



Annual Accounts 2012-13



Foreword by Executive Director Finance and Resources

Introduction

This document contains the Financial Statements for Fife Council (the Authority) and its group for the year ended 31 March 2013. These statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 (the Code) and the Service Reporting Code of Practice (SeRCOP).

Financial Statements

A summary of the main statements is detailed below.

Movement in Reserves Statement - This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. 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 Net (Increase)/Decrease before Transfers to Statutory Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from statutory reserves undertaken by the council

Comprehensive Income and Expenditure Statement - shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet - shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be

used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'

Cash Flow Statement - The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

Housing Revenue Account: Income and Expenditure Account and Statement of Movement on the HRA Balance

The Housing Revenue Account (HRA) records all income and expenditure associated with the provision of council housing, which by statute must be separately accounted for. The HRA Income and Expenditure Account shows all resources generated and used during the year, whilst the Statement of Movement in HRA Balance reconciles the Income and Expenditure Account outturn to the HRA balance. Consequently, both statements should be considered to determine the overall position.

Other Financial Statements - The Annual Accounts also include the following financial statements:

Statement	Information provided
Non Domestic Rate Income Account	Summarises the gross and net income from Non-Domestic Rates and details the amount payable to the national pool.
Council Tax Income Account	Shows the gross and net income from Council Tax along with details of the charge for each band of Council Tax property.
Group Accounts	The council has interests in the Common Good, Charitable Trusts, a number of other Trusts and other organisations. These have been incorporated in the group accounts as subsidiary or associated companies where the council has a material interest. The aim of these accounts is to show the full picture of the council's control and influence over service provision, resources and risk.
Common Good and Charities and Trusts Funds	Record the financial transactions in relation to funds which the council administers as Trustees.
Remuneration Report	Provides pay and pension details for senior employees and senior elected members within the authority.
Corporate Governance Statement	Comments on the authority's governance and stewardship arrangements.

Financial Review

The majority of council services underspent their budgets within 2012-13, resulting in an underspend of £1.445m (0.19%) on service budgets. The total level of underspend was reduced by overspends within Social Work and Environment Enterprise and Communities directorates. Social Work overspend has arisen due to higher level of activity than budgeted for. Workforce Change costs contribute to the overspend within Environment, Enterprise and Communities.

This overall performance results from stringent financial management put in place during a challenging year. Lower than expected outturn in the capital programme equated to the council having to pay less on loan charges and there has been a reduced level of borrowing. There was also an underspend on budgets held centrally for legislative obligations, feasibility studies and unallocated items and this amounted to £6.101m.

Included within the outturn figures is the cost relating to workforce change. For 2012-13 the total cost of delivering workforce change was £6.779m. This was funded through a combination of service underspends of £1.871m and General Fund balances of £4.908m. The Comprehensive Income and Expenditure Statement shows a surplus on provision of services of £194.129m.

An exceptional item has been included within the Comprehensive Income and Expenditure Statement in relation to the Revaluation of Council Housing Stock. This item has arisen as a result of significant change in accounting estimates in 2012-13. Council Dwellings were subject to a revaluation at 31st March 2013 and although they continue to be valued at fair value measured by Existing Use Value for Social Housing (EUV-SH), the council changed its accounting estimate in arriving at that fair value, from Discounted Cash Flow to the Beacon principle (adjusted vacant possession), in accordance with LASAAC guidance. This change in estimation means that revaluation losses charged to the Housing Revenue Account in previous financial years are being reversed in 2012-13 resulting in a large credit of £224.006m.

The Movement in Reserves Statement shows an increase in the General Fund balance of £17.026m after statutory and non statutory adjustments, increasing the General Fund balance to £79.514m.

Whilst the increase in balances is more favourable than planned, balances will remain under pressure given the potential costs of future workforce change, equal pay, financial uncertainties and other pressures. There are commitments against this balance of £32.742m in 2013-14 leaving an uncommitted balance of £46.772m which equates to 6.0% of the annual budgeted net expenditure and represents a decrease of £0.807m.

The commitments include a sum of £15.000m earmarked to reform Fife's public services. This will fund exceptional redundancy costs and one off costs that will arise from major change initiatives, designed to generate future savings.

Building up of balances is part of a longer term strategy to deal with the impending financial pressures over the coming years.

Going Concern

The Council's Balance Sheet and the Group Balance Sheet show net liabilities of £252.734m and £240.700m respectively. Within these totals, there is a combined pension liability of £1,559.319m in accordance with accounting standard IAS19. This exceeds the value of distributable reserves held by the Council and the Group. It should be noted that this is a snapshot position at 31 March 2013.

The retirement benefit liabilities include £904.700m in respect of Police and Fire pensions which are effectively underwritten by the Scottish Government and funded by a specific grant for pension costs. Excluding the retirement benefit liabilities for Police and Fire, the Council's Balance Sheet and the Group Balance Sheet as at 31 March 2013 would show a total net asset position of £651.966m and £664.000m respectively.

It is important to note that the retirement benefit liability assessment is essentially a snapshot as at 31 March 2013 and that changes occur on a daily basis reflecting, in particular, stock market performance. The council has a strong asset base and its liabilities are secured against all its revenues.

The actuarial valuation of the Pension Fund, which takes a longer term view, will consider the appropriate employers' contribution rates and these, together with employee contributions and revenues generated from fund investments, will be utilised to meet the financing of these liabilities.

It is therefore appropriate to adopt a going concern basis for the preparation of the financial statements.

Retirement Benefits

The council, in full compliance with the Code, has reflected the requirements of IAS19 in the treatment of retirement benefits within the accounts. Hymans Robertson, the council's actuary, provided the necessary information for the entries in the accounts. The impact on net operating expenditure was to increase expenditure by £67.545m. In terms of the council's balance sheet the net retirement benefits liability was assessed by the actuary at £1,601.419m, which was made up of a liability of £607.435m for the Local Government Scheme, £89.284m for Teachers Additional Benefits, £664.100m for Police and £240.600m for Fire. The council continues to ensure the solvency of its retirement benefits, which relates to the Local Government Pension Scheme (LGPS), through employer's contributions as recommended by the actuary following each 3-year valuation review.

Significant Trading Operations

In accordance with the Local Government in Scotland Act 2003, the council has assessed its trading activities to determine those which are significant. The council has concluded that its only significant trading operation (STO) in 2012-13 was Building Services. The statutory financial requirement of STOs is to break-even over a 3-year period, taking each year together with the previous two. Building Services recorded a deficit of £0.429m in 2012-13. When added to the surplus for the previous two years of £4.332m the cumulative three year surplus is £3.903m. As a result Building Services has comfortably met its statutory financial objective for the 3-year period to 31 March 2013.

Capital Expenditure, Borrowing and Non-Current Assets

Gross capital expenditure in 2012-13 amounted to £185.657m of which £55.768m was spent on the council's Housing Programme. The balance of £129.889m was spent on the council's other services including Education, Transportation, Community Services, Environmental Services, Police and Fire. The capital expenditure was funded through

borrowing of £97.150m (52.3%), contributions from revenue of £35.160m (19.0%) and capital receipts, grants and contributions of £53.347m (28.7%). The main historic source of funding overall capital expenditure is through borrowing and the council's external borrowings at 31 March 2013 were £746.870m (£706.383m in 2011-12). The increase in the value of the council's non current assets at £2,199.548m (£1,588.052m in 2011-12) is largely as a result of capital additions and revaluations.

The economic climate continues to have a serious impact on the property market and this has impacted on the council's ability to raise income to fund capital projects through the sale of assets.

Prudential Indicators

The Prudential Code for Capital Finance in Local Authorities allows greater local flexibility for investment decisions that are informed and supported by a suite of performance indicators to ensure that capital plans are suitably prudent, affordable and sustainable. Key performance indicators are as follows:

Capital Financing Requirement - This indicator quantifies the council's need to borrow to fund capital projects. At the end of 2012-13 the Capital Financing Requirement for the council was £861.514m.

External Debt Levels - This is the amount of money borrowed by the council externally to fund Capital Projects and includes external borrowing and other long term liabilities such as the Council's Public Private Partnership (PPP) schemes. At the end of 2012-13 the External Debt Level for the council was £746.870m. When compared with the Capital Financing Requirement the external debt indicator is less, confirming that the council's external borrowing activities continue to be undertaken only to support planned capital investment activities.

Ratio of Financing Costs to Net Revenue Stream - This indicator highlights how much of the council's annual income is used to meet the costs of the council borrowing money to fund Capital Expenditure Plans. For 2012-13 the ratio for General Fund was 7.58% and for Housing Revenue Account 12.72%.

Impact of Capital Investment on Council Tax and House Rents - This indicator highlights the impact of capital investment on council tax. The level of capital investment was less than originally anticipated meaning there was a reduction in borrowing requirements. This means that the 2012-13 Band D equivalent council tax reduction would be reduced by £5.89. There is a negligible effect on HRA rent.

Treasury Management

Treasury activity during the year resulted in an annual interest saving of approximately £11.248m. The main contributory factors were due to a lower than expected outturn in the capital programme and the decision to take new borrowing on a short term basis to take advantage of favourable interest rates. Short-term loans in place as at 31 March 2013 amount to £67.814m, excluding interest. The council has a treasury management strategy which ensures all decisions taken on treasury management give primary importance to minimising and managing any potential risk.

Sources of Finance

The principal sources of finance used by the council in 2012-13 were as follows:

General Revenue Grant	£512.152m	Scottish Government
Non Domestic Rates	£135.516m	Scottish Government
Council Tax/Community Charge	£151.970m	Local taxpayers

Council Tax is raised locally and combined with the ongoing recovery of community charge represents 18% of total funding. In year collection level for Council Tax during 2012-13 was 95.5%,

The Council received £135.516 from Non Domestic Rates from the Scottish Government, £156.556m was paid to the Scottish Government from the Non Domestic rates raised in Fife. This represents a net contribution of £21.040m.

Future Developments

It is widely recognised that there will be significant public spending reductions in the future as a consequence of the economic situation. It is anticipated that the council will be faced with diminishing resources over a sustained period. The combination of reduced government grant income and an increase in the demand for council services, presents a significant financial challenge and risk for the council.

The revenue budget for 2013-14 has been struck using the underlying assumption of the cost of continuing the existing level of service provision and delivery. Provision has been made in the budget for additional burdens as follows:

- Health and Social Care Change funds and Early Years Change Funds
- The impact of Welfare Reform
- Pension Auto Enrolment Scheme

The 2013-14 budget also takes account of local pressures and includes additional recurring funding for a number of areas:-

- Education £2.500m
- Removal of Home Care Charges £0.300m
- Social Work Service £3.000m
- Environmental Enforcement £0.120m
- Apprenticeships and Training £1.000m
- Living Wage £1.600m
- Community Investment Fund £1.000m

2014-15 Onwards

The Council is currently formulating its budget strategy from 2014-15 onwards. From the economic and financial forecasts available and increasing demand the Council will continue to operate in a challenging environment and is estimated to have a budget gap of £100.000m by 2017-18. On this basis the Council is seeking to develop a strategy which

- Focuses on the medium to long term
- Focuses on outcomes
- A shift towards early intervention and preventative spend
- Driving out maximum value
- Managing demand and directing resources to priority areas
- Developing other techniques such as Priority Based Budgeting

Over the coming years the Council will embark on a number of change initiatives including:-

- Development of Arms Length External Organisation in relation to Waste Disposal
- Shared Support Services Programme
- Implementation of the new Enterprise Resource Planning system
- Health and Social Care Integration

Sustainability

The Council is committed to becoming a more sustainable organisation and as such a supplementary Sustainability Report detailing the Council's performance in this area has been produced. This report follows the Scottish Government guidance prepared to assist Scottish public bodies to report on sustainability alongside their Annual Reports and Accounts. Covering both financial and non-financial performance it outlines the cost implications and related benefits of becoming a more sustainable organisation. The report is available online at www.fifedirect.org.uk

Police and Fire Reform

The Police and Fire Services were transferred to the Scottish Police Authority and Scottish Fire & Rescue Authority on 1 April 2013 ,as a result of the Police & Fire Reform (Scotland) Act agreed by the Scottish Government. Work on disaggregating the assets and liabilities that will be transferred to the new Scottish Police & Fire Authorities is currently being progressed. The balances, assets and liabilities will be extracted from the Council's accounts for 2013/14.

Acknowledgements

I would like to thank 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 challenging year.

The production of the annual accounts is very much a team effort and once again the accounts were completed by the statutory 30 June deadline. I wish to thank all employees who were involved in the preparation of the accounts, both within the Finance and Resources Directorate and other Directorates, for their efforts in achieving this deadline.

Brian Livingston MBA CPFA
Executive Director Finance and Resources
30 September 2013

Statement of Responsibilities for The Statement of Accounts

The Authority's Responsibilities

The authority is required:-

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director Finance and Resources;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts by presenting the audited accounts before a meeting of the authority within two months of receipt of the audit certificate.

Responsibilities of the Executive Director Finance and Resources

The Executive Director Finance and Resources is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code), is required to give a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2013.

In preparing this statement of accounts, the Executive Director Finance and Resources has:-

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Executive Director Finance and Resources has also:-

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

These accounts present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2013.

Brian Livingston MBA CPFA
Executive Director Finance and Resources
30 September 2013

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. 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 Net (Increase)/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance £m	Housing Revenue Account £m	Insurance Fund £m	Capital Receipts Reserve £m	Capital Grants Unapplied Account £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m
Balance at 1 April 2011	(45.537)	(2.633)	(1.542)	(0.386)	(0.093)	(50.191)	442.489	392.298
<u>Movement in reserves during 2011-12</u>								
(Surplus) or deficit on provision of services	37.760	26.010	0.000	0.000	0.000	63.770	0.000	63.770
Other Comprehensive Expenditure and Income	0.000	0.000	0.000	0.000	0.000	0.000	91.438	91.438
Total Comprehensive Expenditure and Income	37.760	26.010	0.000	0.000	0.000	63.770	91.438	155.208
Adjustments between accounting basis & funding basis under regulations	(54.881)	(25.011)	0.000	(0.680)	0.093	(80.479)	80.479	0.000
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(17.121)	0.999	0.000	(0.680)	0.093	(16.709)	171.917	155.208
Transfers to/from Other Statutory Reserves (note 6)	0.170	0.000	(0.170)	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in 2011-12	(16.951)	0.999	(0.170)	(0.680)	0.093	(16.709)	171.917	155.208
Balance at 31 March 2012 carried forward	(62.488)	(1.634)	(1.712)	(1.066)	0.000	(66.900)	614.406	547.506
<u>Movement in Reserves during 2012-13</u>								
(Surplus) or deficit on provision of services	65.009	(259.138)	0.000	0.000	0.000	(194.129)	0.000	(194.129)
Other Comprehensive Expenditure and Income	0.000	0.000	0.000	0.000	0.000	0.000	(100.643)	(100.643)
Total Comprehensive Expenditure and Income	65.009	(259.138)	0.000	0.000	0.000	(194.129)	(100.643)	(294.772)
Adjustments between accounting basis & funding basis under regulations (note 5)	(83.542)	258.928	0.000	0.637	0.000	176.023	(176.023)	0.000
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(18.533)	(0.210)	0.000	0.637	0.000	(18.106)	(276.666)	(294.772)
Transfers (to)/from Other Statutory Reserves (note 6)	1.507	0.000	(1.507)	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in Year	(17.026)	(0.210)	(1.507)	0.637	0.000	(18.106)	(276.666)	(294.772)
Balance at 31 March 2013 carried forward	(79.514)	(1.844)	(3.219)	(0.429)	0.000	(85.006)	337.740	252.734

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2011-12				2012-13		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Gross Expenditure £m	Gross Income £m	Net Expenditure £m
336.441	(11.342)	325.099	Education Services	349.620	(11.451)	338.169
138.926	(121.161)	17.765	General Fund Housing Services	144.221	(124.904)	19.317
115.063	(90.224)	24.839	Housing Revenue Account Services	56.897	(94.120)	(37.223)
0.000	0.000	0.000	Housing Revenue Account - Exceptional Item	(224.006)	0.000	(224.006)
50.260	(4.163)	46.097	Cultural and Related Services	62.018	(4.701)	57.317
55.194	(13.557)	41.637	Environmental Services	59.441	(12.543)	46.898
23.571	(4.989)	18.582	Fire Services	28.996	(6.276)	22.720
55.962	(12.226)	43.736	Roads and Transport Services	68.035	(24.953)	43.082
0.676	(0.247)	0.429	Trading Services	0.583	(0.243)	0.340
90.218	(48.992)	41.226	Police Services	92.781	(53.202)	39.579
28.349	(9.803)	18.546	Planning and Development Services	31.396	(8.461)	22.935
247.397	(55.058)	192.339	Social Work Services	254.754	(53.606)	201.148
9.783	(0.062)	9.721	Corporate and Democratic Core	10.868	(0.101)	10.767
45.776	(0.316)	45.460	Non Distributed Costs	19.200	(0.456)	18.744
7.321	(2.010)	5.311	Central Services to the Public	10.140	(1.363)	8.777
1,204.937	(374.150)	830.787	Cost Of Services	964.944	(396.380)	568.564
	(9.915)		Other Operating Expenditure (note 7)			(3.912)
	82.230		Financing and Investment Income and Expenditure (note 10)			90.786
	(839.332)		Taxation and Non Specific Grant Income (note 11)			(849.567)
	63.770		(Surplus) or Deficit on the Provision of Services (note 9)			(194.129)
	(9.372)		(Surplus) or deficit on revaluation of non current assets			(309.280)
	100.810		Actuarial (gains) / losses on pension assets / liabilities			208.637
	91.438		Other Comprehensive Income and Expenditure			(100.643)
	155.208		Total Comprehensive Income and Expenditure			(294.772)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2012		Notes	31 March 2013
£m			£m
1,563.515	Property, Plant and Equipment	14	2,174.540
17.834	Heritage Assets	15	19.217
2.045	Investment Property	16	2.045
2.317	Intangible Assets	17	1.170
0.636	Assets Held for Sale	18	1.161
1.297	Long Term Investments	28	1.057
0.408	Long Term Debtors	28	0.358
1,588.052	Long Term Assets		2,199.548
4.928	Inventories	23	4.571
68.764	Short Term Debtors	24	62.217
0.073	Cash and Cash Equivalents	34	9.809
2.912	Assets Held for Sale	18	1.764
76.677	Current Assets		78.361
(0.510)	Bank Overdrafts	34	(3.174)
(51.299)	Short Term Borrowing	28	(75.782)
(147.348)	Short Term Creditors	25	(148.378)
(12.300)	Provisions	26	(11.825)
(0.825)	Receipts in Advance	27	(1.006)
(212.282)	Current Liabilities		(240.165)

31 March 2012		Notes	31 March 2013
£m			£m
(6.035)	Provisions	26	(5.876)
(584.378)	Long Term Borrowing	28	(601.551)
(1,291.137)	Liability Related to Defined Benefit Pension Schemes	42-43	(1,559.319)
(34.100)	Other Retirement Benefit Liabilities	42-43	(42.100)
(79.514)	Other Long Term Liabilities	28	(76.904)
(4.789)	Receipts in Advance	27	(4.728)
(1,999.953)	Long Term Liabilities		(2,290.478)
(547.506)	Net Assets/ (Liabilities)		(252.734)
(66.900)	Usable Reserves	5-6	(85.006)
614.406	Unusable Reserves	13	337.740
547.506	Total Reserves		252.734

The unaudited accounts were issued on 28 June 2013 and the audited accounts were authorised for issue on 30 September 2013.

Brian Livingston MBA CPFA
Executive Director Finance and Resources
30 September 2013

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2011-12		Notes	2012-13
£m			£m
(63.770)	Net surplus or (deficit) on the provision of services		194.129
175.783	Adjust net surplus or (deficit) on the provision of services for non cash movements	30	(34.877)
(55.840)	Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	30	(55.256)
56.173	Net cash flows from Operating Activities		103.996
(113.155)	Net cash flows from investing activities	32	(129.749)
65.121	Net cash flows from financing activities	33	32.825
8.139	Net increase or (decrease) in cash and cash equivalents		7.072
(8.576)	Cash and cash equivalents at the beginning of the reporting period		(0.437)
(0.437)	Cash and cash equivalents at the end of the reporting period	34	6.635

Notes to the Core Financial Statements

	Page No.		Page No.
1. Accounting Policies	13	25. Creditors	62
2. Accounting Standards Issued, Not Yet Adopted	26	26. Provisions	63
3. Critical Judgement in Applying Accounting Policies	26	27. Grant Income	64
4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	27	28. Financial Instruments	67
5. Adjustments between Accounting Basis and Funding Basis under Regulations	28	29. Nature and Extent of Risks Arising from Financial Instruments	68
6. Movement in Reserves and Earmarked Balances	30	30. Operating Activities	73
7. Other Operating Expenditure	34	31. Other Items within Operating Activities	73
8. Material Items of Income and Expenditure	34	32. Investing Activities	74
9. Amounts Reported for Resource Allocation Decisions	35	33. Financing Activities	74
10. Financing and Investment Income and Expenditure	39	34. Cash and Cash Equivalents	74
11. Taxation and Non Specific Grant Income	39	35. Acquired and Discontinued Operations	75
12. Usable Reserves	39	36. Trading Operations	75
13. Unusable Reserves	40	37. Agency Services	76
14. Property, Plant and Equipment	45	38. Members' Allowances	77
15. Heritage Assets	51	39. External Audit Costs	77
16. Investment Properties	52	40. Related Parties	78
17. Intangible Assets	52		
18. Assets Held for Sale	54	41. Termination Benefits	81
19. Capital Expenditure and Capital Financing	55	42. Pension Schemes Accounted for as Defined Contribution Schemes	82
20. Impairment Losses	56	43. Defined Benefit Pension Schemes	82
21. Leases	56	44. Contingent Assets and Liabilities	93
22. Public Private Partnerships (PPP)	59	45. Fife Council Pension Fund	93
23. Inventories	61	46. Insurance Arrangements	94
24. Debtors	62	47. Non-Adjusting Events after Reporting Period	95

Notes to the Accounts

1. Accounting Policies

A General Principles

The Statement of Accounts summarises the authority's transactions for the 2012-13 financial year and its position at the year-end of 31 March 2013. The authority is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985. Section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 and the Service Reporting Code of Practice 2012-13, supported by International Financial Reporting Standards (IFRS).

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.

B Accruals of Income and Expenditure

The accounts and related statements have been compiled on an accruals basis both for revenue and capital accounts. 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 2013-14 which relate to 2012-13 are accrued back to 2012-13 based on the number of days which relate to the period to 31 March 2013.
- 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 Banking and Investment Team records of external and internal loans.
- Travelling Expenses: Estimate of claims paid in 2013-14 that relate to 2012-13.
- Pensions Liability: Estimate of future pensions liability calculated by the council's actuaries in accordance with IAS19.
- Holiday Pay: Based on a sample of employees holiday and flexi leave earned during 2012-13 but not taken by 31 March 2013.
- Termination Benefit Provisions: Accruals based on the estimated cost for those employees who returned written confirmation of their termination package by 31 March 2013. The provision is based on an estimate of the remaining number of employees who will leave as a consequence of the workforce reduction plan for 2013-14.

C Cash and Cash Equivalents

Cash is defined as cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authority's cash management. Advances from the Pension Fund, Common Good and Trusts are also included within cash equivalents as they are operated in a similar manner as a bank overdraft, being repayable as required.

D Changes in Accounting Policies and Estimates and Errors

Where a change to Accounting Policy 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. There have been no changes in accounting policy in 2012-13.

Where there is a change in accounting estimates these are accounted for prospectively i.e. in the current and future years affected by the change. There has been one significant change in accounting estimates in 2012-13. Council Dwellings were subject to a revaluation at 31st March 2013 and although they continue to be valued at fair value measured by Existing Use Value for Social Housing (EUV-SH), the council changed its accounting estimate in arriving at that fair value, from Discounted Cash Flow to the Beacon principle (adjusted vacant possession), in accordance with LASAAC guidance.

E Charges to Revenue for Non Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible non current assets attributable to the service.

The authority is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations as the Scottish Government have issued regulations to mitigate any impact on Local Government funding. However, it is required to make an annual provision from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the differences between the two.

F Employee Benefits

Benefits Payable during Employment

All salaries and wages earned up to 31 March 2013 are included in the Accounts irrespective of when payment was made. An accrual is made for the cost of holiday and flexi leave entitlements earned by employees but not taken before the year end; and which employees may carry forward into the next financial year.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the authority is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year.

Post Employment Benefits

Employees of the authority are members of the following separate pension schemes:-

- The Teachers Pension Scheme, administered by the Scottish Government
- The Local Government Pension Scheme, administered by Fife Council
- Police Pension Schemes and Injury Benefits Schemes, administered by Fife Council
- Fire Pension Schemes and Injury Benefits Schemes, administered by Fife Council

All schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the authority. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the authority. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Children's and Education Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:-

- The liabilities of the Fife Council pension fund attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees and net of the assets of the Fife Council pension fund attributable to the authority which are included in the Balance Sheet at their relevant fair value.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Police and Fire Pension Schemes and Injury Benefit Schemes

Police and Fire Pension Schemes are both accounted for as unfunded defined benefit salary schemes.

Police and Fire Injury Awards schemes are open to all Police officers and Fire-fighters and not just those who are members of the Police and Fire Pension Schemes. On this basis, both Police and Fire injury award schemes are accounted for separately.

G Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:-

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

H Exceptional Items

When items of income and expense are exceptional, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the authority's financial performance.

I Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive

Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

J Financial Assets

The council has the following type of Financial Assets:-

- Investments in equity and joint venture at cost
- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

Investments

Investments are initially recognised when the authority becomes a party to the contractual provisions of the instrument, and are normally recognised at amortised cost or fair value. Where there is no reliable fair value measurement, they should be measured at cost.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

K Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the authority when there is reasonable assurance that:-

- The authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received

Amounts recognised as due to the authority are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

L Intangible Assets

This is expenditure on non-monetary assets that do not have physical substance but are controlled by the authority as a result of past events (e.g. software licences).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market, in practice, no intangible asset held by the Authority meets this criterion and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

M Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value with the exception of the Social Work Occupational Therapy stock which is valued on an average cost basis. The average stock valuation is not in line with the Code of Practice on Local Authority Accounting but the difference in the valuation methodology is not considered material.

N Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

O 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 non-current assets.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease liability (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

P Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012-13 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Q Property, Plant and Equipment

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 are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. 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.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- 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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the authority. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the authority.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – valuation in accordance with the Basis of Valuation (existing use value for Social Housing). The council has arrived at this valuation using the Beacon Approach (Adjusted Vacant Possession) for the first time in 2012-13 in accordance with LASAAC guidance.
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains may be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, the revaluation loss is accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. 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 for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or used to repay debt. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant and equipment – straight-line allocation over the remaining useful life of assets as advised by a suitably qualified officer.
- infrastructure – straight-line allocation over remaining useful life.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

R Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of the carrying amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before there were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale and their recoverable amount at the date of the decision not to sell.

S Heritage Assets

In accordance with FRS 30, 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.

The council has identified the following categories of Heritage Assets which are treated in the financial statements as follows:

Museums Collections

A description of this category of asset is included in a note to the accounts but the value is not included in the balance sheet due to the diversity and volume of the collections and the inherent difficulty in valuing items which are in the main of historical value, with no comparable data.

