
Waugh & Wharrie Bequest	SC018777	(2,600)	(65)	80	(1)	(2,586)
Adam Smith / Gow / Beveridge Bequest	SC019331	(10,320)	(197)	0	(4)	(10,521)
A. A. Wilkie Trust - Children	SC019334	(120)	(2)	0	0	(122)
Fl. Lawsons Executry	SC019335	(896)	(16)	0	0	(912)
Raemore Mort. K/L	SC019339	(2,972)	(64)	0	(1)	(3,037)
Frances Lawson's Bequest	SC019392	(1,276)	(20)	0	0	(1,296)
Ogilvy Dalgleish Mortification	SC019396	(2,140)	(47)	0	(1)	(2,188)
Macintosh Bequest	SC019399	(922)	(20)	0	0	(942)
B.F. Nisbet's Trust & Garden	SC019402	(7,127)	(125)	0	(3)	(7,255)
Thomas S. Greig's Bequest	SC019417	(23,378)	(580)	0	(12)	(23,970)
Thomson Bequest and Laing Library	SC019420	(23,435)	(985)	0	(21)	(24,441)
Bell Fund/Good Templars Fund	SC019435	(286,907)	(6,702)	0	(142)	(293,751)
Thomas Ireland's Trust	SC019447	(3,963)	(91)	0	(2)	(4,056)
		(1,548,713)	(37,674)	14,884	(777)	(1,572,280)
Donated Services (Support Services)			(29,760)	29,760		
TOTAL		(1,548,713)	(67,434)	44,644	(777)	(1,572,280)

7 Investments

2020-21		2021-22
£		£
736,479	Market Value as at beginning of year	900,579
164,100	Net increase/(decrease) in value of investments	777
900,579	Market Value at end of year	901,356

8 Debtors

Debtors balance related to accrued income on investments from Janus Henderson Investors of £8,099 (2020-21 £7,660).

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 2021-22 this amounted to £662,825 (2020-21 £640,474).

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 £29,760 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.

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 2022 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 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 charities as at 31 March 2022 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 Finance and Corporate Services for the financial statements

As explained more fully in the Statements of Responsibilities, the trustees and Executive Director 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 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 trustees and Executive Director 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 the trustees intend to discontinue the charities' operations, or have no realistic alternative but to do so.

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

Other information

The trustees are responsible for other information in the statement of accounts. The other information comprises the Trustees' Annual Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 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 other information and I do not express any form of assurance conclusion thereon except on the Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

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

28th November, 2022

Agenda Item No. 5

Risk Management Update

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

Wards Affected: All

Purpose

The purpose of this report is to:

- Update Standards, Audit and Risk Committee on the work undertaken to revise the Council's Risk Management Policy and Strategy document, including Risk Appetite and Risk Management Strategy Group (RMSG) Remit.
- Provide Standards, Audit and Risk Committee with an update on the level of risk within the Council's Strategic Risk Register as at 10 November 22.
- Inform the Standards, Audit and Risk Committee of the content of the Risk Management Improvement Plan (RMIP) and progress made towards its implementation.

Recommendation(s)

Standards, Audit and Risk Committee is asked to:

- Approve the Council's revised Risk Management Policy and Strategy, including Risk Appetite and RMSG Remit (Appendix A).
- Approve the Council's Strategic Risk Register following its most recent review (Appendix B).
- Note that the Strategic Risk Register is continuously reviewed and, where appropriate, updated.
- Note the content of the RMIP and status of actions (Appendix C).
- Note that it will receive updates on the Council's Risk Management arrangements going forward in line with the Policy and Strategy document.

Resource Implications

None.

Legal & Risk Implications

If the Council does not have robust risk management arrangements in place, including a Risk Management Policy, Strategy and risk registers, its ability to effectively monitor, manage and mitigate risks and make sound, informed decisions may be impacted. This could lead to, amongst other things, non-compliance with legislation and regulation, legal and financial penalties, the inability to identify and exploit opportunities and, ultimately, the inability to achieve its objectives and deliver better outcomes for Fife.

Impact Assessment

An EqIA has not been completed because the changes to the Risk Management Policy and Strategy do not require it.

Consultation

The Council Executive Team and Corporate RMSG have been consulted and are in agreement with the content of this report.

1.0 Background

1.1 A formal update relating to the review of the Council's Risk Management Policy and Strategy and Strategic Risk Register was reported to Standards and Audit Committee on 19 April 2022. Key points communicated via the update report included the following:

- The Risk Management Policy and Strategy, including roles and responsibilities and risk matrices, had been separated from the Risk Management Manual and revised.
- The Risk Management Policy and Strategy would be subject to at least one comprehensive formal review during each administrative term, at intervals not exceeding five years. In the interim, should any significant amendments be made, it would be presented to the relevant committee for approval.
- The re-established Corporate RMSG, chaired by Executive Director of Finance and Corporate Services as Senior Responsible Officer for risk in the Council, had met regularly and would continue to meet on a quarterly basis.
- The Zurich Health Check Report had highlighted a number of priority areas for improvement along with recommendations to address them and ultimately assist the Council enhance its risk management arrangements and maturity level.
- A comprehensive exercise had been undertaken, initially in conjunction with Zurich, to update the Council's Strategic Risk Register.
- The risks in the Strategic Risk Register and the internal control frameworks in place to mitigate them would be regularly monitored, reviewed and assessed going forward.

Risk Management Policy and Strategy - Updates

2.1 The Risk Management Policy and Strategy document has been updated to include the Council's risk appetite and minor amendments to the RMSG's remit. The updated Risk Management Policy and Strategy document is attached as Appendix A. All updates have been highlighted in yellow. More information surrounding the updates has been provided in the paragraphs below.

Risk Appetite

2.2 Whilst there are numerous definitions of risk appetite, they fundamentally mean the same thing. Risk appetite is a concept that will help Fife Council articulate the optimal level and type of risk it is seeking, when striving towards achieving its objectives, delivering better outcomes for the communities it serves and ultimately achieving its collective vision of A Fairer Fife.

- 2.3 Defining and communicating the Council's risk appetite:
- assists with informed decision making, by ensuring the boundaries of risk taking have been set and understood across the Council. Communicating these desired boundaries enables and supports consistent decentralised decision making and work with partner organisations.
 - helps to determine what is most important to report to Directorates, CET and Standards, Audit and Risk Committee.
 - reduces uncertainty by aligning consistent risk taking with the capacity of the organisation to manage anticipated threats and opportunities.
 - helps the prioritisation and allocation of resources / spending.
- 2.4 The risk appetite, including risk category and optimal risk zone (the level of risk within which the Council aims to operate), was defined for each of the Council's strategic risks following a Risk Appetite Workshop attended by the RMSG on 26 September 2022. Detailed discussions took place during the Risk Appetite Workshop, stimulated by the results from a short MS Forms Risk Appetite Survey completed in advance by members of the RMSG.
- 2.5 The output compiled following the Risk Appetite Workshop is the Council's risk appetite presented in tabular form, utilising risk appetite categories and zones. The RMSG and CET considered and approved the output for inclusion in the Risk Management Policy and Strategy document at their scheduled meetings on 5 October 2022 and 2 November 2022 respectively. The output itself along with the definitions for each of the categories and zones are set out at Section 6.0 of the Risk Management Policy and Strategy document (Figures 1, 2 and 3 on pages 8 and 9 of Appendix A). The new text has been highlighted in yellow to assist.
- 2.6 The Council does not generally have an appetite for exposure to high risk, which could result in catastrophic levels of adverse impact. However, risk is inherent in every area of service delivery, and the risk appetite categories and zones recognise Fife Council's commitment to promoting a culture and environment that is risk aware rather than risk averse.
- 2.7 Whilst, as a starting point, the Council has established its risk appetite at a strategic risk level. Over time, as risk management arrangements evolve and risk related data becomes readily available at service level, the Council's approach is likely to be refined. In the meantime, the risk appetite will be kept under review by the RMSG in line with its formal remit.

RMSG Remit

- 2.8 Minor amendments have been made to the RMSG's remit, which have been highlighted in yellow on page 14 of Appendix A to this report.

3.0 Strategic Risk Register

- 3.1 The Council's Strategic Risk Register, which was developed from the corporate strategic risks survey and results from the virtual workshop facilitated by Zurich, was approved at Standards and Audit Committee on 19 April 2022.
- 3.2 The Strategic Risk Register contained 13 risks relating to ICT, inequalities, health, education, assets and infrastructure, the Fife economy, climate, legislation and regulation, Elected Members' conduct, the safety and protection of the Fife community, protection of children and adults, finance, and the workforce.

- 3.3 The Council’s Risk Impact and Likelihood Assessment Matrices were used to determine the inherent risk score (assessed as if no internal controls were in place), residual risk score (assessed giving due consideration to the existing internal control framework and how effective it is) and target residual risk score (assessed with the view that all internal controls that could be put in place, are in place and fully effective) for each of the 13 strategic risks.
- 3.4 Since the last formal update to committee on 19 April 22, the residual risk scores for all but 2 of the 13 risks have remained the same. There have also been some changes made to internal controls and their levels of effectiveness. All changes made to the Council’s Strategic Risk Register have been highlighted in yellow at Appendix B.
- 3.5 Details of the two changed residual risk scores, along with corresponding reasons, are as follows:
- FC019 - Political, the residual risk score has reduced from 9 (medium) to 6 (low), as there have been fewer referrals to the Standards Commission, indicating a possible increased compliance with the Code of Conduct for members and officers.
 - CN002 - Inequality and Social Division, the residual risk score has reduced from 20 to 16, as a partially effective internal control, “Winter Cost of Living Plan” has been applied and 2 mitigating actions, relating to tackling poverty and welfare reform, have progressed and are now 50% implemented. Despite the reduction in score, the level of residual risk remains high.
- 3.6 The table below, which provides a high-level summary of the residual risk scores for each of the risks in the Strategic Risk Register on 19 April 22 and 10 November 22, also highlights the key changes.

	19 April 2022	10 November 2022
Risk Level (Residual Risk Score)		
Insignificant (1 - 3)		
Low (4 - 6)	FC007 - Legal	FC007 - Legal and FC019 - Political
Medium (8 - 12)	BTS004 - IT, CN003 - Community Health, EE001 - Assets, FC019 - Political and FCS001 - Financial	BTS004 - IT, CN003 - Community Health, EE001 - Assets and FCS001 - Financial
High (15 - 25)	CN002 - Inequality, ECS002 - Education, EE002 - Economy, EE003 - Climate, FC020 - Community Safety, FC026 - Vulnerable People and HR005 - H&S	CN002 - Inequality, ECS002 - Education, EE002 - Economy, EE003 - Climate, FC020 - Community Safety, FC026 - Vulnerable People and HR005 - H&S

4.0 Risk Management Improvement Plan

- 4.1 Since the last formal update to Committee, referred to at para 1.1 above, the recommendations contained in the Zurich Health Check report have been restated and incorporated, along with other relevant actions, into a comprehensive RMIP for the Council, which can be found at Appendix C to this report.
- 4.2 Actions within the RMIP have been prioritised as High, Medium, and Low for implementation over the coming months. Each action has been assigned to a key officer / group of officers with responsibility for ensuring its implementation in line with the agreed target implementation date. In overall terms, progress towards implementing the RMIP will be monitored on an ongoing basis by the RMSG; the layout of the RMIP, which includes a status column and different section for fully implemented actions, assists with this.

5.0 Conclusions

- 5.1 The Council's Risk Management Policy and Strategy has been updated to include Risk Appetite and a revised RMSG remit. Both will be kept under review by RMSG in line with its formal remit.
- 5.2 The risks in the Council's Strategic Risk Register and the internal control frameworks in place to mitigate them will continue to be regularly monitored, reviewed, and assessed going forward.
- 5.3 The Corporate RMSG will continue to meet on a quarterly basis and monitor progress towards implementing the RMIP.
- 5.4 Risk management update reports, including updates on the Strategic Risk Register and information surrounding further developments to the Council's risk management arrangements, will be compiled and presented to the Standards, Audit and Risk Committee on a six-monthly basis in line with the Policy and Strategy document.

List of Appendices

- A. Risk Management Policy and Strategy
- B. Strategic Risk Register
- C. Risk Management Improvement Plan

Report Contact:

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Risk Management Policy & Strategy

Version Control						
Version No.	Reviewed On	Reason for Review	Effective From	Lead Reviewer	Agreed CET	Approved SA&RC
1.0	25/03/22	Full review.	19/04/22	P. Redpath	08/04/22	19/04/22
2.0	20/10/22	Risk Appetite and RMSG Remit.	28/11/22	C. Whyte	02/11/22	

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1.0 Background and Introduction

- 1.1 All organisations exist for a purpose, such as delivery of a service or to achieve a particular outcome. Fife Council, like other local authorities, exists to deliver a range of vital services for individuals and businesses within a defined area. As part of the Fife Partnership, Fife Council is working towards achieving a shared vision of A Fairer Fife. Within this shared vision, priority themes have been identified to help steer the focus of work of the Fife Partnership and its partners. Through the implementation of agreed actions set out in the Plan for Fife (Local Outcome Improvement Plan) and other associated plans and strategies, the Fife Partnership, strives towards achieving its objectives, delivering better outcomes for the Fife community and ultimately achieving its collective vision. The level of this achievement depends upon the risks that Fife Council, and its partners, is exposed to and how well they are monitored, managed and mitigated.
- 1.2 Risk can be defined as the combination of the likelihood of an event occurring (adverse or otherwise) and the level of impact on the Council's ability to successfully achieve its objectives and outcomes if it does. The impact can be positive, as well as negative.
- 1.3 Risk management is a proactive, continuous and systematic process that helps organisations to anticipate, identify, evaluate and prioritise risks as well as co-ordinate the efficient application of, often very limited, resources to monitor and mitigate (through the existence of a robust internal control environment) the likelihood of adverse events occurring and / or their impact if they do (or maximise the realisation of opportunities). When risk management is working effectively, it also provides organisations with a foundation on which sound decision-making can be based, often helping to enable innovation and avoid disasters.
- 1.4 To achieve good governance, Fife Council is required to demonstrate that it complies with the principles of good governance, detailed in both *The International Framework: Good Governance in the Public Sector* (2014) and CiPFA publication *Delivering Good Governance in Local Government Framework* (2016 Edition). One of the core principles of good governance detailed in these frameworks is "Managing risks and performance through robust internal control and strong public financial management". The Council is required to develop and maintain a local code of corporate governance that adequately reflects these principles. Having effective risk management arrangements in place is also an integral part of the Council being able to demonstrate its compliance with Best Value.
- 1.5 The sections below outline Fife Council's Risk Management Policy and Strategy, the purpose of which is to provide direction surrounding the management of risk and ultimately support the achievement of objectives and delivery of outcomes, protect staff, assets and the local community, as well as help ensure financial sustainability. Compliance with the Policy and Strategy will help ensure that effective risk management arrangements are progressively and continuously embedded within the Council.

