



Annual Accounts 2016-17



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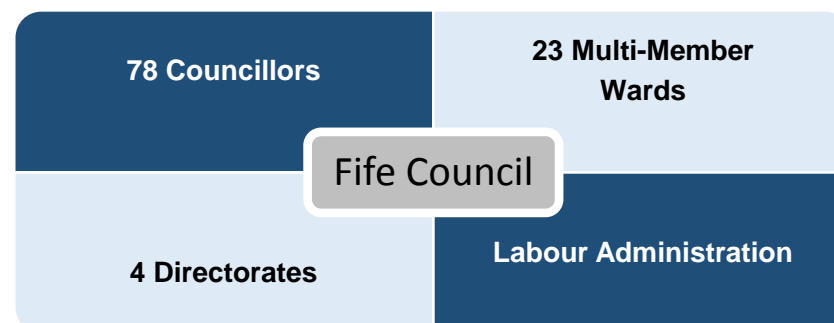
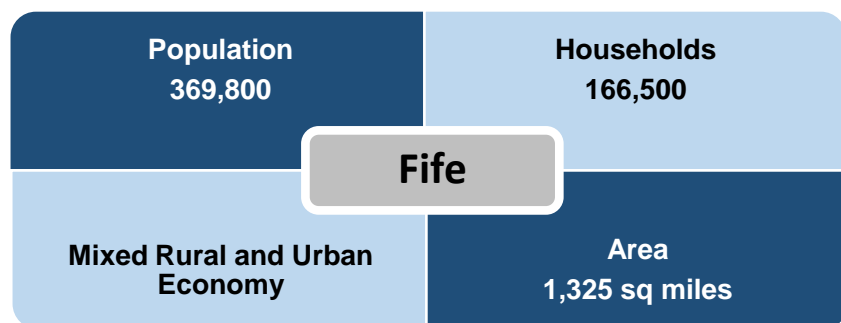
Welcome to the Annual Accounts for Fife Council and its group for the year ended 31 March 2017. The statements have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 (the Code). This commentary outlines the key messages regarding the financial performance of the Council over the 2016-17 financial year as well as providing an indication of risks and issues which may impact upon the Council in the future. The management commentary is structured as follows:-

1. Profile of Fife Council
2. Finance and Performance
3. Our Plans for the Future
4. Acknowledgements

1. Profile of Fife Council

Fife is Scotland's third largest local authority area by population. It has a resident population of just under 367,000, almost a third of whom live in the three principal towns of Dunfermline, Kirkcaldy and Glenrothes.

Fife has many rural and urban settlements, therefore population distribution has implications for the costs of providing services.



Fife Council was constituted under the Local Government (Scotland) Act 1994 and became the 3rd largest unitary authority in Scotland in April 1996. The Council brought together the work of the previous regional council and 3 district councils.

The Scheme of Administration sets out the operation of the Council. Prior to the local government elections held in May 2017, the Council's decision making was delivered through an Executive Committee decision making model. Decisions of the Executive Committee could have been called-in and reviewed by the Council's two Scrutiny Committees, Education, Health & Social Care Scrutiny Committee and Environment, Finance & Communities Scrutiny Committee.

Following the local government elections held in May 2017, Fife Council will have 75 Councillors and will be run as joint leadership with power shared equally between the SNP and Labour Groups. In terms of governance arrangements the Council will move away from the Executive Committee model, instead there will be strategic decision making committees.

The Council provides a range of essential public services throughout Fife. The Council is structured into 4 main Directorates and is led by the Chief Executive, Steve Grimmond who is responsible for ensuring the Council delivers high quality services to Fife residents.



Health and Social Care Services

From 01 April 2016, the Fife Integration Joint Board is responsible for the planning and operational oversight of Integrated Services, and through the Chief Officer, known as the Director of Health and Social Care, will be responsible for the operational management of those services delegated and managed by the Fife Integration Joint Board. Fife is one of the largest Health and Social Care Partnerships in Scotland with a budget of approximately £495m and acute set aside budget of £34m. The Fife Integration Joint Board has been disclosed as a Joint Venture within these financial statements.

Strategic Direction

Our Vision:

“to strengthen Fife’s future to make Fife a great place to live, work, visit and invest”

Our Plan:

The Fife Council Plan sets out Fife Council's direction for policy and their commitment to reform over the term of the Plan.

Fife Council's challenge is to meet the growing needs and demands being made on our services with an ever reducing budget. In order to meet this challenge by 2017, the Council have set five aims:

- **Growing a vibrant economy**
- **Increasing opportunities and reducing poverty and inequality**
- **Improving quality of life in local communities**
- **Promoting a sustainable society**
- **Reforming Fife's public services**

These aims put customers first and will be achieved by having everyone work together to meet 20 outcomes spread across all council services. These will be reinforced by reforming how we deliver all public services.

The Council Plan 2017 draws on the framework and the outcomes laid down in [Fife's Community Plan 2020](#) and the Single Outcome Agreement which strengthens Fife's future by bringing organisations together to benefit Fife's communities. The Council Plan includes clear performance objectives with known benchmarks and measureable outcomes. These influence the annual performance review of progress and performance which will then be presented to the Policy and Co-ordination Committee.

2. Finance and Performance

Performance Reporting

Under the Local Government in Scotland Act 2003, Fife Council has a statutory duty to deliver Best Value. Public Performance Reporting (PPR) is an essential component of Best Value and has a strategic approach in the way it reports performance to the public. A portfolio managed approach has been employed to report on the Council's performance against the Council's Corporate Priorities. This information is used internally to ensure sound governance and management, and a variety of performance reports are available to the public via the council website www.fife.gov.uk/performance.

Reporting of Financial Performance, which consists of monitoring reports on Revenue and Capital expenditure and provides a projection of the level of reserves held by the Council, was presented on a quarterly basis to the Executive Committee of the Council.

“Telling the Story”

These financial statements incorporate the “Telling the Story” presentational changes included in the 2016-17 Local Authority Code of Practice (the code), and include a new statement the Expenditure and Funding Analysis (EFA) and associated note. The EFA provides a link between the revenue budget monitoring reports presented to committee and the figures in the main financial statements.

Financial Performance

The budget for 2016-17 was approved by the Council on 25th February 2016. Constraints on public expenditure continues to result in difficult and challenging times for Fife Council. However against the backdrop of reducing resources and increased pressures on expenditure, the Council continues to utilise its available resources and deliver services.

The Council faced significant financial challenges within 2016-17 with a reduction in grant after new burdens in real terms, rising demand along with the complexity of services and the settlement of substantial equal pay claims. The Council responded well in both terms of underspending on the revenue budget and delivering a high number of capital projects. The level of general fund balances that the Council held fell from £58m to £57m by March 2017. However once all commitments are taken into account, the level of uncommitted balances is expected to be £32.2m. The reduction was due to a number of items being funded from balances including budget carry forward, previously agreed temporary investment, equal pay, the funding strategies agreed for both Children and Families and Health and Social care offset by underspends which contributed to balances. Work has been advanced within the year to create a financial risk register in order that there is a greater collective understanding of the risks facing the Council and the mitigating action being taken to minimise the financial impact.

The financial challenges facing the Health and Social Care Partnership have been significant within the first year of operation. The partnership overspent by £9.3m within 2016-17 and the Council through the risk share agreement met £2.6m of the over spend. There are opportunities and risks as we move into the second year of the partnership and it is important that a whole system approach is advanced to redesign service delivery across the partnership and operate within the agreed budget. The following tables, graphs and charts detail the financial position further.

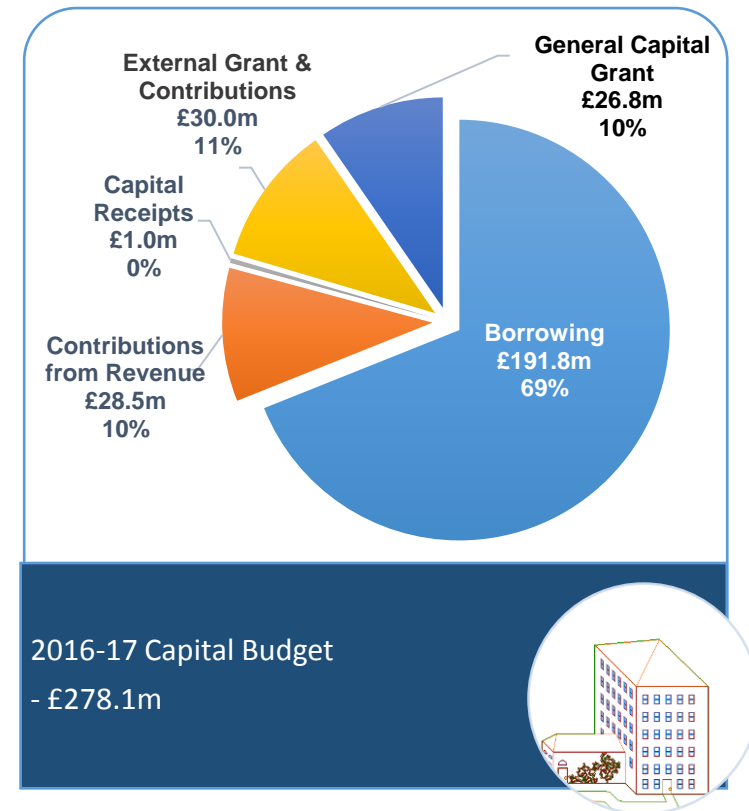
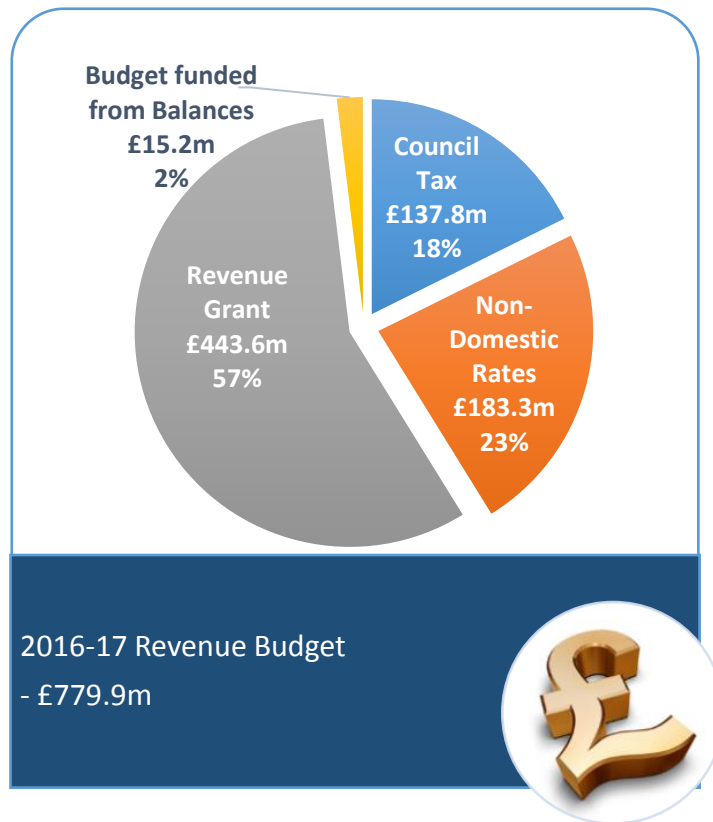
Key Performance Indicators

The following table provides indicators which assess the financial performance of the Council over the financial year and of the affordability of its ongoing commitments.

Financial Indicator	2016-17	2015-16	Commentary
Reserves			
Uncommitted General Fund reserve as a proportion of Annual Budgeted Net Expenditure	4.13%	3.00%	Reflects the level of funding available to manage financial/unplanned expenditure. The Council's policy is a minimum of 2% of annual turnover which is considered appropriate in the context of the Council's financial and ongoing risk profile.
Movement in the Uncommitted General Fund Balance	£7.4m	(£7.5m)	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve.
Council Tax			
In-year Collection Rate	95.80%	95.70%	Reflects the Council's effectiveness in collection Council Tax debt and financial management. This level is consistent with the last 3 financial years.
Ratio of Council Tax Income to Overall Level of Funding	18.24%	17.38%	Reflects the Council's capacity to vary expenditure by raising Council Tax income, the only principal source of finance within the Local Authority Control. Fife Council, in common with all Scottish Local Authorities, has frozen Council tax bills at 2007-08 levels.
Financial Management			
Actual Outturn Compared to Budgeted Expenditure	-1.69%	-1.96%	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. The indicator is based on the format of budget monitoring as reported throughout the year.
Actual Contribution to/from Unallocated General Fund Balance compared to Budget	£13.2m	£16.3m	
Debt/Long-term Borrowing			
Capital Financing Requirement (CFR) for the Current Year	£1,090.2m	£984.3m	External debt levels are less than the CFR. This demonstrates that borrowing is for capital investment purposes.
External Debt Levels for the Current Year	£1,055.1m	£909.2m	
Ratio of Financing Costs to Net Revenue Stream	8.87%	8.15%	These two rations complement the assurances of borrowing only being for capital purposes with an indication in the Council's ability to service the borrowing costs.
General Fund HRA	18.48%	16.12%	
Impact of Council Investment on Council Tax	(£54.47)	(£20.15)	

Financial Resources Available

The financial resources of the Council are categorised into Revenue and Capital Expenditure. Expenditure on day to day costs associated with providing Council services is Revenue, whereas spending on assets that have a useful value to the Council over multiple years is referred to as Capital. The financing of Revenue and Capital Expenditure come from different sources:-

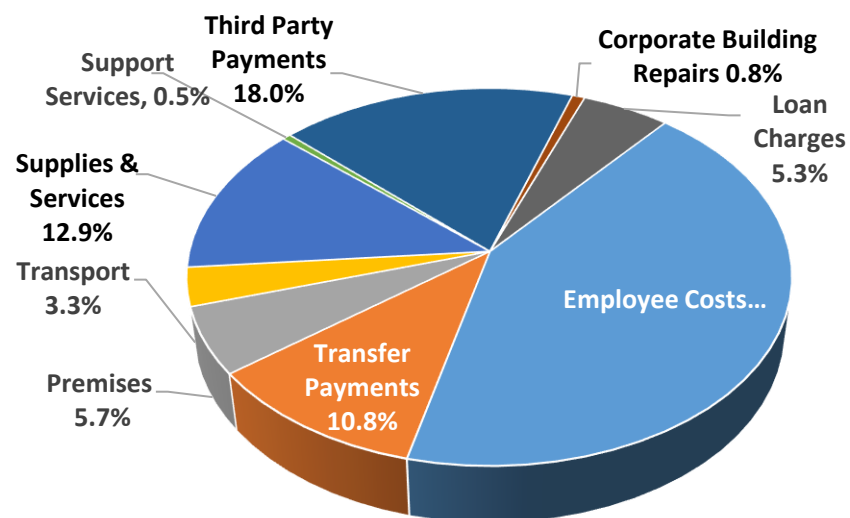
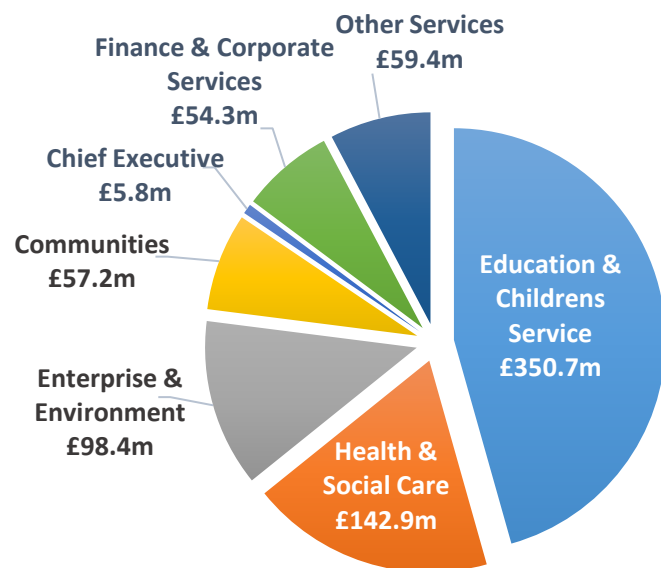


Financial Position as at 31 March 2017

The approved budget was subject to a number of amendments during the year as additional grant was received from the Scottish Government. The final Revenue Budget 2016-17 Financial Monitoring Report will be presented to the Policy and Co-ordination on 6th July 2017.

Revenue Expenditure

Total Revenue Expenditure for 2016-17 was £768.7m and is analysed as follows:-



Revenue Outturn

The General Fund Revenue Outturn reported to the Policy and Co-ordination Committee which is slightly different to the EFA as a result of the accounting treatment of Second Homes Council Tax (£0.765m) is as follows:

	Annual Estimate £m	Outturn £m	Variance £m
General Fund Services	714.101	709.364	(4.737)
Loan Charges	72.141	65.922	(6.219)
Recoveries	(6.500)	(6.506)	(0.006)
Contingencies	0.160	0.000	(0.160)
Total Expenditure	779.902	768.780	(11.122)
General Revenue Grant	(443.581)	(443.581)	0.000
Non Domestic Rates	(183.331)	(183.331)	0.000
Council Tax Income	(137.803)	(139.838)	(2.035)
Budgets Funded from Balances	(15.187)	(15.187)	0.000
Total Income	(779.902)	(781.937)	(2.035)
Contribution (to)/from balances	0.000	(13.157)	(13.157)

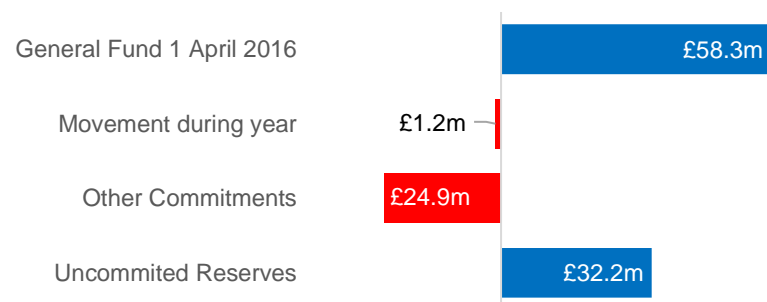
The main variances from budget are as follows:-

- The underspends within General Fund Services – Educational Services DSM £2.5m, Corporate & Democratic Core £2.4m, Housing Benefits £2.0m. These are offset by an overspend on Health and Social Care, £2.6m
- Loan Charges associated with the council's debt portfolio were underspent by £6.2m due to capital expenditure being lower than anticipated coupled with favourable borrowing interest rates.
- The actual level of Council Tax Income received was £139.8m, which is £2.0m greater than target as a result of additional income in relation to empty properties, new house builds and increased government grant in relation to Council Tax Reduction Scheme.

Reserves

Whilst the increase in balances is more favourable than planned, reserves will remain under pressure given the potential costs of future workforce change, financial uncertainties and other pressures.

Analysis of Movement of General Fund



The Council has £24.9m balances committed for specific purposes. Details are provided in note 6 of the Financial Statements.

Housing Revenue Account

There is a statutory requirement for Local Authorities to maintain a Housing Revenue Account (HRA) separate from the General Fund. All expenditure incurred and income received in the provision of rented accommodation must be included in the HRA.

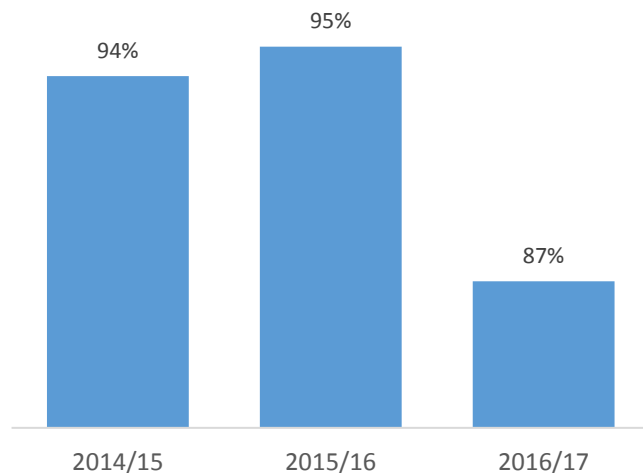
The Council is not allowed to subsidise the HRA by making contributions from the General Fund. Accordingly, the HRA must break even in its own right. The bulk of income to the HRA is derived from rents, and this must be sufficient to cover the expenditure on the HRA.

The HRA has achieved a break even position. This reflects a year of normal activity with HRA. HRA Balances therefore remain at £2.0m. Details of the financial position for 2016-17 are included within these financial statements.

Delivery of Savings

Overall, savings of £38.9m were identified to be delivered during 2016-17 of which £33.9m (87%) of target savings was delivered in full. Regular Revenue Monitoring reports presented to Executive Committee tracked the delivery of these savings targets against the financial proposals.

% of Savings Delivered as Planned



Where there is a shortfall in savings achieved against target, services are required to identify and implement alternative savings. It is acknowledged that continued effort is required to further improve this performance during financial year 2017-18 and beyond.

Capital Expenditure

Total Capital Expenditure for 2016-17 was £192.0m, demonstrating a variance of £86.3m (31.0%) against budget. Comparable expenditure for the previous 3 years was £204.9m (2015-16), £156.4m (2014-15) and £155.6m (2013-14). Expenditure variances exist within all Directorates, the most significant in Housing HRA (£34.6m). Underspends are carried forward to the later years of the plan and the full detail of material variances is reported to the relevant services scrutiny committees. In addition to 2016-17 direct expenditure the council acquired Levenmouth Academy via the Hub model at a cost of £42m, taking total capital expenditure to £234m.

The Council continues to make significant investment in schools, transportation and housing projects. The major elements of expenditure are analysed as follows:

Project Spend 2016-17	£m
Affordable Housing Programme	70.391
Scottish Housing Quality Standards	31.627
Building Fife's Future Programme	19.569
Roads Infrastructure	8.039
Libraries, Museums, Galleries & Theatres	6.326
Re-Provision of Care for Older People	6.241

Defined Benefit Pension

The Code requires the defined benefits to be valued using an approach that is common across all entities applying international financial reporting standards. Under this approach, the actuary updates technical assumptions that were established at the last triennial review and calculates the effect on future assets and liabilities. The method allows users of the accounts to compare point-in-time pension costs between organisations. The calculation is not the same as the three yearly funding valuation which takes into account the nature and financial strength of the employer and typically uses longer term assumptions. This year, in response to significant fall in the yield of investment-rated bonds, the actuary reduced the discount rate for valuing liabilities from 3.5% to 2.6%. This large change, roughly equivalent to 25% fall, was the main contributor to the near 30% increase in scheme liabilities. The estimate of inflation also moved in an unfavourable direction. An assumption that is valid at a point-in-time may not be appropriate for use over the long term. However, it is likely to be a leading indicator of funding conditions and therefore could have an effect on the funding valuation, and therefore the council's annual contributions.

Based on advice provided by Hymans Robertson, the Council's actuary, and in full compliance with the Code, the Council has reflected the appropriate accounting entries for retirement benefits within the accounts. The impact on net operating expenditure was to increase expenditure by £27.6m. In terms of the council's balance sheet the net retirement benefits liability was assessed by the actuary at £1,039.1m, this represents a movement in the liability of £338.5m. The calculation is not the same as the three yearly funding valuation which takes into account the nature and financial strength of the employer and typically uses longer term assumptions.

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.

