

Standards and Audit Committee

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



Tuesday, 29th June, 2021 - 10.00 a.m.

AGENDA

Page Nos.

1. **APOLOGIES FOR ABSENCE**
 2. **DECLARATIONS OF INTEREST** – In terms of Section 5 of the Code of Conduct, members of the Committee are asked to declare any interest in particular items on the agenda and the nature of the interest(s) at this stage.
 3. **ANNUAL AUDIT REPORT 2020/21** – Report by the Service Manager, Audit and Risk Management Services. 3 – 36
- UNAUDITED ACCOUNTS FOR CONSIDERATION BY COMMITTEE**
4. **FIFE COUNCIL UNAUDITED ANNUAL ACCOUNTS 2020-21** – Report by the Executive Director – Finance and Corporate Services. 37 – 110
 5. **FIFE COUNCIL CHARITABLE TRUSTS – UNAUDITED ANNUAL REPORT AND FINANCIAL STATEMENTS 2020-21** – Report by the Executive Director – Finance and Corporate Services. 111 – 132
 6. **RISK MANAGEMENT STRATEGY REVIEW AND STRATEGIC RISK REGISTER REVIEW UPDATE** – Report by the Executive Director – Finance and Corporate Services. 133 – 146

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

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22nd June, 2021

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29th June, 2021

Agenda Item No. 3

ANNUAL AUDIT REPORT 2020/21

Report by: Avril Cunningham, Service Manager, Audit and Risk Management Services

Wards Affected: All

Purpose

An annual audit report is a requirement of the Public Sector Internal Auditing Standards (PSIAS). This report contains the Annual Assurance Statement 2020/21, an overview of 2020/21 audit performance, compliance with the PSIAS, an update on staffing and a fraud and incident report update.

Recommendation

The Standards and Audit Committee is also asked to note the 2020/21 annual audit report findings, and my opinion that a medium/high level of control exists, and that reasonable assurance can be placed on the adequacy and effectiveness of the Council's systems of corporate governance and internal control in the year to 31 March 2021.

Resource Implications

None.

Legal & Risk Implications

Without proper corporate governance and internal controls, the risk increases that the Council will not achieve its objectives and may suffer financial loss and reputational damage.

Impact Assessment

An EqIA has not been completed and is not necessary as this report is not proposing a change or revision to existing policies and practices.

Consultation

None.

1.0 Introduction

- 1.1 An annual audit report is a requirement of the Public Sector Internal Auditing Standards (PSIAS). This report contains the Annual Assurance Statement 2020/21, an overview of 2020/21 audit performance, compliance with the PSIAS, an update on staffing and a fraud and incident report update.

2.0 Assurance Statement

- 2.1 The Assurance Statement contains my overall opinion on the state of corporate governance and internal control within Fife Council. That independent opinion is based on the work undertaken by Audit Services and reported to this Committee, and by the findings of follow up reports, External Audit (Audit Scotland) work and reports by external inspection agencies.
- 2.2 The statement also considers the high-level controls and direction across the Council's activities that contribute positively to the standards required in terms of corporate governance and internal control. This includes, for example:
- sound corporate governance regulations;
 - comprehensive financial management systems;
 - a risk management strategy;
 - regular reviews of financial reports;
 - well-defined Chief Officer responsibilities;
 - a well-established Standards and Audit Committee; and
 - a sound Code of Corporate Governance and its ongoing monitoring and reporting to Committee.
- 2.3 The Chief Executive uses the statement, along with information from other relevant sources, as the basis of the Fife Council Corporate Governance Statement.
- 2.4 The Assurance Statement is included at Appendix 1

3.0 Performance Overview 2020/21

Performance Overview

- 3.1 The effective operation of Audit Services is dependent on the sound planning of its work, taking into account its objectives and resources available, and the monitoring of progress against this plan.
- 3.2 The Audit Plan is structured over two levels:

Strategic Plan – this provides a long-term framework for Audit Services, setting out, in broad terms, the provisional areas of Council activity to be reviewed. This is often referred to as the Audit Universe. In preparing this plan, account needs to be taken of the relative values and risks of the various activities so that priorities can be determined.

Operational Plan - this derives from the Strategic Plan, supplemented by newly recognised priorities, and represents each year in detail. It is only prepared for one year at a time and is linked to the resources available for that particular year.

- 3.3 When preparing the Audit Plan, Audit Services works closely with External Audit to co-ordinate the work done by both to minimise overlap and duplication. A Strategic Audit Plan and Operational Plan, which covered the financial year 2020/21, was approved by the Standards and Audit Committee on 20 February 2020.
- 3.4 The Operational Plan is divided into several elements, i.e. the main systems/regularity reviews (1,336 days) and the block allocations/contingencies (770 days), consisting of:
- Fraud Risk Reviews / Investigations
 - Consultancy and Advice
 - General Contingency
- 3.5 In addition to the Fife Council main systems/regularity reviews, time was allocated in 2020/21 for Superannuation Fund and Pension audits, Integration Joint Board audits, continuous auditing, audit certification, and National Fraud Initiative administration and data matching.
- 3.6 The audit areas included in the plan were designed to achieve an appropriate level of assurance based on risk and the necessary coverage of Services, within available resources.
- 3.7 However, due to difficulties encountered in progressing audits during the pandemic, on 15 October 2020, the Committee approved a revised audit plan comprising 1254 audit days for 2020/21 and an extension of the time available to complete the amended plan to 31 May 2021. The revised plan included additional work on processes related to the pandemic response.

Performance Overview 2020/21 – Revised Operational Plan

- 3.8 The changing risk landscape due to COVID-19 negated the use of the quarterly performance scorecard for monitoring performance throughout the period, as this is based on the original audit plan. Therefore, it was agreed that, this year it would be appropriate to bring a regular update on progress on individual audits in the revised plan to Standards and Audit Committee. (Appendix 1)

- 3.9 At 31 May 2021, of the 44 Fife Council reviews scheduled for 2020/21 in the revised audit plan, 25 had been completed, 9 were at review / post exit meeting stage, fieldwork was in progress for 6 audits, 4 were at set up stage and 1 was not started. Against a target of completing 90% of the audit plan, 76% of the revised planned work had been completed due to difficulties faced with remote working and progressing audit fieldwork during the year.

Performance Overview 2020/21 – Original Operational Plan

- 3.10 Audit Services' Balanced Scorecard was also reported to Standards and Audit Committee during the year, including the final position on the original plan at 31 March 2021. Against a target of completing 90% of the audit plan, by 31 May 2021, 68% of original planned work had been completed.
- 3.11 There were 10 audits from the original audit plan which were not included in the revised audit plan, either because they were deemed to be lower risk, or because we were unable to do so as a direct consequence of the pandemic or because of the impact of the pandemic on Services. As recorded at the foot of Appendix 2, these have been carried forward into 2021/22 and will be progressed as soon as possible.
- 3.12 The Audit Scorecard for 2020/21 is included at Appendix 3. Annual indicators not included in the Balanced Scorecard are included below:
- 3.13 **Follow Ups** – The 10% target, for Post Audit Review follow ups, was achieved in 2020/21.
- 3.14 **Training** - Staff training was planned at five days per staff member per year. Actual days were 6.5 days per staff member (eleven days in 2018/19). This includes mandatory participation in training courses and e-learning, which audit staff took the opportunity to catch up on when unable to progress audits during the early stages of the emergency response.

4.0 Public Sector Internal Auditing Standards

- 4.1 Audit Services operates in accordance with the Public Sector Internal Audit Standards (PSIAS) which apply to Local Government. This was confirmed by the last External Quality Assessment report in April 2017.
- 4.2 The Scottish Local Authority Chief Internal Auditors Group provides the opportunity for EQAs to be performed as a peer review by the CAE of another Scottish Local Authority at least once every five years.

- 4.3 An annual PSIAS self-assessment has recently been undertaken, the summary outcome of which is included at Appendix 4. The full assessment is available on request. While we have assessed that we fully conform in the majority of areas, we have identified some slippage in the last year:
- While employee development has taken place, we have not yet developed a formal process for recording it in line with the new Corporate Performance Management process.
 - We require to review our documented procedures to ensure they reflect up to date processes, particularly in light of changes due to remote working, and to establish a review schedule.
- 4.4 These actions are included in the action plan at Appendix 5, and all actions will be complete by 31 August 2021.
- 4.5 The next independent external assessment of Audit Services' compliance against the PSIAS will be carried out in 2022 by the CAE of Aberdeen City Council.

5.0 Fraud and Incident Reports

- 5.1 Council Services and staff are required to notify the Corporate Fraud Team, within Audit Services, of all suspected incidents of theft or fraud. Corporate Fraud Officers record details of the occurrence in Incident Report Proformas and use the information to assess any action required.
- 5.2 As detailed in the Council's Fraud Strategy and Response Plan, the Corporate Fraud Team will agree the appropriate method of investigating the fraud with the Service(s) involved and ensure that Human Resources is notified where required.
- 5.3 When sufficient information is available, an appropriate course of action is taken. This may result in no further action being taken or a full investigation being carried out and reported to Standards and Audit Committee.
- 5.4 In the financial year 2020/21, a total of 10 incidents were reported to Audit Services. None resulted in a major loss or risk to the Council. A summary of these incidents is contained in Appendix 6.
- 5.5 Incident reports are used as the basis for identifying any patterns of fraudulent activity or any arising areas of increased risk when reviewing the Annual Audit Plan. Where there are lessons learned from any incident, the findings are shared with Services to allow them to make improvements to their processes.

- 5.6 When not engaged in investigations, the team administer the NFI exercise and carry out fraud awareness presentations and preventative fraud risk reviews, which focus specifically on fraud controls.
- 5.7 A list of fraud risk reviews has been compiled from information on key fraud risk areas received from a variety of sources including Audit Scotland, Police Scotland and the Scottish Local Authority Investigators Group. However, the list may be subject to change as new information is received. The current List of Areas for Review is attached at Appendix 7.

6.0 The Future

- 6.1 Audit Services' Vision is:
By providing a quality audit service, assist the Council to become risk enabled, have sound governance and optimum internal control.
- 6.2 Audit Services' Mission is to:
- provide assurance on the adequacy of the Council's control environment comprising risk management, internal control and corporate governance to the:
 - a) Standards and Audit Committee to assist the Committee to assess the adequacy of the risk management framework and associated control environment within the Council and its role in the independent scrutiny of the Council's financial and non-financial performance;
 - b) Chief Executive and Executive Director Finance & Corporate Services to assist them in the preparation and monitoring of the annual Corporate Governance Statement;
 - c) Council's management to assist their understanding of the adequacy of the Council's control environment;
 - assist management to improve the Council's control environment comprising risk management, internal control and corporate governance.
- 6.3 The remainder of this report sets out how we intend to do this over the coming year, including the preparation of an Audit Plan, the Audit Approach, Staffing and Service Improvements.

Audit Approach

- 6.4 Internal Audit assists management and the Standards and Audit Committee in meeting their responsibility for providing sound governance by providing objective and independent assurance on the adequacy of the Council's risk management framework and the associated control environment. It helps the Council and the Standards and Audit Committee achieve their objectives by using a systematic,

disciplined approach to evaluate and improve effectiveness of risk management, control and governance processes.

- 6.5 Audit Services also works closely with External Audit to co-ordinate planned work, ensure the objectives of both functions are met and avoid any unnecessary duplication of work. This allows work to be planned to ensure the best use of resources and to avoid overlap.
- 6.6 Work is planned using a risk-based audit approach which is designed to achieve the audit objectives. In preparing the plan, account is taken of the adequacy of the Council's risk management, performance management and other assurance processes. In addition, consultation is carried out with stakeholders. Where the outputs from these processes are not judged to be sufficiently reliable, Audit Services undertakes its own risk assessment.
- 6.7 The PSIAS requires that, where the Chief Audit Executive (CAE) has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity. In accordance with this standard, the CAE will not be involved in audits relating to the Risk Management and Insurance functions within Audit and Risk Management Services. The Audit Team Manager will approve the Terms of Reference and sign off the final audit report.
- 6.8 An annual assessment is required of the Standards and Audit Committee against the CIPFA Audit Committee Practical Guidance for Local Authorities and Police 2018. This assessment will be undertaken in the next few months.
- 6.9 A joint action plan was compiled for the last Standards and Audit Committee assessment and the Safeguarding public money self-assessment. Implementation of actions has been impacted by COVID-19 response but will be rescheduled and progressed over the next few months. An update will be brought to Standards and Audit Committee in September 2021.

Staffing

- 6.10 The Audit Team establishment is currently 14.2 FTE, consisting of 3 FTE Auditors, 7.2 FTE Audit Technicians, 2 FTE Audit Assistants and 2 FTE Corporate Fraud Officers. However, the Operational Plan for 2020/21 was based on a staff complement of 12.9 FTE as that reflects the audit time available, e.g. due to staff working reduced hours on a temporary basis.
- 6.11 The 12.9 FTE currently includes two vacant posts; one permanent audit technician and one temporary assistant post. The audit technician post has just become a permanent vacancy, and recruitment will take place as soon as possible, with the assistant post following soon afterwards.

- 6.12 Changes to the Audit Team staff complement must be assessed regularly to ensure that a satisfactory level of assurance can still be provided to both the Chief Executive and the Standards and Audit Committee, and that audit resources are appropriate for the level and quantity of work that will be required in the coming years.
- 6.13 Staff changes over the last few years have reduced the capacity to undertake more complex IT audits, and there is an inherent difficulty in maintaining up to date knowledge and experience in such a constantly developing environment. With the move towards hosted services, some IT audits are now effectively contract audits, but there is still the need for a reasonable level of technical IT auditing knowledge to provide sufficient assurance of governance and internal controls.
- 6.14 There are currently three Institute of Internal Auditors (IIA) qualified staff in Audit Services with an IIA IT Auditing Certificate (ITAC); the Service Manager, and two Auditors (1.5 FTE). The ITAC qualification focuses on IT governance and has enabled IT audits to be undertaken by other staff under supervision, but the time taken to undertake IT audits and the level of supervision required impacts on the overall audit plan performance.
- 6.15 Currently, the budgets for IT audits are set to allow for this learning curve, and membership of the Information Systems Audit and Control Association (ISACA) is held by the Audit Team Manager and one of the Auditors, which allows attendance at training days for staff and provides access to IT auditing resources. Opportunity for no-charge training on areas such as cybersecurity is also taken when available.
- 6.16 However, there is a recognised need for succession planning and development of IT auditing skills. Consideration of this has been delayed by the need to progress the audit plan but will be progressed over the next few months.

7.0 Conclusion

- 7.1 While a revised audit plan and an extension to the audit period was required due to the impact of Covid-19, and performance has been impacted, sufficient assurance has been obtained during that extended period to issue a complete annual opinion.
- 7.2 My opinion is that a medium/high level of control exists, and that reasonable assurance can be placed on the adequacy and effectiveness of the Council's systems of corporate governance and internal control in the year to 31 March 2021.

- 7.3 I would like to take the opportunity to thank the Committee, Audit Scotland and Council management and staff for their support, guidance and assistance, and Audit Services staff for their efforts to fulfil the audit plan in difficult circumstances this year.

List of Appendices

1. Assurance Statement 2020/21
2. Revised Operational Audit Plan 2020/21
3. Audit Balanced Scorecard 2020/21
4. PSIAS Self-Assessment Summary Outcome 2021
5. PSIAS Action Plan 2021
6. Fraud Incident Reports 2020/21
7. Fraud Risk – List of Areas for Review

Report Contact

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FIFE COUNCIL ANNUAL ASSURANCE STATEMENT 2020-21

To the Executive Director, Finance and Corporate Services, and the Chief Executive

As Service Manager, Audit and Risk Management Services, I am pleased to present my annual statement on the adequacy and effectiveness of corporate governance and the internal control system of the Council for the year ended 31 March 2021.

Respective responsibilities of management and internal auditors in relation to corporate governance and internal control

Council senior management is responsible for establishing an appropriate and sound system of corporate governance and internal control and monitoring the continuing effectiveness of these systems.

The Service Manager, Audit and Risk Management Services, is responsible for providing an annual overall assessment of the robustness of the corporate governance and internal control system. However, only reasonable assurance can be given that control weaknesses or irregularities do not exist.

The Standards and Audit Committee provides independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit, it plays a crucial role in ensuring effective assurance arrangements are in place.

Sound internal controls

The main objectives of the Council's corporate governance and internal control systems are to:

- ensure adherence to management policies and directives to achieve the Council's objectives;
- safeguard assets;
- ensure the proper, economic, efficient and effective use of resources;
- secure the relevance, reliability and integrity of information, so ensuring, as far as possible, the completeness and accuracy of records; and
- ensure compliance with statutory requirements.

A sound system of corporate governance and internal control reduces, but cannot eliminate, the possibility of:

- poor judgement;
- human error;
- control processes being deliberately circumvented by employees and others;
- management overriding controls;
- unforeseeable circumstances;
- failure to meet objectives; or
- material errors, losses, fraud, or breaches of laws or regulations.

There are a number of areas of high-level control and direction across the Council's activities which contribute positively to the standards of internal control in place, for example:

- appropriate, regularly reviewed policies in place;
- comprehensive financial management systems;
- medium term financial strategy and robust approach to long term financial planning;
- a comprehensive risk management strategy with a maturity model approach;
- clearly-defined capital expenditure guidelines;
- regular reviews of periodic and annual revenue and capital financial reports that measure financial performance against forecasts;
- corporate and service plans, including financial and other performance targets;
- unqualified external audit opinion on the last 16 years' annual accounts;
- well-defined Chief Officer responsibilities; and
- well-established Standards and Audit Committee and scrutiny committees.

The work of Internal Audit

The Service Manager, Audit and Risk Management Services, plays a critical role in delivering the Council's strategic objectives by:

- championing best practice in governance;
- objectively assessing the adequacy of governance and management of existing risks;
- commenting on responses to emerging risks and proposed developments; and
- giving an objective and evidence-based opinion on all aspects of governance, risk management and internal control.

Internal Audit is an independent appraisal function established to review the corporate governance and internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of corporate governance and internal control as a contribution to the proper, economic, efficient and effective use of resources.

To do so effectively, the Service Manager, Audit and Risk Management Services, must be a senior manager with regular and open engagement across the Council, particularly with the Council Leadership Team and the Standards and Audit Committee, who is required to lead and direct an internal audit service that is fully fit for purpose.

Audit and Risk Management Services provides the internal audit function for Fife Council and operates in accordance with the Public Sector Internal Audit Standards, which apply to Local Government. Audit Services undertakes an annual programme of audit work approved by the Standards and Audit Committee based on a five-year strategic audit plan. This plan is based on a risk assessment and continually updated to reflect evolving risks and changes within the Council.

All Fife Council internal audit reports, including those identifying system weaknesses and/or non-compliance with expected controls, are issued to Service/Directorate management who are responsible for implementing all recommendations in agreed action plans.

The Service Manager, Audit and Risk Management Services is responsible for determining whether appropriate action has been taken on internal audit recommendations or that management has understood and assumed the risk of non-implementation. This is done by means of follow up procedures and bi-annual reports to the Standards and Audit Committee.

All internal audit reports are issued to the appropriate Executive Director and Head of Service and copied to all members of Standards and Audit Committee, the Executive Director Finance and Corporate Services, other relevant Executive Directors and Heads of Service and Audit Scotland. Where necessary, the Standards and Audit Committee can seek further reports from the appropriate Executive Director or Head of Service.

Basis of Opinion

My evaluation of the control environment is informed by a number of sources:

- the risk assessment completed during the preparation and updating of the strategic audit plan;
- internal audit work undertaken during from 1 April 2020 to 31 May 2021 and carried out in prior years with agreed improvements being implemented in that period or later;
- fraud risk reviews undertaken during that period by the Corporate Fraud Team;
- reports issued during that period by Audit Scotland;
- my knowledge of the Council's governance, risk management and performance monitoring arrangements.