2.0 Vision Statement

- 2.1 Fife Council recognises the importance of having robust risk management arrangements in place and seeks to ensure that they continue to form part of its local code of corporate governance.

2.2 The Council's risk management objectives are:

- To establish a co-ordinated, methodical and rigorous approach to risk management throughout the organisation.
- To ensure risk management is embedded into the culture of the organisation, through effective policy, procedures and communication.
- To clearly define risk management roles and responsibilities.
- To ensure that the risk management process supports accountability, performance management and reward.
- To achieve level 4 on the Council's Risk Management Maturity Model.

2.3 Risk management will be subject to:

- Regular monitoring, review and impact assessment by officers and Elected Members.
- The provision of adequate and appropriate training and development opportunities for employees and Elected Members.
- Integration with the Council's planning process.
- Consideration in community planning and all other forms of partnership working.

3.0 Review Arrangements

3.1 As a minimum, the Council's Risk Management Policy and Strategy will be subject to at least one formal comprehensive review during each administrative term, at intervals not exceeding five years.

3.2 Any material amendments made to the Risk Management Policy and Strategy will be presented to the Council's **Standards, Audit and Risk Committee** for approval, following agreement, as appropriate, by the Corporate RMSG, Executive Director of Finance and Corporate Services and Council Executive Team (CET).

3.3 The Risk Management Team Leader, in conjunction with the Corporate RMSG, is responsible for ensuring the Council's Risk Management Policy and Strategy are reviewed in accordance with the above, and more frequently if necessary to reflect changes in Council policy, legislation, regulation and best practice.

4.0 Ownership – Roles and Responsibilities

4.1 Whilst risk management is the responsibility of all Elected Members and Council officers, the principal roles and responsibilities for risk management are set out below.

Elected Members

The Council's Elected Members are responsible for directing risk management policy and understanding the strategic risks faced by the Council and how these are managed / mitigated. Elected Members are also responsible for:

- Carrying out the risk management remit through the **Standards, Audit and Risk Committee** and, as appropriate, other Council committees.
- Approving the Council's Risk Management Policy and Strategy.
- Having due consideration of risk when making Council decisions.

Chief Executive / Head of Paid Service

As the most senior appointed officer within the Council, the Chief Executive is ultimately responsible for ensuring risks, to which the Council is exposed, are effectively managed through a scheme of delegation.

The Chief Executive is also responsible for nominating a Senior Responsible Officer (SRO) for risk management, who will chair the Corporate RMSG.

Council Executive Team (CET)

The CET is responsible for:

- Recommending the Risk Management Policy and Strategy to Elected Members.
- Making decisions on the risk management process as it affects all directorates / services.
- Receiving reports from the Corporate RMSG on the development and effectiveness of the Council's risk management arrangements and the management of the Council's strategic risks.
- Ensuring risk implications are highlighted in relevant Committee reports.

Executive Director, Finance and Corporate Services (Section 95 Officer)

At a corporate level, the Executive Director of Finance and Corporate Services is the Council's SRO for risk management, and is responsible for:

- Promoting the operation of effective risk management arrangements across the Council.
- Ensuring adequate resource is available to enable the efficient and effective identification, evaluation and control of risks faced by the Council.
- Maintaining a watching brief over the risk management policy and strategy review process and approving minor amendments made to these.
- Chairing the Corporate RMSG.
- Ensuring significant risk issues requiring intervention are brought to CET's attention.

Executive Directors / Director of H&SC

Each Executive Director is responsible for strategic and operational risk management in their own Directorate and will nominate one or more senior officer from within their Directorate to lead on, oversee and promote risk management locally. Executive Directors are also responsible for:

- Overseeing the development and maintenance of the Council's Strategic Risk Register.
- Ensuring Directorate / Service-level risk register(s) are established and maintained in line with the Council's Risk Management Maturity Model.
- Promoting integration of risk management principles into the culture of the Council and its partners via all Heads of Service.
- Ensuring risk management is a regular item on Directorate Leadership Team meeting agendas.
- Promoting the use of Pentana as the central repository for recording and updating risk registers and related information.
- Ensuring risk management is integrated into service planning and performance management arrangements.
- Promoting the sharing of relevant partnership risk management information.

Heads of Service

Heads of Service are responsible for promoting risk management within their Service and ensuring that the Council's risk management framework is implemented consistently. Heads of Service are also responsible for:

- Ensuring the ongoing identification of emerging risks, monitoring and maintenance of their service-level risk registers and ensuring Pentana is kept up to date.
- Ensuring all portfolios, programmes and projects under their control are effectively risk managed.
- Ensuring all partnerships their Service is involved in are effectively risk managed. This includes the requirement for all partnership agreements to set out responsibility for risk management.
- Highlighting risks to the Service Manager, Audit & Risk Management Services for potential inclusion in the Council's Internal Audit Plan.

Risk Management Leads

Risk Management Leads are responsible for communicating the benefits of effective risk management and for overseeing the risk management arrangements operating within their Directorate / Service. They will attend the Corporate RMSG meetings, act as the key point of contact for risk management related matters, and be responsible for:

- Promoting and influencing risk management throughout their Directorate / Service.
- Ensuring risk registers are maintained in Pentana, including co-ordinating regular reviews within timescales proportionate to the level of risks and that risk information is ready for reporting to Committee.
- Liaising with Heads of Service (as appropriate) and other managers to ensure actions are implemented and risks mitigated.
- Identifying and, where appropriate, escalating deteriorating risks, evolving risks, weak or ineffective controls and overdue actions.
- Ensuring key members of staff undertake risk management training as and when required.
- Supporting colleagues to report risks and concerns.

Service Manager - Audit and Risk Management Services

Responsible for:

- Managing the Council's Audit and Risk Management Service.
- Providing assurance to Elected Members and senior management on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- Overseeing the Council's Risk Management activities.
- Deputising for the Executive Director of Finance and Corporate Services in connection with risk management matters as and when required.
- Providing support and guidance to Elected Members and senior managers in relation to risk management matters.

Risk Management Team

Responsible for establishing and maintaining, in line with good practice, the Council's corporate and service level risk management framework, including:

- The Council's Risk Management Policy and Strategy and supporting corporate procedures / manual.
- Raising awareness and promoting a risk management culture throughout the organisation.
- Providing support to directorates / services as required surrounding the incorporation of risk management arrangements into service delivery.
- Assisting with the ongoing development and maintenance of the Council's strategic and service-level risk registers.
- Keeping abreast of strategic risk events and providing advice and guidance as appropriate to senior management.
- In conjunction with Risk Management Leads and the Corporate RMSG, undertaking horizon scanning on an ongoing basis.
- Attending ALARM (Association of Local Authority Risk Managers) events and disseminating key information to individuals throughout the Council.
- Highlighting risks for escalation and supporting management to do that.
- Developing training and awareness programmes in conjunction with Workforce Development and leading on their delivery throughout the organisation.
- Providing ongoing support to Elected Members and senior management on risk management related matters.
- Regularly engaging with insurers and brokers to ensure that, where possible, risks are financially protected.

Performance and Improvement Team

- Liaising with directorates / services surrounding the ongoing requirements to regularly assess risks and corresponding internal control frameworks within Pentana.
- Promoting the requirement to use Pentana and providing training on the system as required.
- Providing support to directorates / services as required surrounding the incorporation of risk management into service delivery.
- Co-ordinating the ongoing development and maintenance of the Council's strategic and service-level risk registers.
- Promoting the requirement to use Pentana and providing training on the system as required.
- Liaising with the software supplier for Pentana to ensure continued utilisation of the system and its alignment to the Council's risk management arrangements.
- Extracting risk registers and related reports from Pentana as and when required.

All Employees

- Maintain awareness of risks and contribute to the control process where appropriate.

4.2 In addition to the roles and responsibilities noted above, the Corporate RMSG has an important role to play surrounding the setting and review of the Strategy as well as monitoring its implementation. The formal high-level remit of the group can be found at Appendix 2 along with membership and meeting schedule details.

5.0 Risk Management Policy

- 5.1 Fife Council does not generally have an appetite for exposure to very high risk, which could result in catastrophic levels of adverse impact. However, risk is inherent in every area of service provision, and it is recognised that risk management is not risk aversion. Fife Council is committed to promoting a culture and environment that is risk aware; embedding risk management into its working practices and procedures and ensuring that its officers and Elected Members are able to readily identify and understand the risks (and opportunities) to which the Council is exposed, in turn, enabling them to effectively mitigate risks and make informed decisions rather than avoiding risk altogether.
- 5.2 The Council will develop and maintain systems and procedures that help identify, evaluate and economically deal with existing and anticipated risks (and opportunities), which may impact on its ability to achieve its objectives and deliver better outcomes for the individuals and businesses in the community it serves. With that in mind, the management of risk in the Council is undertaken within a control framework comprising the following. The Council's risk appetite, once defined, will be incorporated into the framework as appropriate.
- Governance processes, largely set out in the Council's Standing Orders.
 - Risk Management Policy and Strategy.
 - Identification, evaluation and management of key risks.
 - Systems of internal control / control environment.
- 5.3 Assessment of risk and the ability to manage it will be an integral part of strategic and operational level decision making.
- 5.4 The Council's Committee reporting process includes a requirement for completion of Impact Assessments (e.g. EqIA, DPIA & EnvIA) for relevant reports. Where completion of Impact Assessments is required, this will include a risk assessment to provide outline information to Committee on the risks associated with the proposal being presented, and the specific control measures required to mitigate those risks.
- 5.5 Adopting this Policy enables the Council to be innovative and preserve / enhance service delivery, whilst at the same time:
- Protect its internal and external stakeholders.
 - Protect the different types of properties in its portfolio.
 - Ensure compliance with statutory and regulatory obligations.
 - Maintain the efficient and effective stewardship of public funds.
 - Safeguard its reputation and promote a positive corporate image.
- 5.6 By effectively managing risk, the Council will be enabled to implement the Plan for Fife, and other associated plans and strategies (including the Local Development Plan, FIFEplan and 7 Area Community Plans), manage project risk and deliver its key strategic priorities.
- 5.7 In relation to Strategic Risk Management, the Corporate RMSG will co-ordinate the management of strategic risks that could impact on the Council's objectives. Individual Heads of Service will retain ownership of the risks that fall within their Service area.
- 5.8 Operational risk management is integral to the role of managers across the Council, requiring them to actively manage the risks they encounter whilst performing their duties on a day-to-day basis. All Council officers are expected to assist with risk management utilising Pentana and are actively encouraged to participate in the identification, assessment, review and mitigation of risks that could affect the achievement of objectives.

- 5.9 The Council will provide training and awareness to enable officers to discharge this responsibility and, more specifically:
- identify and understand the risks they may be exposed to in the performance of their duties;
 - evaluate and mitigate the risks to which they are exposed; and
 - understand their risk management responsibilities.
- 5.10 This Risk Management Policy has the full support of the Council and its CET. The co-operation and commitment of all employees is required to ensure that the best use of Council resources is made through the effective management of risk(s).

6.0 Risk Appetite

6.1 Risk appetite is a concept that will help Fife Council articulate the optimal level and type of risk it is seeking, when striving towards achieving its objectives, delivering better outcomes for the communities it serves and ultimately achieving its collective vision of A Fairer Fife.

6.2 Defining and communicating the Council's risk appetite:

- assists with informed decision making, by ensuring the boundaries of risk taking have been set and understood across the Council. By communicating these desired boundaries, it enables and supports consistent decentralised decision making and work with partner organisations.
- helps to determine what is most important to report to Directorates, Council Executive Team and Standards, Audit and Risk Committee.
- reduces uncertainty by aligning consistent risk taking with the capacity of the organisation to manage anticipated threats and opportunities.
- helps the prioritisation and allocation of resources / spending.

6.3 The Council will take effective action to minimise exposure to risks that impact adversely on reputation, compliance (particularly legal compliance), fraud, financial mismanagement and the health and safety of staff and members of the public.

6.4 The Council is prepared to accept risk where there may be an opportunity to improve service delivery and facilitate innovation or change for the better. However, risks must be taken in a controlled manner, reducing the Council's risk exposure to a level aligned to the Council's Risk Appetite.

6.5 The risk appetite for each of the Council's strategic risks, including the optimal risk zone (the level of risk within which the Council aims to operate), is set out in the table below at Figure 1. The risk appetite categories and zones utilised at Figure 1 are defined within Figures 2 and 3 respectively.

6.6 It is recognised that risk management and the analysis of risk is subjective and that it is possible that a risk's score may move into the Warning Zone. Provided the control framework in place to mitigate the risk (likelihood and / or impact) is comprehensive and individual controls within it are fully effective (in terms of available resource), then there is a possibility that the risk may be tolerated at that level. This may also apply where the Council is obligated to take risks beyond its appetite e.g. to comply with regulation / legislation. Where a risk falls within the Opportunity Zone, there may be scope to remove internal controls, in turn increasing the risk so that it is more in line with the optimal risk zone, freeing up resource that can be used elsewhere.