Historical buildings and archaeological sites

A description of this category of asset is included in a note to the accounts but the value is not included in the balance sheet as the valuation of these assets is neither practicable nor useful to potential users of the accounts.

Art Collections

This category of asset is included in the balance sheet at fair value determined by the most recent valuation, with acquisitions since valuation measured at cost. Increases in valuation are matched by credits to the revaluation reserve to recognise unrealised gains.

The art collections are deemed to have indeterminate lives and high residual value and as such no depreciation is charged.

Where expenditure on heritage assets qualifies as capital expenditure for statutory purposes, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves.

T Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the authority is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the authority at the end of the contracts for no additional charge, the authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment and are depreciated and revalued in a similar manner. The amounts payable to the PFI operators each year are analysed into five elements: fair value of the services received during the year, finance cost, contingent rent, payment towards liability and lifecycle replacement costs.

U Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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 authority settles the obligation.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances 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 the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

V Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement 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 and retirement benefits and that do not represent usable resources for the authority – these reserves are explained in the relevant policies below.

W VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

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.

This applies to IFRS7 Financial Instruments – Disclosure are intended to assist users to understand and evaluate the risks and exposures that relate to the transfers of financial assets as well as the risk to the council's financial position. The Standard was effective from 1 January 2012.

However, it is likely that the transfers described in this standard do not occur frequently in local authorities; therefore the standard will not have a material impact on the financial statements of Fife Council.

It also applies to the adoption of amendments to accounting standard IAS19 Employee Benefits within the 2013-14 Code. The Code requires implementation from 1 April 2013 and there is therefore no impact on the 2012-13 financial statements. The key change relates to the expected return on pension assets. The expected return on pension assets is currently included within the Surplus or Deficit on the Provision of Services, however, from 1 April 2013, the equivalent figure will be calculated using the discount rate. While the overall impact is expected to be cost neutral, there will be a redistribution of costs within the Comprehensive Income and Expenditure Statement.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the authority has had 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 core financial statements; however a summary of those with the most significant effect is detailed 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. Note 14 provides further details.

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 short-term accrual for short-term compensated absences. A random sample of employees has been used to calculate the short-term accrual necessary for annual leave. Flexi-leave has been calculated based on the actual credit or debit position for all employees eligible at 31 March 2013.

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 authority about the future 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 authority's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:-

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and 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 authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by approximately £2.000m for every year that useful lives have to be reduced.</p>
Provisions	The authority has made a provision of £4.486m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the authority or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in the average settlement would have the effect of adding £0.449m to the existing provision.
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 authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £298.772m.
Arrears	At 31 March 2013, the authority had a balance of sundry debtors of £13.911m. A review of significant balances suggested that an allowance for impairment of 15.9% (£2.217m) was appropriate. Included in this figure is an amount of £0.962m for debt written off which equates to 2.4% of the total charges billed. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an increase in the impairment of 0.5% against the total charges billed would result in an increase of £0.310m to be set aside as an allowance.

5. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

2012-13	Usable Reserves				Unusable Reserves	
	General Fund Balance £m	Housing Revenue Account £m	Insurance Fund £m	Capital Receipts Reserve £m	Capital Grants Unapplied Account £m	Movement in Unusable Reserves £m
Adjustments involving the Capital Adjustment Account:-						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:-</u>						
Charges for depreciation and impairment of non current assets	(72.047)	(4.152)	0.000	0.000	0.000	76.199
Revaluation losses on Property, Plant and Equipment	(24.541)	223.149	0.000	0.000	0.000	(198.608)
Amortisation of intangible assets	(0.881)	0.000	0.000	0.000	0.000	0.881
Capital grants and contributions that have been applied to capital financing	47.205	2.724	0.000	0.000	0.000	(49.929)
Amounts of non current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	(4.922)	(0.906)	0.000	0.000	0.000	5.828
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:-</u>						
Statutory provision for the financing of capital investment	29.312	4.121	0.000	0.000	0.000	(33.433)
Capital expenditure charged against the General Fund and HRA balances	4.803	30.355	0.000	0.000	0.000	(35.158)
Adjustments involving the Capital Receipts Reserve:-						
Transfer of sale proceeds credited as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	1.910	3.417	0.000	(5.327)	0.000	0.000
Use of the Capital Receipts Reserve to finance new capital expenditure	0.000	0.000	0.000	3.418	0.000	(3.418)
Use of the Capital Receipts Reserve for HRA set aside to repay debt	0.000	0.000	0.000	2.546	0.000	(2.546)

	Usable Reserves				Unusable Reserves	
	General Fund Balance £m	Housing Revenue Account £m	Insurance Fund £m	Capital Receipts Reserve £m	Capital Grants Unapplied Account £m	Movement in Unusable Reserves £m
2012-13						
Adjustments involving the Financial Instruments Adjustment Account:-						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1.883	0.534	0.000	0.000	0.000	(2.417)
Adjustments involving the Pensions Reserve:-						
Reversal of items relating to post employment benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 43)	(137.028)	(1.148)	0.000	0.000	0.000	138.176
Employer's pensions contributions and direct payments to pensioners payable in the year	72.654	0.877	0.000	0.000	0.000	(73.531)
Adjustments involving the Employee Statutory Mitigation Account Retirement Benefits:-						
Reversal of items relating to post employment benefits not related to pension schemes and are debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 43).	(3.500)	0.000	0.000	0.000	0.000	3.500
Employer's pensions contributions and direct payments to pensioners payable in the year	0.600	0.000	0.000	0.000	0.000	(0.600)
Adjustment involving the Employee Statutory Adjustment Account:-						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1.010	(0.043)	0.000	0.000	0.000	(0.967)
Total Adjustments	(83.542)	258.928	0.000	0.637	0.000	(176.023)

6. Movement in Reserves and Earmarked Balances

The following table shows the amounts set aside during the year from the General Fund balance in statutory reserves established under Schedule 3 of the Local Government (Scotland) Act 1975 to provide financing for specific areas of expenditure.

2012-13	Balance at 1 April 2012 £m	Transfers Out 2012-13 £m	Transfers In 2012-13 £m	Balance at 31 March 2013 £m
Transfers (to)/from Statutory Reserves:-				
Insurance Fund	(1.712)	0.099	(1.606)	(3.219)
Statutory Other Reserves	(1.712)	0.099	(1.606)	(3.219)

Insurance Fund

An Insurance Fund is maintained to account for expenditure and income on insurance activities. The balance on the Insurance Fund as at 31 March 2013 amounted to £3.219m (31 March 2012, £1.712m). Note 46 gives further detail of the Insurance Arrangements operated by the council.

2011-12	Balance at 1 April 2011 £m	Transfers Out 2011-12 £m	Transfers In 2011-12 £m	Balance at 31 March 2012 £m
Transfers (to)/from Statutory Reserves:-				
Insurance Fund	(1.542)	0.332	(0.502)	(1.712)
Statutory Other Reserves	(1.542)	0.332	(0.502)	(1.712)

Legislation in Scotland does not allow for the creation of separate non-statutory earmarked reserves. As a result any funds identified to provide financing for future expenditure plans remain as part of the General Fund balance. There are a number of areas where portions of the General Fund balance have been earmarked and the movements on these funds during the year have been detailed below:-

2012-13	Balance at 1 April 2012 £m	Transfers Out 2012-13 £m	Transfers In 2012-13 £m	Balance at 31 March 2013 £m
General Fund				
Earmarked Balances:-				
Tourist Development Fund	0.168	(0.070)	0.001	0.099
Energy Management Fund	1.445	(1.660)	1.380	1.165
Landfill Aftercare Fund	1.512	0.000	1.700	3.212
Earmarked Grants	0.770	(0.770)	(0.090)	(0.090)
Total	3.895	(2.500)	2.991	4.386
Other Commitments:-				
Budget Carry Forward Scheme	6.066	(6.066)	1.359	1.359
Devolved School Management	3.011	(3.011)	3.626	3.626
Ring Fenced Projects	1.854	(1.854)	1.376	1.376
Police Pensions	0.083	(0.083)	0.000	0.000
Reforming Fife's Public Services	0.000	0.000	15.000	15.000
Fife Youth Job Contract	0.000	0.000	5.000	5.000
Feasibility for Wind	0.000	0.000	0.825	0.825
Other Commitments	0.000	0.000	1.170	1.170
Total	11.014	(11.014)	28.356	28.356
Total Commitments	14.909	(13.514)	31.347	32.742

Explanatory Note

General Fund Balance

The General Fund balance increased by £17.026m in 2012-13 mainly as a result of planned actions to improve balances, leaving a balance at the end of the year of £79.514m. Once the commitments of £32.742m shown above are set against this, an uncommitted balance of £46.772m remains as at 31 March 2013. The level of balances is continually being monitored to ensure a sufficient level is maintained to meet future potential liabilities.

Housing Revenue Account Balances

The HRA balance at 31 March 2013 was £1.844m (31 March 2012, £1.634m). There are no earmarked balances or commitments against this balance, however the use of balances is the subject of ongoing review consistent with the strategic budget setting process.

Tourist Development Fund

The Tourist Development Fund is an earmarked part of the total General Fund balance largely funded by a contribution which arose from the winding up of the Kingdom of Fife Tourist Board in 2005-06. It has been used for a wide variety of projects which have a strategic element to them, e.g. the development of the Fife Food Network, Fife Golf Partnership, Fife Tourism Challenge, Forth Cruise Initiative, and St Andrew's World Class.

Energy Management Fund

The Energy Management Fund is an earmarked part of the total General Fund balance. 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.

Landfill Aftercare Fund

The Landfill Aftercare Fund is an earmarked part of the General Fund balance. The council, as a landfill site operator, must ensure that the charges made for the disposal of waste at the landfill site cover the estimated costs for the closure and after-care of the landfill site for a period of at least 30 years from the closure of the site. One of the conditions contained within the permit to operate the landfill sites stipulates that the landfill site operator is required to make financial provision for these costs. This fund will increase over time to ensure that all landfill aftercare costs are provided for.

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.

Police and Fire Pensions

An earmarked balance was previously held for the changes in the funding arrangements for Police and Fire pensions and commutations. The centralisation of financing of Police and Fire pensions from 2010-11 included a requirement for council's to fund the commutation costs of Police Officers and Firefighters who are eligible to retire but have chosen not to at the transition date

Devolved School Management

All nursery, primary and secondary schools have devolved management of budgets. Their income and expenditure, combined with that of other non devolved budgets, are shown in the Comprehensive Income and Expenditure statement. Included in the General Fund balance is £3.626m (2011-12, £3.011m) of funds in respect of schools in the scheme. In addition schools hold funds in their own right. Such funds are not reflected in these Accounts.

Reforming Fife's Public Services

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 reform Fife's public services and balances of £15.000m have been earmarked for this purpose. This will fund workforce change costs and other associated investment to enable major change initiatives within the council.

Fife Youth Job Contract

To address the growing issues in relation to Youth Employment in Fife, Fife Council has agreed to an investment of £5.000m by committing part of the General Fund balance to implement the Fife Youth Contract Programme. This programme will provide a blended approach to address the issues. This was approved at Executive Committee in September 2012.

Feasibility for Wind

Fife Council is committed to investigating and determining the suitability of council owned sites for the inclusion of small and large Wind Turbines. In order to do so the council has agreed to fund feasibility studies and has committed £0.825m of the General Fund Balance to do so. This was agreed at the Executive Committee in March 2013.

7. Other Operating Expenditure

	2012-13	2011-12
	£m	£m
(Gains)/losses on trading operations (note 36)	0.429	(2.157)
Support services recharged to Expenditure of Continuing Operations	(3.335)	(1.126)
Insurance Fund	(1.507)	(0.170)
(Gains)/losses on the disposal of non current assets	0.501	(6.462)
Total	(3.912)	(9.915)

Support Service Accounts

Support services are required to charge 'front line' services, such as Education, for support provided. This is necessary in order to correctly show the total resources used. Balances on support service accounts arise where support service charges result in an over or under recovery of costs. The existence of balances on support service accounts is acceptable where re-allocation of the balances would not significantly distort reported service expenditure.

Insurance Fund

The council operates an internal insurance fund. Premiums are charged to Services to cover the operating costs, however, some over or under recovery of costs in the year are normal.

8. Material Items of Income and Expenditure

The following material items of income and expenditure have been included within the Comprehensive Income and Expenditure Statement.

2012-13

- **Workforce Change**

The council is continuing with a strategy of workforce change. During 2012-13 the next phase of the strategy has been implemented and has incurred costs of £6.779m included within service costs in the Comprehensive Income and Expenditure statement. These are one off costs for 2012-13 however future stages of the workforce change strategy will incur further costs in the coming years.

- **Winter Maintenance**

Due to the severe winter weather experienced in 2012-13 additional costs of £5.026m to undertake work related to snow clearing were incurred by the council and charged to Transportation and Environmental Services within the Comprehensive Income and Expenditure statement.

- **Disposal of Properties**

During the year Fife Council impaired two of its assets ahead of the disposal of the two assets. The assets Fife Institute of Physical and Recreational Education and Dunfermline High School had a combined impairment of £30.576m which is included in the cost of Services.

9. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by Committee on the basis of budget reports analysed across Directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:-

- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- amounts of capital expenditure funded by current revenue (CFCR) are included in budget monitoring reports to committee as they form part of the approved budget allocated to services
- Directorates include services which are support services and trading organisations which recharge their costs across other parts of the council. They are shown in the directorate which is accountable for their expenditure.

From 1 April 2012 Housing and Communities Directorate ceased to exist as a result of a restructuring of Council Directorates. This restructuring involved the transfer of functions and activities to other Directorates and the creation of a new Directorate known as Environment, Enterprise and Communities. The 2012-13 disclosure reflects the new Council structure, 2011-12 disclosure relates to the old structure. 2011-12 has not been restated due to the complexity of the Service transfers.

The income and expenditure of the authority's principal directorates recorded in the budget reports for the year is as follows:-

Directorate Income and Expenditure 2012-13	Education £m	Social Work £m	Environment, Enterprise and Communities £m	Finance and Resources £m	Corporate Services £m	Other Services £m	Housing Revenue Account £m	Total £m
Fees, charges and other service income	(28.513)	(59.510)	(241.591)	(5.307)	(9.545)	(6.573)	(93.004)	(444.043)
Government grants	(3.722)	(6.226)	(2.152)	(115.468)	0.000	(54.003)	(0.330)	(181.901)
Total Income	(32.235)	(65.736)	(243.743)	(120.775)	(9.545)	(60.576)	(93.334)	(625.944)
Employee expenses	232.032	94.964	133.558	13.760	27.842	98.339	7.500	607.995
Other service expenses	74.341	144.520	239.792	117.579	24.460	10.751	50.194	661.637
Internal Directorate Management Allocations	20.454	10.817	8.723	0.000	0.032	0.054	5.075	45.155
CFCR	0.236	0.000	4.225	0.000	0.262	0.080	30.355	35.158
Total Expenditure	327.063	250.301	386.298	131.339	52.596	109.224	93.124	1,349.945
Net Expenditure	294.828	184.565	142.555	10.564	43.051	48.648	(0.210)	724.001

Directorate Income and Expenditure 2011-12 Comparative Figures	Education £m	Social Work £m	Housing and Communities £m	Environment and Development £m	Finance and Resources £m	Corporate Services £m	Other Services £m	Housing Revenue Account £m	Total £m
Fees, charges and other service income	(20.459)	(56.511)	(39.478)	(213.403)	(10.973)	(4.885)	(5.592)	(89.194)	(440.495)
Government grants	(2.698)	(6.663)	(1.216)	(1.344)	(111.657)	0.000	(49.405)	(0.366)	(173.349)
Total Income	(23.157)	(63.174)	(40.694)	(214.747)	(122.630)	(4.885)	(54.997)	(89.560)	(613.844)
Employee expenses	222.181	94.183	47.451	115.081	15.299	22.812	90.388	7.764	615.159
Other service expenses	61.786	138.019	59.008	185.432	118.215	18.643	9.610	54.267	644.980
Internal Directorate Management Allocations	17.712	9.579	4.727	7.499	0.003	0.010	0.046	5.459	45.035
CFCR	0.000	0.249	1.017	4.800	0.000	0.448	0.092	23.069	29.675
Total Expenditure	301.679	242.030	112.203	312.812	133.517	41.913	100.136	90.559	1,334.849
Net Expenditure	278.522	178.856	71.509	98.065	10.887	37.028	45.139	0.999	721.005

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2012-13 £m	2011-12 £m
Net expenditure in the Directorate Analysis	724.001	721.005
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(110.235)	147.664
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(45.202)	(37.882)
Cost of Services in Comprehensive Income and Expenditure Statement	568.564	830.787

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the (Surplus) or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Service Analysis £m	Amounts not Reported to Management £m	Amounts not included in CI&E £m	Allocation of Recharges £m	Cost of Services £m	Corporate Amounts £m	Total £m
2012-13							
Fees, charges and other service income	(443.973)	0.000	(80.404)	(72.189)	(596.566)	0.000	(596.566)
(Surplus) or Deficit on Trading Operations	0.000	0.000	0.000	0.000	0.000	(4.413)	(4.413)
Interest and investment income	(0.070)	0.000	0.070	0.000	0.000	(0.829)	(0.829)
Income from council tax	0.000	0.000	0.000	0.000	0.000	(151.970)	(151.970)
Government grants and contributions	(181.901)	0.000	0.000	0.000	(181.901)	(697.597)	(879.498)
Total Income	(625.944)	0.000	(80.334)	(72.189)	(778.467)	(854.809)	(1,633.276)
Employee expenses	607.995	11.293	0.000	1.459	620.747	0.000	620.747
Other service expenses	650.061	0.000	0.000	32.422	682.483	0.000	682.483
Internal Directorate Management Allocations	45.155	0.000	81.866	38.308	165.329	0.000	165.329
CFCR	35.158	0.000	(35.158)	0.000	0.000	0.000	0.000
Depreciation, amortisation and impairment	0.000	(121.528)	0.000	0.000	(121.528)	0.000	(121.528)
Interest Payments	7.455	0.000	(7.455)	0.000	0.000	91.777	91.777
HRA Principal Repayments	4.121	0.000	(4.121)	0.000	0.000	0.000	0.000
Soft Loans Fair Value Movement	0.000	0.000	0.000	0.000	0.000	(0.162)	(0.162)
Investment Property – fair value movement	0.000	0.000	0.000	0.000	0.000	0.000	0.000
(Gain) or Loss on Disposal of Non current assets	0.000	0.000	0.000	0.000	0.000	0.501	0.501
Total expenditure	1,349.945	(110.235)	35.132	72.189	1,347.031	92.116	1,439.147
(Surplus) or Deficit on the provision of services	724.001	(110.235)	(45.202)	0.000	568.564	(762.693)	(194.129)

	Service Analysis £m	Amounts not Reported to Management £m	Amounts not included in CI&E £m	Allocation of Recharges £m	Cost of Services £m	Corporate Amounts £m	Total £m
2011-12 Comparative Figures							
Fees, charges and other service income	(440.486)	(0.570)	(71.827)	(69.820)	(582.703)	0.000	(582.703)
(Surplus) or Deficit on Trading Operations	0.000	0.000	0.000	0.000	0.000	(3.453)	(3.453)
Interest and investment income	(0.009)	0.000	0.009	0.000	0.000	(0.993)	(0.993)
Income from council tax	0.000	0.000	0.000	0.000	0.000	(151.639)	(151.639)
Government grants and contributions	(173.349)	0.000	0.000	0.000	(173.349)	(687.693)	(861.042)
Total Income	(613.844)	(0.570)	(71.818)	(69.820)	(756.052)	(843.778)	(1,599.830)
Employee expenses	615.159	28.807	1.439	0.866	646.271	0.000	646.271
Other service expenses	634.783	0.000	0.434	30.632	665.849	0.000	665.849
Internal Directorate Management Allocations	45.035	0.000	71.935	38.322	155.292	0.000	155.292
CFCR	29.675	0.000	(29.675)	0.000	0.000	0.000	0.000
Depreciation, amortisation and impairment	0.000	119.427	0.000	0.000	119.427	0.000	119.427
Interest Payments	6.790	0.000	(6.790)	0.000	0.000	82.868	82.868
HRA Principal Repayments	3.407	0.000	(3.407)	0.000	0.000	0.000	0.000
Investment Property – fair value movement	0.000	0.000	0.000	0.000	0.000	0.355	0.355
(Gain) or Loss on Disposal of Non current assets	0.000	0.000	0.000	0.000	0.000	(6.462)	(6.462)
Total expenditure	1,334.849	148.234	33.936	69.820	1,586.839	76.761	1,663.600
(Surplus) or Deficit on the provision of services	721.005	147.664	(37.882)	0.000	830.787	(767.017)	63.770

10. Financing and Investment Income and Expenditure

	2012-13	2011-12
	£m	£m
Interest payable and similar charges	36.491	35.160
Pensions interest cost and expected return on pension assets	55.286	47.708
Interest receivable and similar income	(0.829)	(0.993)
Income and expenditure in relation to investment properties and changes in their fair value	(0.162)	0.355
Total	90.786	82.230

11. Taxation and Non Specific Grant Income

	2012-13	2011-12
	£m	£m
Council tax and community charge income	(151.970)	(151.639)
Non-domestic rates	(135.516)	(135.006)
Non-ring fenced government grants	(512.152)	(507.718)
Capital grants and contributions	(49.929)	(44.969)
Total	(849.567)	(839.332)

12. Usable Reserves

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement and Notes 5 and 6.

13. Unusable Reserves

	31 March 2013	Restated 31 March 2012
	£m	£m
Revaluation Reserve	(585.859)	(285.840)
Capital Adjustment Account	(753.582)	(504.137)
Financial Instruments Adjustment Account	53.432	55.849
Pensions Reserve	1,559.319	1,291.137
Employee Statutory Adjustment Account – Retirement Benefits	42.100	34.100
Employee Statutory Adjustment Account	22.330	23.297
Total Unusable Reserves	337.740	614.406

Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority arising from increases in the value of its Property, Plant and Equipment assets and its Heritage assets. The balance is reduced when assets with accumulated gains are:-

- re-valued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2012-13		2011-12 (Restated)	
	£m	£m	£m	£m
Balance at 1 April		(285.840)		(284.004)
Upward revaluation of assets	(343.912)		(10.674)	
Downward revaluation of assets and impairment losses not charged to the (Surplus) or Deficit on the Provision of Services	34.632		1.302	
(Surplus) or deficit on revaluation of non current assets posted to the (Surplus) or Deficit on the Provision of Services		(309.280)		(9.372)
Difference between fair value depreciation and historical cost depreciation	6.257		6.866	
Accumulated gains on assets sold or scrapped	3.004		0.670	
Amount written off to the Capital Adjustment Account		9.261		7.536
Balance at 31 March		(585.859)		(285.840)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement. Depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2012-13		2011-12 (Restated)	
	£m	£m	£m	£m
Opening balance at 1 April		(504.137)		(502.865)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:-				
Charges for depreciation and impairment of non current assets	76.199		63.394	
Revaluation losses/(gains) on Property, Plant and Equipment and non current assets Held for Sale	(198.608)		55.209	
Amortisation of intangible assets	0.881		0.824	
Amounts of non current assets written off on disposal or sale as part of the (gain) or loss on disposal to the Comprehensive Income and Expenditure Statement	5.828		4.406	
		(115.700)		123.833
Adjusting amounts written out of the Revaluation Reserve		(9.261)		(7.536)
Net written out amount of the cost of non current assets consumed in the year		(124.961)		116.297

	2012-13		2011-12	
	£m	£m	£m	£m
Capital financing applied in the year:-				
Use of the Capital Receipts Reserve to finance new capital expenditure	(5.964)		(10.188)	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(49.929)		(44.969)	
Application of grants to capital financing from the Capital Grants Unapplied Account	0.000		(0.093)	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(33.433)		(33.000)	
Capital expenditure charged against the General Fund and HRA balances	(35.158)		(29.674)	
		(124.484)		(117.924)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		0.000		0.355
Closing balance at 31 March		(753.582)		(504.137)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on council tax. In the authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2013 will be charged to the General Fund over the next 53 years.

	2012-13 £m	2011-12 £m
Opening balance at 1 April	55.849	58.134
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(2.285)	(2.330)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0.030	0.045
Amount of which soft loans charged to the Comprehensive Income and Expenditure Statement are different from soft loans chargeable in the year in accordance with statutory requirements.	(0.162)	0.000
Closing balance at 31 March	53.432	55.849

Pensions Reserve and Employee Statutory Mitigation Account for Retirement Benefits

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority 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.