While a revised audit plan and an extension to the audit period to 31 May 2021 was required due to the impact of Covid-19, sufficient assurance has been obtained during that extended period to issue a complete annual opinion.

In addition to the completed audits referenced in this report, assurance has also been obtained that no significant areas of weakness have been identified in audits where fieldwork was complete, but final reports have not yet been issued.

Audit Findings

Internal and External Audit findings provide evidence the Council has a sound system of corporate governance and internal control which is appropriately monitored and reviewed.

Internal audits reviewed a number of major systems and processes including reviews of leasing of industrial and commercial premises, management of IT service requests and incidents, IT governance assessment processes, revenue and capital budget

setting and monitoring, Grants to Voluntary Organisations, information governance, corporate health and safety, and the Plan for Fife management processes.

The majority of Internal and External Audit reports identified that, overall, processes and procedures had met the control requirements and revealed only relatively minor non-compliance or system weakness. However, for a few, a greater number of actions were required to address the control weaknesses identified.

Key findings include:

- Controls around leasing of industrial and commercial premises are satisfactory.
- There are appropriate processes for management of IT incidents and service requests.
- The assessment process carried out by the Performance & Information Team against the COBIT 5 IT Governance Framework was not operating effectively. Actions are recorded as complete on Pentana, and a follow up will be carried out in 2021/22.
- The revenue budget setting and monitoring processes in Communities and Neighbourhoods and Grounds Maintenance Service, and the capital budget setting and monitoring processes in Education and Children's Services, were in good order.
- Areas for improvement were identified in Health & Social Care's monitoring processes for grants to voluntary organisations. All but one of the agreed actions have been recorded as complete by the Service, with the remaining likely to be complete by 30 June 2021.
- The Information Governance audit assessed how well Fife & Corporate Services complies with the General Data Protection Regulations and the Data Protection Act. A number of areas for improvement were identified and most are complete. Implementation of three substantial recommendations has been delayed by Covid-19. These relate to a corporate review of the Information Asset Register, maintenance of retention schedules and the introduction of destruction registers. Revised timescales have been agreed for these actions.
- The Council has made suitable corporate health and safety governance arrangements, underpinned by appropriate policy and guidance.
- There are appropriate controls around monitoring and measuring performance on the Plan for Fife – Inclusive Growth and Jobs ambition relating to increasing visitor numbers and tourism spend. A further audit focused on a different priority will be performed in 2021/22 following the Plan for Fife refresh.
- Fraud reviews in the year identified improvements required in relation to the property lease arrangements, the Community Payback by Offenders Unpaid Work process, management of framework contracts and inspection arrangements and gas safety checks processes.

In addition, my opinion on the level of internal controls has been influenced by the following:

- Internal and External Audit reports identified some processes where control objectives had not been fully achieved or there was a lack of compliance.

Satisfactory action has been agreed with Services to address these weaknesses. Where delays in implementation have occurred this year due to the impact of Covid-19, revised dates have been agreed, and these will be followed up in the Post Audit Review process.

- The recent Risk Management Strategy review identified well established risk management processes, mature programme and project risk management and a positive culture of risk ownership in some areas. However, it also identified priority areas for improvement, which would improve the Council's risk management maturity. A Risk Management Strategy Group will be formed and tasked with developing an action plan to drive improvements in risk management across the Council. A review of strategic risks is also underway, which will ensure risks reflect the refresh of the Plan for Fife and the recovery and recovery agenda.
- Issues were raised during the year by the Council's property insurers in relation to property risk management, particularly in relation to vacant properties. A Property Improvement Plan was developed, and progress has been made with improving processes. Further work on the strategic approach and responsibilities for building management, maintenance, and disposal/demolition will be progressed in 2021/22.
- While progress has been made, further work is still required, in conjunction with the IJB and NHS Fife in relation to addressing accountability, assurance and governance, clarity over the ownership of risks regarding delegated services, and to drive transformation change through collaborative relationships with the IJB and NHS Fife. Progress has been impacted by the need to prioritise the COVID-19 response, and the integration scheme review is ongoing, with some issues still to be addressed by Fife Council and NHS Fife.
- Fife Council has successfully obtained the Cyber Essentials Plus accreditation following a Public Sector Network IT Health Check and Cyber Essentials Plus testing was undertaken by external consultants, including the Council's cloud infrastructure.
- An Information and Records Managements Strategy 2021-23 has been agreed by the ICT Governance Board and will operate in conjunction with a Records Management Plan to set out the programme for improvements to the management and use of information across the Council.
- A technical issue in the Contact Centre has resulted in only 95% compliance with the Payment Card Industry Data Security Standards (PCI DSS). While the new contact centre solution due to go live June will facilitate fixing the recording issue, it will not be completed until interfaces are developed and tested with the new payment solution Adelante. The Project Team is consulting with the supplier on implementation dates, but it is anticipated that this work will be complete by September 2021.
- We were unable to conduct audits during the year on procure to pay processes and payroll due to the Oracle Cloud project delays due to Covid-19. The project is now nearing completion, and these audits will be prioritised as soon as possible in 2021/22.
- The overall outcome of the self-assessment on Governance arrangements during Covid-19 highlights that risk management, governance and internal controls and assurance have been key considerations in the recovery and

redesign of services, with decision making supported by financial management and reporting.

- Personnel and process changes may increase the risk of governance failings until experience is gained and controls are embedded, and during the emergency response and the recovery phase, new processes may have been, or will be, devised or established processes revised. Significant changes will be identified through liaison meetings with Service Management, and controls reviewed in forthcoming audits.

Conclusion

Overall, systems and processes were operating well and continued improvements are being made.

As part of each audit, a detailed action plan improving controls was agreed, and the outcome monitored. Where control failings or weaknesses were identified, management responded well and have taken appropriate remedial action in line with an agreed, monitored action plan, although some actions have been delayed by the pandemic response. Follow-up audits show that, whilst not all agreed actions are achieved within the agreed timescales, work continues to complete all the action points agreed within an acceptable revised timescale. Where actions are incomplete, it is my opinion these do not pose a significant risk.

Level of opinion

In determining the level of opinion to be provided, I have had regard to five possible categories as detailed in the Evaluation Criteria below.

Opinion

It is my opinion that a medium/high level of control exists, and that reasonable assurance can be placed on the adequacy and effectiveness of the Council's systems of corporate governance and internal control in the year to 31 March 2021.

Avril Cunningham

Service Manager, Audit and Risk Management Services

2 June 2021

Evaluation Criteria

1 High level of assurance / well controlled - clean opinion	:	internal control objectives have been met - any non-compliance or weaknesses are insignificant.
2 Medium/high level of assurance / adequately controlled - clean opinion or qualified opinion	:	internal control objectives have been met - any non-compliance or weaknesses are relatively minor and / or relate to specific areas.
3 Medium level of assurance / inadequately controlled - qualified opinion	:	control objectives have not been fully achieved - control weaknesses or non-compliance are relatively minor but have been identified in a number of areas.
4 Low/medium level of assurance - qualified opinion or adverse opinion	:	control objectives have not been met - significant or material non-compliance and/or control weaknesses have been identified.
5 Low level of assurance – adverse opinion	:	control objectives overall have not been met – systemic significant or material non-compliance and/or control weaknesses have been identified.

Key to progress			
	Complete		
	Review stage and above (nearing completion)		
	In progress (time against audit in % plan)		
	Not started		
Revised 2020/21 Audit Plan			
Plan No	Plan Description	Status at week 52	Status at week 60
GOVERNANCE			
1	Plan for Fife	Final report issued no.54	Final report issued no.54
3	Corporate Governance & Best Value (Service Level)	Final report issued no.49	Final report issued no.49
5	Risk Management & Business Continuity (Health and Social Care)	Final report issued no.50	Final report issued no.50
5	Risk Management & Business Continuity (Housing)	Report review stage	Report review stage
7	Health & Safety Corporate	Final report issued no.52	Final report issued no.52
8	Management of Information (Corporate) - Follow Up	Final report Issued no.53	Final report Issued no.53
9	Management of Information (Service Level)	Final report issued no.46	Final report issued no.46
9	Management of Information (Service Level)	Report review stage	Report review stage

Plan No	Plan Description	Status at week 52	Status at week 60
	GOVERNANCE		
14	Partnership Working	Audit set up finalised	Audit set up finalised
15	Performance Management	Final report Issued no. 58	Final report Issued no. 58
	MEMBERS		
18	Election Expenses	Final report issued no.47	Final report issued no.47
	MAIN SYSTEMS		
23	Capital Budget Setting & monitoring	Final Report issued no. 59	Final Report issued no. 59
28	Non-Domestic Rates	Testing in Progress	Testing in Progress
29	Debtors	Final report issued no.55	Final report issued no.55
30	Payment Strategy/Income Collection/PCI DSS	Audit set up ongoing	Set up complete
32	Asset Management (CAM Land & Buildings)	Exit meeting draft report with Service	Exit meeting draft report with Service
34	Housing & Council Tax Benefits	Final report issued no.35	Final report issued no.35
	SUBSIDIARY SYSTEMS		
37	Valuation List	Final report issued no.56	Final report issued no.56
	STAFFING		
43	Human Resources (Service Level)	Testing in progress	Testing in progress

Plan No	Plan Description	Status at week 52	Status at week 60
	INCOME		
48	Leasing of Industrial & Commercial Premises	Final report issued no.36	Final report issued no.36
	PURCHASES		
52	Capital Expenditure Service Level	Report review stage	Report review stage
57	Concessionary fares and subsidised transport	Final Report issued no. 60	Final Report issued no. 60
58	Review of SLAs/Internal Contracts	COBIT Review Assessment Process, no report to Committee	COBIT Review Assessment Process, no report to Committee
62	Fleet Management	Report being drafted	Report being drafted
64	Management of Contracts	Testing in Progress	Testing in Progress
	HEALTH & SOCIAL CARE		
8	Transformation Programme - Home Care Audit	Report review stage	Report review stage
69	Resource Transfers	Audit set up ongoing	Audit set up ongoing
71	Clients Funds/Assets - Follow up	Follow up at review stage (desktop exercise as no audit visits)	Follow up at review stage (desktop exercise as no audit visits)
73	Employability	Final Report Issued No. 57	Final Report Issued No. 57

Plan No	Plan Description	Status at week 52	Status at week 60
OTHER SERVICES			
74	Contact Centre	Final report issued no.48	Final report issued no.48
80	Litigation and Licensing	Final report issued no.37	Final report issued no.37
INFORMATION TECHNOLOGY AUDITS			
97	Change Management	In progress, waiting on information from Service	Final report issued no.61
100	Management of Availability, Capacity & Continuity	Not Started	Not Started
104	Management of Service Requests & incidents	Final report issued no.38	Final report issued no.38
MINI AUDITS			
107	Purchasing Cards (Education)	Testing Ongoing	Testing Ongoing
CONTINUOUS AUDITING			
112	Purchasing Cards	Continuous auditing - no report to Committee	Continuous auditing - no report to Committee
113	Duplicate Suppliers	Not required this year	Not required this year
114	Payroll monthly checks	Continuous auditing - no report to Committee	Continuous auditing - no report to Committee

Plan No	Plan Description	Status at week 52	Status at week 60
	Audit Certification		
115	External Grants Received (including EU) process	Certification complete	Certification complete
115	External Grants Received - Leader	Final report issued no.43	Final report issued no.43
116	Audit Certification - Fitzgerald Trust, Clipper, FET, Grants, etc.	Certification complete	Certification complete
	Post Audit Review and Follow Up		
117	PAR Reviews	Ongoing	Complete
	Planned consultancy		
118	COBIT 5 Capability Assessment (BTS)	Set up started	Set up started
119	Data Matching	Not required this year	Not required this year
120	National Fraud Initiative - Administration	NFI exercise ongoing	NFI exercise complete for year
121	Link Officer Governance Group	Completed	Completed
122	Voluntary Sector Task Group	Completed	Completed
123	Social Work Boards	Completed	Completed

Plan No	Plan Description	Status at week 52	Status at week 60
Plan no.	Unplanned audit work – now included in 2020/21 revised plan		
	Unplanned Carry Forwards from 2019/20		
43	Human Resources (Service Level) - follow up	Report issued no.41	Report issued no.41
118	Grants to Voluntary Organisations	Report issued no.44	Report issued no.44
95	Management of Portfolio, Programmes and Projects	Testing underway	Testing underway
23	Revenue Budget Setting & Monitoring	Report issued no.40	Report issued no.40
22	Revenue Budget Setting and Monitoring (Communities)	Report issued no.42	Report issued no.42
127	COBIT5 Capability Assessment	Report issued No.39	Report issued No.39
85	Health & Safety Risk Assessments	Report at review stage	Report at review stage
67	Childcare Payments Follow-Up	Testing in Progress	Testing in Progress
101	Management of IT Security - Cybersecurity	Set up started	Initial meeting stage
123	City Deals- FI3P	Consultation exercise complete	Consultation exercise complete

Plan No	Plan Description	Status at week 52	Status at week 60
Additional Work Requested in 2020/21			
	Procurement Contract Review (requested by Committee)	Report Issued No. 51	Report Issued No. 51
	COVID 19 Fin Gov & Supplier Relief Scheme	Review complete - advice and guidance provided	Review complete - advice and guidance provided
	Business Grants Process	Review complete - advice and guidance provided	Review complete - advice and guidance provided












Audits from original audit plan not carried out in 2020/21












Plan No	Plan Description	Inclusion in 2021/22 audit plan
1	Plan for Fife - Opportunities 4	Yes
10	Complaints Procedure	Yes
24	Procure to Pay (P2P)	Yes
25	Payroll & Expenses - Central Processing	Yes
26	Payroll and Expenses (Service Level) (Children's Services)	Yes
99	COBIT Management of Knowledge	Yes
106	Stocks - review of stocktaking processes	Yes
109	Arrangements for Cash Handling and Security	Yes
110	Financial Checks - Health & Social Care	Yes
111	Stocktaking – check on processes	Yes

SCORECARD 2020-21	Notes	Quarter 1 Apr-Jun	Quarter 2 Jul-Sep	Quarter 3 Oct-Dec	Quarter 4 Jan-Mar	Position at week 52	Annual Target/Budget
Customer							
Customer Satisfaction Rate (%) (FCS ARM 06)	Percentage of satisfied audit clients	85%	92%	78%	96%	91%	85%
Achievement of Audit Plan							
Planned work completed (%) (FCS ARM 09)	Percentage of planned work which has been completed (cumulative)	17%	30%	43%	60%	60%	90%
Efficiency of Adherence to Audit Plan (FC5 ARM 03)	Efficiency of Adherence to the annual audit plan (cumulative)	18%	29%	56%	75%	75%	90%
Chargeable time (%) (FCS ARM 04)	Percentage of productive days as a measure of total days (cumulative)	67%	66%	63%	65%	65%	75%
Budget against Actual (FCS ARM 05)	Percentage of the audit plan completed within budget (cumulative)	-12%	1%	13%	7%	7%	0%
Timescales							
Formal Drafts issued (FCS ARM 08)	Figures taken from timescales spreadsheet	3	7	7	13	30	
Formal Drafts issued in agreed timescale (Draft reports)	Figures taken from timescales spreadsheet	3	6	7	11	27	
Formal Drafts issued in agreed timescale (Draft reports) (%)		100%	86%	100%	85%	90%	90%
Final Reports/MLs issued (FCS ARM 07)	Figures taken from timescales spreadsheet	3	8	8	12	31	
Final Reports/MLs issued in agreed timescale	Figures taken from timescales spreadsheet	3	7	8	12	30	
Final Reports/MLs issued in agreed timescale (Final reports) (%)		100%	88%	100%	100%	97%	90%

PSIAS Self-Assessment 2021

This checklist has been developed to satisfy the requirements set out as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of the PSIAS as well as the Local Government Application Note (2019 Edition) in order to ensure a comprehensive assessment of conformance.

Assessment Area	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
<u>Mission of Internal Audit and Core Principles</u>				
<u>Definition of Internal Auditing</u>				
<u>Code of Ethics</u>				
<u>Attribute Standards</u>				
<u>Purpose, Authority and Responsibility</u>				
<u>Independence and Objectivity</u>				
<u>Proficiency and Due Professional Care</u>				
<u>Quality Assurance and Improvement Programme</u>				

Assessment Area	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
<u>Performance Standards</u>				
<u>Managing the Internal Audit Activity</u>				
<u>Nature of Work</u>				
<u>Engagement Planning</u>				
<u>Performing the Engagement</u>				
<u>Communicating Results</u>				
<u>Monitoring Progress</u>				
<u>Communicating the Acceptance of Risks</u>				

Public Sector Internal Auditing Standards (PSIAS) - Internal Self-Assessment Action Plan 2021/22

PSIAS Ref.	Area for Improvement	Proposed Action	Responsible Person	Timescale	Notes	Date Completed
1200.9	A formal assessment of employee development needs has not been carried out within the last 12 months.	A formal process for recording employee development needs and training activities undertaken will be put in place for all audit staff in line with the new Corporate Performance Management process	Service Manager, Audit & Risk Management	August 2021		
1200.11	Recording of employee development needs by individuals has not been carried out.	As above	Service Manager, Audit & Risk Management	August 2021		
2000.9	Policies and procedures are not regularly reviewed and updated.	All procedures will be reviewed and updated accordingly. A Review Schedule will be put in place to ensure that all procedures are reviewed and updated on a regular basis.	Service Manager, Audit & Risk Management	July 2021		
2500.1	There are established processes in place but Follow Up procedures are not up to date and Post Audit Review (PAR) procedures are incomplete.	The Follow Up and PAR procedures will be reviewed and updated.	Service Manager, Audit & Risk Management	July 2021		

Fraud Incident Reports 2020/21

This appendix contains a short summary of the incidents reported during the year.

Incident Report 276

Children's & Families Services reported a cash shortfall of approximately £300 at a Children's Home. Following an investigation by the Service, they are now reporting a cash surplus of £29.10. The Service has been advised to monitor this closely to ensure that staff are following correct procedures for recording all transactions.

Incident Report 277

Non-specific anonymous allegations of bribery against senior Service Managers were received. No detailed information was provided, so an investigation was not undertaken.

Incident Report 278

Anonymous allegations regarding the lack of transparency in a recruitment process with two posts. Following a preliminary investigation, HR confirmed the posts had not been appropriately filled and no further action was taken.

Incident Report 279

Corporate Fraud were contacted by Corporate Procurement regarding a company that has a contract with the Council alleging that they had not received payment. Following a preliminary investigation, it was identified that this was an internal dispute within the company, and fraud had not been committed in connection with the Council.

Incident Report 280

Corporate Fraud assisted with an internal investigation into a property lease secured without necessary approvals and contrary to the List of Officer powers, the Council's scheme of delegation. Following the internal review, the Head of Service issued an instruction to all managers to comply with corporate policy and procedures regarding any property lease arrangements.

Incident Report 281

A shortage of £20 was identified in service user's cash box at a Group Home. Following checks by staff and Senior Social Care Worker, no reason has come to light for the shortage. The Service has noted the shortage and will monitor this for any further incidents.

Incident Report 282

The Customer Service Delivery (CSD) Team Leader contacted Corporate Fraud regarding an application for the Self-Isolation Support Grant (SISG), which the Team suspected as being fraudulent. The applicant had made several applications for the SISG. A Corporate Fraud investigation identified three fraudulent SISG awards amounting to £1,500. The CSD Team have reported this matter to Police Scotland. This was reported in report CF14.