Treasury Management

Treasury activity during the year, which included taking advantage of favourable interest rates and the application of tactical debt repayment plans, resulted in an annual saving of £6.2m. 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 at 31 March 2017 amount to £141.950m, excluding interest. The Council has a treasury management strategy which ensures that all decisions taken on treasury management give primary importance to minimising and managing any potential risk.

Detailed reports in relation to Capital investment and the Treasury Management strategy are considered at the Council's Executive Committee/Policy and Co-ordination Committee.

Going Concern

In common with other similar public bodies, the future financing of the Council and its Group's liabilities will be met by future grants and the application of future income. The approval of income for 2017-18 has already been given and there is no reason to believe that future approvals will not be forthcoming. We have accordingly considered it appropriate to adopt a going concern basis for the preparation of these financial statements.

Fife Council Group Accounts

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

Subsidiaries

- Fife Sports and Leisure Trust
- Fife Coast and Countryside Trust
- Fife Golf Trust
- Fife Cultural Trust
- Resource Efficient Solutions, Limited Liability Partnership
- Fife Resource Solutions, Limited Liability Partnership
- Business Gateway Fife

Joint Venture

- Fife Integration Joint Board

Principal Risks and Uncertainties - Our Plans for the Future

The Councils' budgets are likely to continue to reduce in real terms over the coming years placing significant financial pressure on the Council as demand for services continues to increase and the council faces inflationary pressures such as pay and pensions. It is essential as we move forward that the Council looks to the longer term, focusses on priorities and takes decisions to significantly redesign service delivery. In the past it has been possible to balance the budget through incremental change, however this will not be sufficient as we move into more challenging financial times.

Over the next few months officers will be working with newly elected members to outline the financial challenges and risks facing the Council. It is important that the scale of the challenge and options available to address future budget challenges are understood.

A long term financial plan and medium term financial strategy have been developed and these will be used to engage with members over the coming months. At the same time Directorates within the Council are currently preparing Service Change Plans covering the next 3 years within significantly reduced resource envelopes. This work links into the Enabling Change Programme which is a key enabler to ensure that the Council can become more commercial, work smarter, manage demand more effectively and advance organisational redesign. The strategy is to move away from focussing on shorter term savings initiatives and instead to focus on the redesign of services so that the Council has a sustainable financial plan.

The decision to leave the European Union and new fiscal arrangements will impact on the level of resources available at a national level. There are also opportunities to vary the level of tax raised within Scotland through devolved powers. Work is ongoing to consider how these factors and others such as the Education Governance Review will impact on the level of resources available to Councils. The level of uncertainty facing Councils is therefore increasing and it is important that there are options identified to respond to future challenges. The Council has many strengths including its talented workforce and it needs to increase the level of innovation so that services are redesigned. This will place the Council on a strong footing as it moves forward and ensure that the people of Fife receive the services that they need.

3. Acknowledgements

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

The production of these statements is very much a team effort and once again the accounts were completed by the statutory 30 June deadline. We would like to thank all employees who were involved in the preparation of the accounts, both within Finance and Corporate Services and other Directorates, for their effort in achieving this deadline.

Councillor David Alexander
Leader of the Council
28 September 2017

Councillor David Ross
Leader of the Council
28 September 2017

Steve Grimmond
Chief Executive
28 September 2017

Eileen Rowand MBA CPFA
Finance & Corporate Services
28 September 2017

1.0 Scope of responsibility

- 1.1 Fife Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Fife Council also has a duty under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised. In discharging this responsibility, elected members and senior officers are responsible for putting in place proper arrangements for the governance of Fife Council's affairs and facilitating the effective exercise of its functions which includes the management of risk.
- 1.2 In discharging this overall responsibility, Fife Council approved and adopted a Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE (Chartered Institute of Public Finance & Accountancy/Society of Local Authority Chief Executives and Senior Managers) Framework "Delivering Good Governance in Local Government". A copy of the Code is on our website at www.fifedirect.org.uk or can be obtained from Linda Bissett, Head of Democratic Services. This statement explains how Fife Council has complied with the Code.
- 1.3 Fife Council has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. Specifically, it has developed and adopted a risk management strategy for the Council.
- 1.4 A lead officer (Executive Director, Finance & Corporate Services) has been appointed to:
- oversee the implementation and monitor the operation of the Code of Corporate Governance; and
 - review the operation of the Code in practice.
- 1.5 In addition, Fife Council's 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 of Corporate Governance and the extent of compliance with it.
- 1.6 However, it should be noted that a sound system of Corporate Governance and internal control provides only reasonable, but not absolute, assurance that the Council will not be hindered in achieving its objectives or in the orderly and legitimate conduct of its business by circumstances which may reasonably be foreseen. A system of Corporate Governance and internal control cannot provide protection with certainty against an organisation failing to meet its objectives or material errors, losses, fraud, or breaches of laws or regulations.
- 1.7 This statement also covers the organisations included in the Council's Group Accounts.

2.0 Purpose of the governance framework

- 2.1 The governance framework comprises the structure, systems and processes, and culture and values by which the 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 Key elements of good corporate governance include honesty; trust and integrity; openness; performance focus; responsibility and accountability; management of risk; mutual respect; and commitment to the organisation. To that end, the system of corporate governance and internal control in Fife Council is based on a framework that includes:
- the Community Plan
 - the Council Plan
 - Codes of Conduct for councillors and employees
 - Member/Officer Protocols
 - 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 Plans and Policies
 - as appropriate, formal programme and project management disciplines.
- 2.3 Audit and Risk Management Services provides the internal audit for Fife Council and operates in accordance with the Public Sector Internal Audit Standards. The Service undertakes an annual programme of work approved by the Standards and Audit Committee based on a five year strategic audit plan. The strategic audit plan is based on a formal risk assessment process and is amended on an ongoing basis to reflect evolving risks and changes within the Council. A review of the effectiveness of the Standards & Audit Committee is undertaken annually and the Audit and Risk Management Services Manager also provides an assurance statement to the Chief Executive and the Executive Director (Finance & Corporate Services).
- 2.4 All internal audit reports are issued to the appropriate Executive Director and Head of Service and copied to the Chair of the Standards and Audit Committee, the Chair of the appropriate committee or the Executive Portfolio Holder, the Executive Director (Finance & Corporate Services), other relevant Executive Directors and Heads of Service and the External Auditor. Summaries of all audit reports are provided to the Standards and Audit Committee for their scrutiny and full copies of all reports are available to committee members on request. Where necessary, the Standards and Audit Committee can seek further reports from the appropriate Executive Director or Head of Service.

3.0 Review of effectiveness

- 3.1 Fife Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review of effectiveness is informed by:
- the work of the executive directors and managers within the authority who have responsibility for the development and maintenance of the governance environment which they report on through their annual assurance statements; a separate Trust Assurance Framework has been in place since 2012-13;
 - the Audit & Risk Management Services Manager's annual assurance statement. In this regard, the most recent assurance statement concludes that a medium/high level of control exists and that reasonable assurance can be placed on the adequacy and effectiveness of the Council's system of Corporate Governance and internal control system in the year to 31 March 2017. This is the same level of control rating as in the 2015/16 statement;
 - comments made by the external auditors and other review agencies and inspectorates;
 - feedback from elected members and committees carrying out their scrutiny role;
 - issues considered by the Standards & Audit Committee; and
 - the review of various forms of customer and stakeholder feedback.
- 3.2 The 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.
- 3.3 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 Executive Team and elected members through various committees. The Council has 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.
- 3.4 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, a Corporate Workforce Plan 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.
- 3.5 Fife will be subject to the new Best Value audit as part of Audit Scotland's Year 2 programme (between Oct 2017 and Sept 2018). The new approach to Best Value audits promotes a more continuous assessment and, as part of the Council's overall approach to continuous assessment, the Council Executive Team is currently considering proposals for a streamlined approach to the reintroduction of facilitated self-assessments using the Fife Excellence Model (FEM) / Public Sector Improvement Framework (PSIF).
- 3.6 We have been advised on the result of the review of the effectiveness of the governance framework by the processes and procedures outlined in Para. 3.1 above and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 3.7 We are also clear that the Council's financial management arrangements conform to the governance requirements of the Chartered Institute of Public Finance and Accountancy's Statement on the Role of the Chief Financial Officer in Local Government (2010).

4.0 Significant Governance Issues

- 4.1 Local Government in general continues to face ongoing significant financial challenges and Fife Council is no exception. A proposed funding strategy for future years is in place along with an “Enabling Change” programme which will enable the Council to lead change in a more joined-up way. Initiatives complementary to the programme include the development of individual Service Change Plans and the completion of an Activity Analysis across the Council to provide solid data which will assist with our future transformational planning.
- 4.2 In anticipation of the Scottish Council Elections in May, 2017, work was undertaken to re-establish the Elected Member Development Focus Group with a view to developing a programme of induction for councillors elected to Fife Council, both new and returning. Delivery of the Programme is well-underway and will run from May – December 2017 with an opportunity for review during the autumn. Opportunities are also being taken to strengthen the level of support currently provided to councillors. The issues arising from the 2015/16 Audit of Governance & Accountability report in relation to aspects of the Council’s decision-making structure and key governance documents will be addressed as part of the implementation of the new Council governance arrangements.
- 4.3 The table below shows progress on significant governance issues highlighted in the 2015/16 Corporate Governance Statement.

Issue	Progress
<p>Review of Governance/Decision-Making In 2012, the Council introduced an executive model of decision-making and agreed to continue to review the efficiency and effectiveness of the new arrangements.</p>	<p>The regular review of the effectiveness of the executive model of decision-making concluded with changes to the revised format for Council meetings. However, following the Scottish Local Government Elections in May 2017, the Council agreed to revert to a committee model of decision-making in order to deliver the agreed Programme for Administration. This model will continue to be the subject of review as regards its efficiency and effectiveness with reports submitted to the Council as appropriate.</p>
<p>Shared Support Services (3S) The basic building blocks for the Shared Support Services (3S) initiative, which led to the implementation of a new Council-wide approach to the provision of support services, had been established and the programme brought to a close. This saw the consolidation of support service functions and staff into a new support services operating model under corporate professional lead services. Work had started on an in depth review and refresh of all core business processes, making use of the available technology platform and digitising work wherever appropriate and possible.</p>	<p>This initiative, which brought together similar back-office functions, has moved from programme status to business as usual. Work continues to identify and implement process efficiencies in light of reduced resources. As part of the closure of the programme, revised governance arrangements surrounding the savings targets have been agreed with the 3S governance board being stepped down and the 3S business targets will now be reported to the new Enabling Change Board and the Finance & Corporate Services Directorate Leadership Team to ensure the full benefits are realised.</p>
<p>Health and Social Care Integration The Health and Social Care Integration Joint Board (IJB) for Fife was established as a devolved Public Body on 3rd October 2015. A programme of regular meetings was put in place; its Strategic Plan for 2016 to 2019 was approved; an indicative integrated budget for Fife was agreed in March 2016; all key governance arrangements were put in place; and a joint internal audit (Fife Council and NHS Fife) report providing financial assurance was presented to the IJB in August 2016.</p>	<p>A further audit has been carried out to assess if the Integration Joint Board has implemented appropriate governance arrangements. The audit concluded that good progress has been made in agreeing and documenting an appropriate governance structure.</p> <p>It is proposed that a further governance review will be undertaken to ensure clarity of roles and responsibilities, including fraud oversight, of the IJB, Fife Health Board and the Council.</p>

5.0 Conclusions

- 5.1 In conclusion, our corporate governance framework continues to evolve. The Corporate Governance framework comprises 120 statements that Services are asked to consider. Services are asked to report the current status of these statements, provide evidence of compliance and identify areas for improvement. Eight submissions, covering all Services, were submitted. Services report that there is full compliance with 97% of the statements while some still identify some areas for further improvement. This high level of compliance has been sustained since 2014. The level of compliance in previous years has been recalculated to ensure consistency of methodology. The comparable figures for 2016, 2015 and 2014 are 98%, 97% and 96% respectively.

Both Health & Social Care and Education & Children's Services report 100% compliance. The individual Service figures are not always directly comparable given the changes in Council structures that have occurred and are still ongoing. However it does provide evidence that Governance arrangements are robust and largely in compliance.

A number of conclusions emerge from the identified areas for improvement and the comments provided:

- Services are compliant with the corporate governance framework
- Only two of eight services are fully compliant
- There are only three management criteria where more than one Directorate reported that they are still "working towards". The three criteria are concerned with risk management; employee personal development plans; and knowledge sharing
- In every case where a Service is not fully compliant they are "working towards" and able to identify the steps being taken to address these areas

- 5.2 We are satisfied that the actions highlighted in this Statement reflect the Council's commitment to continuous improvement and will further enhance our corporate governance and internal control arrangements.

Councillor David Ross
Co-Leader of the Council
28 September 2017

Councillor David Alexander
Co-Leader of the Council
28 September 2017

Steve Grimmond
Chief Executive
28 September 2017

1. The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No 2011/64) amended the Local Authority Accounts (Scotland) Regulations 1985 (SI No 1985/267) and required local authorities in Scotland to prepare a Remuneration Report as part of their annual accounts. All information disclosed in the tables 1 to 14 contained within this Remuneration Report will be audited by Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Remuneration Arrangements

2. Senior Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183), and The Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2016 (SSI 2016/6). The Regulations provide for differing levels of remuneration for councillors depending on the positions they hold i.e. the Council Leader, the Civic Head (Provost), Senior Councillors or Councillors. The Council Leader and the Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

The salary that is to be paid to the Council Leader is set out in the Regulations. For 2016-17 the maximum salary for the Fife Council Leader is £39,418. 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 Council Leader.

The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a senior councillor is 75% of the total yearly amount payable to the Council Leader. The total yearly amount payable by the Council for remuneration of all of its senior councillors shall not exceed £441,337. 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.

In 2016-17, Fife Council had 19 senior councillors, excluding the Council Leader and Provost. The remuneration paid to these senior councillors during 2016-17 totalled £438,463. 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 Council Leader, Provost and Senior Councillors was agreed at a meeting of the full Council on 24 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 Authority. The Regulations require the remuneration to be paid by the Council of which the Convenor or Vice Convenor is a member. The Council is also required to pay any pension contributions arising from the Convenor or Vice Convenor being a member of the Local Government Pension Scheme. The Council is reimbursed by the Joint Authority for any additional remuneration paid to the member from being a Convenor or Vice Convenor of a Joint Authority.

3. Senior Employees

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/148 sets the amount of salary for the Chief Executive of Fife Council for the period 1 April 2015 to 31 March 2017.

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 on behalf of COSLA (the Convention of Scottish Local Authorities). The Fife Council review took market forces, salaries in comparable authorities and reductions in overall Chief Official numbers into consideration. 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. Roles and salaries will be endorsed by committee when a revised structure is proposed. Appointment is subject to a recruitment process unless there is a legal obligation to redeploy.

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

4. Remuneration

Senior Councillors - Table 1

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

Senior Councillors	Responsibility	Salary, fees & Allowances	2016-17 Taxable Expenses	Total Remuneration	2015-16 Total Remuneration
		£	£	£	£
David Ross	Leader of Council	39,289	0	39,289	38,903
Jim Leishman	Provost	29,468	0	29,468	29,178
Kay Morrison	Depute Provost	23,152	0	23,152	22,924
Peter Grant	Leader of Opposition (to 10th May 2015)	0	0	0	3,430
Brian Goodall	Leader of Opposition (from 11th May 2015 to 15th February 2017)	20,123	0	20,123	19,407
Neale Harvey	Leader of Opposition (from 16th February 2017) (full year equivalent £23,152)	1,426	0	1,426	0
Lesley Laird	Depute Leader	23,152	0	23,152	22,924
Tom Adams	Chair: Local Area Committee - Levenmouth	23,152	0	23,152	22,924
John Beare	Chair: Standards & Audit Committee	23,152	0	23,152	22,924
Bill Brown	Chair: Local Area Committee - Glenrothes (from 7th October 2015)	23,152	249	23,401	10,033
Pat Callaghan	Executive Member with portfolio responsibility for Environmental & Transportation (to 15th September 2016)	11,926	0	11,926	22,924
William Clarke	Chair: Local Area Committee - Cowdenbeath (to 28th June 2016)	7,115	0	7,115	22,924
Bobby Clelland	Chair: Local Area Committee - South West Fife	23,152	0	23,152	22,924
Altany Craik	Chair: Local Area Committee - Glenrothes (to 14th April 2015) and Executive Member with portfolio responsibility for Finance & Corporate Services (from 21st May 2015)	23,152	0	23,152	20,631
Neil Crooks	Chair: Local Area Committee - Kirkcaldy	23,152	0	23,152	22,924
Dave Dempsey	Chair: Environment, Finance & Corporate Services Scrutiny Committee	23,152	0	23,152	23,020
Linda Erskine	Executive Member with portfolio responsibility for Finance & Corporate Services (to 20th May 2015) and Executive Member with portfolio responsibility for Community Health & Wellbeing (from 19th December 2015)	23,152	0	23,152	9,516
Fiona Grant	Chair: Local Area Committee - Glenrothes (from 15th April 2015 to 6th October 2015)	0	0	0	11,026
Judy Hamilton	Executive Member with portfolio responsibility for Housing & Building Services	23,152	0	23,152	22,924
Mark Hood	Chair: Local Area Committee - Cowdenbeath (from 29th June 2016) (full year equivalent £23,152)	16,215	0	16,215	0
Helen Law	Chair: Local Area Committee - City of Dunfermline	23,152	0	23,152	22,924
Susan Leslie	Chair: Education, Health & Social Care Scrutiny Committees	23,152	0	23,152	22,924
Frances Melville	Chair: Local Area Committee - North East Fife	23,152	183	23,335	23,114
Bryan Poole	Executive Member with portfolio responsibility for Education, Children, Young People & Families	23,152	0	23,152	22,924

Senior Councillors - continued

Senior Councillors	Responsibility	Salary, fees & Allowances £	2016-17 Taxable Expenses £	Total Remuneration £	2015-16 Total Remuneration £
John Wincott	Executive Member with portfolio responsibility for Environmental & Transportation (from 16th September 2016) (full year equivalent £23,152)	11,226	0	11,226	0
Gavin Yates	Executive Member with portfolio responsibility for Community Health & Wellbeing (to 18th December 2015)	0	0	0	17,632
Robert Young	Chair: Regulation & Licensing Committee	23,152	20	23,172	22,924
Total		507,220	452	507,672	503,902

Please note there has been are no taxable allowances paid this year for the table above.

Superannuation Fund and Pensions Committee Chair - Table 2

The following table provide details of the remuneration paid to Fife Council's Superannuation Fund and Pensions Committee Chair:-

Senior Councillors	Responsibility	Salary, fees & Allowances £	2016-17 Taxable Expenses £	Total Remuneration £	2015-16 Total Remuneration £
William Campbell	Chair: Superannuation Fund and Pensions Committee	16,838	0	16,838	16,673
Total		16,838	0	16,838	16,673

Please note there has been are no taxable allowances paid this year for the table above.

Members Expenses - Table 3

The following table provides details of the salaries, allowances and expenses paid to all councillors (including the senior councillors above) during 2016-17.

Type of Remuneration	2016-17 £000	2015-16 £000
Salaries	1,458	1,443
Travel and Subsistence	49	56
Training/ Conference and Meeting Expenses	7	9
Telephone and Information Technology Expenses reimbursed	1	1
Telephone and Information Technology Expenses met by Council	45	42
Cost of Provision of Council Cars met by Council	4	4
Other Expenses and Allowances	0	0
Total	1,564	1,555

The annual return of councillors' salaries and expenses for 2016-17 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 committees > find your Councillor > councillors' salaries & expenses

Senior Employees - Table 4

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

Senior Employees	Responsibility	Salary, fees & Allowances £	2016-17 Returning Officers Fees £	Total Remuneration £	2015-16 Total Remuneration £
Steve Grimmond	Chief Executive - note 1	148,610	23,508	172,118	157,512
Keith Winter	Executive Director Enterprise & Environment	116,245	0	116,245	115,077
Craig Munro	Executive Director Education & Children's Services (to 14th August 2016)	49,569	0	49,569	115,077
Shelagh Mclean	Acting Executive Director Education & Children's Services (from 15th August 2016 to 8th January 2017)	46,970	0	46,970	0
Carrie Lindsay	Executive Director Education & Children's Services (from 9th January 2017) (full year equivalent £116,755)	20,130	0 0	20,130	0
Brian Livingston	Executive Director Finance & Corporate Services (to 14th February 2016)	0	0	0	109,230
Eileen Rowand	Executive Director Finance & Corporate Services (from 15th February 2016)	116,245	0	116,245	8,858
Michael Enston	Executive Director Communities	116,245	0	116,245	115,077
Total		614,014	23,508	637,522	620,831

Please note there has been are no taxable allowances paid this year.

Note 1 – the remuneration for the Chief Executive includes payments made in respect of his role as Returning Officer (2016-17, £23,508, and 2015-16, £10,395).

Subsidiary Senior Employees - Table 5

The following table provides details of the remuneration paid to senior employees of any subsidiary bodies:-

			Salary, fees & Allowances £	2016-17 Taxable Expenses £	Total Remuneration £	2015-16 Total Remuneration £
Subsidiary Bodies	Subsidiary Bodies	Responsibility				
Business Gateway	Brian Blackburn	Managing Director	55,000	0	55,000	55,000
Fife Cultural Trust	Heather Stuart	Chief Executive	91,180	0	91,180	90,264
Fife Sport & Leisure	Edmund Watson	Chief Executive	76,853	0	76,853	76,080
Fife Golf Trust	Alistair MacGregor	Golf Services Manager	60,199	0	60,199	57,113
Fife Coast & Countryside Trust	Amanda McFarlane	Chief Executive (to 31st March 2016)	0	0	0	68,413
Fife Coast & Countryside Trust	Chris Broome - note 1	Chief Executive (from 1st November 2016) (full year equivalent £70,000)	25,679	0	25,679	0
Fife Resource Solutions LLP & Resource Efficient Solution LLP	Christopher Ewing	Senior Manager	71,488	0	71,488	70,769
Total			380,399	0	380,399	417,639

Note 1 – Fife Coast & Countryside Trust employed a consultant from 1st April 2016 to 30th May 2016 at a cost of £4,000. Chris Broome was employed on a secondment basis from Fife Council from 6th June 2016 to 30th September 2016 at a cost of £10,368.

Joint Initiative Senior Employees - Table 6

The following table provides details of the remuneration paid to senior employees of any joint initiative:-

			Salary, fees & Allowances £	2016-17 Taxable Expenses £	Total Remuneration £	2015-16 Total Remuneration £
Joint Initiative	Subsidiary Bodies	Responsibility				
Health & Social Care	Sandy Riddell	Director of Health & Social Care (to 31st August 2016)	54,960	0	54,960	115,077
Health & Social Care	Michael Kellet	Director Health & Social Care (from 22nd August 2016) (full year equivalent £103,294)	63,031		63,031	0
Total			117,991	0	117,991	115,077

Note 1 - Director of Health & Social Care, Sandy Riddell was employed by Fife Council and was the Director of the Joint Initiative. Michael Kellet is the current Director of the Joint Initiative and is employed by the NHS.

