

Standards, Audit and Risk Committee

Committee Room 2, Floor 5, Fife House, North Street,
Glenrothes / Blended Meeting



Thursday 9 November 2023 - 11.30 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 Standards, Audit and Risk Committee of 28 September 2023 3 – 5
4. **ISSUED AUDIT REPORTS** – Report by the Service Manager - Audit and Risk Management Services 6 – 10
5. **FIFE COUNCIL AND CHARITABLE TRUSTS - ANNUAL AUDIT REPORT AND AUDITED ACCOUNTS 2022-23** – Report by the Executive Director, Finance and Corporate Services
 - (a) Report by the Executive Director (Finance and Corporate Services) 11 – 13
 - (b) Fife Council and Charitable Trusts Annual Audit Report 2022-23 14 – 112
 - (c) Fife Council Annual Accounts 2022-23 113 – 188
 - (d) Fife Council Charitable Trusts Annual Report and Accounts 2022-23 189 – 208
6. **STANDARDS AUDIT AND RISK FORWARD WORK PROGRAMME** – Report by the Executive Director Finance & Corporate Services 209 – 212

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

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

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Glenrothes
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2 November 2023

If telephoning, please ask for:

Wendy MacGregor, Committee Officer

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Agendas and papers for all Committee meetings can be accessed on www.fife.gov.uk/committees

BLENDED MEETING NOTICE

This is a formal meeting of the Committee and the required standards of behaviour and discussion are the same as in a face to face meeting. Unless otherwise agreed, Standing Orders will apply to the proceedings and the terms of the Councillors' Code of Conduct will apply in the normal way

For those members who have joined the meeting remotely, if they need to leave the meeting for any reason, they should use the Meeting Chat to advise of this. If a member loses their connection during the meeting, they should make every effort to rejoin the meeting but, if this is not possible, the Committee Officer will note their absence for the remainder of the meeting. If a member must leave the meeting due to a declaration of interest, they should remain out of the meeting until invited back in by the Committee Officer.

If a member wishes to ask a question, speak on any item or move a motion or amendment, they should indicate this by raising their hand at the appropriate time and will then be invited to speak. Those joining remotely should use the "Raise hand" function in Teams.

All decisions taken during this meeting, will be done so by means of a Roll Call vote.

Where items are for noting or where there has been no dissent or contrary view expressed during any debate, either verbally or by the member indicating they wish to speak, the Convener will assume the matter has been agreed.

There will be a short break in proceedings after approximately 90 minutes.

Members joining remotely are reminded to have cameras switched on during meetings and mute microphones when not speaking. During any breaks or adjournments please switch cameras off.

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

28 September 2023

10.00 am – 12.00 pm

PRESENT: Councillors Dave Dempsey (Convener), Lesley Backhouse, John Beare, Al Clark, Graeme Downie, Sarah Neal, Gordon Pryde and Ross Vettraino (substituting for Ann Verner).

ATTENDING: Eileen Rowand, Executive Director Finance and Corporate Services, Elaine Muir, Head of Finance, Pamela Redpath, Service Manager - Audit and Risk Management Services; Anne-Marie Cardle, Service Manager, Human Resources Service; Laura McDonald, Customer Experience Lead Officer and David Thomson, Customer Experience Lead Officer, Information Management and Requests; Helena Couperwhite, Service Manager - Committee Services and Wendy MacGregor, Committee Officer, Legal and Democratic Services.

ALSO ATTENDING: Karen Jones, Director of Audit and Assurance, Azets.

APOLOGIES FOR ABSENCE: Councillors Tom Adams, Gary Holt and Ann Verner.

58. DECLARATIONS OF INTEREST

No declarations of interest were submitted in terms of Standing Order No. 22.

59. MINUTE

The committee considered the minute of the meeting of the Standards, Audit and Risk Committee on 17 August 2023.

Decision

The committee agreed to approve the minute.

60. BEST VALUE THEMATIC REVIEW OF LEADERSHIP

The committee considered a report by the Chief Executive advising that the report on Leadership was the first of the best value thematic reports which would be undertaken each year as part of the annual audit of the Council.

Decision

The committee noted the report from the External Auditors, Azets on the effectiveness of leadership arrangements at Fife Council.

61. INFORMATION REQUESTS ANNUAL REPORT 2022-23

The committee considered a report by the Head of Customer and Online Services 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

The committee noted the workload arising from managing information requests and acknowledged the performance detailed in the report.

62. COMPLAINTS UPDATE

The committee considered a report by the Executive Director - Communities providing an update on complaints closed between 1 April 2022 and 31 March 2023 (performance and information).

Decision

The committee acknowledged the complaints received, noted the complaints responded to in target timescales and the proportionality of Service complaints.

The committee adjourned at 11.35 am and reconvened at 11.40 am.

63. 2023/24 ISSUED AUDIT REPORT SUMMARIES

The committee considered a report by the Service Manager, Audit and Risk Management Services presenting a summary of findings from the finalised Internal Audit Report. Also highlighted in the report were areas of concern and, if applicable, instances where Services were not taking appropriate action.

Decision

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

64. INTERNAL AUDIT PLAN PROGRESS REPORT

The committee considered a report by the Service Manager, Audit and Risk Management Services providing an update on the progress towards delivering the 2021/22, 2022/23 and 2023/24 Internal Audit Plans.

Decision

The committee noted:-

- (1) the update on progress towards delivering the 2021/22, 2022/23 and 2023/24 Internal Audit Plans as detailed in Appendix C, B and A to the report respectively; and
- (2) that Appendices B and C had been updated to show the movement in status for each assignment since the last progress report was presented to Committee on 18 May 2023.

65. FIFE INTEGRATION JOINT BOARD (IJB) 2023/24 ANNUAL INTERNAL AUDIT PLAN

The committee considered a report by the Service Manager, Audit and Risk Management Services providing the Integration Joint Board (IJB) 2023/24 Annual Internal Audit Plan.

Decision

The committee noted the contents of the Fife IJB 2023/24 Annual Internal Audit Plan at Appendix 1.

66. STANDARDS, AUDIT AND RISK COMMITTEE FORWARD WORK PROGRAMME

The committee considered a report by the Manager, Committee Services, outlining the workplan for the Standards, Audit and Risk Committee.

Decision

The committee noted the contents of the Standards Audit and Risk committee forward work programme.

9 November 2023

Agenda Item No. 4

Issued Audit Reports

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

Wards Affected: All

Purpose

To submit to Members of the Standards, Audit and Risk Committee a summary of findings from the Internal Audit Reports that have been finalised since the last meeting of the Standards, Audit and Risk Committee. The reports highlight any areas of concern and, if applicable, instances where Services are not taking appropriate action.

Recommendation(s)

Members are asked to note the contents of this report, including the summary of findings at Appendix 1.

Resource Implications

None.

Legal & Risk Implications

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

Impact Assessment

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

Consultation

Audit Services has consulted all subjects of the audit reports.

1.0 Background

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

2.0 Analysis of Issued Audit Reports

- 2.1 To enable the Standards, Audit and Risk Committee to form an opinion on the effectiveness of the internal control environment, to provide assurance where internal controls are working well and to highlight areas for concern, the Service Manager – Audit and Risk Management Services, prepares a report which provides a summary of the audit reports issued by Audit Services.
- 2.2 The reports issued in the current period relate to audits from the 2022/23 Internal Audit Plan from work carried out in the following areas:
 - Finance and Corporate Services;
 - Education and Children’s Services; and
 - Corporate.A short outline of each report is contained in Appendix 1.
- 2.3 Following each completed internal audit / fraud risk report, Services are asked to complete a Post Audit Review (PAR) exercise. This indicates:
 - the Service’s progress in implementing agreed actions;
 - reasons for non-implementation; and
 - explanations for redundant recommendations.
- 2.4 The results of all PAR exercises are reported to Standards, Audit and Risk Committee separately.

3.0 Conclusions

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

List of Appendices

1. Summary of Audit Reports Issued

Report Contact: Carolyn Ward
Audit Team Manager, Audit and Risk Management Services
Email – Carolyn.Ward@fife.gov.uk

SERVICE, REPORT AND PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
<p>1. Finance and Corporate Services - BTS Follow-Up to Report 58, IT Performance Management (Report 23/22)</p>	<p>The 2022/23 Internal Audit Plan contains an allocation of days for Audit Services to carry out formal follow-up reviews for a planned portfolio of audit reports. This allocation is used to assess, through the consideration of evidence, the extent to which recommendations previously agreed with management have been implemented.</p> <p>This audit is a follow-up review of Report 58, IT Performance Management, which was issued on 5 May 2021.</p> <p>The Audit Opinion in the original internal audit report concluded that the system of controls and the materiality of the area audited both scored a Grade 3, making the overall risk Medium. A number of areas for improvement were identified and eight recommendations, which the Service agreed to implement by 31 August 2021, were made to address them. The Service has since requested that the implementation date for recommendations 4 and 8 be revised to 31 March 2024. This change was agreed with Audit Services. This follow-up was carried out prior to the revised implementation date.</p> <p>A summary of progress made towards implementing the eight recommendations previously agreed with management is as follows:</p> <ul style="list-style-type: none"> • All eight recommendations have been partly implemented, two of which (4 and 8) have not yet reached their revised implementation date. <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> • Level of Assurance Grade 3 • System Materiality Grade 3 • Overall Risk Medium <p><u>Findings:</u></p> <p>Further action is required as follows:</p> <ul style="list-style-type: none"> • Service Management Performance Management Processes (procedural documentation) should be completed. This is necessary to help ensure the consistency, completeness and integrity of performance monitoring source data and to show that the information held in Pentana and Assyst is being regularly checked against targets. • All definition sheets should be fully completed on Pentana and kept up to date. • Performance against targets should be regularly reviewed, and the reason for any variances analysed.

SERVICE, REPORT AND PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
	<ul style="list-style-type: none"> Action plans should be put in place, regularly reviewed and feedback used for service delivery and reporting improvements. <p>Satisfactory actions have been agreed to address the 8 partially implemented audit recommendations (5 Substantial and 3 Moderate) in the report by 31 March 2024.</p>
<p>2. Education and Children’s Services - Education Service</p> <p>Arrangements for Cash Handling and Security</p> <p>(Report 24/22)</p>	<p>This audit reviews how well Education Service manages the arrangements at educational establishments for cash handling and security and ensures compliance with the Council’s Financial Regulations and School Fund Guidance.</p> <p>Cash handling and security in the 5 educational establishments visited as part of the audit fieldwork, related to School Funds, whereby Fife Council holds monies in trust to support the school’s broader range of activities, such as school trips, fund raising events, tuck shops, sale of school uniforms and pupil prizes, that are additional to the school’s devolved budget. There is no cash handling for school meals and milk now that ParentPay is being utilised.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> Level of Assurance Grade 2 System Materiality Grade 3 Overall Risk Low <p><u>Findings:</u></p> <p>The following areas for improvement were identified:</p> <ul style="list-style-type: none"> Access to safes is not always controlled in compliance with the School Fund Guidance, including safe keys being taken off site, safe access (keyholder) sheets and key safes not being utilised. Bank reconciliations were independently reviewed monthly at 1 establishment and less regularly at 2 others, but there was no evidence of independent review at the 2 high schools visited, 1 of which had an unexplained overage of £12 between cash held and transaction records. Evidence of bank mandate arrangements was not made available to us for some schools. <p>Satisfactory actions have been agreed to address the 4 audit recommendations (1 Substantial and 3 Moderate) in the report by 31 October 2023.</p>

SERVICE, REPORT AND PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
<p>3. Corporate Stocks and Inventories Report (25/22)</p>	<p>This audit reviews the arrangements in place to ensure that procedures and processes for dealing with stocks and inventories are in line with the Council's guidance, and records are complete and accurate.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> • Level of Assurance Grade 3 • System Materiality Grade 3 • Overall Risk Medium <p><u>Findings:</u></p> <p>The following areas for improvement were identified:</p> <ul style="list-style-type: none"> • Although a supplier system user guide / handout is in place within Fleet Services for managing fuel stock levels within Triscan FuelHub and horticultural stock in Tranman, these are not adequate stocktaking procedures. • There are no Service-level stocktaking procedures in place within Business Support for managing hardware and communication stock on behalf of BTS. • Although there are documented stocktaking procedures in place within Operations and Logistics and Building Services, these are not sufficiently detailed e.g. how to run the stock reports and who should run them. Two of the procedures do not appear to be subject to regular review. • The weekly fuel dips (stock checks) for Fuel Site 19 (Bankhead) are not evidenced to confirm who has carried them out. • Whilst Business Support maintain adequate records of BTS stock movements, there is no evidence of an independent check. • Stock management reports for horticultural stock are not produced and reviewed by management. <p>Satisfactory actions have been agreed to address the 5 audit recommendations (5 Moderate) in the report by 31 May 2024.</p>

9 November 2023

Agenda Item No. 5

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 2022-23, 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 Azets, 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, Audit and Risk 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 2022-23 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 and its group, its income and expenditure for the year ended 31 March 2023 and that the accounts have been properly prepared in accordance with relevant legislation and accounting regulations.
- 2.3 The auditor has identified 5 recommendations and reported these in the Annual Audit report, these relate to improvements in performance reporting, asset valuation dates and publication of the Common Good Asset register.
- 2.4 The recommendations on performance reporting relates to balance scorecard templates and statutory performance indicators whereby External Audit have indicated the reporting could be improved.
- 2.5 Within the annual accounts section of the report one recommendation has been made around the valuation date of non-current assets. This action was agreed during the planning stages of the audit and work has already started to introduce a valuation date of 31 March.
- 2.6 External Audit have noted that the Common Good asset register published did not reconcile to the fixed asset register used in the financial statements. The asset register was published in advance of all accounting entries being completed. Revised procedures will be adopted to ensure that all future publications are reconciled to the asset register before publication.
- 2.7 In addition to recommendations following 2022-23 audit, some recommendations have been brought forward from 2021-22. These are complete or partially complete. Details of these recommendations and management responses can be found at Appendix 3 of the Annual Audit Report.

3.0 Conclusions

- 3.1 In overall terms the audit report is positive, and the audit opinion is unqualified. Management have agreed actions in respect of all recommendations and will aim to implement in line with the stated timescales.
- 3.2 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 Azets 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

2022/23 Annual Audit Report to the Council and the Controller of Audit

November 2023



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Key messages

Financial statements audit

Audit opinion	<p>Our independent auditor's report is unqualified in all regards.</p> <p>This is however subject to completion of the following audit work:</p> <ul style="list-style-type: none">• Journal testing• Testing over income and expenditure• PPP arrangements• Consideration of subsequent events
Key audit findings	<p>The Council had appropriate administrative processes in place to prepare the annual accounts and the supporting working papers.</p> <p>Subject to completion of the audit work noted above, we have obtained adequate evidence in relation to the key audit risks identified in our audit plan.</p> <p>The accounting policies used to prepare the financial statements are considered appropriate. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements. All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.</p>
Audit adjustments	<p>The Council updated the financial statements for all the potential audit adjustments identified during the audit process.</p> <p>We also identified some disclosure and presentational adjustments during our audit, all of which have been reflected in the final set of financial statements.</p>

Accounting systems and internal controls	<p>We have applied a risk-based methodology to the audit. This approach requires us to document, evaluate and assess the Council's processes and internal controls relating to the financial reporting process.</p> <p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we include these in this report. No material weaknesses or significant deficiencies were noted.</p>
Fife Council Charitable Trusts	<p>Our independent auditor's report on the Fife Council Charitable Trusts Annual Report & Financial Statements is unqualified.</p> <p>We have no matters to report regarding the adoption of the going concern basis.</p> <p>The Council had appropriate administrative processes in place to prepare the financial statements and the supporting working papers.</p> <p>We have obtained adequate evidence in relation to the key audit risks identified in our audit plan.</p> <p>The accounting policies used to prepare the financial statements are considered appropriate. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements. All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.</p> <p>We identified no audit adjustments or unadjusted audit differences.</p> <p>No material weaknesses or significant deficiencies were noted.</p>

Wider scope

<p>Financial Management</p> <p>Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>Auditor judgement</p> <p>Effective and appropriate arrangements are in place </p> <hr/> <p>The Council has appropriate arrangements in place for financial management and the use of resources.</p> <p>The Council reported a surplus outturn position in 2022/23. 92% of approved savings were delivered. Service underspends were reported, primarily due to recruitment challenges and underspent grant funding. The Council applied financial flexibilities in 2022/23 in respect of the re-profiling of debt repayments on PPP contracts. This has resulted in a benefit to the Council of £43.576million which will be used to support its Capital Plan review.</p> <p>The Council reported slippage of approximately 8% on its capital programme for 2022/23; incurring c. £189million of capital spend.</p>
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Financial Sustainability

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

Auditor judgement

Risks exist to the achievement of operational objectives



In recent years, the Council has managed its budget without needing to make significant cuts to service but the financial outlook continues to be extremely challenging. Significant change will be needed to safeguard the financial sustainability of the Council.

The Council recognises there is an opportunity to bring forward change proposals that can be delivered in a staged way to address the financial challenge. Significant work on change has been advanced in 2022/23 and this will continue with proposals being considered by the Council during 2023/24. These are likely to be around people, place, digital and productivity.

The Council's Capital Investment Plan 2023-33 was approved by the Council in June 2023. There has been a significant increase in both expenditure and funding within the Capital Investment Plan since the time of the last review in February 2021. This reflects provision for significant levels of construction inflation, added investment pressures and a review of all funding options. The capital plan was assessed as being affordable at the time of approval, however it was recognised that challenges may arise in future years given reduced funding and the challenge of affordability beyond the level of investment proposed.

The Council has recognised that the HRA budget is also under considerable financial pressure with increased costs due to high inflation, staff salary increases, increasing stock figures, and other pressures and faces a high level of financial risk.

Vision, Leadership and Governance

Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Auditor judgement

Effective and appropriate arrangements are in place



Appropriate arrangements are in place to oversee the delivery of the Plan4Fife and internal audit has committed to undertake a review of the governance arrangements in place to support delivery of the new Plan4Fife, including performance management and reporting arrangements as part of their 2023/24 audit plan.

Governance arrangements throughout the year were found to be satisfactory and appropriate. We are satisfied that the Council and Committees continued to receive sufficient and appropriate information throughout the period to support effective and timely scrutiny and challenge.

Use of Resources to Improve Outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

Auditor judgement

Pace and depth of improvement needs to extend further.



Improvement work underway needs to extend further to fully demonstrate compliance with the Accounts Commission Statutory Performance Information Direction; in particular, the timeliness in performance reporting and demonstrating best value.

The Council's revised performance framework and approach to performance reporting was published in December 2022, following a reset post-pandemic. The focus of the revised framework was to reinstate and improve the accessibility, regularity and comparability of performance information available to the public. While the framework provides an improved approach to performance reporting, more time is needed for that to be fully implemented.

Best Value

Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure Best Value.

Our work in 2022/23 considered the following areas:

- Best value assurance report follow up and implementation of a risk based approach based on consideration of the themes of best value;
- Service improvement and reporting;
- Thematic reviews.

Overall based on the work performed we have concluded that pace and depth of improvement in the performance of the Council in meeting its best value duties is adequate but further work is required by the Council to produce timely performance information which demonstrates service improvement.

Best value Assurance Report – follow up	Auditor judgement Pace and depth of improvement are adequate	
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Progress continues to be made against all of the recommendations and one has been completed in 2022/23.

The outstanding recommendations have been integrated into “business as usual” monitoring through the Recovery and Renewal Leadership Board, Change Boards, service improvement planning and performance reporting to relevant scrutiny committees.

Agreed approaches to address the recommendations have been confirmed and detailed work continues to support these agreed approaches.

Service improvement and reporting

Auditor judgement

Pace and depth of improvement needs to extend further



On review of the information made available to the public on the Council’s performance at the time of the audit we did note that the timing of publication of information could be improved. On this basis, we have not reported a summary of service performance in this section of the report.

The Council has published performance information in line with its performance framework including Plan4Fife Ambitions Reporting and annual Service Performance Report.

The 2022 annual review of progress against ambitions was published in May 2023. The annual public performance report is being reinstated and will be published in November 2023.

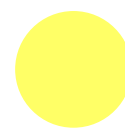
The decision to reinstate the annual LGBF report was taken in May 2023 and will be implemented from 2024 onwards. LGBF benchmarking is also incorporated into Service Annual Performance Reports and the Council has a section on its website pointing to LGBF information online.

Current service performance reports are online and relate to the period 2021/22. The performance framework timetable requires annual reports to be available by the end of November each year. This timetable reflects the availability of data and the summer recess through which Scrutiny Committees do not meet. In year performance monitoring and reporting is developing through quarterly service performance tracking and reporting against the recovery and reform priorities however much of this is for internal use. Further consideration should be given to the timetable and approach to make performance information available closer to the period that it refers to.

**Thematic review:
Leadership of the
development of new
local strategic
priorities**

Auditor judgement

Risks exist to the achievement of operational objectives



Our findings from the review highlighted that we are satisfied that the Council has appropriate arrangements in place to demonstrate Best Value under each reported area of the 2022/23 thematic review. However, we acknowledge that the Council are undergoing development of several key arrangements to demonstrate best value which has meant that we were unable to conclude on our judgements in relation to the effectiveness of the pace and depth of improvement. We will continue to monitor the progress that the Council makes on the development and implementation of their ongoing developments including:

- Review of the Council's organisational structure to ensure it is fit for purpose to deliver the key priorities and ambitions as set out in the Plan4Fife
- Plan4Fife refresh 2024
- Development of 3 year change plans which support the wider ambitions outlined in the Plan4Fife
- Review of areas where the Council's decentralised structure could be expanded
- Development of a revised approach to elected members on-going professional development and training. This includes consideration of the identification and expansion of mandatory areas of training

Definition

We use the following gradings to provide an overall assessment of the arrangements in place as they relate to the wider scope areas and reporting our findings on Best Value. The text provides a guide to the key criteria we use in the assessment, although not all of the criteria may exist in every case.



Introduction

The annual audit comprises the audit of the annual accounts, and the wider-scope and Best Value audit responsibilities set out in the Code of Audit Practice.

We outlined the scope of our audit in our External Audit Plan, which we presented to the Standards, Audit and Risk Committee at the outset of our audit. We have not made any subsequent changes to the risks outlined in that plan.

Responsibilities

The Council is responsible for preparing its annual accounts, including financial statements which show a true and fair view, and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on, the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to thank all management and staff for their co-operation and assistance during our audit.

Auditor independence

International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we remained independent, and our objectivity has not been compromised in any way.

We set out in Appendix 1 our assessment and confirmation of independence.

Adding value

All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. We add value by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to promote improved standards of governance, better management and decision making and more effective use of public money.



Any comments you may have on the service we provide would be greatly appreciated. Comments can be reported directly to any member of your audit team.

Openness and transparency

This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Annual accounts audit

Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	<p>We conduct our audit in accordance with applicable law and International Standards on Auditing.</p> <p>Our findings / conclusions to inform our opinion are set out in this section of our annual report.</p>	<p>The annual accounts are due to be considered and approved by the Standards, Audit and Risk Committee on 9 November 2023.</p> <p>Our independent auditor’s report is unqualified in all regards.</p> <p>We received the unaudited annual accounts and supporting papers of a good standard in line with our audit timetable. Further information and revisions were provided promptly where required.</p> <p>Our thanks go to the Fife Council staff for their assistance with our work.</p>
Going concern basis of accounting	<p>When assessing whether the going concern basis of accounting is appropriate, the anticipated provision of services is more relevant to the assessment than the continued existence of a particular public body.</p> <p>We assess whether there are plans to discontinue or privatise the Council’s functions.</p> <p>Our wider scope audit work considers the financial sustainability of the Council.</p>	<p>We reviewed the financial forecasts for 2023/24. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the Council will continue to operate for at least 12 months from the signing date. Our audit opinion is unqualified in this respect.</p>

Opinion	Basis for opinion	Conclusions
<p>Opinions prescribed by the Accounts Commission:</p> <ul style="list-style-type: none"> • Management Commentary • Corporate Governance Statement • Remuneration Report 	<p>We plan and perform audit procedures to gain assurance that the Management Commentary, Corporate Governance Statement and the audited part of the remuneration report are prepared in accordance with:</p> <ul style="list-style-type: none"> • statutory guidance issued under the Local Government in Scotland Act 2003 (Management Commentary); • the Delivering Good Governance in Local Government: Framework (Corporate Governance Statement); and • The Local Authority Accounts (Scotland) Regulations 2014 (remuneration report) 	<p>We have concluded that:</p> <ul style="list-style-type: none"> • the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with relevant statutory guidance. • the information given in the Corporate Governance Statement is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework. • the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.
<p>Matters reported by exception</p>	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> • adequate accounting records have not been kept; or • the financial statements are not in agreement with the accounting records; or • we have not received all the information and explanations we require for our audit. 	<p>We have no matters to report.</p>

An overview of the scope of our audit

The scope of our audit was detailed in our External Audit Plan, which was presented to the Standards, Audit and Risk Committee in March 2023. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Council. This ensures that our audit focuses on the areas of highest risk (the significant risk areas). Planning is a continuous process, and our audit plan is subject to review during the course of the audit to take account of developments that arise.

In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through performing a review of the significant accounting systems, substantive procedures and detailed analytical procedures.

Significant risk areas and key audit matters

Significant risks are defined by auditing standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. Audit procedures were designed to mitigate these risks.

As required by the Code of Audit Practice and the planning guidance issued by Audit Scotland, we consider the significant risks for the audit that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team (the 'Key Audit Matters'), as detailed in the tables below.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures.

Our opinion on the financial statements is not modified with respect to any of the risks described below.

Significant risks at the financial statement level

These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Risk area	Management override of controls
<p>Significant risk description</p>	<p>Management of any entity is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk will vary from entity to entity, this risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk on all audits.</p> <p>This was considered to be a significant risk and Key Audit Matter for the audit.</p> <p>Inherent risk of material misstatement: Very High</p>
<p>How the scope of our audit responded to the significant risk</p>	<p>Key judgement</p> <p>There is the potential for management to use their judgement to influence the financial statements as well as the potential to override controls for specific transactions.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Documented our understanding of the journals posting process and evaluated the design effectiveness of management controls over journals. • Analysed the journals listing and determined criteria for selecting high risk and / or unusual journals. • Tested high risk and / or unusual journals posted during the year and after the unaudited annual accounts stage back to supporting documentation for appropriateness, corroboration and ensured approval has been undertaken in line with the Council's journals policy. • Gained an understanding of the accounting estimates and critical judgements made by management. We challenged key assumptions and considered the reasonableness and indicators of management bias which could result in material misstatement due to fraud. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Risk area	Management override of controls
Key observations	Subject to completion of our audit testing, we have not identified any indication of management override of controls. We did not identify any areas of bias in key judgements made by management. Key judgements were consistent with prior years.

Significant risks at the assertion level for classes of transaction, account balances and disclosures

Key risk area	Fraud in revenue recognition
Significant risk description	<p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed, inherent risk on every audit unless it can be rebutted.</p> <p>The presumption is that the Council could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position.</p> <p>In respect of council tax income, non-domestic rates, housing rents and non-ring fenced government grants, however, we do not consider the revenue recognition risk to be significant due to a lack of incentive and opportunity to manipulate these revenue streams. The risk of fraud in relation to revenue recognition is however present in all other revenue streams.</p> <p>This was considered to be a significant risk and Key Audit Matter for the audit.</p> <p>Inherent risk of material misstatement: Revenue (occurrence / completeness): High</p>
How the scope of our audit responded to the significant risk	<p>Key judgements</p> <p>Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end.</p>

Key risk area	Fraud in revenue recognition
	<p>Audit procedures</p> <ul style="list-style-type: none"> • Evaluated the significant income streams and reviewed the controls in place over accounting for revenue. • Considered key areas of income and obtained evidence that income is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.
<p>Key observations</p>	<p>At the planning stage of our audit we concluded that the revenue recognition risk was present in all material revenue streams except for council tax income, non-domestic rates, housing rents and non-ring fenced government grants. Our conclusion remained the same throughout the audit.</p> <p>Subject to completion of our audit testing, we have gained reasonable assurance on the completeness and occurrence of income and we are satisfied that income is fairly stated in the financial statements.</p>

Key risk area	Fraud in non-pay expenditure recognition
<p>Significant risk description</p>	<p>As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p> <p>This was considered to be a significant risk and Key Audit Matter for the audit.</p> <p>Inherent risk of material misstatement:</p> <p>Non-pay expenditure (occurrence / completeness): High</p> <p>Accruals (existence / completeness): High</p>
<p>How the scope of our audit responded to the significant risk</p>	<p>Key judgements</p> <p>Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of accruals and expenditure around the year end.</p>

Key risk area	Fraud in non-pay expenditure recognition
	<p>Audit procedures</p> <ul style="list-style-type: none"> • Evaluated the significant non-pay expenditure streams and reviewed the controls in place over accounting for expenditure. • Considered the Council’s key areas of expenditure and obtained evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year. • Tested accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.
<p>Key observations</p>	<p>Subject to completion of our audit testing, we have gained reasonable assurance on the completeness and occurrence of expenditure and we are satisfied that expenditure is fairly stated in the financial statements.</p>

Key risk area	Valuation of land and buildings (key accounting estimate)
<p>Significant risk description</p>	<p>The Council carries out a rolling programme of revaluations to ensure all property, plant and equipment required to be measured at fair value is revalued at least every five years.</p> <p>Council dwellings are valued by the District Valuer using the beacon method which aggregates the vacant possession value of each unit of housing stock based on the value of a beacon or sample property. A full revaluation exercise is completed every five years, with the exercise to be undertaken in 2022/23. In interim years the values of beacon properties are updated to reflect key factors including changes in rental prices.</p> <p>Other land and buildings are held at fair value and revalued as part of the five-year rolling programme. In addition, indices are applied to all assets held at Depreciated Replacement Cost (DRC) to reflect market changes within the year.</p> <p>Investment properties are valued annually at fair value, in line with the Code.</p>

Key risk area	Valuation of land and buildings (key accounting estimate)
	<p>There is a significant degree of subjectivity in the measurement and valuation of property, plant and equipment. This subjectivity and the material nature of the Council’s asset base represents an increased risk of misstatement in the annual accounts.</p> <p>Inherent risk of material misstatement:</p> <p>Land & Buildings (valuation): Very High</p>
How the scope of our audit responded to the significant risk	<p>Key judgements</p> <p>Councils are required to revalue investment properties annually and property, plant and equipment with sufficient regularity to ensure that the carrying amount does not differ materially from the current value at 31 March.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Evaluated management processes and assumptions for the calculation of the estimates, the instructions issued to the valuation experts and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert. • Considered the basis on which the valuation is carried out and the challenged the key assumptions applied. • Tested the information used by the valuer to ensure it is complete and consistent with our understanding. • Ensured revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct. • Evaluated the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.
Key observations	<p>Valuers</p> <p>Valuations are carried out by internal and external valuers and formally communicated to the Council through valuation reports. We have gained assurance that the</p>

Key risk area	Valuation of land and buildings (key accounting estimate)
	<p>carrying value of assets in the audited annual accounts is in line with the valuation reports.</p> <p>External valuers valued the Council’s full portfolio of council dwellings as at 31 March 2023. Internal valuers valued a proportion of all other asset classifications held at fair value (approximately 20% on a rolling basis) as at 1 April 2022, with an uplift being applied to all depreciated replacement cost (DRC) properties to reflect market movements as at 31 March 2023.</p> <p>A roundtable event was hosted by Audit Scotland in February 2023 which covered key issues in relation to the valuation of non-current assets in local government. One of the actions of the roundtable exercise was that the asset valuation date should be 31 March rather than 1 April. We encourage the Council to review their valuation cycle dates, in line with the Audit Scotland roundtable recommended actions, to reduce the risk of the carrying amount of assets in the balance sheet at the year-end differing materially from the current value at that date.</p> <p style="text-align: right;">Recommendation 1</p> <p>We considered the instructions and information provided to the valuer and performed procedures to confirm the accuracy and completeness of the information. All property, plant and equipment required to be carried at fair value has been appropriately revalued as part of the five-year rolling programme.</p> <p>In accordance with ISA (UK) 500 - Audit Evidence we have considered the competence, capability and objectivity of the professional valuer and did not identify any items which gave us cause for concern over the suitability of the valuer.</p> <p>Review of assumptions</p> <p>We confirmed that the basis of valuation for assets is appropriate based on their usage and that the assumptions applied appear reasonable. Overall, the valuation movements were in line with our expectation.</p> <p>Assets valued on a DRC basis are revalued on a five year rolling programme, with an uplift applied yearly at 31 March to reflect market movements. For DRC assets that were</p>

Key risk area	Valuation of land and buildings (key accounting estimate)
	<p>revalued in the year, we set an expected market movements to pinpoint assets that had revaluation movements not in line with our expectations, representing areas of a risk of material misstatement. For assets where movements were outside of our expectation, we reviewed the inputs to the DRC calculations and deemed these as reasonable.</p> <p>For all DRC assets that had an uplift applied, we confirmed that the percentage increase has been applied correctly to the asset cost, with no issues identified. We also confirmed that the percentages used were in line with market data.</p> <p>Assets valued on an existing use value (EUV) and fair value (FV) basis are also revalued on a five year rolling programme unless there are significant changes made to the asset. As the assets are valued at 1 April, there is the risk that the value of these assets could have materially changed at the year end. The valuers provide an assurance report to the finance team at the year end detailing any significant movements and changes to these assets which require reflecting in the year end asset values.</p> <p>For EUV and FV assets that were revalued in the year, we set an expected market movements to pinpoint assets that had revaluation movements not in line with our expectations, representing areas of a risk of material misstatement. We did not identify any such assets.</p> <p>For EUV and FV assets that had not been revalued in the year we used available market data to assess the market movements that have taken place from the last revaluation date to assess the risk of material misstatement. We identified a total variance from expected market movements of £11.8million. As this is below our performance materiality level, we concluded that the carrying value of these assets is not materially misstated.</p> <p>Council dwellings are valued using the beacon method which aggregates the vacant possession value of each unit of housing stock based on the value of a beacon or sample property. An adjustment factor is applied to the asset's unrestricted value to reflect the lower rent yield from social housing compared to market rates. A full revaluation</p>

Key risk area	Valuation of land and buildings (key accounting estimate)
	<p>exercise is completed every five years, with the last exercise undertaken in 2022/23.</p> <p>As part of our audit work, the appropriateness of the adjustment factor was considered. The adjustment factor was 40.30% which we deem to be reasonable based on the evidence available.</p> <p>The Council applies component accounting to land and buildings. The Council’s accounting policies reflect that the building component of an asset is separated into further components primarily to those with a carrying value of over £10million. This methodology is deemed to be reasonable.</p> <p>Impairment</p> <p>The Council has developed appropriate procedures for assessing whether there has been an impairment which takes cognisance of a range of sources of information. This includes:</p> <ul style="list-style-type: none"> • Any changes in condition per the conditions surveys performed as part of the five year rolling programme. • Confirmation from finance business partners as to whether any assets have been damaged or demolished in year. <p>No indication of material impairment was identified, which is consistent with our testing.</p> <p>Disclosure of Estimation Uncertainty</p> <p>IAS 1 ‘Presentation of Financial Statements’ requires entities to disclose assumptions made about the future and other major sources of estimation uncertainty, specifically those that present a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year. Disclosures should include the nature of the assumption or estimation uncertainty and the sensitivity of the carrying amounts to the methods, assumptions and estimates underlying their calculation.</p> <p>The Council has identified the valuation of property, plant and equipment as a major source of estimation uncertainty. At our request, management have included further</p>

Key risk area	Valuation of land and buildings (key accounting estimate)
	disclosures within the audited annual accounts on key assumptions made when determining the valuation of all assets held at fair value and their sensitivities.

