Fife Council

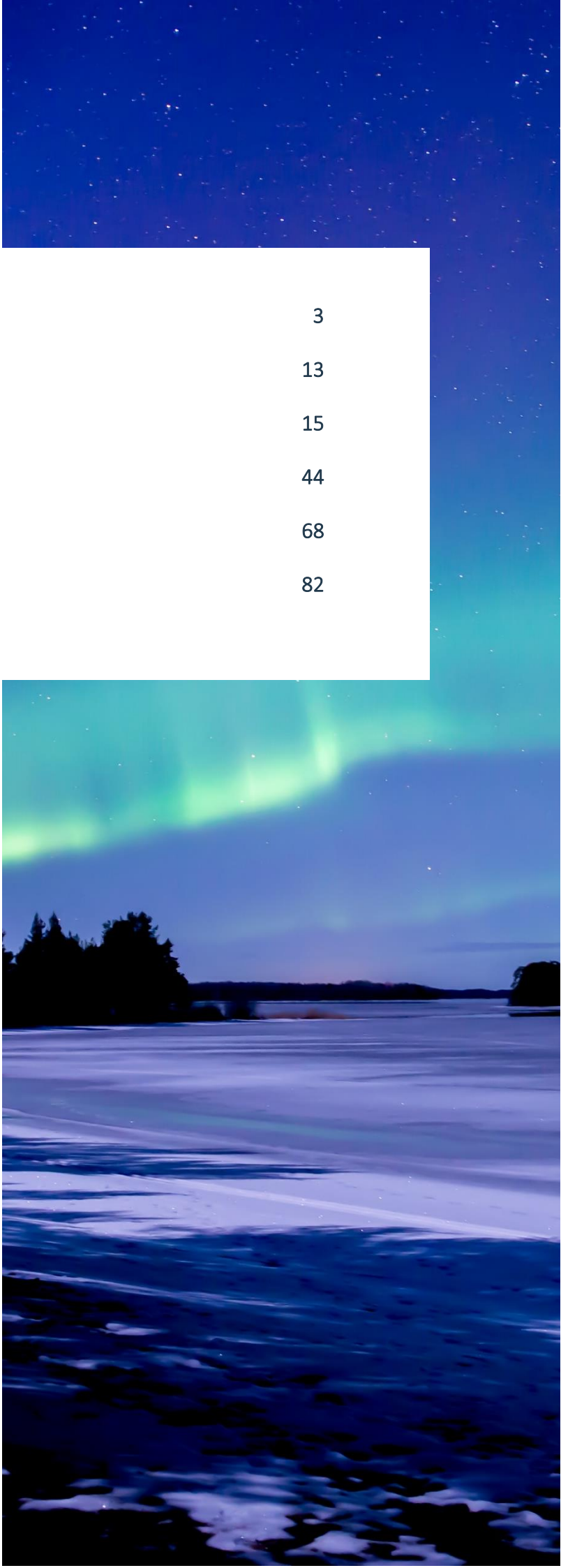
2025/26 Annual Audit Report to the Council and the Controller of Audit

September 2026

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Key messages

This report concludes our audit of Fife Council and its Group ("the Council") for the year ended 31 March 2026. This section summarises the key findings and conclusions from our audit.

Financial statements audit

Audit opinion	Our independent auditor's report is unqualified in all regards.
Audit approach	Our audit approach is based on gaining an understanding of the Council's control environment and is risk based. This includes: • Evaluating the internal control environment, including IT systems and controls; and • Substantively testing significant transactions and material account balances, including the procedures outlined in this report in relation to our significant audit risks. We have not altered our audit plan following receipt of the draft financial statements.
Key audit findings	The Council had good administrative processes in place to prepare the financial statements and the supporting working papers. We obtained sufficient, appropriate evidence in relation to the significant audit risks identified in our audit plan. 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.

Audit adjustments	There have been no material potential audit adjustments identified during the audit process. One adjustment was made to the 2025/26 financial statements correcting a misclassification between Assets held for Sale and Other land and buildings. This adjustment has a nil net impact on the group net asset position. We also identified some disclosure and presentational adjustments during our audit, which have been reflected in the final set of financial statements. One misstatement was identified which remained unadjusted in the financial statements. This is an adjustment to the statutory provision for the financing of capital investment on the Non-Profit Distributions (NPD) for Levenmouth Academy. If adjusted, this misstatement would have a nil net impact on the group net asset position. Our work identified some non-material uncertainties, caused by differences in estimation techniques between the Council and us as auditors. As these are not formal misstatements, these have not been adjusted for by the Council. If adjusted for, these uncertainties would reduce the Council's net assets by £10.008million and Common Good net assets by £1.604million. Details of audit differences identified during the audit are included at Appendix 2.
Internal controls	The purpose of the audit is to express an opinion on the Council's financial statements. The audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our audit is, therefore, not designed to identify all control weaknesses. No material weaknesses or significant deficiencies were noted in the Council's internal controls during our audit.

Wider scope of public audit

	Auditor judgement	
	Risks exist to the achievement of operational objectives	Y
Financial Management Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.	The Council has appropriate arrangements in place for financial management. The Council reported a surplus outturn position of £15.264million in 2025/26 which was primarily driven by service underspends and obligations/contingencies. The General Fund balance decreased during the year from £115.111million to £96.463million. This was primarily due to budgets transferred from balances brought forward and used by services in year, reducing the Council's level of committed reserves. The level of uncommitted balances was £24.134million or 2.02% as at 31 March 2026, which is in line with the Council's policy to retain a minimum of 2% of annual turnover over a rolling three-year period. Health and Social Care services continue to report net overspend positions with the net overspend for 2025/26 being £3.829million. The level of financial challenge is increasing within the Fife health and social care system due to an increasing demand for services. This continues to be observed on a national basis. The Council, working alongside Fife IJB and NHS Fife have continued to demonstrate good collaboration and partnership working through taking a whole system approach to address these challenges. It is crucial that this continues as difficult decisions will continue to be needed across health and social care to sustain vital services over the medium to longer term. The financial position for Housing Revenue Account (HRA) for the year was a balanced position. As a result of a overspends across the HRA including in supervision and management costs planned revenue contribution to the HRA capital plan was decreased by £0.694million to £19.327million.	

	The Council continues to face challenges in delivering the commitments in its Capital Investment Plan. In 2025/26, the Council reported slippage of approximately £88million on its capital programme, which represents approximately a third of the annual budget. While the Council actively manages the delivery of its Capital Investment Plan, continued slippage puts pressure on overall achievement of the Council's asset plans.

	Auditor judgement Significant risks affect the achievement of corporate objectives 
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.	In February 2026 the Council set a balanced revenue budget for 2026/27. This represents the second consecutive year since 2022/23 that savings proposals from services have been required, due to the more challenging future financial position facing the Council. The financial outlook for the medium to longer term is becoming increasingly challenging and uncertain. The Council recognises that change will be required to mitigate the risks associated with this. The Council is exploring ways to take a more strategic approach with its options for cost reduction and change. Initial work has begun on review of the Capital Investment Plan. This is due to be approved to the Council in February 2027. The Council recognises that it is facing an increased level of financial challenge and restrictions in terms of affordability. This is expected to impact the number of new projects included in the next iteration of the Capital Investment Plan. The Council set a balanced HRA budget for 2026/27 however, continues to be under considerable financial pressure with increased costs due to high inflation, increasing stock figures, and ambitious investment plans and faces a high level of financial risk. The Council will need to make difficult decisions over the medium-term to continue to balance the HRA revenue budget to ensure financial sustainability and affordability of future rental increases for tenants.

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	G
	Fife Council sets out its vision and ambitions in its ten-year local outcome improvement plan (LOIP), 'Plan for Fife'. Fife Council and its partners (the Partnership) is preparing for the next iteration of the Plan for Fife (Plan for Fife 2027). The first phase of engagement for the Plan for Fife 2027, focused at a partnership leadership team level, is complete and the Council is currently planning its approach to the next phase of development. During the year an independent review was commissioned into the handling of a complaint about the conduct of a former elected member. The review also extended to a detailed consideration of Fife Council's policies and procedures for raising complaints whether by officers or elected members. An action plan was developed to respond to the recommendations from the independent review which was presented to the Cabinet Committee in August 2026. The Council has experienced several changes to political group membership over the course of the last year which has had implications for the political balance of the Council and the composition of its Committees.	

	Auditor judgement Pace and depth of improvement are adequate	Y
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.	The Council has an established performance framework which it reviews on an annual basis to ensure it remains fit for purpose. The Council has adopted an integrated approach to planning and reporting. This approach involves aligning the Plan for Fife strategy, change planning, and service change plans with improved policy-based and service-driven performance analysis. This is based on a routine of quarterly corporate assessment analysis against key metrics and links to operational management plans in key areas. Reporting on performance is undertaken through a series of reports including Plan4Fife: Annual Review of Priorities and Ambitions, Fife Strategic Assessment, Annual Service Reports, Local Government Benchmarking Framework (LGBF) and Best Value Corporate self-assessment. The Council is continuing to look at wide ranging future change to enable it to deal with future challenges. The Council is making good progress with the establishment and implementation of its change agenda activity; however, it is important that the pace of this work is appropriate and effective to allow the Council to deliver high quality sustainable services in the medium to longer term.	

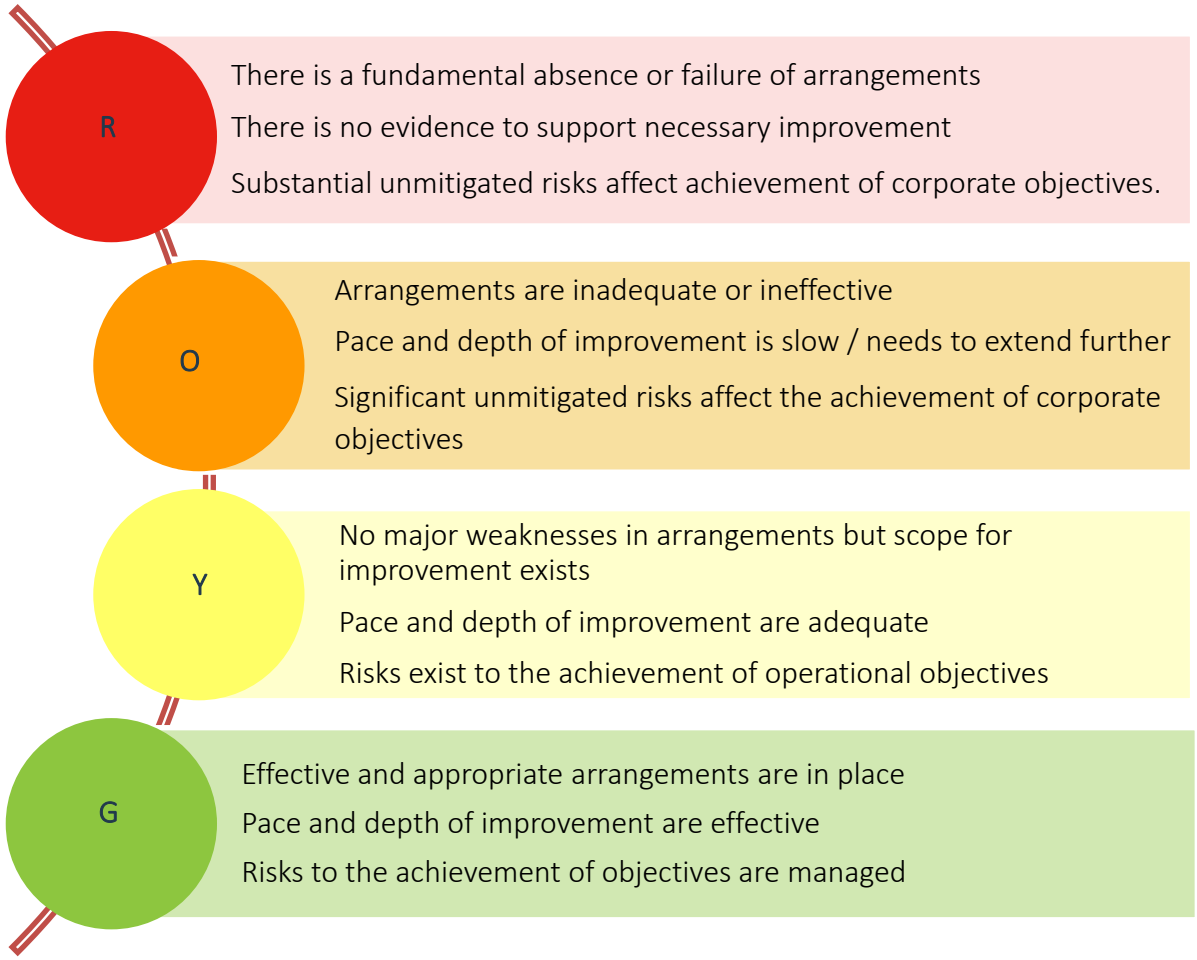
Best Value

Best Value	**Auditor judgement** The pace and depth of improvement in the performance of the Council in meeting its best value duties is adequate. Y
Follow up	The Council has made good progress in implementing previous improvement actions.
Fairness and Equality	The Council demonstrates a clear commitment to fairness and equality. Appropriate arrangements are in place to enable the Council to meet its equality duties under relevant legislation.
Arrangements for statutory performance information	We are satisfied that the Council has made proper arrangements for preparing and publishing Statutory Performance Information (SPI) in accordance with the 2024 SPI Direction. However, there is scope to further enhance its public performance reporting. The Council has improved its performance over time on 63% of the Local Government Benchmarking Framework (LGBF) indicators. It has, however, only made a small improvement on 2023/24 with 48% of indicators relative to its family group and 49% compared to Scotland. In 2025/26, the Council improved on 10 of the 16 performance indicators used to monitor best value which represents a slight decrease in performance compared to the previous year.
Thematic review: Asset Management: how well councils are managing assets to achieve their corporate objectives and respond to challenges around financial sustainability	The Council has a clear approach to asset management. Key documents which support its approach include a Property Asset Strategy, Capital Strategy and Capital Investment Plan. The Property Asset Strategy sets out the Council's overall approach to managing and developing property assets. The Property Asset Strategy clearly aligns with the Community Planning Partnership's Local Outcomes Improvement Plan (LOIP), Plan for Fife. This Strategy incorporates new ways of working and looks to address the changing needs of its population. A key priority within the Property Asset Strategy is to meet net zero targets. The Council considers affordability through the development of its Capital Investment Plan and application of its Capital Strategy. As part of the most recent revision of the Capital Investment Plan, the Council reassessed the available funding, resources and priorities.

and climate change	The Council's governance and accountability arrangements support effective asset management. The Council has appropriate leadership arrangements in place. Reporting and monitoring arrangements enable adequate scrutiny and oversight of progress towards implementing its asset management plans. The Council continues to face challenges in delivering the commitments in its Capital Investment Plan. In 2025/26, the Council reported slippage of approximately £88million on its capital programme, which represents approximately a third of the annual budget. While the Council actively manages the delivery of its Capital Investment Plan, continued slippage puts pressure on overall achievement of the Council's asset plans. The Council has an established approach to collaborating across services and engaging with partners and communities in managing its assets. The Council has evidenced good examples of working with partners and engaging with the community in managing and developing its asset portfolio.