Incident Report 283

A member of staff from a Group Home has misplaced/lost £200 while shopping for a group home. The money was from the "housekeeping box" which comes directly from service user funds. The money has been replaced out of the existing home budget. The Service was advised to record the incident through their own procedures. The Service contacted the police to establish whether the money was handed in, but there was no record of anyone having done so.

Incident Report 284

A Health and Social Care Manager received a complaint that a service user was being asked to pay for a service twice, by phone and by direct debit, after they received a bill for Community Alarm Services. However, the Council doesn't ask for payment prior to installation or charge for installation, only charging for the monitoring of the alarm use, and the Service user was unable to provide proof of payment.

Incident Report 285

Education and Children's Services reported that £120 in cash has gone missing from "cash tins" from three rooms at a Primary School. Corporate Fraud reminded the Service of the need to hold cash securely. Police Scotland were contacted and, following a visit to the school, are not taking any further action due to the low value and circumstances of the incident.

Fraud Risk – List of Areas for Review 2021/22

Priority	Operational Activity	Service Area	Fraud Control Issues
1.	<p>Fraud Awareness</p> <p>Raising awareness of fraud risks and promoting an anti-fraud culture through presentations and workshops.</p>	All Services	<ul style="list-style-type: none"> • Develop an ongoing programme across the Council • Look at the possibility of eLearning modules
2.	<p>Procurement in General - Scheme of Tender Procedures</p> <p>Fraud risks in not following the Scheme of Tender procedures.</p>	Procurement and all Services	<ul style="list-style-type: none"> • Lack of transparency • Bribery/coercion – Internally (e.g. Managers/Members) or externally (e.g. SOC) • Collusion and manipulation by bidders • Unfair competition e.g. a specification that deliberately excludes competition • Poor/inadequate due diligence • Gifts and Hospitality awareness and declarations • Potential for Conflict of Interest
3.	<p>Procurement – Framework Agreements</p> <p>New / Renewal and Monitoring of framework agreements.</p>	Procurement and all Services	<ul style="list-style-type: none"> • Lack of transparency • Bribery/coercion – Internally (e.g. Managers/Members) or externally (e.g. SOC) • Collusion and manipulation by bidders • Unfair competition e.g. a specification that deliberately excludes competition • Poor/inadequate due diligence • Inadequate monitoring or review: <ul style="list-style-type: none"> ○ Inflated prices ○ out of Framework costs

Priority	Operational Activity	Service Area	Fraud Control Issues
			<ul style="list-style-type: none"> ○ unofficial sub-contracting ○ substitution of goods, etc ● Gifts and Hospitality awareness and declarations ● Potential for Conflict of Interest
4.	<p>General Purchases</p> <p>Revenue purchases not covered elsewhere (e.g. services, administration items, schoolbooks, consultancy fees).</p>	Procurement and all Services	<ul style="list-style-type: none"> ● Bypassing scheme of tender procedures. ● Buying goods/services for own use ● Gifts and Hospitality awareness and declarations ● Potential for Conflict of Interest
5.	<p>Procure to Pay (P2P)</p> <p>Ordering, receipting and paying suppliers through Oracle ERP.</p>	Revenue Services and all Services	<ul style="list-style-type: none"> ● Collusion with supplier to place orders, process invoices for goods or services not provided, ● Submitting false orders/invoices and misdirecting payments to own bank account. ● Bank mandate fraud ● Noncompliance with Framework Agreement (inflated prices, out of Framework costs, unofficial sub-contracting, substitution of goods, etc.) – lack of Framework monitoring.
6.	<p>Housing Rents</p> <p>Income from the Council's housing stock, including billing, collection, recovery and voids.</p>	Housing Services	<ul style="list-style-type: none"> ● Fraudulent applications, e.g., claiming for non-existent children. ● Sub-letting a property without permission. ● Living in a property after someone has died without the right to do so. ● Accepting a bribe for

Priority	Operational Activity	Service Area	Fraud Control Issues
			<p>allocation of a property or giving priority to family/friends.</p> <ul style="list-style-type: none"> • Mutual Exchange – coercion, SOC • Key selling - this is where the legal tenant is paid a one- off payment to pass on their keys • Tenancy succession by deception • Potential for Conflict of Interest
7.	<p>Waste Management and Landfill Tax</p> <p>Management of the collection and disposal of waste, collection and payment of Landfill Tax.</p>	Transportation & Environmental Services and Procurement	<ul style="list-style-type: none"> • Contracts bypassing/not complying with the Corporate Procurement process • Inadequate due diligence • Inadequate monitoring of contracts – increased risk for fraud • Land contamination • Council exposed to risk of large fines and or prosecutions • Reputational risk
8.	<p>Grants to Voluntary Organisations</p> <p>Payment of funds and/or goods/services in kind to voluntary organisations.</p> <p>Monitoring and Evaluation Framework.</p>	Communities and Neighbourhoods and all Services, as appropriate.	<ul style="list-style-type: none"> • Grant monies not being used for the stated purposes or potential illegal activity. • Inadequate due diligence • Fraud/Error - In-kind costs/contributions not clearly defined • Lack of accountability through monitoring, review and follow up – Link Officer. • Potential for Conflict of Interest

Priority	Operational Activity	Service Area	Fraud Control Issues
9.	<p>Asset Management (Moveable Assets, e.g., Plant & Equipment)</p> <p>Service level needs assessment, recording, maintenance and utilisation of assets, including housing stock, property, vehicles, equipment and IT.</p>	All Services, as appropriate.	<ul style="list-style-type: none"> • Purchases bypassing/not complying with the Corporate Procurement process. • Selling assets for personal gain. • Selling assets at below market value (knockdown prices) • Using Council assets for personal gain. • Potential for Conflict of Interest
10.	<p>Scottish Welfare Fund</p> <p>The Council administers the scheme in Fife on behalf of the Scottish Government.</p>	Health and Social Care	<ul style="list-style-type: none"> • Fraudulent claims – poor due diligence at application stage • Misuse of goods/substitution of goods • Potential for Conflict of Interest
11.	<p>Contact Centre</p> <p>The management of the Council's contact centre.</p>	Communities.	<ul style="list-style-type: none"> • Fraudulent use of payment card details. • Fraudulently making a single payment (e.g. CT or NDR) and subsequently requesting a refund.
12.	<p>Partnership Working</p> <p>Arrangements for working with other bodies, including those that are not strictly partnerships.</p>	All Services.	<ul style="list-style-type: none"> • Partner organisations may not be as well controlled as Fife Council and therefore the potential for inadequate financial controls – increased fraud risk • Inadequate due diligence • Poor/inadequate liaison with Link Officer • Potential for Conflict of Interest
13.	<p>Planning and Enforcement Services</p> <p>Management of planning applications, fees and</p>	Enterprise & Environment.	<ul style="list-style-type: none"> • Bribery/coercion • Inappropriate political influence. • Bypassing planning

Priority	Operational Activity	Service Area	Fraud Control Issues
	enforcement, including developer's contributions (s69/75) and tree preservation orders.		<p>regulations for the benefit of associates.</p> <ul style="list-style-type: none"> • Potential for Conflict of Interest
14.	Concessionary Travel Activities - MyFife Card	Roads & Transportation Services	Fraudulent use and Cards still in use when user is deceased or no longer entitled.
15.	Self-Directed Support	Health & Social Care	<ul style="list-style-type: none"> • Inadequate due diligence in the application process • Inadequate monitoring of expenditure • Inappropriate expenditure • Potential for Conflict of Interest
16.	Recruitment	HR and All Services	<ul style="list-style-type: none"> • Poor vetting of staff in high risk areas – insider threat risk • Potential for Conflict of Interest
17.	Taxi and Private Hire Car Licensing	Legal Services	<p>Granting of the following licences to disqualified persons:</p> <ul style="list-style-type: none"> • Booking Office • Operator • Driver
18.	Market Traders and Alcohol Licensing	Legal Services	<ul style="list-style-type: none"> • Fraudulent applications • Potential for Conflict of Interest

29th June, 2021

Agenda Item No. 4

Fife Council Unaudited Annual Accounts

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

Wards Affected: All

Purpose

This report contains the unaudited accounts for Fife Council and its group for 2020-21

Recommendation

It is recommended that Members consider the unaudited accounts.

Resource Implications

None.

Legal & Risk Implications

None.

Policy & Impact Assessment

None.

Consultation

None.

1.0 Background

- 1.1. The Local Authority Accounts (Scotland) Regulations 2014 require the unaudited accounts to be submitted to the appointed auditor no later than 30 June. The regulations also require elected members to consider the unaudited accounts at a meeting held no later than 31 August.
- 1.2 Best practice is for the Committee whose remit includes audit or governance functions, to have formally considered the unaudited Annual Accounts prior to submitting them to the appointed auditor, and making them available for public inspection.
- 1.3 Formal consideration of the unaudited Annual Accounts by the Committee is required to address, and to mitigate, the risk of the Committee not agreeing to approve audited Annual Accounts for signature.

2.0 Issues

- 2.1 The unaudited Annual Accounts have been completed within the statutory timeframes and will be submitted to External Audit following this meeting.
- 2.2 The unaudited Annual Accounts contains full details of the Governance Compliance statement which is subject of a separate report on this agenda.
- 2.3 The unaudited Annual Accounts will be made available for public inspection from Thursday 1st July to Wednesday, 21st July (inclusive). Details of the public inspection process were publicised on Thursday 17th June.
- 2.4 Consideration of the unaudited Annual Accounts at this meeting complies with the regulations.

3.0 Conclusions

- 3.1 The unaudited Annual Accounts have been completed and submitted to External Audit in line with the previously agreed timescales.

Report Contact

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Annual Accounts 2020-21

SUBMITTED FOR AUDIT 30 JUNE 2021



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1. Introduction

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

Coronavirus (COVID-19)

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

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

Due to the COVID-19 outbreak, as with 2019-20, the Local Authority Accounts (Scotland) Regulations 2014 have been amended in respect of approval and publication of 2020-21 annual accounts. Under Regulation 5 of the Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2021 dates for publishing Annual Accounts may be extended up to 15 November 2021. The Council has determined again that it wishes to continue to work to the previously planned timetable for completion of the draft accounts and to the revised timescales for the audit process and publishing of Annual Accounts.

Impact of COVID-19 pandemic

Service Delivery

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

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

Revenue and Funding

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

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

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

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

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

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

Capital

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

Agency Arrangements

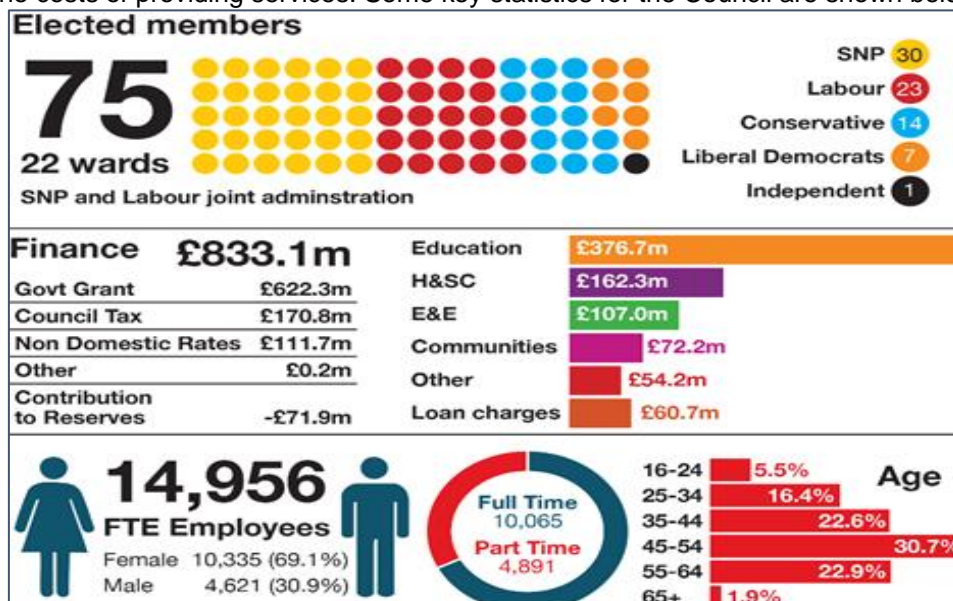
In response to the lockdown arrangements the Scottish Government introduced a number of grants for both businesses and individuals which Councils administered on their behalf. Fife Council paid out £103.761m of COVID19 support funding to businesses and individuals on an agency basis as detailed below:

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

* paid to businesses via Business Gateway

2. Profile of Fife Council

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



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

DIRECTORATES



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

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

3. Objectives and Strategy of the Council

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

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

Ambitions for Fife

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



The Plan for Fife is supported by Local Community Plans developed in each of the 7 areas of Fife. These have been approved in early 2018. The full Plan for Fife can be viewed via the following link: <https://www.fife.gov.uk/kb/docs/articles/about-your-council2/council-performance/a-new-plan-for-fife>

4. Finance and Performance

Performance Reporting

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

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

The following sections provide commentary on the single entity that is Fife Council, details of Group information are provided on page 11.

General Fund

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

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

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

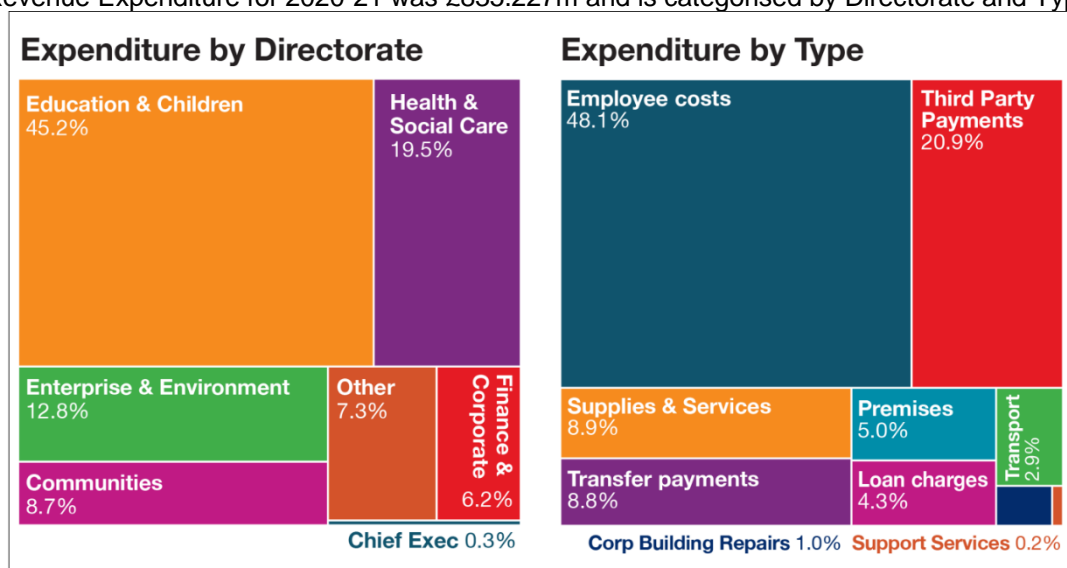
Non-DSM and Childcare reported an underspend of £1.529m. There has been an overspend of £3.256m on long term absence and maternity costs across schools. This has been offset by underspends within employee costs across Nursery of £0.732m due to the timing of recruiting Early Years Officers and the delay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

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

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

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

The Total Revenue Expenditure for 2020-21 was £835.227m and is categorised by Directorate and Type as follows:



The revenue outturn position reported to Policy and Co-ordination Committee on 24th June 2021, compared to the primary statements of these accounts, is detailed in the table below: -

2020-21 Financial Year	General Fund Outturn				Annual Accounts			
	Outturn	Budget	Variance	Variance	General Fund	HRA	Transfers	Total
	£m	£m	£m	%	£m	£m	£m	£m
Education & Children	378.729	383.073	(4.344)	(1.13%)	376.778		38.381	415.159
Health & Social Care	162.323	162.358	(0.035)	(0.02%)	162.323		6.423	168.746
Enterprise & Environment	107.128	104.406	2.722	2.61%	107.065		45.771	152.836
Communities	72.170	64.752	7.418	11.46%	72.129	(31.736)	21.441	61.834
Finance & Corporate	51.309	51.444	(0.135)	(0.26%)	51.309		11.723	63.032
Chief Executive	0.257	0.291	(0.034)	(11.68%)	0.257		0.015	0.272
Corporate & Democratic	2.647	2.204	0.443	20.10%	2.647		(3.356)	(0.709)
Service expenditure	774.563	768.528	6.035	0.79%	772.508	(31.736)	120.398	861.170
Loan Charges & CFR	60.664	69.103	(8.439)	(12.21%)	60.664	26.754	(87.418)	0.000
Contingencies	0.000	11.890	(11.890)	(100.00%)				0.000
Government Grant Income	(736.073)	(736.073)	0.000	0.00%	(734.018)			(734.018)
Council Tax Income	(170.789)	(171.763)	0.974	(0.57%)	(170.789)			(170.789)
COVID Funding		58.558	(58.558)	(100.00%)				
(Surplus)/Deficit for the year	(71.635)	0.243	(71.878)		(71.635)	(4.982)	32.980	(43.637)
Other Income & Expenditure							(3.960)	(3.960)
Budgeted Use of Balances	(0.243)	(0.243)	0.000					
(Restoration) / Use of Balances	(71.878)	(0.000)	(71.878)					
Transfers to(from) Reserves								
- Unusable Reserves							(27.156)	(27.156)
- Useable Reserves	(4.374)				(4.617)	(0.018)	(1.864)	(6.499)
(Increase) / Decrease in Reserves	(76.252)				(76.252)	(5.000)	0.000	(81.252)

Note 1 – The Transfers column represents adjustments between accounting basis and funding basis under regulations (detailed further in the Expenditure & Funding Analysis Statement on page 28).

Note 2 – Annual Accounts figures show minor changes since reported to Committee, due to accounting entries associated with the treatment of General Revenue Grant (GRG).

Reserves

The opening general balance of £45.444m includes a restatement of £12.755m made during 2020-21 to reflect the correction of accounting treatment of provisions for Housing Benefit Overpayments and Statutory Penalties for Non Domestic Rates and Council Tax. During the year the level of general fund balances increased by £76.252m from £45.444m to £121.696m, as per page 39.

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

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

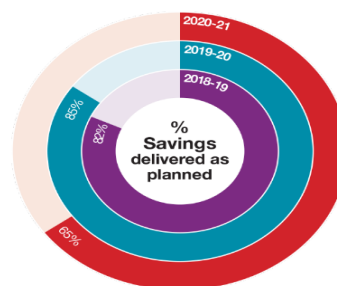
With all existing commitments taken into consideration the level of uncommitted balances is forecast to be £47.029m.