Figure 1

Strategic Risk		RISK APPETITE					
		Category	Range	Risk Level (Score*)			
				* Refer to Fife Council's 5x5 Risk Matrix			
				Insignificant	Low	Medium	High
(1 - 3)	(4 - 6)	(8 - 12)	(15 - 25)				
1	BTS004 - ICT Failure	Minimal	4 - 9				
2	CN002 - Inequality & Social Division	Mindful	8 - 12				
3	CN003 - Health Improvement (Community)	Mindful	8 - 12				
4	EC S002 - Educational Inequality	Mindful	8 - 12				
5	EE001 - Assets & Infrastructure	Cautious	8 - 10				
6	EE002 - Fife Economy	Mindful	8 - 12				
7	EE003 - Climate Change	Mindful	9 - 12				
8	FC007 - Legal & Regulatory Compliance	Opposed	4 - 6				
9	FC019 - Political	Minimal	4 - 6				
10	FC020 - Safety & Protection (Community)	Minimal	4 - 6				
11	FC026 - Protection of Adults at Risk of Harm & Vulnerable Children	Minimal	4 - 6				
12	FCS001 - Financial Sustainability	Cautious	8 - 9				
13	HR005 - Health, Safety & Wellbeing (Workforce)	Minimal	4 - 6				

Figure 2

Risk Appetite Categories and Definitions	
Opposed	Avoidance of risk and uncertainty is the key objective.
Minimal	Preference is for safe options that have a low degree of inherent risk.
Cautious	Preference is for safe options that have a low degree of residual risk.
Mindful	Willing to consider all options and choose one that is most likely to result in successful delivery.
Enterprise	Eager to be innovative and choose options that suspend previous held assumptions and accept greater uncertainty.

Figure 3

Risk Appetite Zones	
	Opportunity Zone – the risk range within which opportunities to take additional risk may arise (e.g. by potentially removing a control and re-directing the resource).
	Warning Zone – the risk range is higher than the Council is aiming to operate in and therefore consideration should be given to enhancing existing internal control frameworks. It may also be appropriate to consider transferring some / all of the risk or terminating completely.
	Target / Optimal Zone – the risk range within which the Council <u>aims</u> to operate. (Note: There may be opportunities within the green end of the zone and action required within the red end of the zone as described above.)

7.0 Risk Management Strategy

- 7.1 The Council’s Risk Management Strategy has been developed to enable effective delivery of objectives in accordance with the Council’s Risk Management Policy Statement.
- 7.2 The Council operates a ‘three lines of defence’ model to provide structure around its risk management arrangements and help clarify some of the key roles and responsibilities:
- 1st Line of Defence – officers on the front line (the doers) – these individuals manage risk on a day-to-day basis, observe the Council’s policies and procedures to ensure compliance with legislation, regulation, government guidance and best practice and carry out the Council’s defined risk management processes.
 - 2nd Line of Defence – management (the superintendents / overseers) – these individuals are responsible for the oversight of officers on the front line, helping through active supervision and management to ensure compliance and identify, evaluate, monitor and mitigate risks. These individuals also help develop risk management policies, processes and procedures.
 - 3rd Line of Defence – internal and external assurance providers (the investigators) – independently assessing and reporting on the work of the other two lines of defence with the view to providing assurance and helping to drive improvement.

7.3 The risk management process is a continuous one that incorporates identifying the risks, assessing them (using the matrices), treating / managing them in a way that is proportionate to the level of risk (through internal controls) and monitoring, reviewing and reporting on them. There may be instances where it is considered more appropriate to tolerate a risk as it presents itself or to terminate (or stop) an activity because the corresponding risk(s) far exceed the risk appetite of the organisation. The process is relevant when managing risk at all levels in the organisation e.g. strategic / corporate, operational / service and project level.



7.4 A key element of the Council's Risk Management Strategy for managing the above process is the development and maintenance of comprehensive risk registers, which will be actively managed and maintained within Pentana. Risk registers to be maintained include:

- The Strategic Risk Register, which incorporates the Council's high level, strategic risks that may impact on overall delivery of Council objectives and achieving better outcomes for Fife.
- Directorate / Service-level Risk Registers, which reflect risks at a service level, where the impacts are predominantly operational e.g. interruptions to service delivery, finance, staffing etc.
- Project Risk Registers, which set out risks specific to a project and take account of consequential impacts on other Council services.

7.5 In order to ensure consistency of assessment, each risk will be considered for both impact and likelihood using the assessment matrices at Appendix 1. A standard framework will be used for effective monitoring of ongoing risk mitigation, which will be based on assessing the following risk scores:

- Inherent (or uncontrolled) Risk (assessed as if no internal controls were in place to mitigate it)
- Current Residual Risk (assessed now, giving due consideration to the existing internal control framework and how effective it is at mitigating the likelihood of the risk coming to fruition and / or its impact if it does)
- Target Residual Risk (assessed with the view that all internal controls that could be put in place, are in place and fully effective)

7.6 Internal controls will be established to manage risk at a level aligned to the Council's risk appetite and with the ultimate aim of arriving at the target residual risk level. These controls will be recorded in Pentana against each risk. In addition, actions will be identified and agreed on an ongoing basis, via a number of mechanisms (including via management, internal / external audit and external scrutiny bodies) which, once complete, will help to strengthen the internal control framework and reduce the gap between the current and target residual risk scores.

- 7.7 In order to maintain effective control of the Council's risks and monitor risk mitigation measures, the risk registers at all levels will be subject to regular review and reporting.
- 7.8 Maintenance of the Strategic Risk Register will be facilitated by the Performance and Improvement Team, in conjunction with the Risk Management Team, and reported:
- Quarterly to the Corporate RMSG
 - Six monthly to CET and **Standards, Audit and Risk Committee**, or earlier in the event of meaningful adverse movement
- 7.9 Consideration will also be given to the potential impact on the Council of partner risks, both strategically and operationally e.g., the Fife Integration Joint Board, Fife Sports and Leisure Trust etc. Where feasible / appropriate, partner risk registers will be maintained in conjunction with the Council, using Pentana. Otherwise, ongoing access to partner risk registers will be sought in order to enable effective ongoing monitoring and escalation. Where appropriate, the Council will also share relevant risk management information with its partners.
- 7.10 Risk based internal and external audits / other forms of scrutiny will be undertaken, which will determine whether internal controls are operating as effectively as they should be. Where an audit / inspection results in recommendations for improvement being made, progress towards implementation of recommendations will be monitored in line with standard working practices e.g. for internal audits, the implementation of recommendations will be monitored via the Post Audit Review process and / or delivery of a formal follow-up.
- 7.11 The RMSG is responsible for setting and reviewing the Strategy as well as monitoring its implementation by Directorates and Services. In addition to the RMSG, the CET, other relevant strategic groups (such as the Corporate Health and Safety Strategy Group), Directorates, Services and Committees actively promote the Strategy and support its delivery.

Risk Matrix:

	Impact				
Likelihood	None (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost certain (5)					
Likely (4)					
Possible (3)					
Unlikely (2)					
Remote (1)					

Key:

Insignificant	Low	Medium	High
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Risk Impact Assessment Matrix:

		Description				
Impact	Score	Impact on Service Objectives	Financial Impact *	Impact on People	Impact on Time	Impact on Reputation
Catastrophic	5	Unable to function, inability to fulfil obligations	Severe financial loss > £XM	Death	Serious – In excess of two years to recover pre-event position	Highly damaging, severe loss of public confidence
Major	4	Significant impact on service provision	Major financial loss £XM to £YM	Extensive injury, major permanent harm	Major – Between 1 year – 2 years to recover pre-event position	Major adverse publicity, major loss of confidence
Moderate	3	Service objectives partially achievable	Significant financial loss £XK to £XM	Medical treatment required, semi-permanent harm up to 1 year	Considerable – between six months to 1 year to recover pre-event position	Some adverse publicity, legal implications
Minor	2	Minor impact on Service objectives	Moderate financial loss £XK to £XK	First aid treatment, non-permanent harm up to 1 month	Some – 2 to 6 months to recover	Some public embarrassment, no damage to reputation
None	1	Minimal impact, no service disruption	Minimal loss Up to £XK	No obvious harm/injury	Minimal – up to 2 months to recover	No interest to the press, internal only

* Financial impact will vary according to where in the organisation the risk sits.

Risk Likelihood Assessment Matrix:

Likelihood	Score	Description
Almost certain	5	Will undoubtedly happen, possibly frequently.
Likely	4	Will probably happen, but not a persistent issue.
Possible	3	May happen occasionally.
Unlikely	2	Not expected to happen but is possible.
Remote	1	Very unlikely this will ever happen.

RISK MANAGEMENT STRATEGY GROUP MEMBERSHIP, MEETING SCHEDULE & REMIT

Membership

The Corporate Risk Management Strategy Group (RMSG) will comprise:

- The Executive Director of Finance and Corporate Services, or appropriate depute i.e. Head of Finance.
- Service Manager, Audit & Risk Management Services
- The Risk Management Team Leader and Risk Management Co-ordinator.
- Representation from all Directorates at Head of Service level.

In the event of a nominated representative no longer being available to fulfil their role on the group, the RMSG will seek nomination of a replacement member.

The RMSG will be Chaired by the Executive Director of Finance and Corporate Services. In the event of the absence of the Executive Director of Finance and Corporate Services, the Head of Finance will act as Chair.

Meeting Schedule

- Formal meetings of the Corporate RMSG will be held on a quarterly basis.
- In the event of meeting having to be postponed, an alternative suitable date will be arranged.

Remit (High-Level)

- Provide oversight on the Council's risk management arrangements.
- Review the Risk Management Policy and Strategy in accordance with documented requirements.
- Establish, and keep under review, the Council's risk appetite.
- Receive and consider Strategic Risk Register reports from the Performance and Improvement Team and co-ordinate the management of strategic risks.
- Monitor and report on the completeness of the Council's risk registers, including the Council's Strategic Risk Register and the integrity of the data within it.
- Report on key risk management activities being undertaken across the Council.
- Identify, on an ongoing basis, and highlight at group meetings the following:
 - evolving risks / risks on the horizon
 - deteriorating risks
 - overdue actions
 - weak or ineffective controls
 - other risk related matters as appropriate
- Identify, share and promote good practice in risk management throughout the organisation.
- Help identify and scope risk management related learning and development needs and direct corresponding communications appropriately.
- Discharge governance responsibilities to ensure that compliance with mandatory learning (including target completion rates) across the Council is being actively monitored by a suitable strategic Group / Board.

GLOSSARY OF TERMS

Risk Management

Internal Control	Measure put in place to mitigate the likelihood of a risk coming to fruition and / or its impact if it does.
Inherent Risk	The level of uncontrolled risk, assessed as if no internal controls are in place to mitigate it.
Residual Risk	The level of controlled risk, assessed at the current stage of implementation of internal controls. It gives due consideration to the existing internal controls and how effective they are.
Target Risk	The level of controlled risk assessed with the view that all internal controls that could be put in place, are in place and fully effective.
Risk Treatment	Selection and implementation of appropriate options for dealing with risk.
Action	Actions are identified via a number of mechanisms (including management, internal / external audit and external scrutiny bodies), which, once complete, help to strengthen the internal control framework and reduce the gap between the current and target residual risks.
Risk Universe	Refers to all of the Council's risks.
Risk Register	An information repository that an organisation creates to document the risks it faces and the responses it is taking to address them. Risk registers exist at different levels in the Council, including strategic / corporate, operational / service and project levels.
Pentana	The Council's preferred software solution for risk management, used by management to manage, monitor and maintain the Council's risk registers. Also used by the Council for performance management.

Risk Type

Strategic Risk	Risks that may impact on overall delivery of Council objectives and achieving better outcomes for Fife.
Operational Risk	Risks that may impact on the day-to-day delivery of Council.
Project Risks	Risks that can impact directly on the successful delivery of individual projects.

Risk Assessment (see Appendix 1)

Risk Matrix	The Council uses a standard 5x5 Impact / Likelihood matrix to assess / score' each risk.
Impact	The level of impact that will be sustained if a risk event occurs (comes to fruition), assessed on a scale of 1 - 5.
Likelihood	The likelihood of a risk event occurring assessed (coming to fruition) on a scale of 1 - 5.

Strategic Risk Register Report

Risk Matrix:














	Impact				
Likelihood	None (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost certain (5)	Low	Medium	High	High	High
Likely (4)	Low	Medium	Medium	High	High
Possible (3)	Insignificant	Low	Medium	Medium	High
Unlikely (2)	Insignificant	Low	Low	Medium	Medium
Remote (1)	Insignificant	Insignificant	Insignificant	Low	Low

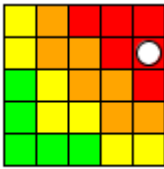
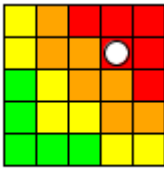
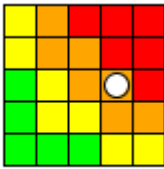

Key:

Insignificant	Low	Medium	High
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Risk Code & Title	Risk Description	Risk Factors	Inherent Risk Matrix	Inherent Risk Score
1. BTS004 ICT Failure	<p>As a result of:</p> <ul style="list-style-type: none"> Misuse, Misappropriation or Mismanagement of IT. Lack of governance/compliance with standards. Lack of alignment to Council Priorities and appropriate ICT investment. Cyber attack or other malicious action. <p>There is a risk that:</p> <ul style="list-style-type: none"> A critical failure of Council systems & information will not be available to support service delivery. <p>Which may result in:</p> <ul style="list-style-type: none"> Service failure. Impact on service users. Fines & litigation. Loss of reputation / loss of trust. Unplanned costs of recovery. 	<p>Risk factors include:</p> <ul style="list-style-type: none"> ICT Strategy that could fail to meet the needs of the Council. Failure to meet legal requirements in terms of security and licensing. Failure to provide resources to deliver effective ICT. Failure to develop effective enterprise architecture principles. Failure to understand the Councils ICT needs. Failure to manage ICT processes effectively. 		12
			Residual Risk Matrix	Residual Risk Score
				12
			Target Risk Matrix	Target Risk Score
		Impact		8
		<p>Potential impacts include:</p> <ul style="list-style-type: none"> Failure of technology enabled services. Ineffective or inefficient deployment of IT resources. Poor technology investment decisions. Difficulties in meeting compliance and statutory obligations. Failure of the Council to realise benefits from technology solutions. Unplanned costs associated with recovery of ICT systems. 		
Managed by	Eileen Rowand	Assigned To	Charlie Anderson	
Last Reviewed	28-Oct-2022	Next Review Due	28-Jan-2023	
Internal Control Code	Internal Control Title	Effectiveness in relation to this Risk		
BTS008	ICT/Digital Strategy	Fully Effective		
FC087	Corporate Information & Records Management Strategy	Partially Effective		

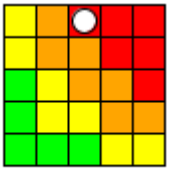
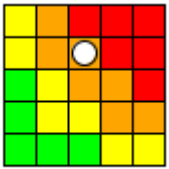
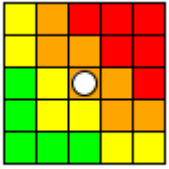