Definitions

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

Scope of audit

The annual external audit comprises:

- the audit of the financial statements and other reports included in the Council's annual accounts, and
- the wider-scope and Best Value audit responsibilities as set out in Audit Scotland's Code of Audit Practice.

We outlined the scope of our audit in our 2025/26 External Audit Plan, which we presented to the Standards, Audit and Risk Committee at the outset of our audit.

This Annual Audit Report is designed to summarise the key findings and conclusions from our audit work. It is addressed to both the Council and the Controller of Audit.

Responsibilities

The Council is responsible for preparing annual accounts, including financial statements, which show a true and fair view of the results for the year and position at the year end, and for implementing appropriate internal control systems.

We are responsible for carrying out the audit of the annual accounts in line with the Code of Audit Practice. Our audit is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Standards, Audit and Risk Committee. Under the Code of Audit Practice, we are also required to consider the Council's wider scope and Best Value arrangements and to report on our findings. However, our audit is not designed to test all internal controls or identify all areas of control weakness. As such, our work cannot be relied upon to disclose all errors or other irregularities, or to include all possible improvements in internal control that a more extensive examination might identify.

The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work. 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.

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements, as a whole, are free from material misstatement, whether caused by fraud or error.

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 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 or to Audit Scotland.

Openness and transparency

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

Financial statements audit

Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	We conduct our audit in accordance with applicable law and International Standards on Auditing. Our findings / conclusions to inform our opinion are set out in this section of our annual audit report.	The annual accounts were considered by the Standards, Audit & Risk Committee on 30 September 2026. Our independent auditor's report is unqualified in all regards.
Going concern basis of accounting	When assessing whether the going concern basis of accounting is appropriate, the anticipated provision of services is more relevant than the continued existence of a particular public body. We assess whether there are plans to discontinue or privatise the Council's functions. Our wider scope audit work considers the financial sustainability of the Council.	We reviewed the financial forecasts for 2026/27. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the Council will continue provision of service for at least 12 months from the date of signing of our audit opinion. Our audit opinion is therefore unmodified in this respect.
Opinions prescribed by the Accounts Commission: • The audited parts of the Remuneration Report • Management Commentary	We plan and perform audit procedures to gain assurance that the audited parts of the Remuneration Report, Management Commentary and Annual Governance Statement are prepared in accordance	We have concluded that: • the audited parts of the Remuneration Report have been properly prepared; • the information in the Management Commentary is consistent with the financial

Opinion	Basis for opinion	Conclusions
• Annual Governance Statement	with relevant legislation and guidance.	statements and has been properly prepared; • the information in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government Framework (2016).
Other information: Comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration Report.	Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except to the Management Commentary and Annual Governance Statement to the extent explicitly stated in the opinions prescribed by the Accounts Commission. We are required to consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit or otherwise appears materially misstated.	We have nothing to report in this regard.

Opinion	Basis for opinion	Conclusions
Matters reported by exception	We are required to report on whether: • 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 no matters to report.

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 April 2026. 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. We have not altered any of the risks outlined within our External Audit Plan presented in April 2026.

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. This includes:

- An evaluation of the Council's internal control environment, including the IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including procedures outlined in this report in relation to our significant audit risks.

Quality indicators

We have applied a suite of quality indicators to assess the reliability of the Council's financial reporting and response to the audit.

Metric	Grading (Mature / developing / significant improvement required)	Commentary
Quality and timeliness of draft financial statements	Mature	We received the unaudited financial statements of a good standard in line with our audit timetable. Revisions were provided promptly where required.
Quality of working papers provided and adherence to timetable	Mature	We received supporting working papers of a good standard in line with our audit timetable. Further information was provided promptly where required.
Timing and quality of key accounting judgements	Mature	We did not identify any issues with the timing and quality of key accounting judgements.
Access to finance team and other key personnel	Mature	We received full access to the finance team and other key personnel throughout the audit. All audit queries and requests were responded to in a timely manner.
Quality and timeliness of the: • Audited parts of the Remuneration Report • Management Commentary • Annual Governance Statement As well as the quality and timeliness of supporting	Mature	We did not identify any issues with quality and timeliness of the audited part of the Remuneration Report, Management Commentary and Annual Governance Statement.

Metric	Grading (Mature / developing / significant improvement required)	Commentary
working papers for those statements.		
Volume and magnitude of identified errors	Mature	We identified: • One audit adjustment correcting a misclassification between Assets held for Sale and Other land and buildings. This adjustment has a nil net impact on the group net asset position. • One misstatement was identified which remained unadjusted in the financial statements. This is an adjustment to the statutory provision for the financing of capital investment on the Non-Profit Distributions (NPD) for Levenmouth Academy. If adjusted, this misstatement would have a nil net impact on the group net asset position. • We identified some non-material uncertainties, caused by differences in estimation techniques between the Council and us as auditors. As these are not formal misstatements, these have not been adjusted for by the Council. If adjusted for, these uncertainties would reduce the Council's net assets by £10.008million and Common Good net assets by £1.604million. • We also identified some disclosure and presentational adjustments during our audit, which have been

Metric	Grading (Mature / developing / significant improvement required)	Commentary
		reflected in the final set of financial statements. Further details are set out in Appendix 2.

Significant audit risks and key audit matters

Significant audit 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 audit risks are those risks that have a higher risk of material misstatement. Audit procedures are designed to mitigate these risks.

As required by the Code of Audit Practice and the planning guidance issued by Audit Scotland, we considered 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. These were defined as the 'Key Audit Matters' for the audit, 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 balances, transactions or disclosures.

We do not expect to modify our opinion on the financial statements with respect to any of the risks described below.

The table below summarises each significant risk and whether it reflects a fraud risk and/or Key Audit Matter. Detail behind each risk and the work undertaken is set out on the following pages.

Risk area	Financial statement / Assertion level risk	Fraud risk	Key Audit Matter	Risk of material misstatement	Outcome of work
Management override of controls	Financial statement	Yes	Yes	Very High	No indication of management override of controls.
Valuation of Council and Common Good land and buildings	Assertion Level	No	Yes	High	Sufficient assurance gained over the valuation of Council and Common Good land and buildings.
Valuation of Council Dwellings	Assertion Level	No	Yes	High	Sufficient assurance gained over the valuation of council dwellings.
Valuation of defined benefit pension fund net liability/asset	Assertion Level	No	Yes	High	Sufficient assurance gained over valuation of the net pension liability.

Rebutted fraud risks

Presumed fraud risk	Rebuttal
Fraud in revenue recognition	Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA (UK) 240. 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. Having considered the nature of the revenue streams at the Council, we consider that the risk of fraud in revenue recognition can be rebutted due to the following: • There is little incentive to manipulate revenue recognition. • Opportunities to manipulate revenue recognition are very limited. • The culture and ethical frameworks of local authorities mean that all forms of fraud are seen as unacceptable. Therefore, we did not consider this to be a significant risk for the Council.
Fraud in expenditure recognition	Due to the presumption that there are risks of fraud in expenditure recognition, we are required to evaluate which types of expenditure, expenditure transactions or assertions give rise to such risks. We have considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of manipulating revenue. We have therefore considered the risk of fraud in expenditure at the Council for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying nature of the transactions, the high predictability of certain expenditure streams, such as depreciation and interest, or the immaterial nature of the expenditure streams both individually and collectively. Therefore, we did not consider this to be a significant risk for the Council.

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
Significant risk description	Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively. Although the level of risk will vary from entity to entity, this risk is nevertheless present in all entities. Specific areas of potential risk include manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business. This was considered to be a significant risk and Key Audit Matter for the audit. Risk of material misstatement: Very High

Risk area	Management override of controls
How the scope of our audit responded to the significant risk	**Key judgement** 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. **Audit procedures** • Documented our understanding of the journals posting process and evaluated the design and implementation effectiveness of management controls over journals. • Analysed the journals listing and determined the criteria for selecting high risk and/or unusual journals. • Tested high risk and/or unusual journals posted during the year and after the draft financial statements stage back to supporting documentation for appropriateness, corroboration and to ensure approval had been undertaken in line with Council's journals policy. • Gained an understanding of the key accounting estimates and critical judgements made by management. We challenged key assumptions and considered for reasonableness and evaluated any indicators of bias which could result in material misstatement due to fraud. • Evaluated the rationale for any changes made to accounting policies, estimates or significant unusual transactions.
Key observations	We have not identified any indication of management override of controls in the year. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

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

Key risk area	Valuation of Council and Common Good land and buildings (key accounting estimate)
Significant risk description	Revaluation of the Council and Common Good's operational land and buildings should be performed in line with the revised revaluation requirements for 2025/26 onwards set out in the Code of Practice on Local Authority Accounting in the UK (the CIPFA Code). The Council has adopted the following approach to its land and buildings valuations for 2025/26 onwards - rolling five year programme with use of indexation in intervening years, to ensure compliance with the revised requirements set out in the CIPFA Code. Management engage the services of a qualified internal valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2026. The valuers are looking to engage further experts to support on the provision of appropriate indices, to ensure compliance with the CIPFA Code requirements. The valuations and index uplifts involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of management's valuation experts and the methods, assumptions and source data underlying the fair value estimates. This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurements and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of operational land and buildings as a significant risk. We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements falls outside of our expectations, there are

Key risk area	Valuation of Council and Common Good land and buildings (key accounting estimate)
	significant changes to any of the key assumptions or the year-end valuation is considered material. This was considered to be a significant risk and Key Audit Matter for the audit. **Inherent risk of material misstatement:** Land and Buildings (Council and Common Good) (valuation): High
How the scope of our audit responded to the significant risk	**Key judgements** Councils are required to revalue property, plant and equipment with sufficient regularity to ensure that the carrying amount does not differ materially from the current value at 31 March. **Audit procedures** • Evaluated management processes, controls 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 valuations and indexation uplifts were carried out and challenged the key assumptions applied. • Evaluated the reasonableness of the valuation movements for any assets revalued during the year, with reference to market data. • For any unusual or unexpected valuation movements, 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 misstated. • Engaged our own valuations expert to assess any judgemental assumptions used that underpinned the final valuations.

Key risk area	Valuation of Council and Common Good land and buildings (key accounting estimate)
Key observations	**Valuers** Valuation of Other Land and Buildings is carried out by internal valuers who formally communicate to the Council through valuation reports. The carrying value of assets in the audited financial statements is materially in line with the valuation reports. Internal valuers valued a proportion of all asset classifications (excluding Council Dwellings) held at fair value (approximately 20% on a rolling basis) as at 31 March 2026. In line with revised requirements set out in the Code of Practice on Local Authority Accounting in the UK (the CIPFA Code), all other properties had an uplift applied to reflect market movements as at 31 March 2026. We have considered the instructions and information provided to the valuer and performed procedures to confirm the accuracy and completeness of the information. In accordance with ISA (UK) 500 - Audit Evidence we have considered the competence, capability and objectivity of the valuers and did not identify any areas which gave us cause for concern over the suitability of those valuers. **Review of assumptions** In line with the revised requirements set out in the CIPFA Code, all asset classifications (excluding Council Dwellings) held at fair value are revalued on a five year rolling programme, with an uplift applied in intervening years at 31 March to reflect market movements. For all assets that had an uplift applied, we reviewed the increase to ensure it had been applied correctly to the asset cost. We also ensured that the indices used were in line with market data. For depreciated replacement cost (DRC) assets, our work highlighted that the valuers were not using the most recent indices in their calculation of the uplift. We created an auditor point estimate to determine the impact of the valuer not using the most up to date indices and concluded that the impact is not material to the Council and Common Good other land and buildings.

Key risk area	Valuation of Council and Common Good land and buildings (key accounting estimate)
	For existing use value (EUV) and fair value (FV) assets, the requirement to apply an uplift in intervening years where assets are not revalued was a new CIPFA Code requirement for 2025/26. To comply with the revised CIPFA Code requirements, management engaged the use of an expert, Savills, to provide a report outlining the available indices for each of the Council's asset categories. Our work highlighted no issues with the appropriateness of the indices that the Council used to uplift its EUV and FV assets and we are satisfied that the Council has complied with revised CIFPA Code requirements. From our work we identified several surplus assets which should have be reclassified as Other Land and Buildings. We requested that management create their own estimate of what the impact would be on the valuation of these assets. We concluded that management's estimate was reasonable and presented an impact which was not material to the Council and Common Good. 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. Impairment 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: • Any changes in condition per the condition surveys performed as part of the five year rolling programme. • Confirmation from finance business partners, through template working papers, of asset ownership, existence and whether there is any indication of impairment. No indication of material impairment was identified, which is consistent with our audit work.

Key risk area	Valuation of Council and Common Good land and buildings (key accounting estimate)
	Disclosure of Estimation Uncertainty 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. The Council has identified the valuation of property, plant and equipment as a major source of estimation uncertainty. We requested that management include further disclosures on the revised requirements of the CIPFA Code and the Council's compliance with this.

Key risk area	Valuation of Council Dwellings (key accounting estimate)
Significant risk description	Revaluation of council dwellings should be performed with sufficient regularity so that carrying amounts are not materially misstated. The Council values the full portfolio of council dwellings every 5 years with an annual review completed in intervening years to advise whether there has been a change in the value of housing stock since the last full revaluation. Management engaged the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2026.The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates. This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive

Key risk area	Valuation of Council Dwellings (key accounting estimate)
	nature of the estimate to changes in key assumptions. We have therefore identified the valuation of council dwellings as a significant risk and Key Audit Matter for the audit. **Inherent risk of material misstatement:** Council Dwellings (valuation): High
How the scope of our audit responded to the significant risk	**Key judgements** Councils are required to revalue property, plant and equipment with sufficient regularity to ensure that the carrying amount does not differ materially from the current value at 31 March 2026. **Audit procedures** • Evaluated management processes, controls 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 valuations and indexation uplifts were carried out and challenged the key assumptions applied. • Evaluated the reasonableness of the valuation movements for any assets revalued during the year, with reference to market data. • For any unusual or unexpected valuation movements, 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 misstated. • Engaged our own valuations expert, where necessary, to assess any judgmental assumptions used that underpinned the final valuations.

Key risk area	Valuation of Council Dwellings (key accounting estimate)
Key observations	**Valuers** Valuations of Council Dwellings are carried out by external valuers who formally communicate to the Council through valuation reports. We have gained assurance that the carrying value of assets in the audited financial statements is in line with the valuation reports. External valuers valued the Council's full portfolio of council dwellings as at 31 March 2023. For the year ended 31 March 2026 the external valuers have undertaken an annual review to advise whether there has been a change in the value of council dwellings since the last full revaluation. We have considered the instructions and information provided to the valuer and performed procedures to confirm the accuracy and completeness of the information. In accordance with ISA (UK) 500 - Audit Evidence we have considered the competence, capability and objectivity of the external valuers and did not identify any areas which gave us cause for concern over the suitability of those valuers. **Review of assumptions** 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 exercise is completed every five years, with the last exercise undertaken in 2022/23. Annual reviews are undertaken in between the full revaluation exercises to establish whether the value of the housing stock has changed since the last full revaluation. For 2025/26 the external valuer advised that the value of the HRA residential stock is likely to have increased in the region of 10% and the value of lock-up garages stock is likely to have increased by the region of 3%. As part of our audit work, we challenged the appropriateness of the uplift factor. The increase applied by the Council is in the region of 10% for residential stock and 3% for lock-up garages which we

Key risk area	Valuation of Council Dwellings (key accounting estimate)
	deem to be reasonable based on the market evidence available and through discussions with the valuer. We have also confirmed that the Council has applied this uplift appropriately.