	2012-13		2011-12	
	£m		£m	
	Pension Reserve	Employee Statutory Mitigation Account – Retirement Benefits	Pension Reserve	Employee Statutory Mitigation Account – Retirement Benefits
Opening balance at 1 April	1,291.137	34.100	1,115.636	31.800
Actuarial (gains) or losses on pensions assets and liabilities	203.537	5.100	101.810	(1.000)
Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	138.176	3.500	151.598	3.900
Employer's pensions contributions and direct payments to pensioners payable in the year	(73.531)	(0.600)	(77.907)	(0.600)
Closing balance at 31 March	1,559.319	42.100	1,291.137	34.100

Employee Statutory Adjustment Account

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

	2012-13 £m	2011-12 £m
Opening balance at 1 April	23.297	23.788
Settlement or cancellation of accrual made at the end of the preceding year	(23.297)	(23.788)
Amounts accrued at the end of the current year	22.330	23.297
Amount by which employee remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(0.967)	(0.491)
Closing balance at 31 March	22.330	23.297

14. Property, Plant and Equipment

	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PPP Assets Included in Property, Plant and Equipment
Movement in 2012-13:-	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation									
Opening balance at 1 April	100.329	1,224.106	160.666	263.519	10.986	37.011	61.544	1,858.161	108.375
Additions	49.301	28.207	12.347	22.711	0.363	0.087	72.610	185.626	0.004
Revaluation increases or (decreases) recognised in the Revaluation Reserve	324.523	(4.597)	0.000	0.000	0.000	(7.157)	0.000	312.769	0.000
Revaluation increases or (decreases) recognised in the (Surplus) or Deficit on the Provision of Services	224.006	(27.501)	0.000	(0.001)	0.000	(3.261)	0.000	193.243	0.000
Impairment (losses)/reversals recognised in the Revaluation Reserve	0.000	(16.778)	0.000	0.000	0.000	0.000	0.000	(16.778)	0.000
Impairment (losses) or reversals recognised in the (Surplus) or Deficit on the Provision of Services.	0.000	(20.266)	0.000	0.000	0.000	0.000	(0.242)	(20.508)	0.000
Derecognition – Disposals	(0.224)	(4.140)	(9.873)	0.000	(0.023)	(0.274)	(0.422)	(14.956)	0.000
Assets reclassified (to) or from Held for Sale	(0.023)	(2.206)	0.000	0.000	0.000	(0.501)	0.000	(2.730)	0.000
Other movements in Cost or Valuation	9.183	42.592	1.465	0.000	(7.682)	4.377	(48.524)	1.411	0.000
Closing balance at 31 March	707.095	1,219.417	164.605	286.229	3.644	30.282	84.966	2,496.238	108.379

	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PPP Assets Included in Property, Plant and Equipment
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Accumulated Depreciation									
Opening balance at 1 April	0.000	(125.606)	(102.666)	(60.754)	(4.635)	(0.717)	(0.268)	(294.646)	(12.730)
Depreciation charge	(3.991)	(35.102)	(15.491)	(6.777)	(0.520)	(0.278)	0.000	(62.159)	(3.324)
Depreciation written out to the Revaluation Reserve	3.991	7.519	0.000	0.000	0.000	0.403	0.000	11.913	0.000
Depreciation written out to the (Surplus) or Deficit on the Provision of Services	0.000	7.930	0.000	0.001	0.000	0.119	0.000	8.050	0.000
Impairment (losses)/reversals recognised in the (Surplus)/Deficit on the Provision of Services	0.000	6.468	0.000	0.000	0.000	0.000	0.000	6.468	0.000
Derecognition – Disposals	0.000	0.743	8.847	0.000	0.000	0.001	0.000	9.591	0.000
Eliminated on reclassification to Assets Held for Sale	0.000	0.204	0.000	0.000	0.000	0.001	0.000	0.205	0.000
Other movements in Depreciation	0.000	(4.018)	(1.129)	0.000	4.896	(0.743)	(0.126)	(1.120)	0.000
Closing balance at 31 March	0.000	(141.862)	(110.439)	(67.530)	(0.259)	(1.214)	(0.394)	(321.698)	(16.054)
Net Book Value:-									
At 31 March 2013	707.095	1,077.555	54.166	218.699	3.385	29.068	84.572	2,174.540	92.325
At 31 March 2012	100.329	1,098.500	58.000	202.765	6.351	36.294	61.276	1,563.515	95.645

	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PPP Assets Included in Property, Plant and Equipment
Comparative Movements in 2011-12	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation									
Opening balance at 1 April (restated)	101.194	1,160.211	156.789	246.192	10.812	36.639	38.415	1,750.252	107.764
Additions	52.195	30.415	13.275	17.477	1.740	0.337	56.593	172.032	0.351
Revaluation increases or (decreases) recognised in the Revaluation Reserve	0.000	6.438	0.000	0.000	0.000	1.304	0.000	7.742	0.000
Revaluation increases or (decreases) recognised in the (Surplus) or Deficit on the Provision of Services	(57.715)	(3.469)	0.000	0.000	0.000	(0.427)	0.000	(61.611)	0.000
Impairment (losses) or reversals recognised in the Revaluation Reserve	0.000	0.925	0.000	0.000	0.000	0.000	0.000	0.925	0.000
Impairment (losses) or reversals recognised in the (Surplus) or Deficit on the Provision of Services.	0.000	2.157	0.000	0.000	0.000	0.000	(0.276)	1.881	0.000
Derecognition – Disposals	(0.998)	(2.651)	(8.948)	0.000	0.000	(0.325)	0.000	(12.922)	0.000
Assets reclassified (to) or from Held for Sale	(0.057)	(0.793)	0.000	0.000	0.000	0.000	0.712	(0.138)	0.000
Other movements in Cost or Valuation	5.710	30.873	(0.450)	(0.150)	(1.566)	(0.517)	(33.900)	0.000	0.260
Closing balance at 31 March	100.329	1,224.106	160.666	263.519	10.986	37.011	61.544	1,858.161	108.375

	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PPP Assets Included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Accumulated Depreciation									
Opening balance at 1 April	0.000	(94.378)	(93.891)	(52.766)	(3.789)	(0.674)	(0.060)	(245.558)	(9.276)
Depreciation charge	(3.809)	(34.718)	(17.179)	(7.988)	(1.264)	(0.317)	0.000	(65.275)	(3.452)
Depreciation written out to the Revaluation Reserve	0.000	0.600	0.000	0.000	0.000	0.105	0.000	0.705	0.000
Depreciation written out to the (Surplus) or Deficit on the Provision of Services	3.808	2.427	0.000	0.000	0.000	0.281	0.000	6.516	0.000
Derecognition – Disposals	0.001	0.297	8.621	0.000	0.000	0.003	0.000	8.922	0.000
Derecognition – Other	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Eliminated on reclassification to Assets Held for Sale	0.000	0.044	0.000	0.000	0.000	0.000	0.000	0.044	0.000
Other movements in Depreciation	0.000	0.122	(0.217)	0.000	0.418	(0.115)	(0.208)	0.000	(0.002)
Closing balance at 31 March	0.000	(125.606)	(102.666)	(60.754)	(4.635)	(0.717)	(0.268)	(294.646)	(12.730)
Net Book Value:-									
At 31 March 2012	100.329	1,098.500	58.000	202.765	6.351	36.294	61.276	1,563.515	95.645
At 31 March 2011(Restated)	101.194	1,065.833	62.898	193.426	7.023	35.965	38.355	1,504.694	98.488

Depreciation, where appropriate, has been charged on a straight line method based on the asset's valuation excluding any value pertaining to land, its assessed remaining useful life and any residual value the asset is estimated to have. The asset's valuation is that existing at the start of the financial year or from that date until any revaluation is undertaken during the year at which point the revalued amount, plus enhancements from the capital ledger, is the basis on which depreciation is calculated. Land owned by the council, including land used as part of both PPP schemes, has not been depreciated.

Depreciation is based on the useful life of the assets. These are maintained on an individual asset by asset basis, however an indication of the typical useful life of the assets is given below:-

Buildings	1 – 99 years
Vehicles	1 – 15 years
IT assets	3 – 25 years
Infrastructure	2 – 60 years
Plant and Equipment	2 – 60 years (average 8 years)

Capital Commitments

As at 31 March 2013, the council had legal commitments on capital contracts for housing and non-housing projects of £1.142m (2011-12, £3.811m) and £41.923m (2011-12, £77.354m) respectively. This expenditure will be funded from a combination of borrowing under the terms of the Prudential Code, capital grants, income from the sale of assets and contributions from revenue accounts.

Effects of Changes in Estimates

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. In the 2012-13 financial year valuations were undertaken as part of the rolling revaluation programme and ad-hoc valuations were undertaken by in-house and external valuers.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The council undertook a revaluation of its Council Dwellings at 31st March 2013 which was conducted by an external valuer. The Council Dwellings continue to be valued at fair value measured by Existing Use Value for Social Housing (EUV-SH); however, in accordance with LASAAC guidance, the council changed its accounting estimate in arriving at that fair value from Discounted Cash Flow to the Beacon principle (adjusted vacant possession).

With the Beacon principle, house types are valued to fair value on the assumption there is no potential residential redevelopment on the site or intensification of use. The values are then adjusted by a factor to arrive to EUV-SH to reflect the fact that the sitting tenants enjoy rents lower than the open market rents and have tenants' rights. The revaluation of the Council Dwellings at 31st March 2013 led to a revaluation increase in 2012-13 of £552.521m.

In 2012-13, the council has made no other material changes to its accounting estimates for Property, Plant and Equipment.

The significant assumptions applied in estimating the fair values are:-

- Council Dwellings – Existing Use Value for Social Housing
- Other Land and Buildings – Fair value, determined as the amount that would be paid for the asset in its existing use, in accordance with the methodologies and bases for estimation set out in the Royal Institution of Chartered Surveyors (RICS) Professional Standards
- Vehicles, Plant and Equipment – Historic cost, net of depreciation
- Infrastructure Assets – Historic cost, net of depreciation
- Community Assets – Historic cost, net of depreciation
- Assets Under Construction – Historic cost, net of depreciation

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant and Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Asset £m	Assets under construction £m	Total £m
Carried at historical cost	0.000	104.017	164.109	286.112	3.034	1.311	84.966	643.549
Valued at fair value as at:-								
31 March 2013	707.095	146.726	0.000	0.000	0.000	19.989	0.000	873.810
31 March 2012	0.000	64.773	0.000	0.000	0.000	1.210	0.000	65.983
31 March 2011	0.000	43.428	0.000	0.000	0.000	0.400	0.000	43.828
31 March 2010	0.000	139.060	0.496	0.117	0.455	0.521	0.000	140.649
31 March 2009	0.000	721.413	0.000	0.000	0.155	6.851	0.000	728.419
Total Cost or Valuation	707.095	1,219.417	164.605	286.229	3.644	30.282	84.966	2,496.238

15. Heritage Assets

In accordance with FRS 30, 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. The council has identified Heritage Assets which include museum collections, historical buildings, archaeological sites and works of art.

The council's museums collections cover archaeology, archives, numismatics, social and industrial history, costume, ethnography and natural history. The majority of collections were built up in the twentieth century mainly by gifts from members of the public. The collections are extremely diverse in nature and the level of information associated with the individual items is also variable. The council has an overall insurance value of £1.075m for its Museum collections, but no value is included in the balance sheet due to the diversity and volume of the collections and the inherent difficulty in valuing items which are in the main of historical value, with no comparable data.

The council's historical buildings and sites, which include Clock Towers, Tollbooths, a disused Railway Viaduct, War Memorials, a Prayer House and Ravenscraig Castle, have also not been included on the balance sheet as valuation of these assets is neither practicable nor useful to potential users of the accounts.

The council's fine art collections mainly comprise nineteenth century oil paintings, with a substantial number of works on paper and a small number of pieces of sculpture. A valuation of the art collection under the management of the Fife Cultural Trust was undertaken in March 2013 by historic and contemporary fine arts specialists, Aitken Dott Ltd of Edinburgh who assessed that the market value of this art collection had increased by £1.377m since the previous valuation in 2008 and this increase has been recognised in the council's balance sheet. The art collections are deemed to have indeterminate lives and high residual value and as such it is considered inappropriate to charge depreciation.

Acquisition and disposal of the collections are governed by the Museums Acquisition & Disposal Policy 2008-13. The policy was agreed by the Housing & Communities Committee on 13th January 2009. This is due to be reviewed and renewed agreement sought from the appropriate Fife Council Committee in 2013.

Management and Preservation of collections is governed by the council's Collections Care Plan and the Museums Documentation Manual. Fife Council's museums have been awarded full accreditation under the Accreditation Scheme administered by the Museums Galleries Scotland of behalf of the Arts Council England (ACE). This sets down minimum standards for collections care, including storage, documentation, handling and access. The above policies and plans are part of those standards and their maintenance forms part of the Service plan for Libraries, Arts, Museums and Archives.

Art Collection

Cost or Valuation	2012-13 £m	2011-12 £m
At 1 April	17.834	17.834
Additions	0.006	0.000
Revaluations	1.377	0.000
At 31 March	19.217	17.834

16. Investment Properties

There were no items of income and expense incurred during 2012-13 in relation to Investment Properties.

There are no restrictions on the authority's ability to realise the value inherent in its investment property or on the authority's right to the remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop investment property or carry out repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:-

	2012-13	2011-12
	£m	£m
Opening balance at 1 April	2.045	2.400
Net gains/losses from fair value adjustments	0.000	(0.355)
Closing balance at 31 March	2.045	2.045

17. Intangible Assets

The authority accounts for software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. None of the assets recognised as Intangible assets are internally generated.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the authority. The useful lives assigned are:-

5 years and under	7 assets
10 years and over	1 assets

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.881m charged to revenue in 2012-13 was, for certain assets, charged directly to service headings and for the remaining assets, charged to Corporate Services where it is recharged across relevant service headings within the Net Cost of Services.

The movement on Intangible Asset balances during the year is as follows:-

	2012-13	2011-12
	£m	£m
Balance at start of year:-		
Gross carrying amounts	5.593	5.175
Accumulated amortisation	(3.276)	(2.452)
Net carrying amount at start of year	2.317	2.723
Additions	0.025	0.418
Amortisation for the period	(0.881)	(0.824)
Other charges – transfer (to)/from Property, Plant and Equipment	(0.291)	0.000
Net carrying amount at end of year	1.170	2.317
Comprising:-		
Gross carrying amounts	4.207	5.593
Accumulated amortisation	(3.037)	(3.276)
Total	1.170	2.317

There are no intangible assets that are individually material to the financial statements.

18. Assets Held for Sale

	Current		Non Current	
	2012-13 £m	2011-12 £m	2012-13 £m	2011-12 £m
Balance outstanding at 1 April	2.912	3.323	0.636	0.653
Assets newly classified as held for sale:				
- Property, Plant and Equipment	1.802	0.359	0.723	0.447
Revaluation losses	(2.487)	0.000	(0.198)	(0.114)
Assets declassified as held for sale:				
- Property, Plant and Equipment	0.000	(0.422)	0.000	(0.290)
Assets sold	(0.463)	(0.408)	0.000	0.000
Transfers from non current to current	0.000	0.060	0.000	(0.060)
Balance outstanding 31 March	1.764	2.912	1.161	0.636

19. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed below:-

	2012-13 £m	2011-12 £m
Opening Capital Financing Requirement	800.341	745.815
Capital investment:-		
Property, Plant and Equipment (Note 14)	185.626	172.032
Heritage Assets (Note 15)	0.006	0.000
Intangible Assets (Note 17)	0.025	0.418
Sources of finance:-		
Capital receipts	(5.964)	(10.188)
Government grants and other contributions	(49.929)	(45.062)
Sums set aside from revenue:-		
Direct revenue contributions	(35.158)	(29.674)
Loans fund principal	(33.433)	(33.000)
Closing Capital Financing Requirement	861.514	800.341
Explanation of movements in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	61.173	54.526
Increase/(decrease) in Capital Financing Requirement	61.173	54.526

20. Impairment Losses

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 such reductions are as a result of wear and tear or structural damage, the impairment loss is charged to the (Surplus) or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These are disclosed in Note 14 reconciling the movement over the year in the Property, Plant and Equipment.

During 2012-13, the authority has recognised an impairment loss of £0.242m in relation to the Fife Council's share of the Police National Asset Platform Project, a Scotland-wide initiative, where a decision was taken nationally in July 2012 to close the project. Expenditure to date includes purchase of computer equipment and software licences. The project will not continue in its current form and existing equipment held will not be used for this project.

21. Leases

Authority as Lessee

Finance Leases

The council has a small number of finance leases for vehicles, plant and equipment within its accounts. There are no lease agreements for land and buildings which are to be treated as finance leases.

The assets acquired under finance lease are carried as Property, Plant and Equipment in the balance sheet at the following net amounts:-

	31 March 2013	31 March 2012
	£m	£m
Plant and Vehicles	0.025	0.125
Total	0.025	0.125

The authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the authority and finance costs that will be payable by the authority in future years while the liability remains outstanding.

The minimum lease payments are made up of the following amounts:-

	31 March 2013 £m	31 March 2012 £m
Finance lease liabilities:-		
• current	0.007	0.075
• non current	0.000	0.007
Finance costs payable in future years	0.002	0.009
Minimum lease payments	0.009	0.091

The minimum lease payments will be payable over the following periods:-

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013 £m	31 March 2012 £m	31 March 2013 £m	31 March 2012 £m
Not later than one year	0.009	0.082	0.007	0.075
Later than one year and not later than five years	0.000	0.009	0.000	0.007
Total	0.009	0.091	0.007	0.082

All payments under finance leases have been fixed at the inception of the lease; therefore there are no contingent rents payable on these leases.

Operating Leases

The council has a number of leasing agreements for land and buildings and a minor amount remaining for operating leases on plant and vehicles.

The future minimum lease payments due under non-cancellable leases in future years are:-

	31 March 2013	31 March 2012
	Land and Buildings £m	Land and Buildings £m
Not later than one year	2.329	2.545
Later than one year and not later than five years	2.816	3.302
Later than five years	3.478	3.544
Total	8.623	9.391

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:-

	2012-13 £m	Restated 2011-12 £m
Minimum lease payments	2.939	3.037
Contingent rents	0.000	0.000
Total	2.939	3.037

Authority as Lessor

Finance Leases – Bike to Work Scheme

During 2012-13 the council entered into a further phase of a salary sacrifice scheme following a government initiative to encourage cycle commuting. The council purchased £0.164m (2011-12, £0.115m) of bicycles which are leased to employees for 18 months. At the end of the 18 month period employees have the option to purchase the bicycles outright in line with the HM Revenue & Customs matrix. This arrangement has been treated as a finance lease and therefore the bicycles are not included as fixed assets on the balance sheet. Outstanding employee salary deductions of £0.104m (2011-12, £0.074m) are shown as debtors within current assets on the balance sheet in relation to this scheme.

Operating Leases – Land and Buildings

The authority 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.

The future minimum lease payments receivable in future years are:-

	31 March 2013	31 March 2012
	£m	£m
Not later than one year	3.153	3.025
Later than one year and not later than five years	6.244	5.813
Later than five years	18.183	18.155
Total	27.580	26.993

22. Public Private Partnerships (PPP)

The council has entered into two PPP arrangements with the private sector for the construction and servicing of a number of secondary and primary schools, which are essential for the continued provision of high quality education in Fife.

PPP1

The first project (A New Way Forward) involved the replacement of 2 secondary schools and a new primary school, sports hall and all weather pitch. The total capital construction costs for this project amounted to £42.812m and all of the facilities were operational from August 2003. The annual unitary charge payable by the council to the operator (Pinnacle Schools Fife Ltd) is subject to indexation uplift over the 25 year period of the contract. The unitary charge for 2012-13 was £7.292m. The charge for 2013-14 is currently estimated at £7.384m. This charge is partly offset by revenue support (level playing field support) from the Scottish Government which was set at £3.680m per annum and is now included in the General Revenue Grant settlement. When the agreement ends in 2028 the schools will be transferred to the council.

PPP2

Building on the experience gained in PPP1 and agreement from Scottish Government to support a further project, the Expanding Horizons project was undertaken. This project involved the construction of 3 new primary schools and a community facility to alleviate the pressure of major new housing development, the direct replacement of 3 primary schools and the creation of a combined campus to replace 2 further primary schools. The facilities were fully operational from June 2007. Capital construction costs were estimated at £63.460m and the unitary charge payable to the operator, (Emblem Consortium) in 2012-13 was £7.473m which was offset by Revenue Support from the Scottish Government of £4.168m included in the General Revenue Grant settlement. The estimated unitary charge for 2013-14 is £7.578m and as with the first project, the unitary charge for PPP2 is subject to a yearly indexation uplift. The schools will be passed to the council at the end of the contract period during 2032.

PPP Contracts

The contracts allow the council to use the facilities for Education and Community use and allow other rights with regard to third party, commercial and emergency use, although there has been no use under these headings. The council also has the right to vary both contracts in terms of changes to the facilities and services to be provided and with regard to the hours of use, all of the variations issued to date have been considered to be minor and there have been no changes to the project agreements or the duration of the contracts. The contracts also contain refinancing and terminations mechanisms which have not been exercised.

The PPP contractors provide janitorial, cleaning, grounds maintenance, building fabric and service and equipment maintenance, pest control and waste management services. The contractors also undertake planned and reactive maintenance and lifecycle replacement but to date there has been no major lifecycle replacement of assets. On both contracts the contractors have hand back obligations which require the facilities to be safe, in good and substantial condition, in good decorative order and fully functioning. There are also financial obligations associated with hand back.

Property Plant and Equipment

The assets used to provide services at the schools are recognised on the authority's Balance Sheet and any changes in their value are shown in the analysis of the movement on the Property, Plant and Equipment balance in Note 14.

Payments

The authority makes an agreed payment each year increased annually by inflation which can be reduced if the contractor fails to meet availability and performance standards in any year. Otherwise it is fixed. Payments remaining to be made under the PPP contract at 31 March 2013 (excluding any availability/performance deductions and using an inflation factor of 2.5% for RPI increases within the contract) are as follows:-

	PPP1				PPP2			
	Payment for Services £m	Reimbursement of Capital Expenditure £m	Interest £m	Total £m	Payment for Services £m	Reimbursement of Capital Expenditure £m	Interest £m	Total £m
Payable in 2013-14	2.191	1.321	3.872	7.384	2.542	1.283	3.753	7.578
Payable within two to five years	11.598	5.225	13.557	30.380	10.429	6.539	14.440	31.408
Payable within six to ten years	16.357	10.141	13.541	40.039	16.627	9.977	15.335	41.939
Payable within eleven to fifteen years	17.189	17.550	7.875	42.614	22.616	11.813	10.852	45.281
Payable within sixteen to twenty years	0.338	0.508	0.128	0.974	19.955	15.151	6.833	41.939
Total	47.673	34.745	38.973	121.391	72.169	44.763	51.213	168.145

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:-

	2012-13	2011-12
	£m	£m
Balance outstanding at 1 April	81.106	83.490
Payments during the year	(1.598)	(2.384)
Balance outstanding at 31 March	79.508	81.106

23. Inventories

	Consumable Stores and Raw Materials		Goods Acquired or Constructed for Resale		Equipment Stock		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
	£m	£m	£m	£m	£m	£m	£m	£m
Balance outstanding at 1 April	4.120	3.774	0.048	0.047	0.760	0.887	4.928	4.708
Purchases	22.121	21.453	0.043	0.057	0.975	0.810	23.139	22.320
Recognised as an expense in the year	(22.680)	(21.015)	(0.043)	(0.056)	(0.667)	(0.797)	(23.390)	(21.868)
Written off balances	0.035	(0.092)	0.000	0.000	(0.141)	(0.140)	(0.106)	(0.232)
Balance outstanding at 31 March	3.596	4.120	0.048	0.048	0.927	0.760	4.571	4.928

The implementation of a new system for Occupational Therapy Stock held in the community caused difficulty in obtaining a closing stock figure for this item in 2012-13. The 2011-12 closing stock figure was used as an estimate for 2012-13. The value of the stock was £0.666m.

24. Debtors

	31 March 2013 £m	31 March 2012 £m
Central government bodies	12.431	18.831
Other local authorities	0.612	0.516
NHS bodies	1.410	0.918
Public corporations and trading funds	0.129	0.145
Scottish Police Service Authority	0.399	0.063
Other entities and individuals	47.236	48.291
Total	62.217	68.764

25. Creditors

	31 March 2013 £m	31 March 2012 £m
Central government bodies	(9.865)	(4.575)
Other local authorities	(0.259)	(0.477)
NHS bodies	(0.392)	(0.548)
Public corporations and trading funds	(2.356)	(0.264)
Scottish Police Service Authority	(0.032)	(0.617)
Other entities and individuals	(135.474)	(140.867)
Total	(148.378)	(147.348)

26. Provisions

	Equal Pay £m	Insurance Claims £m	Redundancy/ Settlement £m	Dilapidations £m	CRC £m	Losses/ Rectifications £m	Total £m
Opening balance at 1 April	(4.294)	(6.411)	(4.931)	(1.034)	(0.876)	(0.789)	(18.335)
Additional provisions made in 2012-13	(0.192)	(2.331)	(5.051)	(0.080)	(0.951)	(0.152)	(8.757)
Amounts used in 2012-13	0.000	2.671	4.380	0.067	0.876	0.790	8.784
Unused amounts reversed in 2012-13	0.000	0.000	0.558	0.082	0.000	0.000	0.640
Unwinding of discounting in 2012-13	0.000	(0.033)	0.000	0.000	0.000	0.000	(0.033)
Closing balance at 31 March	(4.486)	(6.104)	(5.044)	(0.965)	(0.951)	(0.151)	(17.701)

The above provisions can be further analysed into Short Term and Long Term as follows:-

	Equal Pay £m	Insurance Claims £m	Redundancy/ Settlement £m	Dilapidations £m	CRC £m	Losses/ Rectifications £m	Total £m
Short-Term	(4.486)	(0.228)	(5.044)	(0.965)	(0.951)	(0.151)	(11.825)
Long-Term	0.000	(5.876)	0.000	0.000	0.000	0.000	(5.876)
Closing balance at 31 March	(4.486)	(6.104)	(5.044)	(0.965)	(0.951)	(0.151)	(17.701)

The provisions above are for liabilities which exist at the 31 March 2013 but are likely to be incurred in financial years 2013-14 and beyond. In estimating the amount of each provision required the most up-to-date information available is used to arrive at a reasonable figure. Brief comments on these provisions are as follows:-

- The provision for Equal Pay compensation of £4.486m at 1 April 2013 was based on detailed information on potential costs resulting from current cases that are proceeding to tribunal.
- The provision for insurance covers all known outstanding claims. Further details on the provisions can be found in Note 46 Insurance Arrangements.
- Provisions have been made in the accounts for the expected costs arising from agreed redundancy packages both outwith and as part of the Workforce Change strategy. In both cases employees concerned will be leaving the council within the new financial year.
- The provision for dilapidations was based on all known costs associated with outstanding property dilapidations.
- The carbon reduction commitment (CRC) was based on the authorities liability to purchase and surrender CRC allowances in relation to carbon dioxide omissions.
- The provision for Losses/Rectifications was based on an estimate of the cost of rectifications and/or losses which may be incurred in future years on current jobs being carried out by Building Services

27. Grant Income

In addition to the General Revenue Grant shown in Note 11, the authority also credited the following grants and contributions to the Comprehensive Income and Expenditure statement in 2012-13:-

	2012-13 £m	2011-12 £m
Credited to Taxation and Non Specific Grant Income		
General Capital Grant funding from Scottish Government	(17.591)	(32.158)
Town Centre Regeneration funding from Scottish Government	0.000	(0.503)
Fire Capital Grant funding from Scottish Government	(1.104)	(0.995)
Housing Revenue Account funding from Scottish Government for new build housing projects	(1.401)	(2.755)
Halbeath Park & Choose project funding from Scottish Government.	(5.000)	(4.500)
Auchmuty High School, Scottish Futures Trust funding from Scottish Government	(18.086)	0.000
Cycling, Walking and Safer Streets funding from Scottish Government	(0.424)	(0.522)
Contribution to Chapel Level Dualling Project from NHS	(1.664)	0.000
Contribution to the Future of Leisure Project from Sportscotland	(1.300)	0.000
Other Capital Grants	(0.871)	(1.951)
Capital Contributions	(2.488)	(1.585)
Total	(49.929)	(44.969)

27. Grant Income (continued)

	2012-13	2011-12
	£m	£m
Credited to Services		
Police Specific Grant	(29.776)	(29.828)
Police and Fire Pensions	(20.127)	(15.306)
Education Maintenance Allowance	(1.267)	(1.264)
Police – Special Grants	(4.073)	(4.271)
Housing Benefit Subsidy	(112.348)	(108.439)
Council Tax Benefit Subsidy	(22.340)	(22.572)
Criminal Justice Service Grant	(6.150)	(6.118)
Admin of Housing and Council Tax Benefit Schemes	(2.907)	(3.153)
Active Schools	(0.605)	(0.674)
Universal Home Insulation Scheme	(1.445)	(0.575)
Other Government Grants	(3.296)	(3.721)
Other Non Government Grants	(0.951)	(0.778)
Total	(205.285)	(196.699)

The authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver, if those conditions are not met. The balances at the year-end are as follows:-

	31 March 2013		31 March 2012	
	Short Term £m	Long Term £m	Short Term £m	Long Term £m
Receipts In Advance				
Capital Grants and Contributions				
Fire Service – General grant funding from Scottish Government	0.000	0.000	(0.147)	0.000
Housing Revenue Account – Specific grant funding from Scottish Government for new build housing projects at Blacklaw Road, Dunfermline and Ostlers Way, Kirkcaldy	0.000	0.000	(0.530)	0.000
Development Services Section 75 Grants - contributions from third parties	0.000	(4.401)	0.000	(4.311)
Total	0.000	(4.401)	(0.677)	(4.311)
Revenue Grants				
Leisure & Cultural Services – Contribution from Creative Scotland	(0.084)	0.000	0.000	0.000
Social Work – SDS – contribution from Scottish Government	(0.372)	0.000	0.000	0.000
Education Service – PE Programme – contribution from Sports Scotland	(0.090)	0.000	0.000	0.000
Education Service – Peer Support and Collaboration – contribution from Education Scotland	(0.006)	0.000	0.000	0.000
Education Service – YMI – contribution from Creative Scotland	(0.175)	0.000	0.000	0.000
Education Service – Ministry of Defence funding	(0.071)	0.000	0.000	0.000
Education Service – Big Lottery Fund funding	(0.071)	0.000	0.000	0.000
Education Service – Football Project	(0.001)	0.000	0.000	0.000
Education Service – Levenmouth Youth Strategy	(0.005)	0.000	0.000	0.000
Housing and Neighbourhood Service – Summer of Song Project	0.000	0.000	(0.004)	0.000
Housing and Neighbourhood Service Adoption Fees - contributions from third parties	(0.131)	(0.327)	(0.144)	(0.478)
Total	(1.006)	(0.327)	(0.148)	(0.478)
Total Receipts in Advance – Capital and Revenue	(1.006)	(4.728)	(0.825)	(4.789)

28. Financial Instruments

Financial instruments are contracts which create a financial asset in one entity and a financial liability or equity instrument in another entity. The following categories of financial instrument are carried in the Balance Sheet:-

	Long Term		Short Term	
	31 March 2013 £m	31 March 2012 £m	31 March 2013 £m	31 March 2012 £m
Investments				
Unquoted equity investment at cost	0.000	0.240	0.000	0.000
Investment in joint venture at cost	1.057	1.057	0.000	0.000
Debtors				
Loans and receivables	0.358	0.408	14.117	11.328
Borrowings				
PWLB Loans	(207.767)	(187.856)	(3.692)	(3.510)
Money market loans	(393.784)	(396.522)	(46.066)	(16.036)
Temporary Loans	0.000	0.000	(26.024)	(31.753)
Other Long Term Liabilities				
PPP and finance lease liabilities	(76.904)	(79.514)	(2.611)	(1.674)
Creditors				
Financial liabilities carried at contract amount				
Trade Creditors	0.000	0.000	(30.643)	(33.846)

The Rosyth Regeneration Co. Ltd. is now in liquidation and therefore the value of the unquoted equity investment (2011-12, £0.240m) has been reduced to zero.