Appendix B (Cont'd)

FC099	Patch Management Strategy	Fully Effective	
BTS010	System Resilience and Disaster Recovery	Partially Effective	
BTS022	ICT Governance Board	Fully Effective	
BTS024	Contract Management	Partially Effective	
BTS021	IT Service Workforce planning	Partially Effective	
BTS027	Use of Transparent and Standardised IT Process Governance Model (COBIT)	Partially Effective	
FC116	Information Governance Working Group	Fully Effective	
BTS029	Solutions Assurance	Fully Effective	
BTS004	Access Rights Management	Fully Effective	
BTS005	Security Incident Management	Fully Effective	
BTS013	Change Approval Boards	Fully Effective	
BTS015	Active Network and Device Monitoring	Partially Effective	
BTS016	Scottish Government Cyber Resilience Strategy	Fully Effective	

Risk Code & Title	Risk Description	Risk Factors		Inherent Risk Matrix	Inherent Risk Score
<p>2. CN002 Inequality and Social Division</p>	<p>As a result of:</p> <ul style="list-style-type: none"> • Entrenched difficult to address long term issues. • Educational Inequality Risk - ECS002. • Impact of national policy changes in welfare policy to individuals or family's income. • Impact of COVID on already vulnerable people & families. • Ending of some UK & Scot Gov interventions. • Failure to break the cycle of poverty. • Failure to plan and resource effective interventions. • Inability to engage with affected communities across Fife. <p>There is a risk that:</p> <ul style="list-style-type: none"> • The Fairness / Inequality gap will widen. <p>Which may result in:</p> <ul style="list-style-type: none"> • An increase in poverty rates. • Negative impacts for individuals and families. • An increase in demand for some services. • Increased levels of unsustainable debt in the population. • Health inequalities. • Food poverty. • Fracturing of social cohesion within some communities. • Increase in process times for support. 	<p>Risk factors include:</p> <ul style="list-style-type: none"> • National government policy on Welfare Reform. • Variations in funding within Fife Council. • Impact of restructures in available resources to undertake poverty and fairness related work. • Impact of Covid. 			20
		<p>Residual Risk Matrix</p>	<p>Residual Risk Score</p>		
			16		
		<p>Target Risk Matrix</p>	<p>Target Risk Score</p>		
<p>Impact</p>	<p>Potential impacts include:</p> <ul style="list-style-type: none"> • % of children living in poverty. • % of fuel poor households. • % of people living less than the living wage. • In work poverty. • Attendance at job clubs. • Benefit claimants. • Increase in hate crime. 		12		
<p>Managed by</p>	<p>Michael Enston</p>	<p>Assigned To</p>		<p>Jacqui Prokes; Paul Vaughan</p>	
<p>Last Reviewed</p>	<p>04-Nov-2022</p>	<p>Next Review Due</p>	<p>15-Feb-2023</p>		
<p>Internal Control Code</p>	<p>Internal Control Title</p>			<p>Effectiveness in relation to this Risk</p>	
<p>FC043</p>	<p>Area Based Anti-Poverty Action Plan</p>			<p>Partially Effective</p>	

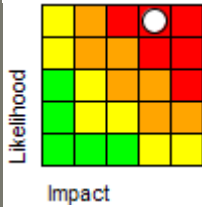
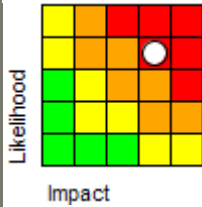
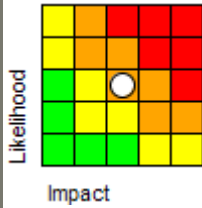

Appendix B (Cont'd)

FC044	Fuel Poverty Action Plan	Partially Effective	
FC045	Child Poverty Action Plan & Governance	Partially Effective	
FC136	Winter Cost of Living Plan	Partially Effective	


Risk Code & Title	Risk Description	Risk Factors		Inherent Risk Matrix	Inherent Risk Score
3. CN003 Health Improvement	<p>As a result of:</p> <ul style="list-style-type: none"> • Inequality risk / poverty. • Local Economy risk (FC017). • Entrenched long-term issues, such as obesity, alcohol & drug misuse, & mental ill-health. • Poor housing access & conditions. • Ageing population & increase in complex health needs. • Poor planning across partners. • Ineffective interventions. • Impact on COVID on mental & physical health. • Lack of investment in mental health services. <p>There is a risk that:</p> <ul style="list-style-type: none"> • Public health outcomes do not improve. <p>Which may result in:</p> <ul style="list-style-type: none"> • Increased demand on intensive & expensive acute partnership services, such as adult social care. • Increased costs to deliver acute services. • People in Fife not living as full a life as possible. • Alcohol & drug related deaths remain at similar levels. • Lower participation in community life & leisure activities. 	<p>Risk factors include:</p> <ul style="list-style-type: none"> • Lifestyle. • Food poverty. • Substance misuse in some communities is an entrenched, long-standing issue. 			15
		<p>Impact</p>		<p>Residual Risk Matrix</p>	
		<p>Potential impacts include:</p> <ul style="list-style-type: none"> • Housing - homelessness. • Housing - access to high quality housing. • Local Government Benchmarking Framework. • Physical activity measures. • Public Health - alcohol & drug misuse stats. • Public health - obesity stats. • Public health - Warwick-Edinburgh mental health stats. 			12
		<p>Target Risk Matrix</p>		<p>Target Risk Matrix</p>	
<p>Target Risk Matrix</p>			9		
Managed by	Michael Enston	Assigned To	Jacqui Prokes; Paul Vaughan		
Last Reviewed	04-Nov-2022	Next Review Due	15-Feb-2023		
Internal Control Code	Internal Control Title		Effectiveness in relation to this Risk		
FC009	Community Safety Strategy		Partially Effective		

Appendix B (Cont'd)

FC047	Local Housing Strategy	Fully Effective	
FC048	Mental Health Strategy (HSCP)	Partially Effective	
FC049	Physical Activity Strategy	Partially Effective	













Risk Code & Title	Risk Description	Risk Factors	Inherent Risk Matrix	Inherent Risk Score
4. ECS002 Educational Inequality	<p>As a result of:</p> <ul style="list-style-type: none"> Children being absent from school during the pandemic. Lack of access to suitable IT devices & broadband. Not targeting limited resources effectively to address need. Not having the right level of intervention at the right time. Short term funding commitments for long term interventions. Resources allocated based on free school meals – from government to schools to procure / commission services, recruit staff or other interventions. <p>There is a risk that:</p> <ul style="list-style-type: none"> Young people won't achieve the educational outcomes they are capable of. <p>Which may result in:</p> <ul style="list-style-type: none"> Reduced opportunities for achieving a positive post-school destination. Increase rates in structural unemployment. Reduced life chances. Children more likely to remain in a cycle of poverty. Impact on health & wellbeing for those children. Impact on community health & wellbeing. Less likely to meet 4 capacities as defined by Curriculum for Excellence(CfE). 	<p>Risk factors include:</p> <ul style="list-style-type: none"> Scottish attainment challenge funding & pupil equity funding is temporary. Benefits system for families – changes are outside Council's control. Workforce Planning – do we have the right people in the right place at the right time? Family / community issues can be long-term and engrained. 		20
			Residual Risk Matrix	Residual Risk Score
				16
			Target Risk Matrix	Target Risk Score
		Impact		9
Managed by	Carrie Lindsay	Assigned To	Karen Hamilton; Sheila Hastie; Angela Logue; Shelagh McLean	
Last Reviewed	07-Nov-2022	Next Review Due	15-Feb-2023	
Internal Control Code	Internal Control Title	Effectiveness in relation to this Risk		
FC060	Fife Children Services Plan	Partially Effective 		

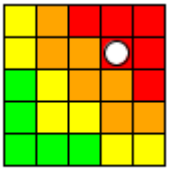
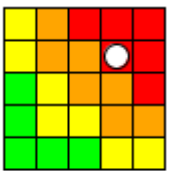

Appendix B (Cont'd)

FC059	E&CS Directorate Improvement Plan 2021-23	Partially Effective	
FC061	National Improvement Framework for schools	Partially Effective	
FC062	The Promise	Partially Effective	


Risk Code & Title	Risk Description	Risk Factors		Inherent Risk Matrix	Inherent Risk Score
5. EE001 Assets and Infrastructure	<p>As a result of:</p> <ul style="list-style-type: none"> • Legacy infrastructure. • Deterioration of highways, lighting, bridges, marine, harbour & seawall infrastructure through lack of financial investment. • Failure to influence budget allocation to obtain adequate funding to maintain our assets. • Lack of good quality information sharing about assets. • Preference for investment in new infrastructure over maintaining existing. <p>There is a risk that:</p> <ul style="list-style-type: none"> • The deterioration would lead to unsafe infrastructure conditions. • The Council failing in its legislative obligations. <p>Which may result in:</p> <ul style="list-style-type: none"> • Injury or harm to individuals. • Increase in public liability claims and uninsurable risks. • Legal Financial penalties. • Impact on tourism if public realm is seen as 'run down'. • Impact on the Fife Economy. • Reputational damage. 	<p>Risk factors include:</p> <ul style="list-style-type: none"> • Impacts of climate change on assets & infrastructure. • Realistic budget allocation. • Scheduled inspections of asset condition in line with legislation. • Qualified/competent employees to: <ul style="list-style-type: none"> ➢ Maintain asset register. ➢ Assess asset condition. ➢ Deliver necessary corrective action to maintain or improve asset. ➢ Prepare asset condition v financial implication reports. 			20
		Impact		Residual Risk Matrix	Residual Risk Score
		<p>Potential impacts include:</p> <ul style="list-style-type: none"> • Unsafe buildings. • Unsafe road, footpaths, bridges and other structures (including retaining walls). • Unsafe marine infrastructure and green assets to include parks, trees, public open space and playparks. • Increase in public liability claims an uninsurable risks. • Legal Financial penalties. • Reputational damage. 			12
		Target Risk Matrix		Target Risk Score	
		<p>Assigned To</p> <p>John Mitchell; Alan Paul; John Rodigan</p>			9
Managed by	Ken Gourlay	Next Review Due	15-Nov-2022		
Last Reviewed	01-Jun-2022				
Internal Control Code	Internal Control Title	Effectiveness in relation to this Risk			
FC079	Asset Register (AMIS)	Partially Effective			

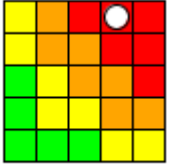
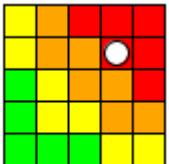
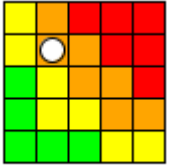
Appendix B (Cont'd)

















FC080	Capital Investment Plan	Partially Effective	
FC081	Property Services Planned Preventative Maintenance	Partially Effective	
FC082	Property Services Premises Regulation and Compliance	Partially Effective	
FC104	Systematic inspections	Fully Effective	
FC105	Annual Review of Roads Condition Indicators (RCI)	Fully Effective	
RT053	Inspection and maintenance of coastal protection measures	Partially Effective	
RT001	Implementation of Roads Related Maintenance strategies, policies and standards	Partially Effective	
RT002	Annual programme of transportation related maintenance	Partially Effective	
RT003	Capital monitoring procedures	Partially Effective	
RT004	Delivering and maintaining the Roads Asset Management Plan within budget constraints.	Partially Effective	
RT067	'Well Maintained Highways' compliance	Partially Effective	
RT068	Monthly review of capital budget for 7 area roads programme	Partially Effective	

Risk Code & Title	Risk Description	Risk Factors		Inherent Risk Matrix	Inherent Risk Score
6. EE002 Risk to the Fife Economy	<p>As a result of:</p> <ul style="list-style-type: none"> External factors, e.g., interest rates, inflation. The effects of EU Exit including supply chain, price inflation and labour shortages. Being responsive to changing needs in the market e.g., business & digital delivery. Lack of local or national investment in private sector. Continued town centre decline and lack of corralling partnerships and investment. <p>There is a risk that:</p> <ul style="list-style-type: none"> The Fife economy does not grow in an inclusive way, involving community wealth building and green recovery focus. <p>Which may result in:</p> <ul style="list-style-type: none"> Impact on local communities, particularly Mid Fife / SIMD Areas. Increase in poor health outcomes over the longer term. Increase in unemployment due to shift in skills requirements and business models. Increase in relative poverty and inequality. Reduction in population if people move for employment. 	<p>Risk factors include:</p> <ul style="list-style-type: none"> National Policy. Regional approach and partnership. Currency. Council's revenue and capital resource and phasing. Employability support. Revenue funding bids. Uncontrollable factors include - factors at a national or supra-national level which may affect Fife's economy but fall out with the control of Fife Council and its partners would include: <ul style="list-style-type: none"> A recession across the UK or internationally. Interest rate rises as determined by the Bank of England arising from economic change at a national level. Market, trading and economic uncertainty arising from the UK exiting the EU. Democratic change at a national level; and Natural or civil occurrences such as major weather events or civil unrest at a national level. 			16
		<p>Impact</p>		<p>Residual Risk Matrix</p>	<p>Residual Risk Score</p>
		<p>Potential impacts include:</p> <ul style="list-style-type: none"> Percentage of Businesses Surviving to 3 years including: <ul style="list-style-type: none"> No of Business start-ups. No of Business closures. Business retention rates. Unemployment count. Size & type of local businesses in the economy. 			16
		<p>Impact</p>		<p>Target Risk Matrix</p>	<p>Target Risk Score</p>
<p>Managed by</p>		Ken Gourlay	<p>Assigned To</p>	Gordon Mole	
<p>Last Reviewed</p>		23-May-2022	<p>Next Review Due</p>	15-Nov-2022	
<p>Internal Control Code</p>	<p>Internal Control Title</p>			<p>Effectiveness in relation to this Risk</p>	
BE009	Fife Economic Strategy			Partially Effective	








Appendix B (Cont'd)

BE010	Fife Economy Partnership	Partially Effective	
EEEE IC 077	City Deal investment	Partially Effective	
EEEE IC 068	Business Gateway Fife supporting Indigenous growth	Partially Effective	

