



Annual Accounts 2017-18



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1. Introduction

Welcome to the financial statements for Fife Council and its group for the year ended 31 March 2018. The statements have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 (the Code). This commentary outlines the key messages regarding the performance of the Council over the 2017-18 financial year as well as providing an indication of risks and issues which may impact upon the Council in the future.

Although a challenging year, 2017-18 has been a positive one for Fife Council. Following the local government elections in May 2017, the joint administration have demonstrated a firm commitment to continue to work towards delivering a Fairer Fife.

The joint administration have agreed a Programme for Administration, additionally, the “Plan for Fife” has been published, along with the change programme known as “Changing to Deliver”, a positive outturn position has been achieved and the recently published Best Value Assurance Report demonstrates that Fife Council continues to improve and respond positively to its challenges.

2. Profile of Fife Council

Fife is Scotland's third largest local authority area by population. It has a resident population of approximately 370,000 with two-thirds of people living in principal towns of Dunfermline, Kirkcaldy, Glenrothes and the group of towns forming Levenmouth.

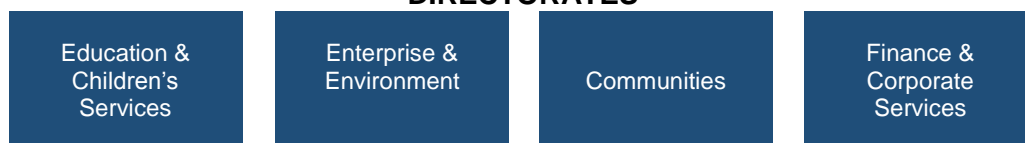
Fife has many rural and urban settlements, therefore population distribution has implications for the costs of providing services.

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.

Following the local government elections held in May 2017, Fife Council has 75 Councillors and is run as joint leadership with power shared equally between the SNP and Labour Groups. In terms of governance arrangements, the Council's revised committee structure was introduced including seven area committees and six strategic committees, this includes a Policy and Co-ordination Committee and Scrutiny Committee.

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.

DIRECTORATES



Since 1 April 2016, the 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 Board. The Council has a number Arms' Length Organisations – Fife Cultural Trust, Fife Sports and Leisure Trust, Fife Golf Trust, Fife Coast and Countryside Trust and Fife Resource Solutions. Section 4 contains more details of these and the other entities in the Fife Council Group.

3. Objectives and Strategy of the Council

Fife Council and its Community planning partners (The Fife Partnership) have a clear strategic ambition to “want Fife to be a place where all residents live good lives, make informed choices and have a sense of control so that they can reach their full potential, and where all children are safe, happy and healthy. We also want Fife to be a place where we make best use of our assets and facilities, while sustaining them for future generations”. The overall vision being

“A Fairer Fife”. Fife Council have set out their vision and ambitions in the Local Outcomes Improvement Plan (LOIP) known as the “Plan for Fife”, which was published in November 2017. The four priority themes being:-

- Opportunities for All
- Thriving Places
- Inclusive Growth and Jobs
- Community- Led Services

The themes are translated into 12 ambitions, supported by 24 areas of focus. The Plan for Fife is supported by Local Community Plans developed from each area committee plan. The full Plan for Fife can be viewed via the following link: <http://fish.fife/fish/uploadfiles/Publications/Plan for Fife 2017 2027.pdf>.



Capital Strategy

The Council is in the process of developing its Capital Strategy which is designed to identify and align investment to support the Plan for Fife. The strategy will be used to inform the next biennial review of the Council’s 10 year capital plan which is due to be approved in February 2019.

Best Value Assurance Report

During 2017/18 the Council was audited using the revised Best Value audit approach. The Audit focussed on the clarity of the council’s priorities, long term planning, implementation of change agenda, consultation and reporting. The report was positive and demonstrated continuous improvement since the previous Best Value report in 2009. Audit Scotland reported their findings to the Accounts Commission in May 2018 and the Commission accepted the report and recommendations. The report was considered at Fife Council in June 2018.

4. Finance and Performance

Performance Reporting

Under the Local Government in Scotland Act 2003, Fife Council has a statutory duty to deliver Best Value. Public Performance Reporting (PPR) is an essential component of Best Value and has a strategic approach in the way it 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 regularly to the Policy and Co-ordination Committee of the Council.

General Fund

The budget for 2017-18 was approved by the Council on 16 February 2017. 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.