The council is party to an Employment Land joint venture with Scottish Enterprise valued at £1.057m. This joint venture is not a separate legal entity and has therefore not been included in the group accounts.

Soft loans to employees of £0.582m (2011-12, £0.478m) are included in the above and are classified as long and short term debtors on the balance sheet, the remaining amount shown within loans and receivables being the council's sundry debtors, where invoices have been raised for goods and services provided by the council for a fee. There are no other material amounts contained within the accounts for other types of financial instruments which relate to local authorities, such as available for sale assets, financial guarantees, or the requirement to account for derivatives in contracts. Short term money market deposits placed with maturity dates of less than 3 months are regarded as an integral part of the council's cash flow management and are recorded in Note 34 as part of cash and cash equivalents on the balance sheet.

The total interest expense included in borrowings within the Comprehensive Income and Expenditure Statement, shown on the basis of amortised cost rather than fair value, is £27.982m (2011-12, £26.710m).

The Code requires that, where there are material financial instruments on the balance sheet recorded at a value other than fair value, the fair value of those instruments must be disclosed. The council has significant financial liabilities at amortised cost in the form of long-term borrowing from the Public Works Loan Board (PWLB) and other money market lenders. Fair values have been calculated, based on the Net Present Value approach, which estimate the value of future payments on today's terms. The council's treasury advisors, Sector, carried out the calculations for the Fair Value of the market loans. The discount rate is based on the rate at 31 March 2013 for debt with similar characteristics to council debt, for example with similar terms and repayment periods. No provision has been made for the premature repayment of debt.

	31 March 2013		31 March 2012	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Borrowings				
Long-term PWLB and Market Loans	638.181	833.901	616.131	772.690

The fair value of debt is greater than the carrying amount because the council's portfolio of loans include a number of fixed rate loans where the interest payable is higher than the rates available for similar loans in the market at the balance sheet date.

29. Nature and Extent of Risks Arising from Financial Instruments

The council's activities expose it to a variety of financial risks:-

- credit risk – the possibility that other parties might fail to pay amounts due to the council
- liquidity risk – the possibility that the council might not have funds available to meet its commitments to make payments
- re-financing risk – the possibility that the council may have to renew a financial instrument on maturity at disadvantageous rates or terms
- market risk – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates and stock market movements.

The council's treasury management policies operate to minimise the council's exposure to the unpredictability of the market. The procedures for risk management are set out through a legal framework based on the Local Government in Scotland Act 2003 and associated regulations. They require the council to comply with the CIPFA Code of Practice on Treasury Management, the Prudential Code for Capital Finance in Local Authorities and the enactment of new investment regulations in Scotland. They require the council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- By the adoption of a Treasury Policy statement and treasury management clauses within its financial regulations
- By approving, annually in advance, prudential and treasury indicators for the following three years which limit the following: the council's annual borrowing, its exposure to fixed and variable interest rates, the maturity structure of its debt and its maximum exposure to investments maturing beyond one year
- By approving an annual investment strategy for the forthcoming year, in accordance with the Scottish Government investment regulations

The prudential indicators form part of the annual budget report placed before full Council to set the council tax for the forthcoming year. An annual report detailing the Treasury Management Borrowing and Investment Strategy for the forthcoming three years was submitted to the Council's Policy Finance and Asset Management Committee prior to the start of the 2012-13 financial year. The key issues included in those reports were:

- The authorised limit for 2012-13 was set at £1,099.004m. This is the maximum limit of debt and other long term liabilities during the year
- The operational limit was set at £1,007.421m, the expected level of debt and other long term liabilities during the year
- The maximum amount of fixed and variable rate interest exposure was set at 100% and 75% respectively of net debt.
- The maximum exposure to the maturity structure of debt is shown under the Liquidity and Re-financing Risk section below.

Reports are also submitted to Committee during the year, providing a mid year update, and, after the year end, reporting on the actual performance for the year. The Treasury Management Borrowing & Investment Strategies 2013-14 to 2015-16 were approved by the Council's Executive Committee on 26 March 2013.

These policies are implemented by the team responsible for treasury management activities, the Banking and Investments Team. The council maintains written policies and procedures for the management of risk, and Treasury Management Practices covering specific areas such as interest rate risk, credit risk and the investment of surplus cash are reviewed regularly, as required by the Treasury Management Code of Practice.

Credit Risk

Credit risk from financial instruments arises from the deposits placed with banks and financial institutions, as well as credit exposures to the council's customers.

Deposits are not made with banks and financial institutions unless they satisfy the minimum rating laid down by the council's Treasury Management Policy, being the minimum rating for a counterparty set by each of three leading credit reference agencies. The council also lends to other local authorities. In order to minimise the risk involved, the council limits the amount of lending to each counterparty, being a maximum of £10.000m for each. There were no deposits outstanding at 31 March 2013.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability, adjusted to reflect current market conditions:-

	Amount at 31 March 2013 £m	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2013 %	Expected maximum exposure to default £m	Amounts at 31 March 2012 £m	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2012 %	Estimated maximum exposure to default £m
Deposits with:-								
Financial institutions and local authorities	0.000	0.00%	0.00%	0.000	0.000	0.00%	0.00%	0.000
Other Debtors	13.875	2.40%	13.78%	2.217	11.296	2.80%	14.11%	1.855
Total	13.875			2.217	11.296			1.855

The amount of bad debts written off during 2012-13 was approximately 2.4% (2011-12, 2.8%) of the total charges billed for the year. The majority of the debt outstanding is past its due date for payment as the council's payment policy is 14 days from the invoice date. As a result, the provision for impairment in the accounts is £2.217m (2011-12, £1.855m), giving the above average percentage, based on specific provisions, per debt category and age of debt.

Other Debtors referred to above relates to sundry accounts where there is a contractual entitlement to receive funds and a historical risk of default. The sum of £13.875m (2011-12, £11.296m) is included within Debtors identified in Note 24 to these accounts. The age analysis of this debt is as follows:-

	31 March 2013 £m	31 March 2012 £m
Beyond a year	1.972	1.556
Nine to Twelve months	1.221	0.886
Six to Nine months	0.842	0.638
Three to Six months	1.114	0.846
Within Three months	8.726	7.370
Total	13.875	11.296

Liquidity and Re-Financing Risk

The council manages its liquidity position through its risk management procedures, from setting its prudential indicators, to approving an annual borrowing strategy, and also from a comprehensive cash flow management system, as required by the CIPFA Code of Practice.

There is no significant risk that the council will be unable to raise finance to meet its commitments under financial instruments, as the council has readily available access to borrowing from the Public Works Loan Board. It is also required to provide a balanced budget, which ensures sufficient monies are raised to cover its expenditure.

Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The council's approved Treasury Management indicators provide maximum limits for the maturity structure of borrowings, by limiting the amount of debt maturing in one year to no more than 15% of the total debt (excluding LOBOs) and limits on investments maturing beyond one year. The council's Borrowing and Investment Strategy addresses the main risks and the Banking and Investments Team addresses the operational risks, within approved levels by monitoring the maturity profile of financial liabilities, and amending the profile through either new borrowing, or rescheduling existing debt, and also by monitoring the maturity profile of investments to ensure sufficient liquidity is available for the day to day cash flow needs.

The maturity analysis of financial liabilities is provided below:-

	PWLB £m	Market Loan £m	Scottish Enterprise £m	Short Term Loans £m	Total £m	Maturity Profile %
Less than one year	3.692	45.571	0.495	26.024	75.782	11.19%
Between one and two years	2.573	18.046	0.000	0.000	20.619	3.04%
Between two and five years	9.484	10.110	0.000	0.000	19.594	2.89%
Between five and ten years	63.896	3.412	0.000	0.000	67.308	9.94%
Ten years or more	131.814	362.216	0.000	0.000	494.030	72.94%
Total	211.459	439.355	0.495	26.024	677.333	100.00%

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

Market Risk

Interest Rate Risk

The council is exposed to interest rate movements on its borrowings and investments: any rate changes will have a direct impact on the General Fund balance, and consequently the taxpayer. For example, an increase in interest rates would increase the interest payable on variable borrowings and also increase the interest receivable on investments. As borrowings are held at amortised cost rather than fair value on the balance sheet, any gains or losses in fair value as a result of a change in interest rates does not directly impact on the council's Comprehensive Income and Expenditure Account or the Balance Sheet.

The council has a number of strategies for managing interest rate risk. The council's Treasury Management Policies manage the interest rate exposure by limiting the amount of borrowing held at variable rates to 75% of its total portfolio. The variable rate is set at a high level as a result of previous years' restructuring of loans into "variable structure" debt. The interest rate risk is managed within the contracts as they are Lender Option Buyer Option (LOBO) loans where the interest rates can only be reviewed on certain anniversary dates; if the Lender wishes to exercise their option to increase the loan rate on those dates, the Borrower can exercise their option to repay the loan.

For 2012-13, the impact of a 1% increase in interest rates, assuming all other variables were constant, would have increased interest payable by £0.829m on borrowings taken in the year, but would also have increased interest receivable by £0.622m, the net effect on the Income and Expenditure Account being a debit of £0.207m. The impact on the fair value of long-term borrowings would be a reduction in fair value of £129.869m. If rates were to decrease, the reverse would apply.

Price Risk

The council does not generally invest in equity shares and is therefore not exposed to losses arising from movements in the price of shares.

Foreign Exchange Risk

The council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movement in exchange rates.

30. Operating Activities

	2012-13 £m	2011-12 £m
Adjustment to the net provision of services for non-cash movements		
Depreciation and impairment	76.199	63.395
Downward/(upward) revaluations	(198.608)	55.564
Amortisation of intangibles	0.881	0.824
increase/(decrease) in creditors	8.139	(10.826)
(increase)/decrease in debtors	5.383	(3.550)
(increase)/decrease in stock	0.357	(0.220)
Pension liability/(asset)	67.545	76.991
Carrying amount of non current assets sold	5.828	4.407
Other non-cash items charged to the net surplus of deficit on the provision of services	(0.601)	(10.802)
Total	(34.877)	175.783
Adjustment for items included in the net surplus or deficit on the provision of services that are investing financing activities		
Capital grants credited to surplus or deficit on the provision of services	(49.929)	(44.971)
Proceeds from the sale of property, plant and equipment investment property and intangible assets	(5.327)	(10.869)
Total	(55.256)	(55.840)

31. Other Items within Operating Activities

The cash flows for operating activities include the following items:-

	2012-13 £m	2011-12 £m
Interest received	0.170	0.074
Interest paid	(36.937)	(28.768)
Total	(36.767)	(28.694)

32. Investing Activities

	2012-13	2011-12
	£m	£m
Purchase of property, plant and equipment, investment property and intangible assets	(185.537)	(168.471)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5.327	10.869
Other receipts from investing activities	50.461	44.447
Total	(129.749)	(113.155)

33. Financing Activities

	2012-13	2011-12
	£m	£m
Cash receipts of short and long term borrowing	137.900	238.200
NNDR adjustments	(6.711)	20.481
Repayment of short and long term borrowing	(96.690)	(191.084)
Cash payment for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PPP contracts	(1.674)	(2.476)
Total	32.825	65.121

34. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:-

	2012-13	2011-12
	£m	£m
Cash held by officers	0.072	0.073
Bank current accounts	8.975	1.713
Advances from other accounts	(2.412)	(2.223)
Total	6.635	(0.437)

35. Acquired and Discontinued Operations

There were no significant acquired or discontinued operations during 2012-13.

36. Trading Operations

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. Only a residual amount of the net surplus on trading operations is charged as Other Operating Expenditure, Note 7:-

	2012-13	2011-12
	£m	£m
Building Services STO	0.429	(2.157)
Net loss/(surplus) credited to Other Operating Expenditure	0.429	(2.157)

Building Services STO

The Local Government in Scotland Act 2003 required the council to identify any 'Significant Trading Operations'. The council has deemed that only one trading operation, Building Services, is significant in terms of the Act.

The relevant legislation requires that any Significant Trading Operation breaks even over a rolling three year period. The financial results for 2012-13 are shown below. Previous year figures are shown for comparison and to allow assessment of performance over the three years combined.

2010-11	2011-12		2012-13	3 Year	2012-13
Actual	Actual		Actual	Actual	Budget
£m	£m		£m	£m	£m
(91.317)	(107.310)	Turnover	(107.841)	(306.468)	(106.976)
89.142	105.153	Expenditure	108.270	302.565	104.870
(2.175)	(2.157)	Net Expenditure per Income and Expenditure Account/(Surplus)/Deficit for Statutory Purposes	0.429	(3.903)	(2.106)

The main activity for the Building Services trading operation is the repair, maintenance and improvement of the council's domestic and non-domestic properties.

The actual financial performance for the current year of £0.429m compares with the budgeted surplus target set by the council of (£2.106m) for 2012-13. The table above identifies that over the three year period, surpluses of (£3.903m) have been achieved on a combined turnover of (£306.468m) and the statutory financial target has been comfortably achieved. Further information on the financial performance of the Building Services STO can be obtained from the Head of Asset and Facilities Management, Bankhead Central, Bankhead Park, Glenrothes, KY7 6GH.

37. Agency Services

Agency arrangements operate in some services where the council undertakes work on behalf of other local authorities, Scottish Water, Government and other public bodies. Expenditure and income relating to this work is excluded from the Comprehensive Income and Expenditure Statement because it is not incurred as part of the authority's normal responsibilities.

	2012-13			2011-12		
	Expenditure £m	Income £m	(Surplus) Deficit £m	Expenditure £m	Income £m	(Surplus) Deficit £m
Agency Services						
Education Service:						
Provision of Education Services to Other Local authorities	0.960	(0.960)	0.000	0.872	(0.872)	0.000
Enterprise, Planning and Protective Services:						
Fees from Triage in respect of New Deal training contracts	0.000	0.000	0.000	0.057	(0.057)	0.000
Fees from Scottish Enterprise Fife in respect of training contracts	0.347	(0.347)	0.000	0.535	(0.535)	0.000
Finance and Procurement Service:						
Collection of Scottish Water Charges	0.966	(0.966)	0.000	1.010	(1.010)	0.000
Social Work Service						
Care Package – Out of Area – recharge to Grampian Health Board	0.034	(0.034)	0.000	0.034	(0.034)	0.000
Care Package – Out of Area – recharge to West Dunbartonshire Council	0.090	(0.090)	0.000	0.092	(0.092)	0.000
Care Package – Out of Area – recharge to Borders Health Board	0.054	(0.054)	0.000	0.053	(0.053)	0.000
Care Package – Out of Area – recharge to Edinburgh City Council	0.058	(0.058)	0.000	0.000	0.000	0.000
Care Package – Out of Area – recharge to Dundee City Council	0.080	(0.080)	0.000	0.000	0.000	0.000
Asset and Facilities Management Service:						
Waste Analysis Services	0.033	(0.033)	0.000	0.028	(0.028)	0.000
Provision of Joint Occupational Therapy Store funded with NHS Fife	0.407	(0.407)	0.000	0.303	(0.303)	0.000
Police Authority						
Maintenance of Ambulance Service Vehicles	0.229	(0.229)	0.000	0.214	(0.214)	0.000
Net surplus arising on the agency arrangement	3.258	(3.258)	0.000	3.198	(3.198)	0.000

38. Members' Allowances

The authority paid the following amounts to members of the council during the year:-

	2012-13	2011-12
	£m	£m
Remuneration:-		
Salaries	1.407	1.433
Expenses:-		
Travel Accommodation and Subsistence	0.076	0.065
Telephones/Communications	0.055	0.045
Total	1.538	1.543

Under the allowances scheme introduced in May 2007, councillors receive an annual salary instead of a basic allowance. The annual salary paid is subject to tax and national insurance. In addition councillors receive telephone allowances and the reimbursement of costs of travel expenses incurred when on official council business.

Expenses reimbursed to councillors need to be evidenced by receipts. This is in accordance with Scottish Government Regulations. These do not include the cost of council provided transport.

A council car is made available for use by the Provost or any councillor deputising for the Provost.

Further information on Senior Elected Members can be found within the Remuneration Report later in these accounts.

39. External Audit Costs

The agreed external audit fee for 2012-13 is £0.565m for work undertaken in accordance with the Code of Audit Practice (2011-12, £0.589m). No other services were provided by Audit Scotland. In addition Fife Council received a rebate of £0.038m in 2012-13 relating to savings arising in 2011-12 which were passed out to audited bodies.

40. Related Parties

The council is required to disclose material transactions with related parties 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's ability to bargain freely with the council.

The council is a large organisation with a wide range of duties and operations. It is therefore to be expected that there will be occasions where the council transacts with a related party. This is particularly true where grants and funding are concerned since the council is responsible for administering grants for a variety of purposes to many different types of organisation. In many cases a member or council officer represents the council as part of the organisation's management or board structure.

Scottish Government

Scottish government has effective control over the general operations of the authority. It is responsible for providing the statutory framework within which the authority operates provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (e.g. council tax bills and housing benefits). Grants received from government departments are set out in the subjective analysis in Note 9 on amounts reported to decision makers. Grant receipts outstanding at 31 March 2013 are shown in Note 27.

Members of the Council

Members of the council have direct control over the council's financial and operating policies. During 2012-13 and 2011-12 there were no material works and services that were commissioned from organisations in which any elected member has an interest. Grants totalling £0.917m (2011-12, £1.258m) were awarded to 2 organisations (2011-12, 3) in which members have representation. A register of members' interests is maintained by the Executive Director Corporate Services and this register is available for inspection.

Officers

Grants totalling £0.388m (2011-12, £0.751m) were awarded to one (2011-12, 2) organisation in which officers have some representation but members do not.

Local Government Pension Fund

During the 2012-13 financial year the council charged £1.190m, (2011-12, £0.917m) for support services related to the administration of the Pension Fund. In addition, the Pension Fund paid the council £0.007m bank interest in the year. Fife Council paid employers' contributions to the Pension Fund of £48.910m (2011-12, £50.964m) and collected and paid over employees' contributions of £14.228m (2011-12, £14.854m).

Assisted Organisations

The council provided material funding to the following organisations which provides the council with a degree of influence over their operations:-

Fife Sports and Leisure Trust

This Company was set up on 1 April 2008 as a company limited by guarantee with charitable status. It is independent of Fife Council and its purpose is to provide sports and leisure across Fife through the 13 leisure facilities. The council is represented on the Board of Directors by four members and two officers. In 2012-13 the council contracted with the Trust to the value of £3.395m (2011-12 £3.906m) in respect of the management of its sports and leisure facilities.

Arts and Theatres Trust Fife

This Company was set up on 1 October 2007 as a company limited by guarantee with charitable status. It is independent of Fife Council and its purpose is to provide arts, culture and entertainment across Fife through the Arts Development Service and 4 theatre complexes. The council is represented on the Board of Directors by four members and two officers. In 2012-13 the council contracted with the Trust to the value of £0.829m (2011-12, £1.805m) in respect of the management of its arts and theatre facilities. The company ceased on 30 September 2012.

Fife Coast & Countryside Trust

This company was set up on 31 July 2006 as a non-profit making company limited by guarantee with charitable status. It is independent of Fife Council and its purpose is to undertake a range of countryside activities in the Fife Council area on behalf of the council and its partners which includes Scottish Natural Heritage. The council is represented on the Board of Directors by three members and one officer. In 2012-13 the council contributed £1.148m (2011-12, £1.287m) to the Trust from its own funds.

Fife Golf Trust

This company was set up on 1 April 2011 as a non-profit making company limited by guarantee with charitable status. It is independent of Fife Council and its purpose is to provide golf across Fife through 7 golf courses. The council is represented on the Board of Directors by three members and one officer. In 2012-13 the council contracted with the Trust to the value of £0.623m (2011-12, £0.782m) in respect of the management of its golf courses.

Fife Cultural Trust

This company was set up on 1 October 2012 as a company limited by guarantee with charitable status. It is independent of Fife Council and its purpose is to provide arts, culture and entertainment across Fife through Library and Museums Services, the Arts Development Service and 4 theatre complexes. The council is represented on the Board of Directors by four members and one officer. In 2012-13 the council contracted with the Trust to the value of £4.646m in respect of the management of its arts, theatre, library and museum facilities.

Fife Environment Trust

This company was set up in 1997 as a non-profit making company limited by guarantee with charitable status. It is independent of Fife Council and its purpose is to distribute funds from landfill operations under the relevant legislation to local groups for the completion of environmental projects. The council is represented on the Board of Directors by one member and one officer. In 2012-13 the council contributed £0.053m (2011-12, £0.056m) to the Trust from its own funds. In addition the landfill tax credit transferred to the Trust in 2012-13 was £0.528m (2011-12, £0.504m).

SESTran (South East of Scotland Transport Partnership)

SESTran represents a Regional Transport Partnership established under the Road Transport Act 2005. It replaced an existing voluntary cooperative which had been operating prior to this legislation. It operates as a "joint committee" in order to prioritise and distribute funding to transport infrastructure projects. The council is represented on the partnership by three members. The council contributed £0.048m (2011-12, £0.054m) in terms of requisition during 2012-13.

Business Gateway Fife (formally Impact 21)

This is a company limited by guarantee that was, pre 2008-09, a joint venture between Scottish Enterprise and Fife Council to deliver services to support start up and existing small businesses in Fife. From 2008-09 Scottish Enterprise Fife withdrew from the operation and Fife Council became the sole funder. The council has two officers on the Board of Directors.

In 2012-13, Fife Council provided £0.187m (2011-12 £0.270m) of operational funding and £0.211m (2011-12, £0.269m) of funding for financial assistance to small businesses delivered through Business Gateway Fife. In 2012-13 £0.780m (2011-12, £0.873m) was contributed to Business Gateway National contract.

Scottish Police Service Authority

On 1 April 2008, the Information Communication Technology (ICT) service transferred from Fife Constabulary to Scottish Police Service Authority. Fife Constabulary incurred £0.984m (2011-12, £1.029m) in relation to ICT non staff costs. This was funded by grant of £0.984m (2011-12, £0.892m) from the Scottish Government.

Lothian and Borders Police Force

Lothian and Borders Police are acting as the host force in relation to the National Command and Control System. This is a national project from which all Forces will benefit. As the host force, Lothian and Borders have incurred all costs and claimed the capital grant. The costs of the project, depreciation and associated capital grant have been apportioned to other Forces reflecting that this is a shared asset, Fife Constabulary's share being £0.050m (2011-12, £0.339m).

Strathclyde Police Force

Strathclyde Police have been acting as the host force in relation to three national capital projects. The projects are designed to facilitate common, integrated information and communication systems in relation to National Infrastructure, Information Management, and Vulnerable Persons. As the host force, Strathclyde have incurred all costs and claimed the capital grant. The costs of the projects, depreciation and associated capital grant have been apportioned to other Forces reflecting that this is a shared asset, Fife Constabulary's share for the three projects being £0.052m (2011-12, £0.089m).

Residential and Nursing Homes

The council purchases places in these homes for several client groups. Some homes are operated by large national organisations while others are small independent providers who rely significantly upon income from the council. The Scottish Government's direction on choice by the individual restricts the influence that the council has over providers of home places.

Scotland Excel

On 1 April 2008, Scotland Excel was set up as a non-profit making organisation funded mainly by participating Local authorities. Scotland Excel was created as a Centre of Procurement Expertise for the local government sector to help improve the efficiency and effectiveness of public sector procurement in Scotland. In 2012-13 Fife Council contributed requisitions of £0.201m (2011-12, £0.205m).

Strategic Development Planning Authorities

Four strategic development planning authorities (SDPAs) were designated by Scottish Ministers in May 2008 under Section 4 of the Planning etc (Scotland) Act 2006.

Fife Council is a member of the Joint Committees of two of these authorities:-

SESPlan

SESPlan is the Strategic Development Planning authority for Edinburgh and South East Scotland. Its membership comprises East Lothian Council, City of Edinburgh Council, Fife Council, Midlothian Council, Scottish Borders Council and West Lothian Council.

Fife Council has agreed to take responsibility for the finances and human resources aspects of the running of the authority. In 2012-13 Fife Council contributed £0.049m (2011-12, £0.040m).

TAYPlan

TAYPlan is the Strategic Development Planning authority for Dundee, Perth, Angus and North Fife. Its membership comprises Dundee City, Perth and Kinross Council, Fife Council and Angus Council. In 2012-13 Fife Council contributed £0.060m (2011-12, £0.060m).

At the balance sheet date the council had the following balances with related party organisations:-

	Creditor at 31 March 2013 £m	Debtor at 31 March 2013 £m	Creditor at 31 March 2012 £m	Debtor at 31 March 2012 £m
Fife Environment Trust	(0.012)	0.000	(0.013)	0.000
Arts and Theatres Trust Fife	0.000	0.000	(0.038)	0.031
Fife Sports and Leisure Trust	(0.008)	0.097	(0.101)	0.053
Fife Coast and Countryside Trust	(0.073)	0.012	(0.029)	0.011
Fife Golf Trust	(0.004)	0.167	(0.017)	0.095
Fife Cultural Trust	(0.067)	0.113	0.000	0.000
Total	(0.164)	0.389	(0.198)	0.190

41. Termination Benefits

The authority has accounted for the termination of contracts of 230 employees in 2012-13, incurring liabilities of £6.782m (2011-12, £16.125m). Of this total, £1.732m relates to statutory redundancy payments, £1.905m to compensation for loss of office and £3.145m for enhanced pension benefits.