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

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

Delivery of Savings

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



Housing Revenue Account

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

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

Capital Expenditure

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

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

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

Assets and Liabilities

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2021 and explanatory notes are provided. Net assets have reduced by £71.137m to £1,771.828m as detailed in the following table;

	2020-21 £m	2019-20 £m	Movement £m
Long Term Assets	3,639.327	3,538.224	101.103
Current Assets	242.219	190.874	51.345
Current Liabilities	(327.547)	(325.656)	(1.891)
Long Term Liabilities			
-Defined Benefit Pension Liability	(819.646)	(572.923)	(246.723)
-Other Long Term Liabilities	(962.525)	(987.554)	25.029
Net Assets/(Liabilities)	1,771.828	1,842.965	(71.137)
Useable Reserves			
-General Fund	(121.696)	(45.444)	(76.252)
-Housing Revenue Account (HRA)	(8.005)	(3.005)	(5.000)
-Capital Grants & Receipts Unapplied	(10.290)	(13.294)	3.004
-Insurance Fund	(17.287)	(20.782)	3.495
Unusable Reserves			
-Defined Benefit Pension Liability	819.646	572.923	246.723
-Other Unusable Reserves	(2,434.196)	(2,333.363)	(100.833)
Total Reserves	(1,771.828)	(1,842.965)	71.137

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

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

Treasury Management Activity

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

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

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

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

The Council has a treasury management strategy which ensures that all decisions taken on treasury management give primary importance to minimising and managing potential risk. Detailed reports in relation to Capital investment and the Treasury Management strategy are considered by the Council's Policy and Co-ordination Committee and can be found at <http://fish.fife/fish/uploadfiles/Publications/Agenda%20%20Papers%20PC%20280319.pdf>

Key Financial Ratios

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

Financial Indicator	2020-21	2019-20	Commentary
Reserves			
Uncommitted General Fund reserve as a proportion of Annual Budgeted Net Expenditure	5.18%	3.86%	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's policy is a minimum of 2% of annual turnover which is considered appropriate in the context of the Council's financial and ongoing risk profile. The level of reserves has increased significantly largely due to one off adjustments.
Movement in Uncommitted General Fund Balance	£15.238m	£6.208m	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve.
Council Tax			
In-year Collection Rate	94.38%	95.33%	Reflects the Council's effectiveness in collection Council Tax debt and financial management. This has reduced due to debt recovery being slowed down and individuals struggling to pay their Council Tax linked to the Pandemic.
Ratio of Council Tax Income to Overall Level of Funding	18.81%	19.85%	Reflects the Council's capacity to vary expenditure by raising Council Tax income, the only principal source of finance within the Local Authority Control. Fife Council, in common with all Scottish Local Authorities froze Council Tax at 2007-08 levels until 2017-18. For 2020-21 a 3% increase was applied in line with legislation.
Financial Management			
Actual Outturn Compared to Budgeted Expenditure	(7.92%)	(0.41%)	How closely expenditure compares to the budget reflects the effectiveness of financial management.
Actual Contribution to/(from) Unallocated General Fund Balance compared to Budget	£71.878m	£3.341m	This is significantly higher than usual due to the receipt of funding to address the financial impact of the Pandemic. The indicator is based on the format of budget monitoring as reported throughout the year.
Debt/Long-term borrowing			
Capital Financing Requirement (CFR) for the Current Year	£1,118.253m	£1,121.785m	External debt levels are lower than the CFR for 2020-21. This demonstrates that borrowing is for capital investment purposes. In 2019-20, external debt levels were greater than CFR as a result of borrowing for cash flow purposes in response to COVID-19.
External Debt Levels for the Current Year	£1,059.937m	£1,142.312m	
Ratio of Financing Costs to Net Revenue Stream			These two ratios complement the assurances of borrowing only being for capital purposes with an indication of the scale of financing costs compared with the level of funding available to the Council.
- General Fund	6.08%	7.79%	
- HRA	21.98%	21.54%	

Fife Council Group Accounts

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

Subsidiaries

- Fife Sports and Leisure Trust
- Fife Coast and Countryside Trust
- Fife Golf Trust
- Fife Cultural Trust
- CIRECO (Scotland) Ltd
(formerly Resource Efficient Solutions)
- Fife Resource Solutions, Limited Liability Partnership
- Business Gateway Fife

Joint Venture – Fife Integration Joint Board

Charities & Trusts

Common Good

By including the Subsidiary bodies, Common Good and Trusts and Joint Venture, the effect on the Balance Sheet is a net increase in both Net Assets and Reserves of £15.415m (2019-20 £9.797m). This represents the Council's share of the net assets in these entities. The effect on the Comprehensive Income and Expenditure Statement is an increase to the surplus on the Provision of Services of (£14.508m) (2019-20, increase to deficit £6.505m).

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

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

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

	Operating (Surplus) / Deficit to 31 March 2021 £m	Net Assets / (Liabilities) as at 31 March 2021 £m
Fife Sports and Leisure Trust Limited	0.812	(8.244)
Fife Coast and Countryside Trust Limited	0.146	0.795
Fife Golf Trust Limited	0.118	(0.591)
Fife Cultural Trust Limited	(0.462)	1.364
CIRECO (Scotland) Ltd (formerly Resource Efficient Solutions)	0.000	0.000
Fife Resource Solutions LLP	1.300	(7.509)
Business Gateway Fife	0.009	0.536
Fife Integration Joint Board	(15.010)	15.010
Charities & Trusts	(0.515)	4.680
Common Good	(0.906)	9.374
Total	(14.508)	15.415

Going Concern

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

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

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

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

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

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

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

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

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

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

Acknowledgements

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

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

1.0 Scope of responsibility

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

2.0 Purpose of the governance framework

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

- Member/Officer Protocol and associated guidance notes
 - training and development arrangements for councillors and employees
 - List of Committee Powers and List of Officer Powers
 - Standing Orders
 - Financial Regulations
 - the Scheme of Scrutiny and Performance
 - regular planning and performance management reports
 - comprehensive financial management systems
 - periodic and annual financial reports which indicate actual and projected financial performance against budget
 - setting and monitoring targets for financial and other performance
 - embedding risk management within the Council
 - clearly defined capital expenditure guidelines
 - Digital Strategy
 - Procurement Strategy
 - the Capital Plan and the role of the Investment Strategy Group which considers high-level performance monitoring reports in relation to capital
 - HR Plans and Policies
 - as appropriate, formal programme and project management disciplines
- 2.3 Audit and Risk Management Services provides the internal audit function for Fife Council and operates in accordance with the Public Sector Internal Audit Standards which apply to Local Government. The Service undertakes an annual programme of audit work approved by the Standards and Audit Committee based on a five-year strategic audit plan. The strategic audit plan is based on a formal risk assessment process and is amended on an ongoing basis to reflect evolving risks and changes within the Council. A review of the effectiveness of the Standards & Audit Committee is undertaken annually and the Service Manager, Audit and Risk Management Services also provides an assurance statement to the Chief Executive and the Executive Director (Finance & Corporate Services).
- 2.4 All internal audit reports are issued to the appropriate Executive Director and Head of Service and to all members of the Standards and Audit Committee, the Executive Director (Finance & Corporate Services), other relevant Executive Directors and Heads of Service and the External Auditor. Where necessary, the Standards and Audit Committee can seek further reports from the appropriate Executive Director or Head of Service.

3.0 Review of effectiveness

- 3.1 Fife Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review of effectiveness is informed by:
- the work of the executive directors and managers within the authority who have responsibility for the development and maintenance of the governance environment which they report on through their annual assurance statements; a separate Trust Assurance Framework has been in place since 2012-13;
 - the Service Manager, Audit & Risk Management Services' annual assurance statement. In this regard, the most recent assurance statement concludes that a medium/high level of control exists and that reasonable assurance can be placed on the adequacy and effectiveness of the Council's system of Corporate Governance and internal control system in the year to 31 March 2021. This is the same level of control rating as in the 2019-20 statement;
 - comments made by the external auditors and other review agencies and inspectorates;
 - feedback from elected members and committees carrying out their scrutiny role;
 - issues considered by the Standards & Audit Committee; and
 - the review of various forms of customer and stakeholder feedback.
- 3.2 The current approach to the Council's Local Code of Corporate Governance was agreed by the Standards and Audit Committee in 2019. A key factor in developing the new process was to avoid a box-ticking exercise and to encourage a more rounded, qualitative approach. In addition to simplifying the previous assurance process by reducing the number of statements to be completed annually by Directorates from 118 to 40 some of the statements were assigned to designated Lead Officers in order to provide a more corporate assessment of the way in which the Council's governance arrangements are operating. Once completed the returns were analysed to identify areas of good practice; areas for improvement/future actions etc. Key governance issues have then been captured into this statement.
- 3.3 In December 2017, the Council approved the "Plan for Fife" which sets out the priorities the Fife Community Planning Partnership (which includes the Council) will collectively focus on in order to add most value for local

communities. The Plan sets out ten-year ambitions and priorities, along with a number of short-term actions. Elected members were closely involved in taking forward work on five cross-cutting reform and recovery priorities from October 2020 to March 2021 through elected member working groups of relevant Council sub-committees. These reform and recovery priorities provide the basis for current work on the three-year update of the Plan for Fife, which will also serve as Fife's renewal plan following the Covid-19 pandemic. A final Plan will be presented to the Fife Partnership Board in August and the Policy and Coordination Committee in September.

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

4.0 Significant Governance Issues

- 4.1 The table below shows progress on significant governance issues during the year and actions planned for the coming year:-

Members Involvement in Setting the Tone from the Top

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

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

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

Embedding Risk Management

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

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

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

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

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

Restructuring, Movement of Staff and Change to Processes

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

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

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

Review of Governance and Decision Making

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

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

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

Change Programmes

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

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

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

Health and Social Care Integration

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

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

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

Elected Member Support and Development

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

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

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

Impact of the Pandemic on Planning and Delivery of Services

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

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

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

6.0 Conclusions

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

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

Remuneration Arrangements

2. Senior Councillors

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

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

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

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

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

3. Senior Employees

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

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

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

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

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

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

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

4. Pensions Benefits

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

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

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

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

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

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

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

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

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

5. Trade Union Facility Time

The Council is required to publish details of Trade Union facility time, which is the provision of paid or unpaid time off from employees normal roles to undertake Trade Union duties and activities. Details are in Table C.

Table A- Fife Council

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

Name	Responsibility	Remuneration (Note 1)		Pension Benefits (Note 2)				
		Salary, Fees & Allowances		Employer's pension		Accrued Pension Benefits		Change from
		2020-21 £	2019-20 £	2020-21 £	2019-20 £	at 31/03/21 £		31/03/20 £
Senior Councillors (Continued)								
Alice McGarry	Convener: South West Fife Area Committee & Planning Committee (West)	22,798	22,384	5,585	5,484	Pension Lump Sum	6,000 2,000	- -
Tony Miklinski	Convener: Scrutiny Committee Education & Children's Services and Health & Social Care (from September 2019)	22,798	8,954 (fye 22,384)	-	-	Pension Lump Sum	- -	- -
Fay Sinclair	Convener: Education & Children's Services Committee (until Nov 2020)	14,232 (fye 22,798)	22,384	3,487	5,484	Pension Lump Sum	3,000 -	1,000 -
David Barratt	Convener: Assets & Corporate Services Committee (from December 2020)	8,566 (fye 22,798)	-	2,108	-	Pension Lump Sum	1,000 -	1,000 -
Ross Vettraino	Convener: Environment, Protective Services & Community Safety Committee	22,798	22,384	-	-	Pension Lump Sum	- -	- -
Craig Walker	Convener: Education & Children's Services Committee	22,798	22,384	5,585	5,484	Pension Lump Sum	3,000 -	1,000 -
	Total Senior Councillors	504,219	482,132	105,009	103,240	Pension Lump Sum	86,000 21,000	11,000 -
Senior Employees								
Steve Grimmond	Chief Executive	161,965	163,777	39,989	37,794	Pension Lump Sum	78,000 144,000	3,000 5,000
Keith Winter	Executive Director Enterprise & Environment	127,106	120,009	31,067	29,564	Pension Lump Sum	65,000 110,000	4,000 2,000
Carrie Lindsay	Executive Director Education & Children's Services	126,803	123,535	31,067	30,266	Pension Lump Sum	78,000 -	5,000 -
Eileen Rowand	Executive Director Finance & Corporate Services	126,803	123,535	31,067	30,266	Pension Lump Sum	51,000 68,000	4,000 2,000
Michael Enston	Executive Director Communities	127,173	120,004	31,067	29,598	Pension Lump Sum	67,000 117,000	4,000 3,000
	Total Senior Employees	669,850	650,860	164,256	157,488	Pension Lump Sum	339,000 439,000	20,000 12,000

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

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

Table B- Joint Initiatives and Subsidiary Bodies - Senior Employees

Senior Employees	Responsibility	Organisation	Remuneration (Note 1)		Pension Benefits (Note 2)					
			Salary, Fees & Allowances		Employer's pension		Accrued Pension Benefits		Change from 31/03/20	
			2020-21 £	2019-20 £	2020-21 £	2019-20 £	at 31/03/21			
Joint Initiative										
Nicky Connor	Director-Health & Social Care (from 02-08-19)	Health & Social Care Partnership (Note 3)	84,831	55,086 (fye 87,762)	17,625	11,513	Pension Lump Sum	3,000 -	2,000 -	
	Total Joint Initiative		84,831	55,086	17,625	11,513	Pension Lump Sum	3,000 -	2,000 -	
Subsidiary Bodies										
Heather Stuart	Chief Executive	Fife Cultural Trust	101,165	99,143	22,762	22,307	Pension Lump Sum	17,000 -	2,000 -	
Joseph Hamilton	Chief Executive (until 18-06-21)	Fife Sport & Leisure Trust	15,500	21,662	-	-	Pension Lump Sum	- -	- -	
Emma Walker	Chief Executive (from 08-06-21)	Fife Sport & Leisure Trust	70,256	-	12,997	-	Pension Lump Sum	2,000 -	2,000 -	
Alistair MacGregor	Golf Services Manager	Fife Golf Trust	66,815	65,018	14,098	13,719	Pension Lump Sum	29,000 42,000	2,000 1,000	
Jeremy Harris	Chief Executive	Fife Coast & Countryside Trust	64,225	37,683	13,973	8,215	Pension Lump Sum	2,000 -	1,000 -	
Robin Baird	Chief Operating Officer	Fife Resource Solutions LLP & CIRECO (Scotland) Ltd (formerly Resource Efficient Solutions LLP)	85,114	83,492	18,980	18,619	Pension Lump Sum	23,000 18,000	2,000 1,000	
Fraser McKee	Senior Growth Adviser	Business Gateway	40,905	21,513	-	257	see Note 4			
	Total Subsidiary Bodies		443,980	328,511	82,811	63,117	Pension Lump Sum	73,000 60,000	9,000 2,000	

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

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

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

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

Table C - Trade Union Facility Time

2019-20 (Restated)		2020-21
106	Number of employees who were relevant union officials during the relevant period	94
97.8	Number of full time equivalent employees	88.1
	Number of employees analysed by % of time spent on facility time	
40	0%	62
55	1% - 50%	21
3	51% - 99%	4
8	100%	7
£0.455m	Total cost of Facility Time	£0.644m
0.1%	% of Total pay bill spent on Facility Time	0.1%

Table D - Members Expenses

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

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

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

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

Table E - Fife Council Employees Analysis by Pay Band

2019-20 £	Remuneration Bands	2020-21 £	Left in 2020-21 £	2019-20 £	Remuneration Bands	2020-21 £	Left in 2020-21 £
279	£50,000 - £54,999	301	19	0	£110,000 - £114,999	1	0
210	£55,000 - £59,999	208	15	2	£115,000 - £119,999	0	0
115	£60,000 - £64,999	105	4	2	£120,000 - £124,999	2	0
46	£65,000 - £69,999	68	4	0	£125,000 - £129,999	2	0
11	£70,000 - £74,999	11	1	0	£130,000 - £134,999	0	0
18	£75,000 - £79,999	17	1	0	£135,000 - £139,999	0	0
7	£80,000 - £84,999	6	0	0	£140,000 - £144,999	0	0
7	£85,000 - £89,999	5	0	0	£145,000 - £149,999	0	0
5	£90,000 - £94,999	5	1	0	£150,000 - £154,999	0	0
13	£95,000 - £99,999	16	0	0	£155,000 - £159,999	1	0
1	£100,000 - £104,999	1	0	1	£160,000 - £164,999	0	0
1	£105,000 - £109,999	0	0	718	Total	749	45

Included in 2020-21 are 13 employees who left during the year and appear above as a result of the inclusion of their associated redundancy or early retirement payments costs.

Table F - Exit Packages

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

Exit Package Cost Band £	No. of Compulsory Redundancies	No. of Other Agreed Departures	Total No. of Exit Packages	Cash Value £m	Estimated CAY £m	Total Exit Packages Cost £m
2020-21						
0 - 19,999	0	10	10	0.116	0.000	0.116
20,000 - 39,999	1	9	10	0.286	0.017	0.303
40,000 - 59,999	0	7	7	0.310	0.021	0.331
60,000 - 79,999	0	2	2	0.159	0.000	0.159
80,000 - 99,999	0	6	6	0.524	0.032	0.556
100,000 - 149,999	0	11	11	1.095	0.260	1.355
Over 150,000	0	8	8	1.570	0.809	2.379
Total	1	53	54	4.060	1.139	5.199
2019-20						
0 - 19,999	4	17	21	0.226	0.000	0.226
20,000 - 39,999	1	19	20	0.603	0.000	0.603
40,000 - 59,999	0	6	6	0.279	0.030	0.309
60,000 - 79,999	1	4	5	0.339	0.020	0.359
80,000 - 99,999	0	3	3	0.220	0.102	0.322
100,000 - 149,999	0	9	9	0.800	0.327	1.127
Over 150,000	0	5	5	0.745	0.252	0.997
Total	6	63	69	3.212	0.731	3.943

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

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

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

The Authority's Responsibilities

The Authority is required to:-

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

The Executive Director Finance and Corporate Services Responsibilities

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

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

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

The Executive Director Finance and Corporate Services has also:-

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

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

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services

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

2019-20 (Restated)			Expenditure chargeable to General Fund and HRA	2020-21		
Expenditure chargeable to the Gen Fund & HRA £m	Adjusts between Funding & Accounting Basis £m	Net Exp in the CIES £m		Expenditure chargeable to the Gen Fund & HRA £m	Adjusts between Funding & Accounting Basis £m	Net Exp in the CIES £m
376.646	70.353	446.999	Education & Children	376.778	38.381	415.159
156.202	11.694	167.896	Health & Social Care	162.323	6.423	168.746
99.568	32.649	132.217	Enterprise & Environment	107.065	45.771	152.836
35.339	14.252	49.591	Finance & Corporate	51.309	11.723	63.032
0.257	0.028	0.285	Chief Executive	0.257	0.015	0.272
2.697	(11.541)	(8.844)	Corporate & Democratic	2.647	(3.356)	(0.709)
66.322	15.713	82.035	Communities	72.129	14.005	86.134
(25.437)	3.166	(22.271)	Housing Revenue Account	(31.736)	7.436	(24.300)
92.905	(92.905)	0.000	Loan Charges	87.418	(87.418)	0.000
804.499	43.409	847.908	Net Cost of Services	828.190	32.980	861.170
0.000	2.304	2.304	Other Operating Expenditure	0.000	3.505	3.505
0.000	82.017	82.017	Financing and Investment Income & Expenditure	0.000	55.513	55.513
(810.969)	(72.507)	(883.476)	Taxation and Non Specific Grant Income & Expenditure	(904.807)	(62.978)	(967.785)
(6.470)	55.223	48.753	Total	(76.617)	29.020	(47.597)

(54.387)	Opening General Fund & HRA Balance	(48.449)
(6.470)	Less or Plus (Surplus) or Deficit on General Fund & HRA Balance in Year	(76.617)
12.408	Transfers to / (from) Other Reserves	(4.635)
(48.449)	Closing General Fund & HRA Balance at 31 March *	(129.701)