Key risk area	Pension asset / liability (key accounting estimate)
Significant risk description	<p>An actuarial estimate of the pension fund asset/liability is calculated on an annual basis under IAS 19 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership data held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities.</p> <p>A significant level of estimation is required in order to determine the valuation of pension assets/liabilities. Small changes in the key assumptions (including discount rates, inflation, and mortality rates) can have a material impact on the pension asset/liability.</p> <p>There is a risk that the assumptions used are not appropriate.</p> <p>Inherent risk of material misstatement: Pensions (valuation): High</p>
How the scope of our audit responded to the significant risk	<p>Key judgements</p> <p>A significant level of estimation is required in order to determine the valuation of pension assets/liabilities. Small changes in the key assumptions (including discount rates, inflation and mortality rates) can have a material impact on the pension asset/liability.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> Reviewed the controls in place to ensure that the data provided from the pension fund to the actuary is complete and accurate.

Key risk area	Pension asset / liability (key accounting estimate)
	<ul style="list-style-type: none"> Reviewed the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data. Agreed the disclosures in the financial statements to information provided by the actuary. Considered the competence, capability and objectiveness of the management expert in line with ISA (UK) 500 Audit Evidence.
<p>Key observations</p>	<p>The IAS 19 actuarial report for the Council identifies a pension surplus (or pension asset) of £435.993m. Accounting standards require the Council to review the pension surplus and only recognise the lower of the surplus or an ‘asset ceiling’. The Council commissioned its actuary to provide an asset ceiling calculation which reported a negative asset ceiling and therefore in the financial statement a £nil asset has been reported. Limiting the recorded pension asset to £nil, resulted in a £435.993million audit adjustment in the financial statements.</p> <p>This is a significant change to the prior year’s pension liability of £531.427million and is mainly driven by a significant increase in discount rate assumption between the years. An increase in the discount rate decreases the value of future pension obligations substantially which, when combined with no significant movement in the value of pension investments, results in a pension surplus outcome.</p> <p>We are satisfied that we have obtained reasonable assurance over the disclosures in the financial statements relating to the reported financial position.</p> <p>We reviewed the reasonableness of those assumptions used in the calculation against other local government pension fund actuaries and other observable data, with no issues identified. In addition, we reviewed the information in the actuarial report for completeness and accuracy against the published pension fund data.</p> <p>We have considered the competence, capability and objectivity of the actuary in line with the requirements of ISA (UK) 500 - <i>Audit Evidence</i>. From this review we did not</p>

Key risk area	Pension asset / liability (key accounting estimate)
	identify any items which gave us cause for concern over the suitability of the actuary.

Key risk area	Financial instruments: fair value measurement (key accounting estimate)
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Significant risk description	<p>The Council maintains significant debt and investment portfolios. The Council measures its financial instruments at fair value or amortised cost or, where no reliable measurement exists, measured at cost.</p> <p>Fair values are categorised by their level in the fair value hierarchy:</p> <ul style="list-style-type: none"> • Level 1 – fair value is derived from quoted prices in active markets for identical assets or liabilities • Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability • Level 3 – fair value is determined using unobservable inputs <p>For level 1 and level 2; the Council’s valuations are supported by independent expert advice. For level 3, there is the potential for management to use their judgement to influence the financial statements.</p> <p>Inherent risk of material misstatement:</p> <p>Investments and borrowings (valuation): High</p>
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How the scope of our audit responded to the significant risk	<p>Key judgements</p> <p>As noted above, whilst for fair values assessed at level 1 and level 2, valuations are supported by independent expert advice, for level 3, there is the potential for management to use their judgement to influence the financial statements.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Evaluated and reviewed the controls in place over accounting for financial instruments. • Considered the Council’s material financial instruments and obtained evidence that these have been
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Key risk area	Financial instruments: fair value measurement (key accounting estimate)
	<p>appropriately valued at 31 March 2023 including challenge of fair value classification.</p> <ul style="list-style-type: none"> • Reviewed management experts and external investment managers. • Reviewed the disclosures within the annual accounts to ensure they are consistent with supporting information.
<p>Key observations</p>	<p>Level 1 / 2</p> <p>Levels 1 and 2 comprise loans, including PWLB loans, and investments held within money market funds, sovereign / supranational debt and local authority loans.</p> <p>For those loans and investments assessed as level 1/2 the Council’s valuations are supported by expert advice from its treasury management advisors. We obtained evidence during our audit over the values assigned to those loans and investments and where appropriate third party confirmation over the values. We evaluated the competence, objectivity and capability of management’s experts in line with the requirements of ISA (UK) 500 Audit Evidence’ and concluded that use of the experts was appropriate.</p> <p>Level 3 – PPP / NPD liabilities</p> <p>Level 3 predominantly comprises the Council Public Private Partnerships (PPP) and Non-Profit Distribution (NPD) contracts. Valuations are based on a financial model prepared by management.</p> <p>We considered the appropriateness of the models, ensuring that the assumptions, inputs and disclosures are reasonable. We considered whether the models and resulting transactions were in line with accounting standards.</p> <p>Subject to the completion of our audit work, we have gained reasonable assurance over the valuation of the PPP / NPD liabilities at year end and are satisfied that the liabilities are fairly stated in the financial statements</p>

Other risk factors

Common Good

Local Authorities are required to administer common good funds under section 15 of the Local Government (Scotland) Act 1994. The purpose of common good funds is to provide benefit to the population of the area either through the disbursement of funds, securing assets for on-going use for the population or contributing to specific local projects/initiatives.

The Common Good Fund stands separately from the Council's annual accounts and has been described as "the ancient patrimony of the community".

During 2022/23, a surplus of £0.818million was reported on the common good fund. Overall useable revenue common good funds stood at £5.668million as at 31 March 2023.

During our 2022/23 audit of the Common Good fund annual accounts, we noted the following:

Common Good Asset Registers

Local Authorities have a statutory responsibility, per Part 8 of the Community Empowerment (Scotland) Act 2015, to establish, maintain and publish a register of all property held by them for the common good. The Council has met all statutory deadlines set by this act in the establishment, consultation and publication of a common good register.

We reviewed the requirements of the Community Empowerment (Scotland) Act 2015 along with related Scottish Ministerial guidance. We noted that the Council is compliant with this guidance.

The Council's common good register was published for consultation in July 2019 and members of the public were able to provide feedback on the register until September 2019.

The guidance required the Council to publish a first draft of the register within 6 months of the consultation period closing. The first post-consultation draft of the register was published on the Council's Common Good Webpage in March 2020.

The register has remained on the website for the period and the Council has provided updates over representations received.

The common good register at 31 March 2023 is publicly available on the Council's website and has no outstanding representations.

As part of audit work in 2022/23, we noted a difference of £1.607million between the published common good register and the fixed asset register used to populate the accounts. Movements in Common Good heritable properties in the year including assets transferred to Common Good and revaluation movements were not fully passed onto the team maintaining the published register which meant the common

good register was not up to date at 31 March 2023. We recommend that going forward, the Council regularly reconciles the published common good asset register to the fixed asset register used to populate the accounts to ensure the published register remains up to date.

Recommendation 2

Common Good Long Term Assets

As part of the planning stage of the audit we concluded that there were no accounting estimates made by management and which were determined key to the common good fund. However, as part of fieldwork we revised our assessment and identified asset valuations as a key area where management use estimates.

Our audit work consisted of reviewing the keys areas for any indication of bias and assessing whether the judgements used by management are reasonable.

We gained assurance that the asset valuation as at 31 March 2023 is materiality appropriate. Our conclusions on the appropriateness of judgements used by management in the valuation of assets is described under our 'valuation of land and buildings' identified significant risk at the assertion level. There are no additional findings on the valuation of common good assets.

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 management by the Council but whose ownership was confirmed as Common Good.

The assets, at a value of £166.951million, were recognised as Property, Plant and Equipment on the Council's balance sheet at 31 March 2023 with a corresponding finance lease liability.

On review of the arrangements in place between the Council and Common Good funds, we concluded that the substance of the transaction was not appropriately reflected in the Common Good accounts. At our request, an audit adjustment was made to recognise the assets under these arrangements as a long term debtor at an amount equal to the net investment in the lease. A long-term lease debtor is reported on the Common Good balance sheet in the audited accounts (£163.221million).

Materiality

Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the Council and the needs of users. We review our assessment of materiality throughout the audit.

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to the Council and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Our initial assessment of materiality for the group financial statements was £15.8million and the Council’s financial statements was £15.8million. On receipt of the 2022/23 unaudited financial statements, we reassessed materiality and updated as set out in the table below. We consider that our updated assessment has remained appropriate throughout our audit.

	Group £million	Council £million
Overall materiality for the financial statements	18.5	17.5
Performance materiality	13.875	13.125
Trivial threshold	0.250	0.250

Materiality

Our assessment is made with reference to the group and Council’s gross expenditure. We consider this to be the principal consideration for users of the annual accounts when assessing financial performance of the Council and its group.

Our assessment of materiality equates to approximately 1% of gross expenditure as disclosed in the 2022/23 unaudited annual accounts.

We apply a lower level of materiality to the audit of the Remuneration Report. Our materiality is set at £5,000.

We apply separate materiality levels to Common Good (£645,000) and the Non-Domestic Rate Income Account (£4.163million).

Performance materiality

Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.

Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.

Trivial misstatements

Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Group audit

The Council has group arrangements which requires consolidation of a range of subsidiaries, associates and joint ventures. The group structure is detailed within the Council's annual accounts.

The Council prepares group financial statements in addition to its own financial statements, as required by the CIPFA Code, as there are material differences between the Council and group figures.

As group auditors under ISA (UK) 600 we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and regarding the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The table below sets out the components within the group.

As set out in our External Audit Plan we did not identify any components to be significant in the context of the group audit: We revisited our assessment, following receipt of the unaudited accounts and our assessment remained the same.

Component	Significant	Level of response required
Fife Integration Joint Board	No	Analytical
Fife Coast & Countryside Trust	No	Analytical
Fife Cultural Trust	No	Analytical
Fife Golf Trust	No	Analytical
Fife Sports & Leisure Trust	No	Analytical
Cireco (Scotland) LLP	No	Analytical
Fife Resource Solutions LLP	No	Analytical
Business Gateway Fife	No	Analytical
Fife Council Charitable Trusts	No	Analytical

Analytical - the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level.

As part of our audit, we reviewed the consolidation entries made within the group accounts, confirmed those entries back to the financial statements of the group bodies and evaluated any significant adjustments made to align the accounting policies.

An audit adjustment was made in respect of the accounting treatment for pension assets and where an asset ceiling calculation had been obtained. An adjustment was made to reflect the lower of the pension surplus and asset ceiling calculation.

For the following bodies; a pension surplus was reported in their Actuarial Reports; however those bodies did not request an asset ceiling calculation and reported a £nil balance in their accounts:

- Fife Coast & Countryside Trust
- Fife Golf Trust
- Business Gateway

The combined total of pension assets for these 3 bodies was £5.209million. As the value is below our materiality levels we did not request asset ceiling calculations be obtained and the group financial statements were not adjusted for these amounts.

Audit differences

The Council updated the annual accounts for all potential audit adjustments identified during the audit process.

We also identified disclosure and presentational adjustments during our audit, which have been reflected in the final set of annual accounts.

Internal controls

As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these in this report. These matters are limited to those which we have concluded are of sufficient importance to merit being reported. We did not identify any significant control weaknesses during our audit.

Follow up of prior year recommendations

We followed up on progress in implementing actions raised by the predecessor auditor in the prior year as they relate to the audit of the financial statements. Full details of our findings are included in Appendix 3.

Other communications

Accounting policies

The accounting policies used in preparing the financial statements are unchanged from the previous year.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by the Council.

The accounting policies, which are disclosed in the financial statements, are considered appropriate.

There are no significant financial statements disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.

Key judgements and estimates

As part of the planning stages of the audit we identified all accounting estimates made by management and determined which of those are key to the overall financial statements.

We reviewed the key estimates and judgements that management made in respect to the identified key accounting estimates for indication of bias and assessed whether the judgements used by management are reasonable. Overall we concluded that for those key accounting estimates they were balanced and appropriate.

Fraud and suspected fraud

We have previously discussed the risk of fraud with management and the Standards, Audit and Risk Committee. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

As part of our standard audit testing, we have reviewed the laws and regulations impacting the Council. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations.

The Local Authority Accounts (Scotland) Regulations 2014

As part of our audit we reviewed the Fund's compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with respect to regulations 8 to 101 as they relate to the annual report and accounts.

Overall we concluded that appropriate arrangements were in place to comply with these Regulations.

Written representations

We will present the final letter of representation to the Executive Director of Finance and Corporate Services to sign at the same time as the financial statements are approved.

Related parties

We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties

All requested third party confirmations have been received.

Fife Council Charitable Trusts

The Charities Accounts (Scotland) Regulations 2006 outline the accounting and auditing requirements for charitable bodies. The Regulations require an auditor to prepare a report to the charity trustees where an audit is required by any other enactment.

¹ Regulations 8 to 10 relate to the preparation and publication of unaudited accounts, notice of public right to inspect and object to the accounts and consideration and signing of the audited accounts.

The Council's charitable trusts are covered by the requirements of section 106 of the Local Government (Scotland) Act 1973 and consequently require a full audit. Each registered charitable trust has required a full audit since 2013/14.

There are 43 Charitable Trusts, 30 of which are Settlement Trust Funds. Financial statements are all 43 registered charities have been prepared using the connected charities provision.

Audit opinion

Our independent auditor's report on the Fife Council Charitable Trusts Annual Report & Financial Statements is unqualified.

We have no matters to report regarding the adoption of the going concern basis.

The Council had appropriate administrative processes in place to prepare the financial statements and the supporting working papers.

Significant risks at the financial statement level

We have obtained adequate evidence in relation to the key audit risks identified in our audit plan.

These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Risk area	Management override of controls
<p>Significant risk description</p>	<p>Management of any entity is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk will vary from entity to entity, this risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk on all audits.</p> <p>This was considered to be a significant risk and Key Audit Matter for the audit.</p> <p>Inherent risk of material misstatement: Very High</p>

Risk area	Management override of controls
<p>How the scope of our audit responded to the significant risk</p>	<p>Key judgement</p> <p>There is the potential for management to use their judgement to influence the financial statements as well as the potential to override controls for specific transactions.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Documented our understanding of the journals posting process and evaluated the design effectiveness of management controls over journals. • Analysed the journals listing and determined criteria for selecting high risk and / or unusual journals. • Tested high risk and / or unusual journals posted during the year and after the unaudited annual accounts stage back to supporting documentation for appropriateness, corroboration and ensured approval has been undertaken in line with the Trusts' journals policy. • Gained an understanding of the accounting estimates and critical judgements made by management. We challenged key assumptions and considered the reasonableness and indicators of management bias which could result in material misstatement due to fraud. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.
<p>Key observations</p>	<p>We have not identified any indication of management override of controls. We did not identify any areas of bias in key judgements made by management. Key judgements were consistent with prior years.</p>

Significant risks at the assertion level for classes of transaction, account balances and disclosures

Key risk area	Fraud in revenue recognition
Significant risk description	<p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed inherent risk on every audit unless it can be rebutted.</p> <p>The presumption is that the Trusts’ could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position.</p> <p>Income recognised in the Trusts’ accounts is investment income and support service income (with corresponding expenditure). Investments are managed by Janus Henderson Investors. Given the nature of this income we rebutted this risk.</p>

Other communications


On receipt of the 2022/23 unaudited financial statements, we reassessed materiality and kept it at the same levels as reported in our External Audit Plan. We consider that our assessment has remained appropriate throughout our audit.

The accounting policies used to prepare the financial statements are considered appropriate. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements. All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.

We identified no audit adjustments or unadjusted audit differences.

No material weaknesses or significant deficiencies were noted.

Wider Scope

Financial Management Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.	Auditor judgement Effective and appropriate arrangements are in place	
	The Council has appropriate arrangements in place for financial management and the use of resources.	
	The Council reported a surplus outturn position in 2022/23. 92% of approved savings were delivered. Service underspends were reported, primarily due to recruitment challenges and underspent grant funding. The Council applied financial flexibilities in 2022/23 in respect of the re-profiling of debt repayments on PPP contracts. This has resulted in a benefit to the Council of £43.576million which will be used to support its Capital Plan review.	
	The Council reported slippage of approximately 8% on its capital programme for 2022/23; incurring c. £189million of capital spend.	

Financial Sustainability

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

Auditor judgement

Risks exist to the achievement of operational objectives



In recent years, the Council has managed its budget without needing to make significant cuts to service but the financial outlook continues to be extremely challenging. Significant change will be needed to safeguard the financial sustainability of the Council.

The Council recognises there is an opportunity to bring forward change proposals that can be delivered in a staged way to address the financial challenge. Significant work on change has been advanced in 2022/23 and this will continue with proposals being considered by the Council during 2023/24. These are likely to be around people, place, digital and productivity.

The Council's Capital Investment Plan 2023-33 was approved by the Council in June 2023. There has been a significant increase in both expenditure and funding within the Capital Investment Plan since the time of the last review in February 2021. This reflects provision for significant levels of construction inflation, added investment pressures and a review of all funding options. The capital plan was assessed as being affordable at the time of approval, however it was recognised that challenges may arise in future years given reduced funding and the challenge of affordability beyond the level of investment proposed.

The Council has recognised that the HRA budget is also under considerable financial pressure with increased costs due to high inflation, staff salary increases, increasing stock figures, and other pressures and faces a high level of financial risk.

Vision, Leadership and Governance

Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Auditor judgement

Effective and appropriate arrangements are in place



Appropriate arrangements are in place to oversee the delivery of the Plan4Fife and internal audit has committed to undertake a review of the governance arrangements in place to support delivery of the new Plan4Fife, including performance management and reporting arrangements as part of their 2023/24 audit plan.

Governance arrangements throughout the year were found to be satisfactory and appropriate. We are satisfied that the Council and Committees continued to receive sufficient and appropriate information throughout the period to support effective and timely scrutiny and challenge.

Use of Resources to Improve Outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

Auditor judgement

Pace and depth of improvement needs to extend further.



Improvement work underway needs to extend further to fully demonstrate compliance with the Accounts Commission Statutory Performance Information Direction; in particular, the timeliness in performance reporting and demonstrating best value.

The Council's revised performance framework and approach to performance reporting was published in December 2022, following a reset post-pandemic. The focus of the revised framework was to reinstate and improve the accessibility, regularity and comparability of performance information available to the public. While the framework provides an improved approach to performance reporting, more time is needed for that to be fully implemented.

The Fund has appropriate performance management processes in place that support the achievement of value for money in the use of resources.

Annual investment performance to March 2023 was weaker than in previous year. Performance, however, was above the benchmark. Longer term returns over 3 and 5 years demonstrate that the Fund has outperformed its benchmark over longer time periods.

Financial management

Financial performance

The 2022/23 Comprehensive Income and Expenditure Statement shows that the Council spent a total of over £1billion on the provision of public services and recorded an accounting deficit on the provision of services of £63.609million. The accounting deficit is partly technical as it includes elements of income and expenditure that need to be accounted for to comply with the Code of Practice on Local Authority Accounting (the Code), and which are subsequently adjusted to show their impact on statutory Council reserves.

The key measure of performance in the year is the movement in the Council's general fund balance. Following the required adjustments, the net impact on the general fund is an increase of £33.241million to £216.054million. In total, cash backed (useable) reserves held by the Council increased by £26.582million in the year to £238.716million.

Movement in the Council's useable reserves per the Annual Accounts 2022/23

	2022/23 £million	2021/22 £million	Movement £million
General Fund	216.054	182.813	33.241
Housing Revenue Account (HRA)	7.380	7.005	0.375
Insurance Fund	14.423	16.571	(2.148)
Capital Fund	0	0	0
Capital Grants and Receipts Unapplied	0.859	5.745	(4.886)
Total useable reserves	238.716	212.134	26.582

Source: Fife Council Annual Accounts 2022-23

The increase in general fund balance comprises:

- An overall surplus of £72.460million against the 2022/23 budget (this comprises an underspend of £27.542million against budget within Service Expenditure, an underspend of £47.895million on loan charges and an overspend on corporate budgets of £2.977million)
- Transfers from other statutory reserves of £4.303million

- Less £43.523million of budgets transferred from balances brought forward and used in year

The unallocated General Fund was £37.007million as at 31 March 2023, an increase of £5.250million from the previous year. This is equivalent to 3.74% of budgeted net revenue expenditure² (2021/22: 3.42%). The Council's policy is a minimum of 2% of annual turnover over a three-year period.

The remaining balance of £179.047million is either earmarked or committed for specific purposes including:

- Earmarked balances (£134.516million): includes significant commitments which underpin the investment in the capital plan (£68.124million), principally Service Concessions totalling £43.576million and CFCR contributions £24.548million. In addition, there are commitments for Covid-19 funding of £35.776million, and Scottish Government specific funding of £9.066million.
- Commitments (£44.531million): includes £18.000million for changing demographics, £10.000million for Change Programmes and £8.000million contribution from balances as agreed during the 2023-24 Revenue Budget process.

Details of the make-up of these balances are shown in note 6 to the annual accounts.

Revenue performance against budget

The final outturn position on the General Fund for 2022/23 shows a surplus of £72.460million compared to the balanced budget set at the outset. This surplus has been set aside in reserves.

Savings of £0.565million were planned to be delivered during 2022/23 of which £0.517million (92%) were delivered. Where there is a shortfall in savings achieved against target, services are required to implement these saving in the following year, or identify and implement alternative savings to contain expenditure with budget.

There are two significant contributory factors in the context of the level of underspend:

1. Service Underspends (£27.542million)

Service expenditure underspent as a result of reduced costs in certain areas of service provision, predominantly Education and Children's Services, and underspent specific grant funding. All Directorates are experiencing challenges in recruiting staff and this has contributed to the underspends reported.

² Net revenue expenditure comprises net service expenditure £925.318million and Loan Charges & CFCR of £64.142million as per the 2022/23 approved budget.

The budget strategy for 2023/24 onwards will mean that this level of service underspend will not continue in future years as the future service budgets have been reduced by around £22million.

2. Service Concession Arrangements

In response to the COVID-19 pandemic and the financial challenges being faced by Local Government, the Scottish Government introduced a range of financial flexibilities, one of which centred around the profiling of debt repayments charged to the General Fund for PPP contracts.

The revised accounting guidance allows the Council to account for the cost of the repayment element over the life of the assets – 40 years as opposed to the contract period of 25 years. This approach is deemed to be prudent as it matches the expenditure profile to the consumption of the assets over time. Doing so reduces the cost per annum as the debt is accounted for over a longer period of time, but the total amount paid remains the same over the new repayment life.

The benefit identified for Fife Council amounted to £43.576million which will be used to support the Capital Plan Review.

Covid-19 financial impact

The additional net costs associated with COVID-19 were estimated to be in the region of £16million in 2022/23. Specific funding was identified for most of these costs leaving the remainder of £3.1million being funded from Service underspends. As time has passed, the Council is finding it increasingly difficult to identify costs that are as a direct result of COVID-19, given the consequences and subsequent impacts in relation to the cost of living crisis and inflationary factors.

Costs as a legacy of COVID-19 may continue into future years and assumptions have been made as to the possible impacts for both 2023/24 and 2024/25, with commitments recognised against balances to mitigate costs in those years. Loss of income has been identified as a particular challenge and may take several years to recover. This will continue to be reviewed, however, it is likely that in the future, services will need to manage any residual cost impacts within the budget available to them. This will be subject to consideration when setting the budget in the future.

Housing revenue account (HRA)

During the year, the HRA made a surplus of £0.375million and the HRA Fund balances increased from £7.005million to £7.380million. The HRA experienced similar inflationary pressures as the General Fund which significantly increased costs in repairs and maintenance, energy, and insurance. As a result of increased costs the planned revenue contribution to the HRA capital plan was reduced by £8.067million (budgeted contribution was £29.327million). If this situation continues over the coming years, this will have an impact on the affordability of the HRA capital

programme. After taking into account current commitments totalling £4.875million the level of uncommitted HRA Fund balances is £2.505million.

Capital Expenditure

Capital Expenditure for 2022/23 was £189.362million, a variance of £17.392million (8.41%) against budget. Comparable expenditure for the previous 3 years was £163.805million (2021/22), £138.473million (2020/21) and £163.805million (2019/20).

Full detail of material capital expenditure variances was regularly reported to the Cabinet Committee and the relevant Scrutiny Committees.

Treasury management

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.

As noted previously, during 2022/23, the Council applied the revised accounting guidance for the treatment of Service Concession arrangements which has the impact of spreading the cost of the principal repayments across the life of the asset, generating both a retrospective benefit and annual benefit in the immediate term.

This has a positive impact on the balances position which will be utilised to fund the capital investment plan. As this is an accounting benefit, and there is no actual cash benefit, the use of the benefit to support capital expenditure will require to be managed through the Council's Treasury Management approach and daily cash flow arrangements. The Capital Financing requirement will increase as a result of the re-profiled principal repayments as repayments will take longer to be made.

Systems of internal control

We have evaluated the Council's key financial systems and internal financial controls to ensure internal controls are operating effectively to safeguard public assets.

We did not identify any significant weaknesses in the Council's accounting and internal control systems during our audit.

Prevention and detection of fraud and irregularity

The Council is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption.

We have reviewed the arrangements and concluded that there are appropriate arrangements for the prevention and detection of fraud, error and irregularities.

National fraud initiative

The National Fraud Initiative (NFI) is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies to identify fraud and error.

The most recent NFI exercise commenced in 2022. The Council continues to work through the findings.

Overall, the Council's arrangements with respect to NFI are satisfactory but we will follow up completion of the work as part of our 2023/24 audit.

Financial sustainability

Significant audit risk

Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities:

Extract from External Audit Plan - Financial sustainability

The Council's financial planning is underpinned by its Medium Term Financial Strategy (MTFS). The latest MTFS, reported in February 2023, is projecting provisional cumulative budget gaps of £11.505million, £33.198million, and £55.598million for 2023/24, 2024/25, and 2025/26 respectively.

The Council reviewed its budget planning assumptions in February 2023 to reflect the publication of the Local Governance Finance Settlement and the financial challenges impacting on the external environment which the Council operates in. The revised budget gap assumptions applied increased pay, pension and general inflation cost pressures. The emerging and uncertain impact of cost pressures on the Council's finances and ability to deliver services in a sustainable manner remains a significant challenge and risk.

The MTFS contains a commitment from the Council to develop a corporate change programme to support Directorates in redesigning its services with the aim to drive out savings and efficiencies in the short term. The Council has a significant reserves balance (£27.492million uncommitted balance at January 2023) but has acknowledged that these cannot be utilised as a sustainable solution to close the medium term budget gap. The Council recognises that bridging gaps of this magnitude will require major changes to services and how they are delivered and have committed to a focus on service redesign to address the financial challenge from 2024/25 onwards.

The Local Government Finance circular 10/2022 confirmed that local authorities can utilise financial flexibility whereby the capital repayment element of service concessions can be accounted for over the expected useful life of the asset instead of the contract period. The Council has recognised that through utilising this flexibility, this would produce a benefit by increasing General Fund balances by £39.700million with annual savings that vary between £1.800million and £5.000million for ten years to 2032/33. The Council's utilisation of the service concession financial flexibilities has been incorporated into the MTFS reported in February 2023

Our detailed findings on the Council's financial framework for achieving long term financial sustainability are set out below.

Financial landscape

In the last 3 years the Council has significantly underspent on its general fund revenue budget. Services have moved from an overspend position of around £8million in 2019/20 to an underspend of £28million in 2022/23. The Council's Budget Strategy adopted for 2023/24 builds upon this position and service budgets have been realigned, underspends used, and staff vacancy factors increased to balance the budget. This was considered by the Council as a one-off opportunity and going forward it will have to take hard decisions in order to balance the budget.

The level of funding that the Council receives from the Scottish Government for its core activities is likely to reduce given the commitments that are in place and the financial challenge that exists nationally. Higher inflation exasperates the challenge as any increase in costs will need to be managed internally within the Council with the scope to also increase council tax, fees and charges. The Council is actively developing change plans to address the financial challenge. The Medium-Term Financial Strategy (MTFS) and the budget assumptions used in February 2023 have been updated based on all known intelligence and an updated budget gap was reported to Cabinet Committee in September 2023.

The Council recognises there is an opportunity to bring forward change proposals that can be delivered in a staged way to address the financial challenge. Significant work on change has been advanced in 2022/23 and this will continue with proposals being considered by the Council during 2023/24. These are likely to be around people, place, digital and productivity.

There is still a level of uncertainty as a consequence of the economic crisis. Inflationary pressures, increasing demand for services and the constraint of funding from the Scottish Government could increase the scale of the financial challenge the Council has to deal with. The Council's MTFS and financial Risk Register are used to support future budget decisions.

Consideration is also being given to other pressures the Council is facing, for example, equal pay claims, achieving savings, and strategic growth. 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 risk of over reliance being placed on using these for recurring expenditure, so exit strategies will need to be clear at the time of commitments.

The Council is considering 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. This will be integrated into the strategic change work that is being undertaken around people and place. The new Chief Executive is also considering the senior leadership arrangements for the Council.

Source: Fife Council 2022/23 Annual Accounts, Management Commentary

2023/24 revenue budget

In February 2023 the Council set a balanced revenue budget for 2022/23 based on a 5% increase in Council Tax rates.

The revenue budget for 2023/24 was set using a different approach from previous years. As prior years' outturn positions had been favourable, a short-term strategy was considered and the budget gap reduced by realigning budgets with recurring underspends, substituting some funding streams for core funding and the approach to budgeting for vacancy management was changed to take account of the actual vacancy level being experienced over recent years. In doing so, no savings proposals from services were required.

The Council has recognised, however, that this approach is not without risk and has reflected this in its financial risk register with the risk being carried corporately rather than at a service level.

The Council applied the statutory financial flexibility over the repayment of debt on service concession arrangements to reduce the budget gap for 2023/24. £8million of uncommitted general fund balances were also used to close the residual budget gap as well as provide for one-off investment to deal with inflationary pressures and the current cost of living crisis.

As part of the process for setting the 2023/24 revenue budget, a full review of the commitments against balances was carried out. Commitments were updated to reflect the funding strategies associated with the Capital Plan review and re-phased to reflect expenditure forecasts. Commitments were also updated to reflect the Council decision to use £8million for the revenue budget and £17million to support capital investment.

As reported to the Cabinet Committee in September 2023, changes have been made to the revenue budget that was approved in February 2023. These changes relate to previous commitments made against general fund balances being allocated to the relevant service budgets. The current budget as at August 2023 was £1,000.522million (February 2023: £975.670million).

The 2023/24 forecast outturn suggests an overspend of £0.645million. The report, however, does highlight items which skew the reported position; with the final impact on the level of general fund balances to be a forecast reduction of £6.813million.

After taking account of all earmarked balances and commitments, the level of uncommitted balances is expected to be £13.241million which equates to 1.3% of the revenue budget. The Council's policy on uncommitted general fund reserves is to maintain a level of 2% balances over a rolling three year period which means that the level can dip below the 2% level provided it returns to 2% within three years.

The Council has no plans, at this stage, to restore balances, given the early stage in the financial year and the assumption that forecasts tend to improve over the year. The outcome of the ongoing pay negotiations is still uncertain, however, the Council

note that there could be a positive impact on the outturn position. This is being kept under review.

Medium term financial outlook

The Council has a Medium-Term Financial Strategy (MTFS) which is regularly reviewed and is relied upon when planning for the future.

Following the publication of the Scottish Government’s updated Medium Term Financial Strategy, the Council took the opportunity to review the principles and assumptions contained in its MTFS and consider the impact on those planning assumptions and its planned approach to achieve a sustainable and balanced budget.

Since the approval of the budget in February 2023, the Council reported an indicative budget gap of £23.5million for 2024/25, rising to £45.9million for 2025/26 and £59.5million for 2026/27. The assumptions and baseline figures were revised and reported to Cabinet Committee in September 2023.

The main changes in the budget planning assumptions are detailed below:

Budget Assumptions for the MTFS	Assumption Applied	Assumptions in February 2023 approved budget	Built into the revised scenarios in September 2023
Council Tax	Council Tax increase of a minimum of 3% and will be reviewed annually.	3% increase	No change
Government Grant	In line with grant levels provided in the Local Government Finance Settlement	Flat line (in cash terms) – 0%	No change
Pay Awards	In line with agreed pay settlements for all bargaining groups	2.5% for all employee groups	3% for all employee groups 2024/25. 2.5% from 2025/26.
Non-Pay Inflation	Reflecting significant contracts	3%. 2.5% from 2026/27.	2.5% inflation (based on uncertainty and risk surrounding OBR forecasts) Energy costs have an approximate increase of 16% for 2024/25

Budget Assumptions for the MTF5	Assumption Applied	Assumptions in February 2023 approved budget	Built into the revised scenarios in September 2023
Demographic Growth		0%	No change
Health and Social Care Grant Reduction	As per the requirements of the finance circular taking recognition of grant received	0%	No change

Source: Budget 2024-27 Update; Cabinet Committee 7 September 2023

Recognising the difficulty in accurately forecasting the future, the Council presented three scenarios to Cabinet Committee:

1. Positive scenario – 1% increase in government grant
2. Central scenario – assumes flat cash
3. Least positive scenario – 1% decrease in government grant

For planning purposes, the Council presented the impact based on the central scenario, and in line with the MTF5, plan for a 3% council tax increase.

	2024/25	2025/26	2026/27
	£m	£m	£m
Central scenario – assumes flat cash government grant	21.9	43.5	67.3
Annual 3% council tax increase	(5.8)	(11.7)	(17.8)
Revised budget gap	16.1	31.8	49.5
Indicative budget gap following approval of budget in February 2023	23.5	45.9	59.5

Source: Budget 2024-27 Update; Cabinet Committee 7 September 2023

In recent years, the Council has managed its budget without needing to make significant cuts to service expenditure but the position going forward is now much more challenging.

In June 2023, a report was presented to Cabinet Committee which set out a basis for organisational change in the Council over the medium term. Proposals are due to

the be presented later in 2023. Additional options to close the budget gap are being explored, such as, improvements in productivity including digital enhancements, potential policy options, flexibilities around conditional grant funding and a review of fees and charges.

The Council Executive Team (CET) is considering the change planning requirements and are developing three year Change Plans aligned to the Council's strategic intent and ambitions. Proposals are being prepared with a focus on short-term savings for 2024/25 alongside further proposals for service redesign over the three year planning period.

The financial outlook continues to be extremely challenging and significant change will be needed to safeguard the financial sustainability of the Council.

Capital plans

The Council has developed a 10-year rolling capital programme that is reviewed every two years. The Capital Investment Plan 2023-33 was approved by the Council in June 2023.

There has been a significant increase in both expenditure and funding within the Capital Investment Plan since the time of the last review in February 2021. This reflects provision for significant levels of construction inflation, added investment pressures and a review of all funding options. The plan will be funded by various funding streams, with the balance sourced from borrowing from the Loans Fund.

The capital plan was assessed as being affordable at the time of approval, however it was recognised that challenges may arise in future years given reduced funding and the challenge of affordability beyond the level of investment proposed.

Underpinning the review and development of the plan is a Capital Strategy. The Capital Strategy has been refreshed and updated and takes a whole organisation approach to reflect the current aims and ambitions of the Council in the current economic climate. The Capital Strategy aligns the relationship between the Treasury Strategy and Capital planning. In recognition of the refreshed Plan4Fife and the Council's ambitions, the strategy outlines the investment priorities aimed at meeting those ambitions. The strategy notes that investment in existing assets is required to realise the Council ambitions and continue to provide services in a sustainable and affordable manner. The strategy is a live document and is kept under review and refreshed in line with any changes to the Council's overall priorities and objectives.