General Disclosure by Pay Band - Table 7

Number of Employees 2016-17		Remuneration Bands	Number of Employees 2015-16
£	Left During 2016-17 £		£
204	6	£50,000 - £54,999	144
55	1	£55,000 - £59,999	78
40	2	£60,000 - £64,999	26
4	1	£65,000 - £69,999	3
15	3	£70,000 - £74,999	17
14	1	£75,000 - £79,999	16
3	2	£80,000 - £84,999	9
7	0	£85,000 - £89,999	13
11	2	£90,000 - £94,999	8
3	1	£95,000 - £99,999	1
2	0	£100,000 - £104,999	2
0	0	£105,000 - £109,999	2
1	1	£110,000 - £114,999	1
3	0	£115,000 - £119,999	5
0	0	£120,000 - £124,999	0
0	0	£125,000 - £129,999	1
0	0	£130,000 - £134,999	1
0	0	£135,000 - £139,999	0
0	0	£140,000 - £144,999	0
2	1	£145,000 - £149,999	1
0	0	£150,000 - £154,999	0
1	1	£155,000 - £159,999	0
365	22	Total	328

Included in 2016-17 are 12 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 - Table 8 & 9

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, as agreed by the Council. Exit packages detailed in the table below include redundancy payments, compensatory lump sums, pension strain and notional capitalised compensatory added years' costs. These estimated values are based on an assessment of the present value of all future payments to the retiree until death. Exit packages relating to ill health retirements are not classified as termination benefits therefore amounts paid to individuals on this basis have been excluded from the disclosure table.

Exit Package Cost Band	2016-17					
	No. of Compulsory Redundancies	No. of Other Agreed Departures	Total No. of Exit Packages	Cash Value £m	Estimated CAY £m	Total Cost of Exit Packages £m
0 - 19,999	3	58	61	0.498	0.002	0.500
20,000 - 39,999	1	31	32	0.842	0.073	0.915
40,000 - 59,999	0	32	32	1.200	0.362	1.562
60,000 - 79,999	0	14	14	0.714	0.258	0.972
80,000 - 99,999	0	6	6	0.534	0.000	0.534
100,000 - 149,999	0	11	11	0.845	0.537	1.382
150,000 - 199,999	0	3	3	0.188	0.313	0.501
Over 200,000	1	2	3	0.495	0.348	0.843
Total	5	157	162	5.316	1.893	7.209

Exit Package Cost Band	2015-16					
	No. of Compulsory Redundancies	No. of Other Agreed Departures	Total No. of Exit Packages	Cash Value £m	Estimated CAY £m	Total Cost of Exit Packages £m
0 - 19,999	4	30	34	0.319	0.000	0.319
20,000 - 39,999	0	27	27	0.744	0.033	0.777
40,000 - 59,999	0	24	24	0.952	0.160	1.112
60,000 - 79,999	1	13	14	0.828	0.112	0.940
80,000 - 99,999	0	6	6	0.387	0.244	0.631
100,000 - 149,999	0	11	11	0.955	0.423	1.378
150,000 - 199,999	0	2	2	0.248	0.125	0.373
Over 200,000	1	1	2	0.325	0.203	0.528
Total	6	114	120	4.758	1.300	6.058

The total cost of exit packages £7.209m in the table for 2016-17 above includes £0.441m cash value and £0.086m notional CAY for exit packages that have been agreed, accrued for and charged to Fife Council's Comprehensive Income and Expenditure Statement in the current year. In 2015-16, Fife Council included a provision of £7.204m which was used to offset the total costs reported for 2016-17. In the current year, Fife Council includes a provision for £2.038m for future payments to 64 FTE. The provision is not included in the tables above as the council has not yet agreed these exit packages.

5. Pensions Benefits

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

The LGPS in Scotland changed on 1 April 2015 from a final salary scheme to a career average revalued earnings (CARE) scheme. All members, both employee and Councillor members, now build up a pension based on 1/49th of pensionable pay received in each scheme year. The scheme year runs from 1 April to 31 March.

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

The normal pension age of the new scheme is linked to State Pension Age but with a minimum age of 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members 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. From 1 April 2015, part time members' contribution rates are now based on actual pensionable pay as opposed to whole time pay.

Actual Pay 2016-17	Contribution Rate 2016-17	Actual Pay 2015-16	Contribution Rate 2015-16
On earnings up to and including £20,500	5.50%	On earnings up to and including £20,500	5.50%
On earnings above £20,500 and up to £25,000	7.25%	On earnings above £20,500 and up to £25,000	7.25%
On earnings above £25,000 and up to £34,400	8.50%	On earnings above £25,000 and up to £34,400	8.50%
On earnings above £34,400 and up to £45,800	9.50%	On earnings above £34,400 and up to £45,800	9.50%
On earnings above £45,800	12.00%	On earnings above £45,800	12.00%

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

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

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

The value of the accrued benefits 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

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.

4. Remuneration

Senior Councillors - Table 10

The pension entitlements for Senior Councillors, for the year to 31 March 2017 are shown in the table below, together with the contribution made by the council to each Senior Councillor's pension during the year.

Senior Councillors	Responsibility	In-year employer's pension contributions (see note above)			Accrued Pension Benefits	
		For year to 31/03/2017 £	For year to 31/03/2016 £		As at 31/03/2017 £	Difference from March 2016 £
David Ross	Leader of Council	0	0	Pension Lump Sum	0 0	0 0
Jim Leishman	Provost	6,955	6,583	Pension Lump Sum	3,000 0	1,000 0
Kay Morrison	Depute Provost	5,464	5,172	Pension Lump Sum	4,000 2,000	1,000 1,000
Peter Grant	Leader of Opposition (to 10th May 2015)	0	767	Pension Lump Sum	0 0	0 0
Brian Goodall	Leader of Opposition (from 11th May 2015 to 15th February 2017)	0	0	Pension Lump Sum	0 0	0 0
Neale Hanvey	Leader of Opposition (from 16th February 2017)	336	0	Pension Lump Sum	2,000 0	1,000 0
Lesley Laird	Depute Leader	5,464	5,172	Pension Lump Sum	2,000 0	0 0
Tom Adams *	Chair: Local Area Committee - Levenmouth	5,464	5,172	Pension Lump Sum	4,000 3,000	0 0
John Beare	Chair: Standards & Audit Committee	5,464	5,172	Pension Lump Sum	4,000 2,000	0 0
Bill Brown	Chair: Local Area Committee - Glenrothes (from 7th October 2015)	5,464	2,243	Pension Lump Sum	2,000 0	1,000 0
Pat Callaghan	Executive Member with portfolio responsibility for Environmental & Transportation (to 15th September 2016)	2,815	5,172	Pension Lump Sum	2,000 0	0 0
William Clarke	Chair: Local Area Committee - Cowdenbeath (to 28th June 2016)	0	0	Pension Lump Sum	0 0	0 0
Bobby Clelland	Chair: Local Area Committee - South West Fife	5,464	5,172	Pension Lump Sum	4,000 1,000	1,000 0
Altany Craik	Chair: Local Area Committee - Glenrothes (to 14th April 2015) and Executive Member with portfolio responsibility for Finance & Corporate Services (from 21st May 2015)	5,464	4,666	Pension Lump Sum	2,000 0	1,000 0

Senior Councillors - continued

Senior Councillors	Responsibility	In-year employer's pension contributions (see note above)			Accrued Pension Benefits	
		For year to 31/03/2017 £	For year to 31/03/2016 £		As at 31/03/2017 £	Difference from March 2016 £
Neil Crooks *	Chair: Local Area Committee - Kirkcaldy	5,464	5,172	Pension Lump Sum	6,000 7,000	1,000 0
Dave Dempsey	Chair: Environment, Finance & Corporate Services Scrutiny Committee	5,464	5,172	Pension Lump Sum	4,000 1,000	1,000 0
Linda Erskine	Corporate Services (to 20th May 2015) and Executive Member with portfolio responsibility for Community Health & Wellbeing (from 19th December 2015)	5,464	2,129	Pension Lump Sum	2,000 0	1,000 0
Fiona Grant	Chair: Local Area Committee - Glenrothes (from 15th April 2015 to 6th October 2015)	0	2,489	Pension Lump Sum	0 0	0 0
Judy Hamilton *	Executive Member with portfolio responsibility for Housing & Building Services	5,464	5,172	Pension Lump Sum	4,000 3,000	0 0
Mark Hood	Chair: Local Area Committee - Cowdenbeath (from 29th June 2016)	0	0	Pension Lump Sum	0 0	0 0
Helen Law	Chair: Local Area Committee - City of Dunfermline	5,464	5,172	Pension Lump Sum	2,000 0	1,000 0
Susan Leslie	Chair: Education, Health & Social Care Scrutiny Committees	5,464	5,172	Pension Lump Sum	4,000 1,000	1,000 0
Frances Melville *	Chair: Local Area Committee - North East Fife	5,464	5,172	Pension Lump Sum	12,000 24,000	1,000 1,000
Bryan Poole	Executive Member with portfolio responsibility for Education, Children, Young People & Families	0	0	Pension Lump Sum	0 0	0 0
John Wincott *	Executive Member with portfolio responsibility for Environmental & Transportation (from 16th September 2016)	2,649	0	Pension Lump Sum	9,000 0	1,000 0
Gavin Yates	Executive Member with portfolio responsibility for Community Health & Wellbeing (to 18th December 2015)	0	3,971	Pension Lump Sum	0 0	0 0
Robert Young	Chair: Regulation & Licensing Committee	5,464	5,172	Pension Lump Sum	2,000 0	0 0
Total		94,715	90,084	Pension Lump Sum	74,000 44,000	13,000 2,000

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.

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.

* - 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 Tom Adams - pension £1,000 and lump sum £2,000. No pension or lump sum differences from March 2016.
- Cllr Neil Crooks - pension £2,000 and lump sum £6,000. No pension or lump sum differences from March 2016.
- Cllr Judy Hamilton - pension £1,000 and lump sum £2,000. No pension or lump sum differences from March 2016.
- Cllr Frances Melville - pension £7,000 and lump sum £22,000. No pension difference and £1,000 lump sum difference from March 2016.
- Cllr John Wincott - pension £8,000 and no lump sum. £1,000 pension difference and no lump sum difference from March 2016.

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

Superannuation Fund and Pensions Committee Chair - Table 11

The pension entitlements for the Superannuation Fund and Pensions Committee Chair, for the year to 31 March 2017 are shown in the table below, together with the contribution made by their pension during the year.

Councillor	Responsibility	In-year employer's pension contributions (see note above)			Accrued Pension Benefits	
		For year to 31/03/2017 £	For year to 31/03/2016 £		As at 31/03/2017 £	Difference from March 2016 £
William Campbell	Chair: Superannuation Fund and Pensions Committee	3,974	3,762	Pension Lump Sum	2,000 0	1,000 0
Total		3,974	3,762	Pension Lump Sum	2,000 0	1,000 0

Senior Employees - Table 12

The pension entitlements for Senior Employees, for the year to 31 March 2017 are shown in the table below, together with the contribution made by the council to each Senior Employee's pension during the year.

Senior Employees	Responsibility	In-year employer's pension contributions (see note above)			Accrued Pension Benefits	
		For year to 31/03/2017 £	For year to 31/03/2016 £		As at 31/03/2017 £	Difference from March 2016 £
Steve Grimmond	Chief Executive - note 1	35,072	35,662	Pension	65,000	3,000
				Lump Sum	133,000	2,000
Keith Winter	Executive Director Enterprise & Environment	27,434	26,123	Pension	51,000	3,000
				Lump Sum	102,000	1,000
Craig Munro	Executive Director Education & Children's Services (to 14th August 2016)	8,453	18,565	Pension	0	0
				Lump Sum	0	0
Shelagh Mclean	Executive Director Education & Children's Services (from 15th August 2016 to 8th January 2017)	11,085	0	Pension	0	0
				Lump Sum	0	0
Carrie Lindsay	Executive Director Education & Children's Services (from 9th January 2017) - note 2	4,751	0	Pension		0
				Lump Sum		0
Brian Livingston	Executive Director Finance & Corporate Services (to 14th February 2016)	0	24,112	Pension	0	0
				Lump Sum	0	0
Eileen Rowand	Executive Director Finance & Corporate Services (from 15th February 2016)	27,434	2,011	Pension	37,000	9,000
				Lump Sum	63,000	13,000
Michael Enston	Executive Director Communities	27,434	26,123	Pension	52,000	3,000
				Lump Sum	108,000	1,000
Total		141,663	132,596	Pension	205,000	18,000
				Lump Sum	406,000	17,000

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.

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.

Note 1 - The pension contributions up to 31 March 2016 for Steven Grimmond, Chief Executive, include contributions relating to his role as Returning Officer. Steven Grimmond is no longer in the pension scheme for his Returning Officer post. The contributions figure for 31 March 2016 is £2,266.

Note 2 - Executive Director Education and Children's Services Carrie Lindsay was a member of Scottish Teachers' Superannuation Scheme (STSS) until 8 January 2017 and the accrued pension benefits up to that date are currently unavailable.

Subsidiary Senior Employees - Table 13

The pension entitlements for Subsidiary Senior Employees, for the year to 31 March 2017 are shown in the table below, together with the contribution made by the council to each Subsidiary Senior Employees' pension during the year.

Subsidiary Bodies	Senior Employee	Responsibility	In-year employer's pension contributions (see note above)			Accrued Pension Benefits	
			For year to 31/03/2017 £	For year to 31/03/2016 £		As at 31/03/2017 £	Difference from March 2016 £
Business Gateway	Brian Blackburn	Managing Director - note 1	3,300	3,300	Pension Lump Sum		
Fife Cultural Trust	Heather Stuart	Chief Executive	20,515	20,309	Pension Lump Sum	8,000 0	2,000 0
Fife Sport & Leisure Trust	Edmund Watson	Chief Executive	14,218	14,075	Pension Lump Sum	39,000 85,000	2,000 1,000
Fife Golf Trust	Alistair MacGregor	Golf Services Manager	12,702	12,051	Pension Lump Sum	21,000 38,000	2,000 2,000
Fife Coast & Countryside Trust	Amanda McFarlane	Chief Executive (to 31st March 2016)	0	0	Pension Lump Sum	0 0	0 0
Fife Coast & Countryside Trust	Chris Broome	Chief Executive (from 1st November 2016)	5,869	0	Pension Lump Sum	0 0	0 0
Fife Resource Solutions LLP & Resource Efficient Solution LLP	Christopher Ewing	Senior Manager	15,942	15,782	Pension Lump Sum	37,000 80,000	4,000 6,000
Total			72,546	65,517	Pension Lump Sum	105,000 203,000	10,000 9,000

Note 1 - Business Gateway Fife employees are members of a defined contribution pension scheme therefore disclosure of pension benefits accrued in year is not possible.

Joint Initiative Senior Employees - Table 14

The pension entitlements for Subsidiary Senior Employees, for the year to 31 March 2017 are shown in the table below, together with the contribution made by the council to each Joint Initiative Employees' pension during the year.

			In-year employer's pension contributions (see note above)			Accrued Pension Benefits	
			For year to 31/03/2017 £	For year to 31/03/2016 £		As at 31/03/2017 £	Difference from March 2016 £
Joint Initiative	Senior Employee	Responsibility					
Health & Social Care	Sandy Riddell - note 1	Director of Health & Social Care (to 31st August 2016)	12,971	26,123	Pension Lump Sum	0 0	0 0
Health & Social Care	Michael Kellet - note 1	Director of Health & Social Care (from 22nd August 2016)	9,392	0	Pension Lump Sum	2,000 0	2,000 0
Total			22,363	26,123	Pension Lump Sum	2,000 0	2,000 0

Note 1 - Director of Health & Social Care, Sandy Riddell was employed by Fife Council and was the Director of the Joint Initiative. Michael Kellet is the current Director of the Joint Initiative and is employed by the NHS.

Councillor David Alexander
Co-Leader of the Council
28 September 2017

Councillor David Ross
Co-Leader of the Council
28 September 2017

Steve Grimmond
Chief Executive
28 September 2017

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

I confirm that these Annual Accounts were approved for signature by the Standards and Audit Committee at its meeting on 28 September 2017.

Signed on behalf of Fife Council

Councillor David Ross
Co-Leader of the Council
28 September 2017

Councillor David Alexander
Co-Leader of the Council
28 September 2017

The Executive Director Finance and Corporate Services Responsibilities

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

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

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

The Executive Director Finance and Corporate Services has also:-

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

I certify that the financial statements give a true and fair view of the financial position of the local authority and its group at the reporting date and the transactions of the local authority and its group for the year ended 31 March 2017.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services
28 September 2017

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 Other Statutory 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 £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m
Opening Balance 1 April 2015	(95.090)	(2.006)	(4.525)	0.000	(1.628)	(103.249)	(417.552)	(520.801)
<u>Movement in Reserves during 2015-16 (Re-stated)</u>								
Total Comprehensive Expenditure and Income	102.952	(25.654)	0.000	0.000	0.000	77.298	(162.146)	(84.848)
Adjustments between accounting basis & funding basis under regulations	(67.235)	25.654	0.000	0.000	(0.270)	(41.851)	41.851	0.000
Transfers (to)/from Other Statutory Reserves (note 7)	1.004	0.000	(1.004)	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in Year	36.721	0.000	(1.004)	0.000	(0.270)	35.447	(120.295)	(84.848)
Balance at 31 March 2016 carried forward	(58.369)	(2.006)	(5.529)	0.000	(1.898)	(67.802)	(537.847)	(605.649)
<u>Movement in Reserves during 2016-17</u>								
Total Comprehensive Expenditure and Income	30.196	(27.733)	0.000	0.000	0.000	2.463	370.938	373.401
Adjustments between accounting basis & funding basis under regulations (note 5)	(30.460)	27.733	0.000	0.000	(3.154)	(5.881)	5.881	0.000
Transfers (to)/from Other Statutory Reserves (note 7)	1.529	0.000	(1.529)	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in Year	1.265	0.000	(1.529)	0.000	(3.154)	(3.418)	376.819	373.401
Balance at 31 March 2017 carried forward	(57.104)	(2.006)	(7.058)	0.000	(5.052)	(71.220)	(161.028)	(232.248)

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Expenditure chargeable to the Gen Fund and HRA £m	2015-16	Net Exp in the CIES £m		Expenditure chargeable to the Gen Fund and HRA £m	2016-17	Net Exp in the CIES £m
	Adjusts between Funding and Accounting Basis £m				Adjusts between Funding and Accounting Basis £m	
283.094	45.199	328.293	Expenditure chargeable to the Gen Fund and HRA	290.361	42.794	333.155
64.824	1.441	66.265	Educational Services	60.345	0.437	60.782
147.940	6.764	154.704	Children & Families / Criminal Justice	142.879	2.530	145.409
61.056	33.481	94.537	Health & Social Care	66.696	23.596	90.292
21.870	3.253	25.124	Asset Transportation & Environment Services	22.291	2.777	25.068
11.812	0.000	11.812	Economy Planning & Employability Services	9.440	0.000	9.440
15.967	(0.253)	15.714	Property Repairs and Maintenance	16.646	(1.375)	15.270
4.317	0.000	4.317	Finance Service	(1.532)	0.000	(1.532)
22.138	0.902	23.039	Benefits and Council Tax	13.234	(0.225)	13.009
4.732	(0.032)	4.700	Business Support Service	5.062	(0.226)	4.836
6.824	0.180	7.004	Legal & Democratic Service	5.591	0.009	5.600
15.653	4.415	20.068	Human Resource Service	15.328	4.367	19.695
0.244	0.012	0.255	Business Technology Solutions	0.250	0.005	0.256
30.565	10.227	40.793	Chief Executive	5.545	(11.539)	(5.995)
27.036	3.526	30.562	Corporate & Democratic	23.852	2.476	26.328
22.112	6.385	28.497	Community & Corporate Development	11.441	4.493	15.934
11.099	1.080	12.179	Area Services	10.546	1.198	11.744
11.111	(1.838)	9.273	General Fund Housing	10.621	(2.690)	7.931
(16.391)	(3.241)	(19.632)	Customer Service Improvement	(19.265)	(1.472)	(20.737)
79.676	(79.677)	(0.001)	Housing Revenue Account	85.189	(85.189)	0.000
(6.906)	6.906	(0.000)	Loan Charges	(6.506)	6.506	0.000
			Support Service Charges to HRA			
818.773	38.730	857.503	Net Cost of Services	768.015	(11.528)	756.487

818.773	38.730	857.503	Net Cost of Services	768.015	(11.528)	756.487
(1.004)	(2.398)	(3.402)	Other Operating Expenditure	(1.529)	(1.904)	(3.433)
0.000	66.511	66.511	Financing and Investment Income and Expenditure	0.000	66.898	66.898
(782.049)	(61.266)	(843.315)	Taxation and Non Specific Grant Income and Expenditure	(766.750)	(50.740)	(817.490)
35.720	41.577	77.297	Difference between the Statutory Charge to the Combined General Fund and HRA Balance compared to the (Surplus) or Deficit in the CIES	(0.265)	2.726	2.462
(94.431)			Opening General Fund and HRA Balance	(55.269)		
35.720			Less or Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	(29.686)		
1.004			Transfers to/ from Other Reserves	1.529		
(57.707)			Closing General Fund and HRA Balance at 31 March	(83.425)		

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.

Re-stated 2015-16				2016-17		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Gross Expenditure £m	Gross Income £m	Net Expenditure £m
335.563	(7.270)	328.293	Educational Services	343.292	(10.136)	333.155
72.471	(6.206)	66.265	Children & Families / Criminal Justice	67.267	(6.485)	60.782
210.945	(56.241)	154.704	Health & Social Care	363.568	(218.159)	145.409
115.545	(21.008)	94.537	Asset Transportation & Environment Services	114.752	(24.460)	90.292
34.466	(9.342)	25.124	Economy Planning & Employability Services	34.629	(9.560)	25.068
11.812	0.000	11.812	Property Repairs and Maintenance	9.440	0.000	9.441
20.273	(4.559)	15.714	Finance Service	19.045	(3.775)	15.270
121.157	(116.840)	4.317	Benefits and Council Tax	118.773	(120.304)	(1.532)
23.675	(0.636)	23.039	Business Support Service	13.561	(0.552)	13.009
6.802	(2.103)	4.700	Legal & Democratic Services	7.522	(2.686)	4.836
7.265	(0.261)	7.004	Human Resource Service	5.826	(0.226)	5.600
21.144	(1.076)	20.068	Business Technology Solutions	20.423	(0.729)	19.696
0.255	0.000	0.255	Chief Executive	0.256	0.000	0.256
40.793	0.000	40.793	Corporate & Democratic	(5.995)	0.000	(5.995)
34.466	(3.904)	30.562	Community & Corporate Development	30.240	(3.912)	26.328
33.346	(4.849)	28.497	Area Services	16.816	(0.882)	15.934
20.362	(8.183)	12.179	General Fund Housing	21.272	(9.528)	11.744
12.901	(3.628)	9.273	Customer Service Improvement	11.503	(3.572)	7.931
85.383	(105.015)	(19.632)	Housing Revenue Account	87.385	(108.122)	(20.737)
1,208.625	(351.122)	857.504	Cost of Services	1,279.575	(523.089)	756.487
		(3.402)	Other Operating Expenditure (note 7)			(3.432)
		66.511	Financing and Investment Income and Expenditure (note 10)			66.898
		(843.315)	Taxation and Non-Specific Grant Income (note 11)			(817.490)
		77.298	(Surplus) or Deficit on the Provision of Services			2.463
		37.941	(Surplus) or deficit on revaluation of non-current assets			60.708
		4.034	(Surplus) or deficit on impairment of non-current assets			0.231
		1.820	(Surplus) or deficit on revaluation of available for sale financial assets			(0.807)
		(205.941)	Remeasurements of the net defined benefit pensions liability			310.806
		(162.146)	Other Comprehensive Income and Expenditure			370.938
		(84.848)	Total Comprehensive Income and Expenditure			373.401

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 2016 (Re-stated) £m		Notes	31 March 2017 £m
2,247.981	Property, Plant & Equipment	14	2,304.125
26.830	Heritage Assets	15	26.967
0.125	Intangible Assets	16	0.141
3.669	Long Term Investments	27	4.493
25.330	Long Term Debtors	27	24.071
2,303.935	Long Term Assets		2,359.797
3.932	Inventories	22	3.812
66.692	Short Term Debtors	23	64.934
40.713	Cash and Cash Equivalents	33	43.158
2.509	Intangible Assets	16	0.000
3.114	Assets held for sale	17	6.670
116.960	Current Assets		118.574
(97.452)	Short Term Borrowing	27	(150.921)
(147.583)	Short Term Creditors	24	(120.810)
(47.001)	Provisions	25	(3.416)
(0.687)	Receipts in Advance - Revenue	26	(2.094)
(292.723)	Current Liabilities		(277.241)

31 March 2016 (Re-stated) £m		Notes	31 March 2017 £m
(9.461)	Provisions	25	(8.992)
(738.135)	Long Term Borrowing	27	(809.019)
(700.669)	Liability Related to Defined Benefit Pension	39	(1,039.125)
(67.989)	Other Long Term Liabilities	21	(105.387)
(0.545)	Receipts in Advance - Revenue	26	(1.160)
(5.724)	Receipts in Advance - Capital	26	(5.199)
(1,522.523)	Long Term Liabilities		(1,968.882)
605.649	Net Assets/(Liabilities)		232.248
(67.802)	Usable reserves	12	(71.220)
(537.847)	Unusable Reserves	13	(161.028)
(605.649)	Total Reserves		(232.248)

The unaudited accounts were issued on 30 June 2017 and the audited accounts were authorised for issue on 28 September 2017.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services
28 September 2017

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.