Key risk area	Valuation of the defined benefit pension net liability/asset – IAS 19 (key accounting estimate)
Significant risk description	The pension fund net liability/asset is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. An actuarial estimate of the net defined benefit pension liability/asset is calculated on an annual basis under IAS 19 'Employee Benefits', and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the Code of Practice on Local Authority Accounting in the UK. The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset (where relevant). ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates. This represents a key accounting estimate made by management within the financial statements due to the size of the gross asset and liability values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk and Key Audit Matter for the audit. **Inherent risk of material misstatement:** Pension net liability / asset (valuation): High

Key risk area	Valuation of the defined benefit pension net liability/asset – IAS 19 (key accounting estimate)
How the scope of our audit responded to the significant risk	Key judgements Pension valuations are highly subjective and based upon actuarial estimation. Given the scale of these assets and liabilities, these can be sensitive to small changes in the assumptions informing the calculations, which increases risk of potential material error. Audit procedures • Evaluated managements processes for the calculation of the estimate, the instructions issued to management's expert (the actuary) and the scope of their work; • Evaluated the competence, capabilities and objectivity of the actuary; • Assessed the controls in place to ensure that the data provided to the actuary by the Council and their pension fund was accurate and complete; • Evaluated the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditors' expert; • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • As the pension fund is in surplus, we have ensured that any asset recorded in the financial statements, and any additional liabilities for secondary contributions have been accounted for correctly in line with the requirements of IFRIC 14; • Obtained assurances from the Fife Pension Fund auditor as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements; • Ensured the pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.
Key observations	The IAS 19 actuarial report for the Council identifies a pension surplus (or pension asset) of £1,161 million. Actuaries calculate the year end position based on a number of assumptions and, in recent years, increases in the discount rate assumption is the main factor

Key risk area	Valuation of the defined benefit pension net liability/asset – IAS 19 (key accounting estimate)
	in the pension asset calculation outcome following many years where a pension liability outcome was expected. Accounting standards require the Council to review the pension surplus and only recognise the lower of the surplus or an 'asset ceiling'. The pension asset ceiling for this year limited the asset value to nil, resulting in disclosure of net pension liability of £84.314million, which represents the unfunded liabilities of the fund. We are satisfied that we have obtained reasonable assurance over the disclosures in the financial statements relating to the reported financial position. 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. We have considered the competence, capability and objectivity of the actuary in line with the requirements of ISA (UK) 500 - Audit Evidence. From this review we did not identify any items which gave us cause for concern over the suitability of the actuary.

Other risks

This section summarises conclusions in relation to other identified risks which, although not considered to be significant, required specific consideration during the audit, or were risks otherwise identified during the course of the audit.

Service concession arrangement models

Fife Council has three service concession arrangements:

- PPP1 (A New Way Forward);
- PPP2 (Expanding Horizons); and
- NPD (Levenmouth Academy).

In 2024/25, the Council implemented IFRS 16 which requires lease liabilities of service concession arrangements to be remeasured where indexation or changes in a rate affect future payments. In our 2024/25 audit, we identified several further developments required to the Council's service concession arrangement models. These included:

- Incorporation of utility costs in unitary charges (PPP1 model).
- Clear documentation of variations included within uplifts to unitary charges (PPP2 model).

Whilst we concluded that neither of these had a material impact on the 2024/25 financial statements, these developments are expected to have an impact on the value of future unitary charges and therefore, the value of service concession arrangement liabilities.

Key observations

The Council's unitary charge payments are uplifted each year by the Retail Prices Index (RPI) where the uplifted figures are used to inform the service concession arrangements closing liabilities. As part of our audit work, we tested the uplifted figures to ensure that these were in line with published third party indices. For PPP1 and PPP2 we identified that the RPI figures used by the Council did not match the published index in line with the contractual terms. For PPP1 we concluded that this did not have a material impact. For PPP2, from discussions with the Council, we understand that this is due to the service concession agreement provider uplifting the base amount of the unitary charge to reflect the ongoing service costs of variations that had been carried out, as well as being uplifted by RPI. We obtained details and amounts of the historic uplifts from the provider which allowed us to agree that the PPP2 unitary charge for the year included both uplifts for the historic variations and uplifts for the correct RPI figures. We were able to agree that the variation uplifts sent by the provider were all reflected in the 2025/26 unitary charge.

In 2024/25 we recommended that the Council reviewed its unitary charge processes to ensure that the uplifts to unitary charges are agreed to underlying Council documents on the variations and that there is clear documentation of this. This recommendation remains open.

The PPP1 utilities payments which form part of the unitary charge have historically not been included in the PPP1 model. In 2023/24 we recommended that the Council incorporated these payments into the financial model. For 2025/26 we have concluded that the omission of these payments does not have a material impact. This recommendation remains open.

Other areas of focus

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 our 2025/26 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.

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 common good register at 31 March 2026 is publicly available on the Council's website.

We reviewed the requirements of the Community Empowerment (Scotland) Act 2015 along with related Scottish Ministerial guidance. As part of this work, we identified a number of art and artefact assets which were included in the published common good register but not the fixed asset register used to populate the accounts. In line with our prior year recommendation, we continue to recommend that 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. This should include consideration of art and artefacts assets.

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 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 £39.770million and the Council's financial statements was £39.000million. On receipt of the 2025/26 unaudited financial statements, we reassessed materiality and reduced the level of materiality based on a decrease in gross expenditure against our planning assumptions. We consider that our updated assessment has remained appropriate throughout our audit.

	Group £million	Council £million
Overall materiality for the financial statements	38.190	37.260
Performance materiality (75% of materiality)	28.642	27.945
Trivial threshold	1.909	1.863

Materiality	Our assessment is made with reference to the group and Council's gross expenditure. We consider gross expenditure to be the principal consideration for users of the financial statements when assessing financial performance. Our assessment of materiality equates to approximately 2% of gross expenditure as disclosed in the 2025/26 unaudited financial statements. We apply separate materiality levels to; • Common Good - This remains at level set at planning of £13million and, and is calculated as 5% total assets. • Non-Domestic Rate Income Account – This has been reassessed as £4.513 million, a slight reduction from planning materiality of £4.558million. This was due to decrease in materiality base of gross rates levied. The financial statements are considered to be materially misstated where total errors exceed these values.
Performance materiality	Performance materiality has been set at 75% of overall materiality. This is based on the internal control environment of the Council and reflects our risk assessed knowledge of the potential for errors occurring. It is intended to reduce, to an acceptably low level, the probability that cumulative undetected and uncorrected misstatements exceed materiality for the financial statements as a whole.
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. Individual errors above this threshold are communicated to those charged with governance.

Qualitative considerations

We also consider materiality qualitatively. This includes areas where users are where users are more sensitive to any error. As such we considered the Remuneration Report and Related Parties disclosures as material by nature.

In performing our audit of the Remuneration Report, we considered any errors which result in a movement between the relevant bandings on the disclosure table to be material.

For Related Party transactions, in line with the standards we considered the significance of the transaction with regard to both the Council and the counter party, the smaller of which drove materiality considerations on a transaction-by-transaction basis.

Group audit

The Council is also required to prepare group accounts. The group comprise Fife Council and the bodies in the table below. One body, Sustainability Fife Limited, has not been consolidated on the grounds of materiality. We have reviewed managements consideration of this decision and confirm that it is appropriate.

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 risks identified at the Council are set out in this audit findings report. There are no additional risks identified in any of the other components above in respect of the Group audit.

The table below sets out our approach to the components within the group and our audit findings in respect of each component. As set out in our External Audit Plan the planned scope of our group audit was full scope procedures for the Council, Specific Scope procedures over Common Good and for all other components no additional procedures were planned. We revisited our assessment, following receipt of the unaudited accounts and our assessment remained unchanged.

Component	Scope	Planned audit approach	Audit findings
Fife Council	Full Scope	Full scope statutory audit as set out in this annual audit report.	As set out in this annual audit report.
Fife Integration Joint Board (IJB)	None	No procedures planned	None
Fife Coast & Countryside Trust	None	No procedures planned	None
Fife Cultural Trust	None	No procedures planned	None
Fife Golf Trust	None	No procedures planned	None
Fife Sports & Leisure Trust	None	No procedures planned	None
Fife Resource Solutions LLP	None	No procedures planned	None
Cireco (Scotland) LLP	None	No procedures planned	None
Business Gateway Fife	None	No procedures planned	None
Fife Council Charitable Trusts	None	No procedures planned	None
Fife Council Other Trusts	None	No procedures planned	None
Common Good	Specific Scope	Specific scope procedures on asset valuations	As set out in this annual audit report.

Definitions:

Full Scope: Design and perform further audit procedures on the entire financial information of the component.

Specific Scope: Design and perform further audit procedures on one or more classes of transactions, account balances or disclosures.

None: No further audit procedures required.

There were no issues identified from review of the consolidation.

Risks at the component-level

The risks identified at the Council are set out in this report. There are no other risks identified in any of the other components above in respect of the Group audit.

Audit differences

Audit differences identified during the audit, identified during the audit are detailed in Appendix 2.

We also identified disclosure and presentational adjustments during the audit, which have been reflected in the final set of financial statements and are disclosed in Appendix 2.

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 at Appendix 3. These matters are limited to those which we have concluded are of sufficient importance to merit being reported. No such issues have been identified for 2025/26.

Follow up of prior year recommendations

We followed up on progress in implementing actions raised in the prior year as they relate to the audit of the financial statements. Full details of our findings are included in Appendix 4.

Other communications

Other areas of focus

Matter	Audit commentary and findings
Significant matters on which there was disagreement with management	There were no significant matters on which there was disagreement with management
Significant management judgements which required additional audit work and / or where there was disagreement over the judgement and / or where the judgement is significant enough that we are required to report it to those charged with governance before they consider their approval of the accounts	We have not identified any other significant management judgements which required additional audit work, where there was disagreement over the judgement or where the judgement is significant enough that requires reporting, in addition to those reflected in this report.
Prior year adjustments identified	No prior year adjustments were identified.
Concerns identified in the following:	No concerns were identified in relation to these areas.

Matter	Audit commentary and findings
• Consultation by management with other accountants on accounting or auditing matters • Matters significant to the oversight of the financial reporting process • Adjustments / transactions identified as having been made to meet an agreed system position / target	

Accounting policies

The accounting policies used in preparing the financial statements are unchanged from the previous year with the exception of those in relation to the changes in asset valuation methodology, updated in line with the revised requirements of the CIPFA Code for asset valuation.

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

The accounting policies, which are disclosed in the financial statements, are in line with the CIPFA Code and are considered appropriate.

Key judgements and estimates

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

Consideration was given to accruals, non-current asset valuations, impairment, depreciation and amortisation rates, valuation of pension assets and liabilities, investment valuations, PPP/NPD liabilities and provisions for legal obligations and doubtful debts. Other than non-current asset valuations and the valuation of pension assets/liabilities we have not determined the accounting estimates to be significant. See the section above on “Significant risks at the assertion level for classes of transaction, account balances and disclosures” for detailed findings in relation to key accounting estimates.

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 have concluded that those key accounting estimates were balanced and appropriate.

Presentation and disclosures

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

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. No issues have been identified during the course of our audit.

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. Management has not made us aware of any significant incidences of non-compliance with relevant laws and regulations.

The Local Authority Accounts (Scotland) Regulations 2014

As part of our audit we reviewed the Council's compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular regulations 8 to 10[1] as they relate to the annual accounts.

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

Written representations

We received a signed letter of representation from the Executive Director Finance and Corporate Services at the same time as the financial statements were signed.

Related parties

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

Confirmations from third parties

All requested third party confirmations have been received.

[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.

Wider scope of public audit

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 of Audit Practice broadens the audit of the accounts to include consideration of 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 is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Auditor judgement	
Risks exist to the achievement of operational objectives	Y

Financial performance

The 2025/26 Comprehensive Income and Expenditure Statement shows that the Council spent a total of over £1.18billion on the provision of public services and recorded an accounting surplus on the provision of services of £21.088million[2]. The accounting surplus 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 a decrease of £18.648million to £96.463million. In total, cash backed (useable) reserves held by the Council decreased by £25.468million in the year to £109.583million.

[2] This represents Council only position, not Group.

Movement in the Council's useable reserves per the Annual Accounts 2025/26

	2025/26 £million	2024/25 £million	Movement £million
General Fund	96.463	115.111	(18.648)
Housing Revenue Account (HRA)	2.844	2.593	0.251
Insurance Fund	10.156	17.234	(7.078)
Capital Grants and Receipts Unapplied	0.120	0.113	0.007
Total useable reserves	**109.583**	**135.051**	**(25.468)**

Source: Fife Council Annual Accounts 2025-26

The decrease in general fund balance comprises:

- £37.555million of budgets transferred from balances brought forward and used in year offset by:
- An overall surplus of £15.264million against the 2025/26 budget.
- Transfers from other statutory reserves of £3.642million.

The uncommitted General Fund balance was £24.134million as at 31 March 2026, a slight increase of £0.655million from the previous year. This equates to 2.02% of budgeted net revenue expenditure (2024/25 2.08%) which is within the Council's policy minimum to maintain a level of 2% balances over a rolling three-year period.

The remaining balance of £72.329million is either earmarked or committed for specific purposes including:

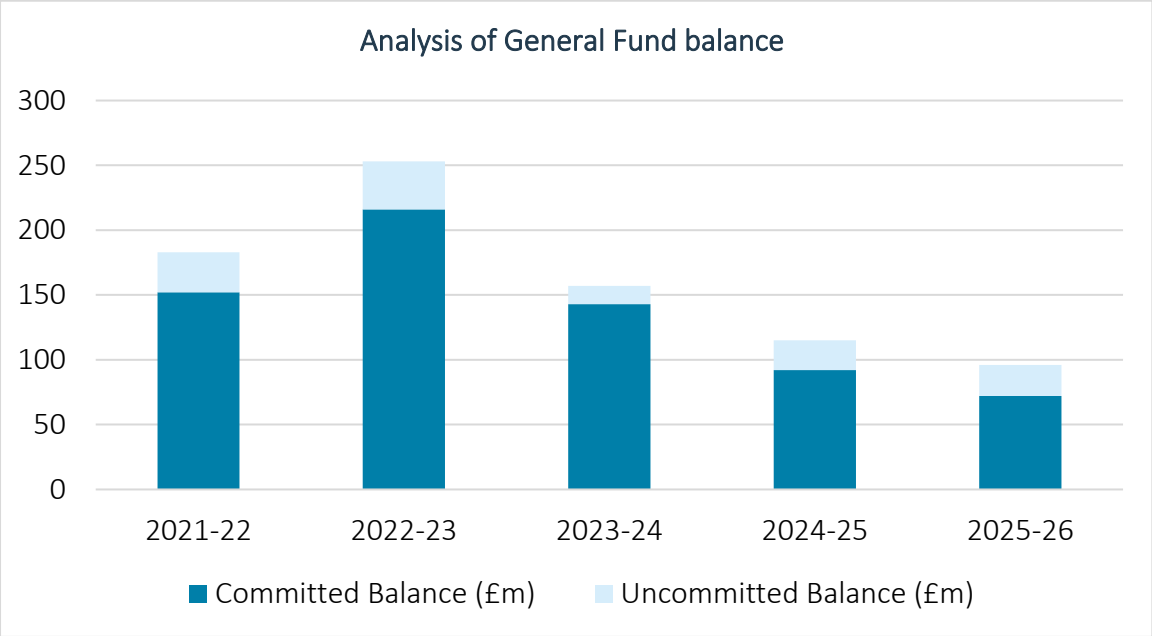
- Earmarked balances (£52.456million): includes significant commitments which underpin the capital investment plan (£23.462million) and council tax- second homes (£6.214million).
- Commitments (£19.873million): includes change programmes (£9.486million). demographics (£4.922million) and workforce changes (£4million).