Risk Code & Title	Risk Description	Risk Factors	Inherent Risk Matrix	Inherent Risk Score
<p>7. EE003 Climate Change</p>	<p>As a result of:</p> <ul style="list-style-type: none"> • Global carbon emissions. • Global failure to act and adapt to climate change. • Targets on carbon emissions. • Lack of public funding for crucial mitigation or adaptation projects. <p>There is a risk that:</p> <ul style="list-style-type: none"> • The Council does not lead effectively in supporting sustainability. • Sustainability across all of Fife, (e.g. complex governance, lack of accountability or responsibility, lack of urgency). • The Council does not embed climate & sustainability in decision making, or service delivery. • The response to the climate crisis across Fife is not implemented at pace / quickly enough. <p>Which may result in:</p> <ul style="list-style-type: none"> • Negative impacts on the community. • Asset damage / shorter lifecycle of assets, especially due to flooding. • Health & safety risks, e.g. in heatwaves, snow, ice or floods landslips. • Financial costs. • Legal costs and reputational damage if perceived not to have acted or to have been otherwise liable. • The Council does not meet its targets to reduce carbon emissions. • The Council does not meet its legal obligations to adapt to the impacts of climate change. • The Council and the wider community do not adapt or prepare for increased frequency or severity of severe weather events. 	<p>Risk factors include:</p> <p>Responding to the risks posed by climate change has two dimensions: mitigation and adaptation:</p> <ul style="list-style-type: none"> • Mitigation (cutting emissions): we need to avoid the most unmanageable impacts of a changing climate by making significant cuts to greenhouse gas emissions before we cause a dangerous, irreversible degree of warming. • Adaptation (adapting society to cope with climate impacts): because of time lags in the atmospheric system we know that up to 2 degrees centigrade of warming is already inevitable over the coming decades (as a result of historic emissions) therefore we need to manage these unavoidable impacts of climate change by increasing the preparedness of our society and the resilience of our infrastructure and services. 		<p>20</p>
		<p>Impact</p>	<p>Residual Risk Matrix</p> 	<p>16</p>
		<p>Potential impacts include:</p> <ul style="list-style-type: none"> • Financial penalties. • Additional costs and missed opportunities. • More pollution. • Communities will suffer (e.g. flooding and unprotected coastline may cause damage to property assets and could lead to loss of life / injury). • A poor legacy for future generations. • Economic damage. • Loss of natural capital / essential ecosystem functions. • Legal challenge. • Poor reputation. 	<p>Target Risk Matrix</p> 	<p>8</p>






	• Loss of trust in the Council's ability to deliver its commitments.			
Managed by	Ken Gourlay	Assigned To	Pam Ewen	
Last Reviewed	09-Nov-2022	Next Review Due	15-Feb-2023	
Internal Control Code	Internal Control Title	Effectiveness in relation to this Risk		
RT047	10 Year climate change / adaption programme	Partially Effective		
FC114	Systematic Inspections	Fully Effective		
RT052	Planned actions (new budget Climate Change Adaptation) to deliver intervention projects e.g., East Neuk, Tayport, Newburgh and Kincardine	Partially Effective		
RT053	Inspection and maintenance of coastal protection measures.	Fully Effective		
RT054	Implement 6 Year Programme of Local Flood Risk Management Plans.	Partially Effective		
RT055	Present reports for Flood Risk Management to Policy Advisory Group, Executive Committee and Elected Members.	Fully Effective		
RT056	Dunfermline and Iron Mill Integrated Catchment Study (with SW) Levenmouth Integrated Catchment Study (with SW).	Partially Effective		
RT048	Carry out drainage impact and flood risk assessments for development control advice.	Fully Effective		
RT051	Ensure operational plans are adequate and resources are in place to meet the demands of flooding and winter weather arising from climate change.	Fully Effective		
RT057	Complete delivery of Dunfermline Flood Prevention Scheme.	Fully Effective		
RT049	Undertake coast protection feasibility studies on a prioritised basis and provide advice to outside bodies or other Council Services.	Fully Effective		
FRS001	PROMASTER	Partially Effective		
FRS002	Flood pods.	Partially Effective		
FRS003	Emergency refuges.	Partially Effective		
FRS004	COMIS	Partially Effective		
FRS005	Emergency response plans.	Partially Effective		

Appendix B (Cont'd)

FRS006	Fife Local Resilience Partnership.	Partially Effective	
FRS007	The Scottish Flood Forecasting Service.	Partially Effective	
FRS008	Schedule 18 activities (assessment and clearance of waterways to reduce flood risk).	Partially Effective	
FRS009	Stitch in Time.	Partially Effective	
FRS010	Pre-flood checking.	Partially Effective	
FRS011	Geographic separation of Council data centres.	Partially Effective	
FRS012	Use of Vaisala meteorological data to inform weather sensitive activities.	Partially Effective	

Risk Code & Title	Risk Description	Risk Factors		Inherent Risk Matrix	Inherent Risk Score
<p>8. FC007 Legal and Regulatory Compliance</p>	<p>As a result of:</p> <ul style="list-style-type: none"> • Failing to keep up to date with: <ul style="list-style-type: none"> ➢ Legislative changes. ➢ Government policy changes. ➢ Regulatory changes. <p>There is a risk that:</p> <ul style="list-style-type: none"> • The Council is unaware of changes to the national legislative, policy & regulatory framework. • The Council does not plan effectively to meet these changes. <p>Which may result in:</p> <ul style="list-style-type: none"> • Staff being unaware of legislative and regulatory obligations and a changed policy environment. • The Council being non-compliant with applicable legislation or regulation. • Negative impact on service delivery and service users. • Negative impact on resources. • Reputational damage / loss of trust in the Council. • Potential for legal action against the Council or other challenges to processes & decisions. 	<p>Risk factors include:</p> <ul style="list-style-type: none"> • Compliance with current legislation. • Preparation for compliance with new legislation and regulation. • Effective horizon scanning. • Communication and training on new legislation. 			12
		<p>Impact</p>		<p>Residual Risk Matrix</p>	
				6	
		<p>Potential impacts include:</p> <ul style="list-style-type: none"> • Increase in number of legal actions against the Council for legislative or regulatory non-compliance. • Increase in number of legal actions which the Council cannot defend or is unsuccessful in defending for legislative or regulatory non-compliance. • Increase in number of audit actions relating to legislative or regulatory non-compliance. • Increase in number of financial penalties imposed on the Council following legislative or regulatory non-compliance. 		<p>Target Risk Matrix</p>	<p>Target Risk Score</p>
<p>Managed by</p>		Eileen Rowand	<p>Assigned To</p>	Lindsay Thomson	
<p>Last Reviewed</p>	04-Nov-2022	<p>Next Review Due</p>	15-May-2023		
<p>Internal Control Code</p>	<p>Internal Control Title</p>			<p>Effectiveness in relation to this Risk</p>	




Appendix B (Cont'd)

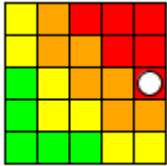
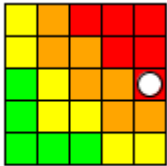
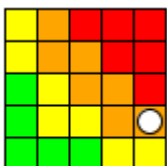
LD012	COSLA Guidance	Fully Effective	
LD013	Horizon Scanning	Fully Effective	
LD014	Monitoring Committee Agendas	Fully Effective	
LD015	Compulsory Professional Development	Fully Effective	
FC063	Knowledge Management	Partially Effective	

Appendix B (Cont'd)













Risk Code & Title	Risk Description	Risk Factors	Inherent Risk Matrix	Inherent Risk Score
9. FC019 Political	<p>As a result of:</p> <ul style="list-style-type: none"> Lack of adherence to, or a lack of knowledge or understanding of, the Council's governance arrangements and/or the external regulatory environment. <p>There is a risk that:</p> <ul style="list-style-type: none"> There is a failure to adhere to the Council's governance arrangements by Members or a breach of the Councillors Code of Conduct. <p>Which may result in:</p> <ul style="list-style-type: none"> Ineffective decision making. Sanctions against individual members (by Standards Commission). Reputational damage (Council & Member). 	<p>Risk factors include:</p> <ul style="list-style-type: none"> Attendance at training by Councillors. Seeking guidance from Officers. Regular Review of Council Governance documents. 		9
			Residual Risk Matrix	Residual Risk Score
				6
			Target Risk Matrix	Target Risk Score
		Impact	Target Risk Matrix	Target Risk Score
		<p>Potential impacts include:</p> <ul style="list-style-type: none"> No of complaints regarding Councillor behaviour upheld. No of judicial reviews based on failures in decision making. 		6
Managed by	Eileen Rowand	Assigned To	Lindsay Thomson	
Last Reviewed	04-Nov-2022	Next Review Due	15-May-2023	
Internal Control Code	Internal Control Title		Effectiveness in relation to this Risk	
LD001	Acceptance of Office		Fully Effective	
LD006	Registers of Councillors interests		Partially Effective	
LD002	Standards, Audit and Risk Committee monitoring arrangements		Fully Effective	
LD003	Standards Commission Guidance		Fully Effective	

Appendix B (Cont'd)

LD004	Code of Conduct for Members and Officers	Fully Effective	
LD005	Councillor Induction Process	Partially Effective	
LD007	Elected members development focus group & ongoing training programme	Partially Effective	

Risk Code & Title	Risk Description	Risk Factors	Inherent Risk Matrix	Inherent Risk Score
<p>10. FC020 Safety and Protection</p>	<p>As a result of:</p> <ul style="list-style-type: none"> • Failure to implement the CONTEST agenda. • Failure to deliver the Prevent Duty Guidance for Scotland. • Failure to strengthen protection against terror attacks considering building security, cyber, security, staff safety. • Failure to mitigate the impact of a terrorist attack when the attack cannot be stopped, through Business Continuity and Resilience. • Failure to engage with the Serious Organised Crime Taskforce, and to implement the Serious Organised Crime Strategy. • Failure to protect vulnerable communities and businesses from becoming involved in extremism and serious organised crime. • Failure to deliver Community Safety Services. • Failure to prepare for a terrorist attack. <p>There is a risk that:</p> <ul style="list-style-type: none"> • We are not prepared to take action to minimise or prevent terrorist attacks or Serious Organised Crime. <p>Which may result in:</p> <ul style="list-style-type: none"> • There will be a detrimental effect on people's physical and mental wellbeing. • An inadequate response to terrorist attacks. • Failure to have appropriate measures in place to deter Serious Organised Crime, and to divert individuals from engaging in, or using the products from Serious Organised Crime. • Failure to identify potential terrorist activity or Serious Organised Crime. • Staff are not aware of the importance of or how to report potential terrorist activity or Serious Organised Crime. • Major Service Failure. • Loss of Life. 	<p>Risk factors include:</p> <ul style="list-style-type: none"> • Lack of collaboration at strategic level. • Lack of understanding around individual parties' role to deliver CJOIP. • Reduction in frontline service budgets. • Profile of community safety is diluted. • Ability to diversify to meet changing priorities. • Alignment to Plan for Fife. • Lack of joined up approach. • Diverse area affected - HR/Trading Standards/CJs/Children & Families/H&SC/BTS etc. • Lack of Staff Training and Awareness – how to report terrorism concern or radicalisation concern, reporting processes, building security, move to critical plan, resilience plans, cyber security, bomb threats and suspicious packages. 	<p>Likelihood</p>  <p>Impact</p>	15
		<p>Impact</p>	<p>Residual Risk Matrix</p> <p>Likelihood</p>  <p>Impact</p>	15
		<p>Potential impacts include: Increase in incidents of:</p> <ul style="list-style-type: none"> • Unintentional harm within the home. • Crime and antisocial behaviour. • Environmental offending. • Road traffic collision/injury/death. • Offending and re-offending. • Violence against women. • Fear of crime. • Drug/human trafficking. • Child sexual exploitation. • High value fraud. • Cyber-crime. • Modern slavery. • Bomb threats/suspect packages. • Infiltration from Serious Organised Crime groups. 	<p>Target Risk Matrix</p> <p>Likelihood</p>  <p>Impact</p>	10

Appendix B (Cont'd)

	<ul style="list-style-type: none"> • Catastrophic impact on our communities. • A threat to resources and public security. • Negative feelings/perceptions of safety within their communities. • Misuse of Council resources. 	<ul style="list-style-type: none"> • Vulnerable people being radicalised. • Terror Attacks. • Fear of crime. • Death. • Loss of staff. • Disruption to Service. • Economic impact on Fife. <p>Decrease in incidents of:</p> <ul style="list-style-type: none"> • Community disposals. • Supports available to those with Criminal Justice experience. 		
Managed by	Steven Grimmond	Assigned To	Charlie Anderson; Michael Enston; Eileen Rowand	
Last Reviewed	09-Nov-2022	Next Review Due	15-Feb-2023	
Internal Control Code	Internal Control Title			Effectiveness in relation to this Risk
FC015	Whistleblowing Guidance			Partially Effective 
FC008	Code of Conduct			Partially Effective 
BTS016	Scottish Government Cyber Resilience Strategy			Partially Effective 
FC001	Fife Council CONTEST Group			Partially Effective 
FC002	Strategy and Response Plan for the Prevention and Detection of Fraud and Corruption			Partially Effective 
FC003	Community justice Outcome Improvement Plan			Partially Effective 
FC004	Corporate Fraud Awareness Sessions for Procurement staff (including Delegated Procurement Authority)			Partially Effective 
FC005	CONTEST Awareness Training			Partially Effective 
FC006	Fraud Risk Review Plan			Partially Effective 
FC007	'Fraud – A Guide to Your Role' Publication			Partially Effective 
FC009	Community Safety Strategy			Partially Effective 
FC010	Fife Community Safety Partnership			Partially Effective 






Appendix B (Cont'd)

FC012	Multi-Agency Fife CONTEST Group	Partially Effective	
FC014	PREVENT reporting process	Partially Effective	
FC016	Corporate Fraud Strategy and Response Plan	Partially Effective	

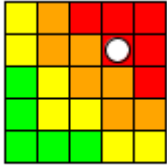
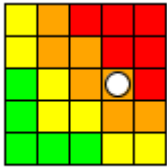
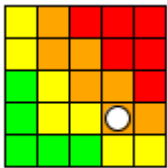
Appendix B (Cont'd)