2015-16 £m		Notes	2016-17 £m
(77.298)	Net surplus or (deficit) on the provision of services		(2.463)
210.388	Adjustments to net surplus or (deficit) on the provision of services for non cash movements	29	98.063
(69.417)	Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	29	(64.130)
63.673	Net cash flows from Operating Activities		31.470
(134.025)	Net cash flows from investing activities	31	(135.543)
95.409	Net cash flows from financing activities	32	106.518
25.057	Net increase or (decrease) in cash and cash equivalents		2.445
15.656	Cash and cash equivalents at the beginning of the reporting period		40.713
40.713	Cash and cash equivalents at the end of the reporting period	33	43.158

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Notes to the Accounts

1. Accounting Policies

A General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016-17 financial year and its position at the year-end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985, which section 12 of the Local Government in Scotland Act 2003 require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 and the Service Reporting Code of Practice 2016-17, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

B Accruals of Income and Expenditure

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

The main accruals and estimation techniques used are as follows:

- Payroll Costs: An estimation of the salaries and wages paid in 2017-18 which relate to 2016-17 is accrued back to 2016-17 based on the number of days which relate to the period to 31 March 2017.
- 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 2017-18 that relate to 2016-17.
- Pension 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 2016-17 but not taken by 31 March 2017.
- Termination Benefits: Accruals based on the estimated cost for those employees who returned written confirmation of their termination package by 31 March 2017. 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 2017-18.

C Other Comprehensive Income and Expenditure

IAS 1 requires that where the Authority has transactions which include amounts that are re-classifiable in the Surplus or Deficit on the Provision of Services, the items listed in Other Comprehensive Income and Expenditure must be grouped into those items that:

- Will not be reclassified subsequently to the Surplus or Deficit on the Provision of Services, and
- Will be reclassified subsequently to the Surplus or Deficit on the Provision of Services when specific conditions are met.

The Authority has no such transactions and the items in Other Comprehensive Income and Expenditure have not been grouped in this way. The format of the Comprehensive Income and Expenditure Statement is unchanged.

D 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 highly liquid 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.

E Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

F 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 assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation as the Scottish Government has issued regulations to mitigate any impact on Local Government funding. However, it is required to make an annual contribution 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 difference between the two.

G Employee Benefits

Benefits Payable During Employment

All salaries and wages earned up to 31 March 2017 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 in exchange for those benefits. These are charged on an accruals basis to the appropriate service when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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 two separate pension schemes:

- The Scottish Teachers' Superannuation scheme (STSS), administered by the Scottish Government.
- The Local Government Pensions Scheme, administered by Fife Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned whilst employees worked for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Educational Services 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 transfers 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.

H Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date 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.

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 are initially measured at fair value and are 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 or 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 types of Financial Assets:

- Available for Sale Financial Asset
- Loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market

Available for Sale Financial Assets

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 in accordance with the Council's Fair Value Measurement accounting policy in section Z. 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 subsequently 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 (a loan with a below market rate of interest) 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 or 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 Statement until conditions attached 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 in the form of 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 and 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 reserve 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. Intangible asset held by the Authority are 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

N Investment Property

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 in accordance with the Council's Fair Value Measurement accounting policy in section Z. 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 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.

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 operating leases.

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 a Lessee

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at their 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 debtor, 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 funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by a 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 benefitting 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 a 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 debtor (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 is 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.

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 therefore 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 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 for Social Housing). The Council has arrived at this valuation using the Beacon Approach (Adjusted Vacant Possession) in accordance with LASAAC guidance
- surplus assets - fair value, in accordance with the Council's Fair Value Measurement accounting policy in section Z
- 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.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for 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 might 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, they are accounted for as follows:

- 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 an 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 as follows:

- 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 an 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 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.

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, furniture 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.

Q 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 losses recognised 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 they 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.

R Heritage Assets

In accordance with FRS 102, 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 and the insurance value of these collections is included in the balance sheet.

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.

S Public - Private Partnership (PPP) and Similar Contracts

PPP 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 PPP contractor. As the authority is deemed to control the services that are provided under its PPP 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 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 PPP operators each year are analysed into five elements:

- Fair value of the services received during the year - charged to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost - an interest charge on the outstanding Balance Sheet liability, charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent - increases in the amount to be paid for the property arising during the contract, charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability - applied to write down the Balance Sheet liability towards the PPP contractor.
- Lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

T 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 are 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.

U 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 or 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, retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in Note 13.

V 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.

W Interests in Companies and Other Entities

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

X Fair value measurement

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as financial assets available for sale at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability.

2. Accounting Standards Issued, not yet Adopted

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

Accounting Standards not yet adopted are:

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration

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 21 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 2017.

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 or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2017 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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £2.329m for every year that useful lives have to be reduced.
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 pensions 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 £331.402m.
Arrears	At 31 March 2017, the Authority had a balance of sundry debtors of £15.899m. A review of significant balances suggested that an allowance for impairment of 24.21% (£3.849m) was appropriate. Included in this figure is an amount of £0.550m for debt written off which equates to 1.00% 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 £0.288m, to be set aside as an allowance.
Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value. Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in Notes 14, 15 and 27.	Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the surplus assets, investment properties and available for sale financial assets.

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.

	Usable Reserves					Unusable Reserves
	General Fund Balance £m	Housing Revenue Account £m	Insurance Fund £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Movement in Unusable Reserves £m
2016-17						
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	(67.402)	(27.063)	0.000	0.000	0.000	94.465
Revaluation losses on Property, Plant and Equipment, Heritage Assets and Assets Held for Sale	(7.681)	0.074	0.000	0.000	0.000	7.607
Amortisation of intangible assets	(2.533)	0.000	0.000	0.000	0.000	2.533
Capital grants and contributions that have been applied to capital financing	35.628	11.863	0.000	0.000	0.000	(47.491)
Income in relation to Donated Assets	0.095	0.000	0.000	0.000	0.000	(0.095)
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	(4.503)	(7.079)	0.000	0.000	0.000	11.582
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:-</u>						
Statutory provision for the financing of capital investment	32.152	8.501	0.000	0.000	0.000	(40.653)
Capital expenditure charged against the General Fund and HRA balances	0.000	28.546	0.000	0.000	0.000	(28.546)
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	1.746	11.739	0.000	(13.485)	0.000	0.000
Use of the Capital Receipts Reserve to finance new capital expenditure	0.000	0.000	0.000	3.015	0.000	(3.015)
Use of the Capital Receipts Reserve for HRA set aside to repay debt	0.000	0.000	0.000	8.724	0.000	(8.724)
Use of the Capital Receipts Reserve to fund equal pay	0.000	0.000	0.000	1.746	0.000	(1.746)
Adjustment involving the Capital Grants Unapplied Account						
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	2.264	1.532	0.000	0.000	(3.796)	0.000
Application of grants to capital financing transferred to the Capital Adjustment Account	(0.642)	0.000	0.000	0.000	0.642	0.000
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	1.549	0.649	0.000	0.000	0.000	(2.198)

	General Fund Balance £m	Usable Reserves Housing Revenue Account £m	Insurance Fund £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Unusable Reserves Movement in Unusable Reserves £m
2016-17						
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 39)	(93.517)	(2.976)	0.000	0.000	0.000	96.493
Employer's pensions contributions and direct payments to pensioners payable in the year	66.877	1.966	0.000	0.000	0.000	(68.843)
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	(2.228)	(0.019)	0.000	0.000	0.000	2.247
Adjustment involving the Equal Pay Provision Statutory Adjustment Account:-						
Amount charged to the Comprehensive Income and Expenditure Statement in the year which represents a change in provision for the back pay element of equal pay settlements in accordance with statutory requirements	7.735	0.000	0.000	0.000	0.000	(7.735)
Total Adjustments	(30.460)	27.733	0.000	(0.000)	(3.154)	5.881

	General Fund Balance £m	Usable Reserves Housing Revenue Account £m	Insurance Fund £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Unusable Reserves Movement in Unusable Reserves £m
2015-16						
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	(76.735)	(26.952)	0.000	0.000	0.000	103.687
Revaluation losses on Property, Plant and Equipment, Heritage Assets and Assets Held for Sale	(16.120)	0.077	0.000	0.000	0.000	16.043
Amortisation of intangible assets	(0.219)	0.000	0.000	0.000	0.000	0.219
Capital grants and contributions that have been applied to capital financing	46.086	13.410	0.000	0.000	0.000	(59.496)
Income in relation to Donated Assets	1.500	0.000	0.000	0.000	0.000	(1.500)
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	(3.712)	(3.545)	0.000	0.000	0.000	7.257
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:-</u>						
Statutory provision for the financing of capital investment	31.573	7.276	0.000	0.000	0.000	(38.849)

	General Fund Balance £m	Usable Reserves Housing Revenue Account £m	Insurance Fund £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Unusable Reserves Movement in Unusable Reserves £m
2015-16						
Capital expenditure charged against the General Fund and HRA balances	0.000	30.547	0.000	0.000	0.000	(30.547)
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	3.947	5.704	0.000	(9.651)	0.000	0.000
Use of the Capital Receipts Reserve to finance new capital expenditure	0.000	0.000	0.000	1.351	0.000	(1.351)
Use of the Capital Receipts Reserve for HRA set aside to repay debt	0.000	0.000	0.000	4.353	0.000	(4.353)
Adjustment involving the Capital Grants Unapplied Account:-						
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	0.332	0.000	0.000	0.000	(0.332)	0.000
Application of grants to capital financing transferred to the Capital Adjustment Account	(0.062)	0.000	0.000	0.000	0.062	0.000
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	1.597	0.576	0.000	0.000	0.000	(2.173)
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 39)	(106.801)	(3.180)	0.000	0.000	0.000	109.981
Employer's pensions contributions and direct payments to pensioners payable in the year	63.992	1.742	0.000	0.000	0.000	(65.734)
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	0.815	(0.001)	0.000	0.000	0.000	(0.814)
Adjustment involving the Equal Pay Provision Statutory Adjustment Account:-						
Amount charged to the Comprehensive Income and Expenditure Statement in the year which represents a change in provision for the back pay element of equal pay settlements in accordance with statutory requirements	(13.428)	0.000	0.000	0.000	0.000	13.428
Use of the Capital Receipts Reserve to finance Equal Pay	0.000	0.000	0.000	3.947	0.000	(3.947)
Total Adjustments	(67.235)	25.654	0.000	0.000	(0.270)	41.851

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.

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 2017 amounted to £7.058m (31 March 2016, £5.529m). Note 42 gives further detail of the Insurance Arrangements operated by the Council.

	Balance at 1 April 2016 £m	Transfers Out 2016-17 £m	Transfers In 2016-17 £m	Balance at 31 March 2017 £m
2016-17				
Transfers (to)/from Statutory Reserves:-				
Insurance Fund	(5.529)	0.000	(1.529)	(7.058)
Statutory Other Reserves	(5.529)	0.000	(1.529)	(7.058)

	Balance at 1 April 2015 £m	Transfers Out 2015-16 £m	Transfers In 2015-16 £m	Balance at 31 March 2016 £m
2015-16				
Transfers (to)/from Statutory Reserves:-				
Insurance Fund	(4.525)	0.000	(1.004)	(5.529)
Statutory Other Reserves	(4.525)	0.000	(1.004)	(5.529)

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:-

	Balance at 1 April 2016 £m	Transfers Out 2016-17 £m	Transfers In 2016-17 £m	Balance at 31 March 2017 £m
2016-17				
General Fund				
Earmarked Balances:-				
Energy Management Fund	0.832	(2.358)	1.526	0.000
Second Home Council Tax	3.245	(0.671)	1.438	4.012
Earmarked Grants	0.855	(0.855)	0.677	0.677
Total	4.932	(3.884)	3.641	4.689
Other Commitments:-				
Budget Carry Forward Scheme	0.588	(0.588)	0.424	0.424
Devolved School Management	2.449	(2.449)	2.535	2.535
Ring Fenced Projects	0.612	(0.612)	0.282	0.282
Reforming Fife's Public Services	1.301	(0.020)	0.000	1.281
Workforce Change	2.537	(1.533)	0.000	1.004
Fife Youth Job Contract	3.450	(1.887)	0.000	1.563
Support to Health and Social Care/Children and Families	8.179	(2.770)	0.000	5.409
Energy Efficiency	1.770	(1.661)	0.000	0.109
Temporary Investment	4.792	(4.792)	2.934	2.934
Contributions from Balances (2017-18 Budget)	0.000	0.000	4.187	4.187
Other Commitments	2.882	(2.797)	0.376	0.461
Total	28.560	(19.109)	10.738	20.189
Total Commitments	33.492	(22.993)	14.379	24.878
Uncommitted Balances	24.877			32.226
General Fund Total	58.369			57.104

Explanatory Note

General Fund Balance

The General Fund Services balance decreased by £1.261m in 2016-17, leaving a balance at the end of the year of £57.104m. Once the commitments of £24.877m shown above are set against this, an uncommitted balance of £32.226m remains as at 31 March 2017. The level of balances is continually being monitored to ensure a sufficient level is maintained to meet future potential liabilities.

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 has been fully utilised.

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.

Budget Carry Forward Scheme

The Council operates a Budget Carry Forward Scheme which allows year on year budget flexibility. Services can carry forward any budget underspend up to 2.5% of their net revenue budget for the year, conditional on the Council having sufficient balances overall. The scheme also permits overspends, both planned and unplanned, on the basis that they are deducted from the following year's budget. In 2016-17 £0.424m underspend will be carried forward and added to the 2017-18 revenue budget. (2015-16, £0.588m underspend).

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 £2.535m (2015-16, £2.449m) 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.

Ring Fenced Projects

The balance of £0.282m (31 March 2016, £0.612m) held for Ring Fenced projects relates to situations where the paying agency allows any unspent monies to be retained, but imposes conditions on its spend in the following year.

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 £1.281m (2015-16, £1.301m) have been earmarked for this purpose. This will fund investment to enable major change initiatives within the Council.

Workforce Change

The Council is continuing with a strategy of workforce change. Future costs in relation to this are expected to be £1.004m and have been earmarked for this purpose.

Fife Youth Job Contract

To address the growing issues in relation to Youth Unemployment 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. A balance of £1.563m (2015-16, £3.450m) remains.

Support to Health and Social Care and Children and Families

The Council requires to address the sustainability of the Health and Social Care and Children and Families budgets to ensure that services can be provided to people in the right place at the right time, but also in an efficient and effective manner which provides the Council with Best Value. Changes will be required within these Services to achieve this outcome but it is recognised that the lead-in time associated with the savings required will result in the need to use Council balances to support them in the early years of transition. Cumulative funding of £13.745m was earmarked for this purpose as part of the Council's Revenue Budget Package in February 2014 with a further funding being earmarked £5.409m in February 2015. A total of £2.770m was transferred in the current financial year (2015-16, £10.852m) leaving a balance of £5.409m.

Energy Efficiency

Fife Council has a long established record of energy management and is seen as a leader in its approach to corporate carbon reduction requirements. However, the Council is faced with increasing building energy costs and is not meeting its carbon emissions reduction targets. In order to improve its energy efficiency, the Council has committed £4.000m of the General Fund Balance to facilitate Energy Efficiency work across Council Services. This was agreed at the Executive Committee on 18 June 2013. A total of £0.661m was utilised in the current financial year (2015-16, £0.459m) £1.000m was committed to support the Budget gap, leaving a balance of £0.109m.

Temporary Investment

Temporary Investment was allocated as part of the Council's Revenue Budget Package in February 2014, 2015 and 2016 to support community projects throughout Fife. A number of these projects are not expected to be finalised until 2017-18 and as such £2.934m has been carried forward for this purpose.

Contribution from Balances

As part of the 2017-18 Budget Strategy the level of commitments against balances were reviewed and the projects assessed. Following the assessment a number of items were de-committed and the funds used to support the budget. These include Fife Job Contract £1.887m, Energy Efficiency £1.000m and Feasibility for Wind £0.300m. In addition a further £1.000m from balances was committed, taking the total to £4.187m.

7. Other Operating Expenditure

	2016-17		2015-16
	£m		Re-Styled £m
Insurance Fund	(1.529)		(1.004)
(Gains)/losses on the disposal of non current assets	(1.903)		(2.394)
Total	(3.432)		(3.398)

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

Fife Council made contributions of £143.465m to Integrated Joint Board, this includes a contribution towards overspend of £2.594m. Further payments of £43.751m for Resource transfer to NHS are included in Health and Social Care and £1.739m in Housing. Fife Council received amounts totalling £185.233m from Integrated Joint Board, which includes Resource Transfer of £43.751m and amounts to meet Fife Council overspend of £0.611m.

9. Note to Expenditure and Funding Analysis

2015-16					2016-17			
Adjustments for Capital Purposes £m	Net change for Pensions Adjustments £m	Other Differences £m	Total Adjustments between Accounting and Finding Basis £m		Adjustments for Capital Purposes £m	Net change for Pensions Adjustments £m	Other Differences £m	Total Adjustments between Accounting and Finding Basis £m
43.686	2.942	(1.428)	45.199	Expenditure chargeable to the General Fund and HRA	38.876	1.197	2.721	42.794
0.271	1.105	0.066	1.441	Educational Services	(0.017)	0.425	0.030	0.437
3.035	4.023	(0.294)	6.764	Children & Families / Criminal Justice	1.357	1.399	(0.226)	2.530
28.438	5.111	(0.068)	33.481	Health & Social Care	21.994	2.015	(0.413)	23.596
2.452	0.748	0.053	3.253	Asset Transportation & Environment Services	2.524	0.259	(0.006)	2.777
0.000	0.000	0.000	0.000	Economy Planning & Employability Services	0.000	0.000	0.000	0.000
0.004	1.049	(1.306)	(0.253)	Property Repairs and Maintenance	0.003	0.343	(1.721)	(1.375)
0.000	0.000	0.000	0.000	Finance Service	0.000	0.000	0.000	0.000
0.017	1.222	(0.337)	0.902	Benefits and Council Tax	0.041	0.278	(0.545)	(0.225)
0.047	0.180	(0.260)	(0.032)	Business Support Service	0.013	0.061	(0.300)	(0.226)
0.000	0.281	(0.101)	0.180	Legal & Democratic Service	0.000	0.089	(0.080)	0.009
4.898	0.538	(1.021)	4.415	Human Resource Service	4.903	0.190	(0.725)	4.367
0.001	0.012	(0.001)	0.012	Business Technology Solutions	0.000	0.004	0.001	0.005
0.422	(3.797)	13.602	10.227	Chief Executive	0.000	(3.963)	(7.576)	(11.539)
2.896	0.730	(0.100)	3.526	Corporate & Democratic Core	2.283	0.270	(0.077)	2.476
5.352	0.998	0.035	6.385	Community & Corporate Development	4.422	0.076	(0.005)	4.493
0.965	0.137	(0.022)	1.080	Area Services	1.169	0.041	(0.011)	1.198
0.590	0.509	(2.938)	(1.838)	General Fund Housing	0.049	0.182	(2.920)	(2.690)
(3.672)	0.604	(0.173)	(3.241)	Customer Service Improvement	(1.557)	0.225	(0.140)	(1.472)
0.000	0.000	(79.677)	(79.677)	Housing Revenue Account	0.000	0.000	(85.189)	(85.189)
0.000	0.000	6.906	6.906	Loan Charges	0.000	0.000	6.506	6.506
89.402	16.391	(67.062)	38.730	Support Service Charges to HRA	76.059	3.090	(90.677)	(11.528)
				Net Cost of Services				
(2.398)	0.000	0.000	(2.398)	Other Operating Expenditure	(1.904)	0.000	0	(1.904)
0.000	27.856	38.655	66.511	Financing and Investment Income and Expenditure	0.000	24.560	42.338	66.898
(61.266)	0.000	0.000	(61.266)	Taxation and Non Specific Grant Income and Expenditure	(50.740)	0.000	0	(50.740)
25.738	44.247	(28.408)	41.577	Difference between the Statutory Charge to the Combined General Fund and HRA Balance compared to the (Surplus) or Deficit in the CIES	23.415	27.650	(48.339)	2.726

10. Financing and Investment Income and Expenditure

	2016-17 £m	2015-16 £m
Interest payable and similar charges	42.696	39.217
Pensions interest cost and expected return on pensions assets	24.560	27.856
Interest receivable and similar income	(0.332)	(0.549)
Income & expenditure in relation to investment properties and changes in their fair value	0.000	0.000
Income & expenditure in relation to financial instruments and changes in their fair value	(0.026)	(0.013)
Total	66.898	66.511

11. Taxation and Non Specific Grant Income

	2016-17 £m	2015-16 £m
Council tax and community charge income	(139.838)	(135.955)
Non-domestic rates	(183.331)	(166.642)
Non-domestic rate Income Retained by Fife Council (BRIS)	0.000	(0.892)
Non-ring fenced government grants	(443.581)	(478.560)
Capital grants and contributions	(50.645)	(59.766)
Income received in relation to Donated Assets	(0.095)	(1.500)
Total	(817.490)	(843.315)

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 2017 £m	31 March 2016 £m
Revaluation Reserve	(458.914)	(538.236)
Available for Sale Financial Instruments Reserve	(0.001)	0.806
Capital Adjustment Account	(805.232)	(774.512)
Financial Instruments Adjustment Account	44.808	47.006
Pensions Reserve	1,039.125	700.669
Employee Statutory Adjustment Account	19.186	16.939
Equal pay provision statutory adjustment account	0.000	9.481
Total Unusable Reserves	(161.028)	(537.847)

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.