2023/24 forecast outturn position

The approved capital investment plan for 2023/24 represented total expenditure of £288.496million; covering both general fund and HRA. The current total expenditure budget for the financial year is £304.911million; following updates to take account of slippage from the prior year, re-profiling and increased grant income received. The Council estimates it will deliver £286.579million indicating slippage of £18.332million. The level of projected expenditure represents continued progress on the delivery of a wide range of capital projects. Major capital investment by the Council continues, however, there is still a level of uncertainty associated with the speed of delivery and future costs.

Housing Revenue Account

The Council has recognised that the HRA budget is also under considerable financial pressure with increased costs due to high inflation, staff salary increases, increasing stock figures, and other pressures and faces a high level of financial risk. In setting the 2023/24 budget; the Council faced a £8.333million budget gap which was met through a 5% rental income increase and a reduction in the capital financed from current revenue (CFCR) budget. The level of rental income impacts on the capacity of the HRA to borrow to fund investment into future policy decisions, maintain the ability to continue to build new council houses as part of the Affordable Housing Programme and improve houses to the current energy efficiency standard in future years. A rental increase of 5% or above was required in 2023/24 to keep the baseline plan in a position of medium risk and support future policy decisions.

In recognition of ongoing Cost of Living challenges affecting tenants, a motion for officers to consider the financial impact on the HRA of both a rent freeze and a partial rent freeze for 2023/24 was approved at Cabinet Committee in September 2022. It was subsequently agreed to consult with tenants on rental increases of between 0% to 3% for 2023/24. During the period from September 2022 to consideration of the HRA budget in February 2023, however, the anticipated recurring pressures continued to rise which meant it was not possible to close the budget gap based on the rental increases which had been consulted on.

The Cost of Living (Tenant Protection) (Scotland) Act 2022 introduced a temporary rent freeze from October 2022 to March 2023. The Scottish Government subsequently confirmed that the rent freeze for the social sector expired in February 2023. COSLA issued a Statement of Intent which confirmed that local authorities' commitment to keeping rent increases in April 2023 to an average of no more than £5 a week. The Council's approved rental increase for 2023/24 is in line with this Statement of Intent.

To address the 2023/24 budget gap, the Council approved a reduction in the level of capital financing from current revenue (CFCR), which results in an equivalent reduction in capital funding. This is a short-term measure and the Council recognises this is not sustainable in the medium to long term as this would adversely impact on the level of capital investment that is affordable.

The Council has forecast a budget gap for the next two years as follows:

	2024/25	2025/26	Cumulative impact
	£m	£m	£m
Budget gap	8.577	8.044	16.621

2023/24 forecast outturn position

As a result of significant pressures across the HRA, it is projected that CFCR will need to reduce by £6.676million to offset overspends across the HRA. As a result of the reduced level of HRA CFCR, an increased level of HRA borrowing may be required to fund the capital programme in year. HRA borrowing is projected to overspend by £10.252million with £6.997million being attributable to the reduced CFCR. The remainder relates to advancements of capital projects in year. The consequences of this on the HRA are currently being considered.

The forecast position for the HRA is a withdrawal from balances of £1.904million. This withdrawal from balances is used to support specific projects approved by members. This includes investment into Estates Management, Disability Adaptations and an increase to the CFCR. The level of HRA balances, allowing for all commitments, is £2.506million which is in line with the Council's policy to maintain uncommitted balances of 2% of Net Rental Income.

Vision, leadership and governance

Plan4Fife

Fife Council set out its vision and ambitions in its ten-year local outcomes improvement plan (LOIP), 'Plan4Fife', which was first published in November 2017. The Plan4Fife 2017 - 2027 was developed through the Fife Partnership and is the first combined partnership and council plan. A LOIP Development Group was established to oversee the development of the Plan4Fife and partners were involved in agreeing outcomes, actions and performance measures.

The Plan was reviewed and a three-year update, 'Plan4Fife Recovery and Renewal', was agreed in August 2021. As well as being the three-year update of the Plan4Fife, the updated Plan is also Fife's recovery and renewal plan following the COVID-19 pandemic.

As part of an overall community wealth building approach, the Plan sets out three recovery renewal priorities:

1. tackling poverty and preventing crisis;
2. leading economic recovery, and
3. addressing the climate emergency.

The priority themes: 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. The recovery and renewal priorities are being taken forward in the context of the ambitions for Fife.

Four Strategic boards oversee the progress against the ambitions: Leading Economic Recovery, Tackling Poverty and Preventing Crisis, Addressing Climate Emergency and Community Wealth Building. Each of the community planning partners in Fife has committed to these and are responsible for planning, scrutinising, and reporting on performance and delivery to the partnership, the public and other key stakeholders.

Area Committees have responsibility for the development, delivery and monitoring of the Local Community Plans (LCPs). LCPs are developed through strategic assessments and consultation with community groups in order to reflect the local needs and opportunities alongside the challenges and ambitions set out in the overarching Plan4Fife. During 2023, work has been ongoing to update the LCPs to reflect the Council's recovery and renewal priorities, post pandemic position and Plan4Fife.

We are satisfied that appropriate arrangements are in place to oversee the delivery of the Plan4Fife. Internal audit has committed to undertake a review of the governance arrangements in place to support delivery of the new Plan4Fife,

including performance management and reporting arrangements as part of its 2023/24 audit plan.

Leadership

The Chief Executive, Steve Grimmond, retired in June 2023. Ken Gourlay was appointed as the new Chief Executive in July 2023 and previously held the role of Executive Director, Enterprise & Environment within the Council Executive Team (CET). Arrangements were in place such that the respective Chief Executives provided assurance over the governance arrangements and system of internal control over the full period.

The Council's senior leadership team (CLT) is a mature team comprising officers with many years' experience, who are skilled leaders and professionals. Each Council Directorate is headed by an Executive Director who, together with the Chief Executive and the Director of Health and Social Care, collectively form the Council Executive Team (CET). The CET is supported by the CLT.

The Council has experienced a level of turnover, predominantly in the CET. Recruitment has taken place for an Executive Director of Place, following the appointment of the former Executive Director to the post of Chief Executive. The new postholder will take up their position in December 2023. One other Executive Director has retired and a Head of Service has moved to a new role in another Council. Temporary arrangements have been agreed for both roles pending a decision on the organisation's future structure.

Following the Local Government elections in 2022, the Council delivered a comprehensive induction process for all elected members, which was well received. A councillor information hub has been created on the intranet to provide a central bank of resources, including induction material for councillors to consult. Some of the training sessions were recorded so members can revisit those training sessions in their own time.

In addition, regular development sessions were held for elected members in 2022/23. The online development sessions held in 2023 covered areas including:

- Debt/Benefits training
- Code of Conduct refresher
- Media Training
- Registers of interest refresher

From review of the development sessions, we have concluded that it provides elected members with the information and platform to continue to discharge their responsibilities effectively. However, development sessions and training areas are not all mandatory and work is ongoing for the Council to identify and expand on mandatory areas of training to provide to elected members.

The Code of Conduct for Councillors forms the basis of the principles and values for elected members. The Member/Officer protocol was revised to reflect the recently updated Code of Conduct and administration changes. The Council has recognised an opportunity to revisit its protocol to ensure it continues to remain up to date and widely accessed.

Effective working relationships exist between senior officers and elected members with positions of responsibility. The Chief Executive meets regularly with the Leader of the Council and the leaders of other political parties. The Chief Executive, Executive Directors and service managers also meet regularly with Cabinet spokespeople about their portfolios.

Various structures promote collaborative working between elected members and officers. These include the formal area committee work programme, ward meetings (including mega ward meetings in City of Dunfermline and Kirkcaldy Areas), elected member workshops, development of Local Community Plans and directing spend of decentralised budgets on priorities such as community recovery fund, anti-poverty, roads and transportation.

Outside of formal committee meetings, elected members are regularly briefed on major projects, developments or issues that arise. Services run workshops to raise awareness of important pieces of work or to engage local members at the early stages of a project, for example on decentralisation work.

Governance arrangements

Following the Local Government elections in May 2022, the Council adopted a new system of governance based on a Cabinet structure. The Cabinet Committee is responsible for strategic policy decisions and membership of the Cabinet comprises the Leader of the Council (Chair), six strategic spokespersons and ordinary members up to a total of 21 members. To drive forward the strategic direction of the Council, ensuring the governance framework is operating as intended, the new governance structure is also supported by four Council service area themed scrutiny committees:

- Education Scrutiny;
- Environment, Transportation & Climate Change Scrutiny;
- Finance, Economy & Corporate Services Scrutiny;
- People & Communities Scrutiny; and
- Standards, Audit & Risk.

The Council also operates a decentralised structure based around seven Area Committees. This type of governance structure allows the Area Committees to focus on specific local area issues and opportunities and have delegated responsibility for some revenue and capital budgets.

The Council has committed to further review areas where the decentralised structure could be expanded. This work is ongoing and includes a review of services including Housing, Green space and Property and Facilities Management to identify ways to improve consistency in how different service areas work with local areas.

Cabinet and Committee meetings

During 2022/23, the Council and Committee meetings adopted a blended approach and meetings have continued to be live streamed and available to the public in the archive. The Council has been able to maintain its regular schedule of Council and Committee meetings.

Through our review of committee papers we are satisfied that there continues to be effective scrutiny, challenge and informed decision making through the financial period.

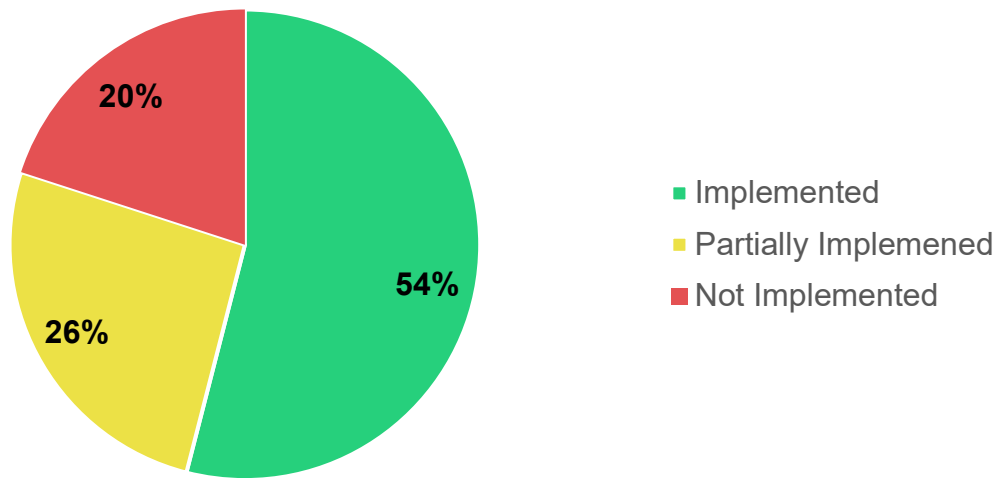
Risk management

Well-developed risk management arrangements help councils to make effective decisions and secure better use of resources. The Council's Standards, Audit and Risk Committee is responsible for monitoring the effectiveness of the risk management arrangements in place with updates on the Strategic Risk Register and information surrounding further developments to the Council's risk management arrangements being presented on a six-monthly basis.

The Standards, Audit and Risk Committee in this role is supported by the Risk Management Strategy Group (RMSG) which continued to meet quarterly during 2022/23 to provide oversight of the Council's risk management arrangements. Activities undertaken by the RMSG in 2022/23 to further strengthen the Council's risk management arrangements have included a review of the Risk Management Policy and Strategy in April 2022 and November 2022, establishment and review of the Council's risk appetite and coordination of the management of strategic risks.

In November 2022, work was reinstated to refresh and strengthen the Council's approach to Risk Management. It was recognised that the Council needed to address the remaining relevant recommendations contained within the Zurich Health Check Report (presented in 2021/22) and, consequently, these were incorporated, along with other related areas for improvement, into a new Council Risk Management Improvement Plan (RMIP). Implementation of the RMIP is managed and monitored by the RMSG, CET and SARC. The most recent progress report presented to the June 2023 Standards, Audit and Risk Committee meeting highlighted that good progress is being made in addressing the improvement plan recommendations. As detailed in the exhibit below, 54% of recommendations were fully implemented, 26% partially implemented and 20% were not implemented.

Progress against Risk Management Improvement Plan



Source: Risk Management Update - June 2023

Internal audit

The Council’s internal audit service is an independent assurance function that provides an opinion on the Council’s framework of governance, risk management and control. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. To avoid duplication of effort and to ensure an efficient audit process we have taken cognisance of the work of internal audit.

The Chief Internal Auditor’s Annual Opinion for the year ended 31 March 2023 stated that reasonable assurance can be placed upon the adequacy and effectiveness of the Council’s framework of governance, risk management and control.

Following the Public Pound

The Council uses a number of arm’s-length external organisations (ALEOs) to provide services on its behalf. While the ALEOs are responsible for the delivery of services, the Council remains responsible for the public money it provides to the ALEOs and the quality of services the ALEOs provide. The Council needs to hold ALEOs to account for their use of public funds and should have sufficient governance arrangements in place to do so.

The Council’s People & Communities Scrutiny Committee is presented with annual reports which are used to scrutinise the future direction of each ALEO, service performance, including progress against service level agreements, and any emerging issues. Through our review of the committee papers, we are satisfied that

there has been effective scrutiny, challenge and informed decision making through the financial period.

The Council has committed to review how it works with its ALEOs during 2023/24 to ensure operating arrangements reflect how the relationship between the Council and the ALEO has developed over time. The review of the operating arrangements between the Council and Business Gateway Fife has been completed and work is ongoing to review the operating agreements with the other ALEOs to ensure that they continue to reflect current arrangements.

Use of resources to improve outcomes

Forward looking Plan4Fife arrangements

The Council's ambition is to ensure public services are fit for the future, sustainable and delivered with communities if it is to address inequalities and boost life chances for all. The three recovery and renewal priorities remain the Council's focus. In 2022/23 attention was primarily on exploring its leadership approach to strategic change and reform to help leaders consider the future of services and the changes required to respond to Fife priorities, national shifts, and social and financial pressures.

In the autumn of 2022, a series of Our Fife Leadership Summits were arranged to discuss in detail the vision and priorities, focusing on four strategic change priorities emerging from the plan: no wrong door, working for place, community wealth building and health and wellbeing. Over 100 leaders from across the Council and Fife Partnership were involved at various stages throughout the process. Thematic workshops explored:

- the intent behind our vision for Fife
- our common purpose
- the practical steps we need to take over the next three years to turn that vision into reality

The output from the leadership summits has informed the next phase of change development work for both the Council and the Fife Partnership. Work has been underway to explore how it can harness some of the culture and delivery shifts evidenced during the pandemic and apply those to achieve better outcomes for Communities in Fife.

The Leadership Summits evidenced both an appetite for change together with consensus around its direction. This was the first stage in the process that will lead partnership services through a three-year programme of public service reform – laying the ground for the next Plan4Fife in 2026/27. Work continues to shape the strategic direction for recovery and reform and will be the basis for organisational change in the Council over the medium term.

Change continues to be actioned through the Plan4Fife partnership delivery arrangements. The Council set a balanced budget position for 2023/24 which recognised the need for change activity in future years. Longer term change work is ongoing, building on the Plan4Fife Leadership summits and focused on the themes of community wealth building, place making, no wrong door and health inequality and these summits will form the basis for the Council's future change activity.

All council services are engaged in change planning. Change will focus on place, people, digital and productivity. An approach to advancing change has been agreed

and will progress throughout 2023/24. This change planning work will be supported by “Our People Matter” and the Council’s workforce strategy. Priority areas for action across all directorates have been agreed and workforce planning activity will be a focus of 2023/24 to support change.

Change Plans

The development and implementation of Fife Council’s annual service change plans was paused during the pandemic. These were re-introduced during 2022/23 with a shift of focus to a three-year planning horizon. The Council has acknowledged that the change in approach is to ensure change programme initiatives move away from ‘salami slicing’ and focus on service redesign and transformation in line with the Plan4Fife priorities, the Medium-Term Financial Strategy and workforce plans. The Council is working closely with the Digital Portfolio Board to reflect the expectation that the approach to change will be supported and enabled through increased digitalisation.

The Council is committed to embedding a culture of openness and transparency to the communication of change. This is demonstrated through clear communication channels including continuous engagement with Trade Unions in relation to the direction of travel for people changes, Fife Leadership Summits and Chief Executive blogs to communicate areas of key change.

The Council’s revised approach to change planning is being developed through the following phases:

- Phase 1- Work focused on understanding the current position, wider policy propositions and identifying and prioritising areas to focus change effort. This included digitally enabled productivity, data and insight driven change, potential organisational change linked to the No Wrong Door and place-based delivery/decentralisation ambitions set out in the strategic change priorities in the Plan4Fife. This stage ran from April to June 2023.
- Phase 2- Work is focused on policy and outcome alignment, changes to operating arrangements and digital and data opportunities. This includes work on the business cases behind strategic change and includes significant leadership investment in terms of development, support and challenge. This stage is running from June to September 2023.
- Phase 3 - Work will be focused on outlining and considering proposals for organisational and structural change required to respond to the challenges and opportunities identified in phase 1 and the outline propositions coming through phase 2. The output from this phase is expected to be considered by the Cabinet Committee in November.

We are satisfied that appropriate arrangements are in place to oversee the development of the Council’s three year change plans. However, we acknowledge that the change plans have not been fully developed and as a result we will continue

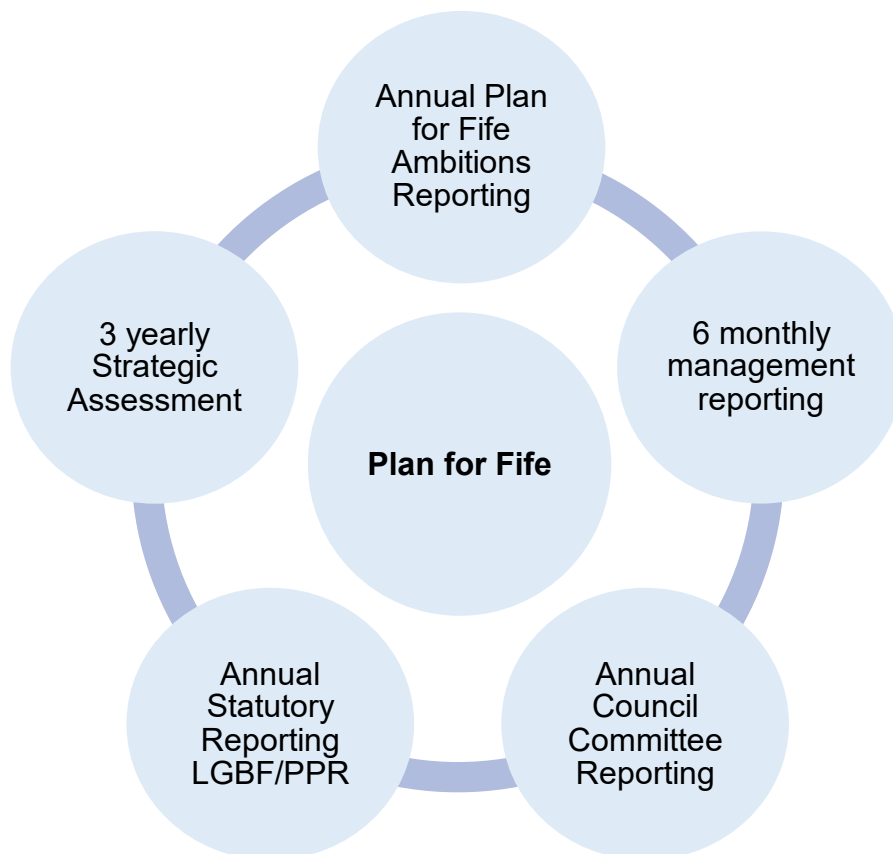
to monitor the implementation and delivery of the change plans to fully assess the impact which these are having on contributing towards transformation and redesign of the Council's services.

Performance Management Arrangements

Performance management framework

A revised performance framework and approach to performance reporting was published by the Council in December 2022, following a reset of the approach post-pandemic. The focus of the revised framework was to reinstate and improve the accessibility, regularity and comparability of performance information available to the public.

The Council's performance framework is used to support delivery of the Council's overarching strategy 'Plan4Fife'. The key components of the performance framework are outlined below:



Plan4Fife Ambitions Reporting

The three-year review of the plan 2021 established recovery and renewal priorities for the current 3-year planning period. It was proposed, at the time, that an annual review of these priorities and ambitions would be required between the 3 yearly state of Fife strategic assessment. The first review was presented to the Fife Partnership Board in April 2023, the mid-point of the 3 yearly assessment. It was based on information as at October 2022.

A consultation exercise was conducted in January 2023 to consider a suite of indicators that best align to the current Plan4Fife ambitions. The consultation asked participants to review the current list of performance indicators and specify if they wished to continue with, or stop, monitoring the indicator, and to propose any alternative indicators as required.

The results of the exercise identified gaps in both the coverage and alignment to outcomes in the current suite of performance indicators. In addition, several new and existing indicators required targets to be set to enable monitoring of performance.

The Council has committed during 2023/24 to build on the performance management improvements made and expand public performance reporting. Ongoing work includes consideration of the frequency of in year performance reporting with more real time data, the role of partnership and delivery boards in monitoring the performance of Plan4Fife indicators and reviewing the effectiveness of Plan4Fife performance indicators.

Local Government Benchmarking Framework (LGBF)

The LGBF shows the performance of Scottish councils compared to the national average for 83 indicators.

The Council has previously published annual LGBF reports. Pre-pandemic, there was a move away from this to integrate LGBF indicators in Service Annual Performance Scrutiny reports. In May 2023, the Council Executive Team decided to reinstate the annual report in addition to the service scrutiny. This provides an overview of Council's position against the LGBF indicators and assesses council-wide opportunities for improvement.

The Council, on the performance section of its website, provide the public with a link to the LGBF benchmarking information on the Improvement Service's website.

Service Reporting

The Council developed separate guidance for Service Performance Reporting in September 2022 which supports the use of performance information to drive continuous improvement, including ambitions within the Plan4Fife and benchmarking data, such as the Local Government Benchmarking Framework (LGBF). The revised approach to Service Performance Reporting is in the form of a standardised service Balanced Scorecard template which is expected to be used by all services to improve consistency and comparison of services across the Council. The templates

are used to inform service Annual Performance Reports which are presented to Scrutiny Committees.

Service Annual Performance Reports presented to Scrutiny Committees are published on the Council's website under the "performance" page. The current service Annual Performance Reports available on the Council's website are for 2021/22 and 2022/23 reports will be published in November 2023. The Council should review its performance timetable to publish performance information closer to the period covered. (refer to Statutory Performance Information section below).

From review of the 2021/22 service Annual Performance Reports, we are satisfied that the updated templates allow for a consistent approach to performance reporting across services. However, we would encourage the Council to further develop the structure of the template and consider the inclusion of 'RAG' ratings for each performance indicator to allow for more clear presentation of trends in performance compared to previous periods.

Recommendation 3

An online community portal is in development to complement the Fife Council website fife.gov.uk, and other partner sites. This will provide content on partnership aims, activities and performance information through a website that is accessible to all customers, stakeholders and employees. As it develops, the portal will provide Fife residents with better coordinated information to allow them to assess the Council's performance and progress in relation to its key priorities, statutory requirements and service delivery, and to signpost them to other relevant services and support.

Future Performance Framework Developments

The Council is committed to taking a continuous improvement approach to performance management and reporting. Performance development activities which the Council has planned to undertake in 2023/24 include:

- Service change plans- to strengthen reporting on change planning in scrutiny reporting as 3 year change plan rolls out;
- Leadership Summits- to undertake the second round of Leadership Summits to review performance against the 3-year Plan4Fife and shape the priorities and targets for 2024-27;
- Process improvement- to develop local performance information to inform and increase Area Committees influence over service and programme delivery; and
- Benchmarking- to undertake earlier discussions on escalation of performance issues informed by LGBF 22/23 return rather than waiting on publication of LGBF data for all Councils next year.

Statutory Performance Information

The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. This responsibility links with the Commission’s best value audit responsibilities. In turn, councils have their own responsibilities, under their best value duty, to report performance to the public. The Accounts Commission issued a revised Statutory Performance Information Direction (‘2021 Direction’) in December 2021, which applied for the first time in 2022/23. The 2021 Direction requires a council to report its:

1. performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes
2. own assessment and audit, scrutiny and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments

Statutory Performance Indicator 1: Improving local services and local outcomes

The information reported on the Council’s performance page of its website, and in line with its revised performance framework, is the Council’s response to meeting the requirements of SPI1 following the pandemic and the impact that had on data collection, performance monitoring and reporting. This includes links to:

- Strategic documents and plans
- Plan4Fife performance reports
- Service annual performance reports
- Links to the LGBF on the Improvement Service website, Audit and Inspection reports, Best Value reports (as they relate to Fife Council and the wider sector)

On review of the information made available to the public on the Council’s performance we did note that the timing of publication of information could be improved:

Publication on Council website	Performance information based on / Observation
Plan4Fife: Annual Review of Priorities and Ambitions	The 2022 annual review of progress against ambitions was published in May 2023. The annual public performance report is being reinstated and will be published in November 2023.
Service annual performance reports	Current service performance reports are online and relate to the period 2021/22. The performance framework timetable requires annual reports to be available by the end of November each year. This timetable reflects the availability of data and the summer recess through which Scrutiny

Publication on Council website	Performance information based on / Observation
	Committees do not meet. In year performance monitoring and reporting is developing through quarterly service performance tracking and reporting against the recovery and reform priorities however much of this is for internal use. Further consideration should be given to the timetable and approach to make performance information available closer to the period that it refers to.
LGBF	The decision to reinstate the annual LGBF report was taken in May 2023 and will be implemented from 2024 onwards. LGBF benchmarking is also incorporated into Service Annual Performance Reports and the Council has a section on its website pointing to LGBF information online.

Recommendation 4

Statutory Performance Indicator 2: Demonstrating Best Value

Statutory Performance Indicator (SPI) 2 in the 2021 Direction is on demonstrating best value; including the Council’s assessment of how it is performing against its duty of best value and how it responds to external assessments. On review of the performance information reported on the Council’s website, we consider that performance reporting could be further aligned to demonstrate best value. This should include consideration of the following areas:

- The performance webpage includes information and reports on audit and inspection, best value and strategic plans and documents. However, there is currently scope to improve compliance with SPI 2 through publishing information on how the Council has responded to audit assessment and assessment from other scrutiny and inspection bodies of its performance against its Best Value duty.
- The service Annual Performance Reports is one of the main ways the Council provides updates to the public on how it is performing. It is not clear however how the Council has addressed the SPI 2 requirements regarding publishing an assessment of its performance against Best Value responsibilities. We recommend that performance is aligned to the 7 Best Value themes.

Recommendation 5

Climate Change

The Auditor General and Accounts Commission are developing a national programme of audit work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

For 2022/23 audits, external auditors were required to gather basic information on the arrangements for responding to climate change in each body through completion of a questionnaire.

Fife Council declared a climate emergency in 2019. The Climate Fife strategy sets out the local issues and how these will be addressed. One of the three key priorities within the Recovery and Renewal Plan is "Addressing the Climate Emergency". A new ambition was added as part of the Recovery and Renewal Plan 2021-24 declaring a council and partnership commitment to work towards lower carbon emissions in Fife, in line with national targets.

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.

Best Value

Our work in 2022/23 considered the following areas:

- Best value assurance report follow up and implementation of a risk based approach based on consideration of the themes of best value;
- Service improvement and reporting;
- Thematic reviews.

Overall based on the work performed we have concluded that pace and depth of improvement in the performance of the Council in meeting its best value duties is adequate but further work is required by the Council to produce timely performance information which demonstrates service improvement.

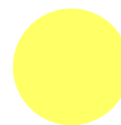
Best Value Assurance Report follow-up

A Best Value review was undertaken on Fife Council in 2018. The Best Value Assurance Report (BVAR) includes recommendations to help the Council address the improvement areas identified during the audit. We have considered progress made by the Council in implementing the recommendations made in the BVAR, as set out in the table below.

The outstanding recommendations have been integrated into “business as usual” monitoring through the Recovery and Renewal Leadership Board, Change Boards, service improvement planning and performance reporting to relevant scrutiny committees.

How well is the council performing?

Overall auditor judgement:



Action	Status	Audit observation
<p><i>The Council should develop a range of delivery plans to support the identified actions and wider ambitions outlined in the Plan4Fife. These actions should be measurable with clear deadlines</i></p>	<p>Ongoing</p>	<p>Four strategic boards oversee the progress against the ambitions: Leading Economic Recovery, Tackling Poverty and Preventing Crisis, Addressing Climate Emergency and Community Wealth Building. Delivery Board plans are in place covering all of the Plan4Fife recovery and renewal priorities and ambitions. These are in the process of being revised and updated.</p> <p>Delivery plan actions are being progressed and monitored by the Plan4Fife Delivery Boards and the relevant strategic partnerships. Delivery Boards report to the Fife Partnership Board and Recovery and Reform Leadership Group. Progress reports on delivery priorities on climate, poverty, economy and community wealth building have been considered by Cabinet over the course of 2022/23.</p> <p>As part of the Plan4Fife refresh in 2024, the Council is looking to align the 10 year Plan4Fife and 3 year Recovery Plan4Fife and how this will impact on the current Delivery Board plans. This work will be informed by the Internal Audit Review of Plan4Fife governance in January 2024.</p>

How well is the council performing?

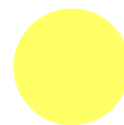
Overall auditor judgement:



Action	Status	Audit observation
<p><i>The Council should extend its improvement methodology on raising educational attainment in deciles 1-3 to a broader range of young people</i></p>	<p>Complete</p>	<p>During 2022/23, a Risk Prediction Tool was developed that provides: (i) tracking and monitoring data about the risks facing individual learners arising from varied barriers to learning; (ii) improved benchmarking information for cohorts of learners. This is being piloted with schools during 2023/24 as a basis to better inform and support school improvement activity.</p> <p>Data currently available (local data for Fife only) for 2022/23 school year shows a continuing recovery from the Covid pandemic. Data for the most recent cohort of school leavers (2021/22 leavers) shows a significant improvement in initial and sustained destinations and a closing of the gap with national outcomes.</p> <p>The Education Service has finalised its improvement plan for 2023-26. This sets out actions to further develop the work noted above and further improvement actions, to ensure improved educational outcomes and a closing of the attainment gap for those facing barriers to learning.</p> <p>We are satisfied that the Council has a sufficient and appropriate improvement methodology on raising educational attainment through the Education Service improvement plan and performance reporting.</p>

Is the council working well with its partners?

Overall auditor judgement:



Action	Status	Audit observation
<p><i>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.</i></p>	<p>Ongoing</p>	<p>The Partnership’s new Strategic Plan 2023 – 2026 was approved by Fife Integration Joint Board in January 2023, along with an Annual Delivery Plan which will ensure that key strategic priorities are monitored and reported to relevant committees. There is also a Transformation Plan and the PMO (Programme Management Office) who report on agreed priorities, including savings proposals. Work is underway to consider the next stage of the review of the Partnership’s workforce structure with a dedicated plan for a test of change in the Levenmouth area. The Partnership is considering a locality-based model and a staffing structure to accommodate this, and the evidence from the pilot will inform a “blue print” for the future re-design of health and social care services.</p> <p>All Fife partners have a role in redesigning adult services, including internal services such as Business Technology Solution, and Housing Services, and external partners in the third and independent sector. The Partnership’s Medium Term Financial Strategy provides a framework for future work, which will rely on appropriate support from both Fife Council and NHS Fife.</p>

Is the council demonstrating continuous improvement?

Overall auditor judgement:



Action	Status	Audit observation
<p><i>The Council's new programme board should ensure alignment between the aims of the Plan4Fife and service change plans. It should develop a focus on outcomes rather than being led by budget-changes</i></p>	<p>Ongoing</p>	<p>The development and implementation of Fife Council's change plans were re-introduced during 2022/23 with a shift of focus to a three-year planning horizon. Fife Council has acknowledged that the change in approach is to ensure change programme initiatives move away from 'salami slicing' and focus on service redesign and transformation in line with the Plan4Fife priorities, the Medium-Term Financial Strategy and workforce plans.</p> <p>Service change planning is developing in three phases with phase one completed and phase two underway. The output from phase three, in the form of consideration of proposals for organisational and structural change required to respond to the challenges and opportunities identified in phase one and the outline propositions coming through phase two, is expected to be considered by the Cabinet Committee in November 2023.</p>

Service improvement and reporting

On review of the information made available to the public on the Council's performance at the time of the audit we did note that the timing of publication of information could be improved. On this basis, we have not reported a summary of service performance in this section of the report.

The Council has committed during 2023/24 to build on the performance management improvements made and expand public performance reporting. Ongoing work includes consideration of the frequency of in year performance reporting with more real time data, the role of partnership and delivery boards in monitoring the performance of Plan4Fife indicators and reviewing the effectiveness of Plan4Fife performance indicators.

The Council has published performance information in line with its performance framework including Plan4Fife Ambitions Reporting and annual Service Performance Report.

Plan4Fife Ambitions Reporting

The first review of priorities and ambitions, the mid-point of the 3 yearly assessment, was presented to the Fife Partnership Board in May 2023 and is available on the Council's performance webpage. The report, based on October 2022 information, highlighted mixed performance in the delivery of the Plan4Fife ambitions with progress being made which is being offset against the significant challenges which Fife faces, particularly around economic recovery. The annual public performance report is being reinstated and will be published in November 2023.

Local Government Benchmarking Framework

The decision to reinstate the annual LGBF report was taken in May 2023 and will be implemented from 2024 onwards. LGBF benchmarking is also incorporated into Service Annual Performance Reports and the Council has a section on its website pointing to LGBF information online.

An annual LGBF report (2021/22³) was reported to the Council Executive Team (CET) in May 2023. This however was not made publicly available on the Council's performance webpage.

Service Reporting

Current service performance reports are online and relate to the period 2021/22. The performance framework timetable requires annual reports to be available by the end of November each year. This timetable reflects the availability of data and the summer recess through which Scrutiny Committees do not meet. In year performance monitoring and reporting is developing through quarterly service performance tracking and reporting against the recovery and reform priorities

³ LGBF information is published a year after the relevant financial year.

however much of this is for internal use. Further consideration should be given to the timetable and approach to make performance information available closer to the period that it refers to.

Thematic review: Leadership of the development of new local strategic priorities

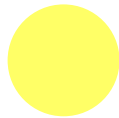
We reported our findings in a separate report to the Council in September 2023. Our overall conclusion is set out below.



Overall Conclusion

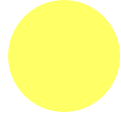

We are satisfied that the Council has appropriate arrangements in place to demonstrate Best Value under each reported area of the 2022/23 thematic review. However, our gradings reflect the point of time of our reporting and how this aligns to the development of several of the Council's key arrangements to demonstrate best value⁴. We will continue to monitor the progress that the Council makes on the development and implementation of its ongoing developments. In particular progress against:

- Review of the Council's organisational structure to ensure it is fit for purpose to deliver the key priorities and ambitions as set out in the Plan4Fife.
- Plan4Fife refresh 2024.
- Development of 3 year change plans which support the wider ambitions outlined in the Plan4Fife.
- Review of areas where the Council's decentralised structure could be expanded.
- Development of a revised approach to elected members on-going professional development and training. This includes consideration of the identification and expansion of mandatory areas of training.

⁴ Our overall judgements have not considered the pace and depth of improvement as part of this review. The Council is currently going through a substantial period of change. We will consider the Council's progress in implementing its change programmes during the course of our appointment and will apply judgement as to the pace and depth of improvement as part of this work.