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

In recent years, general fund balances have been relatively high, as illustrated in the exhibit below. This is primarily due to:

- 2021/22- an increase in balances due to grant funding received and not used in year.

- 2022/23- an increase in balances due to the benefits arising from the Council's application of the service concessions financial flexibility.
- 2023/24 and 2024/25- decreases in balances due to planned use of earmarked and committed balances.



Source: Annual Accounts 2020/21-2025/26

The decreasing level of reserves compared to previous years and the increasing financial pressures both contribute to a challenging position which the Council will face in the medium to longer term if these trends continue.

Revenue performance against budget

The final outturn position on the General Fund for 2025/26 shows an underspend of £15.264million compared to the balanced budget set at the outset. This underspend has been set aside in reserves.

The main contributory factors to the year end outturn position are:

- Services underspends (£11.937million)

Service expenditure underspends as a result of reduced costs in most areas of service provision, offset by a significant overspend of £7.470million in Health and Social Care services. A transfer of £3.641million was required from NHS Fife to meet the remaining overspend per the risk share agreement, which reduced the net overspend position on Health and Social Care services to £3.829million. This represents an improved position compared to the previous year where the 2024/25 overspend position for Health and Social Care Services was £13.470million.

The Council continues to recognise Health and Social Care services as a significant risk, primarily due to the ongoing increase in service demand.

- Loan charges overspend (£3.221million)

The Loan Charges overspend relates to an accounting entry made to reduce financial flexibilities as a result of reviewing the original Levenmouth Academy Model, offset by the remeasurement of the liabilities for the PPP models.

- Obligations/Contingencies underspend (£4.706million)

The underspend position reflects funding received either not yet allocated or no longer required including funding related to both school meals and kinship care where spend for 2025/26 was lower than anticipated.

- Financed by over recovery (£1.842million)

The over recovery position reflects the following:

- The Council met the criteria for the Scottish Government Non Domestic Rates Incentivisation Scheme which resulted in the retention of £0.954million Non Domestic Rate Income.
- Council Tax levied in the year was higher than budgeted which resulted in an increase in Council Tax income of £0.887million.
- The General Revenue Grant received was £0.001million higher than budgeted.

Savings delivery

In February 2025 the Council set a balanced revenue budget for 2025/26 which included planned recurring budget savings of £7.137million. This represents the first year since 2022/23 that significant savings proposals from services have been required.

As highlighted in the exhibit below , the Council achieved the delivery £6.346million (89%) of the 2025/26 savings target. The undelivered savings for 2025/26 will need to be achieved in

2026/27 and future years which places additional pressure on the future financial position of the Council and therefore requires careful management.

Delivery of 2025/26 savings target

Directorate	Savings Target £m	Actual £m	(Under)/Over £m
Education	2.428	2.428	0
Place	1.957	1.694	(0.263)
Communities	2.206	1.498	(0.528)
Finance & Corporate Services	0.726	0.726	0
Total	**7.137**	**6.346**	**(0.791)**

Source: Revenue Provisional Outturn 2025-26- June 2026

Fife Health and Social Care System

The outturn position as at 31 March 2026 for the services delegated to Fife Integration Joint Board (IJB) was an overspend of £9.515million, which represents an improved position from the overspend of £34.017million in 2024/25. The main drivers of the 2025/26 overspend position included:

- Increased demand for adult and older people's social care services;
- Mental health and inpatient pressures, including the use of agency staffing; and
- Cost pressures across commissioned services and out-of-area placements.

Due to the IJB having no useable reserves in 2025/26, and as outlined in the Integration Scheme, the overspend had to be funded through additional allocations from both partner bodies, NHS Fife and Fife Council, in the form of a risk share agreement. This resulted in Fife Council being responsible for 39%, in line with the risk share agreement, which equates to £3.691million.

The Fife health and social care system, which comprises Fife Council, the IJB and NHS Fife, are working collaboratively to tackle the financial and demand driven challenges through developing and implementing new initiatives, including:

- Deep dives into financial information and populations to provide a better understanding of the issues to be addressed.
- Scrutiny over care packages which allows greater scrutiny and control over ensuring that the most appropriate care packages are provided.

- Undertaking work to try and mitigate capacity issues before they occur on a more timely basis.
- Reviewing the expenditure made to external providers to gain a better understanding of the spend and the services that are being delivered.
- Tripartite communication between Fife Council, NHS Fife and the IJB where the Directors of Finance meet with the Chief Finance Officer of the IJB monthly.

Fife Council, working alongside the IJB and NHS Fife have continued to demonstrate good collaboration and partnership working through taking a whole system approach to these challenges. It is crucial that this continues as difficult decisions will continue to be needed across health and social care to sustain vital services over the medium to longer term.

Housing Revenue Account (HRA)

During the year, the Council achieved a balanced position on its HRA. As a result of overspends across the HRA including in supervision and management costs, the planned revenue contribution to the HRA capital plan was decreased by £0.694million to £19.327million (increased by £0.989million in 2024/25) to achieve the overall balanced position.

The overspend on supervision and management costs was primarily due to an overspend on Central Support Service charges and the turnover of staff being lower than anticipated.

The level of uncommitted HRA Fund balances at the year-end was £2.844million which includes the planned restoration of balances of £0.251million. This position is in line with the Council's policy to maintain uncommitted balances at around 2% of Net Rental Income.

Capital expenditure

Capital Expenditure for 2025/26 was £296.441million, a variance of £87.768million (23%) against budget. This represents an increase in capital investment compared to previous financial years (2024/25: £258.096million, 2023/24: £242.073million and 2022/23: £189.362million).

The Council reported slippage of approximately £88million on its Capital Investment Plan, which represents approximately a third of the annual budget. While the Council actively manages the delivery of its Capital Investment Plan, continued slippage puts pressure on overall achievement of the Council's asset plans. Project slippage relates to a variety of factors including delayed spend and later project start dates.

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

Treasury management

The Council's treasury management strategy requires that all decisions taken on treasury management are given primary importance to minimise and manage potential risk. The revised treasury management strategy 2025-28 was approved by the Cabinet Committee in May 2025.

The 2024/25 Treasury Annual Report and 2025/26 mid-year report were presented to the Cabinet Committee in January 2026. Performance against the approved 2024/25 Prudential and Treasury Indicators was within agreed limits for the financial year. The 2025/26 Annual Report is due to be presented to the Cabinet Committee in November 2026.

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) in Scotland is a biennial counter-fraud exercise led by Audit Scotland and overseen by the Public Sector Fraud Authority for the UK. It uses technology to compare information held by different public bodies, and on different financial systems that might suggest the existence of fraud or error.

The most recent NFI exercise commenced in 2024, the findings of which were published in Audit Scotland's NFI report in August 2026.

We completed a return for Audit Scotland during the year, assessing the Council's participation in the NFI exercise. The return assessed the adequacy of NFI governance arrangements and follow-up activity. We submitted this return by the February deadline. The Council was given a 'Green' rating. The information provided in the return is a key source of information for Audit Scotland's NFI report.

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

Significant unmitigated risks affect the achievement of corporate objectives



Significant audit risk

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

Financial sustainability (extract from 2025/26 External Audit Plan)

The Council's financial planning is underpinned by its Medium-Term Financial Strategy (MTFS). The MTFS presented to the Council in February 2026, projected provisional cumulative budget gaps after provision of pressures and investment and before mitigations of £14.121million for 2026/27, rising to £30.301million for 2027/28 and £56.948million for 2028/29.

The Council identified several initiatives to present a balanced budget for 2026/27. These include:

- Identified budget savings of £0.055million.
- Increase in Council Tax Increase of 5% (anticipated gap reduction £10.579million).
- Use of balances to support investment of £3.487million.

After revising the medium term financial plan to incorporate the same assumptions as for 2026/27, alongside a forecast increase in Council Tax of 5% in 2027/28 and 0% 2028/29, the Council continues to forecast funding gaps of £8.450million and £35.097million respectively for 2026/27 and 2027/28. Work has commenced on developing transformation projects that are expected to generate further efficiency savings and help mitigate budget gaps in the medium to longer term.

To further develop the Council's decision making to support medium term financial planning, a budget consultation was incorporated into the development of the MTFS to increase residents' understanding of the financial environment that the Council operates in and the options available to manage these challenges.

Financial sustainability (extract from 2025/26 External Audit Plan)
The Council has recognised that the HRA budget is also under considerable financial pressure and continues to face a high level of financial risk. The 2026/27 funding gap on the HRA budget is £7.205million which is agreed to be mitigated by a 5.5% rental increase and a stairwell charge approved by the Council in February 2026. A further consultation is ongoing over the stairwell service charge in the Levenmouth area where the outcome of the consultation is to be reported to the Cabinet Committee in April 2026. Close monitoring of the key pressures facing the HRA including inflationary pressures and the cost of financing capital investment will be essential to ensure the HRA remains affordable and sustainable.
Our detailed findings on the Council's financial framework for achieving long term financial sustainability are set out below.

2026/27 revenue budget

In February 2026 the Council set a balanced revenue budget for 2026/27 based on the following:

- Identified budget savings of £3.805million (£0.055million approved as part of 2026/27 budget and £3.750million approved as part of 2025/26 budget).
- Increase in Council Tax Increase of 5% (anticipated gap reduction £10.579million).
- Use of balances to support investment of £3.487million.

The key risks and uncertainties set out in the budget which impact on the Council in 2026/27 and beyond include:

- The Health & Social Care Integration Joint Board forecast financial position and upcoming review of the Integration Scheme.
- Legal claims relating to Equal Pay.
- Legal claims related to Historic Child Abuse.
- Emergency response to events such as flooding, oil spills, severe snow.
- Inflationary pressures on costs heightened due to conflict in the Middle East.
- Interest rates for borrowing, heightened due to conflict in the Middle East.

The 2026/27 budget represents the second consecutive year since 2022/23 that savings have been required, due to the more challenging financial position for the Council.

Service change plans

The financial outlook continues to be extremely challenging. The Council recognises that significant change and difficult decisions will need to be made to safeguard its financial sustainability.

Service change plans were produced in April 2025 as a key component of the Council's approach to addressing the financial sustainability challenge and were used to inform the budget setting process. The plans set out how the Council aims to deliver the next phase of public service reform and progress of delivery will be monitored regularly through the Reform Board. The service change plans have been updated in 2026/27 to reflect the decisions that were made as part of the 2026/27 budget. The service change plans cover a three-year period and will be reviewed and updated to help inform service priorities and needs as part of the next budget process alongside the updated Plan for Fife.

2026/27 revenue budget forecast outturn

The most recent revenue monitoring report for 2026/27 (September 2026) noted that the current forecast presents an underspend of £2.655million. However, whilst the current forecast presents an underspend position, some service underspends (£6.027million) will be immediately committed to ensure certain conditions of funding are met. This will result in an overspend of £3.372million after funding commitments, which will have an adverse impact on the level of uncommitted balances. This position will be closely monitored over the year and at this stage the Council has no plans to restore balances.

The Council is forecasting to achieve 62% of its 2026/27 in-year budget savings target by 31 March 2027 where this expected underachievement is due to the timing of savings delivery. Directorates are working to mitigate the delays identified in delivery and the Council has committed to continue to closely monitor savings delivery throughout the year.

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.

To further develop the Council's decision making to support medium term financial planning, a budget consultation was incorporated into the development of the latest MTFS (2026-29) to increase residents' understanding of the financial environment that the Council operates in and the options available to manage these challenges. The Council has proposed to incorporate this process into the 2027/28 budget setting process and have undertaken a lessons learned exercise on the 2026/27 process.

Since the approval of the budget in February 2026, the Council has reported a revised budget gap of £8.436million for 2027/28, rising to £25.920million for 2028/29 and £39.862million for 2029/30. The assumptions and baseline figures were reviewed with consideration given to information from a variety of sources, including the Office for Budget Responsibility's Economic and Fiscal Outlook from March 2026, the Scottish Fiscal Commission's Fiscal Sustainability Perspectives report from February 2026, the Accounts Commission's Local Government Budgets 2026/27 report and the Scottish Government's Spending Review 2026.

The Council reported to the Cabinet Committee in June 2026 that there were no changes to planning assumptions required from those used in setting the budget in February 2026. In line with the Medium Term Financial Strategy, the council tax increase is expected to revert to 3% for 2028/29 and 2029/30. This increase has now been incorporated into the budget gap as part of the latest budget update.

Recognising the difficulty in accurately forecasting the future, in June 2026 the Council presented three scenarios to Cabinet Committee:

1. Most 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.

Budget Gap (before Council Tax increase)	2027-28 £million	2028-29 £million	2029-30 £million
Central Scenario Budget Gap	20.239	45.193	66.886
Council Tax (5% / 3% / 3%)	(11.210)	(18.324)	(25.710)
Fees & Charges (5% / 3% / 3%)	(0.593)	(0.949)	(1.315)
Revised budget gap	**8.436**	**25.920**	**39.861**
Indicative budget gap following approval of budget in February 2026	**8.450**	**35.097**	**Not available at this stage.**

Source: Budget 2027-30 Update; Cabinet Committee – June 2026

This represents a period of significant financial challenge for the Council and as such, financial sustainability is one of its highest risks within the Strategic Risk Register. The Council recognises that change will be required and is exploring ways to take a more strategic approach with its options for change and cost reduction. This is being considered alongside the development of the next iteration of the Plan for Fife (Plan 2027).

Capital plans

The Council has developed a Capital Strategy and a 10-year rolling capital programme that is reviewed every two years. The most recent Capital Investment Plan 2025-35 was approved by the Council in February 2025.

Initial work has begun on the latest review of the Capital Investment Plan which is due to be presented to the Council in February 2027. The Council recognises that it is facing an increased level of financial challenge and and restrictions in terms of affordability which are expected to have an impact on the level of additional projects included in the next iteration of the Capital Investment Plan.

Significant work was undertaken by the Council in 2024/25 as part of the biennial revision of its ten-year Capital Investment Plan 2025-35. The Council reassessed overall affordability as well as available funding, resources and any changes to priorities. In revisiting the Capital Investment Plan, the Council critically reviewed the capital projects approved within the previous plan in terms of anticipated delivery dates and the impact of inflation with a view to updating this to make it more relevant to the current conditions.