	2016-17 £m		2015-16 £m	
Opening Balance at 1 April restated		(538.236)		(597.649)
Upward revaluation of assets and reversal of impairment losses not charged to the (Surplus) or Deficit on the Provision of Services	(3.264)		(6.427)	
Downward revaluation of assets and impairment losses not charged to the (Surplus) or Deficit on the Provision of Services	64.203		48.402	
(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		60.939		41.975
Difference between fair value depreciation and historical cost depreciation	15.626		15.568	
Accumulated gains on assets sold or scrapped	2.757		1.870	
Amount written off to the Capital Adjustment Account		18.383		17.438
Balance at 31 March		(458.914)		(538.236)

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:-

- re-valued downwards or impaired and the gains are lost
- disposed of and the gains are realised

	2016-17			2015-16	
	£m	£m		£m	£m
Opening Balance at 1 April		0.806			(1.014)
Upward revaluation of assets and reversal of impairment losses not charged to the (Surplus) or Deficit on the Provision of Services	(0.807)			0.000	
Downward revaluation of assets and impairment losses not charged to the (Surplus) or Deficit on the Provision of Services	0.000			1.820	
(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		(0.807)			1.820
Balance at 31 March		(0.001)			0.806

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 & Equipment before 1 April 2007, when 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.

	2016-17		2015-16	
	£m	£m	£m	£m
Opening Balance at 1 April		(774.512)		(748.184)
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	94.465		103.687	
Revaluation losses/(gains) on Property, Plant and Equipment and non-current assets Held for Sale	7.607		16.043	
Amortisation of intangible assets	2.533		0.219	
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	11.582		7.257	
		116.187		127.206
Adjusting amounts written out of the Revaluation Reserve		(18.383)		(17.438)
Net written out amount of the cost of non-current assets consumed in the year		97.804		109.768

	2016-17		2015-16	
	£m	£m	£m	£m
Capital financing applied in the year:-				
Use of the Capital Receipts Reserve to finance new capital expenditure	(11.739)		(5.704)	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing and to repay HRA debt	(47.491)		(59.496)	
Income in relation to Donated Assets	(0.095)		(1.500)	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(40.653)		(38.849)	
Capital expenditure charged against the General Fund and HRA balances	(28.546)		(30.547)	
		(128.524)		(136.096)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		0.000		0.000
Closing balance at 31 March		(805.232)		(774.512)

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 2017 will be charged to the General Fund over the next 50 years.

	2016-17 £m	2015-16 £m
Opening balance at 1 April	47.006	49.179
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(2.157)	(2.163)
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	(0.015)	0.003
Amount by 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	(0.026)	(0.013)
Closing balance at 31 March	44.808	47.006

Pensions Reserve

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, and updates 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 pensions 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.

	2016-17 £m	2015-16 £m
Opening balance at 1 April	700.669	862.363
Actuarial (gains) or losses on pensions assets and liabilities	310.806	(205.941)
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	96.493	109.981
Employer's pensions contributions and direct payments to pensioners payable in the year	(68.843)	(65.734)
Balance at 31 March	1,039.125	700.669

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.

	2016-17			2015-16	
	£m	£m		£m	£m
Opening balance at 1 April		16.939			17.753
Settlement or cancellation of accrual made at the end of the preceding year	(16.939)			(17.753)	
Amounts accrued at the end of the current year	19.186			16.939	
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		2.247			(0.814)
Closing balance at 31 March		19.186			16.939

Equal pay provision statutory adjustment account

The Equal Pay Provision Statutory Adjustment Account absorbs the timing differences arising between provisions made for equal pay settlements and when the settlement is actually paid. The use of this account is restricted to the back pay element of any provision (i.e. excluding interest and other charges). The statutory arrangements will ensure that funding will have been set aside by the time the settlement comes to be paid.

	2016-17			2015-16	
	£m	£m		£m	£m
Opening balance at 1 April		9.481			0.000
Settlement or cancellation of accrual made at the end of the preceding year	(9.481)			0.000	
Increase in Statutory provision for Equal Pay charged to the Comprehensive Income and Expenditure Statement	0.000			20.045	
Reversal of statutory provision recognising Equal Pay Settlements chargeable in the year in accordance with statutory requirements.	0.000			(10.564)	
		(9.481)			9.481
Closing balance at 31 March		0.000			9.481

14. Property, Plant and Equipment

	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant & Equipment £m	PPP Assets Included in Property, Plant & Equipment £m
Movement in 2016-17									
Cost or Valuation									
Opening Balance at 1 April	705.607	1,202.150	135.149	357.450	3.039	27.202	96.189	2,526.786	123.981
Additions	37.439	26.241	7.815	17.199	0.399	0.282	102.567	191.942	0.257
Assets Acquired through HUB	0.000	42.395	0.000	0.000	0.000	0.000	0.000	42.395	42.395
Donated Assets	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Revaluation increases or (decreases) recognised in the Revaluation Reserve	(87.240)	(0.661)	0.000	0.000	0.000	(1.028)	0.000	(88.929)	0.000
Revaluation Increases or (decreases) recognised in the (Surplus) or Deficit on the Provision of Services	0.180	(8.665)	0.000	0.000	0.000	(0.961)	0.000	(9.446)	(4.166)
Impairment (losses)/reversals recognised in the Revaluation Reserve	0.000	(0.231)	0.000	0.000	0.000	0.000	0.000	(0.231)	0.000
Impairment (losses) or reversals recognised in the (Surplus) or Deficit on the Provision of Services	0.000	(2.323)	(0.008)	0.000	0.000	(0.194)	(0.026)	(2.551)	0.000
Derecognition – Disposals	(8.121)	(3.673)	(14.564)	0.000	(0.002)	(0.469)	0.000	(26.829)	(0.385)
Assets reclassified (to) or from Held for Sale	(1.297)	(1.783)	0.000	0.000	0.000	(1.349)	0.000	(4.429)	0.000
Other movements in Cost or Valuation including Transfers	58.604	33.004	(5.294)	(0.035)	0.049	2.722	(89.051)	(0.001)	8.574
Closing Balance at 31 March	705.172	1,286.454	123.098	374.614	3.485	26.205	109.679	2,628.707	170.656

	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant & Equipment £m	PPP Assets Included in Property, Plant & Equipment £m
Movement in 2016-17									
Accumulated Depreciation									
Opening Balance at 1 April	(0.000)	(98.730)	(89.527)	(89.913)	(0.635)	0.000	0.000	(278.805)	(11.788)
Depreciation charge	(26.876)	(44.249)	(12.149)	(8.868)	(0.113)	(0.243)	0.000	(92.498)	(4.470)
Depreciation written out to the Revaluation Reserve	27.063	0.979	0.000	0.000	0.000	0.136	0.000	28.178	0.000
Depreciation written out to the (Surplus) or Deficit on the Provision of Services	0.000	1.780	0.000	0.000	0.000	0.125	0.000	1.905	0.000
Impairment (losses)/reversals recognised in the (Surplus)/Deficit on the Provision of Services	0.000	0.562	0.000	0.000	0.000	0.022	0.000	0.584	0.178
Derecognition – Disposals	0.000	1.819	14.168	0.000	0.002	0.011	0.000	16.000	0.000
Eliminated on reclassification to Assets Held for Sale	0.000	0.054	0.000	0.000	0.000	0.001	0.000	0.055	0.000
Other movements in Cost or Valuation including Transfers	(0.187)	(4.666)	4.907	0.000	(0.003)	(0.052)	0.000	(0.001)	0.000
Closing balance at 31 March	(0.000)	(142.451)	(82.601)	(98.781)	(0.749)	0.000	0.000	(324.582)	(16.080)
Net Book Value:-									
At 31 March 2017	705.172	1,144.003	40.497	275.833	2.736	26.205	109.679	2,304.125	154.576
At 31 March 2016	705.607	1,103.420	45.622	267.537	2.404	27.202	96.189	2,247.981	112.193

	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant & Equipment £m	PPP Assets Included in Property, Plant & Equipment £m
Movements in 2015-16									
Cost or Valuation									
Opening Balance at 1 April	703.076	1,193.745	152.820	338.247	4.540	24.842	39.485	2,456.755	123.881
Additions	47.563	23.598	10.024	19.491	0.174	0.168	95.254	196.272	0.100
Donated Assets	0.000	1.500	0.000	0.000	0.000	0.000	0.000	1.500	0.000
Revaluation increases or (decreases) recognised in the Revaluation Reserve	(66.479)	(0.504)	0.000	0.000	0.000	0.779	0.680	(65.524)	0.000
Revaluation Increases or (decreases) recognised in the (Surplus) or Deficit on the Provision of Services	0.484	(23.186)	0.000	0.000	0.000	(1.375)	0.015	(24.062)	0.000
Impairment (losses)/reversals recognised in the Revaluation Reserve	0.000	(4.008)	0.000	0.000	0.000	0.000	(0.026)	(4.034)	0.000
Impairment (losses) or reversals recognised in the (Surplus) or Deficit on the Provision of Services	0.000	(13.385)	(0.003)	0.000	0.000	(0.113)	(1.450)	(14.951)	0.000
Derecognition – Disposals	(3.079)	(2.093)	(12.291)	0.000	(0.011)	(0.775)	0.000	(18.249)	0.000
Assets reclassified (to) or from Held for Sale	(0.582)	(0.190)	0.000	0.000	0.000	(0.193)	0.000	(0.965)	0.000
Other movements in Cost or Valuation including Transfers	24.624	26.673	(15.401)	(0.288)	(1.664)	3.869	(37.769)	0.044	0.000
Closing balance at 31 March	705.607	1,202.150	135.149	357.450	3.039	27.202	96.189	2,526.786	123.981

	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant & Equipment £m	PPP Assets Included in Property, Plant & Equipment £m
Movements in 2015-16									
Accumulated Depreciation									
Opening Balance at 1 April	0.000	(56.734)	(99.836)	(81.545)	(0.623)	(0.397)	0.000	(239.135)	(10.722)
Depreciation charge	(26.780)	(44.016)	(12.511)	(8.373)	(0.204)	(0.226)	0.000	(92.110)	(4.386)
Depreciation written out to the Revaluation Reserve	26.779	0.414	0.000	0.000	0.000	0.333	0.000	27.526	0.000
Depreciation written out to the (Surplus) or Deficit on the Provision of Services	0.000	7.806	0.000	0.000	0.000	0.283	0.000	8.089	3.320
Impairment (losses)/reversals recognised in the (Surplus)/Deficit on the Provision of Services	0.000	3.493	0.000	0.000	0.000	0.045	0.000	3.538	0.000
Derecognition – Disposals	0.001	1.344	11.900	0.000	0.004	0.037	0.000	13.286	0.000
Eliminated on reclassification to Assets Held for Sale	0.000	0.003	0.000	0.000	0.000	0.004	0.000	0.007	0.000
Other movements in Cost or Valuation including Transfers	0.000	(11.040)	10.920	0.005	0.188	(0.079)	0.000	(0.006)	0.000
Closing balance at 31 March	(0.000)	(98.730)	(89.527)	(89.913)	(0.635)	0.000	0.000	(278.805)	(11.788)
Net Book Value:-									
At 31 March 2016	705.607	1,103.420	45.622	267.537	2.404	27.202	96.189	2,247.981	112.193
At 31 March 2015	703.076	1,137.011	52.984	256.702	3.917	24.445	39.485	2,217.620	113.159

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 and 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 - 10 years
IT assets	4 - 25 years
Infrastructure	10 - 40 years
Plant and Equipment	3 - 50 years (average 9 years)

Capital Commitments

As at 31 March 2016, the Council had legal commitments on capital contracts of £136.050m (£83.459m at 31 March 2016). The major commitments are new build schools in St Andrews and Anstruther, replacement Asset Management System, Housing Component replacement and Affordable Housing projects. 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.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value are revalued at least every five years. In the 2016-17 financial year valuations were undertaken as part of the annual revaluation programme and ad-hoc valuations were undertaken by in-house and external valuers.

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

- Council House Dwellings Existing Use Value for Social Housing
- Other Land & 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
- Surplus Assets In 2015-16 the Council adopted the IFRS 13 Fair Value Measurement basis for Surplus Assets and this is based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy (inputs other than quoted prices that are observable for the financial asset/liability). In estimating the fair value of the authority's surplus assets, the highest and best use of the properties is their current use.

The table below shows the effective date of valuations over the preceding five financial years of the rolling revaluation programme. Council Dwellings are valued using beacon values assessed in 2013 and a new revaluation is due in 2018.

	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total £m
Carried at historical cost	0.002	98.384	122.705	374.581	3.485	-	0.002	706.069
Valued at fair value as at:-								
31 March 2017	705.170	104.384	0.033	0.000	0.000	26.207	0.000	835.794
31 March 2016	0.000	172.577	0.000	0.000	0.000	0.000	2.295	174.872
31 March 2015	0.000	43.936	0.360	0.033	0.000	0.000	0.470	44.799
31 March 2014	0.000	794.990	0.000	0.000	0.000	0.000	0.000	794.990
31 March 2013	0.000	72.183	0.000	0.000	0.000	0.000	0.000	72.183
Total Cost or Valuation	705.172	1,286.454	123.098	374.614	3.485	26.205	109.679	2,628.707

15. Heritage Assets

In accordance with FRS 102, 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 £7.551m for its Museum collections which has been included in the balance sheet valuation.

The Council owns a small number of historical buildings and sites including a disused Railway viaduct and a Prayer House. These have 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, and 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 and this value 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 is governed by the Museums Collections Development Policy 2013-18 which was agreed by the Fife Council Executive Committee in December 2013. The policy represents the aims and plans of Fife Council and the Fife Cultural Trust and it is intended the policy be reviewed every five years.

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 Museums Galleries Scotland on 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 Services Agreement between Fife Council and Fife Cultural Trust.

Cost or Valuation	Art Collection		Museums Collections	
	2016-17 £m	2015-16 £m	2016-17 £m	2015-16 £m
At 1 April	19.279	19.222	7.551	7.551
Donated Assets	0.095	0.000	0.000	0.000
Revaluations	0.042	0.057	0.000	0.000
At 31 March	19.416	19.279	7.551	7.551

The cost or valuation of the Council's Art Collection and Museums Collections recognised in the financial statements are shown in the table above. There have been no impairments or assets disposed or significant donated assets in the current and preceding financial year. During 2016-17 paintings to the value of £0.095m were donated to the Art Collection.

16. Intangible Assets

The Authority accounts for software as non-current 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	3 assets
Greater than 5 but less than 10 years	2 assets
Greater than 10 years	1 asset

The Authority had a current intangible asset in respect of allowances purchased to comply with the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The allowances were purchased in a forecast sale and are expected to meet the Authority's future years CRC obligations. All of these CRC allowances were utilised in 2016-17. The useful life of the allowances is 2 years.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £2.533m charged to revenue in 2016-17 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:-

	Non Current			Current	
	2016-17	2015-16		2016-17	2015-16
	£m	£m		£m	£m
Opening balance at 1 April					
Gross carrying amounts	1.334	4.390		2.509	2.509
Accumulated amortisation	(1.209)	(3.999)		0.000	0.000
Net carrying amount at start of year	0.125	0.391		2.509	2.509
Additions	0.040	0.009		0.000	0.000
Amortisation for the period	(0.024)	(0.219)		(2.509)	0.000
Transfers - Gross Book Value	0.000	(0.062)		0.000	0.000
Transfers - Accumulated Depreciation	0.000	0.006		0.000	0.000
Disposals - Gross Book Value	(0.013)	(3.003)		(2.509)	0.000
Disposals - Accumulated Depreciation	0.013	3.003		2.509	0.000
Net carrying amount at end of year	0.141	0.125		0.000	2.509
Comprising:					
Gross carrying amounts	1.361	1.334		0.000	2.509
Accumulated amortisation	(1.220)	(1.209)		0.000	0.000
Total	0.141	0.125		0.000	2.509

17. Assets Held for Sale

	Non Current			Current	
	2016-17 £m	2015-16 £m		2016-17 £m	2015-16 £m
Opening balance at 1 April	0.000	0.386		3.114	4.131
Assets newly classified as held for sale:					
-Property, Plant & Equipment	0.000	0.000		4.374	0.958
-Assets Held for Sale	0.000	(0.386)		0.000	0.386
Revaluation losses	0.000	0.000		(0.097)	(0.068)
Revaluation gains	0.000	0.000		0.032	0.000
Assets declassified as held for sale:					
-Assets sold	0.000	0.000		(0.753)	(2.293)
Balance outstanding 31 March	0.000	0.000		6.670	3.114

18. 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 (including the value of assets acquired under finance leases and PPP contracts), 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:-

	2016-17 £m	2015-16 £m
Opening Financing Requirement 1 April	984.275	913.973
Capital investment:-		
Property, Plant and Equipment (Note 14)	234.337	196.272
Intangible Assets (Note 16)	0.040	0.009
Available for Sale Financial Assets (Note 27)	0.017	1.051
Loan Advances (Note 27)	0.000	7.566
Sources of finance:-		
Capital receipts	(11.739)	(5.704)
Government grants and other contributions	(47.491)	(59.496)
Sums set aside from revenue:-		
Direct revenue contributions	(28.546)	(30.547)
Loans fund principal	(40.653)	(38.849)
Closing Capital Financing Requirement	1,090.240	984.275
Capital Financing Requirement - General Fund	794.339	737.241
Capital Financing Requirement - Housing Revenue Account	295.901	247.034
	1,090.240	984.275
Explanation of movements in year		
Increase in underlying need to borrow	105.965	70.302
Increase/(decrease) in Capital Financing Requirement	105.965	70.302

19. 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, or to the Revaluation Reserve if appropriate. These are disclosed in Note 13 reconciling the movement over the year in the Property, Plant and Equipment.

During 2016-17, the Authority has recognised an impairment loss of £2.215m relating to 11 assets.

20. Leases

Authority as Lessee

Finance Leases

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

The assets covered by this arrangement are accounted for in the Fife Council financial statements and £57.419m has been included on the Council's Balance Sheet at 31 March 2017 as Property, Plant & Equipment which includes: Carnegie Leisure Centre; Dunfermline £17.142m; Adam Smith Theatre, Kirkcaldy £4.068m; Beacon Leisure Centre, Burntisland £4.411m; Kirkcaldy Galleries £3.718m, and Cupar Leisure Centre £3.210m.

There are no other finance lease agreements included in the Council's balance sheet at 31 March 2017.

Operating Leases

The Council has a number of leasing agreements in place for land and buildings.

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

	31 March 2017 £m	31 March 2016 £m
Not later than one year	1.551	1.582
Later than one year and not later than five years	2.637	2.691
Later than five years	8.272	8.741
Total	12.460	13.014

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

	2016-17 £m	2015-16 £m
Minimum lease payments	2.255	2.335
Contingent rents	0.000	0.000
Total	2.255	2.335

Authority as Lessor

Finance Leases - Bike to Work and Home Computing Salary Sacrifice Schemes

During 2016-17 the Council entered into two further Bike to Work Salary Sacrifice Schemes following a government initiative to encourage cycle commuting. The Council purchased £0.117m (2015-16 £0.123m) 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 or extend their agreement and continue to use them for qualifying journeys.

During 2016-17 the Council did not enter into any further Home Computing Salary Sacrifice Schemes (2015-16 £0.000m) and is currently within the term of leasing the computer equipment to employees for 2-3 years from previous schemes. At the end of the 2 or 3 year period, employees will have the right to take on full ownership of the equipment or can opt to dispose of it by returning to our leasing company.

Both of these arrangements are treated as finance leases and therefore are not included as non-current assets on the balance sheet. Outstanding employee salary deductions are shown as debtors on the balance sheet and are detailed below:-

	Bike to Work		Home Computing	
	31 March 2017 £m	31 March 2016 £m	31 March 2017 £m	31 March 2016 £m
Due not later than one year	0.104	0.112	0.013	1.170
Due later than one year and not later than five years	0.000	0.000	0.000	0.000
Due in later than five years	0.000	0.000	0.000	0.000
Total	0.104	0.112	0.013	1.170

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 2017 £m	31 March 2016 £m
Not later than one year	3.484	3.131
Later than one year and not later than five years	9.663	9.000
Later than five years	72.577	69.901
Total	85.724	82.032

21. 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 2016-17 was £7.645m. The charge for 2017-18 is currently estimated at £7.568m. 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 back 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 2016-17 was £7.794m 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 2017-18 is £7.938m and as with the first project, the unitary charge for PPP2 is subject to a yearly indexation uplift. The schools will be passed back 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 also allow the Council and the PPP contractors 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 to 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 2017 (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 2017-18	3.761	0.978	2.829	7.568	2.581	1.871	3.486	7.938
Payable within two to five years	10.982	8.417	11.764	31.163	12.495	7.942	12.505	32.942
Payable within six to ten years	16.884	15.419	8.829	41.132	21.144	11.267	11.670	44.081
Payable within eleven to fifteen years	4.545	4.363	0.586	9.494	23.733	16.203	7.769	47.705
Payable within sixteen to twenty years	0.000	0.000	0.000	0.000	0.776	1.529	0.672	2.977
Total	36.172	29.177	24.008	89.357	60.729	38.812	36.102	135.643

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 contractors for capital expenditure incurred is as follows:-

	2016-17 £m	2015-16 £m
Balance outstanding at 1 April	71.264	74.388
Payments during the year	(3.275)	(3.124)
Balance outstanding at 31 March	67.989	71.264

Levenmouth Academy

The Scottish Government has supported a number of projects within the Scotland's Schools for the Future programme, which includes Design, Build, Facilities Managed (DBFM) projects delivered through hub programmes throughout Scotland.

Fife Council entered into such an agreement for the provision of the new Levenmouth Academy with Hub in December 2014, funded through a Non-Profit Distribution (NPD) model from Scottish Futures Trust (SFT). This project is now completed and the school became operational in August 2016. The concession arrangement in respect of the school is due to terminate in September 2042.

NPD is similar to the Council's two PPP schemes in that a special purpose company raises money to build the school, the local authority pays a unitary charge over the lifetime of the contract and the school will revert to the ownership of Fife Council at the end of the contract period. However unlike PPP the funding of the project is entirely from borrowing – there is no equity element and therefore no distribution of surpluses at the end of the contract to the investors. Any surpluses are passed to a designated charity.

From 2016-17 the Council pay an annual service payment (or Unitary Charge) to a special purpose company (hub East Central Scotland Ltd) over the 25 year lifetime of the contract and the Scottish Government also provide grant support over that period.