Risk Code & Title	Risk Description	Risk Factors	Inherent Risk Matrix	Inherent Risk Score
11. FC026 Protection of adults at risk of harm and vulnerable children	As a result of: <ul style="list-style-type: none"> Impact of COVID on individuals & families' wellbeing. Impact of COVID on workforce to deliver for children & families. Lack of workforce capacity to meet service demands. Failures within a 3rd sector or independent provider meaning they are unable to fulfil their obligations. Managerial capacity to demonstrate compliance of ongoing robust practice. Individual error / negligence. There is a risk of: <ul style="list-style-type: none"> A failure to protect adults at risk of harm and vulnerable children. Which may result in: <ul style="list-style-type: none"> Significant harm to individuals. Potential harm, injury, or death of service users. Exploitation of children or adults. Impact on Fife employees. Legal costs & litigation. Loss of public trust in Council. Loss of public trust in partners, e.g., NHS or IJB. 	Risk factors include: <ul style="list-style-type: none"> External risk factors could be increased due to impact of COVID and the wider economic impact across Fife. Lack of resilience in carers & families. Lack of active visibility of vulnerable adults/children within usual services/community provision due to lockdown. These are demand led services and can result in sudden increases in workloads leading to stretched resources or lack of capacity. 		16
			Residual Risk Matrix	Residual Risk Score
				16
			Impact	Target Risk Matrix
		Potential impacts include: <ul style="list-style-type: none"> Harm to vulnerable children and adults at risk of harm. Damage to Council reputation. Loss of public confidence in the Council's ability to deliver care services. Loss of confidence could also extend to partners, e.g., IJB, HSCP, & NHS. 		12
Managed by	Nicky Connor; Carrie Lindsay	Assigned To	Kathy Henwood; Rona Laskowski; Maria Lloyd; Avril Sweeney	
Last Reviewed	03-Nov-2022	Next Review Due	15-Feb-2023	
Internal Control Code	Internal Control Title	Effectiveness in relation to this Risk		
FC107	Child Protection Committee	Fully Effective		✔
FC110	Adult Support and Protection Committee	Fully Effective		✔
FC060	Fife Children Services Plan	Fully Effective		✔
FC064	Chief Officers Public Safety Group	Fully Effective		✔















Appendix B (Cont'd)

FC065	Workforce Resilience / Planning - Issues with accommodation / move to blended working and having the right equipment and lone working	Partially Effective	
FC066	Commissioning Practice	Partially Effective	
FC067	Support for Unpaid Carers	Partially Effective	
FC068	Management Controls	Partially Effective	
FC074	Weekly Assurance Meeting	Partially Effective	

Appendix B (Cont'd)

Risk Code & Title	Risk Description	Risk Factors	Inherent Risk Matrix	Inherent Risk Score
<p>12. FCS001 Financial Sustainability</p>	<p>As a result of:</p> <ul style="list-style-type: none"> Inadequate funding for Plan for Fife Opportunities including our statutory responsibilities. Unplanned Expenditure. Savings or efficiencies not being delivered. Increased demand for services. <p>There is a risk that:</p> <ul style="list-style-type: none"> The Council - and its partners - fail to deliver Plan for Fife ambitions. The Council's Financial sustainability is compromised. <p>Which may result in:</p> <ul style="list-style-type: none"> A failure to meet the needs of communities. A failure to address inequalities. Customer/Citizen dissatisfaction with the Council. Reputational Damage. 	<p>Risk factors include:</p> <ul style="list-style-type: none"> Increased inflation impacting both revenue and capital. Inadequate financial and treasury management and budgetary control. Changes to external central government funding process. Failure to plan and budget appropriately. Failure to maximise alternative sources of funding. Compliance with primary legislation. Universal Credit. Reducing Government Grant and / or loss of income. Failure to contain expenditure within budget. Temporarily increased levels of balances. Level of UK Government borrowing to fund pandemic. Potential removal of statutory mitigation for Capital Accounting. Recovery from Covid Pandemic. Impact of EU Exit. 	 <p>Likelihood</p> <p>Impact</p>	<p>16</p>
		<p>Residual Risk Matrix</p>	<p>Residual Risk Score</p>	
		 <p>Likelihood</p> <p>Impact</p>	<p>12</p>	
		<p>Target Risk Matrix</p>	<p>Target Risk Score</p>	
<p>Impact</p>	<p>Potential impacts include:</p> <ul style="list-style-type: none"> Poor public perception of spending decisions. Service provision severely curtailed, or failure to provide a service. Low staff morale. Inability to meet objectives. Loss of income. Legal action. Overspending. Poor decision making. Inability to meet increased demand for services. External Audit action. Could potentially impact the Council's core funding. Reduced Government Grant due to increased borrowing for pandemic. 	 <p>Likelihood</p> <p>Impact</p>	<p>8</p>	

















Appendix B (Cont'd)

		• Inability to enhance existing assets and restrict new investment.		
Managed by	Eileen Rowand	Assigned To	Elaine Muir; Laura C Robertson	
Last Reviewed	04-Aug-2022	Next Review Due	16-Dec-2022	
Internal Control Code	Internal Control Title	Effectiveness in relation to this Risk		
FC080	Capital Investment Plan	Fully Effective		
FC083	Corporate Governance Framework	Fully Effective		
FC084	Audit Plan	Fully Effective		
FC085	Financial Regulations	Partially Effective		
FC086	Budget Process	Partially Effective		
FC106	Long Term Budget Planning Model	Partially Effective		
FC073	Medium Term Financial Strategy	Partially Effective		
FC018	HRA Business Account	Fully Effective		
FC019	Budget Monitoring	Fully Effective		
FC046	Scenario Planning	Partially Effective		
FC132	Investment Strategy Group	Fully Effective		
FC133	Capital Strategy	Partially Effective		
FC134	Financial Risk Register	Fully Effective		
FC135	Reconciliation Framework and Monitoring	Partially Effective		

Appendix B (Cont'd)

Risk Code & Title	Risk Description	Risk Factors	Inherent Risk Matrix	Inherent Risk Score
13. HR005 Health, Safety and Wellbeing	As a result of: <ul style="list-style-type: none"> Capacity to address H&S as a priority. Attitude / perception that H&S is not a priority. Lack of clarity or understanding of roles and responsibilities. Lack of leadership & priority given to health, safety & wellbeing. Failing to establish, update, deploy or maintain effective health and safety systems, risks identification and risk mitigation measures. There is a risk that: <ul style="list-style-type: none"> Accident, injury or harm to a member of staff, service user, contractor or other 3rd party occurs. Which may result in: <ul style="list-style-type: none"> Specified injury. A fatality. Harm. Dangerous occurrence. Notifiable disease. Increased work-related stress. Absences. Loss of productivity. Fines. Regulatory investigations. Prosecution by HSE. Claims / litigation against the Council. Legal costs for the Council. Talent exiting the organisation early, and associated costs. Reputational damage. 	Risk factors include: <ul style="list-style-type: none"> Insufficient support in terms of induction, training and development. Lack of knowledge of regulation affecting work with vulnerable groups. Failure to comply with disclosure and Fife Council procedures. 		16
			Residual Risk Matrix	Residual Risk Score
				16
			Impact	Target Risk Matrix
		Potential impacts include: <ul style="list-style-type: none"> Accident reported. HSE report if RIDDOR reportable. Absent from work or activity. Accident Investigation (plus potential HSE or police investigation). Service disruption until duties are covered. Negative press coverage. 		12
Managed by	Eileen Rowand	Assigned To	Barbara Cooper; Sharon McKenzie	
Last Reviewed	03-Nov-2022	Next Review Due	15-Feb-2023	

Appendix B (Cont'd)

Internal Control Code	Internal Control Title	Effectiveness in relation to this Risk	
FC089	Health and Safety Policy	Fully Effective	
FC090	Health and Safety Framework Document	Partially Effective	
FC091	Corporate Health and Safety Strategy Group (CHSSG)	Fully Effective	
FC092	Senior Managers H&S Training Programme	Partially Effective	
FC093	Health Surveillance Programme	Partially Effective	
FC094	Health and Safety Training programme	Partially Effective	
FC017	Public Health Scotland Guidance - COVID 19	Fully Effective	
FC050	Council Health & Safety Guidance	Fully Effective	
FC051	Committee / CET Reporting	Fully Effective	
FC052	Fire Strategy & Action Plan	Partially Effective	
FC053	Service & Directorate Health & Safety Forums	Fully Effective	
FC054	Supporting Mental Health at Work Policy	Partially Effective	
FC055	Organisational Stress Risk Assessment	Partially Effective	
FC056	Talking Points	Partially Effective	
FC057	Mandatory Mentally Healthy Workplace Training	Partially Effective	
FC058	Occupational Health & Counselling Provision	Fully Effective	

RISK MANAGEMENT IMPROVEMENT PLAN

Section A – Outstanding / Ongoing Actions

Action	Priority	Responsible Group / Team(s) / Officer(s)	Target Implementation Date	Status Update / Notes 20 October 22
2(e).	Medium			Not Implemented – future date, scheduled in Service Mgr - A&RMS calendar.
6.	High	RMSG Risk Mgt Team Perf & Imp Team	Original - 31 Aug 2022 Revised - 31 Mar 2023	Partially Implemented – Follow-up meeting to be arranged with Performance and Improvement Team re roles, triggers and content of system generated emails. Consideration needs to be given on an ongoing basis to the Council's strategic objectives, directorate / service-level risks and relevant partners' risks and put mechanisms such as triggers in place to support this.
7.	High	RMSG	30 Sep 2022	Partially Implemented – Risk Appetite survey issued and workshop to discuss results held with the RMSG on 26 Sept 22 to define Council's risk appetite. RMSG agreed risk management output on 5 Oct. To be considered / agreed at CET on 2 Nov and then submitted to Standards, Audit & Risk Committee for consideration / approval before it is incorporated into the RM Policy & Strategy document.
8.	High	Service Mgr - A&RMS	31 Aug 2022	Partially Implemented – presentations on Risk Management were delivered to Elected Members on 13 June and 30 August 2022. Further sessions to be offered to Elected Members who did not attend. Slide deck to be shared.
10(d).	High	Service Mgr - A&RMS Risk Mgt Team Leader	31 Mar 2023	Not Implemented – future date.
11.	Medium	Risk Mgt Team	Original - 30 Sep 2022	Partially Implemented – Initial meetings and discussions with Communities, Research

	and, if appropriate, update roles and			Revised - 31 Dec	Manager have taken place to consider the role of
12.	Develop and implement risk management procedures to support delivery of the revised Risk Management Policy & Strategy. The following to be considered as part of this exercise: <ul style="list-style-type: none"> • Risk Management Manual • Risk Management Maturity Model • Pentana procedures • Escalation procedures 	Medium	Risk Mgt Team	31 Dec 2022	Not Implemented – future date. Re escalation procedures - formal process for identifying and proposing, where appropriate, the potential escalation of risks from project-level risk registers, through Directorate-level risk registers to the Strategic Risk Register.
13(a).	Consider options and decide on a new standard approach re communicating potential risks to CET, DLTs and Elected Members in reports where decisions are required. E.g., incorporate into an Integrated Impact Assessment process utilising the PESTELO model.	Medium	Head of Legal & Democratic Services Service Mgr - A&RMS	31 Oct 2022	Not Implemented – future date.
13(b).	Take steps to ensure that the process agreed at 13(a) is implemented and consistently applied. Guidance should be developed to assist with this.	Medium	Head of Legal & Democratic Services	31 Mar 2023	Not Implemented – future date.
14(a).	Establish system functionality capabilities within Pentana with regards to risk registers as well as displaying and extracting risk information for presenting / reporting purposes. E.g., risk trees, dashboards, report layouts.	Medium	Risk Mgt Team P&IT	31 Dec 2022	Partially Implemented – risk register folders have been created in Pentana risk module, which improve the visibility and accessibility of risk registers for all users. Some work will be required to tidy up a few remaining risks which do not fit into registers. The standard risk report layout has been amended to include the inherent risk score, and risk matrices have been input to replace risk icons. This corrects an error caused by the risk icons. It also ensures the report is consistently aligned with guidance in the Strategy and Policy.
14(b).	Check to ensure integrity of system parameters and data within Pentana. E.g., scoring matrices.	Medium	Risk Mgt Team P&IT	31 Dec 2022	Partially Implemented – some changes have been made to provide additional permissions to users in relation to internal control access. This should help facilitate risk updates. Consideration is also being given to altering the default scoring matrix to provide users with guidance on scoring when performing assessments.

14(c).	Develop, in conjunction with key	Low			
14(d).	Develop, in conjunction with key stakeholders, the format of reports to be used when extracting data from Pentana and presenting to different audiences, including committee. How best to report risks alongside performance should be considered as part of this action.	Low	Risk Mgt Team P&IT	31 Mar 2023	Not Implemented – future date.
15(a).	Develop a comprehensive and targeted training and awareness programme for Council officers and, as appropriate, Elected Members to include: <ul style="list-style-type: none"> • Training on the use of Pentana (Risk module) should be provided to officers throughout the Council. • Staff induction process. • An e-learning module on risk management. • Refresher training. • Intranet pages / newsletters / videos. • Existing Gallagher Bassett course. 	Low	Risk Mgt Team P&IT Head of HR	31 Mar 2023	Not Implemented – future date.
15(b).	Consider whether any risk management training should be mandatory for all staff / certain groups of staff and how to monitor completion rates e.g. via Oracle.	Low	RMSG	31 Mar 2023	Not Implemented – future date. Consideration at RMSG then recommendations to CET for final decision.
16.	To complement existing project management processes and procedures, develop and approve a project management tool to help ensure consistency of approach regarding the requirement to develop and utilise risk registers for projects.	Low	RMSG Risk Mgt Team	31 Mar 2023	Not Implemented – future date.
17.	In line with the revised Policy & Strategy, ensure Risk Management is a regular item on directorate / service management team meetings.	Medium	RMSG Risk Mgt Team Perf & Imp Team	31 Dec 2022	Partially Implemented – Some directorates indicated in their update papers for 25 August RMSG meeting that Risk Management is a regular item.
18.	Work alongside directorates / services, supporting them to develop and embed	Medium	Risk Mgt Team	31 Mar 2023	Not Implemented – future date.