The Council plan to undertake a similar process when updating the next iteration of the Capital Investment Plan.

Housing Revenue Account (HRA)

The Council recognises that the HRA budget is under considerable financial pressure and faces a high level of financial risk. This is primarily due to high inflation, increasing stock figures and the revenue cost of financing the HRA capital investment plan. To meet these rising costs and achieve a balanced HRA budget, the Council is required to either generate income from increased rents or generate recurring savings (or a combination of both) annually.

In setting the 2026/27 budget, the HRA faced a £7.205million budget gap. In line with previous years, the Council consulted with tenants on rental increases. The feedback provided was that a 5.5% increase was the preferred rent option presented to tenants. This rental increase closed the budget gap and was approved as part of the HRA 2026/27 budget.

In February 2026 the Council reported the cumulative HRA budget gap for the next three years as follows:

	2026-27 £million	2027-28 £million	2028-29 £million
Budget Gap/ Surplus before rent increase	7.205	13.906	19.308

Source: Housing Revenue Account (HRA) Budget 2026 – 2027; Fife Council – February 2026

The Council decided to apply a standardised stair cleaning charge as part of the HRA budget setting for 2026/27 to address inconsistencies in charging practices across Fife. Consultation was carried out across four of the relevant area committees in 2025, with the Levenmouth area being omitted and subsequently reported to the April 2026 Cabinet Committee. The response rate to this survey was low, with the results being inconclusive with 40% of responders stating the charge was reasonable, 40% thought the charge was too high and 20% were not sure. The Cabinet Committee approved the standardised charge to these tenants as part of the April 2026 meeting.

The Council will need to make difficult decisions over the medium-term to continue to balance the HRA revenue budget to ensure financial sustainability and affordability of future rental increases for tenants.

The HRA Capital Investment Plan is currently being reviewed and is due to be approved in February 2027. Work undertaken to date has included consideration to alternative models to deliver the HRA Capital Investment Plan over the medium to longer term.

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



Vision

Fife Council and its partners (the Partnership) set out their vision and ambitions in a ten-year local outcomes improvement plan (LOIP), Plan for Fife, which was first published in November 2017.

The current iteration of the plan sets out three recovery and renewal priorities:

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

The Partnership is preparing for the next iteration of the Plan for Fife (Plan for Fife 2027). A significant amount of activity has been carried out in 2025/26 to complete the first phase of engagement. This focused on ensuring that partner leadership teams are aligned with the progress made to date in developing Plan for Fife 2027, have a shared understanding of the role of the Community Planning Partnership and are clear on their contribution to shaping and delivering the Plan for Fife 2027.

The Partnership is entering into the next phase of the development of Plan for Fife 2027. A report was presented to the Fife Partnership Board in August 2026 that noted the following activities will be undertaken as part of this phase:

- Producing a short issues and challenges document using available evidence base for partner review, refinement and agreement.
- Using the issues and challenges document as the basis for wider engagement activity.
- Working up the more detailed design of the different reform elements.
- Organising a Leadership Summit before the end of 2026 to consider findings in relation to issues and challenges, three year objectives and a working model of system reforms.

Plan for Fife 2027 is planned to be completed in late 2027.

Leadership

The Council's leadership team (CLT) is a team of 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 CET also forms the Reform Board which provides strategic direction, approves key initiatives, and monitors overall performance against recovery and renewal priorities.

Eileen Rowand, the Director of Finance and Corporate Services retired in March 2026. Elaine Muir, the then current Head of Finance, was promoted to the Executive Director role. Arrangements were in place including a transition period from the start of 2026 which allowed for an effective handover. The impact of the changes in roles on the capacity of the Finance and Corporate Services Directorate was reviewed and we are satisfied that all roles have been appropriately filled and that there are no financial capacity issues at the Council.

The Council has committed to further develop the leadership skills and capacity of officers during 2026/27 to ensure there is effective leadership to respond successfully to changing demands and risks. During 2025/26 progress made against this priority included:

- The First Line Manager Training 2025 Evaluation Summary was prepared.
- The HR service led on Keep in Touch sessions and 5 Thematic Coach Approach Sessions were delivered throughout 2025.
- The Leadership for Change Development Programme allocated places for 100 Service Managers/Heads of Service on the ‘Braver Than Before’ programme.
- Planning commenced for pilot Executive coaching/mentoring offering to Chief Officers.
- Digital Mindset Training for Leaders programme was developed.

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

Governance arrangements

The Council’s system of governance is based on a Cabinet Committee and four Council service themed scrutiny committees. The Cabinet Committee is responsible for setting the strategic and policy direction and takes all major policy and resources decisions on behalf of the Council. Membership of the Cabinet Committee comprises the Leader of the Council (Chair), six strategic spokespersons and ordinary members. The four service themed scrutiny committees comprise the:

- Education Scrutiny Committee
- Environment, Transportation & Climate Change Scrutiny Committee

- Finance, Economy & Corporate Services Scrutiny Committee
- People & Communities Scrutiny Committee

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 Council operates a decentralised structure based around seven Area Committees. The Area Committees focus on specific local area issues and opportunities and have delegated responsibility for some revenue and capital budgets.

The next Local Government elections are due to take place in May 2027. The Council is preparing for the elections due to the impact these are expected to have in terms of turnover of elected members. Work ongoing includes induction plans and support for newly elected members.

The Council has adopted a Local Code of Corporate Governance (the Code) which sets out its governance arrangements and demonstrates how governance principles are applied in practice. The Council's Code aligns clearly with the principles set out in the Delivering Good Governance in Local Government Framework. The Council's Code is reviewed regularly and was last reviewed in November 2025 to incorporate revised CIPFA guidance on the content of governance codes alongside internal audit findings on the Council's governance arrangements.

Effectiveness reviews on the Council's governance framework including risk management and system of internal control are conducted annually. The 2025/26 effectiveness review concluded that the Council's governance arrangements are regarded as fit for purpose and in line with the Code. The review also identified a number of improvement themes, reflected in the Annual Governance Statement Improvement Plan, that are either continuing or new themes. These are contained within the following areas:

- Workforce (absence)
- Leadership
- Performance
- Fraud Governance
- Financial Management
- Change
- Data
- Consultation and Public Engagement.

Cabinet and Committee meetings

The Council maintains a regular schedule of Council and Committee meetings. Meetings are live streamed and available to the public in the archive.

Through our review of committee papers, we are satisfied that there is informed decision making which has enabled appropriate scrutiny and challenge by elected members.

Governance Arrangements- Change to Political Balance

The Council has experienced several changes to political group membership over the course of the year. A report was presented to the September 2026 full Council which considered the most recent implications for political balance of the Council and the composition of its Committees.

The Council's revised political composition from September 2026 is:

Party	Elected Members
Scottish National Party (SNP)	34
Scottish Labour Party	19
Scottish Liberal Democrats	13
Scottish Conservative and Unionist	3
Reform UK	2
Fife Independent Group	2
Independent Councillor (Ungrouped)	1
Independent Councillor (Ungrouped)	1
Total	**75**

Independent Review

At the September 2025 full Council meeting, it was agreed that an independent review would be commissioned into the handling of a complaint about the conduct of a former elected member.

The independent review was commissioned from Brodies LLP and a report on the findings and recommendations was presented to Cabinet Committee in March 2026, highlighting 18 recommendations. An officer response to the recommendations, in the form of an action

plan, was presented to the Cabinet Committee in August 2026 where the actions identified have been incorporated into the Council's business as usual processes.

Risk management

The Standards, Audit and Risk Committee is responsible for monitoring the effectiveness of the risk management arrangements with 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).

A Risk Management Improvement Plan (RMIP) is managed by RMSG and monitored by the CET and Standards, Audit and Risk Committee. In the April 2026 Risk Management Update, presented to the Standards, Audit and Risk Committee, good progress was reported in addressing the RMIP recommendations, with 76% of recommendations fully implemented, 10% partially implemented and 14% not implemented. For the recommendations not implemented, these are all past their original target implementation dates and as such have been provided with revised implementation dates.

Recognising that the current RMIP is close to completion, the Council is developing a new improvement action plan. The Council has evaluated its current risk management arrangements, to identify and prioritise outstanding and new areas for improvement. An update is due to be presented to the Standards, Audit and Risk Committee in November 2026.

Internal audit

The Council's internal audit service is an independent assurance function that provides an overall conclusion 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 take cognisance of the work of internal audit.

The Chief Internal Auditor's conclusion for the year ended 31 March 2026 stated that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control.

The 2025/26 Internal Audit Plan was not completed in full and a number of audit assignments have been carried forward into 2026/27. This is primarily due to the Audit Services team operating with reduced capacity due to vacancies, recruitment delays and the impact of long term sickness absence. However, a sufficient number of audit assignments were completed to allow the Chief Internal Auditor to provide their annual conclusion.

Since the Chief Internal Auditor's annual report and conclusion were provided to the Standards, Audit and Risk Committee in June 2026, the Audit Services team has been able to recruit to the outstanding vacancies which is expected to support the completion of more audit assignments in 2026/27.

Use of resources to improve outcomes

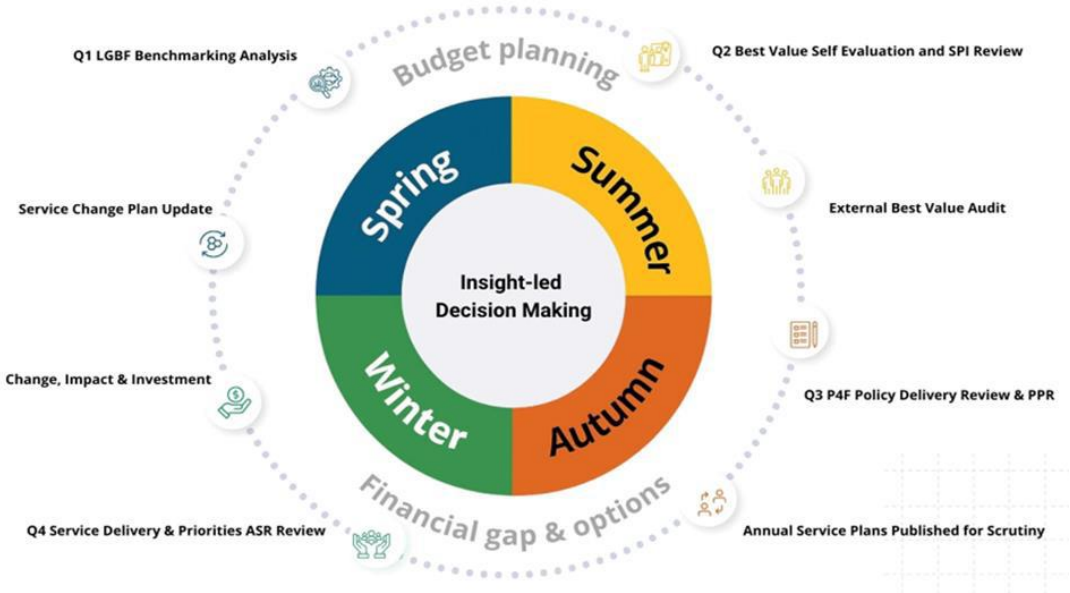
Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources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

Auditor judgement	
Pace and depth of improvement are adequate	Y

Performance management arrangements

The Council has an established performance framework which it reviews on an annual basis to ensure it remains fit for purpose.

The performance framework is used to support delivery of 'Plan for Fife'. The key components of the performance framework are outlined below:



Source: 2025/26 Fife Council Annual Accounts

The Council has an integrated approach to planning and reporting. This approach involves aligning the Plan for Fife strategy, change planning, and service change plans with improved policy-based and service-driven performance analysis. This is based on a routine of quarterly corporate assessment analysis against key metrics and links to operational management plans in key areas such as risk management, finance, workforce, and digital development.

Performance information is used internally to enhance sound governance and management but to also support better alignment of plans and resources to policy and outcomes.

The Council produces timely performance information in line with its performance framework including Plan4Fife, Ambitions Reporting and annual service performance reports. The most recent performance information published is detailed in the following table:

Performance Information	Detail of performance information reported during 2025/26 and to date
Plan for Fife: Annual Review of Priorities and Ambitions	The 2025/26 annual report was presented to the Fife Partnership Board in August 2026. The report has been supplemented with partner case studies showcasing Plan for Fife progress (Plan for Fife Progress | Our Fife - Creating a successful, confident and fairer Fife) and a Video summarising partnership achievements in 2025/26.
Fife Strategic Assessment	The Council committed to producing a Fife Strategic Assessment every three years, to support the ongoing development of the Plan4Fife. The most recent report, presented to the Fife Partnership Board in August 2024, showed that Fife continues to face key challenges. This fed into the decision for the recovery and renewal priorities to remain the focus during 2024-2027. The next Fife Strategic Assessment is due to be completed in 2027.
Annual Service Reports	All Services report annually to scrutiny committees on their performance. The Council carries out annual reviews to ensure the format of these reports remain fit for purpose and to understand whether any further changes are required. The first Annual Service Reports for 2025/26 will become publicly available in September 2026.
Local Government Benchmarking Framework (LGBF)	Reporting corporately on LGBF was reintroduced by Council's Executive Team in 2023. The latest report was published in June 2026 which highlights mixed performance over time, compared to its family group and Scotland.
Best Value Corporate self-assessment	During 2023/24 the Council developed its first annual corporate self-assessment report which was published in September 2024. The report considers how the Council is measuring up against the Best Value themes and is presented as a prompt and discussion piece to inform

Performance Information	Detail of performance information reported during 2025/26 and to date
	service discussions on best value more locally. It incorporates a set of Best Value Performance Indicators which enables the Council to assess on an annual basis how it is doing in delivering best value to its communities. The next annual self-assessment is due to be presented to the Standards, Audit and Risk Committee in September 2026, and subsequently published. In this assessment, the Council has identified that it will continue to improve its performance arrangements. This includes strengthening the integrated planning, performance, change and investment model, further coordinating the Corporate and service level analysis and reporting, further developing its continuous Corporate Assessment cycle and community planning and governance arrangements through the design of the Plan for Fife 2027. The Improvement Service and SOLACE, working with audit partners, have developed a new national framework for local government self-assessment and the Council will look to embed and develop this approach.

The Council has undertaken significant changes to its performance framework in recent years and carries out annual reviews. For example, in 2025/26, the Council reviewed and updated the approach for the Annual Service Reports and the format of the Annual Best Value Corporate Self-Assessment.

We concluded within our 2024/25 Annual Audit Report that the Council would not be able to fully evaluate the success of its performance framework improvements until a full cycle of service annual reporting had been completed.

In March 2025, we conducted a review of the Council's published Annual Service Reports, focusing on the effectiveness of these in supporting scrutiny of performance, identifying action plans for areas of poor performance and providing good quality performance information to inform decision making.

Our main finding, which we fed back to the Council, was that performance indicator data and outcomes published for each service in advance of Committee meetings did not align to the performance information and findings that were subsequently published within the Annual Service Reports. Areas of poor performance identified in the performance indicator data were not reflected or incorporated into service improvement plans within Annual Service Reports.