As a consequence of the delivery of the 2013-14 savings each directorate has incurred termination payments. The Directorate incurring the largest cost is Environment, Enterprise and Communities £4.293m.

In 2011-12, Fife Council has included a provision of liabilities of £4.931m which was used to offset the total costs reported in 2012-13. In the current year, Fife Council includes a provision of £5.044m. Of this total, £1.144m relates to statutory redundancy payments, £1.087m to compensation for loss of office and £2.814m for enhanced pension benefits. The provision for both 2012-13 and 2011-12 are not included in the figures above.

The Termination Benefits for 2011-12 have been restated to include the strain on the pension fund for early retirements.

42. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the authority are members of the Teachers' Pension Scheme, administered by the Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the authority 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 authority 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 this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2012-13, the amounts due to Scottish Pensions Agency for Teachers' Pensions in respect of teachers' retirement benefits were £18.908m, representing 14.61% of pensionable pay. The figures for 2011-12 were £19.328m and 14.65%.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 43. The sums due for discretionary benefits during 2012-13 were £4.021m (2011-12, £4.994m).

43. Defined Benefit Pension Schemes

Participation in pension schemes

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

The authority participates in a number of post employment schemes:-

- The Local Government Pension Scheme, administered locally by Fife Council – this is a funded defined benefit final salary scheme, meaning that the authority 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.
- Police and Fire Pension Schemes – these schemes are both unfunded defined benefit salary schemes. Police officers employed by the authority are members of the Police Pension Schemes, administered by Fife Council in accordance with the Police Pensions (Scotland) Regulations 2007. Fire-fighters employed by the authority are members of the Fire-fighters Pension Schemes, also administered by Fife Council in accordance with Fire-fighters Pension Scheme Orders 2007 as amended.
- Police and Fire Injury Awards Schemes – as injury benefits are available to all Police officers and Fire-fighters and not just those who are members of the Police and Fire pension schemes, they cannot be treated as part of the pension schemes and these payments must be separately accounted for as in previous years.

Transactions relating to post employment benefits

The authority 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, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:-

Local Government Pension Scheme		Discretionary Benefits Arrangements		Police Pension Scheme		Fire Pension Scheme		Police Injury Award Scheme		Fire Injury Award Scheme	
2012-13 £m	2011-12 £m	2012-13 £m	2011-12 £m	2012-13 £m	2011-12 £m	2012-13 £m	2011-12 £m	2012-13 £m	2011-12 £m	2012-13 £m	2011-12 £m

Comprehensive Income and Expenditure Statement

Cost of Services:-

Current Service Cost	48.645	46.594	0.000	0.000	18.300	17.300	5.100	4.700	1.200	1.100	0.700	0.500
Past Service Costs	0.495	0.877	5.796	13.845	0.000	8.600	0.000	2.100	0.000	0.400	0.000	0.200
Curtailments/ Settlements	6.154	11.574	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Financing and Investment Income and Expenditure:-

Interest Cost	82.329	90.351	3.770	3.458	25.800	28.100	9.200	9.700	1.000	1.100	0.600	0.600
Expected return on scheme assets	(67.413)	(85.601)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	70.210	63.795	9.566	17.303	44.100	54.000	14.300	16.500	2.200	2.600	1.300	1.300
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Local Government Pension Scheme		Discretionary Benefits Arrangements		Police Pension Scheme		Fire Pension Scheme		Police Injury Award Scheme		Fire Injury Award Scheme	
2012-13 £m	2011-12 £m	2012-13 £m	2011-12 £m	2012-13 £m	2011-12 £m	2012-13 £m	2011-12 £m	2012-13 £m	2011-12 £m	2012-13 £m	2011-12 £m

Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:-

Actuarial (gains) and losses	101.185	96.333	6.252	7.277	72.300	(8.700)	23.800	6.900	3.300	(0.700)	1.800	(0.300)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	171.395	160.128	15.818	24.580	116.400	45.300	38.100	23.400	5.500	1.900	3.100	1.000

Movement in Reserves Statement

reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the code	(70.210)	(63.795)	(9.566)	(17.303)	(44.100)	(54.000)	(14.300)	(16.500)	(2.200)	(2.600)	(1.300)	(1.300)
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Actual amount charged against the General Fund Balance for pensions in the year

Employers' contributions payable to scheme	51.368	53.900			12.900	13.100	4.900	5.400				
Retirement benefits payable to pensioners			4.363	5.507					0.400	0.400	0.200	0.200

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is as follows:-

	Actuarial (Gain) / Loss £m
Local Government Pension Scheme	530.860
Discretionary Benefits	23.924
Police Pension Schemes	199.000
Fire Pension Schemes	79.700
Total	833.484

Assets and liabilities in relation to post employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):-

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits Teachers		Unfunded liabilities: Police Pensions		Unfunded liabilities: Fire Pensions		Unfunded liabilities: Police Injury Benefits		Unfunded liabilities: Fire Injury Benefits	
	2012-13 £m	2011-12 £m	2012-13 £m	2011-12 £m	2012-13 £m	2011-12 £m	2012-13 £m	2011-12 £m	2012-13 £m	2011-12 £m	2012-13 £m	2011-12 £m
Opening balance at 1 April	(1,701.915)	(1,630.913)	(77.829)	(58.756)	(533.700)	(501.500)	(192.200)	(174.200)	(21.800)	(20.300)	(12.300)	(11.500)
Current service cost	(48.645)	(46.594)	0.000	0.000	(18.300)	(17.300)	(5.100)	(4.700)	(1.200)	(1.100)	(0.700)	(0.500)
Interest cost	(82.329)	(90.351)	(3.770)	(3.458)	(25.800)	(28.100)	(9.200)	(9.700)	(1.000)	(1.100)	(0.600)	(0.600)
Contributions by scheme participants	(14.070)	(14.903)	0.000	0.000	(4.700)	(4.200)	(1.300)	(1.200)	0.000	0.000	0.000	0.000
Settlements and curtailments	(6.154)	(11.574)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transfers in/out	0.000	0.000	0.000	0.000	(0.200)	(0.200)	(0.100)	0.100	0.000	0.000	0.000	0.000
Actuarial gains and (losses)	(172.517)	43.340	(6.252)	(7.277)	(72.300)	8.700	(23.800)	(6.900)	(3.300)	0.700	(1.800)	0.300
Benefits paid	42.489	49.957	4.363	5.507	17.800	17.500	6.300	6.500	0.400	0.400	0.200	0.200
Past service costs	(0.495)	(0.877)	(5.796)	(13.845)	0.000	(8.600)	0.000	(2.100)	0.000	(0.400)	0.000	(0.200)
Closing balance at 31 March	(1,983.636)	(1,701.915)	(89.284)	(77.829)	(637.200)	(533.700)	(225.400)	(192.200)	(26.900)	(21.800)	(15.200)	(12.300)

Reconciliation of fair value of the scheme (plan) assets:-

	Local Government Pension Scheme	
	2012-13	2011-12
	£m	£m
Opening balance at 1 April	1,214.507	1,249.733
Expected rate of return	67.413	85.601
Actuarial gains and losses	71.332	(139.673)
Employer contributions	51.368	53.900
Contributions by scheme participants	14.070	14.903
Benefits paid	(42.489)	(49.957)
Closing balance at 31 March	1,376.201	1,214.507

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

The actual return on scheme assets in the year was £139.029m (2011-12, £20.993m).

Scheme History

	2008-09 £m	2009-10 £m	2010-11 £m	2011-12 £m	2012-13 £m
Present value of liabilities:-					
Local Government Pension Scheme	(1,081.541)	(1,818.675)	(1,630.913)	(1,701.915)	(1,983.636)
Discretionary Benefits	(43.019)	(58.615)	(58.756)	(77.829)	(89.284)
Police Pension Schemes	(358.300)	(567.300)	(501.500)	(533.700)	(637.200)
Fire Pension Schemes	(136.500)	(202.400)	(174.200)	(192.200)	(225.400)
Police Injury Benefits Scheme	(15.300)	(23.400)	(20.300)	(21.800)	(26.900)
Fire Injury Benefits Scheme	(9.300)	(14.200)	(11.500)	(12.300)	(15.200)
Fair value of assets in the Local Government Pension Scheme	793.183	1,129.886	1,249.733	1,214.507	1,376.201
Surplus/(deficit) in the scheme:-					
Local Government Pension Scheme	(288.358)	(688.789)	(381.180)	(487.408)	(607.435)
Discretionary Benefits	(43.019)	(58.615)	(58.756)	(77.829)	(89.284)
Police Pension Schemes	(358.300)	(567.300)	(501.500)	(533.700)	(637.200)
Fire Pension Schemes	(136.500)	(202.400)	(174.200)	(192.200)	(225.400)
Police Injury Benefits Scheme	(15.300)	(23.400)	(20.300)	(21.800)	(26.900)
Fire Injury Benefits Scheme	(9.300)	(14.200)	(11.500)	(12.300)	(15.200)
Total Surplus/(Deficit)	(850.777)	(1,554.704)	(1,147.436)	(1,325.237)	(1,601.419)

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £1,601.419m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £252.734m. However, it should be noted that this is a snapshot position at 31 March 2013. The actuarial valuation of the Pension Fund takes a longer term view:-

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The contributions expected to be made to these schemes in the year to 31 March 2014 are as follows:-

	2013-14
	£m
Local Government Pension Scheme	48.419
Police Pension Schemes	14.490
Fire Pension Schemes	5.690
Police Injury Benefits Scheme	0.300
Fire Injury Benefits Scheme	0.200
Total	69.099

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Fife Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2011. The formal triennial valuation undertaken in 2012-13 will update the basis of the calculation for the pension liability with a consequent change to the funding requirement for future pensions on the balance sheet. The revised valuation will also set the employer contribution rates from 1 April 2013.

The principal assumptions used by the actuary have been:-

	Local Government Pension Scheme		Discretionary Benefits		Police Pensions and Injury Benefit Schemes		Fire Pensions and Injury Benefits Schemes	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Long-term expected rate of return on assets in the scheme:-								
Equity investments	4.50%	6.10%	—	—	—	—	—	—
Bonds	4.50%	4.20%	—	—	—	—	—	—
Property	4.50%	4.20%	—	—	—	—	—	—
Cash	4.50%	3.20%	—	—	—	—	—	—
Mortality assumptions:-								
Longevity at 65 for current pensioners:-								
Men	23.0	23.0	23.0	23.0	28.1	27.9	28.1	27.9
Women	25.8	25.8	25.8	25.8	31.0	30.8	31.0	30.8
Longevity at 65 for future pensioners:-								
Men	24.9	24.9	—	—	29.7	29.5	29.7	29.5
Women	27.7	27.7	—	—	32.5	32.3	32.5	32.3
Rate of inflation	3.60%	3.30%	3.60%	3.30%	3.60%	3.30%	3.60%	3.30%
Rate of increase in salaries	5.10%*	4.80%**	—	—	3.80%	3.50%	3.80%	3.50%

	Local Government Pension Scheme		Discretionary Benefits		Police Pensions and Injury Benefit Schemes		Fire Pensions and Injury Benefits Schemes	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Rate of increase in pensions	2.80%	2.50%	2.80%	2.50%	2.80%	2.50%	2.80%	2.50%
Expected Return on Assets	4.50%	5.50%	—	—	—	—	—	—
Rate for discounting scheme liabilities	4.50%	4.80%	4.50%	4.80%	4.50%	4.80%	4.50%	4.80%
Take-up of option to convert annual pension into retirement lump sum	50%***	50%***	—	—	90%	90%	90%	90%

* Salary increases are assumed to be 1% p.a. until 31 March 2016 reverting to the long term assumption shown thereafter.

** Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term assumption shown thereafter.

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

The Discretionary Benefits arrangements and Police and Fire Schemes have no assets to cover their liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:-

	31 March 2013 %	31 March 2012 %
Equity investments	71	69
Bonds	16	17
Property	8	11
Cash	5	3
Total	100	100

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2012-13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:-

	2008-09	2009-10	2010-11	2011-12	2012-13
	%	%	%	%	%
Differences between the expected and actual return on assets:-					
Local Government Pension Scheme	(43.0)	21.9	(0.2)	(11.5)	5.1
Experience gains and losses on liabilities:-					
Local Government Pension Scheme	(3.9)	0.1	(0.1)	(11.7)	0.0
Discretionary Benefits	0.3	7.0	(3.1)	6.0	2.1
Police Pension Schemes	(0.7)	1.5	(0.5)	(5.7)	0.0
Fire Pension Schemes	(1.6)	1.0	(2.8)	(1.1)	0.0

Police and Fire Pension Accounts

As part of the changes in Scottish Government Regulations for the new funding treatment of Police and Fire pensions from 1 April 2010 there is now a requirement for Police and Fire authorities to maintain separate pension accounts and record the payments due and income receivable in respect of pensions. As required by regulation the transactions requiring to be disclosed are as follows:-

	Police Schemes	Police Schemes	Firefighters' Schemes	Firefighters' Schemes
	2012-13	2011-12	2012-13	2011-12
	£m	£m	£m	£m
Contributions Receivable:				
Contributions from Police or Fire Authority				
Contributions based on % pensionable pay	(9.754)	(9.773)	(2.284)	(2.326)
Early Retirements	(0.342)	(0.223)	(0.125)	(0.070)
Other (see note below)	(0.083)	(0.300)	0.000	0.000
Officer's Contributions	(4.644)	(4.232)	(1.269)	(1.214)
	(14.823)	(14.528)	(3.678)	(3.610)

	Police Schemes	Police Schemes	Firefighters' Schemes	Firefighters' Schemes
	2012-13 £m	2011-12 £m	2012-13 £m	2011-12 £m
Transfer In from other Pension Schemes	(0.218)	(0.353)	(0.055)	(0.042)
Benefits Payable				
Pensions	13.970	12.932	5.391	5.078
Commutations and lump sum retirement benefits	5.070	3.928	0.929	1.189
Lump sum death benefits	0.013	0.000	0.000	0.000
	19.053	16.860	6.320	6.267
Payments to and on account of leavers				
Transfer values paid	0.248	0.017	0.000	0.097
Refund of contributions to employees	0.000	0.005	0.000	0.000
	0.248	0.022	0.000	0.097
Sub-total for year before transfer from the Police or Firefighters' Operating Account of an amount equal to the deficit	4.260	2.001	2.587	2.712
Additional funding payable by the Police or Firefighters' Operating Account to meet the deficit	(4.260)	(2.001)	(2.587)	(2.712)
Net amount payable/receivable for the year	0.000	0.000	0.000	0.000

Contributions are based on % of pensionable pay, 24.7% for Police, 11.5% for Firefighters new scheme and 21.8% for Firefighters old scheme.

The amounts shown under Other Contributions from Police or Fire authority relate to the requirement to transfer any balances within the council's general fund reserves held as earmarked balances for commuted sums. The full amount of £(0.559)m was transferred into the pension account in relation to Firefighter's commuted sums which were held by the council at 31 March 2012. However there was a separately negotiated arrangement to spread the repayment of the commuted sums for Police Officers across three financial years, being £(0.300)m transferred over in 2010-11, £(0.300)m in 2011-12 and £(0.083)m in 2012-13.

44. Contingent Assets and Liabilities

At 31 March 2013 the authority had one contingent asset:-

- **BRIS**
The Scottish Government introduced a Business Rates Incentivisation Scheme (BRIS) from 2012/13. The scheme allows councils to retain a proportion of any additional rates income generated above an agreed target. Built in to the scheme is a process whereby unforeseen circumstances may result in the need for the BRIS target to be reviewed. The Scottish Government has proposed a revision to the BRIS target for 2012/13 on the basis that a significant event has taken place during the year. If the target is revised Fife Council would receive an additional £2.5m as the revised target would be £151.5m and the non domestic rates collected within 2012-13 were £156.5m. The final position for 2012-13 will not be known until January 2014 once the audited non domestic rates returns are finalised and the target may be increased further if another significant event is deemed to have occurred. The council has therefore taken the decision not to recognise any additional income through the BRIS Scheme and to highlight this as a contingent asset of £2.5m.

At 31 March 2013, the authority had two material contingent liabilities:-

- The authority has developed a strategy for Workforce Change which would result in an FTE staff reduction of approximately 1,800 at an estimated cost of £59.088m over the 5 year period (2010-11 to 2014-15). Included in the 2012-13 accounts are costs totalling £9.609m for approximately 100 staff, which includes a provision of £5.044m for redundancies and early retirements. There is still some uncertainty over the potential extent of employee reductions required over the next 2 years although this is estimated at £23.332m for over 600 staff and no provision has been made for this contingency.
- A contingent liability exists at 31 March 2013 in respect of equal pay costs. Whilst the provision for the estimated potential costs of equal pay compensation claims exist in the accounts (£4.486m), there remains uncertainty around the tribunal outcomes. 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.

45. Fife Council Pension Fund

Fife Council acts as the administering authority for one pension fund, the Fife Council Pension Fund which is a Local Government Pension Scheme and is 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. Teachers, Police Officers and Firefighters are not eligible to join the local government pension scheme as they have separately constituted pension schemes.

The Local Government Pension Scheme Amendment (Scotland) Regulations 2010 provide an amendment to the administration regulations of pension schemes to place a duty on local authorities to publish a pension fund annual report incorporating a statement of accounts, prepared in accordance with proper accounting practices. As a result of this change pension fund accounts are no longer part of the council's Annual Accounts and are now subject to a separate audit which will receive a separate audit opinion.

The Fife Council Pension Fund Annual Report is available from the Pensions Team, Fife Council, North Street, Glenrothes, KY7 5LT, email pensions.section@fife.gov.uk

46. Insurance Arrangements

The council purchases insurance cover for the following risks:-

- Property damage including business interruption and engineering inspection
- Motor Vehicle
- Legal Liabilities from 16 May 1975
- Fidelity Guarantee
- All Risks
- Minor risks including money loss, computer, personal accident and travel

The following risks are not covered by insurance policies: -

- Theft
- Malicious damage
- Accidental damage
- Legal Liabilities prior to 16 May 1975

These are charged to the Comprehensive Income and Expenditure Statement in the year that they arise with the exception of legal liabilities prior to 16 May 1975, which are managed through the insurance fund.

Provisions

Full provision has been made in respect of all known outstanding claims which in total are estimated at £6.103m. This includes liability claims prior to 16 May 1975.

This figure includes provisions for the following significant losses:-

Municipal Mutual Insurance Clawback

Municipal Mutual Insurance set up a Scheme of Administration in 1992 in anticipation of a solvent run off, however, they have recently advised that the Scheme has been triggered and all Scheme creditors will require to pay a levy of 15% of all paid and outstanding claims since the Scheme began. Provision has been made in the sum of £0.682m to cover all paid and known outstanding claims.

Flooding and Storm Events

In a policy year, the Council's contribution to storm/flood claims is limited to the policy aggregate of £0.250m and a non-ranking excess of £250 per property damaged.

Two separate storm events during 2010-11 have resulted in damage to several council properties. The loss adjuster has estimated the cost of damage for these events is £0.840m; however, the Council's contribution is limited to £0.262m as the aggregate has been breached. A provision of £0.043m has been made in the Insurance Fund to reflect the insurer settlement, Service contributions and policy aggregate less spend to date.

Three separate storm events during 2011-12 have resulted in damage to several council properties. The loss adjuster has estimated that the cost of the damage for these events will amount to £0.826m; however, the Insurance Fund contribution is limited to £0.250m as the aggregate has been breached. The Services will contribute £0.160m. A provision of £0.133m has been made in the Insurance Fund to reflect the insurer settlement, Service contribution and policy aggregate less spend to date.

Debtors

Debtors have been included in these Accounts in relation to insurer settlements outstanding. The most significant of these include the following:-

Balwearie High School, Kirkcaldy

A fire in June 2009 resulted in the total loss of the gymnasium building. The loss adjuster has estimated that the total cost will be approximately £1.970m. A debtor has been created for £1.753m which reflects the total claim less the policy excess of £0.250m.

Flooding and Storm Events

In 2010-11 the loss adjuster has estimated that the total cost of the damage is £0.840m. A debtor of £0.327m has been created which reflects the estimated insurer settlement.

In 2011-12 the loss adjuster has estimated that the total cost of damage is £0.826m. A debtor of £0.159m has been created which reflects the estimated insurer settlement.

47. Non-Adjusting Events after Reporting Period

The Police and Fire Services were transferred to the Scottish Police Authority and Scottish Fire & Rescue Authority on 1 April 2013, as a result of the Police & Fire Reform (Scotland) Act agreed by the Scottish Government. Work on disaggregating the assets and liabilities that will be transferred to the new Scottish Police & Fire Authorities is currently being progressed. The balances, assets and liabilities will be extracted from the Council's accounts for 2013-14.

On 19th April 2013 The Scottish Coal Company Limited was the subject of insolvency proceedings in the Court of Session seeking the winding up of the company group. There are a number of sites within Fife which are affected including Westfield, St Ninians and Blair House. The liquidation means that the Council will become responsible for the restoration of sites concerned and as such has a number of bonds and legal agreements in place to cover the cost of restoration. In the opinion of the Council there is no financial risk and this will continue to be monitored.

Housing Revenue Account (HRA) Income and Expenditure Statement

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.

2011-12 £m		Notes	2012-13 £m
	Income		
(82.876)	Dwelling Rents		(86.758)
(2.891)	Non-dwelling Rents		(2.900)
(0.366)	Housing Support Grants		(0.330)
	Other Income:		
(1.581)	Hostels – Accommodation Charges		(1.638)
(2.510)	Miscellaneous		(2.494)
(90.224)	Total Income		(94.120)
	Expenditure		
36.289	Repairs and Maintenance		31.043
16.889	Supervision and Management		16.589
57.474	Depreciation and Impairment on Non Current Assets		5.009
1.901	Movement in the Impairment of Debtors	4	2.080
2.510	Other Expenditure		2.176
0.000	Exceptional Item		(224.006)
115.063	Total Expenditure		(167.109)

2011-12 £m		Notes	2012-13 £m
24.839	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(261.229)
0.064	Share of Corporate and Democratic Core		0.119
0.150	Share of Non Distributed Costs		0.087
25.053	Net Cost for HRA Services		(261.023)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(1.649)	(Gain) or Loss on Sale ⁱ of HRA Non Current Assets		(2.511)
6.281	Interest Payable and Similar Charges		6.921
(0.009)	Interest and Investment Income		(0.070)
0.159	Pension Interest Cost and Expected Return on Pension Assets		0.269
0.165	Change in Fair Value of Investment Properties		0.000
(3.990)	Capital Grants and Contributions Receivable		(2.724)
26.010	(Surplus) or Deficit for the Year on HRA Services		(259.138)

Movement on the Housing Revenue Account Statement

2011-12 £m		Notes	2012-13 £m
26.010	(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement		(259.138)
(25.011)	Adjustments between Accounting Basis and Funding Basis Under Statute	1	258.928
0.999	Net (Increase) or Decrease in Year on HRA		(0.210)
(2.633)	Balance on the HRA at the end of the Previous Year		(1.634)
(1.634)	Balance on the HRA at the end of the Current Year		(1.844)

Housing Revenue Account Disclosures

1. Adjustments between Accounting Basis and Funding Basis under Statute

	2012-13	2011-12
	£m	£m
Gain or (loss) on sale of HRA non current assets	2.511	1.649
Capital expenditure funded by the HRA	30.355	23.069
Transfer to/(from) the Capital Adjustment Account:-		
Depreciation and Impairment	218.997	(57.474)
Capital Grants and Contributions	2.724	3.990
Repayment of Debt	4.121	3.407
HRA share of contributions to/(from) the Pensions Reserve	(0.271)	(0.009)
HRA Share of Transfer (to)/from the Financial Instruments Adjustment Account	0.534	0.508
HRA adjustment for compensated absences	(0.043)	0.014
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	0.000	(0.165)
Total	258.928	(25.011)

2. Housing Stock

The council's housing stock at 31 March 2013 was 30,102 (31 March 2012, 30,115) in the following categories:

Number of Bedrooms	31 March 2013	31 March 2012 (restated)
	Number	Number
0	311	311
1	7,197	7,207
2	14,326	14,330
3	7,341	7,346
4 - 8	927	921
Total	30,102	30,115

The 2011-12 stock figure has been adjusted to ensure that the stock figure reported matches that on the District Valuer's report.

3. Rent Arrears

	2012-13	2011-12
	£m	£m
Current Tenants	3.881	3.454
Former Tenants	1.068	0.798
Supported Accommodation	0.199	0.111
Total	5.148	4.363

4. Impairment of Debtors

A provision of £3.626m (70%), including £0.116m for temporary accommodation, (2011-12, £2.971m 68%) has been made in respect of uncollectable debts.

5. Weekly Rents

The average weekly house rent (52 week basis) for 2012-13 was £56.29 (2011-12, £53.73). 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 31 March 2013 was £188.526m (31 March 2012, £173.376m). The increase in the level of debt is mainly due to the scale of the investment programme that is in place to deliver the Scottish Housing Quality Standard by 2015.

7. Void Rent Loss

The total value of uncollectable void rents for main provision properties was £1.374m (2011-12, £1.494m). This has been netted against Dwelling Rents Income.

Non-Domestic Rate Income Account

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.

2011-12		2012-13	
£m	£m	£m	£m
(186.506)	Gross Rates Levied & Contributions in Lieu	(199.296)	
33.327	Reliefs & Other Deductions	36.489	
0.047	Payment of Interest	0.002	
1.715	Debts Written Off and Allowance for Impairment	1.314	
35.089		37.805	
(151.417)	Net Non-Domestic Rate Income	(161.491)	
3.182	Adjustment to previous Years' National Non-Domestic Rates	4.935	
(148.235)	Contribution to Non-Domestic Rate Pool	(156.556)	
135.006	Distribution from Non-Domestic Rate Pool	135.516	
135.006	Non-Domestic Rate Income to Comprehensive Income and Expenditure Statement	135.516	

Analysis of Rateable Values at 1 April 2012:-

Type of Subject	Number of Subjects	Total £m	%
Shops	3,244	86.795	19.79
Public Houses	274	5.382	1.23
Offices (including banks)	2,049	33.524	7.64
Hotels, Boarding Houses etc	208	7.802	1.78
Industrial and Freight Transport Subjects	2,934	78.998	18.01
Leisure, Entertainment Caravans and Holiday sites	873	12.418	2.83
Garages and Petrol Stations	179	1.955	0.45
Education and Training	236	33.577	7.66
Public Service Subjects	573	17.467	3.98
Communications (Non Formula)	40	3.144	0.72
Quarries, Mines etc	35	2.880	0.66
Petrochemical	15	16.908	3.86
Religious	340	3.016	0.69
Health/Medical	68	10.265	2.34
Care Facilities	329	8.773	2.00
Undertaking (including Scottish Water)	9	106.544	24.29
Cultural	77	1.377	0.31
Sporting Subjects	97	0.563	0.13
Advertising	72	0.280	0.06
Other	1,265	6.892	1.57
Total all Non-Domestic Subjects	12,917	438.560	100.00

Explanatory Note

Non-Domestic Rates is a tax on the occupation of non-domestic land and property which is entered in the Valuation Roll. The amount levied is calculated by multiplying the Rateable Value by the Rate Poundage, which is prescribed by Scottish Government. For 2012-13 this rate was 45.00p (2011-12, 42.60p) which is uniform throughout Scotland. A rate poundage of 45.80p (2011-12, 43.30p) applies to properties with a rateable value of £35,000 or more. There are several types of rate reliefs which are available in certain circumstances.