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

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

2019-20 (Restated)				Difference between the Statutory Charge to the Combined General Fund & HRA Balance compared to the (Surplus) or Deficit in the CIES	2020-21			
Adjustments for Capital Purposes £m	Net change for Pensions Adjustments £m	Other Differences £m	Adjustments between Accounting & Funding Basis £m		Adjustments for Capital Purposes £m	Net change for Pensions Adjustments £m	Other Differences £m	Adjustments between Accounting & Funding Basis £m
58.872	13.300	(1.819)	70.353	Education & Children	32.563	7.409	(1.591)	38.381
2.189	10.288	(0.783)	11.694	Health & Social Care	0.006	5.816	0.601	6.423
19.674	15.564	(2.589)	32.649	Enterprise & Environment	38.119	8.404	(0.752)	45.771
2.747	5.102	6.403	14.252	Finance & Corporate	1.778	2.654	7.291	11.723
0.000	0.028	0.000	0.028	Chief Executive	0.000	0.014	0.001	0.015
0.000	(11.765)	0.224	(11.541)	Corporate & Democratic	0.000	(3.513)	0.157	(3.356)
11.455	4.646	(0.388)	15.713	Communities	11.679	2.463	(0.137)	14.005
1.687	1.734	(0.255)	3.166	Housing Revenue Account	6.418	0.976	0.042	7.436
0.000	0.000	(92.905)	(92.905)	Loan Charges	0.000	0.000	(87.418)	(87.418)
96.624	38.897	(92.112)	43.409	Net Cost of Services	90.563	24.223	(81.806)	32.980
2.304	0.000	0.000	2.304	Other Operating Expenditure	3.505	0.000	0.000	3.505
0.000	20.269	61.748	82.017	Financing and Investment Income & Expenditure	0.000	13.445	42.068	55.513
(72.507)	0.000	0.000	(72.507)	Taxation and Non Specific Grant Income & Expenditure	(62.978)	0.000	0.000	(62.978)
26.421	59.166	(30.364)	55.223	Total	31.090	37.668	(39.738)	29.020

Explanation of Adjustment columns above: -

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

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

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

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

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

	General Fund Balance £m	HRA £m	Insurance Fund £m	Capital Fund £m	Capital Grants and Receipts Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Fife Council Reserves £m	Subsidiary Reserves £m	Total Group Reserves £m
Opening Balance 1 April 2019	(40.363)	(2.506)	(7.777)	0.000	(11.232)	(61.878)	(1,385.658)	(1,447.536)	(1.631)	(1,449.167)
Adjustment to opening balance	(11.518)					(11.518)		(11.518)	0.000	(11.518)
Opening balance 1 April 2019 (Restated)	(51.881)	(2.506)	(7.777)	0.000	(11.232)	(73.396)	(1,385.658)	(1,459.054)	(1.631)	(1,460.685)
<u>Movement in Reserves during 2019-20</u>										
Total Comprehensive Income & Expenditure	64.488	(15.735)	0.000	0.000	0.000	48.753	(432.664)	(383.911)	(8.166)	(392.077)
Adjustments between accounting basis & funding basis under regulations	(70.790)	15.567	0.000	0.000	(2.659)	(57.882)	57.882	0.000	0.000	0.000
Transfers (to)/from Other Statutory Reserves	12.739	(0.331)	(13.005)	0.000	0.597	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in Year	6.437	(0.499)	(13.005)	0.000	(2.062)	(9.129)	(374.782)	(383.911)	(8.166)	(392.077)
Balance at 31 March 2020 (Restated)	(45.444)	(3.005)	(20.782)	0.000	(13.294)	(82.525)	(1,760.440)	(1,842.965)	(9.797)	(1,852.762)
<u>Movement in Reserves during 2020-21</u>										
Total Comprehensive Income & Expenditure	(23.415)	(24.182)	0.000	0.000	0.000	(47.597)	118.734	71.137	(5.618)	65.519
Adjustments between accounting basis & funding basis under regulations	(48.220)	19.200	0.000	0.000	1.864	(27.156)	27.156	0.000	0.000	0.000
Transfers (to)/from Other Statutory Reserves	(4.617)	(0.018)	3.495	0.000	1.140	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in Year	(76.252)	(5.000)	3.495	0.000	3.004	(74.753)	145.890	71.137	(5.618)	65.519
Balance at 31 March 2021 c/fwd	(121.696)	(8.005)	(17.287)	0.000	(10.290)	(157.278)	(1,614.550)	(1,771.828)	(15.415)	(1,787.243)

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

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

2019-20 (Restated)					2020-21			
Fife Council		Group			Fife Council		Group	
Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure
£m	£m	£m	£m		£m	£m	£m	£m
489.139	(42.140)	446.999	446.999	Education & Children	470.928	(55.769)	415.159	415.159
420.709	(252.813)	167.896	167.896	Health & Social Care	435.459	(266.713)	168.746	153.736
167.546	(35.329)	132.217	132.595	Enterprise & Environment	185.992	(33.156)	152.836	153.639
163.361	(113.770)	49.591	49.591	Finance & Corporate	157.357	(94.325)	63.032	63.032
0.285	0.000	0.285	0.285	Chief Executive	0.272	0.000	0.272	0.272
(8.844)	0.000	(8.844)	(8.844)	Corporate & Democratic	(0.709)	0.000	(0.709)	(0.709)
100.261	(18.226)	82.035	85.755	Communities	104.737	(18.603)	86.134	86.768
99.941	(122.212)	(22.271)	(22.271)	Housing Revenue Account	101.428	(125.728)	(24.300)	(24.300)
1,432.398	(584.490)	847.908	852.006	Cost of Services	1,455.464	(594.294)	861.170	847.597
				Other Income & Expenditure				
		2.304	2.826	- Other Operating Expenditure			3.505	3.970
		82.017	83.957	- Financing & Investment			55.513	54.288
		(883.476)	(883.531)	- Taxation & Non-Specific Grant Income			(967.785)	(967.960)
		48.753	55.258	(Surplus)/Deficit on Provision of Services			(47.597)	(62.105)
				(Surplus)/Deficit on;				
		(135.702)	(136.158)	- revaluation of non-current assets			(90.432)	(90.461)
		9.271	9.271	- impairment of non-current assets			0.000	0.000
		1.483	1.483	- fair value of financial assets			0.111	0.111
		(307.716)	(321.931)	Remeasurement of net pensions liability			209.055	217.974
		(432.664)	(447.335)	Other Comprehensive Income & Expenditure			118.734	127.624
		(383.911)	(392.077)	Total Comprehensive Income & Expenditure			71.137	65.519

Material Items of Income and Expenditure

Fife Integration Joint Board (IJB) - Fife Council made contributions of £161.509m to the Integration Joint Board, £160.185m from Health & Social Care and £1.324m from Housing. Receipts of £83.469m for Resource Transfer from NHS are included in Health and Social Care. Fife Council received amounts totalling £240.785m from Integration Joint Board, which includes Resource Transfer of £83.469m

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

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

31 March 2020 (Restated)				31 March 2021	
Fife Council £m	Group £m		Notes	Fife Council £m	Group £m
3,484.436	3,489.936	Property, Plant & Equipment	11	3,590.387	3,595.803
28.252	28.294	Heritage Assets	12	28.252	28.294
0.030	0.030	Intangible Assets	14	0.000	0.000
2.743	8.651	Long Term Investments	21	2.456	9.709
22.763	22.763	Long Term Debtors	21	18.232	18.232
3,538.224	3,549.674	Long Term Assets		3,639.327	3,652.038
0.000	0.437	Short Term Investments		0.000	0.768
3.370	3.554	Inventories	20	4.282	4.483
115.400	115.767	Short Term Debtors	18	96.928	98.613
66.681	74.760	Cash and Cash Equivalents		137.418	146.965
5.423	5.423	Assets held for sale	13	3.591	3.591
190.874	199.941	Current Assets		242.219	254.420
(188.167)	(188.167)	Short Term Borrowing	21	(136.512)	(136.512)
(120.448)	(126.915)	Short Term Creditors	18	(160.941)	(154.694)
(0.580)	(0.580)	Provisions	19	(0.478)	(0.478)
(12.764)	(12.764)	Receipts in Advance - Revenue	10	(27.796)	(27.796)
(3.697)	(3.697)	Receipts in Advance - Capital	10	(1.820)	(1.820)
(325.656)	(332.123)	Current Liabilities		(327.547)	(321.300)
0.000	(0.157)	Long Term Creditors		0.000	(0.173)
(13.019)	(13.019)	Provisions	19	(13.897)	(13.897)
(875.745)	(875.745)	Long Term Borrowing	21	(850.848)	(850.848)
(572.923)	(577.019)	Defined Benefit Pension Liability	25	(819.646)	(835.217)
(88.272)	(88.272)	Other Long Term Liabilities	21	(81.861)	(81.861)
(0.888)	(0.888)	Receipts in Advance - Revenue	10	(0.840)	(0.840)
(9.630)	(9.630)	Receipts in Advance - Capital	10	(15.079)	(15.079)
(1,560.477)	(1,564.730)	Long Term Liabilities		(1,782.171)	(1,797.915)
1,842.965	1,852.762	Net Assets/(Liabilities)		1,771.828	1,787.243
(82.525)	(92.431)	Usable Reserves	6	(157.278)	(184.297)
(1,760.440)	(1,760.331)	Unusable Reserves	7	(1,614.550)	(1,602.946)
(1,842.965)	(1,852.762)	Total Reserves		(1,771.828)	(1,787.243)

The unaudited accounts were issued on 30 June 2021.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services

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

2019-20 (Restated)			2020-21	
Fife Council	Group		Fife Council	Group
£m	£m		£m	£m
(48.753)	(55.258)	Net surplus or (deficit) on the provision of services	47.597	62.105
127.433	127.981	Depreciation & impairment	102.403	102.751
(0.675)	(0.736)	Downward/(upward) revaluations	16.240	16.269
0.064	0.064	Amortisation of intangibles	0.030	0.030
0.000	1.546	Movement in Fair Value of Investments	0.000	(1.343)
(13.424)	(12.707)	Increase/(decrease) in creditors	55.798	41.416
(19.732)	(19.946)	(Increase)/decrease in debtors	18.464	18.828
0.409	0.397	(Increase)/decrease in inventories	(0.912)	(0.929)
59.166	63.051	Movement in pension liability	37.668	40.224
(0.134)	(0.134)	Contributions to/(from) provisions	0.776	0.776
14.467	14.467	Carrying amount of assets sold	6.318	6.380
0.000	0.102	Other non-cash items	0.000	(0.330)
167.574	174.085	Adjustment for non cash movements	236.785	224.072
(72.507)	(72.562)	Capital Grants credited to surplus/(deficit) on provision of services	(62.978)	(63.153)
(12.163)	(12.163)	Proceeds from the sale of assets	(2.813)	(2.841)
(84.670)	(84.725)	Adjustment for investing & financing activities	(65.791)	(65.994)
34.151	34.102	Net cash flows from Operating Activities	218.591	220.183
(174.939)	(175.423)	Purchase of non-current assets	(135.501)	(135.827)
(0.009)	(0.009)	Purchase of investments	(0.004)	(0.004)
0.000	0.000	Long Term Loans granted	0.000	0.000
12.163	12.163	Proceeds from the sale of assets	2.813	2.841
71.897	71.952	Other receipts from investing activities	66.415	66.589
(90.888)	(91.317)	Net cash flows from investing activities	(66.277)	(66.401)
82.201	82.201	Cash receipts and repayments of short and long term borrowing	(76.251)	(76.251)
(6.217)	(6.217)	Cash payments reducing liabilities for finance leases & PPP	(6.124)	(6.124)
(2.877)	(2.877)	Other financing activities	0.798	0.798
73.107	73.107	Net cash flows from financing activities	(81.577)	(81.577)
16.370	15.892	Net increase or (decrease) in cash and cash equivalents	70.737	72.205
50.311	58.868	Cash and cash equivalents at the beginning of reporting period	66.681	74.760
66.681	74.760	Cash and cash equivalents at the end of the reporting period	137.418	146.965
0.056	0.056	Cash in Hand	0.058	0.071
(1.411)	4.027	Bank	0.219	6.978
70.800	70.800	Short Term Investments	140.020	140.020
(2.764)	(0.123)	Advances from other accounts	(2.879)	(0.104)
66.681	74.760		137.418	146.965
		Net cash flows for operating activities include the following:-		
0.229	0.587	Interest received	(0.042)	(0.042)
(45.365)	(45.365)	Interest paid	(44.407)	(44.407)
(45.136)	(44.778)	Total	(44.449)	(44.449)

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

Notes to the Accounts

1. General Accounting Policies

General Principles

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

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

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

Accruals of Income and Expenditure

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

The main accruals and estimation techniques used are as follows:

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

Interests in Companies and Other Entities

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

Fair Value

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

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

Reserves

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

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

Events after Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date the Statement of Accounts is authorised for issue. There are two distinct types:- those that existed at the balance sheet date where the accounts should be adjusted to reflect these; and those which arose after the balance sheet date which require disclosure in the notes to the accounts if material.

2. Accounting Standards Issued, not yet Adopted

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

Accounting Standards not yet adopted, but to be introduced in the 2020-21 Code, are:

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

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

3. Critical Judgements in Applying Accounting Policies

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

Public Private Partnership (PPP)

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

Public Sector Funding

There is a high degree of uncertainty about future levels of funding for Local Government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Employee Benefits

The Council has used a sampling approach to calculating the accrual for short-term compensated absences. A random sample of employees has been used to calculate the short-term accrual necessary for annual leave at 31 March 2021.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year detailed in the following table:-

Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	
Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and carrying amount of assets fall. It is estimated that for every year that useful lives have to be reduced, the annual depreciation charge for buildings would increase by approximately £3.562m.
Pensions Liability	
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	Changes to individual assumptions will have an effect on net pensions liability. For instance, a 0.5% decrease in the discount rate would increase the liability by £359m, a 0.5% increase in Pension Increase rate (CPI) would increase the liability by £307m and a 1 year increase in life expectancy assumptions would increase the liability by 3% - 5%.
Arrears	
At 31 March 2021, the Council had a balance of sundry debtors of £18.080m. A review of significant balances suggested that an impairment of £3.569m (19.7%) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 5% increase in the rate of impairment of doubtful debts would require an additional £0.904m to be set aside as an allowance.
Fair value measurements	
When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value. Information about valuation techniques and inputs used in determining fair value of the Council's assets and liabilities is disclosed in the relevant notes to the accounts.	Significant changes in any of the unobservable inputs would result in a significantly lower or higher value for the Council's assets which are measured at fair value.

5. Adjustments between Accounting Basis and Funding Basis under Regulations

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

	Usable Reserves					Unusable	Total Reserves
	General Fund Balance	Housing Revenue Account	Insurance Fund	Capital Fund	Capital Grants and Receipts and Receipts Unapplied	Movement in Unusable Reserves	
2020-21	£m	£m	£m	£m	£m	£m	£m
Adjustments involving the Capital Adjustment Account:-							
<u>Reversal of items debited or credited to the CIES (Non-current Assets & Assets Held for Sale):-</u>							
Depreciation & impairment	(67.575)	(34.828)	0.000	0.000	0.000	102.403	0.000
Revaluation losses	(16.540)	0.300	0.000	0.000	0.000	16.240	0.000
Amortisation of intangible assets	(0.030)	0.000	0.000	0.000	0.000	0.030	0.000
Capital grants and contributions applied	52.059	14.083	0.000	0.000	0.000	(66.142)	0.000
Carrying value of assets disposed	(5.170)	(1.148)	0.000	0.000	0.000	6.318	0.000
<u>Insertion of items not debited or credited to the CIES:-</u>							
Statutory provision-financing capital investment	24.248	13.079	0.000	0.000	0.000	(37.327)	0.000
Capital expenditure charged to revenue	5.362	28.110	0.000	0.000	0.000	(33.472)	0.000
Adjustments involving the Capital Fund:-							
Sale proceeds of assets disposed	2.763	0.050	0.000	(2.813)	0.000	0.000	0.000
Use of Fund to finance capital investment	0.000	0.000	0.000	1.488	0.000	(1.488)	0.000
Use of Fund for transformation projects	0.000	0.000	0.000	1.300	(1.300)	0.000	0.000
Use of Fund for HRA set aside to repay debt	0.000	0.000	0.000	0.025	0.000	(0.025)	0.000
Adjustments involving the Capital Grants and Receipts Unapplied Account:-							
Reversal of unapplied capital grants and receipts credited to the CIES	1.156	0.232	0.000	0.000	(1.388)	0.000	0.000
Application of grants & receipts to capital financing (transfer to Capital Adj Account)	(4.552)	0.000	0.000	0.000	4.552	0.000	0.000
Adjustments involving the Financial Instruments Adjustment Account:-							
Difference in finance costs charged to the CIES from finance costs chargeable in the year in accordance with statutory requirements	1.689	0.971	0.000	0.000	0.000	(2.660)	0.000
Adjustments involving the Pensions Reserve:-							
Reversal of items relating to post employment benefits included in the (Surplus) or Deficit on the Provision of Services in the CIES	(114.184)	(4.027)	0.000	0.000	0.000	118.211	0.000
Employer's pensions contributions and direct payments to pensioners payable in the year	77.966	2.577	0.000	0.000	0.000	(80.543)	0.000
Adjustment involving the Employee Statutory Adjustment Account:-							
Difference in officer remuneration charged to the CIES on an accruals basis from remuneration chargeable in the year in accordance with statutory requirements	(5.412)	(0.199)	0.000	0.000	0.000	5.611	0.000
Total Adjustments	(48.220)	19.200	0.000	0.000	1.864	27.156	0.000

	Usable Reserves					Unusable	Total Reserves
	General Fund Balance	Housing Revenue Account	Insurance Fund	Capital Fund	Capital Grants and Receipts and Unapplied	Movement in Unusable Reserves	
2019-20	£m	£m	£m	£m	£m	£m	£m
Adjustments involving the Capital Adjustment Account:-							
<u>Reversal of items debited or credited to the CIES (Non-current Assets & Assets Held for Sale):-</u>							
Depreciation & impairment	(94.874)	(32.559)	0.000	0.000	0.000	127.433	0.000
Revaluation losses	0.001	0.674	0.000	0.000	0.000	(0.675)	0.000
Amortisation of intangible assets	(0.064)	0.000	0.000	0.000	0.000	0.064	0.000
Capital grants and contributions applied	57.429	13.719	0.000	0.000	0.000	(71.148)	0.000
Carrying value of assets disposed	(14.457)	(0.010)	0.000	0.000	0.000	14.467	0.000
<u>Insertion of items not debited or credited to the CIES:-</u>							
Statutory provision-financing capital investment	31.004	11.629	0.000	0.000	0.000	(42.633)	0.000
Capital expenditure charged to revenue	4.483	30.198	0.000	0.000	0.000	(34.681)	0.000
Adjustments involving the Capital Fund:-							
Sale proceeds of assets disposed	12.037	0.126	0.000	(12.163)	0.000	0.000	0.000
Use of Fund to finance capital investment	0.000	0.000	0.000	10.780	0.000	(10.780)	0.000
Use of Fund for transformation projects	0.000	0.000	0.000	1.300	(1.300)	0.000	0.000
Use of Fund for HRA set aside to repay debt	0.000	0.000	0.000	0.083	0.000	(0.083)	0.000
Adjustment involving the Capital Grants Unapplied Account:-							
Reversal of unapplied capital grants and contributions credited to the CIES	7.418	0.000	0.000	0.000	(7.418)	0.000	0.000
Application of grants & receipts to capital financing (transfer to Capital Adj Account)	(6.049)	(0.010)	0.000	0.000	6.059	0.000	0.000
Adjustments involving the Financial Instruments Adjustment Account:-							
Difference in finance costs charged to the CIES from finance costs chargeable in the year in accordance with statutory requirements	(10.156)	(5.803)	0.000	0.000	0.000	15.959	0.000
Adjustments involving the Pensions Reserve:-							
Reversal of items relating to post employment benefits included in the (Surplus) or Deficit on the Provision of Services in the CIES	(131.643)	(4.823)	0.000	0.000	0.000	136.466	0.000
Employer's pensions contributions and direct payments to pensioners payable in the year	74.905	2.395	0.000	0.000	0.000	(77.300)	0.000
Adjustment involving the Employee Statutory Adjustment Account:-							
Difference in officer remuneration charged to the CIES on an accruals basis from remuneration chargeable in the year in accordance with statutory requirements	(0.824)	0.031	0.000	0.000	0.000	0.793	0.000
Total Adjustments	(70.790)	15.567	0.000	0.000	(2.659)	57.882	0.000

6. Usable Reserves and Earmarked Balances

2019-20 (Restated) £m	Useable Reserves	2020-21 £m
(45.444)	General Fund	(121.696)
(3.005)	Housing Revenue Account (HRA)	(8.005)
(20.782)	Insurance Fund	(17.287)
0.000	Capital Fund	0.000
(13.294)	Capital Grants and Receipts Unapplied Account	(10.290)
(82.525)	Total Useable Reserves	(157.278)

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

- Insurance Fund

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

- Capital Fund

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

- Capital Grants and Receipts Unapplied Account

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

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

2020-21	Balance 1 April 2020 £m	Net Transfers (to) / from Services £m	Decommitted Balances & Other Transfers £m	Movement in Reserves (MIRS) £m	Balance 31 March 2021 £m
General Fund					
<u>Earmarked and Committed Balances:</u>					
Energy Management Fund	0.966	0.086	(0.181)	-	0.871
Council Tax - Second Homes	6.092	0.826	-	-	6.918
Earmarked Grants	0.596	2.315	-	-	2.911
Ring Fenced & Other Carry forwards	1.170	0.590	(0.260)	-	1.500
Change Fund	1.819	(0.806)	(0.723)	-	0.290
Fife Job Contract	1.098	(0.283)	-	-	0.815
BTS Investment	1.039	-	(0.500)	-	0.539
Contributions from Balances (Budget)	0.190	(0.157)	-	-	0.033
Services Carry Forwards	-	-	1.902	-	1.902
COVID-19 GRG Funding	-	-	58.475	-	58.475
Other Commitments	0.683	(2.814)	2.544	-	0.413
Total Commitments	13.653	(0.243)	61.257	0.000	74.667
Uncommitted Balances	31.791	0.243	(61.257)	76.252	47.029
	45.444	0.000	0.000	76.252	121.696
Insurance Fund					
Insurance Fund - Earmarked	16.405	-	(4.306)	-	12.099
Insurance Fund	4.377	-	4.306	(3.495)	5.188
	20.782	0.000	0.000	(3.495)	17.287
Capital Grants & Receipts Unapplied					
Transformation Projects	3.703	-	0.160	-	3.863
Capital Grants and Receipts	9.591	-	(0.160)	(3.004)	6.427
	13.294	0.000	0.000	(3.004)	10.290

Explanatory Note

General Fund Balance

The General Fund Services balance decreased by £76.252m in 2020-21, leaving a balance at the end of the year of £121.696m. Once the commitments of £74.667m shown above are set against this, an uncommitted balance of £47.029m remains as at 31 March 2021. The level of balances is continually being monitored to ensure a sufficient level is maintained to meet future potential liabilities.