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 contract at 31 March 2017 (excluding any availability/performance deductions and using an inflation factor of 2.5% for RPI increases within the contract) are as follows:-

	DBFM - Levenmouth Academy			
	Payment for Services £m	Reimbursement of Capital Expenditure £m	Interest £m	Total £m
Payable in 2017-18	0.372	1.480	1.903	3.754
Payable within two to five years	1.337	7.167	6.893	15.397
Payable within six to ten years	4.729	8.208	6.858	19.795
Payable within eleven to fifteen years	7.665	7.544	5.271	20.480
Payable within sixteen to twenty years	9.043	8.575	3.637	21.255
Payable within twenty one to twenty five	8.572	8.753	1.521	18.846
Total	31.717	41.727	26.083	99.526

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 contractors for capital expenditure incurred is as follows:-

	2016-17 £m	2015-16 £m
Balance outstanding at 1 April	42.395	0.000
Payments during the year	(0.669)	0.000
Balance outstanding at 31 March	41.726	0.000

22. Inventories

	Consumable Stores & Raw Materials		Goods Acquired or Constructed for Resale		Equipment Stock		Total	
	2016-17 £m	2015-16 £m	2016-17 £m	2015-16 £m	2016-17 £m	2015-16 £m	2016-17 £m	2015-16 £m
Opening Balance 1 April	3.738	3.817	0.000	0.018	0.194	1.266	3.932	5.101
Purchases	15.597	17.763	0.000	0.000	0.794	0.646	16.391	18.409
Recognised as an expense in the year	(16.077)	(17.940)	0.000	(0.018)	(0.731)	(0.695)	(16.808)	(18.653)
Written off balances	0.297	0.098	0.000	0.000	0.000	(1.023)	0.297	(0.925)
Balance outstanding at 31 March	3.555	3.738	0.000	0.000	0.257	0.194	3.812	3.932

23. Debtors

	31 March 2017 £m	31 March 2016 £m
Central government bodies	8.357	13.407
Other local authorities	0.507	0.516
NHS bodies	2.260	0.781
Public corporations and trading funds	0.000	0.007
Other entities and individuals	53.810	51.981
Total	64.934	66.692

24. Creditors

	31 March 2017 £m	31 March 2016 £m
Central government bodies	(4.426)	(4.345)
Other local authorities	(0.143)	(0.175)
NHS bodies	(2.334)	(0.621)
Other entities and individuals	(113.907)	(142.442)
Total	(120.810)	(147.583)

25. Provisions

	Employee Allowances £m	Insurance Claims £m	Redundancy/ Settlement £m	Dilapidations £m	Asset Decommissioning £m	Total £m
Balance at 1 April 2016	(39.168)	(6.588)	(7.204)	(0.628)	(2.874)	(56.462)
Additional provisions made in 2016-17	0.000	(1.730)	(2.038)	0.000	(0.092)	(3.860)
Amounts used in 2016-17	36.029	2.389	3.048	0.000	0.000	41.466
Unused amounts reversed in 2016-17	2.390	0.000	4.156	0.000	0.000	6.546
Unwinding of discounting in 2016-17	0.000	(0.021)	0.000	0.000	(0.077)	(0.098)
Closing Balance at 31 March 2017	(0.749)	(5.950)	(2.038)	(0.628)	(3.043)	(12.408)

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

	Employee Allowances £m	Insurance Claims £m	Redundancy/ Settlement £m	Dilapidations £m	Asset Decommissioning £m	Total £m
Short-Term	(0.749)	(0.001)	(2.038)	(0.628)	0.000	(3.416)
Long-Term	0.000	(5.949)	0.000	0.000	(3.043)	(8.992)
Closing balance at 31 March 2017	(0.749)	(5.950)	(2.038)	(0.628)	(3.043)	(12.408)

The provisions above are for liabilities which exist at the 31 March 2017 but are likely to be incurred in financial years 2017-18 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 Employee Allowances (£0.749m) covers the expected costs resulting from Equal Pay Claims.
- The provision for Insurance (£5.950m) covers all known outstanding claims. Further details on the provisions can be found in Note 42 Insurance Arrangements.
- Provisions have been made in the accounts for the expected costs arising from Workforce Change strategy (£2.038m)
- The provision for Dilapidations (£0.628m) was based on all known costs associated with outstanding property dilapidations.
- The provision for Asset Decommissioning covers the expected landfill site aftercare costs, at Lochhead and Lower Melville Wood (£3.043m), to continue to meet obligations when they reach the point of closure.

26. 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 2016-17:-

	2016-17 £m	2015-16 £m
Credited to Taxation and Non Specific Grant Income		
General Capital Grant funding from Scottish Government	(26.781)	(38.812)
Cycling, Water and Safer Streets funding from Scottish Government	(0.403)	(0.552)
Housing Revenue Account funding from Scottish Government for new build housing	(12.344)	(10.362)
Housing Revenue Account funding from Scottish Government for Energy Conservation	(0.792)	(3.007)
Funding for Lyne Burn Corridor River from Scottish Environmental Protection Agency	(0.240)	(0.080)
Traffic Management Project funding from Sustrans	(1.107)	(1.842)
Dunfermline Museum & Art Gallery funding from the Big Lottery Fund	(0.828)	(1.212)
Contributions to Levenmouth School project from Fife Council and other organisations	0.000	(0.587)
Vacant and Derelict Land funding from Scottish Government	(0.992)	0.000
Developers' Contributions to Carnegie Primary School	(1.020)	0.000
Task Force for Queensway Industrial Estate from Scottish Government	(1.577)	0.000
Overton Community Centre Kirkcaldy project funding from Scottish Government	(0.585)	0.000
Wemyssfield Kirkcaldy project funding from Scottish Government	(0.750)	0.000
Other Capital Grants	(2.136)	(1.508)
Capital Contributions	(1.090)	(1.804)
Total	(50.645)	(59.766)

Credited to Services	2016-17 £m	2015-16 £m
Education Maintenance Allowance	(1.470)	(1.394)
Housing Benefit Subsidy	(114.475)	(113.204)
Criminal Justice Service Grant	(6.426)	(5.952)
Admin of Housing and Council Tax Benefit Schemes	0.000	(1.711)
Discretionary Housing Payments	(1.656)	(1.164)
Levenmouth Academy SFT Contribution	(2.306)	0.000
Active Schools	(0.638)	(0.621)
Fife Task Force	0.000	(0.652)
General Election Funding from Scotland Office	0.000	(0.716)
In Perpetuity Funding from NHS resulting from closure of Lynebank Hospital Ward	(12.289)	(12.084)
In Perpetuity Funding from NHS resulting from closure of Stratheden Hospital Redesign	(1.478)	(1.453)
In Perpetuity Funding from NHS for Nursing and Residential Care	(5.037)	(4.842)
Lifetime funding from NHS for Integrated Resource Advisory Group	(0.594)	(0.510)
Integrated Care Fund from NHS	(2.912)	(2.250)
Integrated Resource Team Funding from NHS	(4.741)	(0.545)
Delayed Discharge Funding from NHS	(7.406)	(3.350)
Low Pay Funding from NHS	(2.087)	(0.733)
Change Fund Reablement & Telecare funding from NHS	0.000	0.000
NHS Community Service Provision Review	(0.568)	0.000
NHS Adults Overnight Care	(1.000)	0.000
Skills Development Scotland Funding	(0.549)	(0.627)
European Election	(0.637)	0.000
Scottish Parliamentary Election	(0.583)	0.000
Other Government Grants	(5.251)	(1.468)
Other Non-Government Grants	(10.898)	(9.804)
Total	(183.002)	(163.080)

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 2017			31 March 2016	
	Short Term £m	Long Term £m		Short Term £m	Long Term £m
Receipts in Advance					
Capital Grants and Contributions					
Economy, Planning and Employability Services Section 75 Grants - contributions from third parties	0.000	(5.199)		0.000	(5.724)
Total	0.000	(5.199)		0.000	(5.724)
Revenue Grants					
Education Service - PE Programme - contribution from Sports Scotland	(0.015)	0.000		(0.055)	0.000
Education Service - YMI - contribution from Creative Scotland	(0.189)	0.000		(0.308)	0.000
Education Service - Ministry of Defence funding	(0.032)	0.000		(0.213)	0.000
Economy, Planning & Employability- Fife Task Force	(1.005)	(0.135)		0.000	0.000
Economy, Planning & Employability- Vacant & Derelict Land	(0.450)	(0.540)		0.000	0.000
Economy, Planning & Employability- Developing Youth Workforce	(0.298)	0.000		0.000	0.000
Area Services - Lumphinnans Sports Hub	(0.045)	(0.446)		(0.045)	(0.446)
Area Services Adoption Fees - contributions from third parties	(0.060)	(0.039)		(0.066)	(0.099)
Total	(2.094)	(1.160)		(0.687)	(0.545)
Total Receipts in Advance - Capital and Revenue	(2.094)	(6.359)		(0.687)	(6.269)

27. 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 2017	31 March 2016		31 March 2017	31 March 2016
	£m	£m		£m	£m
Debtors					
Loans and receivables	24.071	25.330		17.157	15.144
Investments					
Employment Land	4.493	3.669		0.000	0.000
Borrowings					
PWLB Loans	(380.710)	(282.800)		(2.090)	(2.084)
Money Market Loans	(423.100)	(450.100)		(27.000)	(15.000)
Temporary Loans	0.000	0.000		(112.500)	(70.750)
Loan Interest - EIR	(5.209)	(5.235)		(0.062)	(0.052)
Loan Interest - PWLB	0.000	0.000		(5.445)	(4.525)
Loan Interest - Money Market Loans	0.000	0.000		(3.709)	(4.909)
Loan Interest - Temporary Loans	0.000	0.000		(0.115)	(0.132)
Other Long Term Liabilities					
PPP and finance lease liabilities	(105.387)	(67.989)		(2.849)	(3.275)
Creditors					
Financial liabilities carried at contract amount					
Trade Creditors	0.000	0.000		(23.854)	(30.590)

Loans and Receivables above include Soft loans to employees of £0.227m (2015-16, £0.240m) and outstanding Loan Debt of £13.099m (2015-16, £14.359m) due from the Scottish Police and Fire Authorities. When Police and Fire services were transferred from Fife Council at 1st April 2013, the outstanding loan debt did not transfer but has been recognised as a debtor to be repaid annually until 2036-37 for Police and 2035-36 for Fire.

In 2016-17 the Council made no further loan advance under the National Housing Trust (NHT) Initiative. Any loans advanced are repayable within 5 and 10 years of the loan advance and are included above as a long term debtor.

Soft Loans, outstanding Police and Fire Loan Debt and Loan Advances are classified as either long or 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.

The Council is party to an Employment Land investment with Scottish Enterprise which is measured at fair value based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets. Market conditions are such that similar assets are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy (inputs other than quoted prices that are observable for the financial asset/liability). In estimating the fair value of the authority's Available for Sale Financial Assets, the highest and best use of the assets is their current use. The Fair Value at 31 March was £4.493m (2015-16 £3.669m).

The Council has significant financial liabilities at amortised cost in the form of long-term borrowing from the Public Works Loan Board and other money market lenders which are recorded on the Council's balance sheet at amortised cost not at fair value. However, the fair value of these assets is disclosed in the table below primarily to provide a comparison with the carrying value in the Balance Sheet. The fair value valuation basis used is Level 2 in the fair value hierarchy (inputs other than quoted prices that are observable for the financial asset/liability), and is assessed by calculating the net present value of cash flows that are expected to take place over the remaining life of the instruments which seeks to estimate the value of future payments on today's terms. The discount rate is based on the rate at 31st March 2017 for debt with similar characteristics to Council debt, for example with similar terms and repayment periods, and no provision has been made for the premature repayment of debt.

	PWLB and Money Market Loans	
	31 March 2017	31 March 2016
	£m	£m
Carrying value	832.900	749.984
Fair value	1178.086	978.146

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.

The total interest expense in the income and expenditure account borrowings is also shown on the basis of amortised cost rather than at fair value is £34.151m (2015-16, £31.717m).

28. 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 or 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 and an annual report laying out the Treasury Management Borrowing and Investment Strategy for the forthcoming three years was submitted to the Council's Executive Committee prior to the start of the 2016-17 financial year. The key issues included in those reports were:

- The authorised limit for 2016-17 was set at £1,129.453m. This is the maximum limit of debt and other long term liabilities during the year
- The operational limit was set at £1,075.669m, 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 2017-18 to 2019-20 were approved by the Council's Executive Committee on 28 March 2017.

These policies are implemented by the team responsible for Treasury Management activities - the Banking & 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. These 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 risks 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 2017.

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

	Amounts at 31 March 2017 £m	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2017 %	Expected maximum exposure to default £m	Amounts at 31 March 2016 £m	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2016 %	Expected maximum exposure to default £m
Deposits with:-								
Other Debtors	15.899	0.80%	19.49%	3.849	13.868	2.20%	17.62%	2.966
	15.899			3.849	13.868			2.966

The amount of bad debts written off during 2016-17 was approximately 0.80% (2015-16, 2.20%) 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 date of invoice. As a result of this, the provision for impairment in the accounts is at the level of £3.849m (2015-16, £2.966m), giving the above average percentage based on specific provisions per debt category and age of debt.

Other Debtors referred to above relate to sundry accounts where there is a contractual entitlement to receive funds and there is a historical risk of default. The sum of £15.899m (2015-16, £13.868m) is included within Debtors identified in Note 23 to these accounts.

	31 March 2017 £m	31 March 2016 £m
Beyond a year	4.951	3.490
Nine to Twelve months	1.082	0.899
Six to Nine months	2.066	2.072
Three to Six months	0.909	1.314
Within Three months	6.904	6.082
Total	15.912	13.857

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 (PWLb). 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 Lender Option Buyer Options) 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 (principal and interest), is provided below:

	PWLB £m	Money Market Loans (incl EIR) £m	Short-Term Loans £m	Total £m	Maturity Profile %
Loans maturing:					
Less than one year	7.535	30.771	112.615	150.921	15.72%
Between one and two years	2.096	27.033	0.000	29.129	3.03%
Between two and five years	40.170	38.872	0.000	79.042	8.23%
Between five and ten years	75.512	1.215	0.000	76.727	7.99%
Ten years or more	262.932	361.189	0.000	624.121	65.02%
Total	388.245	459.080	112.615	959.940	99.99%

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 2016-17, the impact of a 1% increase in interest rates, assuming all other variables were constant, would have increased interest payable by £0.783m on borrowings taken in the year, but would also have increased interest receivable by £0.645m, the net effect on the Income and Expenditure Account being a debit of £0.137m. The impact on the fair value of long-term borrowings would be a reduction in fair value of £192.376m. If rates were to decrease, the reverse would apply.

29. Operating Activities

	2016-17 £m	2015-16 £m
Adjustment to the net provision of services for non-cash movements		
Depreciation and impairment	94.465	103.687
Downward/(upward) revaluations	7.607	16.043
Amortisation of intangibles	2.533	0.219
Increase/(decrease) in creditors	(3.884)	(3.003)
(Increase)/decrease in debtors	2.151	5.752
(Increase)/decrease in stock	0.120	1.169
Movement in Pension liability/(asset)	27.650	44.246
Contributions to/(from) provisions	(44.053)	36.516
Carrying amount of non-current assets sold	11.582	7.256
Other non-cash items charged to the net surplus or deficit on the provision of services	(0.108)	(1.497)
Total	98.063	210.388
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Capital Grants credited to surplus or deficit on the provision of services	(50.645)	(59.766)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(13.485)	(9.651)
Total	(64.130)	(69.417)

30. Other items within Operating Activities

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

	2016-17 £m	2015-16 £m
Interest received	0.832	0.613
Interest paid	(42.358)	(39.728)
Total	(41.526)	(39.115)

31. Investing Activities

	2016-17 £m	2015-16 £m
Purchase of property, plant and equipment, investment property and intangible assets	(200.521)	(197.470)
Purchase of investments	(0.017)	(0.013)
Long Term Loans Granted	0.000	(7.566)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	13.485	9.651
Other receipts from investing activities	51.510	61.373
Total	(135.543)	(134.025)

32. Financing Activities

	2016-17 £m	2015-16 £m
Cash receipts of short and long term borrowing	242.500	195.250
NNDR adjustment	(14.873)	3.593
Repayment of short and long term borrowing	(117.834)	(100.310)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PPP contracts	(3.275)	(3.124)
Total	106.518	95.409

33. Cash and Cash Equivalents

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

	2016-17 £m	2015-16 £m
Cash in Hand	0.056	0.056
Bank	0.192	15.979
Short Term Investments	45.270	27.000
Advances from other accounts	(2.360)	(2.322)
Total	43.158	40.713

34. Members' allowances

The Authority paid the following amounts to members of the Council during the year:-

	2016-17 £m	2015-16 £m
Remuneration:-		
Salaries	1.458	1.443
Expenses:-		
Travel, Accommodation and Subsistence	0.060	0.069
Telephones/Communications	0.046	0.043
Total	1.564	1.555

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 the 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 earlier in these accounts.

35. External Audit Costs

The agreed external audit fee for 2016-17 was £0.503m for work undertaken in accordance with the Code of Audit Practice (2015-16, £0.552m). No other services were provided by Audit Scotland.

36. 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 Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills and housing benefits). Grants received from government departments and Grant receipts outstanding at 31 March 2017 are shown in Note 26.

Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. During 2016-17 and 2015-16 there were no material works and services that were commissioned from organisations in which any elected member has an interest. Grants totalling £3.364m (2015-16 £4.180m) were awarded to 5 organisations (2015-16, 7) in which members have representation. A register of members' interests is maintained by the Executive Director Finance and Corporate Services and this register is available for inspection at www.publications.fifedirect.org.uk/c64_currentelectronicregister-fromMay2017.pdf

Officers

No grants were awarded to organisations in which officers have some representation but members do not (none in 2015-16).

Local Government Pension Fund

During the 2016-17 financial year the Council charged £1.156m, (2015-16, £1.344m) for support services related to the administration of the Pension Fund. Fife Council paid employers' contributions to the Pension Fund of £62.182m (2015-16, £58.605m) and collected and paid over employees' contributions of £15.008m (2015-16, £14.793m).

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 activities across Fife through the 14 leisure facilities. The Council is represented on the Board of Directors by 4 members and 2 officers. In 2016-17 the Council contracted with the Trust to the value of £2.343m (2015-16, £2.706m) in respect of the management of its sports and leisure facilities.

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 4 members. In 2016-17 the Council contracted with the Trust to the value of £1.596m (2015-16 £1.500m).

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 4 members. In 2016-17 the Council contracted with the Trust to the value of £0.589m (2015-16, £0.601m) 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 4 members. In 2016-17 the Council contracted with the Trust to the value of £8.252m in respect of the management of its arts, theatre, library and museum facilities (2015-16, £8.363m).

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 1 member and 1 officer. In 2016-17 the Council contributed £0.098m (2015-16, £0.103m) to the Trust from its own funds.

Fife Resource Solutions Limited Liability Partnership

This Partnership was set up on 1 April 2014 between Fife Council and Sustainability Fife Ltd. It is independent of Fife Council and its purpose is to provide Waste Treatment and Disposal, Collection of Commercial and Industrial Waste, Waste Haulage and Transfer, Recycling Facilities, Energy Generation and Supply and Related Consultancy Services to Fife Council. The Council is represented on the Members Board by 3 elected members of Fife Council, 2 officers of the Council and 1 independent member. In 2016-17 the Council is contracted with the company to the value of £18.378m (2015-16 £13.923m).

Resource Efficient Solutions Limited Liability Partnership

This partnership was set up on 1 April 2014 between Fife Council and Fife Resource Solutions LLP. It is independent of Fife Council and its purpose is to develop new income streams predominantly from provision of waste disposal, commercial and industrial waste collection services to external customers and provision of consultancy services. The Council is represented on the Members Board by 3 elected members of Fife Council, 2 officers of the Council (there is also 1 independent member). In 2016-17 the Council contracted with the company to the value of £0.838m (2015-16, £0.554m) in respect of industrial waste disposal services.

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 3 members. The Council contributed £0.048m (2015-16, £0.048m) in terms of requisitions during 2016-17 and £0.020m (2015-16, £0.020m) in respect of clerking and legal services.

Business Gateway Fife

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 2 officers on the Board of Directors. In 2016-17, Fife Council provided £0.153m (2015-16, £0.247m) of operational funding and funding for financial assistance to small businesses delivered through Business Gateway Fife. In 2016-17 £0.824m was contributed to the Business Gateway National contract (2015-16, £0.922m)

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 2016-17 Fife Council contributed requisitions of £0.214m (2015-16, £0.195m).

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 2016-17 Fife Council contributed £0.047m (2015-16, £0.047m). In addition, the reserves generated by SESplan at the year-end are held by Fife Council on SESplan's behalf. At 31 March 2017, this amounted to £0.089m (£0.065m at 31 March 2016).

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 2016-17 Fife Council contributed £0.036m (2015-16, £0.060m).

Fife Historic Building Trust

The Fife Historic Building Trust is a company incorporated under the Companies Acts, limited by guarantee and with charitable status. Its purpose is to promote and encourage the maintenance and improvement of the amenity of the geographical area of Fife and the protection and preservation of its landscape and architectural and historical heritage, either on its own or working in partnership with others. In 2016-17 Fife Council contributed £0.198m (2015-16 £0.124m).

Fife Integration Joint Board

Under the terms of the Public Bodies (Joint Working)(Scotland) Act 2014 the Fife Integration Joint Board was legally established from 3 October 2015 with official commencement date being 1 April 2016. There is no material impact on the Board's 2016-17 Annual Accounts. Consolidation will be applied for the 2017-18 Annual Accounts according to the equity method of accounting under IAS 28 - Investments in Associates and Joint Ventures. Funding contribution from Fife Council to IJB in 16-17 £143.0m and income received of £185.0m

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

	Creditor at 31 March 2017 £m	Debtor at 31 March 2017 £m	Creditor at 31 March 2016 £m	Debtor at 31 March 2016 £m
Business Gateway Fife	(0.119)	(0.003)	0.000	0.000
Fife Environment Trust	0.000	0.000	(0.048)	0.000
Fife Sports and Leisure Trust	(0.106)	0.340	(0.003)	0.046
Fife Coast and Countryside Trust	(0.114)	0.010	0.000	0.010
Fife Golf Trust	0.000	0.071	0.000	0.075
Fife Cultural Trust	(0.204)	0.278	(0.300)	0.146
Fife Resource Solutions LLP	(0.534)	0.515	(0.290)	0.593
Resource Efficient Solutions LLP	(0.387)	0.000	(0.021)	0.000
Integrated Joint Board	(1.900)	0.000	0.000	0.000
Total	(3.364)	1.211	(0.662)	0.870

37. Termination Benefits

The authority has accounted for the termination of contracts of 162 employees in 2016-17, incurring liabilities of £7.209m (2015-16, £6.058m). Of this total, £1.570m relates to statutory redundancy payments, £1.442m to compensation for loss of office, £2.304m for enhanced pension benefits and £1.893m for estimated CAY.

As a consequence of the delivery of the 2016-17 savings each directorate has incurred termination payments. The Directorate incurring the largest cost is Enterprise & Environment £2.453m.

In 2015-16, Fife Council has included a provision of liabilities of £7.204m which was used to offset the total costs reported for 2016-17. In the current year, Fife Council includes a provision for £2.038m. Of this total, £0.665m relates to statutory redundancy payments, £0.483m to compensation for loss of office and £0.890m for enhanced pension benefits.

38. 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 2016-17, the amounts due to Scottish Public Pensions Agency for Teachers' Pensions in respect of teachers' retirement benefits were £22.955m, representing 17.10% of pensionable pay. The figures for 2015-16 were £21.732m and 16.10%.

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 39. The sum due for discretionary benefits during 2016-17 was £4.271m (2015-16, £4.470m).

39. Defined Benefit Retirement 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 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 pension's payments as they eventually fall due.