The valuation of all Scottish Water utilities now falls to be 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.

Council Tax Income Account

The Council Tax Income Account (Scotland) 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 of the authority.

2011-12		2012-13	
£m	£m	£m	£m
	Gross Tax Levied:-		
(176.992)	Council Tax	(178.011)	
(0.179)	Council Tax – Prior Year Income	(0.157)	
(0.548)	Contributions in Lieu	(0.546)	
(177.719)		(178.714)	
	Deductions:-		
22.761	Council Tax Benefits and Transitional Relief	22.486	
(23.074)	Less Government Grants	(22.340)	
(0.313)		0.146	
23.161	Discounts and Exemptions	23.379	
2.812	Debts Written Off and Allowance for Impairment	2.828	
0.434	Prior Years Adjustments	0.402	
26.094		26.755	
(151.625)	Council Tax Income to Comprehensive Income and Expenditure Statement	(151.959)	

Charges Levied:-

Valuation Band	Band Value £	Weighting	2012-13 £	2011-12 £
A	Up to – 27,000	6/9	745.33	745.33
B	27,001 – 35,000	7/9	869.56	869.56
C	35,001 – 45,000	8/9	993.78	993.78
D	45,001 – 58,000	9/9	1,118.00	1,118.00
E	58,001 – 80,000	11/9	1,366.44	1,366.44
F	80,001 – 106,000	13/9	1,614.89	1,614.89
G	106,001 – 212,000	15/9	1,863.33	1,863.33
H	Over 212,000	18/9	2,236.00	2,236.00

Explanatory Note

The Local Government Finance Act 1992 introduced the council tax with effect from 1 April 1993. From that date council expenditure after deducting income from fees and charges, grants including non-domestic rates and excluding expenditure chargeable against other sources of funding is met from council tax.

Council Tax is payable on any dwelling which is not an exempt dwelling (prescribed by order). The amount of council tax payable depends on the valuation band of the dwelling. Discounts and exemptions as specified in legislation can be applied to the gross charge. Contributions in lieu are for Ministry of Defence (MOD) properties.

By law, the council is required to bill and collect water and sewerage charges for Scottish Water. These charges are payable by those persons living in or liable for domestic premises having a public water or sewerage connection. The charge is set by Scottish Water at a level which will cover the cost of the water and sewerage service excluding metered and non-domestic supplies.

Water and Sewerage transactions are excluded from the council's accounts except for any cash collected not yet paid over at the end of the financial year.

Council Tax Income Account

The undernoted table provides an analysis of properties at 31 March 2013 across the valuation bandings and details the number of properties which are subject to discounts, such as a 25% single persons discount, e.g. where 44 properties have a 25% single discount this converts to 11 dwellings entitled to a discount, and those which are exempt along with provision for non payment. The total number of properties in each banding is then converted into band D equivalent figures. There are 135,821 Band D equivalent properties (2011-12, 135,275).

	Disabled Relief		Band		
	Band A	A	B	C	D
Dwellings on the valuation list	0	40,477	48,184	21,797	19,561
Exempt dwellings	0	(1,879)	(1,864)	(951)	(864)
Dwellings subject to disabled reduction	0	(70)	(212)	(150)	(125)
Dwellings subject to council tax at this band due to disabled relief	70	212	150	125	205
Dwellings entitled to a 10% discount	0	(106)	(85)	(69)	(67)
Dwellings entitled to a single discount	(9)	(5,945)	(4,736)	(1,964)	(1,419)
Dwellings entitled to two discounts	0	(121)	(97)	(48)	(35)
Dwellings after discounts, exemptions and disabled relief	61	32,568	41,340	18,740	17,256
Ratio to Band D	5/9	6/9	7/9	8/9	9/9
Band D equivalent properties	34	21,712	32,153	16,658	17,256
Provision for non-payment 2.20% (2011-12, 2.20%)	1	478	707	366	380
Band D equivalent properties	33	21,234	31,446	16,292	16,876

	Band				Total Bands
	E	F	G	H	A - H
Dwellings on the valuation list	22,188	12,503	6,056	448	171,214
Exempt dwellings	(777)	(412)	(180)	(76)	(7,003)
Dwellings subject to disabled reduction	(205)	(107)	(38)	(4)	(911)
Dwellings subject to council tax at this band due to disabled relief	107	38	4	0	911
Dwellings entitled to a 10% discount	(66)	(42)	(29)	(5)	(469)
Dwellings entitled to a single discount	(1,196)	(487)	(210)	(11)	(15,977)
Dwellings entitled to two discounts	(32)	(19)	(13)	0	(365)
Dwellings after discounts, exemptions and disabled relief	20,019	11,474	5,590	352	147,400
Ratio to Band D	11/9	13/9	15/9	18/9	
Band D equivalent properties	24,468	16,574	9,317	704	138,876
Provision for non-payment 2.20% (2011-12, 2.20%)	538	365	205	15	3,055
Band D equivalent properties	23,930	16,209	9,112	689	135,821

Introduction to the Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 and relevant accounting standards require local authorities to consider all their interests in other organisations (including statutory bodies) and to prepare a full set of group financial statements where they have material interests in subsidiary and associated companies and joint ventures. The Local Authority group is defined as the local authority and its interests in entities which would be regarded as its subsidiaries or associates or joint ventures if the local authority was subject to the Companies Act. The group financial statements include a Group Comprehensive Income and Expenditure statement, a Group Balance Sheet and a Group Cash Flow Statement.

For the purposes of consolidation and incorporation within the local authority group, the council has consolidated Common Good and Trust Funds as subsidiary companies and has significant influence over Fife Sports and Leisure Trust, Arts and Theatres Trust Fife and Fife Coast and Countryside Trust. These interests are deemed to be Associates.

Fife Sports and Leisure Trust Limited

This company was established to manage and operate the council's leisure facilities across Fife from 1 April 2008. The council pays a management fee to the company. The leisure facilities are owned by the council and leased to the company. The company is limited by guarantee with charitable status. The council is represented on the Board of Directors by four members and two officers (total number of Directors is 12). Fife Council has included the company in the Group Accounts as an associate in terms of the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13. The percentage for consolidation is 34.3%, based on the council's contribution to revenue cost. Fife Sports and Leisure Trust's accounting period is 31 March. For the purposes of consolidation and disclosure, draft statutory accounts to 31 March 2013 have been used. The company's draft Income and Expenditure Account shows an operating deficit of £0.394m for the year to 31 March 2013, of which £0.135m (34.3%) has been included in the Group Accounts. The company's draft Balance Sheet shows a net liability of £0.662m, of which £0.227m (34.3%) has been included in the Group Accounts.

Arts and Theatres Trust Fife Limited

This company was established from 1 October 2007, to provide arts, culture and entertainment across Fife through the provision of an Arts Development service and the management and operation of the council's theatre facilities. The council pays a management fee to the company. The theatre facilities are owned by the council and leased to the company. The company is limited by guarantee with charitable status. The council is represented on the Board of Directors by four members and two officers (total number of Directors is 13). Fife Council has included the company in the Group Accounts as an associate in terms of the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13. The percentage for consolidation is 35.8%, based on the council's contribution to revenue cost. Arts and Theatres Trust Fife ceased on 30 September 2012. For the purposes of consolidation and disclosure, statutory accounts to 30 September 2012 have been used. The company's Income and Expenditure Account shows an operating profit of £0.511m for the year to 30 September 2012, of which £0.183m (35.8%) has been included in the Group Accounts. The company's Balance Sheet shows net assets of £0.228m, of which £0.081 m (35.5%) has been included in the Group Accounts.

Fife Coast and Countryside Trust Limited

This company was established from 31 July 2006 to undertake a range of countryside activities in the Fife Council area on behalf of the council and its partners which includes Scottish Natural Heritage. The council is represented on the Board of Directors by two members and one officer (total number of Directors is 11). The council pays a management fee to the company. The company is limited by guarantee with charitable status. Fife Council has included the company in the Group Accounts as an associate in terms of the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13. The percentage for consolidation is 70.4%, based on the council's contribution to revenue cost. Fife Coast and Countryside Trust accounting period is 31 March. For the purposes of consolidation and disclosure, draft statutory accounts to 31 March 2013 have been used. The company's draft Income and Expenditure Account shows an operating deficit of £0.079m for the year to 31 March 2013, of which £0.056m (70.9%) has been included in the Group Accounts. The company's draft Balance Sheet shows net assets of £1.097m, of which £0.772m (70.4%) has been included in the Group Accounts.

Fife Golf Trust Limited

This company was established from 1st April 2011 to provide golf across Fife through 7 golf courses. The council pays a management fee to the company. Golf Courses are owned by the council and leased to the company. The company is limited by guarantee with charitable status. The council is represented on the Board of Directors by three members and one officer (total number of Directors is 8). Fife Council has included the company in the Group Accounts as an associate in terms of the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13. The percentage for consolidation is 49.0%, based on the council's contribution to revenue cost. Fife Golf Trust accounting period is 31 March. For the purposes of consolidation and disclosure, draft statutory accounts to 31 March 2013 have been used. The company's draft Income and Expenditure Accounts shows an operating deficit of £0.089m for the year to 31 March 2013, of which £0.044m (49.4%) has been included in the Group Accounts. The company's draft Balance Sheet shows net liabilities of £0.384m of which £0.188m (49.0%) has been included in the Group Accounts.

Fife Cultural Trust Limited

This company was established from 1 October 2012, to provide arts, culture and entertainment across Fife through the provision of library and museum services, an Arts Development service and the management and operation of the council's theatre facilities. The council pays a management fee to the company. The theatre facilities are owned by the council and leased to the company. The company is limited by guarantee with charitable status. The council is represented on the Board of Directors by four members and one officer (total number of Directors is 13). Fife Council has included the company in the Group Accounts as an associate in terms of the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13. The percentage for consolidation is 71.0%, based on the council's contribution to revenue cost. Fife Cultural Trust accounting period is 31 March. For the purposes of consolidation and disclosure, draft accounts to 31 March 2013 have been used. The company's Income and Expenditure Account shows an operating profit of £0.406m for the year to 31 March 2013, of which £0.288m (70.9%) has been included in the Group Accounts. The company's Balance Sheet shows a net liability of £1.237m, of which £0.878 m (71.0%) has been included in the Group Accounts.

Group Movement in Reserves Statement

	General Fund Balance £m	Housing Revenue Account £m	Insurance Fund £m	Capital Receipts Reserve £m	Capital Grants Unapplied Account £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m	Authority's Share of Subsidiaries & Associates Reserves £m	Total Group Reserves £m
Balance at 1 April 2011 (Restated)	(45.537)	(2.633)	(1.542)	(0.386)	(0.093)	(50.191)	442.489	392.298	(12.731)	379.567
<u>Movement in reserves during 2011-12</u>										
(Surplus) or deficit on provision of services	37.760	26.010	0.000	0.000	0.000	63.770	0.000	63.770	0.207	63.977
Other Comprehensive Expenditure and Income	0.000	0.000	0.000	0.000	0.000	0.000	91.438	91.438	0.315	91.753
Total Comprehensive Expenditure and Income	37.760	26.010	0.000	0.000	0.000	63.770	91.438	155.208	0.522	155.730
Adjustments between accounting basis & funding basis under regulations	(54.881)	(25.011)	0.000	(0.680)	0.093	(80.479)	80.479	0.000	0.000	0.000
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(17.121)	0.999	0.000	(0.680)	0.093	(16.709)	171.917	155.208	0.522	155.730
Transfers to/from Statutory Reserves	0.170	0.000	(0.170)	0.000	0.000	0.000	0.000	0.000	0.031	0.031
(Increase)/Decrease in 2011-12	(16.951)	0.999	(0.170)	(0.680)	0.093	(16.709)	171.917	155.208	0.553	155.761
Balance at 31 March 2012 carried forward	(62.488)	(1.634)	(1.712)	(1.066)	0.000	(66.900)	614.406	547.506	(12.178)	535.328
<u>Movement in Reserves during 2012-13</u>										
(Surplus) or deficit on provision of services	65.009	(259.138)	0.000	0.000	0.000	(194.129)	0.000	(194.129)	(2.245)	(196.374)
Other Comprehensive Expenditure and Income	0.000	0.000	0.000	0.000	0.000	0.000	(100.643)	(100.643)	2.389	(98.254)
Total Comprehensive Expenditure and Income	65.009	(259.138)	0.000	0.000	0.000	(194.129)	(100.643)	(294.772)	0.144	(294.628)
Adjustments between accounting basis & funding basis under regulations	(83.542)	258.928	0.000	0.637	0.000	176.023	(176.023)	(0.000)	(0.000)	(0.000)
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(18.533)	(0.210)	0.000	0.637	0.000	(18.106)	(276.666)	(294.772)	0.144	(294.628)
Transfers (to)/from Statutory Reserves	1.507	0.000	(1.507)	0.000	0.000	0.000	(0.000)	(0.000)	0.000	0.000
(Increase)/Decrease in Year	(17.026)	(0.210)	(1.507)	0.637	0.000	(18.106)	(276.666)	(294.772)	0.144	(294.628)
Balance at 31 March 2013 carried forward	(79.514)	(1.844)	(3.219)	(0.429)	0.000	(85.006)	337.740	252.734	(12.034)	240.700

Group Comprehensive Income and Expenditure Statement

2011-12				2012-13		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Gross Expenditure £m	Gross Income £m	Net Expenditure £m
336.486	(11.425)	325.061	Education Service	349.662	(11.793)	337.869
138.926	(121.161)	17.765	General Fund Housing Services	144.221	(124.904)	19.317
115.063	(90.224)	24.839	Housing Revenue Account Services	56.897	(94.120)	(37.223)
0.000	0.000	0.000	Housing Revenue Account – Exceptional Item	(224.006)	0.000	(224.006)
50.815	(4.755)	46.060	Cultural and Related Services	63.590	(6.875)	56.715
55.194	(13.557)	41.637	Environmental Services	59.441	(12.543)	46.898
23.571	(4.989)	18.582	Fire Services	28.996	(6.276)	22.720
55.962	(12.226)	43.736	Roads and Transport Services	68.035	(24.953)	43.082
0.676	(0.247)	0.429	Trading Services	0.583	(0.243)	0.340
90.218	(48.992)	41.226	Police Services	92.781	(53.202)	39.579
28.349	(9.803)	18.546	Planning and Development Services	31.396	(8.461)	22.935
247.397	(55.058)	192.339	Social Work Services	254.754	(53.606)	201.148
9.783	(0.062)	9.721	Corporate and Democratic Core	10.868	(0.101)	10.767
45.776	(0.316)	45.460	Non Distributed Costs	19.200	(0.456)	18.744
7.321	(2.010)	5.311	Central Services to the Public	10.140	(1.363)	8.777
1,205.537	(374.825)	830.712	Cost Of Services	966.558	(398.896)	567.662
	(9.915)		Other Operating Expenditure			(3.912)
	82.230		Financing and Investment Income and Expenditure			90.786
	(839.332)		Taxation and Non Specific Grant Income			(849.567)
	63.695		(Surplus) or Deficit on the Provision of Services			(195.031)
	0.368		Share of the surplus or deficit on the provision of services by associates			(0.237)
	64.063		Group (Surplus) or Deficit			(195.268)
	(9.427)		(Surplus) or deficit on revaluation of non current assets			(309.280)
	100.810		Actuarial (gains) / losses on pension assets / liabilities			208.637
	0.315		Share of other comprehensive income and expenditure of associates			(1.751)
	91.698		Other Comprehensive Income and Expenditure			(102.394)
	155.761		Total Comprehensive Income and Expenditure			(297.662)

Group Balance Sheet

31 March 2012
(Restated)

£m

1,563.515	Property, Plant and Equipment
21.593	Heritage Assets
2.045	Investment Property
2.317	Intangible Assets
0.636	Assets Held for Sale
1.194	Investments in Associates
6.546	Long Term Investments
0.408	Long Term Debtors

1,598.254 Long Term Assets

4.928	Inventories
68.829	Short Term Debtors
1.690	Cash and Cash Equivalents
2.912	Assets Held for Sale

78.359 Current Assets

0.000	Bank Overdrafts
(51.299)	Short Term Borrowing
(147.445)	Short Term Creditors
(12.300)	Provisions
(0.825)	Receipts in Advance

(211.869) Current Liabilities

31 March 2013

£m

2,174.540
23.363
2.045
1.170
1.161
0.854
7.112
0.358

2,210.603

4.571
62.274
12.128
1.764

80.737

(3.174)
(75.782)
(148.482)
(11.825)
(1.006)

(240.269)

31 March 2012 (Restated) £m		31 March 2013 £m
(6.035)	Provisions	(5.876)
(584.378)	Long Term Borrowing	(601.551)
(0.119)	Liabilities in Associates	(1.293)
(1,291.137)	Liability Related to Defined Benefit Pension Schemes	(1,559.319)
(34.100)	Other Retirement Benefit Liabilities	(42.100)
(79.514)	Other Long Term Liabilities	(76.904)
(4.789)	Receipts in Advance	(4.728)
(2,000.072)	Long Term Liabilities	(2,291.771)
(535.328)	Net Assets/(Liabilities)	(240.700)
(75.806)	Usable Reserves	(93.398)
611.134	Unusable Reserves	334.098
535.328	Total Reserves	240.700

The unaudited accounts were issued on 28 June 2013 and the audited accounts were authorised for issue on 30 September 2013.

Brian Livingston MBA CPFA
Executive Director Finance and Resources
30 September 2013



Group Cash Flow Statement

2011-12		2012-13
£m		£m
64.023	Group Net cash flows from Operating Activities	115.654
(7.781)	Cash flows with associates	(10.660)
56.242	Net cash flows from Operating Activities	104.994
(114.224)	Net cash flows from investing activities	(130.555)
65.121	Net cash flows from financing activities	32.825
7.139	Net increase or (decrease) in cash and cash equivalents	7.264
(5.449)	Cash and cash equivalents at the beginning of the reporting period	1.690
1.690	Cash and cash equivalents at the end of the reporting period	8.954

Notes to the Group Accounts

Note 1 Group Accounting Policies

The group accounting policies are materially the same as those specified for the single entity financial statements.

Note 2 Disclosure of Interest in Other Entities

The council has adopted the recommendations of Chapter 9 of the Code, which requires local authorities to consider their interests in all types of entity to incorporate into Group Accounts. A full set of group accounts, in addition to the council's accounts, has been prepared which incorporates material balances from identified associates, Common Good and Trust Funds. The Financial Statements in the Group Accounts are prepared in accordance with the Accounting Policies set out in the Accounting Policies in Note 1.

Note 3 Financial Impact of Consolidation

By including the associate bodies and Common Good and Trusts (details of which are provided above), the affect on the Group Balance Sheet is a net decrease in both Net Liabilities and Reserves of £12.033m (2011-12, a decrease in Net Liabilities and Reserves of £12.178m). This represents the council's share of the net liabilities in these entities. The affect on the Comprehensive Income and Expenditure statement is a increase of £2.890m (2011-12, decrease of £0.553m)

Note 4 Non-Material Interest in Other Entities

The following organisations which the council has a relationship with, and are detailed fully in Note 31 (Related Parties) to the single entity statements, are not consolidated into the Group Accounts as they are not considered to be a material part of the Group:-

- Business Gateway Fife (formerly Impact 21)
- SESPlan
- TAYPlan
- SESTran



Common Good Fund Statements

Foreword by Executive Director Finance and Resources

Introduction

The introduction of LASAAC guidance "Accounting for the Common Good", in December 2007, sets out the disclosure requirements in relation to the Common Good funds. The guidance requires the following statements to be presented.

Explanatory Foreword

Movement in Reserves Statement

Comprehensive Income and Expenditure Statement

Balance Sheet

This foreword is intended to provide a brief commentary on the Common Good funds as presented in the following statements.

History and Background

The Common Good fund is administered by Fife Council and relates to particular former Burghs. Fife Council has 17 common good funds in total, for the purposes of the financial statements these are consolidated.

In administering the fund, Fife Council must have regard to the interests of the inhabitants of the area to which the common good formerly related. This requirement is contained in the Local Government (Scotland) Act 1973.

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.

Accounting Policies

The Common Good accounts are prepared in accordance with Fife Council's accounting policies as detailed in Note 1.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement records the income generated from rents, interest, investment income and any profit from the sale of assets. Expenditure represents the costs incurred in relation to the Common Good fund, such as, repairs and maintenance, depreciation and disbursements.

In 2012-13, the Comprehensive Income and Expenditure statement shows a surplus of £1.522m. This surplus represents revenue contributions received to fund the capital expenditure as part of the Councils Office Rationalisation Programme (Carberry House Leven and City Chambers Dunfermline). The increase in capital investments results in an increase in Common Good balances which are £7.406m as at 31 March 2013.

Brian Livingston MBA CPFA
Executive Director Finance and Resources
30 September 2013

Common Good Movement in Reserves Statement

	Usable Reserve £m	Unusable Reserve £m	Total Reserves £m
Balance at 1 April 2011	(3.169)	(3.283)	(6.452)
<u>Movement in Reserves during 2011-12</u>			
(Surplus) or deficit on provision of services	(0.015)	0.000	(0.015)
Total Comprehensive Expenditure and Income	(0.015)	0.000	(0.015)
Adjustments between accounting basis & funding basis under regulations	(0.086)	0.000	(0.086)
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(0.101)	0.000	(0.101)
Transfers to/from Other Statutory Reserves	0.000	0.031	0.031
(Increase)/Decrease in 2011-12	(0.101)	0.031	(0.070)
Balance at 31 March 2012 carried forward	(3.270)	(3.252)	(6.522)
<u>Movement in Reserves during 2012-13</u>			
(Surplus) or deficit on provision of services	(1.522)	0.000	(1.522)
Other Comprehensive Expenditure and Income	0.000	0.638	0.638
Total Comprehensive Expenditure and Income	(1.522)	0.638	(0.884)
Adjustments between accounting basis & funding basis under regulations	1.026	(1.026)	(0.000)
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(0.496)	(0.388)	(0.884)
Transfers (to)/from Other Statutory Reserves	0.000	0.000	0.000
(Increase)/Decrease in Year	(0.496)	(0.388)	(0.884)
Balance at 31 March 2013 carried forward	(3.766)	(3.640)	(7.406)



**Common Good Comprehensive Income and Expenditure Statement
Year Ended 31 March 2013**

2011-12		2012-13
£m		£m
	Expenditure	
0.169	Property Costs	0.056
0.000	Net Loss on Realisation	0.162
0.086	Depreciation	0.080
0.188	Other Expenditure	0.007
0.443	Total Expenditure	0.305
	Income	
(0.092)	Interest on Investments	(0.111)
(0.196)	Rents	(0.203)
(0.040)	Net Gain on Realisation	(0.321)
(0.014)	Sale of Assets	(0.067)
(0.116)	Other Income	(1.125)
(0.458)	Total Income	(1.827)
(0.015)	(Surplus)/Deficit for year	(1.522)
0.000	Other Comprehensive Expenditure and Income	0.638
(0.015)	Total Comprehensive Income and Expenditure	(0.884)



Common Good Balance Sheet as at 31 March 2013

2011-12	Notes	2012-13
£m		£m
3.582	Heritable Property	3.969
2.339	Investments	2.661
5.921	Long Term Assets	6.630
0.653	Advances to Loans Fund	0.849
0.044	Sundry Debtors	0.028
0.697	Current Assets	0.877
(0.096)	Sundry Creditors	(0.101)
(0.096)	Current Liabilities	(0.101)
6.522	Net Assets/(Liabilities)	7.406
	Financed by:	
(3.270)	Usable Reserves	(3.766)
(3.252)	Unusable Reserves	(3.640)
(6.522)	Total Reserves	(7.406)

Brian Livingston MBA CPFA
 Executive Director Finance and Resources
 30 September 2013

Notes to Common Good Balance Sheet

1. Breakdown of Balances

	Usable Reserves £m	Unusable Reserves £m	Total £m
Auctermuchty	0.013	0.006	0.019
St Andrews	0.505	0.057	0.562
Newburgh	0.001	0.000	0.001
Falkland	0.011	0.000	0.011
Cupar	0.171	0.093	0.264
Crail	0.242	0.030	0.272
Anstruther	0.182	0.064	0.246
Pittenweem	0.158	0.521	0.679
St Monans	0.315	0.121	0.436
Buckhaven and Methil	0.225	0.180	0.405
Burntisland	0.002	0.000	0.002
Kirkcaldy	0.311	0.009	0.320
Kinghorn	0.410	0.040	0.450
Leven	0.340	0.391	0.731
Leslie	0.203	0.000	0.203
Markinch	0.164	0.000	0.164
West Fife	0.513	2.128	2.641
Total	3.766	3.640	7.406

2. Unusable Reserves

	2012-13 £m	2011-12 £m
Capital Adjustment Account	1.566	0.540
Revaluation Reserves	2.074	2.712
Total	3.640	3.252



Charities and Trust Fund Statements

Foreword by Executive Director Finance and Resources

Introduction

The Council acts as Trustees for 187 Charitable Trusts, both registered and non registered charities. The registered charities are governed by the rules of OSCR (Office of the Scottish Charity Regulator). The following statements are included:-

Explanatory Foreword
Movement in Reserves Statement
Comprehensive Income and Expenditure Statement
Balance Sheet

This foreword is intended to provide a brief commentary on the Charities and Trust funds as presented in the following statements.

History and Background

Charities and Trust funds have been set up from donations made by various individuals and organisations over many years. It is generally the case that only income arising from these funds can be disbursed each year thus ensuring that resources are available to meet the continuing future requirements.

In administering these funds, Fife Council must have regard to the interests of the beneficiaries of the area for whose benefit the various funds were established. This requirement is contained in the Local Government (Scotland) Act 1973.

Charities and Trust 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 income is available for distribution in the interests of the beneficiaries of the various trusts. All expenditure of this nature is subject to an approval process.

Accounting Policies

The Charities and Trust accounts are prepared in accordance with Fife Council's accounting policies as detailed in Note 1.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement records the income generated from rents, interest, investment income and any profit from the sale of assets. Expenditure represents the costs incurred in relation to the disbursements from the various Charities and Trust funds in accordance with their individual trust conditions.

In 2012-13, the Comprehensive Income and Expenditure statement shows a surplus of £0.486m. The main reason for this surplus is the gain on realisation of investments held. The surplus results in an increase in Charities and Trust balances which are now £5.067m.