Energy Management Fund

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

Council Tax - Second Homes

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

Earmarked Grants

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

Ring Fenced Projects and other Carry forwards

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

Change Fund

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

Fife Job Contract

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

BTS Investment Requirements

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

Contribution from Balances

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

Service Carry Forward

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

COVID-19 GRG Funding

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

Other Commitments

This represents a number of other minor commitments against balances.

Insurance Fund - Earmarked

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

Capital Grants and Receipts - Transformation Projects

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

7. Unusable Reserves

2019-20 £m		2020-21 £m
(1,454.246)	Revaluation Reserve	(1,513.553)
0.734	Financial Instruments Revaluation Reserve	0.797
572.923	Pensions Reserve	819.646
(959.469)	Capital Adjustment Account	(1,004.009)
56.405	Financial Instruments Adjustment Account	53.745
23.213	Employee Statutory Adjustment Account	28.824
(1,760.440)	Total Unusable Reserves	(1,614.550)

Revaluation Reserve

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

2019-20 £m		2020-21 £m
(1,365.779)	Balance at 1 April	(1,454.246)
	Revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services	
(157.300)	Upward Revaluation & reversal of impairment losses	(106.959)
30.869	Downward revaluation & impairment losses	16.527
(126.431)		(90.432)
	Amounts written off to the Capital Adjustment Account:-	
28.423	Difference between historic cost and fair value depreciation	29.571
9.541	Accumulated gains on assets sold or scrapped	1.554
37.964		31.125
(1,454.246)	Balance at 31 March	(1,513.553)

Financial Instruments Revaluation Reserve

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

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

Pensions Reserve

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

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

Capital Adjustment Account

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

2019-20 £m		2020-21 £m
(903.240)	Balance at 1 April	(959.469)
	Reversal of items relating to capital expenditure charged to the CIES:-	
127.433	Depreciation and impairment of non-current assets	102.403
(0.675)	Revaluation losses/(gains) on non-current assets	16.240
0.064	Amortisation of intangible assets	0.030
14.467	Carrying value of assets sold	6.318
	Capital financing applied in the year:-	
(12.163)	Use of Capital Fund to finance capital or to repay HRA debt	(2.813)
1.300	Transfer from Capital Fund to finance transformation projects	1.300
(71.148)	Capital grants & contributions applied to finance capital expenditure	(66.142)
(42.633)	Statutory provision for the financing of capital investment	(37.327)
(34.681)	Capital expenditure charged to General Fund and HRA balances	(33.472)
(37.964)	Adjusting amounts written out of the Revaluation Reserve	(31.125)
(0.229)	Adjusting amounts written out of the Financial Instruments Revaluation Reserve	0.048
(959.469)	Balance at 31 March	(1,004.009)

Financial Instruments Adjustment Account

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

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

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

Employee Statutory Adjustment Account

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

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

8. Analysis of Income and Expenditure by Segment/Nature

	Employee Expenditure £m	Other Service Expenditure £m	Adjustments for Capital Purposes £m	Net change for Pension for Adjustment £m	Other adjustments £m	Total Expenditure £m	Fees, Charges & Service Income £m	Gov Grants & Contributions £m	Total Income £m	Net Exp in the CIES £m
2020-21										
Education & Children Services	321.999	110.548	32.563	7.409	(1.591)	470.928	(1.146)	(54.623)	(55.769)	415.159
Health & Social Care	86.391	342.645	0.006	5.816	0.601	435.459	(194.057)	(72.656)	(266.713)	168.746
Enterprise & Environment	125.025	15.196	38.119	8.404	(0.752)	185.992	(21.380)	(11.776)	(33.156)	152.836
Finance & Corporate Services	41.284	104.350	1.778	2.654	7.291	157.357	(4.158)	(90.167)	(94.325)	63.032
Chief Executive	0.253	0.004	0.000	0.014	0.001	0.272	0.000	0.000	0.000	0.272
Corporate & Democratic Core	2.402	0.245	0.000	(3.513)	0.157	(0.709)	0.000	0.000	0.000	(0.709)
Communities	39.301	51.431	11.679	2.463	(0.137)	104.737	(11.905)	(6.698)	(18.603)	86.134
Housing Revenue Account	18.161	75.831	6.418	0.976	0.042	101.428	(125.596)	(0.132)	(125.728)	(24.300)
Loan Charges	0.000	87.418	0.000	0.000	(87.418)	0.000	0.000	0.000	0.000	0.000
Net Cost of Services	634.816	787.668	90.563	24.223	(81.806)	1,455.464	(358.242)	(236.052)	(594.294)	861.170
Other Income and Expenditure										(908.767)
(Surplus) or Deficit on the Provision of Services										(47.597)

	Employee Expenditure £m	Other Service Expenditure £m	Adjustments for Capital Purposes £m	Net change for Pension for Adjustment £m	Other adjustments £m	Total Expenditure £m	Fees, Charges & Service Income £m	Gov Grants & Contributions £m	Total Income £m	Net Exp in the CIES £m
2019-20 (Restated)										
Education & Children Services	304.052	114.734	58.872	13.300	(1.819)	489.139	(3.464)	(38.676)	(42.140)	446.999
Health & Social Care	83.109	325.906	2.189	10.288	(0.783)	420.709	(188.248)	(64.565)	(252.813)	167.896
Enterprise & Environment	123.772	11.125	19.674	15.564	(2.589)	167.546	(28.379)	(6.950)	(35.329)	132.217
Finance & Corporate Services	41.152	107.957	2.747	5.102	6.403	163.361	(19.089)	(94.681)	(113.770)	49.591
Chief Executive	0.251	0.006	0.000	0.028	0.000	0.285	0.000	0.000	0.000	0.285
Corporate & Democratic Core	2.478	0.219	0.000	(11.765)	0.224	(8.844)	0.000	0.000	0.000	(8.844)
Communities	38.068	46.480	11.455	4.646	(0.388)	100.261	(13.887)	(4.339)	(18.226)	82.035
Housing Revenue Account	13.703	83.072	1.687	1.734	(0.255)	99.941	(122.084)	(0.128)	(122.212)	(22.271)
Loan Charges	0.000	92.905	0.000	0.000	(92.905)	0.000	0.000	0.000	0.000	0.000
Net Cost of Services	606.585	782.404	96.624	38.897	(92.112)	1,432.398	(375.151)	(209.339)	(584.490)	847.908
Other Income and Expenditure										(799.155)
(Surplus) or Deficit on the Provision of Services										48.753

9. Other Income and Expenditure

2019-20 (Restated) £m		2020-21 £m
	Other Operating Expenditure	
2.304	(Gains)/losses on the disposal of assets	3.505
2.304		3.505
	Financing and Investment Income and Expenditure	
43.511	Interest payable and similar charges	42.045
(0.229)	Interest receivable and similar income	0.042
20.269	Pensions interest cost & expected return on pensions assets	13.445
(0.005)	Income & expenditure in relation to financial instruments and changes in their fair value	(0.019)
18.471	Premium paid for early redemption of Lender Option Borrower Option Loan	0.000
82.017		55.513
	Taxation and Non Specific Grant Income	
(163.282)	Council tax and community charge income	(170.789)
(165.717)	Non-domestic rates	(111.709)
(481.970)	Non ring-fenced government grants	(622.309)
(72.507)	Capital grants and contributions	(62.978)
(883.476)		(967.785)

10. Grant Income

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

2019-20 £m	Grants and Contributions credited to the CIES (excl non ring-fenced Government Grants)	2020-21 £m
	Credited to Services	
(89.589)	Government Grant: Housing Benefit Subsidy	(85.500)
(64.162)	Government Grants and Contributions: NHS	(72.679)
0.000	Government Grants and Contributions: COVID-19	(10.272)
(50.689)	Government Grants and Contributions: Other	(60.540)
(1.488)	EU Grants	(2.524)
(3.411)	Non-Government Grants and Contributions	(4.537)
(209.339)		(236.052)
	Credited to Taxation and Non Specific Grant Income	
(69.444)	Government Grants and Contributions	(52.999)
0.000	Government Grants and Contributions: COVID-19	(1.576)
(3.063)	Non Government Grants and Contributions	(8.403)
(72.507)		(62.978)

31 March 2020 (Restated)		Receipts in Advance (balances at year end)	31 March 2021	
Short Term £m	Long Term £m		Short Term £m	Long Term £m
		Receipts in Advance - Revenue		
(12.264)	(0.554)	Government Grants	(21.363)	(0.553)
0.000	0.000	Government Grants: COVID-19	(5.625)	0.000
(0.500)	(0.334)	Non Government Grants	(0.808)	(0.287)
(12.764)	(0.888)		(27.796)	(0.840)
		Receipts in Advance - Capital		
(3.697)	(1.154)	Government Grants	(1.820)	(2.524)
0.000	(8.476)	Non Government Grants	0.000	(12.555)
(3.697)	(9.630)		(1.820)	(15.079)

11. Property, Plant and Equipment

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

Property, Plant & Equipment movements	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure £m	Community £m	Surplus £m	Assets Under Construction £m	Total PPE £m	PPP/NPD Assets Included in Total PPE £m
2020-21									
Net Book Value at 1 April 2020	1,026.919	2,006.678	41.455	307.237	1.250	25.179	75.718	3,484.436	218.117
Additions	41.020	20.198	7.424	13.775	0.575	0.247	55.230	138.469	0.606
Revaluations	6.739	73.661	0.000	0.000	0.000	(5.943)	0.000	74.457	11.624
Impairment	0.000	0.969	0.000	0.000	0.000	0.000	0.000	0.969	0.000
Depreciation	(34.162)	(48.537)	(9.598)	(10.866)	(0.038)	(0.171)	0.000	(103.372)	(6.404)
Disposals	0.000	(1.550)	(0.526)	0.000	0.000	(0.310)	(2.861)	(5.247)	0.000
Other Movements	13.878	(13.664)	0.000	5.374	0.121	5.858	(10.892)	0.675	0.000
Net Book Value at 31 March 2021	1,054.394	2,037.755	38.755	315.520	1.908	24.860	117.195	3,590.387	223.943
Gross Book Value	1,054.394	2,056.218	130.513	455.145	2.231	26.784	117.651	3,842.936	223.943
Accumulated Depreciation & Impairment	0.000	(18.463)	(91.758)	(139.625)	(0.323)	(1.924)	(0.456)	(252.549)	0.000
	1,054.394	2,037.755	38.755	315.520	1.908	24.860	117.195	3,590.387	223.943
2019-20									
Net Book Value at 1 April 2019	976.088	1,931.935	38.305	298.818	2.796	27.034	49.593	3,324.569	212.382
Additions	58.923	27.967	13.322	17.900	0.255	1.363	55.369	175.099	0.258
Revaluations	2.101	134.254	0.000	0.000	0.000	(0.627)	0.000	135.728	11.423
Impairment	0.000	(10.542)	0.000	0.000	0.000	(1.886)	0.000	(12.428)	0.000
Depreciation	(32.465)	(70.722)	(10.173)	(10.435)	(0.124)	(0.357)	0.000	(124.276)	(5.946)
Disposals	0.000	(11.259)	(0.494)	0.000	0.000	(0.559)	(0.371)	(12.683)	0.000
Other Movements	22.272	5.045	0.495	0.954	(1.677)	0.211	(28.873)	(1.573)	0.000
Net Book Value at 31 March 2020	1,026.919	2,006.678	41.455	307.237	1.250	25.179	75.718	3,484.436	218.117
Gross Book Value	1,026.919	2,042.097	130.775	435.542	1.376	27.138	76.035	3,739.882	218.117
Accumulated Depreciation & Impairment	0.000	(35.419)	(89.320)	(128.305)	(0.126)	(1.959)	(0.317)	(255.446)	0.000
	1,026.919	2,006.678	41.455	307.237	1.250	25.179	75.718	3,484.436	218.117

Recognition and De-Recognition

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

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

Measurement

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

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

Revaluations

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

Effective valuation date / Historic Cost (HC)	HC £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	Total £m
Council Dwellings	0.000	0.000	0.000	0.000	0.000	1,054.394	1,054.394
Surplus Assets	2.031	0.000	12.178	1.315	1.125	10.136	26.785
Other Land & Buildings	18.389	31.484	88.767	25.506	19.730	1,872.342	2,056.218
Infrastructure	454.228	0.000	0.000	0.000	0.917	0.000	455.145

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

Depreciation

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

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

Impairment

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

No impairments were made to assets during 2020-21. The impairment relating to the major fire damage sustained at Woodmill High School in Dunfermline was reversed in 2020-21 as the High School is now operational.

Accounting Treatment

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

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

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

12. Heritage Assets

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

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

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

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

13. Assets Held for Sale

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

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

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

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

14. Intangible Assets

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

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

15. Capital Expenditure and Capital Financing

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

2019-20 £m	Capital Financing Requirement movements during the year	2020-21 £m
1,108.373	At 1 April	1,121.785
	Capital investment:-	
175.099	Property, Plant and Equipment	138.469
0.005	Financial Instrument Investments	0.002
	Sources of finance:-	
(10.863)	Capital receipts	(1.513)
(2.367)	Loan Repayments	(3.549)
(71.148)	Government grants and other contributions	(66.142)
(34.681)	Direct revenue contributions	(33.472)
(42.633)	Loans Fund principal repayments	(37.327)
1,121.785	At 31 March	1,118.253
757.232	Capital Financing Requirement - General Fund	750.905
364.553	Capital Financing Requirement - Housing Revenue Account	367.348
1,121.785	At 31 March	1,118.253
28.194	Capital Contract Commitments at 31 March - Property, Plant & Equipment	5.368

16. Leases

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

Finance Leases

• Leased in Assets

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

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

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

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

• Leased out Assets

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

Operating Leases

• Leased in Assets

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

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

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

• Leased out Assets

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

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

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

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

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

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

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

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

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

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

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

18. Debtors and Creditors

31 March 2020		Short Term Debtors and Creditors	31 March 2021	
Debtors (Restated)	Creditors (Restated)		Debtors	Creditors
£m	£m		£m	£m
31.855	(10.105)	Central Government bodies	29.914	(12.060)
27.074	(0.495)	Local Taxation (Council Tax & Non-Domestic Rates)	30.671	(0.575)
1.997	(50.178)	Employees (Pay and Holiday Pay Accruals)	1.653	(57.746)
15.499	(36.477)	Financial Assets and Liabilities (Note 21)	15.514	(28.953)
16.135	0.000	Insurance Fund	4.640	0.000
0.000	0.000	Integration Joint Board (IJB)	0.000	(29.643)
22.840	(23.193)	Other Entities and Individuals	14.536	(31.964)
115.400	(120.448)		96.928	(160.941)
		Local Taxation Debtors		
		Past due (but not impaired) amount analysed by age of debt		
6.493		Up to 1 Year	8.306	
10.957		1-5 Years	12.532	
9.624		Greater than 5 Years	9.833	
27.074			30.671	

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

19. Provisions

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

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

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

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

20. Inventories

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

21. Financial Instruments

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

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

Investments

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

Other Financial Assets

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

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

Borrowings

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

2019-20 £m	PWLB and Money Market Loans	2020-21 £m
894.415	Carrying Value (amortised cost) at balance sheet date	870.664
1,172.436	Fair Value at balance sheets date	1,219.257
37.042	Interest on borrowings charged to CIES in the year	36.422

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

Other Financial Liabilities

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

Movement in Liabilities recognised as Financing Activities

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

22. Nature and Extent of Risks Arising from Financial Instruments

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

Liquidity and Re-Financing Risk

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

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

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

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

Credit Risk

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

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

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

Market risk

• Interest Rate Risk

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

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

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

• Price Risk and Foreign Exchange Risk

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

23. Financial Guarantees

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

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

In addition, the Council agreed in January 2020, to provide a pensions arrangement for small employers who wish to exit the Fife Pension Fund. The Council, in its capacity as an Employer, will take on the pension assets and liabilities of the employers which could result in increased liabilities depending on future performance of the Fund.

24. Pensions Schemes Accounted for as Defined Contribution Schemes

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

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

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

25. Defined Benefit Retirement Schemes

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

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

Basis for estimating assets and liabilities

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

2019-20			Principal Assumptions used	2020-21		
Short Duration	Medium Duration	Long Duration		Short Duration	Medium Duration	Long Duration
			Mortality-Longevity at age 65 (years)			
20.5	20.5	20.5	Men (current pensioners)	20.3	20.3	20.3
21.6	21.6	21.6	Men (future pensioners)	21.5	21.5	21.5
23.0	23.0	23.0	Women (current pensioners)	23.1	23.1	23.1
24.6	24.6	24.6	Women (future pensioners)	25.1	25.1	25.1
			Financial			
2.40%	2.30%	2.20%	Rate of increase in salaries	3.35%	3.30%	3.20%
2.00%	1.90%	1.80%	Rate of increase in pensions	2.85%	2.85%	2.80%
2.30%	2.30%	2.30%	Rate for discounting scheme liabilities	1.95%	2.00%	2.05%
			Commutation			
50%*	50%*	50%*	Take-up of option to convert annual pension into a lump sum	50%*	50%*	50%*

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

Transactions relating to post employment benefits

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

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

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

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

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

Scheme History

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

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

Fife(£m)	Group(£m)
70.459	74.322

26. Agency Income and Expenditure

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

- The Council bills and collects domestic water and sewerage charges on behalf of Scottish Water along with its own Council Tax. During 2020-21 the Council transferred £61.381m (2019-20 £60.832m) to Scottish Water.
- The Council administered £103.761m of COVID-19 support funding schemes for businesses and individuals on behalf of Scottish Government in 2020-21. There was no expenditure of this type in 2019-20.