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 we are required to make 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	
	2016-17	2015-16
	£m	£m
Comprehensive Income and Expenditure Statement		
Cost of Services:-		
Current Service Cost	68.601	78.420
Past service costs (incl. Curtailments)	3.332	3.705
Financing and Investment Income and Expenditure:-		
Interest cost	82.470	80.434
Interest Income on plan assets	(57.910)	(52.578)
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	96.493	109.981
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:-		
Total remeasurements recognised in Other Comprehensive Income and Expenditure	310.806	(205.941)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	407.299	(95.960)

	Local Government	
	2016-17	2015-16
	£m	£m
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	(96.493)	(109.981)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	61.548	58.232
Contributions in respect of unfunded benefits	7.295	7.502

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	
	2016-17	2015-16
	£m	£m
Opening balance at 1 April	(2,349.286)	(2,501.032)
Current service cost	(68.601)	(78.420)
Interest cost	(82.470)	(80.434)
Contributions by plan participants	(14.919)	(14.783)
Remeasurements:-		
Change in Financial Assumptions	(607.027)	225.777
Other Experience	(2.685)	31.632
Benefits paid	62.109	64.177
Unfunded Benefits Paid	7.295	7.502
Past service costs (incl Curtailments)	(3.332)	(3.705)
Closing balance at 31 March	(3,058.916)	(2,349.286)

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

	Local Government Pension Scheme	
	2016-17 £m	2015-16 £m
Opening balance at 1 April	1,648.617	1,638.669
Interest Income on Plan Assets	57.910	52.578
Return on assets excluding amounts included in net interest	298.906	(51.468)
Employer contributions	61.548	58.232
Contributions by plan participants	14.919	14.783
Benefits paid	(62.109)	(64.177)
Contributions in respect of unfunded benefits	7.295	7.502
Unfunded benefits paid	(7.295)	(7.502)
Closing balance at 31 March	2,019.791	1,648.617

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 experienced in the respective markets.

Fair Value of Employers' Assets

The below asset values are at bid values as required under IAS19.

	31 March 2017				31 March 2016			
	Quoted Prices in Active Markets £m	Prices not Quoted in Active Markets £m	Total £m	%	Quoted Prices in Active Markets £m	Prices not Quoted in Active Markets £m	Total £m	%
Equity Securities:	451.090	0.000	451.090	22%	338.921	2.948	341.869	21%
Debt Securities: Corporate Bonds	0.000	59.260	59.260	3%	0.000	49.576	49.576	3%
Corporate Bonds (non-investment grade)	0.000	0.000	0.000	0%	0.000	0.000	0.000	0%
Debt Securities: UK Government	0.000	151.640	151.640	8%	0.000	78.171	78.171	5%
Debt Securities: Other	0.000	8.820	8.820	0%	0.000	1.565	1.565	0%
Real Estate: UK Property	12.860	156.000	168.860	8%	151.562	10.475	162.037	10%
Real Estate: Overseas Property	0.000	2.460	2.460	0%	0.390	0.000	0.390	0%
Investment Funds and Unit Trusts: Equities	776.460	8.730	785.190	39%	766.112	0.000	766.112	46%
Investment Funds and Unit Trusts: Bonds	0.000	73.610	73.610	4%	122.476	0.000	122.476	7%
Hedge Funds	0.000	0.000	0.000	0%	0.000	0.000	0.000	0%
Investment Funds and Unit Trusts: Commodities	2.520	0.000	2.520	0%	0.904	0.000	0.904	0%
Investment Funds and Unit Trusts: Infrastructure	0.000	40.010	40.010	2%	0.000	31.561	31.561	2%
Investment Funds and Unit Trusts: Other	0.000	173.350	173.350	9%	2.133	0.000	2.133	0%
Inflation	0.000	0.000	0.000	0%	0.000	0.000	0.000	0%
Interest Rate	0.000	0.000	0.000	0%	0.000	0.000	0.000	0%
Derivatives:	0.090	0.000	0.090	0%	(0.627)	0.000	(0.627)	0%
Other	0.000	0.000	0.000	0%	0.000	0.000	0.000	0%
Cash and Cash Equivalents:	102.890	0.000	102.890	5%	92.450	0.000	92.450	6%
TOTAL	1,345.910	673.880	2,019.790	100%	1,474.322	174.295	1,648.617	100%

Scheme History

	2012-13 £m	2013-14 £m	2014-15 £m	2015-16 £m	2016-17 £m
Present value of liabilities:-					
Funded Liabilities	(1,940.386)	(2,118.247)	(2,360.832)	(2,221.980)	(2,920.432)
Unfunded Liabilities	(132.534)	(137.815)	(140.200)	(127.306)	(138.484)
Police Pension Scheme	(637.200)	0.000	0.000	0.000	0.000
Fire Pension Scheme	(225.400)	0.000	0.000	0.000	0.000
Police Injury Benefits Scheme	(26.900)	0.000	0.000	0.000	0.000
Fire Injury Benefits Scheme	(15.200)	0.000	0.000	0.000	0.000
Fair value of assets in the Local Government Pension Scheme	1,376.201	1,478.352	1,638.669	1,648.617	2,019.791
Total Surplus/(Deficit)	(1,601.419)	(777.710)	(862.363)	(700.669)	(1,039.125)

	2012-13 £m	2013-14 £m	2014-15 £m	2015-16 £m	2016-17 £m
Surplus/(deficit) in the scheme:-					
Funded Scheme	(564.185)	(639.895)	(722.163)	(573.363)	(900.641)
Unfunded Scheme	(132.534)	(137.815)	(140.200)	(127.306)	(138.484)
Police Pension Scheme	(637.200)	0.000	0.000	0.000	0.000
Fire Pension Scheme	(225.400)	0.000	0.000	0.000	0.000
Police Injury Benefits Scheme	(26.900)	0.000	0.000	0.000	0.000
Fire Injury Benefits Scheme	(15.200)	0.000	0.000	0.000	0.000
Total Surplus/(Deficit)	(1,601.419)	(777.710)	(862.363)	(700.669)	(1,039.125)

The contribution expected to be made to the funded scheme in the year to 31 March 2018 is £61.791m.

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 are based on the roll-forward of the 2014 valuation as adjusted for changes in assumptions, additional benefit accrual and estimated cash flows. The 2017 triennial valuation is due to be reported next year and will set employers' rates for 1 April 2018.

The principal assumptions used were:-

	Local Government Pension Scheme	
	2016-17	2015-16
Mortality assumptions:-		
Longevity at 65 for current pensioners:-		
Men	22.0	22.0
Women	23.7	23.7
Longevity at 65 for future pensioners:-		
Men	24.1	24.1
Women	26.4	26.4
Financial Assumptions		
Rate of increase in salaries	3.60%	3.40%
Rate of increase in pensions	2.40%	2.20%
Rate for discounting scheme liabilities	2.60%	3.50%
Computation		
Take-up of option to convert annual pension into retirement lump sum	50%**	50%**

** 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.

40. Contingent Assets and Liabilities

At 31 March 2017 the Authority has no contingent assets.

At 31 March 2017, the Authority had one material contingent liability:-

- The Authority has developed a strategy for Workforce Change which would result in an FTE staff reduction of approximately 2,000 at an estimated cost of £62.484m over the 10 year period (2010-11 to 2019-20). Included in the 2016-17 accounts are costs totalling £4.316m for approximately 80 staff, which includes a provision of £2.038m for redundancies and early retirements. There is significant uncertainty over the extent of employee reductions required over the next 3 years although this is estimated at approximately £13.000m for under 450 staff and no provision has been made for this contingency.

41. 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 are not eligible to join the local government pension scheme as they have separately constituted pension scheme.

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

42. 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 16th 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 and anticipated 'incurred but not reported' (IBNR) claims which in total are estimated at £5.950m. This includes liability claims prior to 16 May 1975.

This figure includes provisions for the following significant losses:

Municipal Mutual Insurance Scheme of Administration

Municipal Mutual Insurance (MMI) set up a Scheme of Administration in 1992 in anticipation of a solvent run off. During 2013-14 the Scheme was triggered and the Scheme Administrator set a Levy of 15% on all paid and outstanding claims since the Scheme began. MMI's financial position is continuing to deteriorate and during 2015-16, the Scheme Administrator increased the Levy to 25%. Provision of £0.614m has been made to cover the additional 25% on known outstanding claims and a further 9% on all known claims in anticipation of a future Levy.

Debtors

Debtors of £0.249m are included in these Accounts in relation to insurer settlements due to the Council.

Motor Recoveries from Third Parties

Debtors have been created relating to receipts of £0.037m from insurers or third parties where there is a high degree of certainty that the Council shall be reimbursed.

Bowhill Leisure Centre, Cardenden

A fire in July 2015 resulted in significant damage to the building. The loss adjuster has estimated that the total cost will be approximately £0.462m. A policy excess of £0.250m applies and a debtor has been created for £0.212m which reflects the anticipated insurer contribution.

43. Adjusting Events after Reporting Period

There are no post balance sheet events which require disclosure.

44. Prior Period Adjustments / Restatements

In line with Module 3 of The Code, the introduction of the new EFA (Expenditure and Funding Analysis) and associated note have been included, a re-statement of prior year Comprehensive Income and Expenditure Account (CIES) and a streamlined Movement in Reserves Statement (MIRS) were subsequently required. The EFA shows Cost of Services split on a service basis and now includes 'Support Services recharged to Expenditure of Continuing Operations' (previously included in Note 7) within the Cost of Services in the CIES. There are no changes to the Balance Sheet.

Changes were required to the Property, Plant and Equipment Note (note 14) to reflect a change in the valuation methodology for PPP Assets and the reclassification of the Fife Energy Park from Property Plant and Equipment to Long Term Investments. A re-statement of prior year Comprehensive Income and Expenditure Accounts (CIES) and Balance Sheet were subsequently required.

The treatment of Second Homes Council Tax income was reviewed with this amount now being included as an Earmarked Balance. A restatement of prior year Comprehensive Income and Expenditure (CIES), Movement in Reserves Statement (MIRS) and Balance Sheet were subsequently required

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.

2015-16 £m		2016-17 £m
	Income	
(97.914)	Dwelling Rents	(100.764)
(3.017)	Non-dwelling Rents	(3.163)
(1.468)	Hostels - Accommodation Charges	(1.658)
(2.616)	Other Income	(2.141)
(105.015)	Total Income	(107.726)
	Expenditure	
36.030	Repairs and Maintenance	36.393
18.589	Supervision and Management	19.258
0.124	Rents, rates, taxes and other charges	0.097
26.875	Depreciation, impairment and revaluation losses of non-current assets	26.989
1.968	Impairment of Debtors (note 4)	2.730
1.797	Other Expenditure	1.520
85.383	Total Expenditure	86.987

2015-16 £m		2016-17 £m
(19.632)	Net Expenditure or (Income) of HRA Services as included in the Comprehensive Income and Expenditure Statement	(20.739)
0.089	Share of Corporate and Democratic Core	0.082
0.085	HRA share of other amounts included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services	0.077
(19.458)	Net (Income) or Expenditure for HRA Services	(20.580)

2015-16 £m		2016-17 £m
	HRA Share of operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement	
(2.159)	(Gain) or Loss on sale of HRA Non Current Assets	(4.660)
8.657	Interest Payable and Similar Charges	10.233
(0.118)	Interest and Investment Income	(0.116)
0.834	Interest on the net defined benefit liability - Pension Interest Cost and Expected Return on Pension Asset	0.785
(13.410)	Capital Grants and Contributions Receivable	(13.395)
(25.654)	(Surplus) or Deficit for the Year on HRA Services	(27.733)

Movement on the Housing Revenue Account Statement

2015-16 £m		2016-17 £m
(25.654)	(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement	(27.733)
25.654	Adjustments between Accounting Basis and Funding Basis Under Statute (note 1)	27.733
0.000	Net (Increase) or Decrease In Year on HRA	0.000
(2.006)	Balance on the HRA at the end of the Previous Year	(2.006)
(2.006)	Balance on the HRA at the end of the Current Year	(2.006)

Housing Revenue Account Disclosures

1. Adjustments between Accounting Basis and Funding Basis under Statute

	2016-17 £m	2015-16 £m
Gain or (loss) on sale of HRA non-current assets	4.660	2.159
Capital expenditure funded by the HRA	28.546	30.547
Transfer to/(from) the Capital Adjustment Account:-		
Depreciation and Impairment	(26.989)	(26.875)
Capital Grants and Contributions	13.395	13.410
Repayment of Debt	8.501	7.276
HRA share of contributions to/(from) the Pensions Reserve	(1.010)	(1.438)
HRA Share of Transfer (to)/from the Financial Instruments Adjustment Account	0.649	0.576
HRA adjust for compensated absences	(0.019)	(0.001)
Total	27.733	25.654

2. Housing Stock

The Council's housing stock at 31 March 2017 was 30,004 (31 March 2016, 29,982) in the following categories:

Number of Bedrooms	31 March 2017 Number	31 March 2016 Number
0	271	273
1	7,320	7,241
2	14,203	14,251
3	7,183	7,237
4 - 8	1,027	980
Total	30,004	29,982

3. Rent Arrears

	2016-17 £m	2015-16 £m
Current Tenants	5.941	4.703
Former Tenants	0.980	1.091
Temporary Accommodation	0.143	0.163
	7.064	5.957

4. Impairment of Debtors

A provision of £5.310m (75.2%), including £0.065m for temporary accommodation, (2015-16, £4.292m 72%) has been made in respect of uncollectable debts.

5. Weekly Rents

The average weekly house rent (52 week basis) for 2016-17 was £65.23 (2015-16, £63.83). 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 2017 was £307.348m (31 March 2016 Re-stated, £258.481m). The increase in the level of debt is mainly due to the scale of the investment programme that is in place to deliver the Affordable Housing and the Component Replacement Programme.

7. Void Rent Loss

The total value of uncollectable void rents for main stream housing was £0.969m (2015-16 £1.483m). 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.

2015-16			2016-17	
£m	£m		£m	£m
	(212.941)	Gross Rates Levied & Contributions in Lieu		(218.746)
37.882		Reliefs & Other Deductions	34.427	
0.015		Payment of Interest	0.000	
1.322		Debts Written Off and Allowance for Impairment	1.488	
	39.219			35.915
	(173.722)	Net Non-Domestic Rate Income		(182.831)
	1.719	Adjustment to previous years' National Non-Domestic Rates		2.523
	0.892	Non-Domestic Rate Income retained by Fife Council (Business Rates Incentivisation Scheme)		0.000
	(171.111)	Contribution to Non-Domestic Rate Pool		(180.308)
	166.642	Distribution from Non-Domestic Rate Pool		183.331
	166.642	Non-Domestic Rate Income to Comprehensive Income and Expenditure Statement		183.331

Analysis of Rateable Values at 1 April 2016:-

Type of Subject	Number Of Subjects	Total £m	%
Shops	3,312	89.184	20.44
Public Houses	263	5.290	1.21
Offices (including banks)	2,207	32.571	7.45
Hotels, Boarding Houses etc.	191	7.571	1.73
Industrial and Freight Transport Subjects	3,122	84.619	19.39
Leisure, Entertainment, Caravans and Holiday sites	1,006	12.893	2.96
Garages and Petrol Stations	172	1.686	0.39
Education and Training	226	30.513	6.99
Public Service Subjects	538	17.099	3.92
Communications (Non Formula)	26	3.514	0.81
Quarries, Mines etc.	35	1.854	0.43
Petrochemical	15	16.457	3.77
Religious	339	3.167	0.73
Health/Medical	69	10.116	2.32
Care Facilities	327	9.212	2.11
Undertaking (including Scottish Water)	35	100.806	23.10
Cultural	73	1.360	0.31
Sporting Subjects	100	0.609	0.14
Advertising	67	0.271	0.06
Other	1,253	7.574	1.74
Total all Non-Domestic Subjects	13,376	436.366	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 2016-17 this rate was 48.40p (2015-16, 48.00p) which is uniform throughout Scotland. A rate poundage of 51.00p (2015-16, 49.30p) 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 are valued by the Fife Assessor and is shown on the Fife Assessment roll. This income is included within the Net Non-Domestic Rate Income shown above.

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.

2015-16			2016-17	
£m	£m		£m	£m
		Gross Tax Levied:-		
	(182.522)	Council Tax		(183.974)
	0.022	Council Tax - Prior Year Income		(0.283)
	(0.474)	Contributions in lieu		(0.551)
	(182.974)			(184.808)
		Deductions:-		
20.036		Council Tax Reduction	19.499	
23.719		Discount and Exemptions	24.136	
2.969		Debts Written Off and Allowance for Impairment	0.904	
0.295		Prior Years Adjustments	0.431	
	47.019			44.970
	(135.955)	Council Tax Income to Comprehensive Income and Expenditure Statement		(139.838)

Charges Levied:-

Valuation Band	Band Value £	Weighting	2016-17 £	2015-16 £
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.

The undernoted table provides an analysis of properties at 31 March 2017 across the valuation bandings and details the number of properties which are subject to discounts, such as a 25% single person's 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 139,729 Band D equivalent properties (2015-16, 138,681).

	Disabled Relief Band A	BAND			
		A	B	C	D
Dwellings on the valuation list		40,428	48,398	22,671	20,452
Exempt dwellings		(2,091)	(1,899)	(991)	(895)
Dwellings subject to disabled reduction		(65)	(203)	(137)	(122)
Dwellings subject to council tax at this band due to disabled relief	65	203	137	122	199
Dwellings entitled to a 10% discount	0	(45)	(43)	(48)	(48)
Dwellings entitled to a single discount	(8)	(5,948)	(4,851)	(2,077)	(1,513)
Dwellings entitled to a 50% discount	0	(129)	(97)	(52)	(33)
Dwellings after discounts, exemptions and disabled relief	57	32,353	41,442	19,488	18,040
Ratio to Band D	5/9	6/9	7/9	8/9	9/9
Band D equivalent properties	32	21,569	32,233	17,323	18,040
Provision for non-payment 2.10% (2015-16, 2.20%)	1	453	677	364	379
Band D equivalent properties	31	21,116	31,556	16,959	17,661

	BAND				TOTAL BANDS
	E	F	G	H	A - H
Dwellings on the valuation list	23,128	13,201	6,387	498	175,163
Exempt dwellings	(882)	(430)	(207)	(81)	(7,476)
Dwellings subject to disabled reduction	(199)	(120)	(45)	(3)	(894)
Dwellings subject to council tax at this band due to disabled relief	120	45	3	0	894
Dwellings entitled to a 10% discount	(51)	(34)	(24)	(3)	(296)
Dwellings entitled to a single discount	(1,277)	(537)	(220)	(11)	(16,442)
Dwellings entitled to a 50% discount	(30)	(17)	(9)	0	(367)
Dwellings after discounts, exemptions and disabled relief	20,809	12,108	5,885	400	150,582
Ratio to Band D	11/9	13/9	15/9	18/9	
Band D equivalent properties	25,433	17,489	9,808	800	142,727
Provision for non-payment 2.10% (2015-16, 2.20%)	534	367	206	17	2,998
Band D equivalent properties	24,899	17,122	9,602	783	139,729

The Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 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, 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, associates or joint ventures if the Local Authority were subject to the Companies Act. The group financial statements include a Group Movement in Reserves Statement, Group Comprehensive Income and Expenditure Statement, Group Balance Sheet and Group Cash Flow Statement. Resource Efficient Solutions, Fife Resource Solutions and Business Gateway Fife do not include a Cash Flow Statement in their Accounts, for the purpose of Group Accounts a cashflow has been prepared by Fife Council for these bodies.

Combining Entities

Where the Local Authority has a 'controlling interest' in an entity they are termed subsidiaries. For the purposes of consolidation and incorporation within the Local Authority group, the Council has consolidated Common Good and Trust Funds, Fife Sports and Leisure Trust, Fife Coast and Countryside Trust, Fife Golf Trust, Fife Cultural Trust, Fife Resource Solutions Limited Liability Partnership, Resource Efficient Solutions Limited Liability Partnership and Business Gateway Fife as subsidiary companies. Integrated Joint Board has been consolidated as a Joint Venture on an equity basis.

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 4 members and 2 officers (total number of Directors is 13). Fife Sports and Leisure Trust's accounting period is 31 March. For the purposes of consolidation and disclosure, draft statutory accounts to 31 March 2017 have been used. The company's draft Income and Expenditure Account shows an operating deficit of £0.650m for the year to 31 March 2017. The company's draft Balance Sheet shows a net liability of £7.887m.

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 4 members (total number of Directors is 14). The Council pays a management fee to the company. The company is limited by guarantee with charitable status. Fife Coast and Countryside Trust accounting period is 31 March. For the purposes of consolidation and disclosure, draft statutory accounts to 31 March 2017 have been used. The company's draft Income and Expenditure Account shows an operating deficit of £0.249m for the year to 31 March 2017. The company's draft Balance Sheet shows net assets of £0.796m.

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 3 members (total number of Directors is 8). Fife Golf Trust accounting period is 31 March. For the purposes of consolidation and disclosure, draft statutory accounts to 31 March 2017 have been used. The company's draft Income and Expenditure Accounts shows an operating deficit of £0.147m for the year to 31 March 2017. The company's draft Balance Sheet shows net liabilities of £1.616m.

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 4 members (total number of Directors is 13). Fife Cultural Trust accounting period is 31 March. For the purposes of consolidation and disclosure, draft statutory accounts to 31 March 2017 have been used. The company's draft Income and Expenditure Account shows an operating deficit of £0.409m for the year to 31 March 2017. The company's draft Balance Sheet shows a net liability of £5.944m.

Resource Efficient Solutions Limited Liability

This partnership was established on 1 April 2014 between Fife Council and Fife Resource Solutions Limited Liability Partnership. It is independent of Fife Council and its purpose is to develop new income streams predominantly from provision of waste disposal, collection of commercial and industrial waste, to external customers and provision of consultancy services. The Council is represented on the Board of Directors by 3 members, 2 officers and 1 independent member (total number of Directors is 6). Resource Efficient Solutions Limited Liability Partnership accounting period is 31 March. For the purposes of consolidation and disclosure, statutory accounts to 31 March 2017 have been used. The partnership's Income and Expenditure Account shows a breakeven position for the year to 31 March 2017. The partnership's Balance Sheet has no reserves.

Fife Resource Solutions Limited Liability

This partnership was established on 1 April 2014 between Fife Council and Sustainability Fife Ltd. It is independent of Fife Council and its purpose is to provide Waste Treatment and Disposal, Collection of Commercial and Industrial Waste, Waste Haulage and Transfer, Recycling Facilities, Energy Generation and Supply, and related Consultancy Services to Fife Council. The Council is represented on the Board of Directors by 3 members, 2 officers (there is also 1 independent member, total number of Directors is 6). Fife Resource Solutions Limited Liability Partnership accounting period is 31 March. For the purposes of consolidation and disclosure, statutory accounts to 31 March 2017 have been used. The partnership's Income and Expenditure Account shows an operating deficit of £0.008m for the year to 31 March 2017. The partnership's Balance Sheet shows a net liability of £4.151m.