Brian Livingston MBA CPFA
Executive Director Finance and Resources
30 September 2013

Charities and Trusts Movement in Reserves Statement

	Usable Reserve £m	Unusable Reserve £m	Total Reserves £m
Balance at 1 April 2011	(4.519)	(0.002)	(4.521)
<u>Movement in Reserves during 2011-12</u>			
(Surplus) or deficit on provision of services	(0.060)	0.000	(0.060)
Other Comprehensive Expenditure and Income	0.000	0.000	0.000
Total Comprehensive Expenditure and Income	(0.060)	0.000	(0.060)
Adjustments between accounting basis & funding basis under regulations	0.000	0.000	0.000
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(0.060)	0.000	(0.060)
Transfers to/from Other Statutory Reserves	0.000	0.000	0.000
(Increase)/Decrease in 2011-12	(0.060)	0.000	(0.060)
Balance at 31 March 2012 carried forward	(4.579)	(0.002)	(4.581)
<u>Movement in Reserves during 2012-13</u>			
(Surplus) or deficit on provision of services	(0.486)	0.000	(0.486)
Other Comprehensive Expenditure and Income	0.000	0.000	0.000
Total Comprehensive Expenditure and Income	(0.486)	0.000	(0.486)
Adjustments between accounting basis & funding basis under regulations	0.000	0.000	0.000
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(0.486)	0.000	(0.486)
Transfers (to)/from Other Statutory Reserves	0.000	0.000	0.000
(Increase)/Decrease in Year	(0.486)	0.000	(0.486)
Balance at 31 March 2013 carried forward	(5.065)	(0.002)	(5.067)

Charities and Trust Funds Comprehensive Income and Expenditure Statement Year Ended 31 March 2013

2011-12		2012-13		
Total £m		Other Trusts £m	Registered Charities £m	Total £m
Expenditure				
0.148	Disbursements	0.140	0.062	0.202
0.009	Net Loss on Realisation	0.000	0.000	0.000
0.000	Other Expenditure	0.001	0.000	0.001
0.157	Total Expenditure	0.141	0.062	0.203
Income				
(0.129)	Interest on Investments	(0.074)	(0.099)	(0.173)
(0.054)	Net Gain on Realisation	(0.129)	(0.355)	(0.484)
(0.034)	Mineral Royalties	(0.017)	0.000	(0.017)
0.000	Other Income	(0.001)	(0.014)	(0.015)
(0.217)	Total Income	(0.221)	(0.468)	(0.689)
(0.060)	(Surplus)/Deficit for year	(0.080)	(0.406)	(0.486)

Charities and Trust Fund Balance Sheet as at 31 March 2013

2011-12		2012-13		
Total £m		Other Trusts £m	Registered Charities £m	Total £m
0.177	Heritable Property	0.005	0.172	0.177
2.910	Investments	1.110	2.284	3.394
3.087	Long Term Assets	1.115	2.456	3.571
1.474	Advances to Loans Fund	0.958	0.512	1.470
0.021	Sundry Debtors	0.013	0.016	0.029
1.495	Current Assets	0.971	0.528	1.499
(0.001)	Sundry Creditors	0.000	(0.003)	(0.003)
(0.001)	Current Liabilities	0.000	(0.003)	(0.003)
4.581	Net Assets/(Liabilities)	2.086	2.981	5.067
Financed by:				
(4.579)	Usable Reserves	(2.086)	(2.979)	(5.065)
(0.002)	Unusable Reserves	0.000	(0.002)	(0.002)
(4.581)	Total Reserves	(2.086)	(2.981)	(5.067)

Brian Livingston MBA CPFA
Executive Director Finance and Resources
30 September 2013

Explanatory Note

There are 187 separate Trust Funds or Bequests for which the Council acts as Trustee, 78 of these trust funds are registered charities. This section shows a summary of expenditure and income relating to these Trusts, separately identifying those with charitable status. A summary of the balances at 31 March 2012 is also shown.

2011-12		2012-13		
Total £m		Other Trusts £m	Registered Charities £m	Total £m
1.586	Fife Educational Trust	0.000	1.886	1.886
0.510	Community Funds (6 Trusts)	0.395	0.000	0.395
0.092	Kirkcaldy Charitable Trust	0.000	0.093	0.093
0.051	Provost's Charity Fund	0.000	0.056	0.056
0.060	Beveridge and Gow Bequests	0.000	0.061	0.061
2.282	Other Trusts/Charities (182 Trusts)	1.691	0.885	2.576
4.581	Total	2.086	2.981	5.067

The major trust administered by the council is the Fife Educational Trust, the main purpose of which is, to promote education and reward educational achievement. This is achieved through the awarding of prizes, bursaries and scholarships, travel, foreign language and excursion grants and the provision of equipment.



CORPORATE GOVERNANCE STATEMENT 2012-13

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, having regard to a combination of economy, efficiency and effectiveness. In discharging this responsibility, 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 and the Society of Local Authority Chief Executives and Senior Managers) Framework "Delivering Good Governance in Local Government". A copy of the Code is on our website at www.fifedirect.org.uk or can be obtained from Geoff McDonald, Audit & Risk Management Services Manager. 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 Corporate Services) has been appointed to:
- oversee the implementation and monitor the operation of the Code of Corporate Governance;
 - review the operation of the Code in practice; and
 - report to the Standards & Audit Committee on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.
- 1.5 In addition, Fife Council's Audit & Risk Management Services Manager 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 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.

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 authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority 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 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Fife's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.
- 2.3 Key elements of good corporate governance include honesty, trust and integrity, openness, performance focus, responsibility and accountability, 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:
- the Community Plan
 - the Council Plan
 - Codes of Conduct for councillors and employees
 - Member/Officer Protocols
 - comprehensive training and development arrangements for councillors and employees
 - Schemes of Administration and Delegation
 - 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
 - IT 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 Policies
 - as appropriate, formal programme and project management disciplines.
- 2.4 The Council's internal audit requirements are met by the Audit & Risk Management Service which independently appraises the corporate governance and internal control systems. The Service is part of the Finance & Resources Directorate and operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. It undertakes an annual programme of work approved by the Standards & Audit Committee, derived from the five year Strategic Audit Plan prepared using a risk based assessment process and reviewed annually. A review of the effectiveness of the Standards & Audit Committee is undertaken annually and the Audit and Risk Management Services Manager also provides an assurance statement to the Chief Executive and the Executive Director (Finance & Resources).
- 2.5 All internal audit reports are issued to the appropriate Head of Service and copied to the Chair of Standards and Audit Committee, Executive Director (Finance & Resources), the Executive Director (Corporate Services), other relevant Executive Directors and Heads of Service and the External Auditor. Copies are also made available to the appropriate elected member(s) e.g. the relevant committee chairs, spokespersons, portfolio holders etc. Summaries of all audit reports are provided to the Standards and Audit Committee for their scrutiny and to the appropriate Executive Committee Portfolio Holder. Where necessary the Standards and Audit Committee can seek further reports from the appropriate Executive Director or Head of Service.

- 2.6 An annual report to the Standards & Audit Committee provides a review of Fife's position against key issues highlighted in Audit Scotland's Annual Overview of Local Government in Scotland report.

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 within the authority who have responsibility for the development and maintenance of the governance environment which they report on through their annual assurance statements; the Audit & Risk Management Services Manager's annual report; and also by comments made by the external auditors and other review agencies and inspectorates.
- 3.2 Our review of the effectiveness of the corporate governance and internal control procedures is also informed by:
- feedback from elected members and committees carrying out their scrutiny role
 - issues considered by the Standards & Audit Committee
 - the work of managers within the Council
 - the work of Audit and Risk Management Services as described above
 - the review of various forms of customer and stakeholder feedback
- 3.3 The Council Plan contains clear priorities intended to ensure that resources are directed towards delivering excellent services that will make a real difference to the people of Fife. The current Council Plan was approved in May 2013.
- 3.4 The Council's strategic planning is undertaken within a framework that links community, corporate and service planning together. This provides continuity and consistency between the various levels of planning and performance management in the Council. Performance management is undertaken in a framework that involves senior management teams, the Council Management Team and elected members through various committees. The Council had updated its service planning and annual performance reporting framework including integration with the risk management process and has implemented a Scheme of Scrutiny and Performance.
- 3.5 The Council has in place the components for the effective management of its resources. These include a Finance Strategy, a Procurement Strategy, a Risk Management Strategy and HR Policies. An IT Strategy and IT investment plan have been developed and these are monitored through the ICT Governance Board. . In addition the Council's Business Continuity Project has developed Business Continuity Plans for the Council.
- 3.6 A review of the effectiveness of the Standards & Audit Committee is undertaken annually. The Audit and Risk Management Services Manager also provides an assurance statement to the Chief Executive and the Executive Director (Finance & Resources) on the effectiveness of governance arrangements and internal controls. The most recent assurance statement states that a medium/high level of control exists and that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's systems of Corporate Governance and internal control systems in the year to 31 March 2013.
- 3.7 We have been advised on the result of the review of the effectiveness of the governance framework by the processes and procedures outlined in Paras. 3.1 and 3.2 above and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas for improvement already addressed and those specifically to be addressed are outlined below.

3.8 We are also clear that the Council's financial management arrangements conform with 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 A number of initiatives have recently been undertaken which will have contributed to strengthening our corporate governance arrangements or addressing previously identified areas for improvement. These included:

- The rolling out of a refreshed approach to the Fife Excellence Model based on the Public Sector Improvement Framework (PSIF). The PSIF framework is based on the EFQM Excellence Model and integrates the principles of Best Value with elements of the Investors in People Standard and the Customer Service Excellence Standard.
- Participation in the SOLACE (Society of Local Authority Chief Executives and Senior Managers) benchmarking project, supported by the Accounts Commission and the Improvement Service, which will allow Scottish local authorities to compare performance and share best practice.
- The introduction of a refreshed customer complaints procedure.
- The introduction of a new Trust Assurance Framework in respect of the four existing Trusts: the Fife Sports & Leisure Trust; the Fife Coast & Countryside Trust; the Fife Golf Trust; and the Fife Cultural Trust (formerly ON at Fife). This Framework provides a more robust and relevant assurance process than in previous years.
- The delivery of a comprehensive induction programme for councillors which focussed on a variety of governance issues as well as skills and knowledge development. The ongoing training and development programme for councillors will continue to be shaped and monitored by an all-party Elected Member Development Focus Group which was re-established following the Local Government Elections in May 2012.
- The introduction by the Council, in May 2012, of a new executive model of decision-making. The new structure was intended to address some of the perceived weaknesses in the previous decision-making arrangements, particularly in relation to policy development and opportunities for scrutiny. The new structure therefore included the establishment of a number of Policy Advisory Groups, as working groups of the Executive Committee, and two specific standing scrutiny committees. In addition, the Council undertook a comprehensive review of a number of key governance documents, namely Standing Orders; Scheme of Administration; Scheme of Delegation; and Financial Regulations. A formal review of the new decision-making structure based on the criteria of engagement, devolution, scrutiny and Best Value commenced in the summer of 2013. In addition, work has started on reviewing the existing Member/Officer Protocols within the Council and this work will be completed in the coming year.
- The Council continues to develop and implement cohesive strategies for the effective management of resources including finance and workforce planning. A new approach and framework for workforce planning was agreed by the Council Management Team in December 2012. This approach aims to identify and plan for our workforce priorities and challenges at two levels within the organisation. At a Directorate level, workforce planning will continue to play a fundamental role in ensuring our workforce is re-configured and skilled to meet the requirements of both current and future Service priorities and delivery models. At an organisational level, we will continue to compile a corporate picture of our shared workforce challenges through the development of a series of workforce planning reports considering each of our core occupational/ employee groups. These reports will be used to compile a full council wide workforce plan which will be used to inform future workforce strategies.

4.2 Whilst work continues on embedding risk management, recent organisational changes have resulted in anticipated progress not being achieved. However, services have action plans in place to address this and the Council's Risk Management Strategy Group is responsible for reviewing and ensuring the implementation of the strategy, sharing information and spreading good practice. It also has a role in raising awareness and developing a risk management culture within the Council.

4.3 In our 2011/12 Corporate Governance Statement, a number of areas of focus were identified and progress over the last twelve months is as outlined below:

- **Continuing to engage Fife's communities to evolve the planning, delivery and monitoring of Council Services**

The Council logged 120 consultations in 2012-2013 which included 84 public information consultations. Two major developments were the consultation on the council budget and the pilot of the Enhanced Community Engagement Model in Glenrothes.

The consultation on the Council budget allowed the Council to expand its online consultation methods through the licensing of the Delib Online Consultation Tool. The Council is now looking at additional uses for these online methods.

The Enhanced Community Engagement Model is a joint project with the Fife Division of Police Scotland. Building on the evaluation of the existing police engagement model, the Council and Police are looking to expand the range of services covered at community meetings as well as seeking expansion of the groups and range of media used to engage local communities.

The Council has continued to develop the role of social media to communicate and engage with residents and is looking to refresh its training and development opportunities in consultation and engagement.

At an area level, participatory budgeting has been used in some areas and as part of a renewed effort on local community planning, each Area Committee is preparing a consultation and engagement plan.

- **Transforming the Council's approach to making best use of staff skills through skills frameworks, increased flexibility and refreshed training approaches**

The Council is committed to making best use of its workforce through building its capacity and capability to meet the needs of the people of Fife. A number of connected projects, led by the Human Resources Service, is underway to support this. Specific learning and development interventions have been designed to underpin and support key improvement projects such as attendance management and shared service support. In addition an internal consultancy approach has been developed to support Directorates to identify development needs and access relevant provision from the new learning and development framework.

A refreshed programme of learning and development opportunities, including e-learning modules, face to face training and external masterclasses is available to the workforce. Development opportunities also extend to managers within the Council and a specific offer aimed at managers is being introduced. This includes proposals for a web based knowledge resource for leaders and managers that will support on the job learning and add to the current learning and development opportunities available as part of the corporate offering. The Council is also working closely with partner organisations, particularly NHS Fife, to meet the development needs of managers involved in Health and Social Care Integration, through the further development of an award winning collaborative leadership programme.

The recently implemented Corporate Learning Management System (CLMS) is enabling staff to book courses online and manage their own personal development records. In addition, managers are able to draw key budget and evaluation reports from the system to help support their management of the development of employees. A transitions and deployment approach is being deployed in April 2013 and will assist the mobility of staff across the organisation. Work has also been focused to strengthen workforce planning to support this approach.

New values and behaviours are being introduced alongside the Council Plan which will also inform a refreshed approach to managing employee performance.

- **Developing performance management and use of diagnostics information to improve decision-making and scrutiny**

The Covalent software is now the tool used to manage performance information across the Council. This is currently being updated to take account of the new Council Plan outcomes and to incorporate the changes to the Statutory Performance Indicators, in particular the inclusion of the SOLACE Benchmarking indicators referred to above in Para. 4.1. Work is ongoing with the Council's Scrutiny Committees to identify the best format for performance information to be presented in context for scrutiny purposes. An approach to quality assurance of indicators is being developed based on the Public Sector Improvement Framework (PSIF) self-assessment model.

A pilot project has explored the use of existing data and how it can be used in decision making. This involves the use of new technologies and statistical methodologies. Information from different customer information systems has been integrated and now produces management reports daily and on demand. A project group is currently working to bring this fully online for more widespread use and to begin combining performance and other information with contextual details such as demographics.

- **Making better use of customer complaint information and engagement with the community for improved service delivery**

Details of complaints, response times and learning from complaints are now reported regularly to the Standards and Audit Committee. Changes have also been made to implement the new Scottish Public Sector Ombudsman model complaint handling procedure which places a strong emphasis on learning from complaints.

- **Developing quality standards for all aspects of customer service**

The Customer Management Programme is driving a range of activities to deliver services which are better, faster and easier for customers to access, and more efficient for the Council to deliver. As part of this programme the Council has updated its Customer Charter and guidance for staff (Customer Service Standards) and is supporting staff to undertake the national Customer Service Professional Qualification to help build customer service skills across the organisation.

- **Further developing the corporate approach to self-assessment to make better use of existing information and knowledge**

As mentioned in Para. 4.1 above, the Fife Excellence Model approach has been refreshed to more closely reflect the approach used to undertake Public Sector Improvement Framework (PSIF) self-assessments nationally. This roll out began in May 2013 and a small team has worked closely with the Improvement Service and shadowed approaches in other Councils to ensure consistency and allow for future benchmarking.

- 4.4 In conclusion, our corporate governance framework continues to evolve. The Council is committed to continuous improvement and accordingly we intend to continue to focus on the above actions in the coming year to enhance further our corporate governance and internal control arrangements. One additional area of focus will be introducing improved means for Fife Council contractors to alert the Council of potential governance breaches i.e. "whistle blowing".
- 4.5 We are satisfied that these actions will address the need for improvements previously identified in our review of effectiveness and their implementation will continue to be monitored.

Councillor Alex Rowley
Leader of the Council
30 September 2013

Steve Grimmond
Chief Executive
30 September 2013

1. The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No 2011/64) amend the Local Authority Accounts (Scotland) Regulations 1985 (SI No 1985/267) and require local authorities in Scotland to prepare a Remuneration Report as part of their annual accounts. All information disclosed in the tables 1 to 9 contained within this Remuneration Report has been audited by Audit Scotland. The other sections of the Remuneration Report have been 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 2008 (SSI 2008/415). The Regulations provide for differing levels of remuneration for councillors depending on the positions they hold i.e. the Leader of the Council, the Civic Head (Provost), Senior Councillors or Councillors. The Leader of the Council 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.

When determining the level of remuneration for councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2012-13 the maximum salary for the Leader of Fife Council is £37,880. The Regulations permit the council to remunerate one Civic Head. The regulations set out the maximum salary that may be paid to that Civic Head. Fife Council policy is to pay the Provost at 75% of the total yearly amount payable to the Leader of the Council.

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 Leader of the Council. The total yearly amount payable by the council for remuneration of all of its senior councillors shall not exceed £424,118. 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.

The Regulations also set out the remuneration that may be paid to those councillors who are appointed as convenor or vice-convenor of a committee of a council with responsibility for the discharge of the functions of either police or fire and rescue. Fife Council is one such council and has a committee with responsibility for the discharge of each of those functions. The Regulations state that where a council has a committee with responsibility for the discharge of police and fire and rescue functions, that council shall pay remuneration to not more than one convenor and one vice-convenor of each committee.

Up until May 2012 Fife Council had 18 senior councillors, excluding the Leader, Provost, Chair and Vice Chair of the Police, Fire and Safety Committee. Post May 2012 Fife Council had 19 senior councillors, excluding the Leader, Provost, Chairs and Vice Chairs of the Police Transition Committee and Fire Transition Committee. The remuneration paid to councillors during 2012-13 totalled £381,293. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme. The Fife Council Scheme for Councillors' Remuneration and Expenses which encompasses the salaries of all elected members including the Leader, Provost and Senior Councillors was agreed at a meeting of the full Council on 24th May 2012.

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 Board. 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 Board for any additional remuneration paid to the member from being a Convenor or Vice Convenor of a Joint Board.

3. Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/144 sets the amount of salary for the Chief Executive of Fife Council for the period 2008 to 2011. There have been no new pay agreements for Chief Officials in 2012-13 and no pay rises were awarded.

A senior employee is defined as being any local authority employee:-

- who 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;
- who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989; or
- whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.

Executive Director pay is based on a Fife Council review of senior manager salaries undertaken by Sir Neil McIntosh following his review of Chief Executives' salaries at national level. The Fife Council review took market forces, salaries in comparable authorities and reductions in overall Chief Official numbers into consideration. 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. Placing in the appropriate role is through agreement between the Chief Executive and/or Executive Directors.

Remuneration policy of Fife Council's subsidiary body Business Gateway Fife is set by the Board of Directors. Fife Council is represented on this board of six members by two officers. Fife Council has no significant influence on the determination of the remuneration policy.

Regulation 24 of the Police (Scotland) Regulations 2004 governs the pay of senior police officers. The salaries are set with reference to national arrangements, which are negotiated through the Police Negotiating Board (PNB). The basic pay of a Chief Constable is related to a range of policing measures and Deputy Chief Constables receive a basic pay that is relative to the basic salary of their Chief. Assistant Chief Constables are appointed to a six point salary scale.

Senior Police Officers are also subject to a performance related pay and bonus scheme. Performance related pay (PRP) arrangements for Chief Police Officers were introduced under the provisions of the Police Negotiating Board (PNB). The Scottish Government suspended their approval of the Chief Police Officer's scheme for 1 year from 1st April 2011 to 31st March 2012 (Police Circular 2/2011 refers), which was extended until March 2013 (Police Circular 1/2012 refers). Assistant Chief Constables are, however, still entitled to be considered for incremental progression.

The rates of pay for Chief Fire Officer, Deputy Chief Fire Officer and Assistant Chief Fire Officer are set in accordance with The National Joint Council for Brigade managers of Fire and Rescue Services (NJC). The Scheme of Conditions of Service Gold Book details the arrangements for determining the most appropriate salary level for Brigade Managers. At national Level the NJC review annually the level of pay increase applicable to those covered by the Gold Book. At local level pay and remuneration rates should be reviewed annually by the Fire and Rescue Authority. In accordance with Gold Book arrangements the salaries for Assistant Chief Fire Officer (ACFO)/Deputy Chief Fire Officer (DCFO) and Chief Fire Officer (CFO) are calculated as follows:-

- Area Manager B = £53,934 plus 20% Flexi (£10,787) = £64,721 (A CPD payment of £518 is available subject to meeting required criteria).
- Assistant Chief Fire Officer (ACFO) – is set at 12.5% above Area Manager B plus the FDS
- The minimum salary for Deputy Chief Fire Officer (DCFO) is set at 7.5% above that of ACFO
- The minimum salary for Chief Fire Officer (CFO) is set at 22.5% above that of DCFO

Fife Fire and Rescue Service utilises the role of Brigade Manager as opposed to Assistant Chief Fire Officer (ACFO) and Deputy Chief Fire Officer (DCFO). There are two persons employed as Brigade Managers and the salary calculation is as follows: -

Brigade Manager salary is set at 15% above that of an Area Manager B plus 20% allowance. This 15% also includes an element for undertaking of additional responsibilities associated with Emergency Planning = £74,464

The salary for Chief Fire Officer (CFO) is set at £103,401 (which is inclusive of additional responsibility for Emergency Planning for Fife Council).

4. Remuneration

Senior Councillors – Table 1

The following tables provide details of the remuneration paid to Fife Council's senior councillors. As Fife Council changed Administration during 2012-13 two separate tables have been prepared showing previous Administration and current Administration.

Previous Administration

Senior Councillor	Responsibility	Full Year Equivalent £	2012-13			2011-12
			Salary, Fees and Allowances £	Taxable Expenses £	Total Remuneration £	Total Remuneration £
Peter Grant *	Leader of Council (to 2 nd May 2012)	37,880	4,795		4,795	37,776
Frances Melville *	Provost (to 2 nd May 2012)	28,410	3,596	53	3,649	28,489
Elizabeth Riches	Depute Leader (to 2 nd May 2012)	24,732	3,130		3,130	24,664
Iain Chisholm	Depute Provost (from 30 th June 2011 to 2 nd May 2012)	22,322	2,825		2,825	15,552
Elizabeth Mogg	Depute Provost (to 29 th June 2011)	22,261	0		0	6,709
Alexander Rowley *	Leader of Opposition (to 2 nd May 2012)	22,322	2,825		2,825	22,261
George Kay	Strategic Chair : Police, Fire & Safety (to 2 nd May 2012)	24,732	3,130		3,130	24,664
Margaret Kennedy	Vice Chair : Police , Fire & Safety (to 2 nd May 2012) (Note 1)	16,189	2,055		2,055	20,238
Douglas Chapman	Strategic Chair : Education & Children's Services (to 2 nd May 2012)	24,732	3,130		3,130	24,664
Brian Goodall	Strategic Chair : Housing & Communities (to 2 nd May 2012)	24,732	3,130		3,130	24,664
Timothy Brett	Strategic Chair : Social Work & Health (to 2 nd May 2012)	24,732	3,130		3,130	24,664
Antony Martin	Strategic Chair : Environment, Enterprise & Transport (to 2 nd May 2012) (Note 2)	24,732	3,130		3,130	24,664
Neil Crooks *	Strategic Chair : Standards & Audit (to 2 nd May 2012)	24,732	3,130		3,130	24,664
John Beare *	Strategic Chair : Planning (to 2 nd May 2012)	24,732	3,130		3,130	24,664
Gerald McMullan	Strategic Chair : Licensing & Regulation (to 2 nd May 2012)	24,732	3,130		3,130	24,664
Andrew Rodger	Chair : Licensing Board (to 2 nd May 2012)	22,322	2,825		2,825	22,261
Alice Soper	Chair : Kirkcaldy Area (to 2 nd May 2012)	22,322	2,825		2,825	22,261
William Rosiejak	Chair : City of Dunfermline Area (to 2 nd May 2012)	22,322	2,825		2,825	22,261
Fiona Grant	Chair : Glenrothes Area (to 2 nd May 2012)	22,322	2,825		2,825	22,261
William Clarke *	Chair : Cowdenbeath Area (to 2 nd May 2012)	22,322	2,825		2,825	22,261
Alice McGarry	Chair : South West Fife Area (to 2 nd May 2012)	22,322	2,825		2,825	22,261
David Alexander	Chair : Levenmouth Area (to 2 nd May 2012)	22,322	2,825		2,825	22,261
Andrew Arbuckle	Chair : North East Fife Area (to 2 nd May 2012)	22,322	2,825		2,825	22,261
Total			66,866	53	66,919	531,089

Current Administration

Senior Councillor	Responsibility	Full Year Equivalent £	2012-13			2011-12
			Salary, Fees and Allowances £	Taxable Expenses £	Total Remuneration £	Total Remuneration £
Alexander Rowley *	Leader of Council (from 17 th May 2012)	37,880	31,529		31,529	0
Jim Leishman	Provost (from 17 th May 2012)	28,410	23,646		23,646	0
David Ross	Depute Leader (from 17 th May 2012)	22,322	18,579		18,579	0
Kay Morrison	Depute Provost (from 17 th May 2012)	22,322	18,579		18,579	0
Peter Grant *	Leader of Opposition (from 17 th May 2012)	22,322	18,579		18,579	0
Neil Crooks *	Fire Transition Committee Chair (from 24 th May 2012)	22,322	18,151		18,151	0
Gavin Yates	Police Transition Committee Chair (from 24 th May 2012)	22,322	18,151		18,151	0
Robert Rumney	Senior Councillor (from 24 th May 2012)	22,322	18,151		18,151	0
William Kay	Senior Councillor (from 24 th May 2012)	22,322	18,151		18,151	0
Robert Clelland	Senior Councillor (from 24 th May 2012)	22,322	18,151		18,151	0
Kay Carrington	Senior Councillor (from 24 th May 2012 to 20 th February 2013)	22,322	16,696		16,696	0
Lesley Laird	Senior Councillor (from 21 st February 2013)	22,322	1,456		1,456	0
John Beare *	Senior Councillor (from 24 th May 2012)	22,322	18,151		18,151	0
William Clarke *	Senior Councillor (from 24 th May 2012)	22,322	18,151		18,151	0
Bryan Poole	Senior Councillor (from 24 th May 2012)	22,322	18,151	46	18,197	0
David Dempsey	Senior Councillor (from 24 th May 2012)	22,322	18,151	52	18,203	0
Judy Hamilton	Senior Councillor (from 24 th May 2012)	22,322	18,151		18,151	0
Linda Erskine	Senior Councillor (from 24 th May 2012)	22,322	18,151		18,151	0
Thomas Adams	Senior Councillor (from 24 th May 2012)	22,322	18,151		18,151	0
Robert Young	Senior Councillor (from 24 th May 2012)	22,322	18,151		18,151	0
Susan Leslie	Senior Councillor (from 24 th May 2012)	22,322	18,151		18,151	0
Frances Melville *	Senior Councillor (from 24 th May 2012)	22,322	18,151	128	18,279	0
Pat Callaghan	Senior Councillor (from 24 th May 2012)	22,322	18,151		18,151	0
Charles Haffey	Fire Transition Committee Vice-Chair (from 24 th May 2012)	16,742	13,614		13,614	0
William Ferguson	Police Transition Committee Vice-Chair (from 24 th May 2012)	16,742	13,614		13,614	0
Total			446,708	226	446,934	0

* – As Fife Council has had a change of Administration during 2012-13 the comparison to 2011-12 has been prepared on the previous Administration senior councillors, however some of these councillors are also senior councillors in the current Administration.