How clear is the new council vision and its priorities?	Auditor judgement	
	Risks exist to the achievement of operational objectives	
	<p>The Council has established a clear vision and ambitions as set out in Plan4Fife; its first combined partnership and council plan.</p> <p>Despite changes in political arrangements following the local government elections in 2022 and the appointment of a new Chief Executive in July 2023, the Council has committed to the vision, priorities and ambitions as set out in the Plan4Fife.</p> <p>The Council and its partners are currently working towards the delivery of the plan for the next three years and preparations for the next ten year plan. During this period the Council will experience a significant amount of change.</p>	

<p>How effectively have the reflected in the priorities and decisions taken by</p>	<p>Auditor judgement Effective and appropriate arrangements are in place </p> <hr/> <p>The Council’s methods for consulting and involving citizens are appropriate and effective.</p> <p>Community empowerment, wealth and wellbeing are reflected in the strategic priorities underpinning the Plan4Fife. To support these priorities, the Council is continuing to actively seek to design operating models and services that strengthen the community voice and bring decision making into the heart of communities.</p> <p>The Council gives citizens a greater say in budgeting through participatory budgeting and has developed a number of consultation and participation tools including a Local Development Plan, Place Plans and a Fife People’s Panel.</p> <p>The Council has embedded a culture of community engagement where engagement is a continuous process embedded within services instead of being used for specific consultation purposes only.</p>
<p>How effectively do the council priorities reflect the need to reduce inequalities and climate change?</p>	<p>Auditor judgement Effective and appropriate arrangements are in place </p> <hr/> <p>The Council’s priorities have a focus on the need to reduce inequalities.</p> <p>The Council declared a climate emergency in 2019. Addressing the climate emergency is a key priority within the Partnership’s Recovery and Renewal Plan 2021-24.</p>

<p>How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the council’s priorities?</p>	<p>Auditor judgement</p> <p>Risks exist to the achievement of operational objectives </p> <hr/> <p>Work is ongoing to develop change plans which support the wider ambitions outlined in the Plan4Fife.</p> <p>Change plans were re-introduced by the Council during 2022/23 with a shift of focus to a three-year planning horizon to ensure initiatives move away from ‘salami slicing’ and focus on service redesign and transformation in line with the Plan4Fife priorities. Change programme proposals are in development and are expected to be presented to the Cabinet Committee in November 2023.</p> <p>As the change plans have not been fully developed, we will continue to monitor the Council’s implementation and delivery of these to fully assess the impact which they have on contributing towards transformation and redesign of the Council’s services.</p>
<p>Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?</p>	<p>Auditor judgement</p> <p>Effective and appropriate arrangements are in place </p> <hr/> <p>The Council has in place an appropriate governance framework in place to support member / officer relationships. Member and officer working relationships are effective.</p> <p>The Council is experiencing a period of change at senior leadership level. Work is ongoing to review the organisational structure to ensure it is fit for purpose to deliver the Council’s ambitions.</p>

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Appendix 1: Responsibilities of the Council and the Auditor

Responsibilities of the Council

The Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. The Executive Director Finance and Corporate Services has been designated as that officer. The Executive Director Finance and Corporate Services is responsible for the preparation of the Council’s annual accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Area	The Council’s responsibilities
Corporate governance	<p>The Council is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p>
Financial statements and related reports	<p>The Council has responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of the financial position of the Council and its group and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support the balances and transactions in its financial statements and related disclosures; • preparing and publishing, along with the financial statements, an annual governance statement, governance compliance statement, management commentary (or equivalent) and a remuneration report that is consistent with the disclosures made in the financial statements and prepared in accordance with prescribed requirements. The management commentary should be fair, balanced and understandable and also address the longer-term financial sustainability of the Council. <p>Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the Council and its financial performance, including providing</p>

Area	The Council's responsibilities
	<p>adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.</p> <p>The Council is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. The Council is also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
<p>Standards of conduct for prevention and detection of fraud and error</p>	<p>The Council is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct.</p>
<p>Financial position</p>	<p>The Council is responsible for putting in place proper arrangements to ensure its financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • Such financial monitoring and reporting arrangements as may be specified; • Compliance with statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • Plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
<p>Best value</p>	<p>The Council has a specific responsibility to make arrangements to secure Best Value. Best Value is defined as continuous improvement in the performance of the body's functions. In securing Best Value, the local government body is required to maintain an appropriate balance among:</p>

Area	The Council's responsibilities
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- The quality of its performance of its functions
- The cost to the body of that performance
- The cost to persons of any service provided by it for them on a wholly or partly rechargeable basis.

In maintaining that balance, the Council shall have regard to:

- Efficiency
- Effectiveness
- Economy
- The need to meet the equal opportunity requirements.

The Council should discharge its duties in a way which contributes to the achievement of sustainable development.

In measuring the improvement of the performance of a local government body's functions for the purposes of this section, regard shall be had to the extent to which the outcomes of that performance have improved.

The Scottish Government's Statutory Guidance on Best Value (2020) requires bodies to demonstrate that they are delivering Best Value in respect of seven themes:

1. Vision and leadership
2. Governance and accountability
3. Effective use of resources
4. Partnerships and collaborative working
5. Working with communities
6. Sustainability
7. Fairness and equality.

The Community Empowerment (Scotland) Act 2015 is designed to help empower community bodies through the ownership or control of land and buildings, and by strengthening their voices in decisions about public services.

Area	The Council's responsibilities
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	Specified audited bodies are required to prepare and publish performance information in accordance with Directions issued by the Accounts Commission.
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Auditor responsibilities

Code of Audit Practice

The Code of Audit Practice (the Code) describes the high-level, principles-based purpose and scope of public audit in Scotland. The [2021 Code](#) came into effect from 2022/23.

The Code of Audit Practice outlines the responsibilities of external auditors appointed by the Accounts Commission and it is a condition of our appointment that we follow it.

Our responsibilities

Auditor responsibilities are derived from the Code, statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, and guidance from Audit Scotland.

We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to the Council and others, including Audit Scotland, on the results of our audit work.

Weaknesses or risks, including fraud and other irregularities, identified by auditors, are only those which come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

Wider scope audit work

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector.

The wider scope audit specified by the Code broadens the audit of the accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

Financial management



Financial management means having sound budgetary processes. Audited bodies require to understand the financial environment and whether their internal controls are operating effectively.

Auditor considerations

Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities.

Financial sustainability



Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Auditor considerations

Auditors consider the extent to which audited bodies show regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so it can continue to deliver services.

Vision, leadership and governance



Audited bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Auditor considerations

Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. Auditors also consider the effectiveness of governance arrangements for delivery, including openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.

Use of resources to improve outcomes



Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes.

Auditor considerations

Auditors consider the clarity of arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of inequalities, and deliver continuous improvement in priority services.

Best Value

Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value.

Our work in respect of the Council's best value arrangements is integrated into our audit approach, including our work on the wider scope areas as set out in this report.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. These arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report can be found at <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202223>

Independence

The Ethical Standards and ISA (UK) 260 require us to give the Council full and fair disclosure of matters relating to our independence. In accordance with our profession's ethical guidance and further to our External Audit Annual Plan issued confirming audit arrangements we do not have any matters to not in that regard.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been

properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

Our period of total uninterrupted appointment as at the end of 31 March 2023 was one year.

Audit and non-audit services

The total fees charged to the Council for the provision of services in 2022/23 were as follows. Prior year charges for the predecessor auditor are also shown for comparative purposes:

	2022/23	2021/22
Auditor remuneration	£392,180	£313,380
Pooled costs	-	£32,400
Contribution to PABV costs	£123,150	£185,250
Audit support costs	£13,540	£16,590
Sectoral cap adjustment	£119,620	-
Total Council audit fee	£648,490	£547,620
Audit of the Fife Council Charitable Trusts	12,000	7,000
Non-audit services	£5,000	2,500
Total fees	£665,490	£557,120

The FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. In 2022/23, we have provided grant certification work to the Council.

Appendix 2: Action plan

Our action plan details the weaknesses and opportunities for improvement that we have identified during our audit.

Action plan grading structure

To assist the Council in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated as follows:

Rating	Assessment rationale
High	An issue that results in a severe impact to the achievement of objectives in the area audited.
Medium	An issue that results in a moderate impact to the achievement of objectives in the area audited.
Low	An issue that results in a small impact to the achievement of objectives in the area audited.

1. Asset valuation dates		High
Observation	<p>External valuers valued the Council’s full portfolio of council dwellings as at 31 March 2023. Internal valuers valued a proportion of all other asset classifications held at fair value (approximately 20% on a rolling basis) as at 1 April 2022, with an uplift being applied to all depreciated replacement cost (DRC) properties to reflect market movements as at 31 March 2023.</p> <p>A roundtable event was hosted by Audit Scotland in February 2023 which covered key issues in relation to the valuation of non-current assets in local government. One of the actions of the roundtable exercise was that the asset valuation date should be 31 March rather than 1 April.</p>	
Implication	<p>There is a risk that the carrying amount of assets in the balance sheet at the year-end differs materially from the current value at that date.</p>	
Recommendation	<p>We encourage the Council to review their valuation cycle dates, in line with the Audit Scotland roundtable recommended actions, to reduce the risk of the carrying amount of assets in the balance sheet at the year-end differing materially from the current value at that date.</p>	
Management response	<p>The Estates Team and Finance Team have been working in collaboration towards asset valuation date of 31 March. This will be implemented in line with the rolling programme of asset valuations and will start to be reflected in the financial statements from 2023-24.</p> <p>Responsible officer: Head of Property Services and Head of Finance</p> <p>Implementation date: 31 March 2024</p>	

2. Common Good Asset Register		Medium
Observation	<p>Our audit procedures highlighted a difference of £1.607million between the published common good register and the fixed asset register used to populate the accounts.</p> <p>On discussion with the finance team and management, movements in Common Good heritable properties in the year including assets transferred to Common Good and revaluation movements were not fully passed onto the team maintaining the published register which meant the common good register was not up to date at 31 March 2023.</p>	
Implication	<p>There is a risk that the common good accounts are misstated.</p>	
Recommendation	<p>We recommend that going forward, the Council regularly reconciles the published common good asset register to the fixed asset register used to populate the accounts to ensure the published register remains up to date.</p>	
Management response	<p>Agree with the recommendation and work will be advanced to review the requirements for publication and amend reconciliation procedures accordingly.</p> <p>Responsible officer: Finance Operations Manager</p> <p>Implementation date: 30 June 2024</p>	

3. Balanced Scorecard Templates		Low
Observation	<p>The Council developed separate guidance for Service Performance Reporting in September 2022 which supports the use of performance information including ambitions within the Plan4Fife and benchmarking data, such as the Local Government Benchmarking Framework (LGBF) in the form of a standardised service Balanced Scorecard template.</p> <p>From review of the Balanced Scorecard templates, we noted that further improvements could be made to the format of the templates to highlight trends in performance. The Council uses RAG ratings when reporting on LGBF and Plan for Fife outcomes. This approach could be extended.</p>	
Implication	<p>If trends detailed in performance reports are not clear and understandable then there is a risk that the information is used incorrectly which could impact on the quality of decision making.</p>	
Recommendation	<p>We would encourage the Council to further develop the structure of the template to include 'RAG' ratings for each performance indicator to clarify trends performance compared to previous periods.</p>	
Management response	<p>Agreed, trend data is presented for the current and last 3 years with targets and comparisons presented where applicable and a RAG status would add further clarity.</p> <p>Responsible officer: Head of Policy and Communications</p> <p>Implementation date: From November 2023</p>	

4. Statutory Performance Indicator 1: Improving local services and local outcomes		Medium
Observation	<p>The Council meets the requirements of SPI1 through the delivery of information online through the Council's performance page on the website fife.gov.uk and associated news content promoted throughout the year. However, it is noted the performance post-pandemic reset plan implemented in October 2022 is still rolling out and that further improvements to public performance information arrangements are required and underway including the reinstatement of the annual public performance and local government benchmarking reports.</p> <p>On review of the information made available to the public on the Council's performance, at the time of the audit, we did note that the timing of publication of information could be improved.</p>	
Implication	<p>There is a risk that the Council does not fully comply with the Statutory Direction.</p>	
Recommendation	<p>The Council should consider the timing of public performance information again and ensure timely reporting as close to the period under review as possible.</p>	

4. Statutory Performance Indicator 1: Improving local services and local outcomes		Medium
Management response	<p>Current public performance information timetable is dictated by the availability of data, financial information and public scrutiny through formal committees. The most current annual information is available online as soon as that process concludes. Earlier publication could limit the completeness of the reports or compromise the validity of conclusions. In addition, quarter one information is included in the autumn annual reports for the preceding year where data is available. This ensures reports are as up to date as possible.</p> <p>However, further improvements to the performance management process are planned for 2024/25 and the public performance approach and timetable will be reviewed as part of that. Any opportunities to bring forward annual reporting will be implemented, and further consideration will be given to expanding our in year reporting options online.</p> <p>Responsible officer: Head of Policy and Communications</p> <p>Implementation date: November 2024</p>	

5. Statutory Performance Indicator 2: Demonstrating Best Value		Medium
Observation	<p>On review of the performance information reported on the Council’s website, we consider that the performance report could be further developed to fully demonstrate compliance with the 2021 Direction as it relates to demonstrating best value. This should include consideration of the following areas:</p> <p>The performance webpage includes information and reports on audit and inspection, best value and strategic plans and documents. However, there is currently scope to improve compliance with SPI 2 through publishing information on how the Council has responded to audit assessment and assessment from other scrutiny and</p>	

5. Statutory Performance Indicator 2: Demonstrating Best Value		Medium
	<p>inspection bodies of its performance against its Best Value duty.</p> <p>The service Annual Performance Reports is one of the main ways the Council provides updates to the public on how it is performing. It is not clear however how the Council has addressed the SPI 2 requirements regarding publishing an assessment of its performance against Best Value responsibilities. We recommend that performance is aligned to the 7 Best Value themes.</p>	
Implication	There is a risk that the Council does not fully comply with the Statutory Direction.	
Recommendation	The Council should consider the observations noted above and further develop its response to compliance with SPI2: Demonstrating Best Value.	
Management response	<p>Agreed, this is the first year of reporting under the new best value arrangements and there are improvements to be made. Where services have been subject to audit and inspection, updates can be provided to help residents see how the recommendations made have been implemented and improvements made.</p> <p>Responsible officer: Head of Policy and Communications</p> <p>Implementation date: September 2024</p>	

Appendix 3: Follow up of prior year recommendations

We have followed up on the progress the Council has made in implementing the recommendations raised by the previous auditor last year.

1. Methodology applied to year end valuations of land and buildings	
Recommendation	<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 tender and rebuild prices.</p>
Implementation date	N/A
Complete	N/A

2. Transfers and valuation of Assets Under Construction to operational land and buildings	
Recommendation	<p>Management review of assets under construction and of completed asset transfers should be improved.</p>
Implementation date	30 June 2023
Ongoing	<p>Procedures need further refinement which will be actioned for 2023-24 year end process.</p>

3. Bank reconciliations of the main General Fund account	
Recommendation	The Council needs to implement a sound system of internal control over the Adelante Smart Pay system and prepare frequent and timely reconciliations.
Implementation date	30 September 2023
Ongoing	Development work has continued with the software supplier and automatic matching continues to be enhanced.

4. Cashflow information provided to the actuary	
Recommendation	Management should review figures submitted to the actuary for accuracy and completeness.
Implementation date	31 March 2023
Complete	N/A

5. Dormant charities	
Recommendation	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).
Implementation date	31 December 2023
Ongoing	A review of the Charitable Trusts has commenced to identify those Trusts which could be merged or wound up. Given the charity law requirements and engagement this is anticipated to run over the next 12- 24 months.

6. Charities – Key Controls	
Recommendation	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.
Implementation date	31 March 2023
Ongoing	Sample checks have been carried out in the Levenmouth area with recipients of funds, to confirm these have been used for the purposes intended. This approach will now be rolled out to other areas.

7. Completeness of payments recorded in the ledger and Fife Council Charitable Trust accounts	
Recommendation	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
Implementation date	31 March 2023
Ongoing	<p>All Charitable Trust applications now come through the <u>Fife Grants</u> page and would be stored in compliance with the document retention requirements. These records can therefore be used for reconciliation purposes.</p> <p>A reconciliation process still needs to be put in place and discussions will start on that asap.</p> <p>All approved applications are held by the 7 area administrators – we will collate these into a single point at the financial year end.</p>

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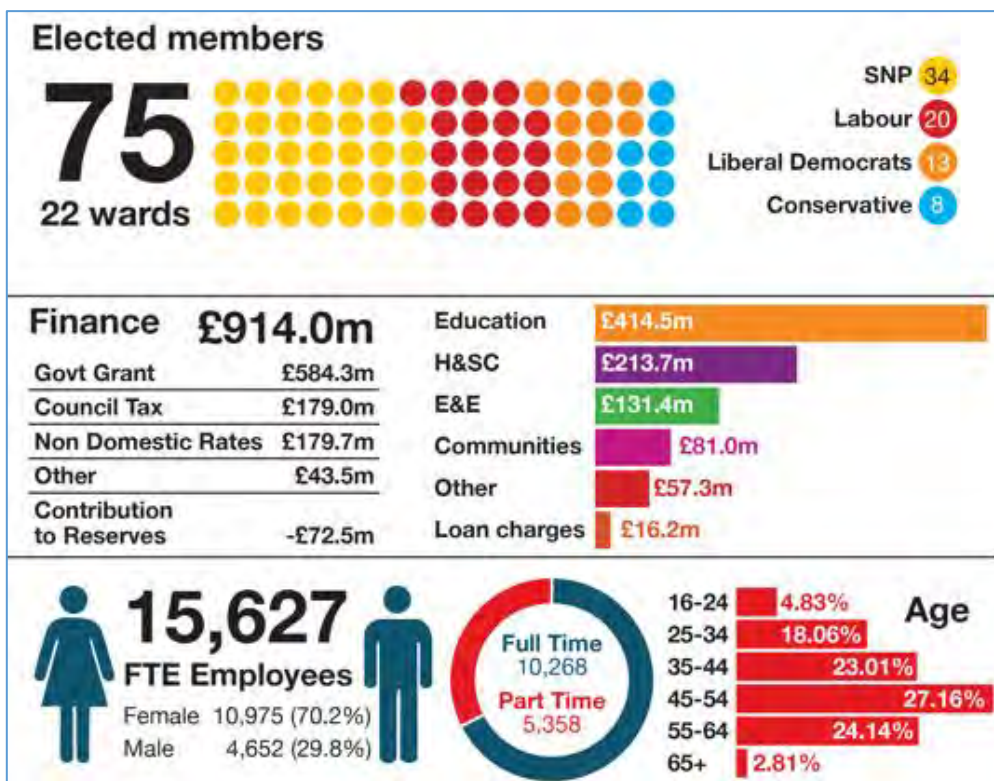
1. Introduction

Welcome to the financial statements for Fife Council and its group for the year ended 31 March 2023. 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 2022-23 financial year as well as providing an indication of risks and issues which may impact upon the Council in the future.

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 375,000 residents, 57% 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.

The last council elections were held on 5 May 2022. The SNP group hold the most seats on the Council but fall short of a majority. The new councillors voted to elect Cllr David Ross (Labour) as Council Leader and to create a Cabinet structure of governance.



The Council provides a range of essential public services throughout Fife. The Council is structured into 5 main Directorates and during the year was led by the Chief Executive, Steve Grimmond who was responsible for ensuring the Council delivers high quality services to Fife residents. Steve Grimmond retired from the Council on 2nd July 2023 and Ken Gourlay (former Executive Director, Enterprise & Environment) was appointed to the role with effect from 3rd July 2023.

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, including Health & Social Care 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 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 the ambitions for Fife.



A further 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 \(fife.gov.uk\)](http://Recovery and Renewal (fife.gov.uk))

The three recovery and renewal priorities remain our sharpened focus with attention in 2022-23 primarily on exploring our leadership approach to strategic change and reform to help leaders consider the future of services and the changes required to respond to Fife priorities, national shifts, and social and financial pressures. We want our public services to be fit for the future, sustainable and delivered with communities if we are to address inequalities and boost life chances for all.

Our Fife Leadership Summits 2022 programme provided an opportunity for a series of focused conversations on public service redesign involving leaders across the Fife Partnership. Work has been underway to explore how we harness some of the culture shifts evidenced during the pandemic and apply those to achieve better outcomes for Communities in Fife. It considered whole system change across four strategic change priorities; 'no wrong door' for people & family support services, building community wealth, health & well-being and working for place.

The Leadership Summits evidenced both an appetite for change together with consensus around its direction. This was the first stage in the process that will lead partnership services through a three-year programme of public service reform – laying the ground for the next 10-year plan in 2026-27. Work continues to shape the strategic direction for recovery and reform and will be the basis for organisational change in the Council over the medium term.

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 these provide a forecast of the financial position of the Council for the year as well as reporting the level of reserves held by the Council. The style of reporting has been adapted this year to ensure a focus on strategic oversight by the Cabinet Committee of the Council with more detailed financial performance reports being presented to the Scrutiny Committees. Commentary on the single entity that is Fife Council are provided below, and details of Group information are provided on page 12.

General Fund Revenue

2022-23 proved to be another exceptional year in local government with the Council facing significant cost pressures in terms of inflation both in pay and non-pay costs. The Council approved the General Fund Revenue budget for 2022-23 on 24th February 2022. Financial reports were provided to the Cabinet Committee throughout the financial year. The following commentary provides some context to the outturn position at the end of the financial year.

2022-23 Provisional Outturn

There is an underspend of £27.542m against budget within Service Expenditure, an underspend of £47.895m on Loan charges and an overspend on corporate budgets of £2.977m. Combined, this generates an overall underspend in the General Fund of £72.460m against budget (7.33% of Budget). There are two significant contributory factors to be considered in the context of the provisional level of underspend:

1. Service Underspends

Recruitment difficulties are impacting many areas across the Council, and this is a significant contributory factor that has increased underspends over the last three years. This problem is not unique to Fife Council and has impacted organisations nationally. The situation has been recognised as part of the budget strategy from 2023-24 onwards.

In addition, the Council has been in receipt of significant levels of grant income from the Scottish Government. This grant has been awarded in a variety of ways as either General Revenue Grant or provided for specific initiatives. Due to the timing and receipt of these grants it is not always feasible that the relevant expenditure is incurred in the year the grant has been awarded. As grant income should be recognised in the year it is awarded, this has led to some large underspends in year and contributes to the overall service underspend.

2. Service Concession Arrangements

In response to the COVID-19 pandemic and the financial challenges being faced by Local Government, the Scottish Government introduced a range of financial flexibilities, one of which centred around the profiling of debt repayments charged to the General Fund for PPP contracts.

The revised accounting guidance allows the Council to account for the cost of the repayment element over the life of the assets – 40 years as opposed to the contract period of 25 years. This approach is deemed to be prudent as it matches the expenditure profile to the consumption of the assets over time. Doing so reduces the cost per annum as the debt is accounted for over a longer period of time, but the total amount paid remains the same over the new repayment life.

This is an accounting entry which has the effect of releasing a “catch-up” benefit which reflects the reduced charges to the accounts for the earlier years of the arrangements. The catch-up benefit is in the region of £40m. There are also annual benefits of circa £4m. Following consideration at both Cabinet Committee and Fife Council, the application of the accounting guidance was approved, and the accounting entries were actioned, resulting in a significant favourable variance in this financial year, allowing the benefit to be used to support the Capital Plan Review as agreed.

The catch-up benefit then makes a significant contribution to general fund balances which has been earmarked as funding for the Capital Plan 2023-33, as approved by Fife Council on 22 June 2023, with the recurring benefit being to reduce the budget gap from 2023-24 onwards.

COVID-19 Recovery

The additional net costs associated with COVID-19 are estimated to be in the region of £16m in this year. Specific Funding was identified for most of these costs leaving the remainder of £3.1m being funded from Service underspends. As time has passed, it is becoming increasingly difficult to identify costs that are as a direct result of COVID-19, given the consequences and subsequent impacts in relation to cost of living crisis and inflationary factors.

costs as a legacy of COVID-19 may continue into future years and assumptions have been made as to the possible impacts for both 2023-24 and 2024-25, with commitments recognised against balances to mitigate costs in those years. Loss of income has been identified as a particular challenge and may take several years to recover. This will continue to be reviewed, however, it is likely that in future, Services will need to manage any residual cost impacts within the budget available to them. This will be subject to consideration when setting the budget in the future.

Pay Award

The level of pay award for 2022-23 was higher than in recent years and only partially funded by the Scottish Government. The uplift for single status staff and craft workers was agreed and the cost reflected in individual Service costs. Teachers also settled and although payment was made in 2023-24, the costs have been accrued as they relate to 2022-23 and are reflected in these accounts.

Other pressures – Economic Conditions

The current global economic issues are concerning in terms of the possible financial repercussions of inflation for the Council. These inflationary pressures mean the Council is already experiencing increased costs, most notably, energy costs (£5.497m) along with others such as fuel and other commodities. Whilst the headline level of inflation has recently eased slightly, there is still concern that core inflation is not easing, meaning there is still uncertainty in this area.

The revenue outturn position was reported to the Cabinet Committee on 29th June 2023, and a comparison to the primary statements of these accounts, is detailed in the table below: -

2022-23 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	414.473	440.748	(26.275)	(5.96%)	414.473		47.875	462.348
Health & Social Care	213.656	213.689	(0.033)	(0.02%)	213.656		15.012	228.668
Enterprise & Environment	131.415	129.432	1.983	1.53%	131.415		47.128	178.543
Communities	80.955	82.259	(1.304)	(1.59%)	80.955	(30.337)	34.292	84.910
Finance & Corporate	54.451	56.188	(1.737)	(3.09%)	48.619		21.421	70.040
Chief Executive	0.283	0.304	(0.021)	(6.91%)	0.283		0.035	0.318
Corporate & Democratic	2.543	2.698	(0.155)	(5.74%)	2.543		(1.438)	1.105
Service expenditure	897.776	925.318	(27.542)	(2.98%)	891.944	(30.337)	164.325	1,025.932
Loan Charges & CFCR	16.247	64.142	(47.895)	(74.67%)	22.078	29.636	(51.714)	0.000
Contingencies	0.000	(1.202)	1.202	100.00%				0.000
Government Grant Income	(763.964)	(763.965)	0.001	(0.00%)	(763.964)			(763.964)
Council Tax Income	(178.996)	(180.770)	1.774	(0.98%)	(178.996)			(178.996)
(Surplus)/Deficit for year	(28.937)	43.523	(72.460)		(28.938)	(0.701)	112.611	82.972
Other Income & Expenditure							(19.863)	(19.863)
Budgeted Use of Balances	(43.523)	(43.523)	0.000					
Movement in Balances	(72.460)	(0.000)	(72.460)		(28.938)	(0.701)	93.248	63.609
Transfers to(from) Reserves								
- Unusable Reserves							(90.191)	(90.191)
- Useable Reserves	39.219				(4.303)	0.326	(3.057)	(7.034)
(Increase) / Decrease in Reserves	(33.241)				(33.241)	(0.375)	0.000	(33.616)

Note 1 - A CFCR contribution of £5.832m from Insurance Fund has caused presentational differences in the table. This was included under Finance & Corporate Services in the Cabinet Committee report however, accounting regulations require that it is shown under Loan Charges & CFCR in the Annual Accounts.

Note 2 – The Transfers column represents adjustments between accounting basis and funding basis under regulations (detailed further in the Expenditure & Funding Analysis Statement on page 32).

Turning to specific commentary in relation to directorates:

Education and Children’s Services reported an overall underspend of £26.275m. The contributing factors included Devolved School Management (DSM) with an underspend of £8.243m. Pupil Equity Funding (PEF) is ring-fenced funding and the underspend of £4.578m will be carried forward used next year. Vacant teaching posts account for a further underspend of £3.665m.

Non-DSM and Childcare reported an underspend of £9.553m. General Education underspent by £7.741m due to strike action (£2.882m), a budget transfer from DSM to Non-DSM to reflect reduced school roll (£1.800m), and additional funding (£1.547m). Early Years underspent by £6.218m due to the level of staff costs being lower than planned. for Early Years provision and non-domestic rates relief to nurseries.

Children and Families reported an underspend of £8.327m, of which £6.237m is due to a reduction third party payments relating in the number of purchased placements and foster care costs. This is a direct consequence of the agreed Children and Families strategy to bring young people back to Fife.

Enterprise and Environment reported an overspend of £1.983m.

Assets, Transportation and Environment reported an overspend of £2.388m due to Roads and Transportation being overspent by £2.013m as Structural Maintenance reported an overspend of £1.198m because of cost increases for materials, and Winter Maintenance overspent by £0.856m due to inflationary factors.

Property, Repairs and Maintenance overspend of £2.174m due to the realisation of Corporate Repair backlog of approved projects in previous years. The overspend also relates to unanticipated spend following an enhanced electrical testing condition introduced by insurers.

The above overspends were offset by an underspend of £1.126m in Protective Service due to the volume of applications for building warrants generating more income than planned and challenges in filling vacancies. Business & Employability was also underspent by £1.047m mainly because of focussed delivery on short term externally funded projects linked to the economic recovery from Covid-19 (£0.408m).

Communities reported an underspend against budget of £1.304m, which relates to several smaller offsetting contributing factors.

Corporate Budgets reported a total underspend of £46.693m of which £43.576m represents the application of revised accounting guidance associated with Service concessions arrangements in 2022-23. This results in financial benefits in the current year which are earmarked balances in future years to support the Capital Plan. In addition, there was an underspend on Loan Charges as a result of the there being less borrowing than anticipated which resulted in reduced interest costs.

Net revenue expenditure for 2022-23 was £914.023m (Net Service expenditure £897.776m and Loan Charges & CFR £16.247m) and is categorised by Directorate below. Gross expenditure by Type is also shown below:

Expenditure by Directorate



Expenditure by Type



Reserves

The General Fund balance increased during the year from £182.813m to £216.054m. This net movement of £33.241m was a contribution to balances of £72.460m plus transfers from other statutory reserves of £4.303m less £43.523m of budgets transferred from balances brought forward and used in year, as shown on Note 6 page 40.

For 2022-23 reserves of £43.523m were utilised to augment service budgets. These included honouring commitments in respect of funding COVID-19 costs (£15.082m), energy inflation (£5.497m), construction inflation (£3.079m) specific Scottish Government funding (£7.858m) and Devolved School Management (£3.625m) and funding agreed recovery investment (£1.950m). There were also transfers into the general reserves of £1.829m which represents ring fenced capital receipts which have subsequently been used as a funding stream for transformational projects.

Against the General Fund balance of £216.054m at 31st March 2023 are Earmarked balances totalling £134.516m and includes significant commitments which underpin the investment in the capital plan, principally Service Concessions totalling £43.576m and CFCR contributions £24.548m. In addition, there are commitments for Covid-19 Funding of £35.776m, and Scottish Government specific funding of £9.066m. Commitments total £44.531m and include £18.000m for changing demographics, £10.000m for Change Programmes and £8.000m agreed in 2023-24 Revenue Budget process. Further information on all earmarked balances and commitments is provided on Page 40.

With all existing commitments taken into consideration the level of uncommitted balances is forecast to be £37.007m.

The significant increase in balances is predominantly as a result of the application of revised accounting guidance in respect of Service Concession arrangements.

The Council continues to be faced with considering the likely financial implications of steeply rising inflation and considering likely financial scenarios for 2023-24 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. 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.

Revenue Budget 2023-24

The favourable position in the current year demonstrates how the financial position of the Council has changed significantly over the last few years, and reflects why the use of budget realignment, use of underlying underspends and vacancy factors has been an appropriate strategy when agreeing the revenue budget for 2023-24. The outturn position demonstrates and re-enforces the decision to re-align budgets during the consideration of the 2023-24 position.

Re-aligning £22m in the 2023-24 budget does not come without risk and will inevitably impact on the level of resources available to deal with day-to-day pressures within services in the future. However, this is linked to the strategy of holding more risk corporately which is supported by the current level of balances.

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

Delivery of Savings

Savings of £0.565m were planned to be delivered during 2022-23 of which £0.517m (92%) were delivered. 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 the year, the HRA made a surplus of £0.375m and the HRA Fund balances therefore increased from £7.005m to £7.380m. HRA experienced similar inflationary pressures as General Fund which significantly increased costs in repairs and maintenance, energy and insurance. As a result of increased costs the level of CFCR (capital from current revenue) was reduced. If this situation continues over the coming years, this will have an impact on the affordability of the HRA capital programme. After taking into account current commitments totalling £4.875m the level of uncommitted HRA Fund balances is £2.505m. Details of the financial position for 2022-23 are included within these financial statements.

Capital Expenditure

The gross Capital Expenditure for 2022-23 was £189.362m, a variance of £17.392m (8.41%) against budget. Comparable expenditure for the previous 3 years was £163.805m (2021-22), £138.473m (2020-21) and £163.805m (2019-20). Expenditure variances exist across all Themes within the Capital 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 Cabinet Committee and the relevant sub-committees. The major elements of expenditure are analysed as follows:

Project Spend	£m
Maintaining our assets – rolling programmes	44.781
Secondary schools – West Fife	36.720
Affordable Housing Programme	34.122
Scottish Housing Quality Standards	33.451

Assets and Liabilities

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2023 and explanatory notes are provided. Net assets have increased by £773.918m to £2,795.183m as detailed in the following table;

	2022 23 £m	2021 22 £m	Movement £m
Long Term Assets	3,832.586	3,550.126	282.460
Current Assets	181.973	227.666	(45.693)
Current Liabilities	(249.903)	(230.569)	(19.334)
Long Term Liabilities			
-Defined Benefit Pension Liability	0.000	(531.427)	531.427
-Other Long Term Liabilities	(969.473)	(994.531)	25.058
Net Assets/(Liabilities)	2,795.183	2,021.265	773.918
Useable Reserves			
-General Fund	(216.054)	(182.813)	(33.241)
-Housing Revenue Account (HRA)	(7.380)	(7.005)	(0.375)
-Capital Grants & Receipts Unapplied	(0.859)	(5.745)	4.886
-Insurance Fund	(14.423)	(16.571)	2.148
Unusable Reserves			
-Defined Benefit Pension (Asset) / Liability	0.000	531.427	(531.427)
-Other Unusable Reserves	(2,556.457)	(2,340.558)	(215.909)
Total Reserves	(2,795.183)	(2,021.265)	(773.918)

The largest movement relates to the defined benefit pension liability which is measured 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.

The actuary has calculated that the Council's Defined Benefit Pension Liability has now become an asset. This is as a result of the current economic environment which impacts on the assumptions and calculations of the obligations. The outlook for corporate bond yields have significantly improved which means that the discount rate or assumed investment return on an accounting basis is significantly higher this year (4.75% compared to 2.7%). A higher discount rate places a lower value on obligations and in turn improves the position from liability to asset.

Other assumptions, although updated, do not have a significant impact and given the magnitude of the change in discount rate, the overall impact of changes in financial assumptions on the balance sheet is overwhelmingly positive.

Accounting Standards however do make provision for employers who are part of the LGPS scheme to apply an asset ceiling and effectively “cap” the amount of asset recorded on the balance sheet. Following additional calculations it was determined that the asset ceiling for Fife Council was zero, and this is the value which has been recognised in the Council’s Balance Sheet.

Other Long-Term assets reflects the levels of capital expenditure in 2022-23 as well as the revaluation of non-current assets actioned in 2022-23 offset by other capital accounting entries such as depreciation. Revaluations are carried out on a quinquennial basis. The corresponding entries are recorded in Other Unuseable Reserves and represents the increase from last year.