Business Gateway Fife

This company was established as a joint venture between Scottish Enterprise and Fife Council to deliver services to support start up and existing small businesses in Fife. From financial year 2008-09 Scottish Enterprise Fife withdrew from the operation and Fife Council become the sole funder. The company is limited by guarantee. The Council is represented on the Board of Directors by 2 officers (total number of Directors is 5). Business Gateway Fife accounting period is 31 March. For the purposes of consolidation and disclosure, draft statutory accounts to 31 March 2017 have been used. The company's draft Income and Expenditure Account shows an operating deficit of £0.646m for the year to 31 March 2017. The company's draft Balance Sheet shows net assets of £0.320m.

Common Good and Trusts

The accounting period is to 31 March. For the purposes of consolidation figures used are included in Fife Council Statutory Accounts, refer to Common Good and Charities and Trusts.

Basis of Consolidation

The Group Financial Statements for the year ended 31 March 2017 have been prepared on the basis of a full consolidation, with all financial transactions and balances of the Council and its subsidiaries consolidated on a line by line basis. The Joint Venture with Integration Joint Board (IJB) has been consolidated on an equity basis, Fife Council share of the surplus and reserves is nil. To permit consolidation, the Profit and Loss Accounts of the subsidiary entities have been presented in accordance with the re-stated Comprehensive Income and Expenditure Statement, Movement In Reserves Statement and includes the new Expenditure and Funding Analysis.

Integration Joint Board

The Integration Joint Board (IJB) for the area of Fife was legally established on 3 October 2015. The IJB is responsible for the planning and operational oversight of Integrated Services and for the operational management of the services. The effective date for commencement was 1 April 2016. IJB accounting period is to 31 March. The Council is represented on the Board of Directors by 8 Councillors. Draft statutory accounts to 31 March 2017 have been used for the purposes of consolidation and disclosure. Fife Council contribute a 28% share of total budget and expenditure of the IJB. The total cost of services was £538.365m and the Balance Sheet shows a net liability of £0.00m

Group Movement in Reserves Statement

	General Fund Balance £m	Housing Revenue Account £m	Insurance Fund £m	Capital Receipts Reserve £m	Capital Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m	Authority's Share of Subsidiaries Reserves £m	Total Group Reserves £m
Opening Balance 1 April 2015	(95.090)	(2.006)	(4.525)	0.000	(1.628)	(103.249)	(417.552)	(520.801)	(3.887)	(524.688)
<u>Movement in Reserves during 2015-16 (Re-stated)</u>										
Pension Reserve Transfer in	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2.185	2.185
Total Comprehensive Expenditure and Income	102.952	(25.654)	0.000	0.000	0.000	77.298	(162.146)	(84.848)	(9.021)	(93.869)
Adjustments between accounting basis & funding basis under regulations	(67.235)	25.654	0.000	0.000	(0.270)	(41.851)	41.851	0.000	0.000	0.000
Transfers to/from Statutory Reserves	1.004	0.000	(1.004)	0.000	0.000	0.000	0.000	0.000	0.037	0.037
(Increase)/Decrease in 2015-16	36.721	0.000	(1.004)	0.000	(0.270)	35.447	(120.295)	(84.848)	(6.799)	(91.647)
Balance at 31 March 2016 carried forward	(58.369)	(2.006)	(5.529)	0.000	(1.898)	(67.802)	(537.847)	(605.649)	(10.686)	(616.335)
<u>Movement in Reserves during 2016-17</u>										
Total Comprehensive Expenditure and Income	30.196	(27.733)	0.000	0.000	0.000	2.463	370.938	373.401	15.929	389.330
Adjustments between accounting basis & funding basis under regulations	(30.460)	27.733	0.000	0.000	(3.154)	(5.881)	5.881	0.000	0.000	0.000
Transfers to/from Statutory Reserves	1.529	0.000	(1.529)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in Year	1.265	0.000	(1.529)	0.000	(3.154)	(3.418)	376.819	373.401	15.929	389.329
Balance at 31 March 2017 carried forward	(57.104)	(2.006)	(7.058)	0.000	(5.052)	(71.220)	(161.028)	(232.248)	5.243	(227.006)

Group Comprehensive Income and Expenditure Statement

2015-16				2016-17		
Restated Gross Expenditure £m	Restated Gross Income £m	Restated Net Expenditure £m		Gross Expenditure £m	Gross Income £m	Net Expenditure £m
335.622	(7.196)	328.426	Educational Services	343.346	(10.061)	333.284
72.471	(6.206)	66.265	Children & Families / Criminal Justice	67.267	(6.485)	60.782
210.945	(56.241)	154.704	Health & Social Care	363.568	(218.159)	145.409
136.096	(41.378)	94.719	Asset Transportation & Environment Services	144.524	(54.261)	90.263
35.473	(10.273)	25.200	Economy Planning & Employability Services	35.555	(10.539)	25.015
11.812	0.000	11.812	Property Repairs and Maintenance	9.440	0.000	9.440
20.273	(4.559)	15.714	Finance Service	19.045	(3.775)	15.270
121.157	(116.840)	4.317	Benefits and Council Tax	118.773	(120.304)	(1.532)
23.675	(0.636)	23.039	Business Support Service	13.561	(0.552)	13.009
6.802	(2.103)	4.700	Legal & Democratic Service	7.522	(2.686)	4.836
7.265	(0.261)	7.004	Human Resource Service	5.826	(0.226)	5.600
21.144	(1.076)	20.068	Business Technology Solutions	20.423	(0.729)	19.696
0.255	0.000	0.255	Chief Executive	0.256	0.000	0.256
41.181	(0.650)	40.531	Corporate & Democratic	(5.441)	(0.688)	(6.129)
34.466	(3.904)	30.562	Community & Corporate Development	30.240	(3.912)	26.327
47.378	(17.968)	29.410	Area Services	27.890	(10.792)	17.099
20.362	(8.183)	12.179	General Fund Housing	21.272	(9.528)	11.744
12.901	(3.628)	9.273	Customer Service Improvement	11.503	(3.572)	7.931
85.382	(105.016)	(19.634)	Housing Revenue Account	87.385	(108.122)	(20.737)
1,244.661	(386.117)	858.544	Cost of Services	1,321.955	(564.391)	757.564
		(3.373)	Other Operating Expenditure			(3.128)
		67.417	Financing and Investment Income and Expenditure			67.319
		(843.320)	Taxation and Non-Specific Grant Income			(817.493)
		79.268	(Surplus) or Deficit on the Provision of Services			4.262
		37.712	(Surplus) or deficit on revaluation of non-current assets			60.490
		4.034	(Surplus) or deficit on impairment of non-current assets			0.231
		1.820	(Surplus) or deficit on revaluation of available for sale financial assets			(0.807)
		(216.705)	Remeasurements of the net defined benefit pensions liability			325.155
		(173.139)	Other Comprehensive Income and Expenditure			385.069
		(93.871)	Total Comprehensive Income and Expenditure			389.331

Group Balance Sheet

31 March 2016 (Re-stated) £m		31 March 2017 £m
2,252.399	Property, Plant and Equipment	2,308.199
26.830	Heritage Assets	26.967
0.125	Intangible Assets	0.141
11.239	Long Term Investments	12.694
25.330	Long Term Debtors	24.071
2,315.923	Long Term Assets	2,372.072
0.000	Short Term Investments	0.510
4.018	Inventories	3.941
72.427	Short Term Debtors	75.402
55.624	Cash and Cash Equivalents	53.576
2.509	Intangible Assets	0.000
3.114	Assets held for sale	6.670
137.692	Current Assets	140.099
(97.452)	Short Term Borrowing	(150.921)
(161.968)	Short Term Creditors	(136.152)
(47.001)	Provisions	(3.416)
(0.687)	Receipts in Advance - Revenue	(2.094)
(307.108)	Current Liabilities	(292.583)
(0.053)	Long Term Creditors	(0.041)
(9.461)	Provisions	(8.992)
(738.135)	Long Term Borrowing	(809.019)
(708.266)	Liability Related to Defined Benefit Pension Schemes+	(1,062.784)
(67.989)	Other Long Term Liabilities	(105.387)
(0.545)	Receipts in Advance - Revenue	(1.160)
(5.724)	Receipts in Advance - Capital	(5.199)
(1,530.173)	Long Term Liabilities	(1,992.582)
616.334	Net Assets (Liabilities)	227.006

31 March 2016 (Re-stated) £m		31 March 2017 £m
(83.004)	Usable reserves	(85.487)
(533.330)	Unusable Reserves	(141.519)
(616.334)	Total Reserves	(227.006)

The unaudited accounts were issued on 30 June 2017 and the audited accounts were authorised for issue on 28 September 2017.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services
28 September 2017

Group Cash Flow Statement

2015-16 £m		2016-17 £m
(79.270)	Net surplus or (deficit) on the provision of services	(4.261)
215.607	Adjustments to net surplus or (deficit) on the provision of services for non cash movements	95.787
(69.416)	Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	(64.130)
66.921	Group Net cash flows from Operating Activities	27.396
(135.088)	Net cash flows from investing activities	(136.254)
95.409	Net cash flows from financing activities	106.809
27.242	Net increase or (decrease) in cash and cash equivalents	(2.049)
28.207	Cash and cash equivalents at the beginning of the reporting period	55.625
55.449	Cash and cash equivalents at the end of the reporting period	53.576

Notes to the Group Accounts

1. Group Accounting Policies

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

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 Subsidiaries and Common Good and Trust Funds. The Joint Venture with the Integration Joint Board is accounted for on an Equity Basis in accordance with IAS28. The Financial Statements in the Group Accounts are prepared in accordance with the Accounting Policies set out in the Accounting Policies in Note 1.

3. Financial Impact of Consolidation

By including the Subsidiary bodies, Common Good and Trusts and Joint Venture, the effect on the Group Balance Sheet is a net decrease in both Net Assets and Reserves of £5.242m (2015-16, an increase in Net Assets and Reserves of £10.858m). This represents the Council's share of the net assets in these entities. The affect on the Comprehensive Income and Expenditure Statement total is an increase of £15.930m (2015-16, increase of £9.191m).

4. Prior Period Adjustments / Restatements

The Comprehensive Income and Expenditure Account has been re-stated as per changes to the services groupings in line with Fife Council CIES, refer to note 44 for detail.

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 22 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 2016-17, the Comprehensive Income and Expenditure statement shows a surplus of £0.348m. The main reason for the surplus is the increase in the market value of investments. The Common Good balances are £7.787m as at 31 March 2017.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services
28 September 2017

Common Good Movement in Reserves Statement

	Useable Reserve £m	Unusable Reserve £m	Total Reserves £m
Balance at 1 April 2015	(4.473)	(2.806)	(7.279)
<u>Movement in Reserves during 2015-16</u>			
(Surplus) or deficit on provision of services	0.069	0.000	0.069
Other Comprehensive Expenditure and Income	0.000	(0.229)	(0.229)
Total Comprehensive Expenditure and Income	0.069	(0.229)	(0.160)
Adjustments between accounting basis & funding basis under regulations	(0.062)	0.062	0.000
Net (Increase)/Decrease before Transfers to Statutory Reserves	0.007	(0.167)	(0.160)
Transfers (to)/from Other Statutory Reserves	0.000	0.000	0.000
(Increase)/Decrease in year	0.007	(0.167)	(0.160)
Balance at 31 March 2016 carried forward	(4.466)	(2.973)	(7.439)
<u>Movement in Reserves during 2016-17</u>			
(Surplus) or deficit on provision of services	(0.266)	0.000	(0.266)
Other Comprehensive Expenditure and Income	0.000	(0.082)	(0.082)
Total Comprehensive Expenditure and Income	(0.266)	(0.082)	(0.348)
Adjustments between accounting basis & funding basis under regulations	(0.069)	0.069	0.000
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(0.335)	(0.013)	(0.348)
Transfers (to)/from Other Statutory Reserves	0.000	0.000	0.000
(Increase)/Decrease in Year	(0.335)	(0.013)	(0.348)
Balance at 31 March 2017 carried forward	(4.801)	(2.986)	(7.787)

Common Good Comprehensive Income and Expenditure Statement

2015-16 £m		2016-17 £m
	Expenditure	
0.059	Property Costs	0.048
0.189	Donations	0.321
0.067	Depreciation and Revaluations	0.072
0.026	Other Expenditure	0.035
0.341	Total Expenditure	0.476
	Income	
(0.139)	Interest on investments	(0.191)
(0.244)	Rents	(0.250)
(0.014)	Other Income	(0.007)
(0.397)	Total Income	(0.448)
(0.003)	Other Operating Expenditure	0.000
0.133	Financing and Investment Income and Expenditure	(0.291)
(0.005)	Surplus on revaluation of non-current assets	(0.003)
0.069	(Surplus)/Deficit for year	(0.266)
(0.229)	Other Comprehensive Expenditure & Income	(0.082)
(0.160)	Total Comprehensive Income and Expenditure	(0.348)

Common Good Balance Sheet

2015-16 £m		Notes	2016-17 £m
2.973	Heritable Property		2.986
3.933	Investments		4.224
6.906	Long Term Assets		7.210
0.699	Advances to Loans Fund		0.868
0.031	Sundry Debtors		0.042
0.730	Current Assets		0.910
(0.197)	Sundry Creditors		(0.333)
(0.197)	Current Liabilities		(0.333)
7.439	Net Assets/(Liabilities)		7.787
	Financed by:	1	
(4.466)	Useable Reserves		(4.801)
(2.973)	Unusable Reserves	2	(2.986)
(7.439)	Total Reserves		(7.787)

The unaudited accounts were issued on 30 June 2017 and the audited accounts were authorised for issue on 28 September 2017.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services
28 September 2017

Notes to Common Good Accounts

1. Breakdown of Balances

	Useable Reserves £m	2016-17 Unusable Reserves £m	Total £m	Useable Reserves £m	2015-16 Unusable Reserves £m	Total £m
Anstruther	0.082	0.352	0.434	0.089	0.364	0.453
Auchtermuchty	0.000	0.000	0.000	0.000	0.000	0.000
Buckhaven & Methil	0.003	0.000	0.003	0.002	0.000	0.002
Burntisland	0.238	0.254	0.492	0.214	0.268	0.482
Cowdenbeath	0.000	0.000	0.000	0.000	0.000	0.000
Crail	0.695	0.483	1.178	0.611	0.466	1.077
Cupar	0.205	0.140	0.345	0.202	0.132	0.334
Elie & Earlsferry	0.096	0.000	0.096	0.086	0.000	0.086
Falkland	0.016	0.021	0.037	0.013	0.021	0.034
Kinghorn	0.547	0.041	0.588	0.492	0.040	0.532
Kirkcaldy	0.378	0.156	0.534	0.340	0.156	0.496
Leslie	0.252	0.020	0.272	0.226	0.020	0.246
Leven	0.286	0.160	0.446	0.277	0.135	0.412
Lochgelly	0.060	0.000	0.060	0.055	0.000	0.055
Markinch	0.184	0.000	0.184	0.168	0.000	0.168
Newburgh	(0.005)	0.000	(0.005)	0.001	0.000	0.001
Newport-on-Tay	0.000	0.000	0.000	0.000	0.000	0.000
Pittenweem	0.222	0.055	0.277	0.205	0.055	0.260
St Andrews	0.657	0.699	1.356	0.656	0.705	1.361
St Monans	0.412	0.240	0.652	0.372	0.240	0.612
Tayport	0.001	0.000	0.001	0.002	0.000	0.002
West Fife	0.472	0.365	0.837	0.455	0.371	0.826
Total	4.801	2.986	7.787	4.466	2.973	7.439

2. Unusable Reserves

	2016-17 £m	2015-16 £m
Capital Adjustment Account	1.308	(1.311)
Revaluation Reserve	1.678	(1.662)
Total	2.986	(2.973)

Capital Adjustment Account

	2016-17		2015-16	
	£m	£m	£m	£m
Opening Balance at 1 April		(1.311)		(1.318)
Adjustment to Reserves related to review of heritable property assets				
Transfer between Common Good and Fife Council under finance lease arrangement				
Reversal of items relating to expenditure debited or credited to the Comprehensive Income and Expenditure Statement:-				
Charges for depreciation and impairment of non-current assets	0.072		0.067	
Revaluation losses/(gains) on non-current assets	(0.003)		(0.005)	
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	0.000		0.000	
	0.069		0.062	
Adjusting amounts written out of the Revaluation Reserve	(0.066)		(0.055)	
Net written out amount of the cost of non-current assets consumed in the year		0.003		0.007
Capital financing applied in the year:-				
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		0.000		0.000
Closing Balance as at 31 March		(1.308)		(1.311)

	2016-17		2015-16	
	£m	£m	£m	£m
Revaluation Reserve				
Opening Balance at 1 April		(1.662)		(1.488)
Adjustment to Reserves related to review of heritable property assets	0.000		0.000	
Transfer between Common Good and Fife Council under finance lease arrangement	0.000		0.000	
Upward revaluation of assets	(0.082)		(0.246)	
Downward revaluation of assets & impairment losses not charged to the (Surplus) or Deficit on the Provision of Services	0.000		0.017	
(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		(0.082)		(0.229)
Amounts written out to the Capital Adjustment Account		0.066		0.055
Closing Balance as at 31 March		(1.678)		(1.662)

Introduction

The Council acts as Trustee for 92 Charitable Trusts, 48 charities registered with OSCR which are governed by the rules of OSCR, and 44 non registered charities separate financial statements for the sundry trust registered charity account have also been prepared. 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.

From 2013-14 authorities are required to prepare separate financial statements for those charities where the Authority or some members of the Authority are the sole trustee of the charity.

A separate set of accounts for those trusts have been prepared and audited and are available from the Finance and Corporate Services, Fife Council, North Street, Glenrothes, KY7 5LT.

History and Background

Charities and Trust funds have been set up from donations made by various individuals and organisations over many years. 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 2016-17, the Comprehensive Income and Expenditure Statement shows a surplus of £0.176m (2015-16, deficit of £0.101m). The main reason for this surplus is the increase in the market value of investments. The Charities and Trust balances are £5.456m as at 31 March 2017.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services
28 September 2017

Charities and Trust Funds Movement in Reserves Statement

	Useable Reserve £m	Unusable Reserve £m	Total Reserves £m
Balance at 1 April 2015	(5.331)	(0.050)	(5.381)
<u>Movement in Reserves during 2015-16</u>			
(Surplus) or deficit on provision of services	0.101	0.000	0.101
Other Comprehensive Expenditure and Income	0.000	0.000	0.000
Total Comprehensive Expenditure and Income	0.101	0.000	0.101
Adjustments between accounting basis & funding basis under regulations	0.000	0.000	0.000
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	0.101	0.000	0.101
Transfers (to)/from Other Statutory Reserves	0.000	0.000	0.000
(Increase)/Decrease in Year	0.101	0.000	0.101
Balance at 31 March 2015 carried forward	(5.230)	(0.050)	(5.280)
<u>Movement in Reserves during 2016-17</u>			
(Surplus) or deficit on provision of services	(0.040)	0.000	(0.040)
Other Comprehensive Expenditure and Income	(0.136)	0.000	(0.136)
Total Comprehensive Expenditure and Income	(0.176)	0.000	(0.176)
Adjustments between accounting basis & funding basis under regulations	0.000	0.000	0.000
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(0.176)	0.000	(0.176)
Transfers (to)/from Other Statutory Reserves	0.000	0.000	0.000
(Increase)/Decrease in Year	(0.176)	0.000	(0.176)
Balance at 31 March 2016 carried forward	(5.406)	(0.050)	(5.456)

Charities and Trust Funds Comprehensive Income and Expenditure Statement

2015-16			2016-17	
Total £m		Other Trust Funds £m	Registered Charities £m	Total £m
	Expenditure			
0.115	Disbursements	0.209	0.048	0.257
(0.009)	Other Expenditure	0.011	0.060	0.071
0.106	Total Expenditure	0.220	0.108	0.328
	Income			
(0.161)	Interest on investments	(0.042)	(0.121)	(0.163)
(0.018)	Other Income	0.000	(0.001)	(0.001)
(0.179)	Total Income	(0.042)	(0.122)	(0.164)
0.174	Financing and Investment Income and Expenditure	0.000	(0.204)	(0.204)
0.101	(Surplus)/Deficit for year	0.178	(0.218)	(0.040)
0.000	Other Comprehensive Expenditure & Income	(0.069)	(0.067)	(0.136)
0.101	Total Comprehensive Income and Expenditure	0.109	(0.285)	(0.176)

Charities and Trust Funds Balance Sheet

2015-16			2016-17	
Total £m		Other Trusts £m	Registered Charities £m	Total £m
0.050	Heritable Property	0.000	0.050	0.050
3.637	Investments	0.889	3.088	3.977
3.687	Long Term Assets	0.889	3.138	4.027
1.559	Advances to Loans Fund	0.496	0.899	1.395
0.034	Sundry Debtors	0.008	0.026	0.034
1.593	Current Assets	0.504	0.925	1.429
0.000	Sundry Creditors	0.000	0.000	0.000
0.000	Current Liabilities	0.000	0.000	0.000
5.280	Net Assets/(Liabilities)	1.393	4.063	5.456
	Financed by:			
(5.230)	Useable Reserves	(1.393)	(4.013)	(5.406)
(0.050)	Unusable Reserves	0.000	(0.050)	(0.050)
(5.280)	Total Reserves	(1.393)	(4.063)	(5.456)

The unaudited accounts were issued on 30 June 2017 and the audited accounts were authorised for issue on 28 September 2017.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services
28 September 2017

Notes to the Charities and Trust Funds Account

The Council acts as Trustee for 95 Charitable Trusts, 51 charities registered with OSCR and 44 non registered charities. Separate financial statements for the sundry trust registered charity accounts have also been prepared. This section shows a summary of expenditure and income relating to these Trusts, separately identifying those registered with OSCR. A summary of the balances at 31 March 2017 is also shown.

2015-16		Other Trust Funds	2016-17 Registered Charities	Total
Total £m		£m	£m	£m
2.189	Fife Educational Trust	0.000	(2.415)	(2.415)
0.303	Community Funds (6 Trusts)	(0.106)	0.000	(0.106)
2.788	Other Trusts/Charities	(1.287)	(1.648)	(2.935)
5.280		(1.393)	(4.063)	(5.456)

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.

	2016-17		2015-16	
	£m	£m	£m	£m
Revaluation Reserve				
Opening Balance at 1 April		(0.050)		(0.050)
Adjustment to Reserves related to review of heritable property assets				0.000
Revised Opening Balance at 1 April		(0.050)		(0.050)
Upward revaluation of assets	0.000		0.000	
(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		0.000		0.000
Closing Balance as at 31 March		(0.050)		(0.050)

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

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Fife Council and its group for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash Flow Statements, the council-only Expenditure and Funding Analysis, Housing Revenue Account (HRA) Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Non-Domestic Rate Income Account, the Council Tax Income Account, the Common Good Movement in Reserves Statement, the Common Good Comprehensive Income and Expenditure Statement, the Common Good Balance Sheet, the Charities and Trust Funds Movement in Reserves Statement, the Charities and Trust Funds Comprehensive Income and Expenditure Statement, the Charities and Trust Funds Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. 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 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the council and its group as at 31 March 2017 and of the deficit on the provision of services of the council and its group 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 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. 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 circumstances of the council and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director Finance and Corporate Services; and the overall presentation of the financial statements.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the annual accounts

The Executive Director Finance and Corporate Services is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinions on other prescribed matters

I am required by the Accounts Commission to express an opinion on the following matters.

In my opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Brian Howarth ACMA CGMA
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8 Nelson Mandela Place
Glasgow G2 1BT
28 September 2017