Note 1 – In 2012-13, Cllr Kennedy held the role of Convenor for Fife and Forth Valley Community Justice Board. The amount recharged to Fife and Forth Valley Community Justice in respect of this role was £4,049. The amount recharged in respect of Cllr Kennedy's role in 2011-12 was £4,049.

Note 2 – In 2012-13, Cllr Martin held the role of Convenor for Fife Estuary Transport Authority and Substitute member of SESTran. Cllr Martin received the maximum amount of remuneration for a senior councillor so did not receive further remuneration for these additional roles until 2nd May 2012. The amount recharged to Fife Estuary Transport Authority in respect of this role from the 3rd May 2012 was £3,537.

Members Expenses – Table 2

The following table provides details of the salaries, allowances and expenses paid to all councillors (including the senior councillors above) during 2012-13:-

Type of Remuneration	2012-13 £'000	2011-12 £'000
Salaries	1,406	1,433
Travel and Subsistence	64	53
Training/ Conference and Meeting Expenses	4	4
Telephone and Information Technology Expenses reimbursed	1	0
Telephone and Information Technology Expenses met by Council	54	44
Cost of Provision of Council Cars met by Council	9	7
Other Expenses and Allowances	0	0
Total	1,538	1,541

The annual return of councillor's salaries and expenses for 2012-13 is available for any member of the public to view at all Fife Council libraries and public offices during normal working hours and is also available on Fife Council's website at www.fifedirect.org.uk. Please follow the links on the Council's website as follows:-

www.fifedirect.org.uk > council and democracy > politicians, elections and democracy > council and councillors > councillors' salaries

Senior Employees – Table 3

The following table provides details of the remuneration paid to Fife Council's senior employees:-

Senior Employee	Post	2012-13					2011-12
		Salary, Fees and Allowances £	Taxable Expenses £	Returning Officer Fees £	Compensation for Loss of Employment £	Total Remuneration £	Total Remuneration £
Ronald Hinds	Chief Executive	149,535		2,650		152,185	177,848
Kenneth Greer	Executive Director Education	111,219				111,219	111,219
Stephen Moore	Executive Director Social Work	111,219				111,219	111,219
Steven Grimmond	Executive Director Housing & Communities (to 15 th March 2012) and Executive Director Environment, Enterprise & Communities (from 16 th March 2012)	111,219				111,219	111,219
Stuart Nichol	Executive Director Environment & Development (to 31 st March 2012)	0				0	195,321
Brian Livingston	Executive Director Finance & Resources	111,219				111,219	111,219
Michael Enston	Executive Director Corporate Services	111,219				111,219	111,219
Bruce Clark	Assessor (to 30 th January 2013)	87,021	113			87,134 (full year equivalent £99,507)	99,820
Heather Honeyman	Assessor (from 31 st January 2013)	10,737				10,737 (full year equivalent £87,474)	0
Norma Graham	Chief Constable (to 20 th August 2012)	56,446				56,446 (full year equivalent £127,017)	134,354
Andrew Barker	Chief Constable (from 21 st August 2012) and Deputy Chief Constable (to 20 th August 2012)	125,797				125,797 (full year equivalent £127,017)	115,225
Tom Ewing	Deputy Chief Constable (from 21 st August 2012) and Assistant Chief Constable (to 20 th August 2012)	105,998				105,998 (full year equivalent £108,873)	95,977
Neil McFarlane	Chief Fire Officer	103,117	317			103,434	103,498
Total		1,194,746	430	2,650	0	1,197,826	1,478,138

Note – the remuneration for the Chief Executive includes payments made in respect of his role as Returning Officer (£2,650 in 2012-13 and £28,313 in 2011-12).

Stuart Nichol, Executive Director of Environment and Development retired on 31st March 2012. Mr Nichol's salary differs from the other Executive Directors' salaries as a result of the timing of his final payment on retiral. Payments received in respect of compensation for loss of employment include redundancy and compensatory lump sum.

Subsidiary Senior Employees – Table 4

Fife Council is required to disclose the remuneration for senior employees of subsidiary bodies. The following table details the remuneration of the Chief Executive of Business Gateway Fife which is Fife Council's only subsidiary body.

Senior Employee	Post	2012-13				2011-12
		Salary, Fees and Allowances £	Taxable Expenses £	Compensation for Loss of Employment £	Total Remuneration £	Total Remuneration £
Joyce Duncan	Chief Executive (to 4 th October 2012)	50,273	271	8,173	58,717	56,313

Note – the remuneration for the Chief Executive includes payments made in respect 3 months payment in lieu of notice and a bonus.

An Operations Director was appointed on 7th March but is self employed.

General Disclosure by Pay Band – Table 5

Number of Employees 2011-12	Remuneration Bands	Number of Employees	
		2012-13	Left during 2012-13
226	£50,000 - £54,999	175	7
104	£55,000 - £59,999	108	11
26	£60,000 - £64,999	20	6
33	£65,000 - £69,999	26	3
21	£70,000 - £74,999	16	4
16	£75,000 - £79,999	14	0
15	£80,000 - £84,999	12	2
15	£85,000 - £89,999	12	1
1	£90,000 - £94,999	1	1
6	£95,000 - £99,999	5	1
4	£100,000 - £104,999	2	1
0	£105,000 - £109,999	2	1
5	£110,000 - £114,999	6	2
1	£115,000 - £119,999	1	1
0	£120,000 - £124,999	1	1
0	£125,000 - £129,999	1	1
1	£130,000 - £134,999	0	0
0	£135,000 - £139,999	1	0
1	£140,000 - £144,999	1	1
0	£145,000 - £149,999	0	0
0	£150,000 - £154,999	1	0
0	£155,000 - £159,999	1	1
0	£160,000 - £164,999	0	0
0	£165,000 - £169,999	0	0
0	£170,000 - £174,999	1	1
1	£175,000 - £179,999	0	0
0	£180,000 - £184,999	2	2
0	£185,000 - £189,999	0	0
0	£190,000 - £194,999	0	0
1	£195,000 - £199,999	1	1
477	Total	410	49

Included in 2012-13 are 30 employees who left during the year and appear above as a result of the inclusion of their associated redundancy or early retirement payments costs.

Exit Packages – Tables 6 & 7

Termination benefits are defined as amounts payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. Exit packages detailed in the table below include redundancy payments, compensatory lump sums, pension strain and notional capitalised compensatory added year's costs. These notional 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 or departures and voluntary early retirement are not classified as termination benefits therefore amounts paid to individuals on this basis have been excluded from the disclosure table.

2012-13						
Exit Package Cost Band	Number of Compulsory Redundancies	Number of other Departures Agreed	Total Number of Exit Packages	Cash Values £m	Notional CAY £m	Total Cost of Exit Packages by Band £m
£0 - £19,999	3	53	56	0.474	0.081	0.555
£20,000 - £39,999	2	65	67	1.817	0.235	2.052
£40,000 - £59,999	0	39	39	1.369	0.505	1.874
£60,000 - £79,999	0	24	24	0.820	0.833	1.653
£80,000 - £99,999	0	11	11	0.478	0.523	1.001
£100,000 - £149,000	0	20	20	0.907	1.500	2.407
£150,000 -£199,999	0	9	9	0.398	1.096	1.494
£200,000-£249,999	0	2	2	0.146	0.277	0.423
£250,000-£299,999	0	2	2	0.373	0.253	0.626
Total	5	225	230	6.782	5.303	12.085

Exit Packages (Continued)

2011-12 (restated)						
Exit Package Cost Band	Number of Compulsory Redundancies	Number of other Departures Agreed	Total Number of Exit Packages	Cash Values £m	Notional CAY £m	Total Cost of Exit Packages by Band £m
£0 - £19,999	39	202	241	1.664	0.156	1.820
£20,000 - £39,999	2	123	125	2.982	0.758	3.740
£40,000 - £59,999	4	111	115	3.548	2.146	5.694
£60,000 - £79,999	3	49	52	2.313	1.245	3.558
£80,000 - £99,999	0	29	29	1.072	1.505	2.577
£100,000 - £149,000	1	51	52	2.426	3.830	6.256
£150,000 -£199,999	0	22	22	1.288	2.396	3.684
£200,000-£249,999	0	8	8	0.833	0.900	1.733
Total	49	595	644	16.126	12.936	29.062

The total cash value of £6.782m in the table for 2012-13 above includes £2.781m for exit packages that have been agreed, accrued for and charged to Fife Council's Comprehensive Income and Expenditure Statement in the current year. In 2011-12, Fife Council has included a provision of £4.931m which was used to offset the total costs reported for 2012-13. In the current year, Fife Council includes a provision for £5.044m which has been agreed and is payable to 126 FTE. The provision for both 2012-13 and 2011-12 are not included in the tables above.

The Exit Packages for 2011-12 have been restated to include the early retirement costs for non teaching staff.

5. Pension Benefits

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS). The LGPS is a funded scheme made up of contributions from employees or councillors and the employer.

Councillors' pension benefits are based on career average pay. 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 the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees this is a final salary pension scheme. This means that pension benefits are based on the final years' pay and the number of years the person has been a member of the scheme.

The scheme's normal retirement age for both councillors and employees is 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contribution rates were set at 6% for all non manual employees.

The member's contribution rates for 2012-13 remain at the 2011-12 rates, the tiers have however changed from 2011-12 and are shown in the table below.

Whole Time Pay 2012-13	Contribution Rate 2012-13	Whole Time Pay 2011-12	Contribution Rate 2011-12
On earnings up to and including £19,400	5.50%	On earnings up to and including £18,500	5.50%
On earnings above £19,400 and up to £23,700	7.25%	On earnings above £18,500 and up to £22,600	7.25%
On earnings above £23,700 and up to £32,500	8.50%	On earnings above £22,600 and up to £30,900	8.50%
On earnings above £32,500 and up to £43,300	9.50%	On earnings above £30,900 and up to £41,200	9.50%
On earnings above £43,300	12.00%	On earnings above £41,200	12.00%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service)

The value of the accrued benefits has been 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 any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their local government service, and not just their current appointment.

Pension benefits for police and fire officers are provided by the Police Pension Schemes and Firefighter Pension Schemes. (Since April 2006 new recruits join the New Police Pension Schemes and the New Firefighters' Pension Schemes).

The Police Pension Schemes and the Firefighters' Pension Schemes are also final salary schemes.

Following the UK Government's decision to increase employee contribution rates in public sector schemes, tiered contribution rates were introduced with effect from 1 April 2012 for the Police Pension Schemes and Firefighters Pension Schemes as shown in the tables below.

Police Officer Pension Schemes

Whole Time Pay		Contribution Rate 2012-13	Contribution Rate 2011-12
On earnings up to and including £27,000	1987 Scheme	n/a	n/a
	2006 Scheme	10.10%	9.50%
On earnings above £27,000 and up to £60,000	1987 Scheme	12.25%	11.00%
	2006 Scheme	10.50%	9.50%
On earnings above £60,000	1987 Scheme	12.50%	11.00%
	2006 Scheme	10.75%	9.50%

Firefighters' Pension Schemes

Whole Time Pay		Contribution Rate 2012-13	Contribution Rate 2011-12
On earnings up to and including £15,000	1992 Scheme	11.00%	11.00%
	2006 Scheme	8.50%	8.50%
On earnings above £15,000 and up to £30,000	1992 Scheme	11.60%	11.00%
	2006 Scheme	8.80%	8.50%
On earnings above £30,000 and up to £40,000	1992 Scheme	11.70%	11.00%
	2006 Scheme	8.90%	8.50%
On earnings above £40,000 and up to £50,000	1992 Scheme	11.80%	11.00%
	2006 Scheme	9.00%	8.50%
On earnings above £50,000 and up to £60,000	1992 Scheme	11.90%	11.00%
	2006 Scheme	9.10%	8.50%
On earnings above £60,000 and up to £100,000	1992 Scheme	12.20%	11.00%
	2006 Scheme	9.30%	8.50%
On earnings above £100,000 and up to £120,000	1992 Scheme	12.50%	11.00%
	2006 Scheme	9.50%	8.50%
On earnings above £120,000	1992 Scheme	13.00%	11.00%
	2006 Scheme	9.70%	8.50%

The Police and Fire Pension Schemes are double accrual schemes. This means that pensionable service for the first 20 years gives entitlement to a pension of $\frac{1}{60}$ th of final pay and service after 20 years counts as $\frac{2}{60}$ th up to a maximum of $\frac{40}{60}$ ths.

The Police and Fire Pension Scheme do not provide an automatic lump sum on retiral but a member can elect to commute part of their pension to provide a lump sum payment in accordance with guidance provided by the Government Actuary's Department.

A police officer in the Police Pension Scheme can retire with an ordinary pension at age 50 if they have 25 years' pensionable service. Payment can be made before 50 if the officer has 30 years' pensionable service.

The normal pension age in the Firefighters' Pension Schemes is 55 however, a fire officer can retire from age 50 if they has 25 years' pensionable service.

Senior Councillors – Table 8

The pension entitlements for Senior Councillors, for the year to 31 March 2013 are shown in the table below, together with the contribution made by the council to each Senior Councillors' pension during the year. As Fife Council changed Administration during 2012-13 two separate tables have been prepared showing previous Administration and current Administration.

Previous Administration

Senior Councillor	Responsibility	In-year employers pension contributions (see note below)			Accrued Pension Benefits	
		For year to 31/03/2013 £	For year to 31/03/2012 £		As at 31/03/2013 £	Difference from March 2012 £
Peter Grant *	Leader of Council (to 2 nd May 2012)	959	7,215	Pension Lump Sum	3,000 2,000	0 0
Frances Melville * **	Provost (to 2 nd May 2012)	719	5,411	Pension Lump Sum	9,000 22,000	0 0
Elizabeth Riches	Depute Leader (to 2 nd May 2012)	626	4,711	Pension Lump Sum	2,000 2,000	0 0
Iain Chisholm	Depute Provost (from 30 th June 2011 to 2 nd May 2012)	565	3,015	Pension Lump Sum	2,000 1,000	1,000 0
Elizabeth Mogg	Depute Provost (to 29 th June 2011)	0	1,247	Pension Lump Sum	0 0	0 0
Alexander Rowley *	Leader of Opposition (to 2 nd May 2012)	0	0	Pension Lump Sum	0 0	0 0
George Kay **	Strategic Chair : Police, Fire & Safety (to 2 nd May 2012)	626	4,711	Pension Lump Sum	5,000 10,000	0 0
Margaret Kennedy	Vice-Chair : Police , Fire & Safety (to 2 nd May 2012) (Note 1)	411	3,866	Pension Lump Sum	2,000 1,000	0 0
Douglas Chapman	Strategic Chair : Education & Children's Services (to 2 nd May 2012)	0	0	Pension Lump Sum	0 0	0 0
Brian Goodall	Strategic Chair : Housing & Communities (to 2 nd May 2012)	0	0	Pension Lump Sum	0 0	0 0
Timothy Brett	Strategic Chair : Social Work & Health (to 2 nd May 2012)	626	4,711	Pension Lump Sum	2,000 2,000	0 0
Antony Martin	Strategic Chair : Environment, Enterprise & Transport (to 2 nd May 2012) (Note 1)	626	4,711	Pension Lump Sum	2,000 2,000	0 0
Neil Crooks * **	Strategic Chair : Standards & Audit (to 2 nd May 2012)	626	4,711	Pension Lump Sum	4,000 7,000	1,000 1,000

Senior Councillors – Previous Administration (Continued)

Senior Councillor	Responsibility	In-year employers pension contributions (see note below)			Accrued Pension Benefits	
		For year to 31/03/2013 £	For year to 31/03/2012 £		As at 31/03/2013 £	Difference from March 2012 £
John Beare *	Strategic Chair : Planning (to 2 nd May 2012)	626	4,711	Pension Lump Sum	2,000 2,000	0 0
Gerald McMullan	Strategic Chair : Licensing & Regulation (to 2 nd May 2012)	626	4,711	Pension Lump Sum	2,000 1,000	0 0
Andrew Rodger **	Chair : Licensing Board (to 2 nd May 2012)	565	4,252	Pension Lump Sum	6,000 13,000	2,000 2,000
Alice Soper	Chair : Kirkcaldy Area (to 2 nd May 2012)	0	0	Pension Lump Sum	0 0	0 0
William Rosiejak	Chair : City of Dunfermline Area (to 2 nd May 2012)	565	4,252	Pension Lump Sum	2,000 2,000	0 0
Fiona Grant	Chair : Glenrothes Area (to 2 nd May 2012)	565	4,252	Pension Lump Sum	2,000 1,000	0 0
William Clarke *	Chair : Cowdenbeath Area (to 2 nd May 2012)	0	0	Pension Lump Sum	0 0	0 0
Alice McGarry	Chair : South West Fife Area (to 2 nd May 2012)	565	4,252	Pension Lump Sum	2,000 2,000	0 0
David Alexander	Chair : Levenmouth Area (to 2 nd May 2012)	0	0	Pension Lump Sum	0 0	0 0
Andrew Arbuckle	Chair : North East Fife Area (to 2 nd May 2012)	0	4,252	Pension Lump Sum	2,000 2,000	0 0
Total		9,296	74,991	Pension Lump Sum	49,000 72,000	4,000 3,000

Current Administration

Senior Councillor	Responsibility	In-year employers pension contributions (see note below)			Accrued Pension Benefits	
		For year to 31/03/2013 £	For year to 31/03/2012 £		As at 31/03/2013 £	Difference from March 2012 £
Alexander Rowley *	Leader of Council (from 17 th May 2012)	1,162	0	Pension Lump Sum		
Jim Leishman	Provost (from 17 th May 2012)	4,729	0	Pension Lump Sum	0 0	0 0
David Ross	Depute Leader (from 17 th May 2012)	0	0	Pension Lump Sum	0 0	0 0
Kay Morrison	Depute Provost (from 17 th May 2012)	3,716	0	Pension Lump Sum	2,000 1,000	1,000 0
Peter Grant *	Leader of Opposition (from 17 th May 2012)	3,716	0	Pension Lump Sum		
Neil Crooks *	Fire Transition Committee Chair (from 24 th May 2012)	3,630	0	Pension Lump Sum		
Gavin Yates	Police Transition Committee Chair (from 24 th May 2012)	3,630	0	Pension Lump Sum	0 0	0 0
Robert Rumney	Senior Councillor (from 24 th May 2012)	0	0	Pension Lump Sum	0 0	0 0
William Kay	Senior Councillor (from 24 th May 2012)	0	0	Pension Lump Sum		
Robert Clelland	Senior Councillor (from 24 th May 2012)	3,630	0	Pension Lump Sum	2,000 1,000	1,000 0
Kay Carrington	Senior Councillor (from 24 th May 2012 to 20 th February 2013)	3,339	0	Pension Lump Sum	2,000 1,000	0 0
Lesley Laird	Senior Councillor (from 21 st February 2013)	291	0	Pension Lump Sum	0 0	0 0
John Beare *	Senior Councillor (from 24 th May 2012)	3,630	0	Pension Lump Sum		
William Clarke *	Senior Councillor (from 24 th May 2012)	0	0	Pension Lump Sum		
Bryan Poole	Senior Councillor (from 24 th May 2012)	0	0	Pension Lump Sum	0 0	0 0
David Dempsey	Senior Councillor (from 24 th May 2012)	3,630	0	Pension Lump Sum	2,000 1,000	1,000 0

Senior Councillors – Current Administration (Continued)

Senior Councillor	Responsibility	In-year employers pension contributions (see note below)			Accrued Pension Benefits	
		For year to 31/03/2013 £	For year to 31/03/2012 £		As at 31/03/2013 £	Difference from March 2012 £
Judy Hamilton **	Senior Councillor (from 24 th May 2012)	3,630	0	Pension Lump Sum	2,000 3,000	0 0
Linda Erskine	Senior Councillor (from 24 th May 2012)	3,630	0	Pension Lump Sum	0 0	0 0
Thomas Adams **	Senior Councillor (from 24 th May 2012)	3,630	0	Pension Lump Sum	2,000 3,000	0 0
Robert Young	Senior Councillor (from 24 th May 2012)	3,630	0	Pension Lump Sum	0 0	0 0
Susan Leslie	Senior Councillor (from 24 th May 2012)	3,630	0	Pension Lump Sum	2,000 1,000	1,000 0
Frances Melville *	Senior Councillor (from 24 th May 2012)	3,630	0	Pension Lump Sum		
Pat Callaghan	Senior Councillor (from 24 th May 2012)	3,630	0	Pension Lump Sum	0 0	0 0
Charles Haffey **	Fire Transition Committee Vice-Chair (from 24 th May 2012)	2,723	0	Pension Lump Sum	6,000 15,000	0 0
William Ferguson	Police Transition Committee Vice-Chair (from 24 th May 2012)	0	0	Pension Lump Sum	0 0	0 0
Total		63,236	0	Pension Lump Sum	20,000 26,000	4,000 0

The Local Government Pension Scheme is a funded scheme with contributions from both the employer and the employee (see section 5 for details) and as such the accrued benefits includes both of these contributions.

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their service as a councillor with Fife Council and any appropriate transfers into the scheme.

* – As Fife Council has had a change of Administration during 2012-13 the comparison to 2011-12 has been prepared on the previous Administration senior councillors, however some of these councillors are also senior councillors in the current Administration.

** – In these cases the accrued pension benefits include transfers from previous employers outwith local government or personal pension plans. The additional accrued pension benefits are as follows:-

- Cllr Frances Melville - pension £7,000 and lump sum £21,000. No pension difference from March 2012 and lump sum difference from March 2012 £1,000.
- Cllr George Kay - pension £3,000 and lump sum £9,000. No pension or lump sum differences from March 2012.
- Cllr Neil Crooks - pension £2,000 and lump sum £6,000. No pension difference from March 2012 and lump sum difference from March 2012 £1,000.
- Cllr Andrew Rodger - pension £4,000 and lump sum £11,000. No Pension or Lump Sum differences from March 2012.
- Cllr Judy Hamilton - pension £1,000 and lump sum £2,000. No Pension or Lump Sum differences from March 2012.
- Cllr Thomas Adams - pension £1,000 and lump sum £2,000. No Pension or Lump Sum differences from March 2012.
- Cllr Charles Haffey - pension £5,000 and lump sum £14,000. No Pension or Lump Sum differences from March 2012.

For the pensions transferred in from other schemes these are fully funded and consequently there are no additional cost implications for the Local Government Pension Scheme.

Note 1 – In 2012-13 Fife and Forth Valley Community Justice was recharged £773 for Cllr Kennedy employers pension contributions and Fife Estuary Transport Authority was recharged £675 for Cllr Martin employers pension contributions.

Senior Employees – Table 9

The pension entitlements for Senior Employees, for the year to 31 March 2013 are shown in the table below, together with the contribution made by the council to each Senior Employees' pension during the year.

Senior Employee	Post	In-year employers pension contributions (see note below)			Accrued Pension Benefits	
		For year to 31/03/2013 £	For year to 31/03/2012 £		As at 31/03/2013 £	Difference from March 2012 £
Ronald Hinds	Chief Executive	29,907	33,969	Pension Lump Sum	60,000 148,000	3,000 0
Kenneth Greer *	Executive Director Education	22,244	21,243	Pension Lump Sum	55,000 141,000	2,000 0
Stephen Moore *	Executive Director Social Work	22,244	21,243	Pension Lump Sum	47,000 120,000	1,000 0
Steven Grimmond *	Executive Director Housing & Communities (to 15 th March 2012) and Executive Director Environment, Enterprise & Communities (from 16 th March 2012)	22,244	21,243	Pension Lump Sum	40,000 99,000	1,000 0
Stuart Nichol	Executive Director Environment & Development (to 31 st March 2012)	0	46,315	Pension Lump Sum		
Brian Livingston	Executive Director Finance & Resources	22,244	21,243	Pension Lump Sum	53,000 137,000	2,000 0
Michael Enston	Executive Director Corporate Services	22,244	21,243	Pension Lump Sum	42,000 103,000	2,000 0
Bruce Clark	Assessor (to 30 th January 2013)	17,404	18,954	Pension Lump Sum	52,000 136,000	2,000 0
Heather Honeyman	Assessor (from 31 st January 2013)	2,147	0	Pension Lump Sum	18,000 43,000	3,000 5,000
Norma Graham	Chief Constable (to 20 th August 2012)	13,059	31,273	Pension Lump Sum	85,000 0	0 0
Andrew Barker	Chief Constable (from 21 st August 2012) and Deputy Chief Constable (to 20 th August 2012)	29,408	26,806	Pension Lump Sum	80,000 0	7,000 0
Tom Ewing	Deputy Chief Constable (from 21 st August 2012) and Assistant Chief Constable (to 20 th August 2012)	25,325	22,850	Pension Lump Sum	67,000 0	8,000 0
Neil McFarlane	Chief Fire Officer	22,480	22,480	Pension Lump Sum	69,000 0	2,000 0
Total		250,950	308,862	Pension Lump Sum	668,000 927,000	33,000 5,000

The Local Government Pension Scheme is a funded scheme with contributions from both the employer and the employee (see section 5 for details) and as such the accrued benefits includes both of these contributions.

On 31st March 2012, Stuart Nichol, the Executive Director of Environment and Development retired. The employer's contributions for Mr Nichol include pension strain costs of £24,255.

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service, including any service with a council subsidiary body, and not just their current appointment.

The pension contributions and accrued pension benefits for Ronnie Hinds, Chief Executive, include contributions and benefits relating to his role as Returning Officer. The figures are as follows; Employers Contributions to 31 March 2013 nil, Employers Contributions to 31 March 2012 £5,408, Accrued Pension Benefits as at 31 March 2013 £1,000 and Lump Sum £1,000.

In 2012-13, the employer's pension contribution for Joyce Duncan, Chief Executive of Business Gateway Fife was £5,373 (2011-12 £10,582). Business Gateway Fife employees are members of a defined contribution pension scheme therefore disclosure of pension benefits accrued in year is not possible.

Councillor Alex Rowley
Leader of the Council
30 September 2013

Steve Grimmond
Chief Executive
30 September 2013

Brian Livingston MBA CPFA
Executive Director Finance and Resources
30 September 2013

Independent auditor's report to the members of Fife Council and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Fife Council and its group for the year ended 31 March 2013 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash Flow Statements, the authority-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Non-domestic Rate Account, the Council Tax Income Account, the Common Good Fund Statements and the Charities and Trust Fund Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the 2012/13 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Executive Director Finance and Resources and auditor

As explained more fully in the Statement of Responsibilities, the Executive Director Finance and Resources is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director Finance and Resources; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2012/13 Code of the state of the affairs of the group and of the body as at 31 March 2013 and of the income and expenditure of the group and the body for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2012/13 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Foreword by Executive Director Finance and Resources for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

Gillian Woolman MA FCA
Assistant Director
Audit Scotland
18 George Street
EDINBURGH
EH2 2Q

30 September 2013