There has also been a change to the accounting treatment of assets which are used and actively managed by the Council but owned by Common Good, as it has been determined that the previous accounting treatment of these assets was not consistent with the relevant accounting standards. Assets of this nature are leased by the Council, on a full repairs basis at a peppercorn rental, and were included in Property, Plant & Equipment on the Council’s balance sheet. However, this lease arrangement is now reflected in the Common Good balance sheet as a long term debtor representing the net investment in the leases which is equivalent to the value of the assets at the balance sheet date. At 31st March 2023 this value was £163.221m (31 March 2022 £142.964m).

This has had the effect of reducing the value of the assets held as Property, Plant & Equipment on the Council balance sheet as ownership is now reflected in Common Good with corresponding entries recorded in the unusable reserves. Accounting entries have been made to this financial year (2022-23) and prior year adjustments.

Accounting for Leases will be subject to a new accounting standard, known as IFRS16 from 01 April 2024, which will be reflected in future financial statements.

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’s loan fund policy is in line with the regulations in that:

- 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 Capital Plans for both HRA and General Fund are tested for affordability to ensure that any borrowing remains is affordable, sustainable and prudent. Prudential Indicators are produced and approved at Council as part of the revenue budget process.

During 2022-23, the Council applied the revised accounting guidance for the treatment of Service Concession arrangements which has the impact of spreading the cost of the principal repayments across the life of the asset, generating both a retrospective benefit and annual benefit in the immediate term.

As previously outlined, this has a positive impact on the balances position which will be utilised to fund the capital investment plan. As this is an accounting benefit, there is no actual cash benefit, this means that the use of the benefit to support capital expenditure will require to be managed through the Council’s Treasury Management approach and daily cash flow arrangements. The Capital Financing requirement will increase as a result of the re-profiled principal repayments as it will take longer.

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 Cabinet 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		2022 23	2021 22	Commentary
Reserves				
Uncommitted General Fund reserve as a proportion of Annual Budgeted Net Expenditure		3.74%	3.42%	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's policy is 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		£5.250m	(£15.272m)	Reflects the extent to which the Council is using Uncommitted General Fund Reserves.
Council Tax				
In-year Collection Rate		95.82%	95.31%	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		18.11%	18.60%	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 increased Council Tax by 3% for 2022-23.
Financial Management				
Actual Outturn Compared to Budgeted Expenditure		(7.33%)	(6.36%)	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		£72.460m	£58.974m	
Debt/Long term Borrowing				
Capital Financing Requirement (CFR) for the Current Year		£1,200.054m	£1,133.121m	External debt levels remain lower than the CFR which reflects the borrowing requirements
External Debt Levels for the Current Year		£995.595m	£1,022.655m	
Ratio of Financing Costs to Net Revenue Stream	General Fund	1.27%	6.39%	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. The General Fund figure in 2022-23 is lower as this reflects the gain from application of revised accounting guidance for Service Concessions.
	HRA	23.77%	22.04%	

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 2023-24 has already been given and there is no reason to believe that future approvals will not be forthcoming. As the Council moves into 2023-24, it is in a strong financial position, with the budget gap having been closed without the need for any significant service reduction and is holding a significant scale of balances in order to manage some of the short-term uncertainties. 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.

These costs can be contained in the short term, however the medium-term position is less certain and will likely be challenging, but the Council's plan for recovery and renewal is looking at future change to enable the Council to deal with those future challenges. Continued financial evaluation of the Council and its subsidiaries is ongoing and a medium-term financial strategy is in place and is continually reviewed to ensure it remains fit for purpose. All options and all funding streams including the potential use of balances continue to be identified to ensure the continued financial sustainability of the organisation. 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 style="text-align: center;">Subsidiary bodies</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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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 Accounts to 31 March 2023 have been used.

The table below shows the Operating Surplus or Deficit in the 2022-23 financial year and the net asset position at 31st March 2023 for the Council's subsidiary bodies (including Common Good and Charities & Trusts) and the Council's share of the Integration Joint Board. The figures below include any impact arising from changes in Defined Pension Assets and Liabilities.

Subsidiary	Operating (Surplus) / Deficit to 31 March 2023 £m	Net Assets / (Liabilities) at 31 March 2023 £m
Fife Sports and Leisure Trust Limited	(4,392)	0.709
Fife Coast and Countryside Trust Limited	(0.393)	1.351
Fife Golf Trust Limited	0.017	0.183
Fife Cultural Trust Limited	5.633	1.153
Fife Resource Solutions LLP	(3.455)	(0.152)
CIRECO (Scotland) Ltd	0.000	0.000
Business Gateway Fife	0.004	0.542
Common Good	1.684	176.163
Charities & Trusts	0.139	4.555
Integration Joint Board	20.996	18.860
Total	16.865	203.364

As detailed in the Assets & Liabilities section of this Management Commentary, there has been a change in accounting treatment for Common Good assets which are used and actively managed by Fife Council. These assets are now included in the Common Good balance sheet (£163,221m at 31 March 2023) and shown in the table above.

Our Plans for the Future: Principal Risks and Uncertainties

In the last 3 years the Council has significantly underspent on its general fund revenue budget. Services have moved from an overspend position of around £8m in 2019-20 to an underspend of £28m in 2022-23. The Budget Strategy adopted for 2023-24 built on this position and service budgets have been realigned, underspends used, and staff vacancy factors increased to balance the budget. This is a one-off opportunity and going forward the Council will have to take hard decisions in order to balance the budget.

The level of funding that the Council will receive from the Scottish Government for its core activities is likely to reduce given the commitments that are in place and the financial challenge that exists nationally. Higher inflation exasperates the challenge as any increase in costs will need to be managed internally within the Council with the scope to also increase council tax, fees and charges. The Council is actively developing change plans to address the financial challenge. The medium-term financial strategy and the budget assumptions used in February 2023 have been updated based on all known intelligence and an updated budget gap was reported to Cabinet Committee in September. This will no doubt influence the level of future change being planned for.

There is an opportunity to bring forward change proposals that can be delivered in a staged way to address the financial challenge. Significant work on change has been advanced in 2022-23 and this will continue with proposals being considered by members during 2023-24. These are likely to be around people, place, digital and productivity.

There is still a level of uncertainty as a consequence of the economic crisis. Inflationary pressures, increasing demand for services and the constraint of funding from the Scottish Government could increase the scale of the financial challenge the Council has to deal with. The Council has Strong financial management with a Medium-Term Financial Strategy and a financial Risk Register in place to support future budget decisions.

Consideration is also being given to other pressures the Council is facing, for example, equal pay claims, achieving savings, and strategic growth. 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 clear at the time of commitments.

As we move forward 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. This will be integrated to the strategic change work that is being undertaken around people and place. The new Chief Executive is also considering the senior leadership arrangements for the Council.

4. 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.

Councillor David Ross
Leader of Council

Ken Gourlay
Chief Executive

Eileen Rowand MBA CPFA
Executive Director Finance
and Corporate Services

1.0 Fife Council's scope of responsibility and approach to maintaining effectiveness of governance arrangements

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 CIPFA SOLACE entitled 'Delivery of Good Governance in Local Government Framework' (2016 Edition). A copy of the Code is available at: [Governance Documentation](#). This document summarises how Fife Council's governance arrangements address the requirements of the Code. In addition, Fife Council is responsible for confirming effective corporate governance arrangements exist within its other group entities. In line with Accounts Commission guidance, including "Safeguarding Public Money: are you getting it right?", "Following the Public Pound" and Arm's Length External Organisations (ALEOs): are you getting it right?", part of that responsibility is about ensuring that public money is being used appropriately and achieving Best Value.

Fife Council's Group Accounts

Fife Council operates several ALEOs. They are Business Gateway Fife (BGF), Fife Resource Solutions (FRS), Fife Sports & Leisure Trust (FSLT), Fife Coast & Countryside Trust (FCCT), Fife Golf Trust (FGT) and Fife Cultural Trust (FCT). The two directorates responsible for managing and maintaining oversight of the Council's ALEOs are Communities and Enterprise & Environment. FSLT started trading on 1 April 2008. The Office of the Scottish Charity Regulator (OSCR) granted charitable status on 28 March 2008 and Fife Council is the sole member of the Company. FCCT is registered as a Company Limited by Guarantee with charitable status in March 2001. Fife Council is the sole member of the company. The trust was initially responsible for the marketing & promotion of the Fife Coastal Path (FCP). However, in June 2009, after a successful two-year pilot, it also took on responsibility for the Countryside Rangers and maintenance of both the Lomond Hills Regional Park (East) and FCP. FGT started trading on 1 April 2011. OSCR granted charitable status on 30 March 2011 and Fife Council is the sole member of the company and finally FCT started trading on 1 October 2012. OSCR granted charitable status on 27 September 2012 and Fife Council is the sole member of the Company.

Each ALEO is overseen by a Board of Directors. Regular performance monitoring and liaison is carried out with these four ALEOs by the Communities and Neighbourhoods Service with Annual Reports being presented to Scrutiny Committee.

In addition, Fife Council's waste services are provided by Fife Resource Solutions (FRS) and Resource Efficient Solutions (now known as Cireco), a limited liability partnerships which were formed in 2014. The Council appointed three elected members and two officers to sit on the Board of FRS and Cireco in addition to three non-executive directors.

Finally, Fife Council participates in Fife's Health and Social Care Partnership (HSCP) with NHS Fife. The HSCP is overseen by an Integration Joint Board (IJB) to which the Council nominate eight elected members. The IJB meets regularly in a remote meeting format attended by the Director of the HSCP and other professional advisers including a Standards Officer.

Maintaining effectiveness of governance arrangements

- 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.

- 1.4 A lead officer (Executive Director, Finance and Corporate Services) has been appointed to:
- oversee the implementation and monitor the operation of the Code of Corporate Governance and
 - review the operation of the Code in practice.
- 1.5 In addition, the lead officer, chairs the Corporate Governance Group which has responsibility to input to and review the Annual Governance Statement 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.
- 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. A system of Corporate Governance and internal control cannot provide protection with certainty against material errors, losses, fraud, or breaches of laws or regulations.

2.0 Fife Council's 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, Audit and Risk Committee, and Scrutiny Committees held in public / live streamed as part of the blended meeting project.
- 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 activity
- 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
- Investment Strategy Group which focusses on Capital Strategy monitoring, developing 10-year investment plans and monitoring high-level capital delivery performance

Risk Management

- Risk Management Policy and Strategy (reviewed June 2023)
 - 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 in 2023 of a formal External Quality Assurance process. The Service undertakes a risk-based annual programme of audit work approved by the Standards, Audit and Risk Committee. A review of the effectiveness of the Standards, Audit and Risk 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 2023 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, Audit and Risk Committee, the Executive Director - Finance and Corporate Services, other relevant Executive Directors and Heads of Service and the External Auditor. Where necessary, the Standards, Audit and Risk Committee can seek further reports from the appropriate Executive Director or Head of Service. In 2022-23 there were several internal audit reports which have been considered in the preparation of this Governance Statement, including those relating to information security management, payroll processing and reconciliation, recurring payments, and safeguarding.
- 2.5 The Council is determined to protect itself and the public from fraud and corruption and have developed its existing counter fraud and anti-corruption arrangements in consideration of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. The Council 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 Officer) 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.

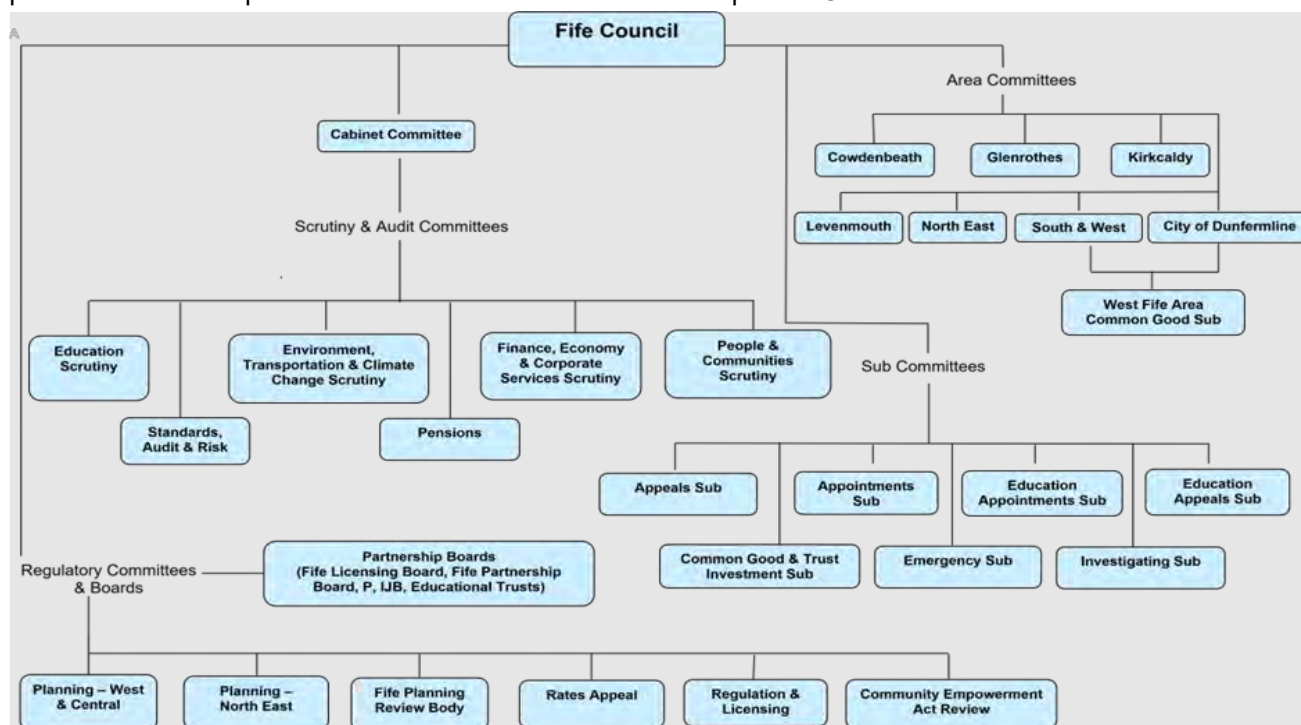
3.0 Review of Effectiveness

- 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 2023. This is the same level of control rating as in the 2021-22 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 and Risk Committee.
 - 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 process was to encourage a more rounded, qualitative approach. This approach has been further developed over the last two years. The Fife Council 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 approach has recently been enhanced using a working group to gain a wider perspective. An important element of assurance is the assessment by each directorate and ALEOs of 40 statements related to good governance, together with updates on previous improvement actions and any new actions identified. 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 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 to enhance governance arrangements.

Significant governance developments in 2022-23

3.3 Local Government elections were held in May 2022. The Council is made up of 75 elected members across 22 wards. Following the election, the Scottish Labour Party formed a minority administration and Cllr David Ross was elected as Leader of the Council. Six strategic spokespeople were also appointed. The Council also agreed a new structure of governance based on a Cabinet Committee and four Council service area themed scrutiny committees. The Cabinet Committee plays a key role in governance and decision making. The function of the Cabinet Committee is to set the strategic and policy direction of the Council and take all major policy and resource decisions on its behalf. The Council also constituted a Standards Audit and Risk Committee which has the delegated authority to support the Council in its responsibilities for risk management, governance, and control. The Committee will seek assurance that an effective system of internal control is maintained. The Committee also has a role in the application of standards matters across the Council, and the Council's performance in complaints and freedom of information. The updated Committee structure is as follows:



3.4 The Council has continued to focus on four priority themes as set out in the Plan for Fife which was updated in September 2021. The priority themes are Opportunities for All; Thriving Places; Community-Led Services; and Inclusive Growth and Jobs. These have been translated into thirteen "ambitions", with addressing the climate emergency added. Four Strategic boards continue to oversee the progress against the ambitions Leading Economic Recovery, Tackling Poverty and Preventing Crisis, Addressing Climate Emergency and Community Wealth Building and 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 process, and local community plans and neighbourhood plans will be developed to improve outcomes for those with the greatest needs. The Council is considering decentralisation, through its Area Committee structure, as part of its place-based initiatives. In the summer of 2020, the Council began to look at some test of change opportunities, research organisational approaches in other councils across the UK and analysis of organisation, productivity, and digital opportunities across Fife as part of its reform to recovery work. A series of workshops over the latter half of 2022 were arranged across the following themes: community wealth building, place making, no wrong door and health inequality. The workshops included managers from across the community planning processes and they resulted in a series of output which will be used for future change planning.

- 3.5 Appropriate monitoring and reporting will help the Council to track progress towards the delivery of desired outcomes and assist strategic committees, area committees and Fife Partnership in scrutinising performance. Service performance reporting continued during 2022-23 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. Continued emphasis on financial planning throughout the year was highlighted in several reports considered by the Cabinet Committee, this took account of the fluid nature of the significant financial consequences of the pandemic and the impact of covid funding on the Council's budget position. The Council has created a revised governance structure to respond to requests for information from the two national COVID inquiries.
- 3.8 The Council implemented Oracle Cloud during 2020, and as reported previously this was particularly challenging given it coincided with the need to respond to the Pandemic. The focus last year had been to deal with residual issues arising from implementation and this year has seen more focus on ensuring that the value of using an integrated system is maximised. While some of the benefits across security, reporting, forecasting, payroll, and recruitment are now being realised we have been reviewing our approach through internal audit to look at enhancing internal controls.

Key Statements

- 3.9 We have been advised on the result of the review of the effectiveness of the governance framework by the processes and procedures outlined in Para. 3.1 above and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. We are also clear that the Council's financial management arrangements conform to the governance requirements of the Chartered Institute of Public Finance and Accountancy's Statement on the Role of the Chief Financial Officer in Local Government (2016).

4.0 Areas for Improvement and Development in Governance

- 4.1 The table below shows progress on significant governance issues which were identified in the previous annual governance statement during the year and the second table shows actions planned for the coming year. Oversight of these actions 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. A detailed action plan, containing all directorate actions, along with responsible officers and implementation dates will assist with the monitoring process.

Update on previously agreed actions

Review of Governance and Decision Making
<p>Issue: Governance structures need to enable transparent and appropriate decision making.</p> <p>Responsible Officer: Head of Legal and Democratic Services</p> <p>Progress made in 2022-23: The new Council is now in place. Officers prepared a detailed advice note for group leaders setting out options for decision making structures. The Cabinet decision making structure has been adopted, along with four scrutiny committees. Council has taken a decision to adopt hybrid meetings for most of its decision making (a few Committees remain in person only) and the technology continues to evolve to support that process. Most committees are fully live streamed. Work is still required on the report template and guidance document.</p>

Members Involvement in Setting the Tone from the Top

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

Responsible Officer: Head of Legal and Democratic Services

Progress made in 2022-23: The Code of Conduct for Councillors forms the basis of the principles and values for elected members. A comprehensive programme of induction was delivered, including the use of pre-recorded videos on the code of conduct. The videos then formed the basis of discussion sessions. A Councillor hub was created on the internet where for resources relating to the Code of Conduct can be stored and referred to.

Elected Member Support and Development

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

Responsible Officer: Head of Legal and Democratic Services

Progress made in 2022-23: The induction programme has been fully delivered and was well received. A recent members survey has been carried out to begin to understand what ongoing support is required for members in 2023-24.

Change Programmes

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

Responsible Officer: Service Manager - Corporate Development

Progress made in 2022-23: Change continues to be actioned through the Plan for Fife partnership delivery arrangements. The Council set a balanced budget position for 2023-24 which recognised the need for change activity in future years. Longer term change work is ongoing, building on the Plan for Fife Leadership summits held late 2022 and early 2023 and focused on the themes of community wealth building, place making, no wrong door and health inequality and these summits will form the basis for the Council's future change activity.

Embedding Risk Management

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

Responsible Officer: Service Manager – Audit & Risk Management Services

Progress made in 2022-23: A full time, dedicated Risk Management Co-ordinator position was established within the Risk Management Team. The position was successfully filled in September 2022.

The Risk Management Strategy Group (RMSG) continued to meet regularly throughout 2022-23.

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.

Thereafter, the new Risk Management Policy and Strategy document was updated to include the risk appetite as well as minor amendments to the RMSG's remit.

Risk Management Update reports have been submitted to CET and Standards, Audit & Risk Committee throughout 2022-23 in line with the Policy and Strategy document. Reports included updates on the Council's Strategic Risk Register as well as progress towards implementing individual actions within the Risk Management Improvement Plan.

A formal Roll Out Plan was compiled to schedule in corporate Risk Management Team support for Directorates, which will help them to develop, implement and embed effective risk management arrangements locally.

Developments have taken place within Pentana, the Council's Performance and Risk Management system, with a view to ensuring system functionality is utilised. Risk Management Procedures, including a section on Pentana, have also been drafted.

Lastly, a revised Risk Impact Assessment Matrix was developed to help facilitate the consistent consideration of risk impact over a wider range of categories using the established PESTELO model. In addition to consistency, the new approach will highlight where internal controls require to be developed, assisting management to be more focused and effective in terms of utilising, often limited, resource for risk mitigation.

Health and Social Care Partnership

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

Responsible Officer: Chief Finance Officer

Progress made in 2022-23: The IJB Risk Management Policy and Strategy was approved on 31 March 2023. There were two risk appetite sessions held for IJB members in 2022-23 and the Risk Appetite Statement is now in draft.

Due to changes in Governance structures and personnel a more formal approach will be progressed during 2023-24. Member Development Sessions are delivered regularly to ensure relevant topics are discussed to strengthen member knowledge and understanding.

An established member induction programme is in place.

Restructuring, Movement of Staff and Change to Processes

Issue: Restructuring and movement of staff had increased in previous years.

Responsible Officer: Head of Human Resources

Progress made in 2022-23: Following the introduction of the blended meeting pilot there has been lots of work to roll out and develop the model while supporting employees to work from home and in a blended setting. There have been benefits to the blended work approach, particularly in relation to widening options for recruitment and increasing the ability to retain staff. Some analysis has been carried out on the success of the approach and early indications shows a positive impact on absence for this workstyle.

Impact on Planning and Delivery of Services

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

Responsible Officer: Head of Human Resources

Progress made in 2022-23: The learning from the pandemic has informed our approaches to the way we support our workforce, particularly in relation to a refreshed approach to WFP (Workforce Planning) and associated tools aligned to Our People Matter. The blended approach to working, which was developed from the home-working model adopted over the pandemic, has also contributed to the way services are delivered. This focus on planning and lessons learned from the pandemic will continue into this year's action plan as we continue to make the shift from a public management model of provision toward a more strongly person and community led public service. This change will be based on the work we have done this year, gathering evidence of successful redesign, tests of change in Fife, experience from other local authority areas and analysis of current organisation. We have also carried out review work with community planning partners undertaken over the year.

Health and Safety

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

Responsible Officer: Head of Human Resources

Progress made in 2022-23: The work on health and safety was overseen by the CHSSG (Corporate Health & Safety Strategy Group) and the group had an increasing focus on emerging risk. There has been improvement to ECS incident reporting which has result in more detailed data and a better ability to respond to incidents. The team commissioned a digital tool for efficient inspection/audit and commissioned a process for consolidation of safety flags. The remote working pilot resulted in a robust process for assessing homework stations for DSE compliance to be put in place to ensure employer compliance and employee safety and wellbeing while working from home.

Employee Wellbeing

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

Responsible Officer: Head of Human Resources

Progress made in 2022-23: This year we used provided Health Analysis information to services using the Council's Power BI format to allow service interrogation. The data identified 5 priority areas identified for management team consideration.

Action plan for 2023-24

Review of Governance and Decision Making
<p>Issue: Governance structures and processes need to enable transparent and appropriate decision making. Responsible Officer: Head of Legal and Democratic Services / Monitoring Officer</p> <p>Action Planned within 2023-24: A review of Standing Orders will be brought forward for approval in June 2023. There will also be a review of Committee Powers and Officers Powers to ensure these are the best fit for the new structure. This work will include mapping of the Council's governance structure. There is a review of financial regulations which will also support appropriate decision making. A protocol for scrutiny will be developed to support that area of work.</p> <p>Work to improve internal controls remains a priority. We will focus on the development of our systems and processes to ensure that internal controls are effective.</p>
Elected Member Support and Development
<p>Issue: Elected members need to be supported to undertake their role through a continuous programme of development and learning.</p> <p>Responsible Officer: Head of Legal and Democratic Services</p> <p>Action Planned within 2023-24: We will prepare a revised approach to members on-going professional development and training. This will require cross party engagement. It will draw on our existing work which has focussed on employee learning and development. It will support our elected members to undertake their policy setting, scrutiny, and regulatory roles more effectively.</p>
Change Programmes
<p>Issue: The Council needs to focus on the pace and scale of change required to meet the challenging financial environment but also to improve service delivery for the people of Fife</p> <p>Responsible Officer: Chief Executive / Service Manager - Corporate Development</p> <p>Action Planned within 2023-24: Further change work has commenced focusing on the Plan for Fife and Leadership Summit findings. All Services are engaged in change planning. Change is likely to focus on place, people, digital and productivity. An approach to advancing change has been agreed and will progress throughout 2023-24. This change planning work will be supported by Our People Matter and the Council's workforce strategy. Priority areas for action across all directorates have been agreed and workforce planning activity will be a focus of 2023-24 to support change.</p>
Performance
<p>Issue: As part of our planning processes, we identify, monitor and report upon an appropriate range of performance information to evaluate progress, performance, and quality of service delivery.</p> <p>Responsible Officer: Service Manager, Communication and Customer Insight</p> <p>Action Planned within 2023-24: We will develop our approach to performance information and benchmarking by refreshing the performance and public reporting frameworks and developing proactive analysis and projects to drive performance improvement.</p>
Attendance and Wellbeing
<p>Issue: The attendance and wellbeing of our employees is key to the success of the Council. We have seen increased rates of absence from work so we will focus on attendance and wellbeing at work.</p> <p>Responsible Officer: Head of Human Resources</p> <p>Action Planned within 2023-24: We will seek approval for a revised approach to managing absence. We will also issue a fresh Health, Safety & Wellbeing pulse/survey and progress Directorate/service stress risk assessments promoted by Stress Overview Group</p>
ALEOS
<p>Issue: The Council has several ALEOS delivering a range of functions. These have been in operation for several years and the detail of the operating arrangements may no longer reflect how the relationship between the Council and the ALEO has developed over time.</p> <p>Responsible Officer: Head of Communities and Neighbourhoods and Head of Business and Employability</p> <p>Action Planned within 2023-24: We will review the operating agreement we have with our ALEOS and update as required to ensure that they reflect the current arrangements.</p>

Embedding Risk Management

Issue: The Council's risk management arrangements have improved significantly during the last two years; however further development is required during 2023-24.

Responsible Officer: Service Manager – Audit & Risk Management Services

Action Planned within 2023-24: Further improvements surrounding the Council's risk management arrangements are planned in the Risk Management Improvement Plan for 2023-24, including the following:

- implementation of the Roll Out Plan.
- utilisation of the new PESTELO impact matrix following its approval at CET and Standards, Audit and Risk Committee.
- comprehensive review of the risks within the Council's Strategic Risk Register.
- finalisation and circulation of Risk Management Procedures; and
- the development and launch of a Risk Management training and awareness programme, including e-learning package and awareness session for Extended Council Leadership Team.

Fraud Governance and Anti corruption Arrangements

Issue: The Council's fraud governance and anti-corruption improvements require some updating and development.

Responsible Officer: Service Manager – Audit & Risk Management Services

Action Planned within 2023-24: This year a revised whistleblowing policy with supporting processes and procedures will be developed and implemented. In addition, we will review our gifts and hospitality process and our officer register of interest. The Council will also plan how to develop its counter-fraud policies and procedures, anti-bribery policy and procedures and its anti-money laundering approach by looking at the referral and reporting processes and considering the delivery of further training. Finally, working with partners, we will review the approach to preventing serious and organised crime.

Health and Social Care Partnership

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

Responsible Officer: Chief Finance Officer, H&SC

Action Planned within 2023-24: There are several improvement actions within the self-assessment process including a review of Directions Policy, a revised Strategic Planning process and a refresh of the Performance Framework.

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 2022-23 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

Ken Gourlay
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 of this Remuneration Report will be audited by the Council's external auditors. The other sections of the Report will be reviewed by Council's external auditors 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 2022 (SSI 2022/18). 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 2022-23 the maximum salary for the Fife Council Leader is £45,669. 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 £511,316. 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 19 senior councillors (totalling £472,666), to the Leader / Co-Leaders and to the Provost. 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. Fife Council's governance arrangements structure and positions of responsibility, which encompasses the salaries of the Council Leader, Provost and Senior Councillors, was agreed at a meeting of the full Council on 19 May 2022.

The Regulations also set out remuneration payable to councillors with the responsibility of a Convenor or Vice Convenor of a Joint Authority. For those members, the Regulations require the remuneration to be paid by the Council of which they are a member which includes any pension contributions to LGPS. The Council is reimbursed by the Joint Authority for any additional remuneration paid to those members.

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. The Scottish Joint Negotiating Committee for Local Authority Services sets the salaries for Chief Executives of Scottish local authorities. Circular CO/152 sets the salary for the Chief Executive of Fife Council for the period 1 April 2022 to 31 March 2023.

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 (Convention of Scottish Local Authorities). The 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. Appointment to Chief Officer posts are subject to a recruitment process by the Council's Appointments Committee, unless there is a legal obligation to reemploy 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), 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. The scheme year runs from 1 April to 31 March. and all members, both employee and councillor, now build up a pension based on 1/49th of pensionable pay received in each scheme year. The normal pension age of the new scheme is linked to State Pension Age but with a minimum age of 65.

Pension benefits for employee members built up before 1 April 2015 are protected which means that membership built up to that date will continue to be based on final salary when the member retires or leaves.

Pension benefits for councillor members built up before 1 April 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.

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. It 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 2022-23	Contribution Rate 2022-23	Actual Pay 2021-22	Contribution Rate 2021-22
Up to and including £23,000	5.50%	Up to and including £22,300	5.50%
Above £23,001 and up to £28,100	7.25%	Above £22,301 and up to £27,300	7.25%
Above £28,101 and up to £38,600	8.50%	Above £27,301 and up to £37,400	8.50%
Above £38,601 and up to £51,400	9.50%	Above £37,401 and up to £49,900	9.50%
Above £51,401	12.00%	Above £49,901	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 up to 31 March 2009 at an accrual rate of 3/80ths. Members may opt to give up (commute) pension for lump sum up to 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: [Fair Work First | Fife Council](#)

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	
		2022 23	2021 22	2022 23	2021 22	at 31/03/23	31/03/22	
		£	£	£	£	£	£	
Senior Councillors								
David Ross	Leader of Council (from 19.05.22) Co-Leader of Fife Council (until 04.05.22)	42,910	32,593	-	-	Pension Lump Sum	-	-
Jim Leishman	Provost (from 19.05.22) Provost (until 04.05.22)	32,971	32,593	8,078	7,985	Pension Lump Sum	9,000	2,000
David Alexander	Leader of Opposition (from 19.05.22) Co-Leader of Fife Council (until 04.05.22)	26,578	32,593	6,512	7,985	Pension Lump Sum	4,000	1,000
Judy Hamilton (note 3)	Spokesperson: Housing & Building Services (from 19.05.22) Convener: Community & Housing Services Committee (until 04.05.22)	27,174	25,158	6,658	6,164	Pension Lump Sum	9,000	1,000
Altany Craik	Spokesperson: Finance, Economy & Strategic Planning (from 19.05.22) Convener: Economy, Tourism, Strategic Planning & Transportation Committee (until 04.05.22)	25,724	23,751	6,302	5,819	Pension Lump Sum	5,000	-
Linda Erskine	Spokesperson: Communities & Leisure (from 19.05.22) Convener: Cowdenbeath Area Committee & HR Spokesperson (until 04.05.22)	25,724	23,751	6,302	5,819	Pension Lump Sum	7,000	1,000
Jan Wincott	Spokesperson: Environment & Climate Change (from 19.05.22)	23,431	-	5,741	-	Pension Lump Sum	4,000	1,000
Cara Hilton	Spokesperson: Education (from 19.05.22)	23,431	-	5,741	-	Pension Lump Sum	-	-
Tom Adams	Chair Regulation & Licensing (from 19.05.22)	23,431	-	5,741	-	Pension Lump Sum	-	-
Craig Walker	Convener: Glenrothes Area Committee (from 26.05.22) Convener: Education & Children's Services Committee (until 04.05.22)	25,584	23,751	6,268	5,819	Pension Lump Sum	4,000	1,000
David Barratt	Convener: South & West Fife Area Committee and West & Central Planning Committee (from 27.05.22) Convener: Assets & Corporate Services Committee (until 04.05.22)	25,555	23,751	6,261	5,819	Pension Lump Sum	3,000	1,000
Jonny Tepp	Convener: North East Area Committee & North East Planning Committee (from 31.05.22)	22,605	-	5,538	-	Pension Lump Sum	3,000	1,000
James Calder	Convener: City of Dunfermline Area Committee (from 31.05.22)	22,605	-	5,538	-	Pension Lump Sum	2,000	-
Ian Cameron	Convener: Kirkcaldy Area Committee (from 31.05.22)	22,605	-	5,538	-	Pension Lump Sum	2,000	-

Name	Responsibility	Remuneration (Note 1)		Pension Benefits (Note 2)				
		Salary, Fees & Allowances		Employer's pension contributions		Accrued Pension Benefits	Change from	
		2022 23 £	2021 22 £	2022 23 £	2021 22 £	at 31/03/23 £	31/03/22 £	
Senior Councillors (continued)								
Alex Campbell	Convener: Cowdenbeath Area Committee (from 09.06.22)	21,883	-	-	-	Pension Lump Sum	-	-
Colin Davidson	Convener: Levenmouth Area Committee (from 09.06.22)	21,883	-	5,361	-	Pension Lump Sum	3,000	1,000
Dave Dempsey	Convener: Standards, Audit and Risk Committee, Convener: Pensions Committee (from 09.06.22) Leader of Opposition, Convener: Standards & Audit Committee, Convener: Superannuation & Pensions Sub-Committee (until 04.05.22)	24,176	23,751	5,923	5,819	Pension Lump Sum	10,000 2,000	2,000 -
Eugene Clarke	Convener: People & Communities Scrutiny Committee (from 15.06.22)	21,470	-	5,260	-	Pension Lump Sum	1,000	1,000
Allan Knox	Convener: Finance, Economy & Corporate Services Scrutiny Committee (from 15.06.22)	21,470	-	5,260	-	Pension Lump Sum	-	-
Jane Ann Liston	Convener: Environment, Transportation & Climate Change Scrutiny Committee (from 21.06.22)	21,057	-	5,159	-	Pension Lump Sum	2,000	-
Kathleen Leslie	Convener Education Scrutiny Committee (from 21.06.22)	21,057	-	5,159	-	Pension Lump Sum	2,000	-
Julie Ford	Depute Provost (until 04.05.22)	2,293	23,751	562	5,819	Pension Lump Sum	3,000	-
Ken Caldwell	Convener: Levenmouth Area Committee (until 04.05.22)	2,293	23,751	562	5,819	Pension Lump Sum	3,000	1,000
Neil Crooks	Convener: Kirkcaldy Area Committee & Planning Committee (until 04.05.22)	2,293	23,751	562	5,819	Pension Lump Sum	10,000 9,000	- -
Fiona Grant	Convener: Glenrothes Area Committee (until 04.05.22)	2,293	23,751	562	5,819	Pension Lump Sum	6,000 1,000	- -
Helen Law	Convener: City of Dunfermline Area Committee (until 04.05.22)	2,293	23,751	562	5,819	Pension Lump Sum	6,000	-
Alice McGarry	Convener: South West Fife Area Committee & Planning Committee (West) (until 04.05.22)	2,293	23,751	562	5,819	Pension Lump Sum	8,000 2,000	- -
Donald Lothian	Convener: North East Fife Area Committee (until 04.05.22)	2,293	23,751	562	5,819	Pension Lump Sum	7,000 2,000	1,000 -
Tim Brett	Convener: Scrutiny Committee (until 04.05.22)	2,293	23,751	562	5,819	Pension Lump Sum	9,000 2,000	- -
Carol Lindsay	Convener: Regulation & Licensing Committee and Fife Licensing Board (until 04.05.22)	2,293	23,751	562	5,819	Pension Lump Sum	7,000 2,000	1,000 -

Name	Responsibility	Remuneration (Note 1)		Pension Benefits (Note 2)				
		Salary, Fees & Allowances		Employer's pension contributions		Accrued Pension Benefits		Change from 31/03/22
		2022 23 £	2021 22 £	2022 23 £	2021 22 £	at 31/03/23 £		
Senior Councillors (continued)								
Tony Miklinski	Convener: Scrutiny Committee Education & Children's Services and Health & Social Care (until 04.05.22)	2,293	23,751	-	-	Pension Lump Sum	-	-
Ross Vettrano	Convener: Environment, Protective Services & Community Safety Committee (until 04.05.22)	2,293	23,751	-	-	Pension Lump Sum	-	-
	Total Senior Councillors	548,547	470,360	117,398	103,600	Pension Lump Sum	129,000	16,000
							25,000	1,000
Senior Employees								
Steve Grimmond	Chief Executive (Note 4)	172,681	174,125	41,881	39,793	Pension Lump Sum	89,000	7,000
							151,000	7,000
Keith Winter	Executive Director Enterprise & Environment (until 01.05.22)	10,780 (fy 133,984)	127,800	2,641	31,311	Pension Lump Sum	69,000	-
							112,000	-
Ken Gourlay	Executive Director Enterprise & Environment (from 02.05.22)	123,662 (fy 133,984)	-	30,297	-	Pension Lump Sum	67,000	10,000
							102,000	14,000
Carrie Lindsay	Executive Director Education & Children's Services	133,984	127,800	32,826	31,311	Pension Lump Sum	87,000	6,000
							-	-
Eileen Rowand	Executive Director Finance & Corporate Services	133,984	127,800	32,826	31,311	Pension Lump Sum	58,000	4,000
							72,000	3,000
Michael Enston	Executive Director Communities	133,984	127,800	31,502	31,311	Pension Lump Sum	77,000	6,000
							124,000	6,000
Kathryn Henwood	Head of Children & Families & Criminal Justice (Chief Social Work Officer)	105,660	100,825	25,887	24,702	Pension Lump Sum	48,000	4,000
							9,000	-
	Total Senior Employees	814,735	786,150	197,860	189,739	Pension Lump Sum	495,000	37,000
							570,000	30,000

Note 1 - Due to Council elections on 5th May 2022, no senior councillors were in position for a full year. 2022-23 full year equivalent (fy) salaries are; Council Leader £45,669, Co-Leader / Provost £34,254, other senior councillors £26,655. For senior employees, fy salaries are shown in brackets for those who started or left in the year.