	<p>effective risk management arrangements locally.</p> <p>This will involve facilitating the development and continuous monitoring and maintenance of directorate / service-level risk registers, which will ultimately inform the Council's risk universe.</p> <p>Pilot approach within a couple of services initially, linking in with training and awareness programme at 15(a) when appropriate.</p>				
19.		Low	Risk Mgt Team	30 Jun 2023	Not Implemented – future date. This process will help identify where there are assurance gaps and where there is too much assurance for a risk / group of risks (in which case, it may be possible to re-direct resource to help bridge the gaps).
20.	<p>Monitor implementation of this Improvement Plan, providing regular updates to RMSG and when / where appropriate, to CET and Standards, Audit and Risk Committee.</p>	High	RMSG Risk Mgt Team		

Section B – Fully Implemented Actions

Action	Priority	Responsible Group / Team(s) / Officer(s)	Target Implementation Date	Status Update / Notes 30 Sept 22
1.	High			Fully Implemented – SRO, Executive Director of Finance and Corporate Services.
2(a).	High	SRO	30 Sept 2021	Fully Implemented – inaugural meeting of the new RMSG took place on 13 Sept 2021.
2(b).	High	SRO	30 Jun 2021	Fully Implemented – senior Council officers from the Council Leadership Team identified July 2021.
2(c).	High	SRO	31 Mar 2022	Fully Implemented – RMSG to meet on a quarterly basis, as detailed in the Risk Management Policy & Strategy document.
2(d).	High	Service Mgr - A&RMS	31 Mar 2022	Fully Implemented – Service Manager (A&RMS) / Risk Management Team Leader compiled formal remit for RMSG consideration and agreement. Agreed remit included in Policy & Strategy document.
2(e).	Medium	RMSG	31 Oct 2022	Fully Implemented – RMSG remit reviewed and updated to include responsibilities for mandatory learning.
3.	High	Service Mgr - A&RMS	31 Mar 2022	Fully Implemented – Service Manager (A&RMS) / Risk Management Team Leader compiled roles and responsibilities for RMSG consideration and agreement. Once agreed, these were included in Policy & Strategy document.
4(a).	High	Service Mgr - A&RMS	28 Feb 2022	Fully Implemented – Service Manager (A&RMS) / Risk Management Team Leader revised the Policy & Strategy on 25 March 22, which was then circulated for comment to SRO / Head of Finance / CET & RMSG. CET approved the revised Policy & Strategy on 8 April 2022.
4(b).	High	SRO	31 Mar 2022	

					Council's Standards and Audit Committee on 19 April 2022 for approval. Approval given.
4(c).	Detail formal review programme for the Risk Management Policy & Strategy document.	High	Service Mgr - A&RMS	31 Mar 2022	Fully Implemented – formal review programme set out in the Risk Management Policy & Strategy document. At least one comprehensive formal review during each administrative term, at intervals not exceeding five years.
5(a).	Carry out a comprehensive review of the Council's Strategic Risk Register.	High	CET	31 Mar 2022	Fully Implemented – following an initial survey facilitated by Zurich on strategic risks across all directorates and a virtual workshop with the Council Leadership Team to agree, score and prioritise strategic risks and confirm 'risk owners', a revised Strategic Risk Register was created.
5(b).	Ensure the Council's revised Strategic Risk Register is approved by a relevant Council committee.	High	SRO	30 Apr 2022	Fully Implemented – SRO submitted revised Risk Management Policy & Strategy to the Council's Standards and Audit Committee on 19 April 2022 for approval. Approval given.
9.	Relevant committee Terms of Reference to be considered from a risk management perspective.	High	Head of Legal & Democratic Services Head of Finance	30 Jun 2022	Fully Implemented – Terms of Reference for the new Standards, Audit and Risk Committee compiled and presented to full Council on 9 June 2022.
10(a).	Obtain approval to create a new Risk Management officer position within the Audit & Risk Management Services establishment.	High	SRO Head of Finance	31 May 2021	Fully Implemented – new Risk Management Co-ordinator post established.
10(b).	Following approval being obtained, compile and arrange evaluation of the new job role.	High	Service Mgr - A&RMS Risk Mgt Team Leader	31 Dec 2021	Fully Implemented – new job role compiled and evaluated. Signed off 16 May 2022 at Grade 8. Change of Establishment subsequently processed.
10(c).	Recruit full time Risk Management Co-ordinator.	High	Service Mgr - A&RMS Risk Mgt Team Leader	31 Jul 2022	Fully Implemented – New Risk Management Co-ordinator in post 5 September 2022.
14(e).	Ensure the new Risk Management Co-ordinator becomes an expert on Pentana.	High	Risk Mgt Team Leader	31 Dec 2022	Fully Implemented – Individual appointed to the role of Risk Management Co-ordinator has detailed knowledge of Pentana.

28th November, 2022

Agenda Item No. 6

Data Protection Annual Report

Report by: Head of Legal and Democratic Services

Wards Affected: All

Purpose

This is the 2021/22 annual report highlighting key data protection statistics for Fife Council, major developments in relation to data protection law and practice and Fife Council data protection priorities. The report covers the period 1st April 2021 – 31st March 2022.

Recommendation(s)

The Committee is asked to:-

1. Note 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 support services across the Council to develop processes and embed systems in a way that complies with the Councils data protection obligations.
2. Comment on the performance detailed in this report.

Resource Implications

This report does not have any resource implications.

Legal & Risk Implications

Failure to comply with UK GDPR impacts on the Councils ability to deliver efficient and effective services, and leaves the Council exposed to reputational damage, and potential enforcement action from the Information Commissioner's Office (ICO) which, for the most serious breaches can include monetary penalty notices of up to £17.5 million.

Impact Assessment

An IIA Checklist is not required as this is a performance report and does not recommend changes to Council policy and does not require a decision.

Consultation

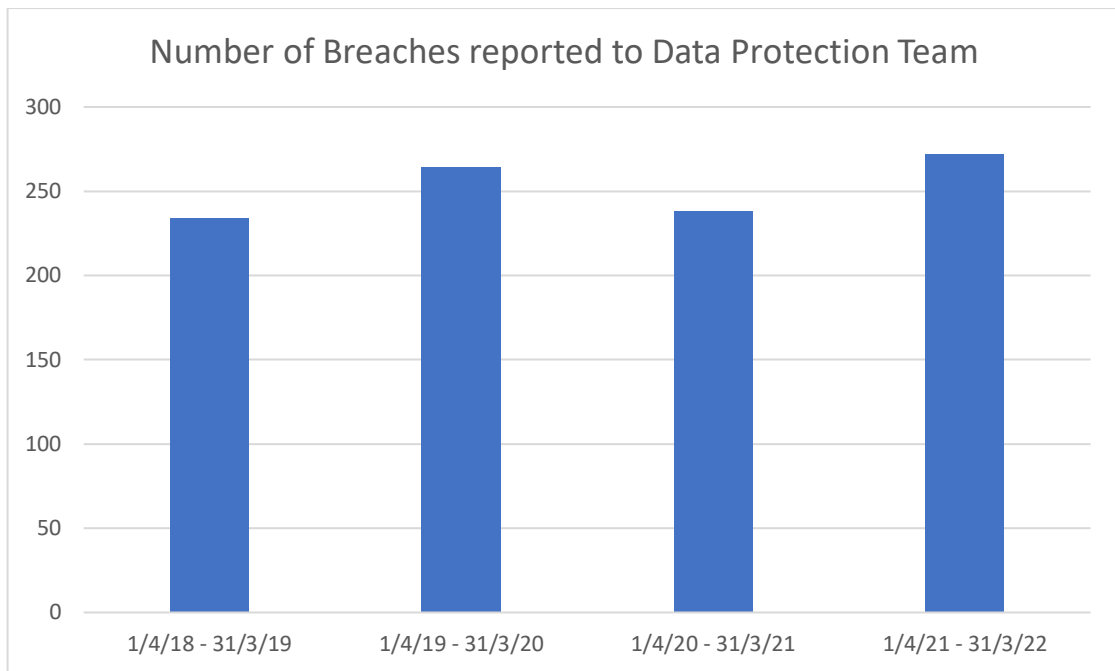
None

1.0 Background

- 1.1 Data Protection legislation in the UK includes the UK GDPR and the Data Protection Act 2018. Whilst the UK GDPR is largely the same as the EU GDPR at present, the UK Government has indicated that it intends to replace the UK GDPR with new data protection legislation which will aim to encourage growth in the digital economy and reduce the burden of compliance. The DPO and Data Protection Team continue to monitor developments in this field to ensure that the Council is prepared for the implementation of any revised legal framework.
- 1.2 During the period covered by this report, the DPO post became vacant and, for a period, the DPO's responsibilities were covered by the Head of Legal and Democratic Services and the Data Protection Team. The DPO post was advertised in January 2022 and the new DPO took up role in May 2022.
- 1.3 In supporting service delivery across the Council, a key priority for the Data Protection Team remains to promote and seek to embed good practice across all data processing activities and to ensure that data protection governance and accountability processes operate efficiently and provide effective assurance. Much of the focus of the team over the reporting period has been on supporting services where data is key to delivering pandemic recovery activities and activities to deliver the Plan for Fife.
- 1.4 Data Protection statistics continue to be reported to the Information Governance Working Group and the ICT Governance Board quarterly together with any recommended actions. This report summarises the key data protection statistics.

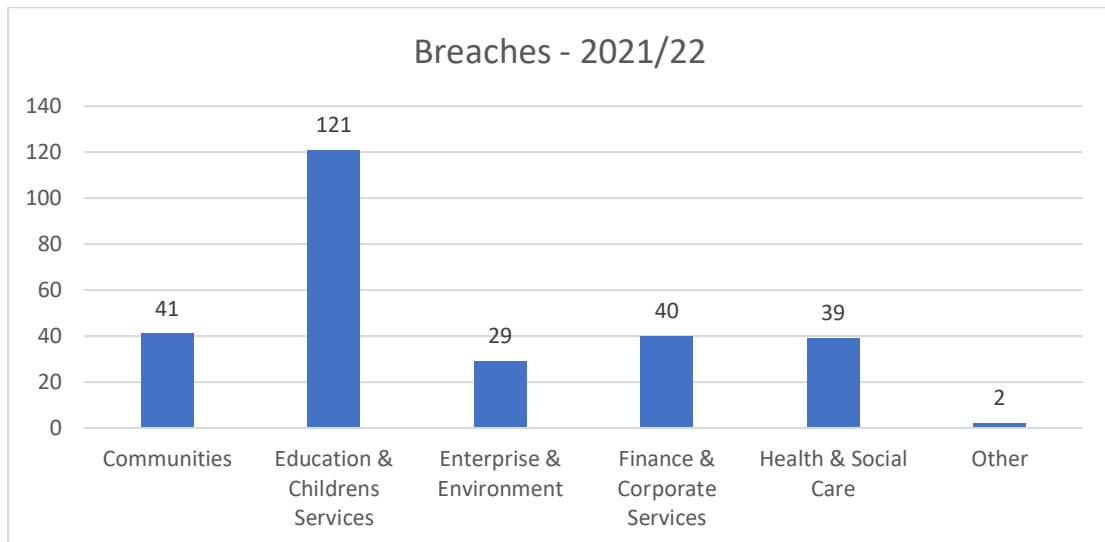
2.0 Personal Data Breaches

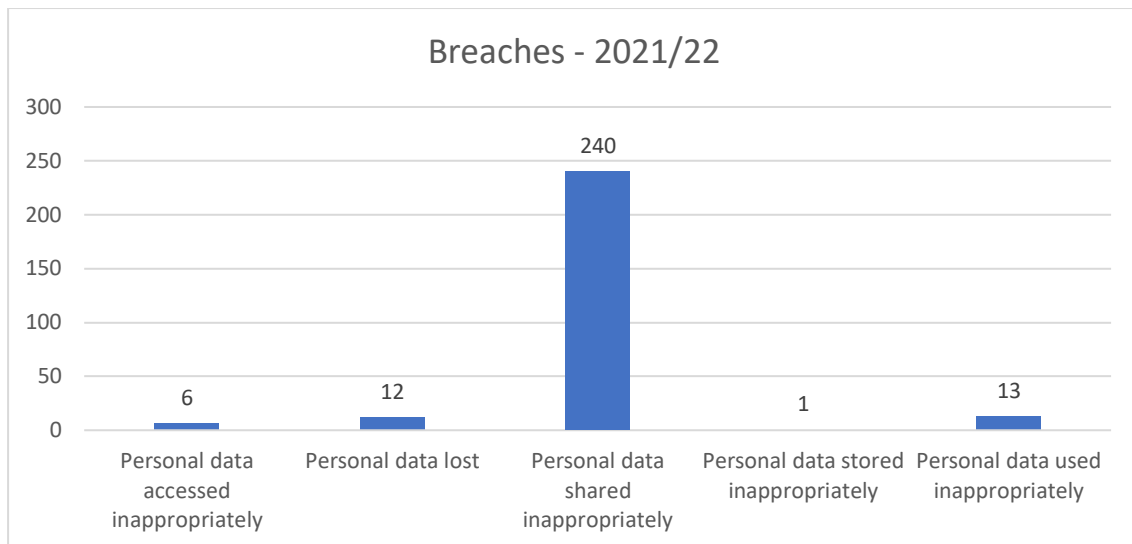
- 2.1 Personal Data Breaches must be reported to the Information Commissioner's Office within 72 hours where it is likely to result in a risk to people's rights and freedoms. Where a data protection concern has been reported but does not comprise a breach, this is recorded as a Data Protection Incident. Whilst the team record both incidents and breaches, the statistics reported below are of breach figures only. The following represents a comparison between the number of data protection breaches received in each of the past four years:



2.2 As can be seen in the chart, there has been a slight increase in the number of breaches reported in 2021/22 when compared to previous years, albeit the figure is very similar to those previously recorded. There are no obvious causes for the increase noted from an analysis on the reports received.

2.3 The charts below illustrate the numbers reported per Directorate over the last year (1st April 2021 – 31st March 2022) and the reasons for the breaches:





- 2.4 In respect of the Directorates where breaches occur, given the volume of personal data processing undertaken in Education & Children’s Services, and the extent of direct contact with data subjects in that directorate, it is unsurprising that most breaches occur there.
- 2.5 In terms of the category of breaches, the Council (and other organisations including the Information Commissioner’s Office) has received most breaches within the “Personal Information Shared Inappropriately” category. This includes, for example, emails containing personal data being sent to the incorrect recipient.
- 2.6 The Data Protection Team has been monitoring trends in data protection breaches and uses this information to guide engagement with teams and across services. Recommendations are made in response to breaches and where repeated or significant breaches have been identified across the Council the team will ensure that proportionate and targeted communications are issued to staff.
- 2.7 As above, where a breach is likely to result in a risk to individuals rights and freedoms, it must be reported to the Information Commissioners Office. Of the 272 breaches identified in 2021/22, 3 met this definition and were reported to the ICO. Following investigation of each of these breaches by the ICO, no enforcement action or additional recommendations were issued to the Council.