Significant work has been undertaken by the Council to improve and further develop its performance reporting including consideration of our previous findings. There is now a better link between the performance indicator data published in advance of Committee meetings and the performance information and improvement plans within the Annual Service Review Reports. The reports now contain an area for improvement, as well as a summary of performance against key performance indicators in the year.

Organisational change

The Council is progressing a range of transformational work to ensure it can deliver high quality sustainable services. This work is aligned to the Council's reform ambition where the change agenda consists of:

- shifting focus to prevent crisis, act earlier and invest in local, personal support for people and families.
- joining things up to work as one team around the needs of communities and the places where people live, work and play.
- simplifying things, making it easier for customers and staff to get things done, increasing efficiency and effectiveness.

Service change plans were produced in April 2025 and updated in 2026. These set out a range of work aimed at shifting to earlier intervention, prevention and targeted support, joining things up to work as one team around the needs of communities and places, simplifying systems and processes to improve efficiency and effectiveness. The service change plans cover a three-year period and will be reviewed and updated to help inform Service priorities and needs as part of the next budget process alongside the updated Plan for Fife. Service change planning continues, with priorities being reported through the Annual Service Reports to scrutiny committees.

Change planning and delivery updates were presented to Cabinet Committee in December 2025 and June 2026. The June 2026 update focused on the following areas of activity which contribute to the delivery of the Council's change agenda:

- Updates on the Homeless Strategy.
- The creation of Early Help and Support teams to improve access to timely, proportionate support for children and families.
- Work to progress No Wrong Door support.
- Place investment.
- Enabling growth through new development and Fife's Place Plan.
- Place based service delivery.
- Asset Sustainability and the Corporate Landlord model.
- Addressing the Climate Emergency.
- Customer Strategy.

- Digital Strategy and Digital programme overview
- Transforming Learning Fife.

Significant work on the three change agenda themes was advanced throughout 2025/26 and this will continue through 2026 and beyond. Progress across the change agenda continues to be coordinated and monitored by the Council Executive Team (CET), with Directorates working across themes and with partners to deliver change.

The Council is making good progress with the establishment and implementation of its change agenda activity; however, it is important that the pace of this work is appropriate and effective to allow the Council to deliver high quality sustainable services in the medium to longer term.

Best Value

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.

We are required to evaluate and report on the performance of the Council in meeting its Best Value duties.

Our work in 2025/26 included the following:

- A follow up on Accounts Commission findings, Controller of Audit recommendations and any outstanding improvement actions reported in the Best Value Assurance Report (2018), Best Value thematic reports and Annual Audit Reports as they relate to Best Value.
- Performing a risk-based approach to Best Value Themes where our areas of focus in 2025/26 were:
- The impact of health and social care financial challenges on the Council and consideration of reporting a whole system view.[3]
- The Council's arrangements relating to the Best Value theme of fairness and equality.
- Assessing the arrangements for statutory performance information.
- A thematic review on asset management.

Our Best Value audit work is fully integrated with our wider-scope audit work. Therefore, our findings and conclusions in this section should be read in conjunction with the wider scope sections of this report.

[3] Our findings are reported within the financial management section of this report.

Follow up on previous improvement actions

G

The Council has made good progress in implementing previous improvement actions.

As part of our 2025/26 work, we have followed up on previous improvement actions; including the Council's Best Value Assurance Report (2018), our 2024/25 Best Value thematic reports and the Best Value Controller of Audit (CoA) Report and Accounts Commission findings. As shown in table below, the Council has made good progress in implementing its improvement actions, with further detail included in Appendix 5.

Output	No. of improvement actions brought forward into 2025/26	No. of improvement actions ongoing / carried forward into 2026/27	Audit commentary
Best Value Assurance Report 2018	1	0	The one improvement action has been superseded by the Council's action plan for delivering the Accounts Commission findings.
Thematic review: Transformation: how councils are redesigning and delivering more efficient services to achieve planned outcomes	3	0	Good progress has been made in implementing the Council's previous improvement actions with all actions being closed in 2025/26.
Controller of Audit's report on Best Value in Fife Council	9	3	Good progress has been made in implementing the Council's previous improvement actions with 67% of actions being closed in 2025/26.

Fairness and Equality

G

The Council demonstrates a clear commitment to fairness and equality. Appropriate arrangements are in place to enable the Council to meet its equality duties under relevant legislation.

The Council demonstrates a clear commitment to fairness and equality. Fairness and equality is embedded into its strategic planning, service delivery and employment practices. We are satisfied that the Council has a framework in place to meet its equality duties under the Equality Act 2010, and other relevant legislation. This includes bi-annual reporting on mainstreaming the Council's equality duty and progress against equality outcomes, completing and monitoring equality impact assessment for policies and practices.

The Council published its Reducing Inequality and Promoting Fairness report in June 2025. This report summarises progress against the equality outcomes set for 2021-2025 and plans for the period 2025-2029. The Council's Equality Outcomes for 2025-2029 are:

- Access to communication and services.
- Inclusive communities.
- A working environment where inclusion is prioritised and promoted.
- Raising educational achievement and attainment.

The Council's equality outcomes are built on work previously completed and align to the priorities within the Plan for Fife.

The Council funds the Fife Centre for Equalities (FCE) which is a local charity that raises awareness and understanding amongst all communities and community groups in Fife on equality and diversity. The FCE specifically undertakes engagement with protected characteristics on behalf of the Council. A report is produced annually by FCE which outlines the engagement activities undertaken to support the Council in this area.

The Council makes effective use of Equality Impact Assessments (EQIA) which are used to ensure equality is considered as part of decision-making processes. The Council has developed a new Integrated Impact Assessment (IIA) approach which builds on the EQIA format and considers other legislative assessments including consumer duty and environmental impacts. The IIA approach was approved by CET in May 2026 and since then has been rolled out and integrated into Committee papers and decision making. The Council has also developed a suite of support and guidance which is available for individuals who are completing IIAs which includes:

- Training
- Evidence bank with briefings on how to access and use national and local data

- Revised template cross referenced by section
- Examples of good practice
- Guidance on links to other processes including annual budget preparations
- Information events on specific duties

Arrangements for statutory performance information

We are satisfied that the Council has made proper arrangements for preparing and publishing Statutory Performance Information (SPI) in accordance with the 2024 SPI Direction. However, there is scope to further enhance its public performance reporting.

Y

Fife Council has improved its performance over time on 63% of the Local Government Benchmarking Framework (LGBF) indicators. It has however only improved on 48% of indicators relative to its family group and 49% compared to Scotland. These results are a small improvement on 2023/24.

In 2025/26, the Council has improved on 10 of the 16 performance indicators used to monitor best value which represents a slight decrease in performance compared to the previous 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 Accounts Commission's Best Value audit responsibilities. In turn, Councils have their own responsibilities, under their Best Value duty, to report performance to the public.

New SPI Direction applicable from 2025/26

The Accounts Commission issued a new Statutory Performance Information Direction in December 2024 (applies from 2025/26) which requires the Council to report on the following four key areas as part of its performance information:

- Using resources effectively to address strategic priorities.
- Working with partner and communities to achieve shared outcomes.
- Financial sustainability and budget transparency.
- Use of data and assessments to support improvement and transformation.

The Direction requires the Council to report information about its performance in a way that enables the Council, other councils, the Accounts Commission, local residents and

communities, and any other interested parties to draw comparisons and make judgements in relation to:

1. the Council's performance over time, and
2. the performance of different councils in a given period of time.

In satisfying these requirements the Accounts Commission requires the Council to ensure that its reporting meets the following three criteria:

Balanced	In respect of areas in which performance has improved and those in which it has not improved or has declined.
Timely	In the interests of transparency and to enable the Council to respond promptly where remedial action is required.
Accessible	Reporting should be accessible and able to be easily understood by all citizens.

The Council's arrangements for preparing and publishing SPI information

In preparation for the 2024 SPI Direction being implemented, the Council reviewed its compliance. A self-evaluation was completed and a working group was established to identify areas of compliance and improvements to be implemented. The Council recognised that the significant work undertaken on its performance reporting in recent years, helped with the overall compliance.

From review of the Council's arrangement for preparing and publishing SPI information we have not identified any instances where reporting is not in line with the 2024 SPI Direction or where arrangements require to be improved. The Council's arrangements to demonstrate compliance with the 2024 SPI Direction are detailed in the tables below.

Using resources effectively to address strategic priorities			
Key document/s	**Criteria**	**Met criteria**	**Audit observation**
Annual Service Reports	Balanced?	Yes	These reports present performance against both key performance indicators that are performing well and those that require further improvement in performance.
	Timely?	Yes	These reports are presented annually to the relevant Scrutiny Committee and subsequently published online. This performance information is reported within nine months after the end of the respective year.
	Accessible?	Yes	These reports are published online alongside Key Performance Indicator (KPI) Reports to support transparency and accountability.

Working with partners and communities to achieve shared outcomes			
Key document/s	**Criteria**	**Met criteria**	**Audit observation**
Fife Partnership Annual Public Performance Report (LOIP Action Plan)	Balanced?	Yes	This report presents performance against both key performance indicators that are performing well and those that require further improvement in performance.
	Timely?	Yes	This report is presented annually to the Fife Partnership Board and subsequently published online. This performance information is reported

Working with partners and communities to achieve shared outcomes			
			within six months after the end of the respective year.
	Accessible?	Yes	This report is published online to support transparency and accountability.

Financial sustainability and budget transparency			
Key document/s	**Criteria**	**Met criteria**	**Audit observation**
Revenue Monitoring Report Capital Investment Plan Monitoring Budget Updates Annual Service Reports Local Government Benchmarking Framework (LGBF) indicators	Balanced?	Yes	These reports present performance against both key performance indicators that are performing well and those that require further improvement in performance.
	Timely?	Yes	Revenue Monitoring Reports, Capital Investment Plan Monitoring Reports and Budget Updates are reported regularly to the Cabinet Committee. The Annual Service Reports are presented annually to the relevant Scrutiny Committee and subsequently published online. This performance information is reported within nine months after the end of the respective year. A corporate LGBF report is prepared and published annually. This performance information is reported during the respective year.
	Accessible?	Yes	Minutes from the Cabinet Committee meetings are publicly available. The Annual Service Reports are published online alongside Key Performance Indicator (KPI) Reports to support transparency and accountability. The KPIs reported on included LGBF indicators. A corporate LGBF report is published online annually.

Working with partners and communities to achieve shared outcomes			
Key document/s	**Criteria**	**Met criteria**	**Audit observation**
Best Value corporate self-assessment	Balanced?	Yes	This report presents performance against both key performance indicators that are performing well and those that require further improvement in performance.
	Timely?	Yes	This report is presented annually to the Standards, Audit and Risk Committees and subsequently published online. This performance information is reported within six months after the end of the respective year.
	Accessible?	Yes	This report is published online to support transparency and accountability.

Overall, we are satisfied that the Council has adequate arrangements in place for preparing and publishing its statutory performance information in accordance with the 2024 SPI Direction. However, there is scope to further enhance its public performance reporting in the following areas:

- When performance information shows that the Council is not on track to achieve a particular target or objective, the Council should explain the factors that have contributed to this, what actions are being taken in response, including an expected timeframe for those actions identified.
- When targets and actions set out in the Council's LOIP information are not on track to be achieved, the Council should explain the factors that have contributed to this, and what actions it is taking to respond and improve its performance in that area, including an expected timeframe for that improvement.
- Demonstrating how the Council is using and responding to the findings and recommendations arising from any self-assessment work, audit assessments, reviews undertaken by other scrutiny or inspection bodies, and engagement with service users, to drive continuous improvement in the context of resource constraints.

Recommendation 1

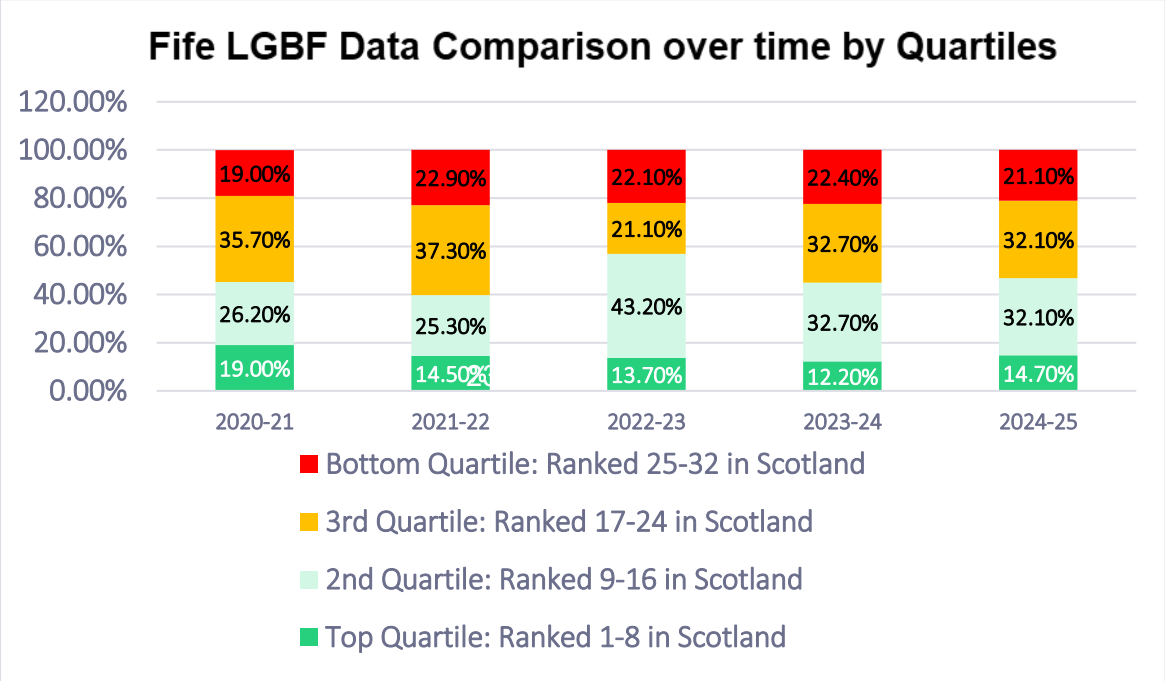
How well is the Council is performing?

The latest Local Government Benchmarking Framework (LGBF) report, published in June 2026, highlighted that Fife Council has improved its performance over time on 63% of the LGBF indicators. It has however only improved on 48% of indicators relative to its family group and 49% compared to Scotland.

Performance	Better	Worse	Unchanged
Fife over time	63%	33%	4%
Fife vs Family Group	48%	50%	2%
Fife vs Scotland	49%	49%	2%

Source: Local Government Benchmarking (LBGF) Report 2026

An overall comparison of LGBF performance across all 32 councils across Scotland shows year to year fluctuation in the number of indicators where Fife Council features in the top two quartiles. The current position for 2024/25 shows 46.8% of indicators in the top two quartiles which represents an increase in performance compared to 2023/24.



Source: Local Government Benchmarking (LBGF) Report 2026- Council Executive

The Council has identified signs of slowing improvement in aspects of financial sustainability, and adult social care but that these are in line with national trends and increased pressure / demand. If this trend continues, the improvements and progress that has been achieved to date, could potentially be lost and the Council's service performance may start to decline over the longer-term.