27. Group & Related Parties

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

Subsidiaries

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

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

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

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

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

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

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

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

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

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

Joint Venture - Fife Integration Joint Board (IJB)

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

Associates

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

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

Other Related Parties

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

Members and Officers of the Council

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

https://www.fife.gov.uk/__data/assets/pdf_file/0024/83553/Register_PUBLIC_from_Dec_2020.pdf

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

Scottish Government

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

Other Organisations

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

Local Government Pension Fund

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

2019-20 £m		2020-21 £m
1.698	Charges to the Pension Fund for support services related to administration	1.779
69.328	Employers' contribution paid to the Pension Fund	73.250
16.270	Employee's contributions collected and paid to the Pension Fund	17.102

External Audit

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

28. Contingent Assets and Liabilities

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

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

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

29. Prior Period Adjustments / Restatements

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

Changes in accounting policies are only made when required by proper accounting practices or to provide more reliable or relevant information on the Council's financial position. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are also corrected retrospectively.

The following restatements are included in these Accounts: -

- A review of Statutory Penalties and Housing Benefit Overpayments was undertaken following the annual audit report 2019-20. This resulted in an increase to General Fund Useable Balances at 1 April 2019 of £11.518m and at 1 April 2020 of £12.755m. The Balance sheet has been restated to reflect this with corresponding changes in Short Term Debtors (£7.755m) and Short Term Creditors (£5.000m). The Comprehensive Income & Expenditure Statement has also been restated by £1.237m to reflect the in-year increase. This restatement also affects Expenditure & Funding Analysis, Movement in Reserves Statement, Cash Flow Statement, Note 6 Useable Balances, Note 8 Analysis by Segment/Nature and Note 18 Short Term Debtors & Creditors
- Note 18 Short Term Debtors and Creditors - In addition to the changes above, there has been a change in presentation of items included in this Note. The 2019-20 comparative figures have been adjusted to reflect this and this also has an impact on Trade Debtors which are also presented in Note 21 Financial Instruments and Note 22 Nature and Extent of Risks Arising from financial Instruments.
- Insurance Fund - A change in presentation was introduced in 2020-21 in accordance with accounting guidance for internal transactions. The 2019-20 comparative figures were changed to reflect this in the Expenditure & Funding Analysis, Movement in Reserves Statement, Comprehensive Income & Expenditure Statement, Note 8 Analysis by Segment/Nature, Note 9 Other Income & Expenditure and HRA Statements.
- Note 10 Grant Income - The 2019-20 Receipts in Advance - Revenue and Capital Short and Long Term figures have been restated as a result of a change in categorisation of a grant. Short Term £3.697m and Long Term £1.154m. This restatement is also reflected in the balance sheet.
- Remuneration Report - Table C:Trade Union Facility Time information for 2019-20 has been restated. The information disclosed in the 2019-20 accounts contained only part of the required information.

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

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

Movement on the Housing Revenue Account Statement

2019-20 (Restated) £m		2020-21 £m
(15.735)	(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement	(24.182)
15.567	Adjustments between Accounting and Funding Basis Under Statute (note 1)	19.200
(0.331)	Transfers (to)/from Other Statutory Reserves	(0.018)
(0.499)	Net (Increase) or Decrease In Year on HRA	(5.000)
(2.506)	Balance on the HRA at the end of the Previous Year	(3.005)
(3.005)	Balance on the HRA at the end of the Current Year	(8.005)

Housing Revenue Account Disclosures

1. Adjustments between Accounting Basis and Funding Basis under Statute

2019-20 £m		2020-21 £m
0.116	Gain or (loss) on sale of HRA non-current assets	(1.098)
30.198	Capital expenditure funded by the HRA	28.110
	Transfer to/(from) the Capital Adjustment Account:-	
(31.885)	Depreciation, Impairment and Revaluations	(34.528)
13.709	Capital Grants and Contributions	14.315
11.629	Repayment of Debt	13.079
(2.428)	HRA share of contributions to/(from) the Pensions Reserve	(1.450)
(5.803)	HRA Share of Transfer (to)/from Financial Instruments Adjustment Account	0.971
0.031	HRA adjustment for compensated absences	(0.199)
15.567		19.200

2. Housing Stock

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

3. Rent Arrears

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

4. Impairment of Debtors

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

5. Weekly Rents

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

6. Total Outstanding Debt

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

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

2019-20 £m		2020-21 £m
(212.186)	Gross Rates Levied & Contributions in Lieu	(165.694)
40.399	Reliefs & Other Deductions	39.315
0.001	Payment of Interest	0.000
1.031	Debts Written Off and Allowance for Impairment	0.941
(170.755)	Net Non-Domestic Rate Income	(125.438)
12.583	Adjustment to previous years National Non-Domestic Rates	7.510
(158.172)	Contribution to Non-Domestic Rate Pool	(117.928)
(165.717)	Distribution from Non-Domestic Rate Pool	(111.709)
(165.717)	Non-Domestic Rate Income to the CIES	(111.709)

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

Explanatory Note

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

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

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

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

Charges Levied

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

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

Band D equivalent properties

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

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

Introduction

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

History and Background

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

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

Financial Statements

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

Common Good Movement in Reserves Balance

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

Common Good Comprehensive Income and Expenditure Statement

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

Common Good Balance Sheet

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

The unaudited accounts were issued on 30 June 2021.

Introduction

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

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

History and Background

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

Financial Statements

The CIES records income generated and any profit from sale of assets. Expenditure represents costs incurred in relation to disbursements from the various Charities and Trust funds in accordance with individual trust conditions.

In 2020-21, the value of investments held by Charities & Trust Funds increased by £0.512m due to the recovery of the financial markets following the volatility shown last year in reaction to the COVID-19 pandemic.

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

	Useable Reserve £m	Unusable Reserve £m	Total Reserves £m
Opening Balance 1 April 2019	(4.990)	(0.005)	(4.995)
<u>Movement in Reserves during 2019-20</u>			
(Surplus) or deficit on provision of services	0.827	0.000	0.827
Other Comprehensive Expenditure and Income	0.000	0.000	0.000
Total Comprehensive Income & Expenditure	0.827	0.000	0.827
Balance at 31 March 2018 carried forward	(4.163)	(0.005)	(4.168)
<u>Movement in Reserves during 2020-21</u>			
(Surplus) or deficit on provision of services	(0.515)	0.000	(0.515)
Other Comprehensive Expenditure and Income	0.000	0.003	0.003
Total Comprehensive Income & Expenditure	(0.515)	0.003	(0.512)
Balance at 31 March 2021 carried forward	(4.678)	(0.002)	(4.680)

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

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

The unaudited accounts were issued on 30 June 2021.

29th June, 2021

Agenda Item No. 5

Fife Council Charitable Trusts - Unaudited Annual Report & Financial Statements 2020-21

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

Wards Affected: All

Purpose

This report contains the unaudited annual accounts for Fife Council Charitable Trusts for 2020-21.

Recommendation

It is recommended that Members consider the unaudited accounts.

Resource Implications

None.

Legal & Risk Implications

None.

Policy & Impact Assessment

None.

Consultation

None.

1.0 Background

- 1.1. The Local Authority Accounts (Scotland) Regulations 2014 require the unaudited accounts to be submitted to the appointed auditor no later than 30 June. The regulations also require elected members to consider the unaudited accounts at a meeting held no later than 31 August.
- 1.2 Best practice is for the Committee whose remit includes audit or governance functions, to have formally considered the unaudited Annual Accounts prior to submitting them to the appointed auditor, and making them available for public inspection
- 1.3 Formal consideration of the unaudited Annual Accounts by the Committee is required to address, and to mitigate, the risk of the Committee not agreeing to approve audited Annual Accounts for signature.

2.0 Issues

- 2.1 The unaudited Annual Accounts have been completed within the statutory timeframes and will be submitted to External Audit following this meeting.
- 2.2 Copied of the unaudited Annual Accounts will be made available for public inspection from Thursday 1st July to Wednesday, 21st July (inclusive). Details of the public inspection process were publicised on Thursday 17th June.
- 2.3 Consideration of the unaudited Annual Accounts at this meeting complies with the regulations.

3.0 Conclusions

- 3.1 The unaudited Annual Accounts have been completed and submitted to External Audit in line with the previously agreed timescales.

Report Contact

Elaine Muir
Head of Finance
Fife House

Email: elaine.muir@fife.gov.uk



Fife Council
Charitable Trusts

Trustees' Annual Report & Financial Statements 2020-21

SUBMITTED FOR AUDIT 30 JUNE 2021

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TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 2020-21

Introduction

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

The principal address of the Charitable Trusts is:

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

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

The Trust Auditors are:-

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

Trustees

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

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

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

Objectives and Activities

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

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

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

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

Structure, Governance and Management

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

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

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

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

Risk

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

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

Achievements and Performance

The Charitable Trusts made grants totalling £85,095 in the year to support local communities. These were made from 23 individual Trusts and a total of 66 separate grants were awarded in 2020-21 an increase from the 43 grants awarded in 2019-20. Included in the total grants for 2020-21 was £53,372 paid out following NEF Area Non-Settlement Trust Review. Details of the most significant donations in the year are as follows:

Anstruther & Cellardyke Settlement Trust	
Scottish Fisheries Museum - Knitting the Herring project between Fife and the Outer Hebrides	£2,500
East Neuk Foodbank - Project Co-Ordinator salary costs	£2,500
Bell Fund/Good Templars Fund	
Madras College Endowment Trust - Support the upkeep and developing Madras Pipe Band	£7,950
Buist Bequest	
Transfer of balances towards Bruce Embankment capital project - following NEF Review	£31,487
Culross Settlement Trust	
The Stables to purchase kitchen equipment for weekly food hub	£1,500
Community Kitchen Garden - supply local pantries and foodbanks	£1,494
Dunfermline Settlement Trust	
Help cover costs associated with issuing safety packs to children starting Primaty School	£1,488
Kirkcaldy Settlement Trust	
Nourish - towards food and personal care items	£1,000
Newburgh Settlement Trust	
Newburgh Junior's FC - Training course for level 4 awareness in First Aid for mental health of players & staff	£1,000
Stuart Bursary	
Pay out of balances to St Andrews University following NEF Review	£1,890
St Andrews War Memorial	
Transfer of balances to Local Community Planning Budget following NEF Review	£1,054
Thomson Bequest and Laing Library	
Pay out of part balance to Age Concern following NEF Review	£18,942

Financial Statements

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

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

A Cash flow statement is not required as stated in FRS102

Financial Review

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

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

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

Acknowledgements

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

TRUSTEES BY COMMITTEE AREA AS AT 31 MARCH 2021

DUNFERMLINE

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

COWDENBEATH

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

GLENROTHES

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

LEVENMOUTH

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

NORTH EAST FIFE

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

SOUTH & WEST FIFE

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

KIRKCALDY

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

CHARITABLE TRUSTS AND THEIR PURPOSES

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

STATEMENTS OF RESPONSIBILITIES

The Trustees Responsibilities

The Trustees are required to:-

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the authority has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Authority, that officer is the Executive Director Finance and Corporate Services.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Charitable Accounts (Scotland) Regulations 2006) and the Accounting and Reporting by Charities Statement of Recommended Practice (Charities SORP), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).

The Executive Director Finance and Corporate Services Responsibilities

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

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

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with legislation
- Complied with the accounting and reporting by charities: Statement of Recommended Practice (in so far as it is compatible with legislation)

The Executive Director Finance and Corporate Services has also:-

- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDING 31 MARCH 2021

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

All funds are unrestricted

BALANCE SHEET AS AT 31 MARCH 2021

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

The unaudited financial statements were issued on 30 June 2021

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

A General Principles

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

The accounting concepts of “materiality” and “going concern” have been considered in the application of accounting policies. In this regard the materiality concept means that information is included where the information is of such significance to justify its inclusion. The going concern concept assumes that the Charitable Trusts will not significantly curtail the scale of its operations. Trustees are of the opinion that the Charitable Trusts are a going concern based on a review of activities undertaken and expected commitments in the coming year and, as such, these financial statements are prepared on a going concern basis.

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

All investments are listed investments held at fair value.

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

B Recognition of Income

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

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

C Expenditure

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

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

D Assets

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

2. Donations & Legacies

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

3. Investment Income

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

4. Other Expenditure

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

5. Charitable Activities

Activity / Programme	Activities Undertaken Directly	2020-21			2019-20	
		Individuals £	Voluntary Associations £	Other Government Bodies £	Individuals £	Voluntary Associations £
Dunfermline	Advancement Of Education					1,000
Dunfermline	Advancement Of Public Participation in Sport				1,000	1,900
Dunfermline	Prevention Of Poverty		1,488			
Leslie	Prevention Of Poverty				200	800
Burntisland	Prevention Of Poverty				238	
Kinghorn	Prevention Of Poverty		600			
Kirkcaldy	Advancement Of Education					450
Kirkcaldy	Advancement Of Health		129			
Kirkcaldy	Prevention Of Poverty	1,460	1,000		116	2,010
Buckhaven and Methil	Prevention Of Poverty					100
Leven	Prevention Of Poverty					250
Anstruther & Cellardyke	Advancement Of Arts		942			4,000
Anstruther & Cellardyke	Advancement Of Education		2,500			200
Anstruther & Cellardyke	Advancement Of Health		50			
Anstruther & Cellardyke	Prevention Of Poverty	(35)	2,500			
Anstruther & Cellardyke	Provision Of Recreational Facilities					1,792
Crail	Prevention Of Poverty	700				2,000
Crail	Provision Of Recreational Facilities		550			
Cupar	Prevention Of Poverty	1,829			1,450	400
Freuchie & Area	Advancement Of Education		114			
Freuchie & Area	Provision Of Recreational Facilities					146
Kilconquhar	Prevention Of Poverty	167				
Kingskettle	Prevention Of Poverty	43				
Ladybank	Prevention Of Poverty	178				
Newburgh	Advancement Of Health		1,000			
Newburgh	Prevention Of Poverty	910			1,125	1,438
Newburgh	Provision Of Recreational Facilities	250				
Pittenweem	Prevention Of Poverty					
St Andrews	Advancement Of Education		979			
St Andrews	Advancement Of Health		50			
St Andrews	Advancement Of Public Participation in Sport					1,800
St Andrews	Prevention Of Poverty	1,270	240		299	2,690
St Monans	Advancement Of Citizenship		250			
St Monans	Advancement Of Education					530

Activity / Programme	Activities Undertaken Directly	2020-21		
		Individuals £	Voluntary Associations £	Other Government Bodies £
St Monans	Prevention Of Poverty	969		
Tayport	Prevention Of Poverty	259		
Culross	Prevention Of Poverty		2,994	
Limekilns	Advancement Of Citizenship	200		
Limekilns	Prevention Of Poverty			
Bell Fund / Good Templars Fund	Moral & Religious Improvement		7,950	
Buist Bequest	Improvements & Necessary Repairs-St Andrews			31,487
St Andrews War Memorial	Upkeep of War Memorial		1,054	
Stuart Bursary	Advancement Of Education		1,890	
Thomas Ireland's Trust	Provision of Coal etc	106		
Thomson Bequest & Laing Library	Age Concern - Benefit of Old Folks		18,942	
Waugh & Wharrie Bequest	Prevention Of Poverty		80	
TOTAL		8,307	45,301	31,487
				85,095

2019-20	
Individuals £	Voluntary Associations £
870	
260	
	200
	80
5,558	21,786
	27,344

6. Outline Summary of Fund Movements

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

7 Investments

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

8 Debtors

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

9 Cash at Bank and in Hand

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

10 Trustee's Remuneration and Expenses

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

11 Related Parties

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

29th June, 2021

Agenda Item No. 6

Risk Management Strategy Review and Strategic Risk Register Review Update

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

Wards Affected: All

Purpose

The purpose of this report is to provide an update to Standards and Audit Committee on progress with the Risk Management Strategy Review and Risk Register Review.

Recommendation(s)

Members are asked to

- note the progress and next steps on the Risk Management Strategy Review and the Strategic Risk Register Review,
- note that a further update on progress with the Risk Management Strategy review and action to be taken will be reported to Standards and Audit Committee, and a revised Strategic Risk Register presented for approval, later in the year.

Resource Implications

There is a budget of £10k in the Zurich risk management fund for funding risk reviews, which will cover both reviews. Any additional work requested would be funded from the Council's Risk Management budget.

Legal & Risk Implications

If the Council does not have a suitable strategy and structure in place to support its risk management arrangements, it will reduce its ability to effectively manage risks leading to financial and legal penalties, waste of resource by focusing on wrong priorities, the inability to benefit from considered opportunities and the inability to achieve objectives.

If the Council's Strategic Risk Register is not regularly and systematically reviewed it could lead to waste of resource by focussing on the wrong priorities, the inability to benefit from considered opportunities and the inability to achieve objectives.

Impact Assessment

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

Consultation

Consultation has already taken place with officers across the Council and the Convener of Standards and Audit Committee on the risk management framework.

An initial survey on strategic risks was issued across all Directorate Leadership Teams, and a virtual workshop held with the Corporate Leadership Team to agree the risks, confirm risk owners, and reflect on the scoring and prioritisation of risks.

1.0 Background

- 1.1 Risks are clearly being managed on a daily basis across the Council, and it has been demonstrated over the last year that management of risks is a key consideration in the recovery and redesign of services.
- 1.2 The findings of the recent independent Risk Management Health Check Report produced by Zurich (Appendix 1) highlights many positive areas in the Council's risk management framework, in particular:
 - Formal and ad-hoc support and guidance provided by Audit & Risk Management team, and Performance & Improvement team.
 - Well established and understood risk management process.
 - The management of risk within programmes and projects appears to be mature and well embedded.
 - Positive culture of risk ownership in some services and directorates.
- 1.3 The report provides assurance that the Council has mature and well-developed processes and systems to support the effective management of risks. However, it recommends some changes to the collective management of strategic risks to increase its effectiveness and improve ownership of risks.

2.0 Risk Management Arrangements

- 2.1 The Council currently has a risk management framework in place as set out in the Risk Management Manual, which sets out the roles and responsibilities for risk management.
- 2.2 All strategic risks are managed by the Chief Executive or Executive Directors to enable clear visibility of risks and to achieve the Council's objectives and to determine whether effective control measures are in place to reduce the likelihood and impact of these risks across the organisation.
- 2.3 Additional risks are also assigned to Heads of Service or a senior manager, who are the risk owners responsible for ensuring the risk is regularly reviewed and monitored, and existing controls are managed and operating effectively.
- 2.4 Whilst ownership of risks sits with senior operational managers, there are key advice and support roles and responsibilities as follows:

Risk Management Team:

- provides professional advice and support to all Council Services.
- develops training materials, guidance notes and templates to support the risk management process.
- provides support, advice and guidance to the Standards and Audit Committee, Council Management Team, Risk Management Strategy Group, and the Operational Risk Management Group to undertake their roles in developing and implementing the risk management strategy and framework.