Note 2 - The pension figures shown relate to benefits accrued as a consequence of total local government service and not just for the current post. Benefits for persons who have left during the year are shown as the benefits accrued at the time of leaving.

Note 3 - Remuneration for Cllr Hamilton includes £1,450 (2021-22, £1,407) for her role as Chair of APSE (Association for Public Service Excellence).

Note 4 - Remuneration for the Chief Executive includes payments made in respect of his role as Returning Officer in 2022-23 of £2,123 (2021-22 £11,493)

Table B- Joint Initiatives and Subsidiary Bodies - Senior Employees

Senior Employees	Responsibility	Organisation	Remuneration (Note 1)		Pension Benefits (Note 2)				
			Salary, Fees & Allowances		Employer's pension contributions		Accrued Pension Benefits	Change from	
			2022 23	2021 22	2022 23	2021 22	at 31/03/23	31/03/22	
				£	£	£	£		
Joint Initiative									
Nicky Connor	Director-Health & Social Care	Health & Social Care Partnership (Note 3)	93,207	88,897	19,480	18,580	Pension Lump Sum	7,000	3,000
	Total Joint Initiative		93,207	88,897	19,480	18,580	Pension Lump Sum	7,000	3,000
Subsidiary Bodies									
Heather Stuart	Chief Executive	Fife Cultural Trust	107,676	102,726	24,227	23,113	Pension Lump Sum	22,000	3,000
Emma Walker	Chief Executive	Fife Sport & Leisure Trust	99,578	95,014	18,422	17,578	Pension Lump Sum	6,000	2,000
Alistair MacGregor	Golf Services Manager (until 27.05.22)	Fife Golf Trust	12,726 (fy 71,200)	68,027	2,363	14,353	Pension Lump Sum	31,000	-
Paul Murphy	Golf Services Manager (from 30.05.22)	Fife Golf Trust	53,819 (fy 65,043)	-	11,356	-	Pension Lump Sum	43,000	-
Jeremy Harris	Chief Executive	Fife Coast & Countryside Trust	72,590	68,268	15,824	14,781	Pension Lump Sum	29,000	6,000
Robin Baird	Chief Executive	Fife Resource Solutions LLP & CIRECO (Scotland) LLP	99,578	93,980	22,206	20,957	Pension Lump Sum	31,000	7,000
Fraser McKee	Senior Growth Adviser	Business Gateway	42,429	42,429	-	-		5,000	1,000
	Total Subsidiary Bodies		488,396	470,444	94,398	90,782	Pension Lump Sum	123,000	15,000
								95,000	9,000

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 pension figures shown relate to benefits accrued as a consequence of total local government service and not just for the current post. Benefits for persons who have left during the year are 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

2021 22			2022 23	
Non Education staff	Education staff		Non Education staff	Education staff
58	18	Number of employees who were relevant union officials in the year	65	18
51.6	15.2	Number of full time equivalent employees	57.6	15.2
		Number of employees analysed by % of time spent on facility time		
34	6	0%	35	6
16	9	1% - 50%	22	9
2	2	51% - 99%	1	2
6	1	100%	7	1
£0.326m	£0.315m	Total cost of Facility Time	£0.328m	£0.346m
0.1%	0.1%	% of Total pay bill spent on Facility Time	0.1%	0.1%
5%	5%	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).

2021 22 £m	Type of Remuneration	2022 23 £m
1.517	Salaries	1.627
0.003	Travel and Subsistence	0.026
0.003	Training/ Conference and Meeting Expenses	0.001
0.005	Telephone and Information Technology Expenses met by Council	0.005
0.003	Cost of Provision of Council Cars met by Council	0.004
0.000	Other Expenses and Allowances	0.000
1.531	Total	1.663

The annual return of councillors' salaries and expenses for 2022-23 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 2022-23 \(live.com\)](https://www.fife.gov.uk/members-publishing-2022-23-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).

2021 22	Remuneration Bands	2022 23	2021 22	Remuneration Bands	2022 23
349	£50,000 - £54,999	398	0	£115,000 - £119,999	0
275	£55,000 - £59,999	241	0	£120,000 - £124,999	0
113	£60,000 - £64,999	184	4	£125,000 - £129,999	0
84	£65,000 - £69,999	95	0	£130,000 - £134,999	4
13	£70,000 - £74,999	99	0	£135,000 - £139,999	0
12	£75,000 - £79,999	15	0	£140,000 - £144,999	0
11	£80,000 - £84,999	17	0	£145,000 - £149,999	0
10	£85,000 - £89,999	8	0	£150,000 - £154,999	0
2	£90,000 - £94,999	8	0	£155,000 - £159,999	0
2	£95,000 - £99,999	2	0	£160,000 - £164,999	0
16	£100,000 - £104,999	4	0	£165,000 - £169,999	0
0	£105,000 - £109,999	13	1	£170,000 - £174,999	1
1	£110,000 - £114,999	0	893	Total	1,089

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
2022-23						
0 - 19,999	1	14	15	0.091	0.000	0.091
20,000 - 39,999	0	0	0	0.000	0.000	0.000
40,000 - 59,999	0	1	1	0.058	0.000	0.058
60,000 - 79,999	0	1	1	0.074	0.000	0.074
80,000 - 99,999	0	0	0	0.000	0.000	0.000
100,000 - 149,999	0	0	0	0.000	0.000	0.000
Over 150,000	0	0	0	0.000	0.000	0.000
Total	1	16	17	0.223	0.000	0.223
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

The total cost of exit packages £0.223m in the table for 2022-23 above includes £0.223m cash value and 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 2022-23 total cost of £0.223m, £0.004m relates to statutory redundancy payments, £0.028m to compensation for loss of office, £0.191m for enhanced pension benefits and nil for estimated CAY.

As a consequence of the delivery of the 2022-23 savings each directorate has incurred termination payments. The Directorate incurring the largest cost is Enterprise & Environment £0.159m.

Councillor David Ross
Leader of the Council

Ken Gourlay
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 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, Audit and Risk Committee at its meeting on 9th November 2023.

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 2023.

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 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).

2021 22 (Restated)				2022 23		
Net Expenditure chargeable to Balances £m	Adjustments between Funding & Accounting Basis £m	Net Expenditure in the CIES £m		Net Expenditure chargeable to Balances £m	Adjustments between Funding & Accounting Basis £m	Net Expenditure in the CIES £m
377.787	56.583	434.370	Education & Children	414.473	47.875	462.348
183.745	18.846	202.591	Health & Social Care	213.656	15.012	228.668
115.295	54.846	170.141	Enterprise & Environment	131.415	47.128	178.543
47.315	19.500	66.815	Finance & Corporate	48.619	21.421	70.040
0.261	0.044	0.305	Chief Executive	0.283	0.035	0.318
2.722	(3.166)	(0.444)	Corporate & Democratic	2.543	(1.438)	1.105
71.881	15.903	87.784	Communities	80.955	15.431	96.386
(26.246)	7.925	(18.321)	Housing Revenue Account	(30.337)	18.861	(11.476)
97.295	(97.295)	0.000	Loan Charges	51.714	(51.714)	0.000
870.055	73.186	943.241	Net Cost of Services	913.321	112.611	1,025.932
(913.619)	10.480	(903.139)	Other Income & Expenditure	(942.960)	(19.363)	(962.323)
(43.564)	83.666	40.102	Total (Surplus)/Deficit on Provision of Services	(29.639)	93.248	63.609
(0.362)	6.717	6.355	Subsidiaries	(1.158)	4.638	3.480
(0.292)	0.292	0.000	Less Intercompany transactions	(1.027)	1.027	0.000
(44.218)	90.675	46.457	Group (Surplus)/Deficit on Provision of Services	(31.824)	98.913	67.089

(144.039)	Opening General Fund & HRA Balance	(189.818)
(43.564)	(Surplus) / Deficit for the year	(29.639)
(2.215)	Transfers to / (from) Other Reserves	(3.977)
(189.818)	Closing General Fund & HRA Balance*	(223.434)

* 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. These adjustments in 2022-23 include an adjustment of £43.576m for Service Concessions Arrangements which is detailed in Note 17.

- **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 asset / 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 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.

2021 22 (Restated)					2022 23			
Gross Expenditure	Gross Income	Fife Council Net Expenditure	Group Net Expenditure		Gross Expenditure	Gross Income	Fife Council Net Expenditure	Group Net Expenditure
£m	£m	£m	£m		£m	£m	£m	£m
507.326	(72.956)	434.370	434.370	Education & Children	534.976	(72.628)	462.348	462.348
485.959	(283.368)	202.591	202.591	Health & Social Care	599.313	(370.645)	228.668	228.668
206.242	(36.101)	170.141	170.141	Enterprise/Environment	220.828	(42.285)	178.543	178.543
160.183	(93.368)	66.815	66.815	Finance & Corporate	156.361	(86.321)	70.040	70.040
0.305	0.000	0.305	0.305	Chief Executive	0.318	0.000	0.318	0.318
(0.441)	(0.003)	(0.444)	(0.444)	Corporate & Dem Core	1.105	0.000	1.105	1.105
108.094	(20.310)	87.784	87.784	Communities	118.180	(21.794)	96.386	96.386
109.944	(128.265)	(18.321)	(18.321)	Housing Revenue Acc.	119.676	(131.152)	(11.476)	(11.476)
91.577	(85.631)	0.000	5.946	Subsidiaries	93.763	(90.010)	0.000	3.753
		943.241	949.187	Net cost of Services (note 8)			1,025.932	1,029.685
				Other Income & Expenditure (note 9)				
		0.991	1.402	- Other Operating Expenditure			2.164	2.215
		57.593	57.883	- Financing & Investment			52.272	52.975
		(961.723)	(962.015)	- Taxation & Non-Specific Grant Income			(1,016.759)	(1,017.786)
		40.102	46.457	(Surplus)/Deficit on Provision of Services			63.609	67.089
				Other Comprehensive Income & Expenditure				
		(21.149)	(21.550)	(Gain)/Loss-non-current assets revaluation			(217.908)	(218.774)
		0.047	0.047	(Gain)/Loss-non-current assets impairment			1.861	1.861
		(0.442)	(0.442)	(Gain)/Loss-financial assets revaluation			(0.205)	(0.205)
		(389.164)	(410.902)	Remeasurement of net pensions liability			(621.735)	(628.480)
		0.000	7.717	Movement in Common Good Leased Assets			0.000	(15.081)
		(410.708)	(425.130)				(837.987)	(860.679)
		0.000	(25.034)	Share of Joint Venture			0.000	20.996
		(370.606)	(403.707)	Total Comprehensive Income & Expenditure			(774.378)	(772.594)

Material Items of Income and Expenditure

Fife Integration Joint Board (IJB) - Fife Council made contributions of £212.522m to the Integration Joint Board, £210.823m from Health & Social Care and £1.699m from Housing. Fife Council received amounts from the IJB totalling £275.063m. The Council's share of the IJB underspend has decreased by £20.996m in 2022-23 and this is included in the Group figures above.

COVID-19 - Although not as significant as in previous years, the pandemic continued to have an effect in 2022-23 and the cost to Council Services costs relating to this was £15.821m. This comprised of additional expenditure incurred of £13.594m, an estimated loss of income of £2.182m and capital expenditure of £0.045m. These costs have been funded by additional grant income from the Scottish Government and Service underspends.

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 2021	(136.034)	(8.005)	(17.287)	0.000	(10.290)	(171.616)	(1,612.126)	(1,783.742)	(15.199)	(1,798.941)
Adjustment to opening balance	0.000	0.000	0.000	0.000	0.000	0.000	133.083	133.083	(134.019)	(0.936)
Opening balance 1 April 2021 (Restated)	(136.034)	(8.005)	(17.287)	0.000	(10.290)	(171.616)	(1,479.043)	(1,650.659)	(149.218)	(1,799.877)
<u>Movement in Reserves during 2021-22 (Restated)</u>										
Total Comprehensive Income & Expenditure	56.298	(16.196)	0.000	0.000	0.000	40.102	(410.708)	(370.606)	(33.101)	(403.707)
Adjustments between accounting & funding basis:										
- permitted by accounting standards	(24.148)	(5.025)	0.000	0.000	0.000	(29.173)	29.173	0.000	0.000	0.000
- required by statutory regulations	(76.864)	22.371	0.000	0.000	3.046	(51.447)	51.447	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	0.000	0.000	0.000	0.000
(Increase)/Decrease in Year	(46.779)	1.000	0.716	0.000	4.545	(40.518)	(330.088)	(370.606)	(33.101)	(403.707)
Balance at 31 March 2022 (Restated)	(182.813)	(7.005)	(16.571)	0.000	(5.745)	(212.134)	(1,809.131)	(2,021.265)	(182.319)	(2,203.584)
<u>Movement in Reserves during 2022-23</u>										
Total Comprehensive Income & Expenditure	85.669	(22.060)	0.000	0.000	0.000	63.609	(837.987)	(774.378)	1.784	(772.594)
Adjustments between accounting & funding basis:										
- permitted by accounting standards	(23.825)	(4.911)	0.000	0.000	0.000	(28.736)	28.736	0.000	0.000	0.000
- required by statutory regulations	(90.782)	26.270	0.000	0.000	3.057	(61.455)	61.455	0.000	0.000	0.000
Transfers to/(from) Other Statutory Reserves	(4.303)	0.326	2.148	0.000	1.829	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	0.460	0.460	(0.460)	0.000
(Increase)/Decrease in Year	(33.241)	(0.375)	2.148	0.000	4.886	(26.582)	(747.336)	(773.918)	1.324	(772.594)
Balance at 31 March 2023 c/fwd	(216.054)	(7.380)	(14.423)	0.000	(0.859)	(238.716)	(2,556.467)	(2,795.183)	(180.995)	(2,976.178)

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 2022 (Restated)				31 March 2023	
Fife Council £m	Group £m		Notes	Fife Council £m	Group £m
3,512.327	3,644.127	Property, Plant & Equipment	11	3,792.957	3,942.676
28.252	28.620	Heritage Assets	12	31.132	31.582
0.000	0.000	Intangible Assets	14	0.000	0.000
6.853	6.853	Long Term Debtors	21	5.750	5.750
2.694	11.452	Long Term Investments	21	2.747	10.870
0.000	0.000	Defined Benefit Pension Asset	24	0.000	0.000
0.000	39.856	Investment in Joint Venture	27	0.000	18.860
3,550.126	3,730.908	Long Term Assets		3,832.586	4,009.738
110.093	118.072	Cash and Cash Equivalents	Cash Flow	70.349	77.958
11.078	11.078	Assets held for sale	13	1.666	1.666
4.384	4.474	Inventories	18	4.671	4.786
102.111	105.298	Short Term Debtors	19	105.287	108.762
0.000	0.000	Short Term Investments	21	0.000	0.000
227.666	238.922	Current Assets		181.973	193.172
(15.394)	(15.394)	Short Term Receipts in Advance	10	(17.651)	(17.651)
(147.641)	(156.503)	Short Term Creditors	19	(162.812)	(170.657)
(0.479)	(0.479)	Short Term Provisions	20	(0.700)	(0.700)
(67.055)	(67.055)	Short Term Borrowing	21	(68.740)	(68.740)
(230.569)	(239.431)	Current Liabilities		(249.903)	(257.748)
(15.112)	(15.112)	Long Term Receipts in Advance	10	(20.256)	(20.256)
(13.992)	(13.992)	Long Term Provisions	20	(13.998)	(13.998)
0.000	(0.065)	Long Term Creditors	21	0.000	(0.051)
(889.197)	(889.197)	Long Term Borrowing	21	(865.927)	(865.927)
(76.230)	(76.230)	Other Long Term Liabilities	21	(69.292)	(69.292)
(531.427)	(532.219)	Defined Benefit Pension Liability	24	0.000	0.540
(1,525.958)	(1,526.815)	Long Term Liabilities		(969.473)	(968.984)
2,021.265	2,203.584	Net Assets/(Liabilities)		2,795.183	2,976.178
(212.134)	(392.410)	Usable Reserves	6	(238.716)	(415.171)
(1,809.131)	(1,811.174)	Unusable Reserves	7	(2,556.467)	(2,561.007)
(2,021.265)	(2,203.584)	Total Reserves		(2,795.183)	(2,976.178)

The unaudited accounts were issued on 30th June 2023 and the audited accounts were authorised for issue on 9th November 2023.

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).

2021 22 (Restated)			2022 23	
Fife Council £m	Group £m		Fife Council £m	Group £m
(40.102)	(46.457)	Net surplus or (deficit) on the provision of services	(63.609)	(67.089)
		Adjustments for non cash movements		
103.079	103.636	Depreciation charges	109.294	109.868
12.115	12.108	Downward/(upward) revaluations & Impairments	6.751	6.867
0.000	(0.109)	Movement in Fair Value of Investments	0.000	0.652
(10.805)	(9.830)	Increase/(decrease) in creditors	22.824	20.609
(3.801)	(6.098)	(Increase)/decrease in debtors	(2.976)	(2.081)
(0.102)	0.009	(Increase)/decrease in inventories	(0.287)	(0.312)
100.945	107.904	Movement in pension asset / liability	90.308	95.721
0.096	0.096	Contributions to/(from) provisions	0.227	0.227
4.985	5.002	Carrying amount of assets sold	14.959	15.308
0.000	(0.035)	Other non-cash items	0.000	0.000
		Adjustments for investing & financing activities		
(48.104)	(48.397)	Capital Grants in surplus/(deficit) on provision of services	(73.799)	(74.825)
(3.994)	(3.994)	Proceeds from the sale of assets	(12.795)	(13.093)
114.312	113.835	Net cash flows from Operating Activities	90.897	91.852
(166.440)	(167.184)	Purchase of non-current assets	(191.124)	(193.469)
(0.010)	(0.665)	Purchase of investments	(0.005)	(0.310)
3.994	3.994	Proceeds from the sale of assets	12.795	13.093
57.910	58.263	Other receipts from investing activities	72.903	73.930
(104.546)	(105.592)	Net cash flows from Investing Activities	(105.431)	(106.756)
(30.870)	(30.870)	Cash receipts and repayments of short & long term borrowing	(21.430)	(21.430)
(6.412)	(6.412)	Cash payments reducing liabilities on finance leases & PPP	(5.631)	(5.631)
0.191	0.191	Other financing activities	1.851	1.851
(37.091)	(37.091)	Net cash flows from Financing Activities	(25.210)	(25.210)
(27.325)	(28.848)	Net increase or (decrease) in cash & cash equivalents	(39.744)	(40.114)
137.418	146.920	Cash & cash equivalents at beginning of reporting period	110.093	118.072
110.093	118.072	Cash & cash equivalents at end of reporting period	70.349	77.958
0.058	0.071	Cash in Hand	0.050	0.064
0.935	6.011	Bank	1.877	6.164
111.990	111.990	Short Term Investments	71.730	71.730
(2.890)	0.000	Advances from other accounts	(3.308)	0.000
110.093	118.072		70.349	77.958
		Net cash flows for Operating Activities include:-		
0.089	0.404	Interest received	2.764	3.192
(42.838)	(42.838)	Interest paid	(41.870)	(41.870)
(42.749)	(42.434)	Total	(39.106)	(38.678)

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

	1 April 2021	Movement 2021 22 Cash	Non Cash	1 April 2022	Movement 2022 23 Cash	Non Cash	31 March 2023
Long & Short Term Borrowing	(971.664)	30.870	0.000	(940.794)	21.430	0.000	(919.364)
PPP & Lease Liabilities	(88.273)	6.412	0.000	(81.861)	5.631	0.000	(76.230)
EIR Loan Liability	(5.117)	0.000	0.027	(5.090)	0.000	0.021	(5.069)

Notes to the Accounts

1. General Accounting Policies

General Principles

The Annual Accounts summarise the Fife Council and its Group transactions for the 2022-23 financial year and its position at the year-end of 31 March 2023. The Council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires that these accounts be prepared in accordance with proper accounting practices. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 (the Code) and supported by International Financial Reporting Standards (IFRS).

The accounting concepts of materiality, accruals, going concern and primacy of legislative requirements have been considered in the application of accounting policies. The materiality concept is an expression of the relative significance of a matter in the context of the annual accounts as a whole and items of income and expenditure are material if individually or collectively they could influence the decisions or assessments of users of the financial statements. 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 are compiled on an accruals basis for both revenue and capital. 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 are made for payroll costs where pay has been earned but not paid, for supplies & services where they are received or consumed within the financial year, for interest due and payable on external borrowings and for customer & client receipts due and receivable in the period to which they relate. The main accrual & estimation techniques used are:

- 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.
- Pensions: Estimate of future asset / liability calculated by the Council's actuaries in accordance with IAS19.
- Holiday Pay: Based on a sample of employees holiday leave earned in 2022-23 but not taken by 31 March 2023.

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
- Level 2 - inputs other than quoted prices included within Level 1
- 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. The following Standards do not require adoption before 31st March 2023 and therefore have no impact on the 2022-23 financial statements;

- IFRS16 Leases
- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

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 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are below:-

Property, Plant & Equipment: The Net Book Value of assets subject to depreciation is £1,904,410m. They are depreciated over useful lives dependent on assumptions about future levels of repairs & maintenance that will be incurred for 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.

The Council has reviewed the potential for indexation of Other, Land & Buildings Assets valued on a Depreciated Replacement Cost basis. It was deemed by our Estates professionals that an indexation of 4.70% should be applied to build cost components for the period 01/04/22 - 31/03/2023 to reflect the conditions in the external market. Note this indexation was adjusted to the date of the last valuation for assets not revalued at 01/04/2022.

Council dwellings are valued using the Beacon Method under which the values of groups of similar properties are calculated by assessing the capital value of one of them (a beacon) then extrapolating the value across the rest of the group. The current values for the Council Dwelling assets (valued to EUV-SH) as at 31 March 2023 were calculated by applying an adjustment factor of 40.3% to the underlying vacant possession value.

All Asset Valuations are recorded with two components – land and buildings. Where the building component is greater than £10 million, the building element is further componentised to provide a value for the Mechanical & Electrical services within the asset. The percentage used for this further split varies by property type and is included with the build cost information provided by the Council Quantity Surveyors.

No estimations and assumptions about the estimated cost of dismantling, removing or restoring items of property, plant and equipment have been included in the Capital Expenditure in the Accounts

Effect if Actual Results Differ from Assumptions: 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 are reduced, the annual depreciation charge for buildings would increase by approximately £5.422m. If the beacon adjustment factor is increased by 1%, this would lead to a corresponding reduction in the total value of council dwellings of £27.355m.

Defined Pensions Liability: Estimation of the Council's net liability to pay pensions 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.

Effect if Actual Results Differ from Assumptions: Changes to individual assumptions will have an effect on the defined benefit obligation. e.g. a 0.1% decrease in the discount rate would increase the liability by £46m, a 0.1% increase in Pension Increase rate (CPI) would increase the liability by £42m and a 1 year increase in life expectancy assumptions would increase the liability by 4%.

Fair Value Measurements: If fair value of a financial asset or liability cannot be measured based on quoted prices in active markets (Level 1), it is measured using valuation techniques (e.g. quoted prices for a similar asset or liability in active markets). Where possible, the techniques are based on observable data, but if not, judgement is required to establish 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.

Effect if Actual Results Differ from Assumptions: 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 Regulations

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.

2021 22 (Restated)						2022 23						
Usable Reserves				Unusable Reserves	Total Reserves		Usable Reserves				Unusable Reserves	Total Reserves
General Fund £m	Housing Revenue Account £m	Capital Fund £m	Capital Grants & Receipts & Unapplied £m				General Fund £m	Housing Revenue Account £m	Capital Fund £m	Capital Grants & Receipts & Unapplied £m		
Accounting Standards Adjustments												
Adjustments for Capital Purposes												
(24.148)	(5.025)	0.000	0.000	29.173	0.000	Revaluation element of depreciation in CIES	(23.825)	(4.911)	0.000	0.000	28.736	0.000
(24.148)	(5.025)	0.000	0.000	29.173	0.000	Total Accounting Standards Adjustments	(23.825)	(4.911)	0.000	0.000	28.736	0.000
Statutory Adjustments												
Adjustments for Capital Purposes												
(57.002)	(29.019)	0.000	0.000	86.021	0.000	Depreciation, Impairment & Revaluations	(55.364)	(31.945)	0.000	0.000	87.309	0.000
37.192	10.912	0.000	4.416	(52.520)	0.000	Capital grants & contributions	50.293	23.506	0.000	1.152	(74.951)	0.000
(1.136)	0.145	(3.994)	0.000	4.985	0.000	Gains/(Losses) on disposal of assets	(2.316)	0.152	(12.795)	0.000	14.959	0.000
0.000	0.000	2.471	0.000	(2.471)	0.000	Capital Fund applied to capital investment	0.000	0.000	14.565	0.000	(14.565)	0.000
0.000	0.000	0.153	0.000	(0.153)	0.000	Capital Fund applied to HRA debt repayment	0.000	0.000	0.135	0.000	(0.135)	0.000
0.000	0.000	1.370	(1.370)	0.000	0.000	Capital Fund applied to transformation projects	0.000	0.000	(1.905)	1.905	0.000	0.000
28.655	14.096	0.000	0.000	(42.751)	0.000	Statutory provision-financing capital investment	27.499	16.333	0.000	0.000	(43.832)	0.000
0.000	0.000	0.000	0.000	0.000	0.000	Service Concession Arrangements (see Note 17)	(43.576)	0.000	0.000	0.000	43.576	0.000
11.571	29.142	0.000	0.000	(40.713)	0.000	Capital expenditure charged to revenue	11.964	20.560	0.000	0.000	(32.524)	0.000
Pensions Adjustments												
(97.116)	(3.829)	0.000	0.000	100.945	0.000	Difference in pension costs charged to CIES from those chargeable under regulations	(86.796)	(3.512)	0.000	0.000	90.308	0.000
Financial Instruments Adjustments												
1.629	0.966	0.000	0.000	(2.595)	0.000	Difference in finance costs charged to CIES from those chargeable under regulations	1.557	1.009	0.000	0.000	(2.566)	0.000
Employee Statutory Adjustments												
(0.657)	(0.042)	0.000	0.000	0.699	0.000	Difference in officer remuneration charged to CIES from those chargeable under regulations	5.957	0.167	0.000	0.000	(6.124)	0.000
(76.864)	22.371	0.000	3.046	51.447	0.000	Total Statutory Adjustments	(90.782)	26.270	0.000	3.057	61.455	0.000

6. Usable Reserves and Earmarked Balances

2021 22 £m	Useable Reserves	2022 23 £m
(182.813)	General Fund	(216.054)
(7.005)	Housing Revenue Account (HRA)	(7.380)
(16.571)	Insurance Fund	(14.423)
0.000	Capital Fund	0.000
(5.745)	Capital Grants and Receipts Unapplied Account	(0.859)
(212.134)	Total Useable Reserves	(238.716)

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 Usable Reserves. The table shows net transfers between committed balances and Service budgets, either to increase committed balances or to augment Service expenditure, and also other transfers between committed and uncommitted balances.

2022-23	Balance 1 April 2022 £m	Net Transfers to / (from) Services £m	Other Balance Transfers £m	Movement in Reserves (MIRS) £m	Balance 31 March 2023 £m
General Fund					
<u>Earmarked Balances:</u>					
Energy Management Fund	(1.462)	(0.391)	-	-	(1.853)
Council Tax - Second Homes	(8.331)	(0.815)	-	-	(9.146)
Earmarked Grants	(4.308)	0.091	(2.669)	-	(6.886)
Grants Received & Carried Forward	(31.810)	8.647	14.097	-	(9.066)
Service Carry Forwards	(3.625)	3.625	(3.665)	-	(3.665)
Financial Consequences of COVID-19	(64.993)	26.023	3.194	-	(35.776)
Capital Investment Plan	-	-	(68.124)	-	(68.124)
<u>Committed Balances:</u>					
Change Fund	(10.000)	-	-	-	(10.000)
Demographics/Pay/Pensions	(18.000)	-	-	-	(18.000)
Workforce Change	(6.000)	0.377	(0.500)	-	(6.123)
Contribution from Balances	-	-	(8.000)	-	(8.000)
Other Commitments	(2.527)	5.966	(5.847)	-	(2.408)
Total Commitments	(151.056)	43.523	(71.514)	0.000	(179.047)
Uncommitted Balances	(31.757)	(43.523)	71.514	(33.241)	(37.007)
	(182.813)	0.000	0.000	(33.241)	(216.054)
Insurance Fund					
Insurance Fund - Earmarked	(10.537)	-	3.707	-	(6.830)
Insurance Fund	(6.034)	-	(3.707)	2.148	(7.593)
	(16.571)	0.000	0.000	2.148	(14.423)
Capital Grants & Receipts Unapplied					
Transformation Projects	(3.734)	-	3.734	-	0.000
Capital Grants and Receipts	(2.011)	-	(3.734)	4.886	(0.859)
	(5.745)	0.000	0.000	4.886	(0.859)

Explanatory Note

General Fund Balance

The General Fund Services balance increased by £33.241m in 2022-23, leaving a balance at the end of the year of £216.054m. Once the commitments of £179.047m shown above are set against this, an uncommitted balance of £37.007m remains as at 31 March 2023. 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.

Service Carry Forward

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

Continuing Financial Consequences of COVID-19

The committed balance represents mainly unused GRG (General Revenue Grant) relating to COVID-19 and provision for inflation.

Capital Investment Plan

The Scottish Government issued statutory guidance in 2022-23 (Finance circular 10/2022) which permitted the reprofiling of debt repayments charged to the General Fund for Service Concession arrangements. By applying this guidance a benefit of £43.576m was released which resulted in a positive contribution to General Fund balances. Following approval this has been earmarked for funding for the Capital Plan 2023-33 and future PPP costs. Details of the revised accounting treatment are provided at Note 17 of these accounts. In addition Service underspends have been earmarked for investment purposes.

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 commitment 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.

Contribution from Balances

Fife Councils approved Revenue Budget 2023-26 included a commitment of £8.000m which has been used to close the budget gap and one-off temporary investment.

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 (IBNR) claims, In addition, £3.267m is held relating to a settlement received for fire damage incurred at Woodmill High School, Dunfermline which is earmarked as a contribution to the new Dunfermline Learning Campus.

Capital Grants and Receipts - Transformation Projects

The Scottish Government permitted the use of capital receipts to fund projects designed to transform service delivery to reduce costs and/or demand up to 31st March 2023. The Council utilised £1.829m of this earmarked balance in 2022-23 to fund projects of this nature, with the remaining £1.905m transferred to the Capital Fund.

7. Unusable Reserves

2021 22 (Restated) £m		2022 23 £m
(1,387.797)	Revaluation Reserve	(1,563.236)
0.285	Financial Instruments Revaluation Reserve	0.064
531.427	Pensions Reserve	0.000
(1,033.719)	Capital Adjustment Account	(1,065.278)
51.150	Financial Instruments Adjustment Account	48.584
29.523	Employee Statutory Adjustment Account	23.399
(1,809.131)	Total Unusable Reserves	(2,556.467)

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.

2021 22 (Restated) £m		2022 23 £m
(1,485.888)	Balance at 1 April	(1,387.797)
89.747	Adjustment to Opening Balance	0.000
(1,396.141)	Balance at 1 April	(1,387.797)
	Revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services	
(60.179)	Upward Revaluation & reversal of impairment losses	(267.676)
39.077	Downward revaluation & impairment losses	51.629
(21.102)		(216.047)
29.173	Revaluation element of depreciation charged to CIES	28.736
0.273	Transfer to Capital Adjustment Account - accumulated gains on assets disposed	11.532
0.000	Transfer to/(from) Common Good Reserves	0.340
(1,387.797)	Balance at 31 March	(1,563.236)

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.

2021 22 £m		2022 23 £m
0.797	Balance at 1 April	0.285
(0.442)	(Surplus)/Deficit on Financial Instruments Revaluation	(0.205)
(0.070)	Transfer to Capital Adjustment Account - accumulated gains/(losses) on disposals	(0.016)
0.285	Balance at 31 March	0.064

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 the difference 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.

2021 22 £m		2022 23 £m
819.646	Balance at 1 April	531.427
(389.164)	Actuarial (gains) or losses on pensions assets and liabilities	(621.735)
182.825	Reversal of items relating to retirement benefits charged to CIES	179.175
(81.880)	Employer's pensions contributions & direct payments to pensioners payable	(88.867)
531.427	Balance at 31 March	0.000

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.