In terms of alignment of performance to policy priorities, the Council has identified aspects of economic development, procurement, housing management, climate change have improved and / or are performing better than elsewhere in Scotland.

The latest Best Value Corporate self-assessment, due to be presented to the Standards, Audit and Risk Committee in September 2026 highlights that the Council has improved on 10 of the 16 indicators used to monitor best value. This position represents a slight decrease in performance compared to the previous year.

Best Value theme	Performance Indicator	Value	Annual Change	Target	RAG	Trend
Governance and accountability	Stage 1 Complaints actioned < 5 days	81%	-2%	90%		Declining
	Stage 2 Complaints actioned < 20 days	66%	-9%	85%		Declining
	Call Volume - % of Contacts Answered – Contact Centre	95.15%	3.42%	90%		Improving
	% Freedom of Information requests completed on time	82.23%	-4.45%	90%		Declining
Workforce / Staff	Education (Teachers) – Average Working Days Lost per FTE	8.47	0.05	8.3		Declining
	Fife Council – Average Working Days Lost per FTE	15.32	0.57	14.7		Declining
Asset Management	Proportion of operational buildings that are suitable for current use (%)	82.7%	-1.1%	85.7%		Declining
	Percentage of internal floor area of operational buildings in satisfactory condition	93.5%	2.4%	91.0%		Improving
	Percentage of income due from Council Tax	95.3%	0.1%	95.5%		Improving

Best Value theme	Performance Indicator	Value	Annual Change	Target	RAG	Trend
Financial Management and Planning	received by the end of the year					
	Invoices sampled that were paid within 30 days (%)	97.4%	0.3%	95.2%		Improving
	Actual Outturn as a % of budgeted expenditure	98.9%	-0.8%	100.11%		Improving
	Uncommitted General Fund Balance as a % of annual budgeted net revenue	2.0%	0.0%	1.96%		Improving
	Support services as a % of total gross expenditure	4.0%	0.1%	4.04%		Improving
Sustainability	Total Fife Council Carbon Footprint – tCO2e	49,001	-3,196	71,366		Improving
Fairness & Equalities	Gender Pay Gap	-0.25%	-0.41%	1.44%		Improving
	Proportion of highest paid 5% employees who are women	61.6%	-0.1%	60.3%		Improving

Source: Assuring Best Value 2025/26 (draft report September 2026)

Thematic review: Asset Management

The thematic work for 2025/26 was on asset management and how well councils are managing assets to achieve their corporate objectives and respond to challenges around financial sustainability and climate change. We reported our conclusions in a separate report. Key findings are detailed below and improvement actions are detailed in Appendix 2.

	Auditor judgement Risks to the achievement of objectives are managed G
To what extent does the council have a clear asset management strategy and plans that align with its corporate objectives, new ways of working, the changing needs of its population, and net zero commitments?	The Council has a clear approach to asset management. Key documents which support its approach include a Property Asset Strategy, Capital Strategy and Capital Investment Plan. The Property Asset Strategy sets out the Council's overall approach to managing and developing property assets. The Property Asset Strategy clearly aligns with the Council's Local Outcomes Improvement Plan (LOIP), Plan for Fife. This Strategy incorporates new ways of working and looks to address the changing needs of its population. A key priority within the Property Asset Strategy is to meet net zero targets. The Council considers affordability through the development of its Capital Investment Plan and application of its Capital Strategy. As part of the most recent revision of the Capital Investment Plan, the Council reassessed the available funding, resources and priorities.

To what extent do the council's governance and accountability arrangements support effective asset management?	**Auditor judgement** Risks exist to the achievement of operational objectives	Y
	The Council's governance and accountability arrangements support effective asset management. The Council has appropriate leadership arrangements in place. Reporting and monitoring arrangements enable adequate scrutiny and oversight of progress towards implementing its asset management plans. The Council continues to face challenges in delivering the commitments in its Capital Investment Plan. In 2025/26, the Council reported slippage of approximately £88million on its capital programme, which represents approximately a third of the annual budget. While the Council actively manages the delivery of its Capital Investment Plan, continued slippage puts pressure on overall achievement of the Council's asset plans.	
To what extent does the council have a robust approach to working with partners and communities in managing its assets?	**Auditor judgement** Effective and appropriate arrangements are in place	G
	The Council has an established approach to collaborating across services and engaging with partners and communities in managing its assets. The Council has evidenced good examples of working with partners and engaging with the community in managing and developing its asset portfolio.	

Appendices

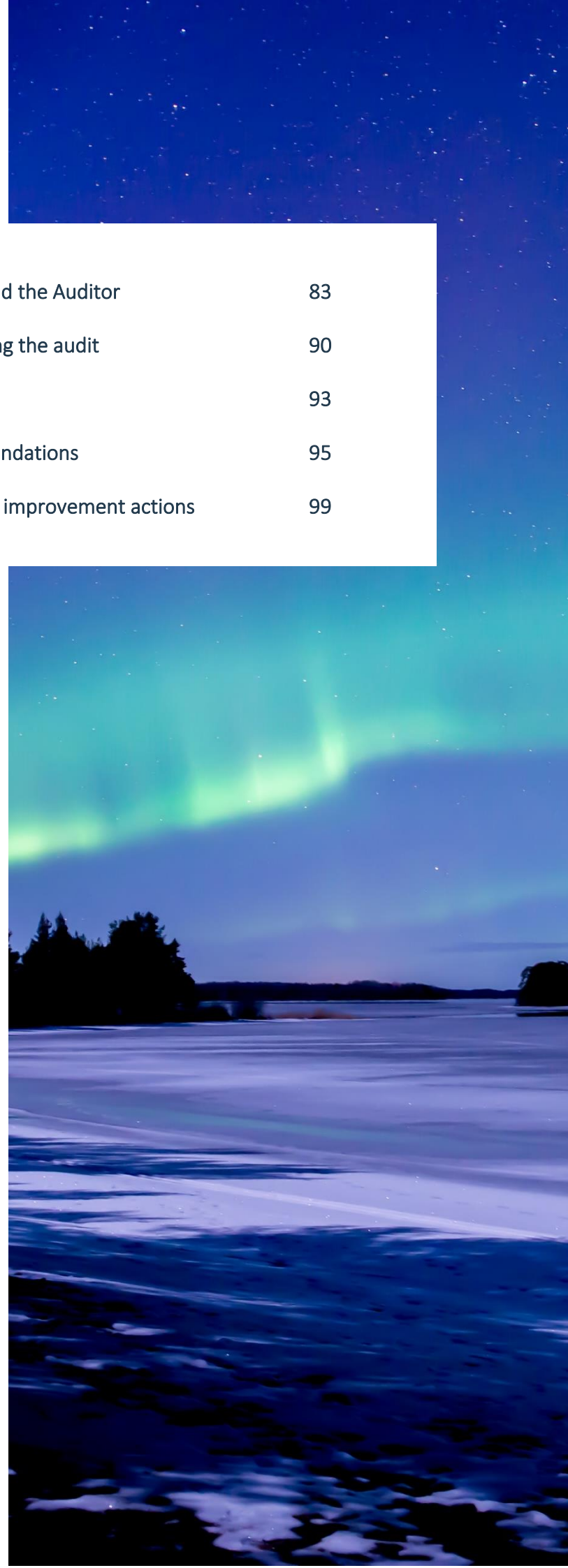
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Appendix 1: Responsibilities of the Council and the Auditor

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	Council responsibilities
Corporate governance	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.
Financial statements and related reports	The Council has responsibility for: • 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, 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. Management commentaries should be fair, balanced and understandable. Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about Fife

Area	Council responsibilities
	Council and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely. 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.
Standards of conduct for prevention and detection of fraud and error	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.
Financial position	The Council is responsible for putting in place proper arrangements to ensure its financial position is soundly based having regard to: • 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.
Best value	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 Council is required to maintain an appropriate balance among: • The quality of its performance of its functions • The cost to the body of that performance

Area	Council responsibilities

- 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.

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 Code outlines the responsibilities of external auditors 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 financial statements and the wider-scope and Best Value 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.

Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within the annual audit work performed by appointed auditors. We are required to evaluate and report on the performance of councils in meeting their Best Value duties. There are five aspects to our work:

1. Follow up on previous improvement actions
2. Risk based evaluation of the arrangements in place to secure Best Value
3. Assessing the arrangements for statutory performance information
4. Thematic reviews
5. Contributing to Controller of Audit reports

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 Quality of public audit in Scotland: Annual report 2025-26.

Independence and ethics

The Ethical Standards and ISA (UK) 260 require us to report full and fair disclosure of matters relating to our independence. In accordance with our profession's ethical requirements and further to our External Audit Plan issued confirming audit arrangements we confirm that there are no further facts or matters that impact on our integrity, objectivity and independence as auditors that we are required or wish to draw to your attention.

We consider an objective, reasonable and informed third party would take the same view.

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.

In particular:

Non-audit services: No non-audit services are provided to the Council.

Contingent fees: No contingent fee arrangements are in place for any services provided.

Gifts and hospitality: We have not identified any gifts or hospitality provided to, or received from, any member of the Council, senior management or staff and members of the audit team.

Relationships: Other than the disclosure noted below, we have no other relationships with the Council, its directors, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

Our period of total uninterrupted appointment as at the end of 31 March 2026 was four years.

Other threats and Safeguards

Other threats to objectivity and independence	Safeguard implemented
An Azets employee's father is a senior employee at NHS Fife and has a Non-Executive Director role at Fife Coast & Countryside Trust. Their employment with Azets ceased during the 2025/26 year but before audit work for this period commenced.	We confirm that we implemented internal safeguards to ensure this employee had no involvement in our audit work and that no members of staff working on the audit discussed any aspects of the audit with them.

Audit fees

The total fees charged to the Council for the provision of services in 2025/26 were as follows. Prior year fees are also shown for comparative purposes:

	2025/26	2024/25
Auditor remuneration (expected fee level)	£409,510	£394,520
Auditor remuneration (above expected fee level)	£51,000	£52,950
Pooled costs	£14,120	£9,910
Contribution to Performance Audit and Best Value work (PABV) costs	£124,490	£122,130
Sectoral cap adjustment	£143,320	£136,130
Total audit fee	**£742,440**	**£715,640**

Appendix 2: Audit differences identified during the audit

We are required to inform the Council of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit whether or not the financial statements have been adjusted by management.

Adjusted misstatements

Details of items corrected following discussions with management are as below.

Current year audit adjustments (Council and Group Accounts)

No	Detail	Comprehensive Income and Expenditure Statement Dr / (Cr) £million	Balance Sheet Dr / (Cr) £million
1.	Assets held for sale movement to Other Land and Buildings		Gross Additions 1.195 Gross Revaluation 6.020 Nil Net impact
	Net impact on reserves – increase / (decrease)	-	-

Current year audit adjustments (Common Good)

No misstatements requiring adjustments have been identified for Common Good.

Unadjusted misstatements and uncertainties

The table below provides details of misstatement and uncertainties identified during the audit which have not been made in the final set of financial statements.

Our summary of unadjusted audit differences and uncertainties is presented below. We have discussed these with management and confirmed that all unadjusted differences and uncertainties are collectively and individually under materiality.

Council

No	Detail	Comprehensive Income and Expenditure Statement Dr / (Cr) £'000	Balance Sheet Dr / (Cr) £'000
1.	Auditor Estimate- Uncertainty Council (PPE)- DRC uplift calculation.		8,415
2.	Management Estimate- Uncertainty Council (PPE)- Surplus assets which should be reclassified as Other Land and Buildings.		1,593
3.	Adjustment to statutory provision for the financing of capital investment on NPD Levenmouth Academy -Statutory provision for financial capital investment		Capital Adjustment Account 5,446 General Fund (5,446)
	Net impact on reserves – increase / (decrease)		**10,008**

Common Good

No	Detail	Comprehensive Income and Expenditure Statement Dr / (Cr) £'000	Balance Sheet Dr / (Cr) £'000
1.	Auditor Estimate- Uncertainty Council (PPE)- DRC uplift calculation.		1,491
2.	Management Estimate- Uncertainty Council (PPE)- Surplus assets which should be reclassified as Other Land and Buildings.		113
	Net impact on reserves – increase / (decrease)		**1,604**

Misclassification and disclosure changes

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

We identified a number of reclassification adjustments and some minor presentational issues in the financial statements, and these have all been amended by management. Details of all disclosure changes amended by management following discussions are as below.

Adjusted

No	Detail
1.	Governance Statement Some minor updates to narrative to improve clarity of disclosure.
2.	Note 4 - Assumptions made about the Future and Other Major Sources of Estimation Uncertainty Further disclosure on the revised requirements of the CIPFA Code and the Council's compliance with this.
3.	Note 17 - Public Private Partnerships (PPP) and Non-Profit Distributions (NPD) contracts Update to figures disclosed in the note related to the Councils PPP arrangements for contract payments.
4.	Minor presentational, formatting and disclosure issues We proposed a number of minor changes and narrative amendments to improve the presentation of the accounts including a change to comparative figures.

Overall, we found the disclosed accounting policies, significant accounting estimates and the overall disclosures and presentation to be appropriate.

Prior year unadjusted misstatements

There are no prior year unadjusted misstatements impacting on 2025/26 financial statements.

Appendix 3: Action plan

Our action plan details the weaknesses and opportunities for improvement that we have identified during our 2025/26 audit.

1. Public Performance Reporting	
Observation	As part of our audit work we concluded that we are satisfied that the Council has adequate arrangements in place for preparing and publishing its Statutory Performance Information (SPI) in accordance with the 2024 SPI Direction. However, there is scope to further enhance its public performance reporting in the following areas: • When performance information shows that the Council is not on track to achieve a particular target or objective, explaining the factors that have contributed to this, and what actions the Council is taking to respond and improve its performance in that area, including an expected timeframe for that improvement. • When targets and actions set out in the Council's LOIP information are not on track to be achieved, explaining the factors that have contributed to this, and what actions it is taking to respond and improve its performance in that area, including an expected timeframe for that improvement. • Demonstrating how the Council is using and responding to the findings and recommendations arising from any self-assessment work, audit assessments, reviews undertaken by other scrutiny or inspection bodies, and engagement with service users, to drive continuous improvement in the context of resource constraints.
Implication	There is a risk that the Council's public performance information does not provide sufficient disclosure to demonstrate how the Council is responding to areas where performance is not on track.
Recommendation	The Council should within the next year incorporate the above points within its approach to public performance information.

1. Public Performance Reporting	
Management response	Fife Council and Fife Partnership will continue to mature its approach to public performance reporting on an annual basis. **Responsible officer:** Policy and Communications Manager **Implementation date:** Autumn 2027

Best Value Thematic Review

2. Reporting to members on delivery of the Property Action Plan	
Observation	A Property Action Plan is in place to support delivery of the Property Asset Strategy. Delivery of the Property Action Plan managed by Property Services. While Property Services report on delivery of overall service activity to members throughout the year, no specific report is presented on delivery of the Property Action Plan.
Implication	As the Property Asset Strategy is the key document to managing and developing its asset portfolio, there is a risk that members do not fully challenge and scrutinise delivery of the Property Asset Strategy.
Recommendation	We would encourage the Council to consider separate reporting to members on delivery of the Property Action Plan.
Management response	To provide an annual update report on progress against 2027 – 2037 Asset Management Plan. **Responsible officer**: Head of Property Services **Implementation date**: Autumn 2027

Appendix 4: Follow up of prior year recommendations

As part of our audit work we have followed up on control weaknesses and recommendations either raised in last year's Annual Audit Report or carried forward from prior years.