Corporate Development Team

- responsible for the facilitation and challenge role, along with risk monitoring linked to the Council Planning process for Finance and Corporate Services, Communities and Environment and Enterprise Directorates. Education and Children's Services and Health and Social Care have support within the Directorate for managers and to provide the facilitation and challenge role.

3.0 Risk Management Strategy Review

- 3.1 During March 2021, the Senior Strategic Risk Management Consultant, Zurich Insurance Company Ltd, worked with the Council to review the effectiveness of its risk management framework. This review comprised of examination of documentation relating to the risk management framework, and interviews with a section of Council Officers from each line of defence, and the Convenor of Standards and Audit Committee, to assess how the policies and procedures work in practice.
- 3.2 The findings and recommendations in the Risk Management Health Check Report have been discussed with the Council Executive Team, and an approach to taking the risk management strategy review forward has been agreed.
- 3.3 As stated above, the report highlights many positive areas in the Council's risk management framework.
- 3.4 The report identifies priority areas for improvement which have been agreed, which when implemented, will improve the Council's risk management maturity:
- Improve ownership of strategic, long term risk identification through:
 - Council Leadership Team (CLT) or a refreshed RMSG taking on the role of maintaining and updating the strategic risk register.
 - Ensuring risk management responsibilities are set within the Plan for Fife delivery model.
 - Engage members more effectively by reporting Directorate & Service risk information to the relevant council committees.
 - Refreshing and communicating the purpose of the risk management framework. This will help address the cultural shift away from risk being seen as a bottom-up reporting process to a management tool that helps support delivery of the council's objectives.
 - Facilitate production of an updated strategic risk register for the council, and a new risk register for the Fife Partnership. High level principles for how to manage risk within the partnership will also be agreed.

- 3.5 CET has agreed that the refreshed Risk Management Strategy Group (RMSG) will comprise of CLT members with responsibility for strategic risks, led by the Executive Director, Finance and Corporate Services. The group will be formed following identification of strategic risks and their ownership at the Strategic Risks Review Workshop on 9 June 2021. The RMSG will feedback periodically to the wider CLT group and include other CLT participants in discussions on risk as required.
- 3.6 The RMSG will establish a remit and scope for the work of the group, including a review of the strategy and consideration of risk management roles, development of an action plan to address the risk strategy recommendations in the report, and monitoring Services' progress with Strategic risk action plans.
- 3.7 The Risk Management Team will provide advice and support to the RMSG in undertaking its role in developing and implementing the risk management strategy and framework.
- 3.8 Responsibility for strategic risks will remain with risk owners, and any actions relating to this will be managed by them.
- 3.9 It is envisaged that the outcome of this exercise and the action to be taken will be reported to Standards and Audit Committee later in the year.

4.0 Strategic Risk Register Review Update

- 4.1 The Risk Consultant is also facilitating this review, with a phased approach to risk identification. An initial survey was issued across all Directorate Leadership Teams, and the outcome presented to the Corporate Leadership Team at a virtual workshop on 9 June 2021.
- 4.2 The workshop focused on agreeing the risks, confirming risk owners, and reflecting on the scoring and prioritisation of risks. The Risk Consultant will now work with strategic risk owners on a 1-1 basis to define and score the risks identified for each Directorate.
- 4.3 It is envisaged that the updated Strategic Risk Register will be presented to Standards and Audit Committee for approval later in the year.

5.0 Conclusion

- 5.1 The Council has mature and well-developed processes and systems to support the effective management of risk, but for risk management to become embedded across all areas of the Council, a change to the approach to managing risk is required. The formation of a refreshed RMSG and updated strategic risk register, along with development of an action plan will provide a renewed focus on risk management, serve to raise awareness and address areas for improvement.

List of Appendices

1. Risk Management Health Check Report

Report Contact

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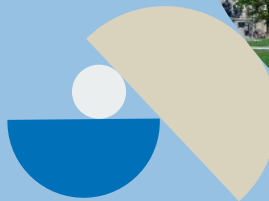
Risk Management Health Check Report

Fife Council

April 2021

Alan Ross – Senior Risk Management Consultant

Zurich Municipal



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1. Interviewees	10

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During March 2021 Zurich worked with the council to review the effectiveness of its risk management framework. In order to measure the maturity of risk management a Performance Model has been used. This breaks down risk management activity into six categories that contribute towards an effective risk management framework within an organisation:

Leadership & Management	Do senior management, and board and committee members support and promote risk management?
Strategy & Policy	Are there clear strategies and policies for risk?
People & Training	Are people equipped and supported to manage risk effectively?
Processes & Tools	Do risk management processes, tools & systems support the organisation to manage risk effectively?
Risk Handling & Assurance	Are risks handled well and does the organisation have assurance that risk management is delivering successful outcomes and supporting creative risk-taking?
Partnership, Shared Risks & Projects	Are there effective arrangements for managing risks with partners and in projects?

The model enables an assessment to be made **for each category** on the extent to which risk management is having a positive effect on the organisation. The five levels of maturity are set out below. Observations and recommendations to move to the next level of maturity are set out in the body of the report for consideration by the council.

Level 1 Engaging	Level 2 Happening	Level 3 Working	Level 4 Embedded	Level 5 Driving
There is an awareness of this category but more needs to be done to embed effective processes	There is some active work to embed risk management within the organisation, but gaps remain	Processes are established and effective, but may not have been in place long enough to be embedded, or are not applied consistently across the organisation.	The risk management framework is embedded within a range of processes. People outside a core group of management, staff & committee members actively engage in making the risk framework work effectively.	The risk management framework is fully embedded across the organisation.

Executive Summary

The Council has mature and well developed processes and systems to support the effective management of risk. Many areas of the council describe a positive culture of ownership around risk, especially operational risk. The management of risk within programmes and projects is similarly well developed. Front line managers are supported effectively both by the Audit & Risk Management team, and Performance & Improvement team. There is a clear desire at senior management level to embed and improve risk management within the council. This includes recognising the approach to risk has to change as the organisation also changes.

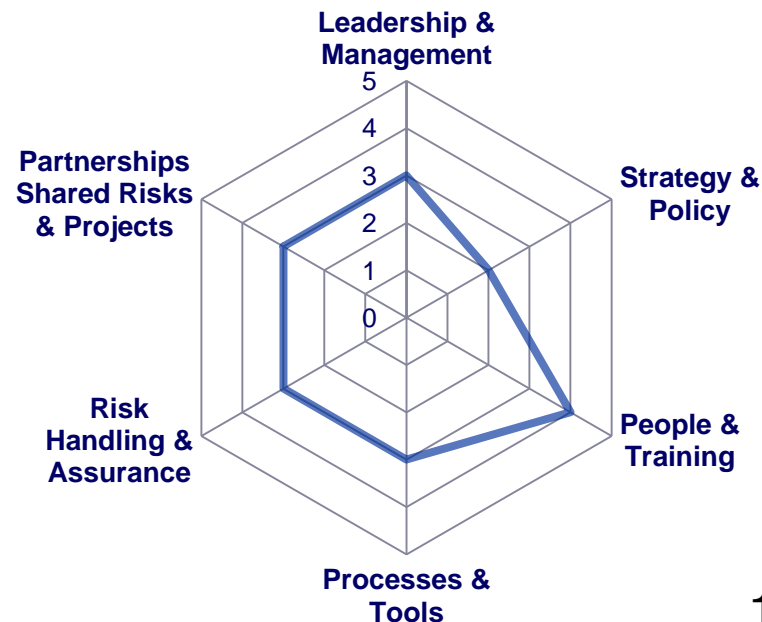
As part of this review we were provided with a documentation relating to the risk management framework. To provide context to the documentation provided we undertook a series of interviews, and we would like to express thanks to these individuals for their time and views. Those who took part are included in Appendix 1.

A number of recommendations were identified. These are based on the interviews and our experience of working with similar organisations. It should be noted that the assessment opposite is used to allow comparisons between different elements of an effective risk management framework. For the elements scored 2 or 3, the council would move up to the next score on completion of the recommendations.

There are four suggested priority areas for improvement:

1. Improve the identification and management of strategic risks – those that are longer term or cross-functional – by **either** a) refreshing the Risk Management Strategy Group (RMSG) with membership drawn from the Council Leadership Team (CLT) **or** giving CLT the responsibility for maintaining the strategic risk register quarterly
2. Ensure strategic risk management is embedded within the Fife Partnership delivery model
3. Engage members more effectively by reporting risk information alongside service performance
4. Refreshing and restating why the council does risk management. This should include defining what is meant by a strategic risk, and clarifying the roles and expectations of different groups and individuals. This should be agreed by either RMSG or CLT (depending on the outcome of point 1, above).

The following pages provide further detail on conclusions together with recommendations for improvement.



Leadership & Management

Level 1 Engaging	Level 2 Happening	Level 3 Working	Level 4 Embedded	Level 5 Driving
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This section seeks to determine whether senior management support and promote risk management through active engagement and resourcing of risk management activity

There are clear roles and responsibilities – set out in the Risk Management Manual – including for senior management (CET & CLT) and at member level (Standards & Audit Committee). Under the current process CET formally receive reports from Audit & Risk Management following RMSG twice a year. RMSG has fallen into abeyance as a result of COVID, delegated attendance and a perceived lack of ownership, but the reports have continued to go to CET.

Strategic objectives are set out in the Plan for Fife. The content and delivery framework is currently under review. Comment on how to embed risk is further explored in partnership section. There is a gap therefore in the council being able to have a forward looking, cross-service, view of its strategic risks.

There is a perception risk is well embedded within the council, but this does not always result in recording and reporting of risk management activity by updating information on Pentana. CET was also described as considering risk in every meeting. This can be through the performance reporting process, or consideration of committee reports however the strategic risk register is formally reviewed once per year.

Standards & Audit Committee receive updates twice a year. One of these is the full strategic risk register. The other is to review the risk management framework. While Standards & Audit should have a role to oversee the effectiveness of the framework, other forums are better suited to consider whether the correct risks are being managed appropriately.

In order to further embed risk management activity the council should consider:

1. Refreshing RMSG with membership drawn from CLT, **or** CLT to take the role of RMSG to review risks quarterly, & provide forward looking, cross-service view of the main strategic risks to the council
2. Reporting the top 3-5 risks from each service or directorate to the relevant council committees for those services, in line with performance reporting

Strategy & Policy

Level 1 Engaging	Level 2 Happening	Level 3 Working	Level 4 Embedded	Level 5 Driving
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This section seeks to determine whether clear strategies and policies exist for risk management, how up to date they are, and if they address all the necessary topics.

The Risk Management Manual is the main guidance document. The version reviewed was last updated in March 2018. It sets out the overall aims of the risk management framework, clear roles & responsibilities at all levels.

In most directorates risks are discussed quarterly. Concerns were raised by a minority of interviewees about how seriously some senior managers take this process, due to risk information not always being kept up to date.

Within the manual links between risk management and planning have not yet been defined. However interviewees confirmed risks are considered by services and directorates once the business planning cycle starts.

Risk appetite is referenced within the procedure, with different levels of risk on the matrix being linked to escalation to the next tier of management. Reference is also made to the delegated scheme of authority. Informally risk appetite & culture is said to vary across directorates. This is normal, however in a dynamic and fast changing environment having some agreed norms around risk appetite would be beneficial.

Key decisions and committee reports do contain a section for risks to be outlined. However during the interviews a majority believed the quality of the content of this section could be improved.

In order to further embed risk management activity the council should consider:

3. Improving the Council's statements on risk appetite to include type & amount of risks the council is willing to seek in pursuit of its strategic goals. This should be produced by either RMSG or CLT (depending on the outcome of recommendation 1), in consultation with members.
4. Developing guidance and best practice examples for officers in completing decision making reports

Processes & Tools

Level 1 Engaging	Level 2 Happening	Level 3 Working	Level 4 Embedded	Level 5 Driving
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This section seeks to determine whether the organisation has effective risk processes to support the aims of the risk management framework

The council has a well established and understood process for the systematic identification, management and reporting of risk. Risk management can be seen as a chore and overly bureaucratic, but the process is followed by most services and directorates. The Pentana system is used for recording and reporting of risk information. Interviewees raised various issues with Pentana. These are well-known and the council is open to explore alternatives.

While IT systems can be a barrier to any risk management framework it is usually better to address improvements in the leadership, strategy, and people elements before considering IT system changes. This includes when risk management is done. If it is carried out a stand alone exercise, removed from business planning or performance then it can result in perceptions of risk being mainly about reporting up the chain of command. Where risk management adds value is an embedded part of the business planning, performance management and decision making.

Some interviewees described good practice of reviewing and updating risk information. There appears to be greater comfort with operational risk management. Ownership of these risks tends to be easier because responsibility is clearer compared to large, complex, cross-service risks that are outside the direct control of one service.

There is also a desire to get more value from risk information. Examples could include identification of emerging risks, or sharing of trends in risk information recorded. While this would be beneficial, there are known capacity restraints within the Audit & Risk Management team to do this kind of analysis.

In order to further embed risk management activity the council should consider:

5. Encouraging recording fewer risks, and aligning reporting at all levels in line with the performance management process

Risk Handling & Assurance

Level 1 Engaging	Level 2 Happening	Level 3 Working	Level 4 Embedded	Level 5 Driving
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This section seeks to determine whether risks are handled well and there is appropriate assurance that risk management is delivering successful outcomes and supporting managed risk-taking

There is a cycle of quarterly updates of risk information at service and directorate level. However some services and directorates are not as good at doing this as others. CET considers the risk register once per year following reports from the Audit & Risk Management team. The last update was February 2020. While DLTs do consider risks quarterly there can be a tendency to focus on operational risks. There is a challenge for the council to improve its identification and management of strategic risks.

Quarterly updates are in line with best practice. Frequent reviews are especially important as organisations and the environment change quickly. This is recognised by the Policy & Co-ordination committee which reviews financial risks at every meeting.

The links between the annual audit plan and the risk framework appear to work well, however risk registers not being updated on time affect the ability of this to work effectively. Audit planning does happen but risk information is not always up to date.

This suggests the council does actively consider risks, however there can be a lag in updating the system to demonstrate this has happened. This could suggest a culture that sees risk as bottom-up, or about reporting what has happened rather than actively supporting decisions about risk. This does not mean risks are not actively managed, but it can result in a difference between the risks being reported and the risks being discussed.

Some interviewees believe the scoring of risks is siloed, with services not taking due regard of the wider impact of risks on the whole organisation or community. This will be compounded by there being no regular top-down, strategic view of the risks from senior managers (as RMSG has not met) and by lack of scrutiny at member level from the appropriate committees. In addition there is no risk register for the Plan for Fife yet. The plan and delivery framework is under review.

The process for risk handling & assurance is in line with good practice. Interviewees were able to discuss examples of lessons learnt where significant risk events had happened. This demonstrates a positive learning culture around risk events.

Risk Handling & Assurance (continued)

Level 1 Engaging	Level 2 Happening	Level 3 Working	Level 4 Embedded	Level 5 Driving
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In order to further embed risk management activity the council should consider:

6. See recommendation 2
7. Defining and clarifying what is meant by a strategic risk within the risk management manual
8. Restating the purpose of the risk management approach within the council, to address the culture of reporting. This should be a list of we do risk management (the three most important things to the council rather than a list of all the reasons risk management is helpful).

This should be agreed by RMSG or CLT, if they replace the role of RMSG. CET should also consider if they should continue to receive the updated strategic risk register from RMSG or CLT, or if it should be reported to the Reform & Recovery Board.

The restated purpose should be reflected in the updated risk management manual

People & Training

Level 1 Engaging	Level 2 Happening	Level 3 Working	Level 4 Embedded	Level 5 Driving
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This section seeks to determine whether people are supported and have the capacity to manage risk well

Effective risk processes are important, however people tend to play a larger role in setting risk culture. Risk culture is the collective behaviours, values and mindsets of the people involved in risk. These are shaped by processes and leadership, strategy, and incentives.

Day to day support for front line managers is provided by the Audit & Risk Management team, and the Performance & Improvement team. This support was described as invaluable and important to the smooth running of the framework.

Some interviewees recognised there is a lack of capacity within these 'second line' functions to provide all of the support needed, and a reluctance among some front line managers to take ownership of risks. This mindset is put down to either capacity or not wanting to take ownership. However this was not a view about all managers.

A common finding in audits of the application of the risk framework is that service managers have not been trained in risk management. The council provides access to a 2 day Institute of Risk Management accredited course for managers. A 2-day course may be seen as too much time to give up by some. While training can be encouraged for members there is no way of compelling them to attend. However training should be available for those who want it.

Training & awareness is not just about formal training. Case studies, examples of good practice and access to external events and webinars also play an important role in shaping mindsets about risk.

People & Training (continued)

Level 1 Engaging	Level 2 Happening	Level 3 Working	Level 4 Embedded	Level 5 Driving
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In order to further embed risk management activity the council should consider:

9. Producing a 2 page summary guidance document for the risk management process. This could address issues of the difference between strategic and operation risk, what is a control, and how to define a risk effectively
10. Producing a short e-learning module for managers and members
11. How to communicate informally, e.g. through newsletters, use of the intranet on how to promote case studies, and positive examples of risk management

Partnerships, Shared Risks & Projects

Level 1 Engaging	Level 2 Happening	Level 3 Working	Level 4 Embedded	Level 5 Driving
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This section seeks to determine whether there are effective arrangements for managing risks with partners and within projects

The guidance and risk information reviewed relating to projects was comprehensive, and suggests a mature and embedded approach to the management of programmes and projects. IT in particular use a combination of SharePoint and Power BI to record, report & visualise areas of risk within projects. This is an approach that, with some development, could be amended to replace the use of Pentana in future, if desired. The assurance & oversight role of programme boards was also described as high quality.

Risk management is not as well developed or embedded in partnership working. The content of the Plan for Fife is currently being reviewed, as is the governance and delivery model. Responsibility for delivery of the Plan is likely to sit with a lead partnership board with thematic delivery groups below it; each led by a senior officer. The delivery model is to be agreed in June, with risk management embedded with performance management.

The Council has many important partners, especially the IJB. Close working between the two partners mean issues and risks are under continual discussion but there is no formal reporting mechanism for risks between these partners.

In order to further embed risk management activity the council should consider:

12. Giving responsibility for risk management within the CPP to each thematic delivery groups, i.e. they are responsible for managing the risks to delivery of their action plan
13. Defining the reporting requirements to and from key partners for risk information. This could be the IJB reporting quarterly on its top 3-5 risks, or CET reviewing the risks to the Plan for Fife before each update
14. Facilitating a risk identification process for risks to the Plan for Fife

Summary of strengths & possible improvements

Key strengths:

- ✓ Formal and ad-hoc support and guidance provided by Audit & Risk Management team, and Performance & Improvement team
- ✓ Well established and understood risk management process
- ✓ The management of risk within programmes and projects appears to be mature and well embedded
- ✓ Positive culture of risk ownership in some services and directorates

Priority areas for continuous improvement:

- Improve ownership of strategic, long term risk identification through:
 - CLT or a refreshed RMSG taking on the role of maintaining and updating the strategic risk register
 - Ensuring risk management responsibilities are set within the Plan for Fife delivery model
- Engage members more effectively by reporting directorate & service risk information to the relevant council committees
- Refreshing and communicating the purpose of the risk management framework. This will help address the cultural shift away from risk being seen as a bottom-up reporting process to a management tool that helps support delivery of the council's objectives
- Facilitate production of an updated strategic risk register for the council, and a new risk register for the Fife Partnership. High level principles for how to manage risk within the partnership should also be agreed

Interviewees:

- Charlie Anderson
- Avril Cunningham
- Cllr Dave Dempsey
- Neil Finnie
- Tim Kendrick
- Eileen Rowand
- Michelle Smith
- Avril Sweeney
- Craig Waddell
- Carolyn Ward
- Clare Whyte
- Keith Winter