3.0 Subject Rights Requests (excluding Subject Access Requests)

- 3.1 When GDPR was implemented in May 2018 it introduced additional data subject rights that individuals can request be enacted. These rights continue under the UK GDPR.

The Council continues to receive these requests, however, the rates are currently well below our breach or Subject Access Request statistics. Since these rights were introduced, the Council has received 37 Right of Erasure requests, 23 Right to Rectification requests, 1 Restriction of Processing request and 1 Right to Object request.

The responses provided to these requests are broken down as:

- a) Twenty upheld
- b) Twenty one not upheld
- c) Three withdrawn
- d) Eight ongoing
- e) Four partially upheld
- f) Six closed as no clarification received

- 3.2 Unlike subject access rights, the other data subject rights provided for under UK GDPR are not universal rights but instead apply only where certain types of processing are taking place. This is the reason that a majority of requests have not been upheld, because they cannot be applied to the nature of processing being done by the Council.
- 3.3 The Subject Access Request (SAR) performance has been captured within the Information Request Annual Report which was considered by the Committee at its last meeting.

4.0 Data Protection Training

- 4.1 Data Protection training is mandatory for all staff to complete when they join the Council and every two years of their employment. A Data Protection training module is available via Oracle Cloud. To cover staff who do not have access to Oracle Cloud, Toolbox talks are still available for Services.
- 4.2 The Council aims to achieve a completion rate of data protection training of 95%, which is in line with the recommendation of the ICO.
- 4.3 The Council wide rate of completion as at 31st March 2022 was **60%**.

It can be seen that this is a significant improvement from 31st March 2021 (when the Council wide completion rate was 39%), and further improvement has been seen since (although outwith the reporting period of this report, the latest reported figure, as at 31st August 2022 is 65.43%). However, this is still some way below target and addressing this gap remains a priority within the data protection team.

- 4.4 The Directorate level completion rates as at 31st March 2022 were:

Communities	62% (up from 41% as at 31/03/21)
Education & Children Services	68% (up from 43% as at 31/03/21)
Enterprise & Environment	33% (up from 23% as at 31/03/21)
Finance & Corporate Services	78% (up from 70% as at 31/03/21)
Health & Social Care	69% (up from 38% as at 31/03/21)

- 4.5 It is recognised that these completion rates largely reflect online training completion only and do not, for example, report on the completion of toolbox talks (largely within Enterprise & Environment). The Data Protection Team are engaging with colleagues in HR to determine how to reflect manual training completions within overall figures. In addition, the Data Protection team continues to review and analyse completion reports to determine where focussed activity to encourage training completion is needed and services are asked at every Information Governance Working Group and ICT Governance Board to ensure that staff are reminded to undertake the mandatory Data Protection Training and to check whether this has been done within the last 2 years.

5.0 Conclusion

- 5.1 The Data Protection Team continue to monitor the Data Protection breaches and recommend relevant steps to address any repeated breaches.
- 5.2 Training statistics remain fairly low despite concerted efforts in 2021/22 to improve uptake, and continuing to seek to improve these will remain a priority for the data protection team in the coming year.

List of Appendices

None

Background Papers

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

None

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29th November, 2022

Agenda Item No. 7

Regulation of Investigatory Powers (Scotland) (RIPSA) Act 2000

Report by: Executive Director – Finance and Corporate Services

Wards Affected: All

Purpose

To update Members on the exercise of regulatory powers and the outcome of the recent inspection.

Recommendation(s)

The Committee is asked to note:-

1. that there have been no applications for RIPSA authorisation since the date of the last report to the Committee in December 2021
2. that Fife Council received a positive inspection on its processes, procedures and previous use of investigatory powers from the Investigatory Powers Commissioner and
3. the follow up work which has been carried out since the inspection.

Resource Implications

Compliance with the Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) is covered within the overall operational cost of Legal & Democratic Services, the Customer Services Development Team 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 without 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 without the statutory framework.

Impact Assessment

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

Consultation

There has been no consultation required 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 RIPSAs 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 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. There was a remote inspection carried out at the beginning of this year and in March 2022 the Commissioner wrote to the Chief Executive to confirm that there were no recommendations for improvement and that he recognised several areas of good practice identified during the inspection. The inspection process required the submission of evidence and a questionnaire and then an interview with the Executive Director as Senior Responsible Officer, the Head of Legal and Democratic Services as the Authorising Officer and the RIPSAs Coordinator for the Council. There were a small number of areas for improvement which the Commissioner suggested be considered and this report summarises those changes for elected members.
- 2.2 In preparation for the inspection the RIPSAs working group met and discussed two potential areas for performance improvement. The first of those was refresher training and a new course has now been designed and is ready to be delivered. There were some new staff due to start in the trading standards team over the last few months and training will take place once those staff members are settled into their roles. The group also looked at how it might further develop its records management approach using Sharepoint. These changes were made more necessary to respond to changes in the Council's working practices as a result of the pandemic.
- 2.3 The Commissioner noted in the outcome of this year's inspection that the advice provided to the Council as part of the 2018 inspection had been adopted. The other matters which were identified by the Commissioner for further consideration were as follows:-

1. Wider awareness of the oversight and auditing of the use of social media as an investigative resource. The RIPSAs working groups will determine the next steps to address this issue when it meets again next month
2. The review of the RIPSAs policy and procedure. This has been completed and signed off.
3. The designing of a RIPSAs landing site on the Council's intranet. This has been launched and the revised policy and procedure are available on the landing page
4. The development of Sharepoint to log and store authorisations. This had been anticipated prior to the inspection and has also now been designed, is operational and is in line with the relevant Code of Practice.

The Commissioner also asked that progress made against these improvements are reported to elected members and so this report fulfils that requirement. The statutory Code of Practice on the use of these powers recommends regular reporting to Elected Members on the Council's use of RIPSAs. Whilst the Code suggests that reporting on the use of RIPSAs 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 As indicated above, since the last report to Committee there have been no applications for authorisation of the use of investigatory powers in 2022 to date. This continues the position reported in December 2021 that there had been no applications made in 2021 either. In 2019, there were 12 applications for use of RIPSAs powers; all came from Trading Standards, and only one in 2020, so there is a trend of the Council not using these statutory powers recently. This had been attributable in part to the teams that usually make these applications being diverted to other duties as a result of the pandemic. This will be raised at the working group for further consideration and there may be an increased use of these powers reported next year.

3.0 Conclusions

- 3.1 The Council makes very infrequent use of its powers under RIPSAs but the use of these powers remains an important tool for the Council. Compliance with the legislative and Code of Practice requirements is overseen by the Investigatory Powers Commissioner and the recent inspection outcome is a positive one for the Council.
- 3.2 In accordance with the Scottish Government's Code of Practice, regular reporting to Elected Members on the use of RIPSAs will continue on an annual basis, unless there is a significant increase in the number of applications for authorisation, which will result in an earlier report.

Background/

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
- Fife Council's revised Policy and Procedure for RIPSAs applications

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28th November, 2022
Agenda Item No. 8

The Acting Ethical Standards Commissioner for Scotland Annual Report 2021/22, the Standards Commission for Scotland (the Commission) Annual Report for 2021/22; and Decisions taken by the Hearing Panel of the Commission

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

Wards Affected: N/A

Purpose

The purpose of this report is to advise Committee that the Acting Ethical Standards Commissioner for Scotland and the Standards Commission for Scotland have both published their annual reports for 2021/22; 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 Acting Ethical Standards Commissioner for Scotland Annual Report for 2021/22;
- (2) the Standards Commission for Scotland Annual Report 2021/22
- (3) 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 if required; and
- (4) that there have been no hearings related to a Fife Council Councillor in 2021/22.

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 Ethical Standards Commissioner and 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.

This work related to strategic risk FC0019.

Impact Assessment

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

Consultation

None

1.0 Annual Reports 2021/22

Acting Ethical Standards Commission for Scotland

- 1.1 The Acting Ethical Standards Commissioner for Scotland recently published his annual report for 2021/22. Members will be aware that the role of the Ethical Standards Commissioner for Scotland is to investigate complaints made against councillors (amongst others) and more generally to encourage fairness, good conduct and transparency in public life in Scotland. A copy of the annual report for 2021/22 can be found [ESC Annual Report 2021-22 | Ethical Standards Commissioner](#).
- 1.2 Of particular interest to members will be:
 - (a) the statistics set out at pages 15-17 which indicate that of the 26 cases which were fully investigated and referred for consideration by the Standards Commission for Scotland only 5 resulted in the SCS accepting that a recommendation from the Commissioner that there had been a prima facie breach of the Code of Conduct and
 - (b) there were no interim reports seeking suspension during 2021/22.
- 1.3 Members may also wish to note that the acting Commissioner has drawn attention to the following matters in his report
 - (a) the high volume of complaints that are received by the Commissioner's office, the backlog of triaging complaints and the lower completion rate for complaints;
 - (b) that more complaints are received from members of the public than any other source and that more complaints are made about disrespect than any other subject matter. Complaints regarding regulatory and quasi-judicial matters also feature highly;
 - (c) the Commissioner is currently consulting on an Investigation Manual with responses due on 28 November 2022 [Consultation Questionnaire - Investigations Manual | Ethical Standards Commissioner](#) and the Commissioner has also published a revised Strategic Plan and Business Plan in the period 2021/22 and
 - (d) that the last 12 months have been a very challenging period of time for the organisation; it is described by the Commissioner in his foreword as "almost broken" and that the work undertaken to address the issues has been like

“rebuilding a plane in flight”. The Commissioner does take the view that the organisation is now on the road to recovery.

Standards Commission for Scotland

- 1.4 The Standards Commission for Scotland also recently published its annual report and accounts for 2021/22 and a copy of this report can be accessed at the Standards Commission for Scotland website:
[1663665971SCS Annual Report 20212022 final.pdf](https://standardscommissionscotland.org.uk/1663665971SCS%20Annual%20Report%2020212022%20final.pdf)
(standardscommissionscotland.org.uk)
- 1.5 Of particular interest to members will be:
- (a) the statistics set out from page 19 of the report summarising decisions on case reports, hearings, sanctions, appeals and timescales for the process;
 - (b) in the 5 cases heard by the Commission in 2021/22 (down from 14 the year before), there was only 1 finding of a breach of the Councillors’ Code of Conduct resulting in 1 disqualification. This concerned the same case as referred to the previous year which had been remitted back to the Standards Commission as they had heard the first case in the respondent’s absence. There were 3 cases in which the Commission determined that a breach finding and sanction would not be proportionate and 1 finding of no breach and
 - (c) there were 19 cases considered by the Commission which required no further action (so no hearing was held as there was no alleged breach of the code after the investigation). One of these cases concerned a Fife Councillor.
- 1.6 Members may also wish to note that key objectives of the Commission in 2021/22 were:
- (a) To have a positive impact on ethical standards in public life.
 - (b) To pursue continuous improvement in the ethical standards framework and the way we do our work.
 - (c) To pursue and develop strong relationships with our stakeholders.
 - (d) To ensure all stakeholders have easy access to high quality information about the organisation, its work, and any initiatives
- 1.7 Some of the key achievements set out by the Standards Commission this year include the development of the revised guidance notes and training information to support the introduction of the new Code of Conduct. The Commission will also now hold in-person meetings (hearings were held remotely during the period of the pandemic) unless there are criteria that would support a remote hearing. Further information on the work of the Commission can be found in section 3 of the report.

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 This year there are very few decisions from which to discern any learning. There was only 1 case in which a breach of the code was established and this concerned a Renfrewshire Council Councillor, The allegations against the Councillor were about harassment and bullying and they resulted in disqualification. This case had been heard in the absence of the respondent in 2020/21 and was subsequently successfully appealed on procedural grounds and remitted back to the Commission. In a re-hearing this year, the panel again found that the councillor should be disqualified. This case was appealed to the Sheriff Principal and the Standards Commission's decision was upheld and then further appealed to the Court of Session where the decision was upheld but the length of disqualification reduced to 10 months to align with the timetable of local government elections.
- 2.3 The full annual report gives a brief summary of all of the cases where there was no further action (referred to as "do neither cases" as there is neither further investigation nor a hearing). These cases are instructive in terms of the approach that the Standards Commission may take to allegations and any mitigation that is advanced. Members also receive the "Standards Update" by email which is a regular bulleting summarising the work of Standards Commission.

3.0 Conclusion

- 3.1 The summaries of cases and the activity of the Ethical Standards Commissioner and the Standards Commission for Scotland in the year 2021/22 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.

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Standards, Audit and Risk Committee
Forward Work Programme as of 21/11/2022 1/1

Standards, Audit and Risk Committee of 2 March 2023			
Title	Service(s)	Contact(s)	Comments
Minute			
Issued Audit Report Summaries	Finance and Corporate Services	Pamela Redpath	
Standards, Audit and Risk Committee Forward Work Programme			

Standards, Audit and Risk Committee of 25 May 2023			
Title	Service(s)	Contact(s)	Comments
Minute			
Issued Audit Report Summaries	Finance and Corporate Services	Pamela Redpath	
Post Audit Review (PAR) Report	Finance and Corporate Services	Pamela Redpath	
2023/24 Internal Audit Plan	Finance and Corporate Services	Pamela Redpath	
External Quality Assessment	Finance and Corporate Services	Pamela Redpath	
Standards, Audit and Risk Committee Forward Work Programme			
Data Protection Report	Finance and Corporate Services	Fiona Smyth-fc	

Unallocated			
Title	Service(s)	Contact(s)	Comments
Local Government in Scotland: Challenges and Performance			
Safeguarding & Self- Assessment Action Plan, including Committee Self- Assessment 2021-22		Pamela Redpath	
Financial Overview Report		Elaine Muir	May be used as training material, post LG Elections in May 22.
Regulation of Investigatory Powers Scotland (RIPSA) Act 2000	Finance and Corporate Services	Lindsay Thomson	Expected December 2023