Financial statements

1. Related Party Transactions – Raised 2024/25	
Recommendation	We recommend that the Council reviews its related party transaction processes to ensure that the materiality of transactions is considered from the viewpoint of both the Council and the related party.
Responsible Officer	Finance Operations Manager
Implementation Date	30 June 2026
Update 2025/26	A revised process was developed during the 2024/25 audit. This revised process was implemented for 2025/26.
Outcome	Action completed.

2. Calculation of PPP Unitary Charge – Raised 2024/25	
Recommendation	We recommend that the Council reviews its unitary charge processes to ensure that the uplifts to unitary charges are agreed to underlying Council documents on the variations and that there is clear documentation of this.
Responsible Officer	Head of Property Services
Implementation Date	30 April 2026
Update 2025/26	Fife Council are putting processes in place to agree the uplifts to the unitary charges at the beginning of the year. Further work has been completed to identify why there are deviations from RPIX. The models are being looked at in detail to ensure that uplifts are picked up through the model. **Revised implementation date:** 31 March 2027
Outcome	Ongoing

2. Calculation of PPP Unitary Charge – Raised 2024/25 3. Documentation of asset floor plans – Raised 2023/24	
Recommendation	We encourage the Council to formally document the GIA for all assets through the use of floor plans.
Responsible Officer	Finance Operations Manager
Implementation Date	31 March 2030
Update 2025/26	No time has been put aside or new resources made available to update all of the Council's floor plans. For any new builds then floor plans are available however the older stock this may only be dealt with if and when a development project is proposed for the asset. When on site, where possible we are taking check measurements & comparing these with the areas recorded in AMIS. We have however reviewed all of our site plans (AMIS site outlines were compared against GIS) & adjustments were made where identified & new plans are in the process of being prepared & uploaded to AMIS.
Outcome	Ongoing

4. Impairment Review – Raised 2023/24	
Recommendation	We recommend that the finance team further investigate assets on the returned impairment assessment template working papers, specifically those assets which appear to no longer exist or to be in use by services.
Responsible Officer	Finance Operations Manager
Implementation Date	30 June 2026
Update 2025/26	The Investment Team have worked with services to highlight issues in past years and put processes in place to reduce assets being missed.
Outcome	Action completed.

5. PPP1 Unitary Charge – Raised 2023/24	
Recommendation	We recommend that going forward, the utilities payments which form part of the unitary charge for PPP1 are incorporated into the financial model.
Responsible Officer	Finance Operations Manager
Implementation Date	31 March 2026
Update 2025/26	Utilities payments have never been included for PPP1. Due to the value and remaining life of the contract, these will not be incorporated into the model as not material. **Revised implementation date**: N/A - No further action proposed for this contract
Outcome	Ongoing

6. Common Good Asset Register - Raised 2022/23	
Recommendation	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.
Responsible Officer	Finance Operations Manager
Implementation Date	30 June 2026
Update 2025/26	The Common Good Register was reconciled to the Asset Register in 2024/25 and again for 2025/26. Communities Directorate and Fife Cultural Trust are undertaking an inventory of the art & artefacts held. This is progressing well and is scheduled for completion by the end of 2026. **Revised implementation date:** 31 December 2026
Outcome	Ongoing

7. Transfers and valuation of Assets Under Construction to operational land and buildings - Raised 2021/22	
Recommendation	Management review of assets under construction and of completed asset transfers should be improved.
Responsible Officer	Finance Operations Manager
Implementation Date	30 June 2026
Update 2025/26	These were both one off errors. In 2022/23 it was in relation to HRA and in 2023/24 it was in relation to General Fund. The 2023/24 was highlighted by the Council and we requested the audit adjustment. We have over 3,000 assets on the register and a process is in place to discuss the Assets Under Construction with the Housing Service and the Estates Service as well as the members of the Investment Team to ensure we transfer any completed projects to the Operational Asset. Due to the large volume of assets and the short year end timescales, there may be times when errors do occur despite our best efforts. Revised implementation date:
Outcome	Closed

Appendix 5: Follow up of previous Best Value improvement actions

Controller of Audit's report on Best Value in Fife Council

In February 2025, the Controller of Audit reported to the Accounts Commission on the Council's performance in meeting its Best Value duties. The Commission's findings were presented to the May 2025 full Council meeting alongside the Council's actions to address the findings.

Progress of delivery of the Council's actions to address the Commission's findings continues to be monitored by the Council's Executive Team (CET) and reported to the Cabinet and Scrutiny Committees as part of its best value and performance integrated framework cycle.

Commission's finding	Council's response per Action Plan	Audit observation
Inequality gaps are widening in Fife and performance improvement has slowed in areas such as children's services and adult social care. Timing: Ongoing, with regular monthly and annual reviews	Action on the social determinants of health requires a partnership approach. The Plan for Fife 2027 design group will look at how partners can work more effectively together to address inequalities as part of a whole systems approach. The Health and Social Care Partnership Strategic Plan for Fife, supported with its annual delivery plans, provides a framework for the planned programme of work and outlines the expected improvement outcomes. The monitoring of children's services performance reporting is conducted on a regular basis, with detailed reports presented to committee for review. These reports provide valuable insights into service	The Plan for Fife 2027 Sub-Groups have continued to meet to shape the development of the next Plan for Fife. A Coordination Group has been established to provide strategic leadership, direction and oversight, ensuring a joined-up approach to the development and delivery of Plan for Fife 2027 which is due to be developed by the end of 2027. In March 2026, IJB approved the refreshed Fife Health and Social Care Partnership's 2026-2029 Strategic Plan. The Plan sets out the strategic priorities, intended actions and expected outcomes for improving health and wellbeing, reducing inequalities, and delivering sustainable, high-quality health and social care services for the people of Fife.

Commission's finding	Council's response per Action Plan	Audit observation
	effectiveness, key performance indicators, areas for improvement, and overall impact on children and families. Status: Ongoing	Annual delivery plans translate these strategic ambitions into specific actions and milestones, enabling progress to be monitored and reported through the established performance and governance framework. The monitoring of children's services performance reporting is conducted through: • Monthly performance data meetings held with Children and Families Senior Leaders. • Reporting to Child Protection Committee and Corporate Parenting Board. • Quality Assurance Framework and Annual Timetable of service evaluation in place. • Annual Chief Social Work Officer Report / Annual Service Report. • Key Performance Indicators are monitored every three months. • Children Services Plan revised 3-year plan 2026-29 was developed which integrates responsibility for tackling poverty strategy and delivery work.
Large overspends in Fife's Integration Joint Board (IJB) in 2023/24 also projected for 2024/25 due to	Regular tripartite meetings at Director of Finance Chair and CEO level have been held 4-weekly over the year. The frequency increased given the financial position. During	Regular tripartite meetings at Director of Finance Chair and CEO level continue to take place, and strong financial management continues to be a priority of the meetings.

Commission's finding	Council's response per Action Plan	Audit observation
demand - driven spend	these meetings a focus on the savings and their deliverability has been a priority. An escalation tool has been developed showing 'what the budget buys' versus current commitments, these volatile budgets are subject to further scrutiny. Status: Complete	The scale of the IJB's 2025/26 overspend position represents a significant improvement from the previous year. This is attributable to the greater focus on accountability and delivery of savings through the Progress Review Process (PRU).
The Housing Revenue Account is under pressure - plans are required, in consultation with tenants, to meet financial gaps and enable future investment in affordable housing	Housing and Finance complete an annual HRA 30-year Business Plan review. Annual business efficiency reviews are undertaken by the Housing Service Managers to reduce costs and increase the HRA CFCR capacity. Tenant Participation on annual rent increase to increase the capacity in the HRA to continue to deliver services and borrow to invest in new and existing housing stock. Exercise strong financial management and financial control. Status: Ongoing	Work on the annual review of the HRA business plan is due to commence by the end August 2026 and will support the planning for the HRA budget which will be approved in February 2027. Work on a 30-year Asset Management Plan will be completed in September 2026, and this will inform key investment decisions in existing housing stock. A Tenants Rent Conference is held in November each year to consult tenants on rent options and this is followed by a rent survey of all council tenants by February. The report on the HRA Revenue Budget and rent options takes account of the tenants' views on the proposed rent increase. The Housing Management Executive regularly monitors HRA expenditure throughout the year and proposes a range of officer

Commission's finding	Council's response per Action Plan	Audit observation
		efficiencies and proposed savings for Members scrutiny.
Significant levels of reserves were used in 2023/24, and uncommitted general fund balances dipped below the council's rolling three- year target of two per cent	Planned use of reserves with a value of £62.6million included commitments in relation to COVID-19, planned Capital Investment, draw down of specific grant funding, devolved school management. Decommitment of balances during 2024-25 to increase level of uncommitted balances. A report to Cabinet Committee in March 2025 reported estimate uncommitted balances of £23million, which is above the policy minimum. Status: Complete	The Council's reserves position continues to be routinely reported to the Cabinet Committee where these reports detail all of the commitments against balances. The 2025/26 uncommitted General Fund balance was £24.134million. This equates to 2.02% of budgeted net revenue expenditure (2024/25 2.08%) which is within the Council's policy minimum to maintain a level of 2% balances over a rolling three-year period.
The council's Medium-Term Financial Strategy must set out how the council will respond to ongoing issues	Reports outlining future budget gaps are routinely presented to the Cabinet Committee. These reports set out some scenarios and outline the approach to balancing the budget. Status: Complete	The latest budget report was presented to the Cabinet Committee in June 2026. This complemented reports on change planning, workforce strategy and digital strategy which were presented to the same Committee meeting. To support effective financial planning, the Health and Social Care Partnership also maintains a Medium-Term Financial Strategy, which is reviewed and updated annually to reflect the latest assumptions and emerging risks.
Three-year service change plans (due by end March	Service Change Plans complete as at end of March 2025.	The Service Change Plans 2025-28 build on recent improvements and reflect the policy and spending

Commission's finding	Council's response per Action Plan	Audit observation
2025) are important to evidence that the transformation and change required can be delivered at accelerated pace. *The council's Medium-Term Financial Strategy should be updated to take into account the impact of three-year service change plans, and provide transparency about future intended use of reserves* Timing: March 2025, ongoing	The Medium-Term Financial Strategy is a set of guiding principles for financial planning and does not need updated to reflect services change plans. Transparency about intended use of reserves is delivered through quarterly reporting to the Cabinet Committee with the estimates and forecasts being updated regularly. Status: Complete	priorities set by Elected Members. They are live documents updated annually as appropriate where these were last updated in July 2026. Impact and progress against priorities are assessed and reported publicly through Annual Service Reports which are presented to Scrutiny Committees from August each year. The Council's Medium Term Financial Strategy is reviewed and updated at least annually and Service Change Plans were reviewed and updated following the approval of the Budget in February 2026.
The next key step in performance improvement is robust evidence of how the council is using its improved performance reporting framework to drive continuous improvement. *The council should evidence that its new change plans are having a*	Further development of an integrated planning and performance framework in 2025/26. Embed the framework within the Service Annual Review Reports. Performance monitoring and reporting will continue to evolve online, internally and to elected members and the public. Status: Complete	An integrated approach to planning and reporting has been adopted which involves aligning the Plan for Fife, change planning, and service change plans with improved policy-based and service-driven performance analysis. The Council's Annual Service Reports provide a holistic statement of service, context for delivery, change and improvement priorities and progress and outcomes in relation to strategic objectives and resources. These

Commission's finding	Council's response per Action Plan	Audit observation
positive impact on services performance and outcomes for communities. Timing: Annually		are published online alongside key performance indicator reports on an annual basis.
Further work is needed to encourage and support groups to manage assets in the most deprived areas. *The council will need to ensure engagement structures support meaningful conversations between elected members and communities on the challenging fiscal reality, ensuring that they are equipped and able to take the tough decisions that lie ahead and implement the necessary service changes that have been delayed up until now.*	Proactive Community Asset Transfer (CAT), leases, and Common Good dialogue with communities and elected members. Further development of community engagement strategy and the online engagement tool, Citizen Space. Status: Ongoing	A cross-party elected members' working group has been put in place to support and guide the Council's strategy in relation to community use buildings and the Future of Leisure service redesign. The Subsidised Lease Policy was revised and approved by Cabinet in May 2026. The revised policy aims to improve consistency and transparency in how the Council supports groups in leasing council assets across Fife, at heavily subsidised rates. The Council are working closely with Fife Voluntary Action to deliver targeted, supportive outreach to groups. Online information about Common Good has been expanded and briefings produced for members and community councils. A training session for community councils is planned for September 2026. During 2025/26, Council Executive Team (CET) agreed to move all consultation and engagement activity into Citizen Space as the primary platform.

Commission's finding	Council's response per Action Plan	Audit observation
Timing: Ongoing, with regular reviews		The Council are currently working on the development of e-modules to support staff with community engagement practices.
Evidence of regular reporting on the council's workforce strategy should be prioritised to measure the impact of initiatives and maintain a focus on continuous improvement Timing: Annually	A report is delivered annually to both the Council Executive Team (CET, senior council officers) via the Reform Board in May and to the Cabinet Committee (including elected members) in June. Status: Complete	The workforce strategy progress made during 2025/26 was reported to CET and the Cabinet Committee in June 2026.

Follow up of previous improvement actions- Thematic review: Transformation

A thematic review on Transformation: how councils are redesigning and delivering more efficient services to achieve planned outcomes was undertaken in 2024/25. At the time, we acknowledged the Council was undergoing development of several key arrangements in respect of transformation that we would continue to monitor progress on. We have reviewed the Council's progress in implementing those key developments, where the outstanding developments have now been implemented.

Planned activity	Audit observation
Service Change Plans – Service change plans were produced for April 2025 and cover the three-year period to 2027/28. A 5% saving requirement was used as a planning assumption for the context of the plans. *Timeline: Prepared for April 2025 over the period 2024-2025 and will be updated on an annual basis* Status: Complete	Three-year service change plans were produced in April 2025 and these are updated annually to inform the budget setting process. Impact and progress against priorities within the plans continue to be reported on annually through Annual Service Reports which are presented to the Council's Scrutiny Committees.
Development of a Transformation Dashboard – an interactive dashboard which holds all transformation projects, as well as details of each project to allow oversight and analysis of transformation activity. *Timeline: September 2025* Status: Complete	The Change Portfolio Dashboard which summarises the status of each of the transformation areas across the Council is now live. The dashboard is monitored and presented monthly to the Reform Board.

Planned activity	Audit observation
Digital Innovation - the digital ways of working workstream focuses on productivity and efficiency. The Council has undertaken a digital impact review, looking at how over 30 technologies will impact ways of working over the next five years. The software is a workforce analytics platform that helps us understand what impact automation, artificial intelligence (AI) and other technologies will have on job roles going forward. *Timeline: Programme work to be initiated and outline business case developed by end of December 2025.* Status: Complete	The outline business case for the Digital Programme was approved by the Reform Board in December 2025.

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info@azets.co.uk | azets.co.uk