2021 22 (Restated) £m		2022 23 £m
(1,029.250)	Balance at 1 April	(1,033.719)
43.336	Adjustment to Opening Balance	0.000
(985.914)	Balance at 1 April	(1,033.719)
	Reversal of items relating to capital expenditure charged to the CIES:-	
73.906	Depreciation of non-current assets	80.558
12.115	Revaluation & Impairments losses/(gains) on non-current assets	6.751
0.000	Amortisation of intangible assets	0.000
0.991	(Gains)/Losses on disposal of assets	2.164
	Capital financing applied in the year:-	
(52.520)	Capital grants & contributions applied to finance capital expenditure	(74.951)
(42.751)	Statutory provision for the financing of capital investment	(43.832)
0.000	Service Concession Arrangements (see Note 17)	43.576
(40.713)	Capital expenditure charged to General Fund and HRA balances	(32.524)
1.370	Adjustment for Capital Fund applied to transformation projects	(1.905)
(0.273)	Adjusting amounts written out of the Revaluation Reserve	(11.532)
0.070	Adjusting amounts written out of the Financial Instruments Revaluation Reserve	0.016
0.000	Transfer to/(from) Common Good Reserves	0.120
(1,033.719)	Balance at 31 March	(1,065.278)

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.

2021 22 £m		2022 23 £m
53.745	Balance at 1 April	51.150
	Amount by which costs charged to the CIES are different from costs chargeable in the year in accordance with statutory requirements:-	
(0.027)	Effective Interest Rate - Borrowings Loan Interest	(0.021)
0.013	Effective Interest Rate - Soft Loans	0.036
(2.581)	Proportion of prior year early redemption premiums	(2.581)
51.150	Balance at 31 March	48.584
5.090	Borrowing where the loan is a stepped interest rate loan.	5.069
0.049	Loans to third parties granted at less than market interest rates	0.085
46.011	Premiums and discounts associated with the refinancing of loans	43.430
51.150	Balance at 31 March	48.584

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.

2021 22 £m		2022 23 £m
28.824	Balance at 1 April	29.523
(28.824)	Settlement or cancellation of accrual at previous financial year end	(29.523)
29.523	Amounts accrued at the end of the current year	23.399
29.523	Balance at 31 March	23.399

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
			For Capital Purposes £m	For Pensions £m	Other £m					
2022-23										
Education & Children Services	368.383	118.718	34.045	21.899	(8.069)	534.976	(2.182)	(70.446)	(72.628)	462.348
Health & Social Care	96.593	487.708	1.416	15.327	(1.731)	599.313	(303.751)	(66.894)	(370.645)	228.668
Enterprise & Environment	142.010	31.690	29.522	23.025	(5.419)	220.828	(30.902)	(11.383)	(42.285)	178.543
Finance & Corporate Services	43.464	91.476	4.274	6.802	10.345	156.361	(5.727)	(80.594)	(86.321)	70.040
Chief Executive	0.278	0.005	0.000	0.038	(0.003)	0.318	0.000	0.000	0.000	0.318
Corporate & Democratic Core	2.259	0.284	0.000	(1.632)	0.194	1.105	0.000	0.000	0.000	1.105
Communities	41.510	61.239	9.932	6.580	(1.081)	118.180	(16.838)	(4.956)	(21.794)	96.386
Housing Revenue Account	17.936	82.879	16.296	2.926	(0.361)	119.676	(131.002)	(0.150)	(131.152)	(11.476)
Loan Charges	0.000	51.714	(12.220)	0.000	(39.494)	0.000	0.000	0.000	0.000	0.000
Other Income and Expenditure	0.000	0.000	(71.635)	15.343	36.929	(19.363)	(179.010)	(763.950)	(942.960)	(962.323)
Fife Council-(Surplus)/Deficit for the year	712.433	925.713	11.630	90.308	(8.690)	1,731.394	(669.412)	(998.373)	(1,667.785)	63.609
Subsidiaries	25.415	63.437	(0.775)	5.413	0.000	93.490	(86.287)	(3.723)	(90.010)	3.480
Less Group Intercompany transactions	0.000	(60.369)	1.027	0.000	0.000	(59.342)	59.342	0.000	59.342	0.000
Group-(Surplus)/Deficit for the year	737.848	928.781	11.882	95.721	(8.690)	1,765.542	(696.357)	(1,002.096)	(1,698.453)	67.089
2021-22 (Restated)										
Education & Children Services	340.331	110.412	36.052	24.383	(3.852)	507.326	(2.086)	(70.870)	(72.956)	434.370
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	31.976	26.151	(3.281)	206.242	(27.931)	(8.170)	(36.101)	170.141
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	9.020	7.422	(0.539)	108.094	(14.444)	(5.866)	(20.310)	87.784
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
Other Income and Expenditure	0.000	0.000	(47.113)	17.214	40.379	10.480	(172.622)	(740.997)	(913.619)	(903.139)
Fife Council-(Surplus)/Deficit for the year	660.395	844.031	(15.383)	100.945	(1.896)	1,588.092	(556.431)	(991.559)	(1,547.990)	40.102
Subsidiaries	23.079	62.190	(0.242)	6.959	0.000	91.986	(82.387)	(3.244)	(85.631)	6.355
Less Group Intercompany transactions	0.000	(65.214)	0.292	0.000	0.000	(64.922)	64.922	0.000	64.922	0.000
Group-(Surplus)/Deficit for the year	683.474	841.007	(15.333)	107.904	(1.896)	1,615.156	(573.896)	(994.803)	(1,568.699)	46.457

9. Other Income and Expenditure

2021 22 (Restated) £m		2022 23 £m
	Other Operating Expenditure	
0.991	(Gains)/losses on the disposal of assets	2.164
0.991		2.164
	Financing and Investment Income and Expenditure	
40.455	Interest payable and similar charges	39.657
(0.089)	Interest receivable and similar income	(2.764)
17.214	Pensions interest cost & expected return on pensions assets	15.343
0.013	Income & expenditure related to financial instruments and changes in their fair value	0.036
57.593		52.272
	Taxation and Non Specific Grant Income	
(172.593)	Council tax income	(178.996)
(135.763)	Non-domestic rates (contribution from National Non Domestic Rates Pool)	(179.675)
(0.029)	Non-domestic rates (Tax Incremental Financing projects)	(0.014)
(30.458)	Non ring-fenced government grants: COVID-19	0.000
(574.776)	Non ring-fenced government grants: Other	(584.275)
(48.104)	Capital grants and contributions	(73.799)
(961.723)		(1,016.759)

10. Grant and Contribution Income

Whether paid 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 grant or contribution will be received. They are only credited to Comprehensive Income & 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.

2021 22 £m	Grants and Contributions credited to the CIES (excl non ring-fenced Government Grants)	2022 23 £m
	Credited to Services	
(83.607)	Government Grant: Housing Benefit Subsidy	(78.111)
(77.414)	Government Grants and Contributions: NHS	(66.391)
(4.201)	Government Grants and Contributions: COVID-19	(0.154)
(79.979)	Government Grants and Contributions: Other (incl former EU)	(87.118)
(5.361)	Non-Government Grants and Contributions	(2.649)
(250.562)		(234.423)
	Credited to Taxation and Non Specific Grant Income	
(1.576)	Government Grants and Contributions: COVID-19	0.000
(40.350)	Government Grants and Contributions: Other	(69.378)
(6.178)	Non Government Grants and Contributions	(4.421)
(48.104)		(73.799)

31 March 2022		Receipts in Advance (balances at year end)	31 March 2023	
Short Term £m	Long Term £m		Short Term £m	Long Term £m
		Receipts in Advance - Revenue		
(2.381)	0.000	Government Grants: COVID-19	0.000	0.000
(5.182)	0.000	Government Grants: Other	(7.048)	(4.696)
(1.895)	0.000	Non Government Grants	(1.372)	0.000
(9.458)	0.000		(8.420)	(4.696)
		Receipts in Advance - Capital		
(5.936)	(3.405)	Government Grants	(9.231)	(2.626)
0.000	(11.707)	Non Government Grants	0.000	(12.934)
(5.936)	(15.112)		(9.231)	(15.560)
(15.394)	(15.112)	Total Receipts in Advance	(17.651)	(20.256)

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. The Council has applied Statutory Override 1 in the Local Government Circular 9/2022 which allows Infrastructure assets to be presented as Net Book Value only, 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
2022-23									
Net Book Value at 1 April 2022	1,105.548	1,944.458	42.707	2.857	24.300	69.981	322.476	3,512.327	217.537
Additions	53.750	19.617	14.384	0.746	0.354	79.789	20.718	189.358	(0.044)
Revaluations & Impairments to Net Cost of Services	0.188	(6.934)	0.000	0.000	(0.359)	0.000	0.000	(7.105)	0.000
Revaluations & Impairments to Revaluation Reserve	(31.891)	247.020	0.000	(0.025)	(1.936)	0.000	0.000	213.168	30.584
Depreciation	(36.826)	(47.793)	(12.069)	(0.183)	(0.222)	0.159	(12.360)	(109.294)	(6.433)
Disposals	0.000	(1.505)	(0.124)	0.000	(0.731)	0.000	0.000	(2.360)	0.000
Transfer (to)/from Common Good	0.000	0.082	0.000	(0.052)	(0.490)	0.000	0.000	(0.460)	0.000
Other Movements	17.841	(6.213)	0.000	0.864	9.126	(24.295)	0.000	(2.677)	0.000
Net Book Value at 31 March 2023	1,108.610	2,148.732	44.898	4.207	30.042	125.634	330.834	3,792.957	241.644
Gross Book Value	1,108.610	2,165.492	154.321	4.924	30.482	131.694			241.644
Accumulated Depreciation & Impairment	0.000	(16.760)	(109.423)	(0.717)	(0.440)	(6.060)			0.000
Net Book Value at 31 March 2023	1,108.610	2,148.732	44.898	4.207	30.042	125.634	330.834	3,792.957	241.644
2021-22 (Restated)									
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
Adjustment to opening balance	0.000	(132.706)	0.000	0.008	(0.324)	0.000	0.000	(133.022)	0.000
Net Book Value at 1 April 2021 (Restated)	1,054.394	1,906.574	38.755	1.916	24.536	113.246	315.520	3,454.941	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	(6.571)	(0.799)	0.000	(3.807)	0.000	0.000	(10.238)	0.000
Revaluations & Impairments to Revaluation Reserve	10.354	10.921	0.000	0.000	(0.173)	0.000	0.000	21.102	(0.700)
Depreciation	(35.081)	(46.524)	(9.504)	(0.116)	(0.238)	0.000	(11.616)	(103.079)	(6.628)
Disposals	0.000	(0.063)	(0.248)	0.000	(0.985)	(1.823)	0.000	(3.119)	0.000
Other Movements	29.737	65.041	0.000	0.418	4.827	(111.080)	0.000	(11.057)	0.303
Net Book Value at 31 March 2022	1,105.548	1,944.458	42.707	2.857	24.300	69.981	322.476	3,512.327	217.537
Gross Book Value	1,105.548	1,964.595	142.343	3.372	24.761	74.037			217.537
Accumulated Depreciation & Impairment	0.000	(20.137)	(99.636)	(0.515)	(0.461)	(4.056)			0.000
Net Book Value at 31 March 2022	1,105.548	1,944.458	42.707	2.857	24.300	69.981	322.476	3,512.327	217.537

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 & bases for estimation in RICS (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 rolling valuation programme, undertaken by RICS qualified in-house and external valuers, ensures assets requiring valuation are valued at least every 5 years. Gross Book Values analysed by year of valuation are;

Effective valuation date / Historic Cost (HC)	HC £m	2018 19 £m	2019 20 £m	2020 21 £m	2021 22 £m	2022 23 £m	Total £m
Council Dwellings	0.000	0.000	0.000	0.000	0.000	1,108.610	1,108.610
Surplus Assets	0.689	0.815	1.229	5.212	6.079	16.458	30.482
Other Land & Buildings	41.311	23.018	12.893	27.181	2.768	2,058.321	2,165.492

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	3 - 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.

There were 8 impairments made to assets during 2022-23 with a value of £2.350m. The impairments related to demolitions of these assets, the largest being the Tryst Centre, Dunfermline which was £1.633m.

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. Accounting treatment is the same as for Property, Plant & Equipment assets however 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 has Heritage Assets which have been valued and recognised in the balance sheet, namely; the Council's fine art collections mainly comprising 19th and 20th century oil paintings, and a substantial number of works on paper and a small number of pieces of sculpture were valued in November 2022 by historic and contemporary fine arts specialists, the Scottish Gallery of Edinburgh and; the Council's Provost chains which were valued in December 2022 by leading auction house Lyon & Turnbull of Edinburgh.
- 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 and 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.

Individual museums are fully accredited under the Accreditation Scheme administered by Museums Galleries Scotland (An application will be made in 2023 for accredited status for Dunfermline Carnegie Library & Galleries, which has Working Towards Accreditation Status). This sets minimum standards for collections care (including storage, documentation, handling and access). Various plans, such as the Museum Documentation Manual, Collections Care Plan and Document Plans 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.

2021 22			Heritage Asset movements during the year	2022 23		
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	Additions	0.000	0.001	0.001
0.000	0.000	0.000	Revaluations	2.499	0.380	2.879
20.005	8.247	28.252	At 31 March	22.504	8.628	31.132

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).

2021 22 (Restated) £m	Assets Held for Sale movements during the year	2022 23 £m
3.591	At 1 April	11.078
(0.061)	Adjustment to Opening Balance	0.000
3.530	At 1 April (Restated)	11.078
0.018	Additions	0.000
(1.877)	Revaluation gains/(losses)	0.354
11.057	Assets transferred (to)/from Property, Plant & Equipment	2.677
(1.650)	Assets sold	(12.443)
11.078	At 31 March	1.666

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.

2021 22 £m	Intangible Assets movements during the year	2022 23 £m
	Opening balance at 1 April	
1.302	Gross carrying amounts	1.302
(1.302)	Accumulated amortisation	(1.302)
0.000	Net carrying amount at start of year	0.000
0.000	Movements in year	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.

2021 22 £m	Capital Financing Requirement movements during the year	2022 23 £m
1,118.254	At 1 April	1,133.121
	Capital investment:-	
163.777	Property, Plant and Equipment	189.358
0.018	Assets Held for Sale	0.000
0.000	Heritage Assets	0.001
0.010	Financial Instrument Investments	0.003
	Sources of finance:-	
(2.624)	Capital receipts	(14.700)
(10.330)	Loan Repayments	0.000
(52.520)	Government grants and other contributions	(74.951)
(40.713)	Direct revenue contributions	(32.524)
(42.751)	Loans Fund principal repayments	(43.832)
0.000	Service Concession Arrangements (see note 17)	43.576
1,133.121	At 31 March	1,200.052
746.223	Capital Financing Requirement - General Fund	785.890
386.898	Capital Financing Requirement - Housing Revenue Account	414.162
1,133.121	At 31 March	1,200.052
0.000	Capital Contract Commitments at 31 March - Property, Plant & Equipment	70.133

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.

Fife Council has a lease agreement with Common Good 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 on a full repairs basis by the Council at a peppercorn rental (i.e. a rent at very low or nominal value). There has been a change in accounting treatment this year and these lease arrangements are now reflected in the Common Good balance sheet as a long term debtor representing the net investment in these leases which is equivalent to the value of the assets at the balance sheet date. At 31 March 2023 this value was £163.221m, (31 March 2022, £142.964m).

There are no other finance lease agreements included in the Council's balance sheet at 31 March 2023.

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 2023.

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.

2021 22 £m	Future minimum lease payments due at 31 March under non-cancellable leases in future years:-	2022 23 £m
1.698	Not later than one year	1.502
2.385	Later than one year and not later than five years	1.257
6.855	Later than five years	7.224
10.938	Total	9.983

2021 22 £m	Expenditure charged to the CIES during the year in relation to these leases:-	2022 23 £m
1.717	Minimum lease payments	1.483
0.000	Contingent rents	0.000
1.717	Total	1.483

• 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.

2021 22 £m	The future minimum lease payments at 31 March receivable in future years are:-	2022 23 £m
3.095	Not later than one year	3.349
8.058	Later than one year and not later than five years	8.569
75.834	Later than five years	73.296
86.987	Total	85.214

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.

2021 22		Annual Unitary Charge payments and Scottish Government Grant support	2022 23	
Unitary charge £m	Grant support £m		Unitary charge £m	Grant support £m
8.294	(3.680)	PPP1	8.475	(3.680)
8.597	(4.168)	PPP2	8.961	(4.168)
3.865	(3.212)	NPD	3.958	(3.212)
20.756	(11.060)		21.394	(11.060)
Outstanding Liability on Balance Sheet				
88.273		1 April		81.861
(6.412)		Capital Repayments during the year		(5.631)
81.861		31 March		76.230

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 2023 (using 2.5% indexation excl availability/performance deductions)	Service Costs £m	Capital Repayment £m	Finance Costs £m	Total £m
Payable in 2023-24	7.913	6.938	6.530	21.381
Payable within two to five years	39.024	30.208	19.128	88.360
Payable within six to ten years	29.525	23.322	12.398	65.245
Payable within eleven to fifteen years	9.342	8.796	3.283	21.421
Payable within sixteen to twenty years	6.514	6.966	1.013	14.493
Total	92.318	76.230	42.352	210.900

Application of Service Concession Arrangement Flexibilities

In 2022 the Scottish Government issued statutory guidance (Local Government Finance Circular 10/2022) which allowed Councils temporary flexibility in accounting for Service Concession Arrangements entered into prior to April 2022, which include the Council's PPP and NPD schemes.

The guidance sets out the accounting requirements and options for recognising the capital repayment element of these arrangements and permits councils to undertake internal accounting changes to reprofile the repayment charged to General Fund over an extended period of time.

The Council has applied the permitted flexibility in financial year 2022-23 on a retrospective annuity basis over 40 years. This approach is consistent with current Council Loans Fund policy and is considered prudent, sustainable, and affordable over the useful life of the asset. The annuity period used is 40 years as this replicates the useful asset life of other similar type assets held on the Council's balance sheet i.e. schools.

The current unitary charge repayments to contractors will continue until the end of each PPP & NPD contract, however, the use of this flexibility results in a one-off credit to the General Fund and ongoing annual savings for a period of time. At the end of each of the PPP & NDP contracts, the unitary charge is no longer paid but reprofiled debt repayments continue to be charged to General Fund until the debt liability has been extinguished.

The calculation of the repayment charges, using the asset life annuity basis, is compared to the current charges which are made over the contract period. By applying the flexibility, a one-off combined pre 2022-23 retrospective saving of £39.787m (as detailed in the table below) will be achieved.

Comparison of current and revised debt repayments	Current Repayment £m	Revised Repayment £m	(Reduction) / Cost £m
Pre 2022-23	53.275	13.488	(39.787)
Paid in 2022-23	5.631	1.842	(3.789)
Payable in 2023-24	6.938	1.974	(4.964)
Payable within two to five years	30.208	9.459	(20.749)
Payable within six to ten years	23.322	16.463	(6.859)
Payable within eleven to fifteen years	8.796	24.055	15.259
Payable within sixteen to twenty years	6.966	35.635	28.669
Payable within twenty one to twenty five years	0.000	17.308	17.308
Payable within twenty six to thirty years	0.000	7.708	7.708
Payable within thirty one to thirty five years	0.000	7.204	7.204
Total	135.136	135.136	0.000

In addition to the one-off retrospective element, an in-year saving occurs in scheduled debt repayments in 2022-23, of £3.789m. This will be followed by a reduction in the annual charges for a further 9 years and then the statutory charges will continue until the end of the reprofiled debt repayment period. Over the full asset lives the total repayment for the debt liability remains the same.

The reprofiling of the debt liability repayments increases the Capital Financing Requirement (CFR) by £39.787m as at 1 April 2022. The increase in the CFR (Note 15) will continue to be reduced by the revised repayments after each PPP and NPD contract has expired until the end of the revised period. Being a cumulative statutory adjustment there is no prior year restatement of statutory adjustments in the Annual Accounts. The statutory adjustment up to 31 March 2023 has the following impact on the 2022-23 Balance sheet (Capital Adjustment Account) and Movement in Reserves statement:

Impact on Balance Sheet and Movement in Reserves Statement	Pre-2022 23 £m	2022 23 £m	Total £m
Capital Adjustment Account	39.787	3.789	43.576
Movement in Reserves Statement	(39.787)	(3.789)	(43.576)

18. Inventories

2021 22			Movement in Inventories (measured at lower of cost and net realisable value)	2022 23		
Stores / Raw Materials £m	Equipment Stock £m	Total £m		Stores / Raw Materials £m	Equipment Stock £m	Total £m
3.909	0.373	4.282	Opening Balance 1 April	4.049	0.335	4.384
17.704	1.191	18.895	Purchases	20.815	1.446	22.261
(18.564)	(1.229)	(19.793)	Recognised as in-year expense	(20.811)	(1.277)	(22.088)
1.000	0.000	1.000	Stock adjustments-write on/(off)	0.114	0.000	0.114
4.049	0.335	4.384	Balance 31 March	4.167	0.504	4.671

19. Short Term Debtors and Creditors

31 March 2021		Short Term Debtors and Creditors (after provision for impairment)	31 March 2023	
Debtors £m	Creditors £m		Debtors £m	Creditors £m
33.005	(17.526)	Central Government bodies	35.838	(17.815)
30.692	(0.866)	Local Taxation (Council Tax & Non-Domestic Rates)	30.408	(0.788)
3.147	(32.936)	Employees (Pay & Holiday Pay Accruals)	0.130	(38.995)
16.847	(30.636)	Financial Assets and Liabilities (see Note 21)	16.220	(40.829)
0.000	(36.277)	Integration Joint Board (IJB)	0.000	(35.451)
18.420	(29.400)	Other Entities and Individuals	22.691	(28.934)
102.111	(147.641)		105.287	(162.812)
		Local Taxation Debtors analysed by age of debt		
6.348		Up to 1 Year	5.129	
14.020		1-5 Years	14.300	
10.324		Greater than 5 Years	10.979	
30.692			30.408	

20. Provisions

Provisions are 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. insurance claims) this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be made 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 lower settlement than anticipated is made), it is reversed and credited back to the relevant service.

	Dilapidations £m	Expenses Awards £m	Insurance Claims £m	Employee Allowances £m	Asset Decomm. £m	Total £m
1 April 2022	0.000	(0.071)	(7.251)	(0.408)	(6.741)	(14.471)
Additional provisions made	(0.700)	0.000	(1.660)	0.000	0.566	(1.794)
Amounts used	0.000	0.001	1.293	0.095	0.000	1.389
Unused amounts reversed	0.000	0.070	0.000	0.313	0.000	0.383
Unwinding of discounting	0.000	0.000	(0.163)	0.000	(0.042)	(0.205)
31 March 2023	(0.700)	0.000	(7.781)	0.000	(6.217)	(14.698)
Short-Term Provisions	(0.700)	0.000	0.000	0.000	0.000	(0.700)
Long-Term Provisions	0.000	0.000	(7.781)	0.000	(6.217)	(13.998)
Balance 31 March 2023	(0.700)	0.000	(7.781)	0.000	(6.217)	(14.698)

- Dilapidations - expected future costs related to New City House in Dunfermline
- Expenses Awards - expected awards against the Council as a result of Planning Committee decisions.
- Insurance Claims - all known outstanding third party claims.
- Employee Allowances - expected costs resulting from agreed Equal Pay Claims.
- Asset Decommissioning - expected future obligations for landfill site aftercare at Lochhead and Lower Melville Wood (when they reach the point of closure) and for the closed site at Balbarton.

21. Financial Instruments

Financial instruments are contracts which create a financial asset in one entity and a financial liability in another.

31 March 2022		Financial Instruments in the Balance Sheet	31 March 2023	
Short Term £m	Long Term £m		Short Term £m	Long Term £m
		Investments		
0.000	2.694	Employment Land	0.000	2.747
0.000	2.694		0.000	2.747
		Other Financial Assets		
1.016	6.687	Loan Debt - Police and Fire Authorities	1.039	5.649
0.016	0.166	Loan Advances - Soft Loans	0.009	0.101
15.815	0.000	Trade Debtors	15.172	0.000
16.847	6.853		16.220	5.750
		Borrowings		
(21.630)	(556.814)	Loans - Public Works Loan Board (PWLB)	(35.426)	(551.388)
0.000	(327.350)	Loans - Money Market	(1.000)	(309.550)
(35.000)	0.000	Loans - Temporary Short Term	(22.000)	0.000
(10.368)	0.000	Loan Interest	(10.234)	0.000
(0.057)	(5.033)	Loan Liability - Effective Interest Rate (EIR)	(0.080)	(4.989)
(67.055)	(889.197)		(68.740)	(865.927)
		Other Financial Liabilities		
(5.631)	(76.230)	PPP, NPD and finance lease liabilities	(6.938)	(69.292)
(25.005)	0.000	Trade Creditors (at contract amount)	(33.891)	0.000
(30.636)	(76.230)		(40.829)	(69.292)

Employment Land Investments and Soft Loans advances (above) are held in the Balance sheet at fair value. Other assets and liabilities are held at amortised cost or, where no reliable measurement exists, measured at cost.

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 2 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 2022-23 recognising a gain on disposal of £0.027m.

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; soft loans (below market rate of interest) to employees valued using observable inputs and therefore at Level 2 of the Fair Value Hierarchy; and 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 was assessed at 31 March 2022 and was greater than amortised cost, as the Council's portfolio of loans includes fixed rate loans where interest payable was higher than market rates available. At 31 March 2023 however, the increase in market rates in the last year has led to Fair Value being lower than the amortised cost.

2021 22 £m	PWLB and Money Market Loans	2022 23 £m
905.794	Carrying Value (amortised cost) at balance sheet date	897.364
1,144.286	Fair Value at balance sheets date	788.401
32.795	Interest on borrowings charged to CIES in the year	33.254

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	36.426	32.234	0.080	68.740	7.35%
Between one and two years	1.152	0.000	0.046	1.198	0.13%
Between two and five years	22.499	0.000	0.141	22.640	2.42%
Between five and ten years	51.912	0.000	0.283	52.195	5.58%
Ten years or more	785.375	0.000	4.519	789.894	84.52%
Total	897.364	32.234	5.069	934.667	100.00%

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

Credit Risk

Credit risk from financial instruments arises from the deposits placed with banks and financial institutions, loans to other Local Authorities and credit exposures to the Council's customers. The Council's policy for managing credit risk is outlined in the its Treasury Management Policy. Deposits are not made with banks and financial institutions unless they satisfy a minimum rating set by each of three leading credit agencies.

Loss allowances from 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.

Analysis of Trade Debtors at 31 March	Within 3 months £m	3 - 6 months £m	6 - 12 months £m	Beyond 12 months £m	Total £m	Loss Allowance £m
2021-22	7.982	1.758	3.151	7.606	20.497	(4.682)
2022-23	7.431	1.123	3.278	8.791	20.623	(5.451)

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 it's 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.

2021 22 £m	Impact of 1% increase in interest rate (assuming all other variables are constant)	2022 23 £m
0.157	Increase in Interest Payable	0.080
(0.926)	Increase in Interest Receivable	(1.666)
(0.769)	Net impact on the CIES	(1.586)

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.

2021 22 £m	Teachers' Retirement Benefits	2022 23 £m
36.360	Amounts due to Scottish Public Pensions Agency for Teachers' Pensions	36.727
4.393	Early Retirement Benefits outside the terms of the Teachers' Scheme	4.409

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.

2021 22			2022 23	
Fife Council £m	Group £m		Fife Council £m	Group £m
		Comprehensive Income & Expenditure Statement (CIES)		
		Cost of Services:-		
161.902	171.638	Current Service Cost	158.379	167.703
3.709	5.307	Past service costs (incl. Curtailments)	5.453	5.796
		Financing and Investment Income and Expenditure:-		
74.011	77.721	Interest cost	97.384	102.325
(56.797)	(60.132)	Interest Income on plan assets	(82.041)	(86.906)
182.825	194.534	Total charged to (Surplus)/Deficit on Provision of Services	179.175	188.918
(389.164)	(410.902)	Total remeasurements recognised in Other Expenditure	(621.735)	(628.480)
(206.339)	(216.368)	Total Post Employment Benefit charged to the CIES	(442.560)	(439.562)
		Movement in Reserves Statement		
(182.825)	(194.534)	Reversal of charges to the CIES under accounting regulations	(179.175)	(188.918)
		Amounts charged for pensions in the year against Balances:-		
74.789	79.513	Employers' contributions payable to plan	81.782	86.086
7.091	7.117	Contributions in respect of unfunded benefits	7.085	7.111
(100.945)	(107.904)		(90.308)	(95.721)
		Contributions expected to be made to the funded plan in financial year 2023-24	81.690	85.869

Value of Plan Assets and Liabilities

2021		2022		2022		2023	
Fife		Group		Fife		Group	
Council	Group	Council	Group	Council	Group	Council	Group
£m	£m	£m	£m	£m	£m	£m	£m
2,833.505	2,997.321			3,029.060	3,206.354		
56.797	60.132	Fair Value of Plan assets at 1 April		82.041	86.906		
18.033	19.135	Interest Income on Plan Assets		19.879	21.079		
74.789	79.513	Participants Contributions		81.782	86.086		
(76.156)	(78.611)	Employers contributions		(78.304)	(80.931)		
(7.091)	(7.117)	Benefits paid		(7.085)	(7.111)		
7.091	7.117	Unfunded benefits paid		7.085	7.111		
122.092	128.864	Contributions in respect of unfunded benefits paid		(190.954)	(201.798)		
3,029.060	3,206.354	Balance at 31 March		2,943.504	3,117.696		
(3,653.151)	(3,832.538)			(3,560.487)	(3,738.573)		
(161.902)	(171.638)	Present Value of Plan liabilities at 1 April		(158.379)	(167.703)		
(3.709)	(5.307)	Current Service Cost		(5.453)	(5.796)		
(74.011)	(77.721)	Past Service Cost (including curtailments)		(97.384)	(102.325)		
(18.033)	(19.135)	Interest Cost on defined benefit obligation		(19.879)	(21.079)		
76.156	78.611	Participants Contributions		78.304	80.931		
7.091	7.117	Benefits paid		7.085	7.111		
249.294	263.602	Unfunded Benefits paid		1,391.043	1,469.255		
22.377	23.437	Remeasurement: Change in financial assumptions		26.640	27.856		
(4.599)	(5.001)	Remeasurement: Change in demographic assumptions		(169.001)	(177.703)		
(3,560.487)	(3,738.573)	Balance at 31 March		(2,507.511)	(2,628.026)		
0.000	0.000			0.000	0.000		
0.000	0.000	Unrecognised Pension Surplus at 1 April		(435.993)	(489.130)		
0.000	0.000	Movement in Unrecognised Pension Surplus		(435.993)	(489.130)		
(531.427)	(532.219)	Balance at 31 March		0.000	0.540		
3,029.060	3,206.354	Net Asset / (Liability)		2,943.504	3,117.696		
(3,432.039)	(3,609.217)	Fair value of Plan Assets		(2,405.043)	(2,524.916)		
(128.448)	(129.356)	Present value of funded liabilities		(102.468)	(103.110)		
0.000	0.000	Present value of unfunded liabilities		(435.993)	(489.130)		
(531.427)	(532.219)	Net Asset / (Liability)		0.000	0.540		

31 March 2022				Fair Value of Plan Assets at bid value (under accounting standard IAS19)	31 March 2023			
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	%
546.962	0.000	546.962	18%	Equity Securities	523.022	0.000	523.022	18%
				Debt Securities				
0.000	69.817	69.817	2%	• Corporate Bonds	0.000	64.393	64.393	2%
0.000	260.500	260.500	9%	• UK Government	0.000	360.017	360.017	12%
0.000	0.410	0.410	0%	• Other	0.000	0.317	0.317	0%
				Real Estate				
187.365	0.934	188.299	6%	• UK Property	156.325	15.489	171.814	6%
				Investment Funds & Unit Trusts				
1,229.518	0.000	1,229.518	41%	• Equities	942.384	0.000	942.384	32%
430.808	0.000	430.808	14%	• Bonds	289.201	0.000	289.201	10%
0.000	204.938	204.938	7%	• Infrastructure	0.000	424.972	424.972	14%
0.008	0.000	0.008	0%	Derivatives	0.115	0.000	0.115	0%
97.800	0.000	97.800	3%	Cash & Cash Equivalents	167.269	0.000	167.269	6%
2,492.461	536.599	3,029.060	100%	TOTAL	2,078.316	865.188	2,943.504	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	2021 22		Principal Assumptions used	2022 23		
	Medium Duration	Long Duration		Short Duration	Medium Duration	Long Duration
			Mortality-Longevity at age 65 (years)			
20.1	20.1	20.1	Men (current pensioners)	20.0	20.0	20.0
21.2	21.2	21.2	Men (future pensioners)	21.1	21.1	21.1
22.9	22.9	22.9	Women (current pensioners)	22.9	22.9	22.9
24.9	24.9	24.9	Women (future pensioners)	24.9	24.9	24.9
			Financial			
3.30%	3.20%	3.15%	Rate of increase in pensions	3.00%	2.95%	2.95%
3.80%	3.70%	3.65%	Rate of increase in salaries	3.50%	3.45%	3.45%
2.70%	2.70%	2.75%	Rate for discounting scheme liabilities	4.75%	4.75%	4.75%
			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 2022-23 the Council transferred £65.747m (2021-22 £62.921m) to Scottish Water.
- The Council administered £26.041m of COVID-19 & Cost of Living support funding for businesses and individuals on behalf of the Scottish and UK Governments in 2022-23 (£55.852m, 2021-22).

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 August 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	2021 22 Fife Council balances at 31 March			2022 23 Fife Council balances at 31 March		
	Debtors £m	Creditors £m		Payments from Fife Council £m	Debtors £m	Creditors £m
			Included in Group Accounts			
6.089	0.449	0.055	Fife Sports and Leisure Trust	4.122	0.474	0.395
1.634	0.188	0.269	Fife Coast & Countryside Trust	1.915	0.027	0.424
0.643	0.303	0.033	Fife Golf Trust	0.702	0.002	0.000
8.461	0.031	0.000	Fife Cultural Trust	8.605	0.088	0.075
23.784	1.606	0.772	Fife Resource Solutions LLP	22.092	1.667	0.760
0.006	0.000	0.000	CIRECO (Scotland) Ltd	0.007	0.001	0.008
1.550	0.003	0.121	Business Gateway Fife	2.619	0.003	0.004
42.167	2.580	1.250		40.062	2.262	1.666
			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 & Disposal, Collection of Commercial & Industrial Waste, Waste Haulage & Transfer, Recycling Facilities, Energy Generation & Supply and related Consultancy Services. The Council pays a management fee and 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 owner, providing funding for financial assistance to small businesses, operational funding and a contribution to the Business Gateway delivery contract, and is represented on the Board of Directors by 2 board members.

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 2023 is £18.860m (31 March 2022 £39.856m) 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 Joint Ventures or Subsidiaries. The following Associates were identified but not included in Group accounts due to materiality.

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 2 of the 10 Board members and in 2022-23 contributed £0.273m (2021-22 £0.183m).

Fife Environment Trust is a company which distributes locally generated landfill tax monies to environmental and community projects eligible under Scottish Landfill Communities Fund requirements. The Council has 2 of the 6 Board members and in 2022-23 the Council and its Group contributed £0.879m (2021-22 £0.937m).

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 2022-23 the Council and its Group made material payments (>£0.100m) to 15 of these bodies totalling £7.213m. The members' register of interests is at:

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

The Council's senior officers (detailed in Remuneration Report) have control over its financial & operating policies. 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 are included in Members and Officers section above where material.

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.

2021 22 £m		2022 23 £m
1.645	Charges to the Pension Fund for support services related to administration	1.775
81.193	Employers' contribution paid to the Pension Fund	81.180
19.266	Employee's contributions collected and paid to the Pension Fund	19.734

External Audit

The agreed external audit fee for 2022-23 was £0.648m for work undertaken in accordance with the Code of Audit Practice (2021-22, £0.550m). An additional £0.005m was also payable to external audit in the year for grant claim certification work.

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 2023 the Council has no contingent assets but has the following contingent liabilities: -

- **Workforce Change:** The Council has developed a strategy which would result in an FTE staff reduction of approximately 2,400 at an estimated cost of £81.000m over the 17 year period (2010-11 to 2026-27). Included in the 2022-23 accounts are costs totalling £0.225m for approximately 10 staff. There is significant uncertainty over the extent of employee reductions required over the next 4 years although it is estimated at approximately £19.500m for under 600 staff and no provision has been made for this contingency.
- **Scottish Child Abuse Inquiry:** This 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 £4.140m, 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.
- **Equal Pay:** An Employment Tribunal which sat in January 2023 published their judgment in July 2023. Their view is that Fife Council's Job Evaluation Scheme does not meet the requirement set out in section 131 (6)(b) of the Equality Act 2010 in respect of the named evaluations. This has been determined on the basis that the Tribunal has reasonable grounds for suspecting that the claimant and comparator evaluations are unreliable. There are further stages of the legal process yet to be progressed which may result in an equal value assessment of those posts. There may be a possible obligation on the Council in future, but this will not be confirmed until the legal processes have concluded. It is not feasible to place any reliable value on any possible outcome at this stage.

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.

There is one item which has required a restatement in these Accounts.

- Following consultation with the Council's External Auditors it was determined that previous accounting treatment of land & buildings owned by Common Good but used in the provision of Council services, was not consistent with the relevant accounting standards. Assets of this nature are leased by the Council, on a full repairs basis at a peppercorn rental and were previously included in Property, Plant & Equipment in the Council's balance sheet. These lease arrangements are now reflected in the Common Good balance sheet as a long term debtor representing the net investment in these leases which is equivalent to the value of the assets at the balance sheet date. This has resulted in changes to the 2021-22 figures included in the following Statements and Notes:- Expenditure & Funding Analysis, Movement in Reserves Statement, Comprehensive Income & Expenditure Account, Balance Sheet, Cash Flow Statement, Note 5, Note 7, Note 8, Note 9, Note 11, Note 13, Common Good Comprehensive Income & Expenditure Account, Common Good Balance Sheet.

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 one such event in 2022-23;

Equal Pay: An Employment Tribunal published a judgement on Fife Council's Job Evaluation Scheme in July 2023 which has been included in these financial statements as a contingent liability.

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.

2021 22 £m		2022 23 £m
	Income	
(121.218)	Dwelling Rents	(125.010)
1.728	Rent Voids	1.984
(3.484)	Non-dwelling Rents	(3.477)
(2.343)	Hostels - Accommodation Charges	(2.316)
(2.948)	Other Income	(2.333)
(128.265)	Total Income	(131.152)
	Expenditure	
45.549	Repairs and Maintenance	49.880
26.560	Supervision and Management	28.448
0.236	Rents, rates, taxes and other charges	0.245
34.044	Depreciation, impairment and revaluation losses of non-current assets	36.856
2.335	Impairment of Debtors	3.277
1.220	Other Expenditure	0.970
109.944	Total Expenditure	119.676
(18.321)	Net Expenditure or (Income) of HRA Services as included in the Comprehensive Income and Expenditure Statement	(11.476)
0.179	Share of Corporate and Democratic Core	0.155
0.037	HRA share of other amounts included in the whole Council Net Expenditure of Continuing Operations but not allocated to specific services	0.041
(18.105)	Net (Income) or Expenditure for HRA Services	(11.280)
	HRA Share of operating income and expenditure included in the whole Council Comprehensive Income and Expenditure Statement	
(0.145)	(Gain) or Loss on sale of HRA Non Current Assets	(0.152)
12.402	Interest Payable and Similar Charges	13.176
(0.068)	Interest and Investment Income	(0.884)
0.632	Pension Interest Cost and Expected Return on Pension Assets	0.586
(10.912)	Capital Grants and Contributions Receivable	(23.506)
(16.196)	(Surplus) or Deficit for the Year on HRA Services	(22.060)

Movement on the Housing Revenue Account Statement

2021 22 £m		2022 23 £m
(16.196)	(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement	(22.060)
	Adjustments between accounting & funding basis:	
(5.025)	- permitted by accounting standards	(4.911)
22.371	- required by statutory regulations	26.270
(0.150)	Transfers to/(from) Other Statutory Reserves	0.326
1.000	Net (Increase) or Decrease In Year on HRA	(0.375)
(8.005)	Balance on the HRA at the end of the Previous Year	(7.005)
(7.005)	Balance on the HRA at the end of the Current Year	(7.380)

Housing Revenue Account Disclosures

1. Adjustments between Accounting Basis and Funding Basis under Regulations

2021 22 £m		2022 23 £m
	Accounting Standards Adjustments	
	Adjustments for Capital Purposes	
(5.025)	Revaluation element of depreciation in CIES	(4.911)
(5.025)	Total Accounting Standards Adjustments	(4.911)
	Statutory Adjustments	
	Adjustments for Capital Purposes	
(29.019)	Depreciation, Impairment and Revaluations	(31.945)
10.912	Capital Grants and Contributions	23.506
0.145	Gain or (loss) on sale of HRA non-current assets	0.152
14.096	Repayment of Debt	16.333
29.142	Capital expenditure funded by the HRA	20.560
(3.829)	HRA share of contributions to/(from) the Pensions Reserve	(3.512)
0.966	HRA Share of Transfer (to)/from Financial Instruments Adjustment Account	1.009
(0.042)	HRA adjustment for compensated absences	0.167
22.371	Total Statutory Adjustments	26.270

2. Housing Stock

31 March 2022 Number	Council housing stock analysed by number of bedrooms	31 March 2023 Number
253	0	253
7,432	1	7,457
14,475	2	14,554
7,376	3	7,444
1,186	4 - 8	1,200
30,722		30,908

3. Rent Arrears

31 March 2022 £m		31 March 2023 £m
5.012	Current Tenants	6.696
1.549	Former Tenants	2.150
0.248	Temporary Accommodation	0.558
6.809		9.404

4. Impairment of Debtors

A provision of £7.065m (75.1%), has been made in respect of uncollectable debts. (2021-22 - £5.249m, 77.1%).

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.

2021 22 £m		2022 23 £m
(206.237)	Gross Rates Levied & Contributions in Lieu	(208.170)
66.778	Reliefs & Other Deductions	41.361
0.837	Debts Written Off and Allowance for Impairment	0.994
(138.622)	Net Non-Domestic Rate Income	(165.815)
10.859	Adjustment to previous years National Non-Domestic Rates	6.009
0.029	Non-domestic rate income retained by authority (TIF)	0.014
(127.734)	Contribution to Non-Domestic Rate Pool	(159.792)
(135.763)	Distribution from Non-Domestic Rate Pool	(179.675)
(135.763)	Non-Domestic Rate Income to the CIES	(179.675)

Analysis of Rateable Values at 1 April 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 2022-23 this rate was 49.8p (2021-22, 49p) which is uniform throughout Scotland. A rate poundage of 51.1p (2021-22, 50.3p) applies to properties with a rateable value of more than £51,000 but less than £95,000. A rate poundage of 52.4p applies to properties with a rateable value of more than £95,000. There are several types of rate reliefs which are available in certain circumstances.

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

The Council Tax Income Account shows the gross income raised from council taxes levied and deductions made under Statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement. By law, the Council is required to bill and collect water and sewerage charges for Scottish Water however these are excluded from the Council's accounts except for any cash collected not yet paid over at the financial year end.

2021 22 £m		2022 23 £m
	Gross Tax Levied	
(228.399)	Council Tax	(237.040)
(0.148)	Council Tax - Prior Year Income	(0.543)
(0.552)	Contributions in lieu	(0.572)
(229.099)		(238.155)
	Deductions	
22.159	Council Tax Reduction	22.402
29.316	Discount and Exemptions	31.037
4.067	Debts Written Off and Allowance for Impairment	4.207
0.964	Prior Years Adjustments	1.513
56.506		59.159
(172.593)	Council Tax Income to CIES	(178.996)

Charges Levied

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

Valuation Band (£)	A Up to 27,000	B 27,000 35,000	C 35,001 45,000	D 45,001 58,000	E 58,001 80,000	F 80,001 106,000	G 106,001 212,000	H Over 212,000
2022-23 charges (£)	879.48	1,026.06	1,172.64	1,319.22	1,733.31	2,143.73	2,583.48	3,232.09
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

Band D equivalent properties

The table below shows an analysis of properties at 31 March 2023 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	182,136	0	40,454	48,685	24,304	21,931	24,675	14,571	6,997	519
Disabled Relief	0	77	134	(61)	4	99	(117)	(55)	(76)	(5)
Exemptions	(7,947)	0	(2,282)	(1,959)	(1,194)	(901)	(884)	(441)	(198)	(88)
Discounts	(20,178)	(9)	(6,631)	(5,581)	(2,790)	(2,087)	(1,805)	(821)	(413)	(41)
	154,011	68	31,675	41,084	20,324	19,042	21,869	13,254	6,310	385
Band D Ratio			240/360	280/360	320/360	360/360	473/360	585/360	705/360	882/360
	153,787	38	21,117	31,954	18,065	19,042	28,734	21,537	12,357	943
Non-payment provision-2.1%	(3,228)	(1)	(443)	(671)	(379)	(400)	(603)	(452)	(259)	(20)
Band D Equivalent	150,559	37	20,674	31,283	17,686	18,642	28,131	21,085	12,098	923

Introduction

The May 2023 LASAAC guidance “Accounting for the Common Good Fund: Guidance for Practitioners”, 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 & 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. The valuation of investments decreased by £0.326m due mainly to difficult market conditions affected by rising inflation.

The Balance sheet includes land & building assets which are owned by Common Good but used in the provision of Fife Council services. Assets of this nature are leased by the Council, on a full repairs basis at a peppercorn rental, and are recognised in the Balance Sheet as a long term debtor representing the net investment in these leases, which is equivalent to the value of the assets at the balance sheet date.

Common Good Comprehensive Income and Expenditure Statement

2021 22 (Restated) £m		2022 23 £m
	Expenditure	
0.028	Property Costs	0.253
0.168	Donations	0.192
0.052	Depreciation and Revaluations	0.178
0.004	Other Expenditure	0.007
0.252	Total Expenditure	0.630
	Income	
(0.158)	Interest on investments	(0.235)
(0.233)	Rents	(0.286)
0.000	Other Income	(0.286)
(0.391)	Total Income	(0.807)
(0.003)	Movement in Fair Value of Investments	0.326
(0.058)	Losses / (Gains) on Disposal of Assets	0.060
(0.292)	Capital Grant Received	(1.027)
(0.353)	Other Operating Income and Expenditure	(0.641)
(0.492)	(Surplus)/Deficit for year	(0.818)
(0.401)	Asset revaluations recognised in Revaluation Reserve	(0.866)
(0.401)	Other Comprehensive Expenditure & Income	(0.866)
(0.893)	Total Comprehensive Expenditure & Income	(1.684)

2021 22 (Restated) £m		2022 23 £m
4.273	Property, Plant & Equipment	6.824
0.368	Heritage Assets	0.450
3.829	Investments	3.503
142.964	Long Term Debtor - Leasehold Property	163.221
151.434	Long Term Assets	173.998
1.762	Cash and Cash Equivalents	2.123
0.034	Sundry Debtors	0.042
1.796	Current Assets	2.165
153.230	Net Assets / (Liabilities)	176.163
	Financed by:	
(5.625)	Useable Reserves: Revenue	(5.668)
(144.772)	Useable Reserves: Capital (note 2)	(166.497)
(2.833)	Unusable Reserve: Revaluation Reserve	(3.998)
(153.230)	Total Reserves	(176.163)

The unaudited accounts were issued on 30th June 2023 and the audited accounts were authorised for issue on 9th November 2023.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services

Notes to the Common Good Fund Accounts

1. Prior Period Adjustments / Restatements

Following consultation with the Council's External Auditors it was determined that previous accounting treatment of land & buildings owned by Common Good but used in the provision of Fife Council services, was not consistent with the relevant accounting standards. These assets were previously included in Property, Plant & Equipment in the Council's balance sheet but are now reflected in the Common Good balance sheet as a long term debtor representing the net investment in these leases which is equivalent to the value of the assets at 31 March 2023. The 2021-22 CIES and Balance Sheet at 31 March 2022 have been restated to reflect this change.

2. Analysis of movement in Capital Reserve

2021 22 £m		2022 23 £m
(149.856)	Balance at 1 April	(144.772)
0.062	Depreciation of Property, Plant & Equipment assets	0.065
(0.007)	Revaluation losses/(gains) on Property, Plant & Equipment and Heritage assets	0.115
0.010	(Gains)/losses on disposal of assets	0.060
(0.305)	Capital grants & contributions applied to finance capital expenditure	(1.013)
(0.040)	Adjusting amounts written out of the Revaluation Reserve	(0.043)
(0.034)	Transfers to/(from) Common Good Revenue Reserve	0.000
0.000	Transfers to/(from) Fife Council Reserves	(0.120)
5.398	Revaluation losses/(gains) on Long term debtor-Leasehold property	(20.789)
(144.772)		(166.497)

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 & 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 decreased by £0.199m due mainly to difficult market conditions affected by rising inflation.

2021-22 Total £m	Summary of balances held at 31st March	Other Trust Funds £m	Registered Charities £m	2022-23 Total £m
(2.116)	Fife Educational Trust	0.000	(2.087)	(2.087)
(0.048)	Community Fund	(0.037)	0.000	(0.037)
(2.530)	Other Trusts/Charities	(0.908)	(1.523)	(2.431)
(4.694)		(0.945)	(3.610)	(4.555)

	Useable Reserve £m	Unusable Reserve £m	Total Reserves £m
Opening Balance 1 April 2021	(4.678)	(0.002)	(4.680)
Movement in Reserves during 2021-22			
(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)
Movement in Reserves during 2022-23			
(Surplus) or deficit on provision of services	0.139	0.000	0.139
Other Comprehensive Expenditure and Income	0.000	0.000	0.000
Total Comprehensive Income & Expenditure	0.139	0.000	0.139
Balance at 31 March 2023 carried forward	(4.553)	(0.002)	(4.555)

Charities and Trust Funds Comprehensive Income and Expenditure Statement

2021 22 Total £m		2022 23		Total £m
		Other Trust Funds £m	Registered Charities £m	
	Expenditure			
0.238	Disbursements	0.038	0.086	0.124
0.011	Other Expenditure	0.000	0.008	0.008
0.249	Total Expenditure	0.038	0.094	0.132
	Income			
(0.158)	Interest on investments	(0.042)	(0.150)	(0.192)
0.001	Other Income	0.000	0.000	0.000
(0.157)	Total Income	(0.042)	(0.150)	(0.192)
(0.106)	Movement in Fair Value of Investments	0.065	0.134	0.199
(0.106)	Other Operating Income and Expenditure	0.065	0.134	0.199
(0.014)	(Surplus)/Deficit for year	0.061	0.078	0.139
0.000	Other Comprehensive Expenditure & Income	0.000	0.000	0.000
(0.014)	Total Comprehensive Income and Expenditure	0.061	0.078	0.139

Charities and Trust Funds Balance Sheet

2021 22 Total £m		2022 23		Total £m
		Other Trust Funds £m	Registered Charities £m	
0.002	Property, Plant & Equipment	0.000	0.002	0.002
3.532	Investments	0.748	2.585	3.333
3.534	Long Term Assets	0.748	2.587	3.335
1.128	Cash and Cash Equivalents	0.189	0.996	1.185
0.032	Sundry Debtors	0.008	0.027	0.035
1.160	Current Assets	0.197	1.023	1.220
0.000	Sundry Creditors	0.000	0.000	0.000
0.000	Current Liabilities	0.000	0.000	0.000
4.694	Net Assets/(Liabilities)	0.945	3.610	4.555
	Financed by:			
(4.692)	Usable Reserves	(0.945)	(3.608)	(4.553)
(0.002)	Unusable Reserve - Revaluation Reserve	0.000	(0.002)	(0.002)
(4.694)	Total Reserves	(0.945)	(3.610)	(4.555)

The unaudited accounts were issued on 30th June 2023 and the audited accounts were authorised for issue on 9th November 2023.

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

We certify that we have audited the financial statements in the annual accounts of Fife Council and its group for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Income Account, the Common Good Fund Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and 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 2022/23 (the 2022/23 Code).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2023 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 2022/23 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

We conducted our 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. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We 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 we have performed, we 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, we 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

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

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

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

In preparing the financial statements, the Executive Director Finance and Corporate Services is responsible for assessing the 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

Our 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 our 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. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the council and its group;
- inquiring of the Executive Director Finance and Corporate Services as to other laws or regulations that may be expected to have a fundamental effect on the operations of the council and its group;
- inquiring of the Executive Director Finance and Corporate Services concerning the policies and procedures of the councils and its group regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on 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 our 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 our auditor's report.

Reporting on other requirements

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

We have audited the parts of the Remuneration Report described as audited. In our opinion, the audited parts of the Remuneration Report have 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 the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration Report.

Our 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 our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our 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 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Nick Bennett (for and on behalf of Azets Audit Services)
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date.....



Trustees' Annual Report & Financial Statements 2022-23

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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:-

Azets Audit Services
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

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 individuals, 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.

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 & 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 & Corporate Services is responsible for keeping proper accounting records which are up to date and which ensure the financial statements comply with the Charities Accounts (Scotland) Regulations 2006.

Decisions regarding the overall operation, assets, processes or policies of the Charitable Trusts are delegated by the Council to its Cabinet Committee. 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 £30,361 in the year to support local communities. These were made from 12 individual Trusts and a total of 43 separate grants were awarded in 2022-23 compared to 47 grants awarded in 2021-22. Details of the most significant donations are detailed below

Anstruther & Cellardyke Settlement Trust	
Anstruther Harbour Festival Trust - To support and deliver the festival	£3,500
Scottish Fisheries Museum Trust - Development of Online Database	£2,000
Crail Settlement Trust	
Crail Town Hall - Contribution towards upgrade of the hall	£2,000
Newburgh Settlement Trust	
The Dino Club - Contribution towards resources	£1,382
Kirkcaldy Settlement Trust	
23 Small payments from purchase cards to various Individuals	£6,409
Bell Fund/Good Templars Fund	
Madras College Endowment Trust - Madras Pipe Band Upkeep & Development	£3,350
Madras College Endowment Trust - Mentors in the Environment Project	£3,000
Cupar Settlement Trust	
Cupar Old Parish Church - Warm Safe Space Café	£1,000
St Andrews Settlement Trust	
North East Fife Community Hub - To provide stock for Clothes Bank (Clothesline)	£1,000
St Monans Settlement Trust	
St Monans CC Heritage Collection - To assist with payment of a large Water Bill	£1,310

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 2022-23, the net movement in funds is a decrease of £49,110. The value of investments held reduced by £76,668. It has been a very difficult year for the global financial markets which were affected by rising inflation and interest rates, further exacerbated by global supply issues arising from the Russia - Ukraine conflict. The balances held are £1,523,170 as at 31 March 2023.

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 2023

DUNFERMLINE

Aude Boubaker-Calder
Auxi Barrera
Cara Hilton
Derek Glen
Gavin Ellis
Gordon Pryde
James Calder (Chair)
Jean Hall Muir
Jim Leishman MBE
Lynn Ballantyne-Wardlaw
Naz Anis-Miah

COWDENBEATH

Alex Campbell (Chair)
Alie Bain
Bailey-Lee Robb
Darren Watt
Lea McLelland
Linda Erskine
Mary Bain Lockhart
Rosemary Liewald

GLENROTHES

Altany Craik
Craig Walker (Chair)
Daniel Wilson
Derek Noble
Jan Wincott
John Beare
Julie Ford
Lynn Mowatt
Peter Gulline
Ross J Vettraino OBE

LEVENMOUTH

Alistair Suttie
Colin Davidson (Chair)
David Alexander
David Graham
Eugene Clarke
John O'Brien
Ken Caldwell
Tom Adams

NORTH EAST FIFE

Al Clark
Allan Knox
Alycia Hayes
Ann Verner
David MacDiarmid
Donald Lothian
Fiona Corps
Gary Holt
Jane Ann Liston
John Caffrey
Jonny Tepp (Chair)
Louise Kennedy-Dalby
Margaret Kennedy
Robin Lawson
Sean Dillon
Stefan Hoggan-Radu

SOUTH & WEST FIFE

Andrew Verrecchia
Andy Jackson
Brian Goodall
Conner Young
Dave Dempsey
David Barratt (Chair)
Graeme Downie
Patrick Browne
Sam Steele
Sarah Neal

KIRKCALDY

Alistair Cameron
Blair Allan
Carol Lindsay
David Ross
Ian Cameron (Chair)
James Leslie
Judy Hamilton
Julie MacDougall
Kathleen Leslie
Lesley Backhouse
Nicola Patrick
Rod Cavanagh

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 Mortification. Kinglassie	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 2023.

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

STATEMENT OF FINANCIAL ACTIVITIES

Total Funds 2021-22 £		Total Funds 2022-23 £	Notes
	Income from:		
(29,760)	Donations & Legacies	(34,893)	2
<u>(37,674)</u>	Investments	<u>(57,919)</u>	3
<u>(67,434)</u>	Total	<u>(92,812)</u>	
	Expenditure on:		
14,884	Charitable activities	30,361	4
29,760	Other expenditure	<u>34,893</u>	5
<u>44,644</u>	Total	<u>65,254</u>	
<u>(777)</u>	Net (gains) / losses on investments	<u>76,668</u>	6
<u>(23,567)</u>	Net (income)/expenditure	<u>49,110</u>	
0	Other recognised gains/losses	0	
<u>(23,567)</u>	Net movement in funds	<u>49,110</u>	
	Reconciliation of funds:		
<u>(1,548,713)</u>	Total funds brought forward	<u>(1,572,280)</u>	12
<u>(1,572,280)</u>	Total funds carried forward	<u>(1,523,170)</u>	12

All funds are unrestricted

BALANCE SHEET

31 March 2022		31 March 2023	Note
£		£	
	Fixed assets:		
901,356	Investments	824,688	6
901,356	Total fixed assets	824,688	
	Current assets:		
8,099	Debtors	9,780	7
662,825	Cash at Bank and in Hand	688,702	8
670,924	Total current assets	698,482	
670,924	Net current assets	698,482	
1,572,280	Total net assets	1,523,170	
	Funds of the charity		
(1,572,280)	Unrestricted funds	(1,523,170)	12
(1,572,280)	Total Charity Funds	(1,523,170)	

The unaudited financial statements were issued on 30th June 2023 and the audited financial statements were authorised for issue on 9th November 2023.

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

General Principles

The financial statements for the period ended 31 March 2023 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.

Income and Expenditure

Income is recognised in the accounts 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.

Expenditure is recognised in the accounts when due and payable in the period to which it relates.

- 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.

Assets

Fixed assets are listed investments 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

2021-22		2022-23
£		£
(10,302)	Accountancy Costs	(10,708)
(7,000)	Audit Fee	(12,000)
(12,458)	Management & Admin Support	(12,185)
(29,760)	Total Donations & Legacies	(34,893)

3 Investment Income

2021-22		2022-23
£		£
(36,982)	Dividends and interest on listed investments	(42,835)
(692)	Interest on cash deposits	(15,084)
(37,674)	Total Investment Income	(57,919)

4 Charitable Activities

2021-22		Fund Name	Activities Undertaken	2022-23	
Individuals £	Organisations £			Individuals £	Organisations £
		Settlement Trusts			
190		Ladybank	Prevention of Poverty		
	99	Freuchie & Area	Advancement of Environmental Protection		
		Crail	Advancement of Health		2,000
	1,000	Crail	Provide Recreational Facilities		
200		Cupar	Advancement of Education		
250		Cupar	Advancement of Health		
875		Cupar	Prevention of Poverty	500	1,000
	100	Auchtermuchty	Advancement of Arts		
		Auchtermuchty	Provide Recreational Facilities		275
		St Monans	Provide Recreational Facilities		1,310
319	600	St Monans	Prevention of Poverty		
		Newburgh	Advancement of Health	200	
577		Newburgh	Prevention of Poverty	40	
		Newburgh	Advancement of Education		1,382
	1,500	Anstruther & Cellardyke	Advancement of Arts		3,500
		Anstruther & Cellardyke	Advancement of Education		2,000
		Anstruther & Cellardyke	Advancement of Citizenship		500
250	2,500	Anstruther & Cellardyke	Prevention of Poverty		600
	500	Anstruther & Cellardyke	Advance Participation in Sport		
		St Andrews	Advancement of Religion		600
		St Andrews	Advancement of Health		425
		St Andrews	Prevention of Poverty	40	1,000
	1,000	St Andrews	Advancement of Environmental Protection		
	654	St Andrews	Advance Participation in Sport		
	500	Dunfermline	Relief for those in Need		
	100	Tayport	Advancement of Education		
350		Pittenweem	Prevention of Poverty	250	
	250	Leven	Prevention of Poverty		
	100	Buckhaven & Methil	Prevention of Poverty		
35		Kirkcaldy	Advancement of Citizenship		
675		Kirkcaldy	Advancement of Health	1,925	
1,980		Kirkcaldy	Prevention of Poverty	3,494	
		Kirkcaldy	Advancement of Education	990	
		Auchtertool	Prevention of Poverty	980	
	25	Limekilns	Advancement of Citizenship		25
	25	Limekilns	Prevention of Poverty		25
	150	Limekilns	Provide Recreational Facilities		150
		Other Trusts			
	80	Waugh/Wharrie Bequest	Prevention of Poverty		
		Bell Fund / Good Templars Fund	Moral & Religious Improvement		7,150
5,701	9,183	TOTAL		8,419	21,942
	14,884				30,361

5 Other Expenditure

2021-22		2022-23
£	Other Resources Expended	£
10,302	Accountancy Costs	10,708
7,000	Audit Fee	12,000
12,458	Management & Admin Support	12,185
29,760	Total Other Resources Expended	34,893

6 Investments

2021-22		2022-23
£		£
900,579	Market Value as at beginning of year	901,356
777	Net increase/(decrease) in value of investments	(76,668)
901,356	Market Value at end of year	824,688

7 Debtors

Debtors balance related to accrued income on investments from Janus Henderson Investors of £9,780 (2021-22 £8,099).

8 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 2022-23 this amounted to £688,702 (2021-22 £662,825).

9 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.

10 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 administrating the Trusts is £34,893 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.

11 Post Balance Sheet Events

There were no adjusting events after the balance sheet date.

12 Outline Summary of Fund Movements

Fund Name	Charity Number	Funds Brought Forward at 01/04/2022 £	Income in Year £	Expenditure in Year £	(Gains)/ Losses on Investments £	Funds Carried Forward at 31/03/2023 £
Settlement Trusts						
Ladybank	SC042143	(9,207)	(329)	0	411	(9,125)
Kingskettle	SC042144	(2,303)	(79)	0	93	(2,289)
Kilconquhar	SC042145	(6,728)	(239)	0	294	(6,673)
Freuchie And Area	SC042148	(7,105)	(230)	0	236	(7,099)
Falkland	SC042149	(3,410)	(122)	0	153	(3,379)
Crail	SC042150	(106,793)	(3,736)	2,000	4,557	(103,972)
Cupar	SC042151	(67,848)	(2,538)	1,500	3,436	(65,450)
Auchtermuchty	SC042152	(13,634)	(616)	275	575	(13,400)
St Monans	SC042153	(55,215)	(2,032)	1,310	2,677	(53,260)
Elie	SC042154	(17,155)	(590)	0	687	(17,058)
Newburgh	SC042155	(86,192)	(3,368)	1,622	4,866	(83,072)
Anstruther & Cellardyke	SC042156	(196,324)	(7,510)	6,600	11,069	(186,165)
St Andrews	SC042157	(137,615)	(5,792)	2,065	9,146	(132,196)
Dunfermline	SC042161	(89,355)	(3,011)	0	3,374	(88,992)
Leslie	SC042170	(2,490)	(104)	0	162	(2,432)
Collessie	SC042172	(2,618)	(89)	0	102	(2,605)
Tayport	SC042173	(12,663)	(408)	0	416	(12,655)
Pittenweem	SC042174	(21,842)	(734)	250	834	(21,492)
Leven	SC042207	(10,810)	(359)	0	431	(10,738)
Kennoway	SC042208	(1,296)	(42)	0	48	(1,290)
Buckhaven And Methil	SC042211	(821)	(279)	0	47	(1,053)
Burntisland	SC042382	(24,401)	(681)	0	447	(24,635)
Kirkcaldy	SC042383	(216,208)	(7,377)	6,409	9,463	(207,713)
Kinghorn	SC042385	(29,783)	(1,030)	0	1,188	(29,625)
Auchtertool	SC042387	(1,912)	(67)	980	83	(916)
Culross	SC042749	(4,575)	(195)	0	309	(4,461)
Limekilns	SC042750	(4,952)	(214)	200	360	(4,606)
Kincardine	SC042751	(31,291)	(1,105)	0	1,351	(31,045)
Lochgelly	SC042904	(21,007)	(696)	0	754	(20,949)
Ballingry	SC042905	(11,650)	(406)	0	484	(11,572)
Other Trusts						
Waugh & Wharrie Bequest	SC018777	(2,586)	(99)	0	136	(2,549)
Adam Smith / Gow / Beveridge Bequest	SC019331	(10,521)	(358)	0	410	(10,469)
A. A. Wilkie Trust - Children	SC019334	(122)	(4)	0	4	(122)
Fl. Lawsons Executry	SC019335	(912)	(31)	0	34	(909)
Raemore Mortification Kinglassie	SC019339	(3,037)	(108)	0	133	(3,012)
Frances Lawson's Bequest	SC019392	(1,296)	(42)	0	42	(1,296)
Ogilvy Dalgleish Mortification	SC019396	(2,188)	(79)	0	99	(2,168)
Macintosh Bequest	SC019399	(942)	(34)	0	42	(934)
B.F. Nisbet's Trust & Garden	SC019402	(7,255)	(240)	0	260	(7,235)
Thomas S. Greig's Bequest	SC019417	(23,970)	(899)	0	1,211	(23,658)
Thomson Bequest and Laing Library	SC019420	(24,441)	(1,161)	0	2,058	(23,544)
Bell Fund/Good Templars Fund	SC019435	(293,751)	(10,738)	7,150	13,995	(283,345)
Thomas Ireland's Trust	SC019447	(4,056)	(148)	0	191	(4,013)
		(1,572,280)	(57,919)	30,361	76,668	(1,523,170)
Donated Services (Support Services)			(34,893)	34,893		
TOTAL		(1,572,280)	(92,812)	65,254	76,668	(1,523,170)

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

We certify that we have audited the financial statements in the statement of accounts of Fife Council Charitable Trusts for the year ended 31 March 2023 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 our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charities as at 31 March 2023 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

We conducted our 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. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charities in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We 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 we have performed, we 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 for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees 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 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

Our 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 our 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. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the local government sector and charity sector to identify that the Local Government (Scotland) Act 1973, the Charities and Trustee Investment (Scotland) Act 2005, and The Charities Accounts (Scotland) Regulations 2006 are significant in the context of the charities;
- inquiring of the Trustees as to other laws or regulations that may be expected to have a fundamental effect on the operations of the charities;
- inquiring of the Trustees concerning the charities' policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on 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 our 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 our auditor's report.

Reporting on other requirements

Other information

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

Our 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 our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we 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 our 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 we are required to report by exception

We are required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our 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 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Nick Bennett, for and on behalf of Azets Audit Services
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date:.....

Azets Audit Services is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

9 November 2023

Agenda Item No. 6

Standards, Audit and Risk Committee Workplan

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

Wards Affected: All

Purpose

This report supports the Committee's consideration of the workplan for future meetings of the Committee.

Recommendation(s)

It is recommended that the Committee review the workplan and that members come forward with suggestions for specific areas they would like to see covered in any of the reports.

Resource Implications

Committee should consider the resource implication for Council staff of any request for future reports.

Legal & Risk Implications

Committee should consider seeking inclusion of future items on the workplan by prioritising those which have the biggest impact and those which seek to deal with the highest level of risk.

Impact Assessment

None required for this paper.

Consultation

The purpose of the paper is to support the Committee's discussion and therefore no consultation is necessary.

1.0 Background

- 1.1 Each Committee operates a workplan which contains items which falls under the headings: items for decision and Scrutiny/Monitoring. These items will often lead to reactive rather than proactive scrutiny. Discussion on the workplan agenda item will afford members the opportunity to shape, as a committee, the agenda with future items of business it wishes to review in more detail.

2.0 Conclusions

- 2.1 The current workplan is included as Appendix one and should be reviewed by the committee to help inform scrutiny activity.

List of Appendices

1. Standards, Audit and Risk Committee forward work plan.

Background Papers

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

None

Report Contact

Helena Couperwhite
Committee Services Manager
Telephone: 03451 555555 Ext. No. 441096
Email- helena.couperwhite@fife.gov.uk

Standards, Audit and Risk Committee of 18 January 2024			
Title	Service(s)	Contact(s)	Comments
Code of Governance	Finance and Corporate Services	Lindsay Thomson, Pamela Redpath	
Safeguarding Public Money: are you getting it right?	Finance and Corporate Services	Pamela Redpath	
Regulation of Investigatory Powers Scotland (RIPSA) Act 2000	Finance and Corporate Services	Lindsay Thomson	
The Acting Ethical Standards Commissioner for Scotland Annual Report 2022/23, the Standards Commission for Scotland (the Commission) Annual Report for 2022/23; and Decisions taken by the Hearing Panel of the Commission	Finance and Corporate Services	Lindsay Thomson	
2023/24 Issued Audit Reports	Finance and Corporate Services	Pamela Redpath	
Risk Management Update	Finance and Corporate Services	Pamela Redpath	
Internal Audit Charter	Finance and Corporate Services	Pamela Redpath	
Whistle Blowing Policy Update	Finance and Corporate Services	Pamela Redpath	

Standards, Audit and Risk Committee of 14 March 2024			
Title	Service(s)	Contact(s)	Comments
2023/24 Issued Audit Reports	Finance and Corporate Services	Pamela Redpath	
Internal Audit Plan - Progress Report	Finance and Corporate Services	Pamela Redpath	

Standards, Audit and Risk Committee of 23 May 2024			
Title	Service(s)	Contact(s)	Comments
2023/24 Issued Audit Reports	Finance and Corporate Services	Pamela Redpath	

Standards, Audit and Risk Committee of 23 May 2024			
Title	Service(s)	Contact(s)	Comments
Post Audit Review Performance Report	Finance and Corporate Services	Pamela Redpath	
24/25 Internal Audit Plan	Finance and Corporate Services	Pamela Redpath	

Standards, Audit and Risk Committee of 28 June 2024			
Title	Service(s)	Contact(s)	Comments
Minute	Finance and Corporate Services		
Fife Council Unaudited Annual Accounts 2023-24	Finance and Corporate Services	Elaine Muir	
Fife Council Charitable Trusts - Unaudited Annual Report and Financial Statements 2023-24	Finance and Corporate Services	Elaine Muir	
Annual Governance Statement for the year to 31 March 2024	Finance and Corporate Services	Elaine Muir	
2023/24 Issued Audit Reports	Finance and Corporate Services	Pamela Redpath	
2023/24 Internal Audit Annual Report	Finance and Corporate Services	Pamela Redpath	
Risk Management Update	Finance and Corporate Services	Pamela Redpath	

Unallocated			
Title	Service(s)	Contact(s)	Comments
National Fraud Initiative (NFI) in Scotland 2023	Finance and Corporate Services	Pamela Redpath	expected approx Oct 2024.