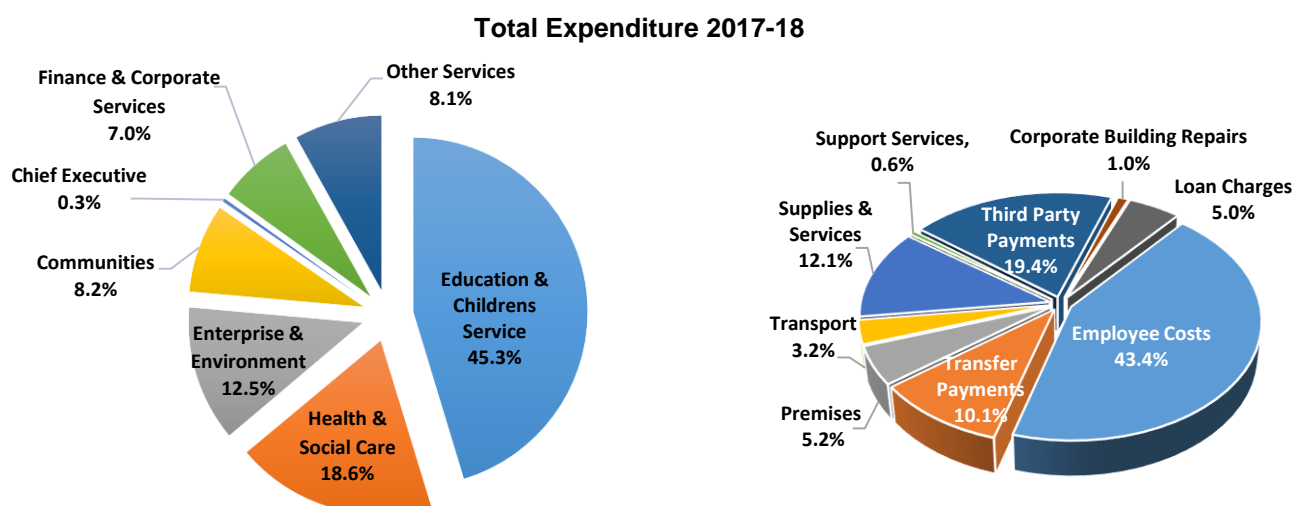
The Council faced significant financial challenges within 2017-18 with a reduction in grant after new burdens in real terms and rising demand along with the complexity of services. The Council responded well in terms of underspending on the revenue budget and continuing to deliver significant capital investment.

During 2017-18, the Council's general fund services generated an underspend of £4.822m due to a variety of reasons including staff vacancies, additional funding received and other general underspends. An increase in Council Tax income, along with underspends in both Loan Charges and Contingencies contributed to an overall underspend of £7.219m, which equates to 0.92% of Budget.

The financial challenges facing the Health and Social Care Partnership continue to be significant. The partnership overspent and through the risk share agreement the Council met £2.377m of the over spend

Financial Position as at 31 March 2018

Total Revenue Expenditure for 2017-18 was £775.876m and is analysed as follows:-



Revenue Outturn

The General Fund Revenue Outturn for the year is as follows:-

	Annual Estimate	Outturn	Variance	
	£m	£m	£m	%
Education & Children's Services	352.391	348.352	(4.039)	-1.15%
Health & Social Care	141.821	144.198	2.377	1.68%
Enterprise & Environment	97.740	96.999	(0.741)	-0.76%
Finance & Corporate Services	56.384	54.017	(2.367)	-4.20%
Chief Executive	0.274	0.246	(0.028)	-10.22%
Corporate & Democratic Core	2.419	2.388	(0.031)	-1.28%
Communities	63.921	63.928	0.007	0.01%
General Fund Services	714.950	710.128	(4.822)	-0.67%
Loan Charges	67.232	65.486	(1.746)	-2.60%
Contingencies	0.345	0.000	(0.345)	-100.00%
Capital Expenditure Financed from Current Revenue	0.262	0.262	0.000	0.00%
Total Expenditure	782.789	775.876	(6.913)	-0.88%
General Revenue Grant	(448.957)	(448.957)	0.000	0.00%
Non Domestic Rates	(170.998)	(170.998)	0.000	0.00%
Council Tax Income	(149.533)	(149.839)	(0.306)	0.20%
Budgets Finance from Balances	(13.366)	(13.366)	0.000	0.00%
Total Income	(782.854)	(783.160)	(0.306)	0.04%
Contribution (to)/from balances	(0.065)	(7.284)	(7.219)	

Reserves

The level of general fund balances that the Council held fell from £57.104m to £51.021m by March 2018. Although balances had a positive contribution of £7.219m, the reduction is as a result of the number of items being funded from balances totalling £13.366m. These include budget carry forward, previously agreed temporary investment, the funding strategy for Children and Families, offset by underspends which contributed to balances. Once all existing commitments are taken into account, the level of uncommitted balances is expected to be £19.031m.

Reserves will remain under pressure given the potential costs of future workforce change, financial uncertainties and other pressures and risks.

The Council continues to consider financial risks on a regular basis by reviewing the risk register reported to Policy and Co-ordination committee.

Housing Revenue Account

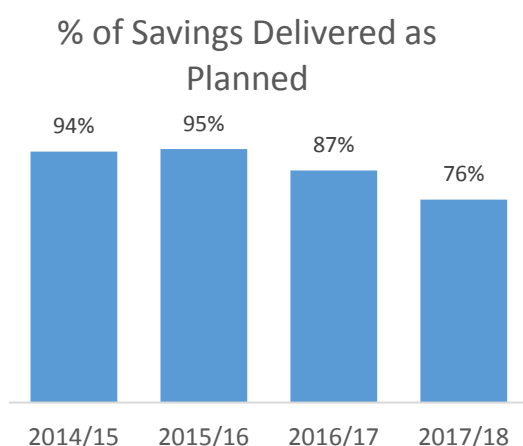
There is a statutory requirement for Local Authorities to maintain a Housing Revenue Account (HRA) separate from the General Fund. All expenditure incurred and income received in the provision of rented accommodation must be included in the HRA.

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.

Although achieving a break even position there are variances within the HRA; overspend on Repairs and Maintenance £1.632m, as well as delays in the Affordable Housing Programme having an adverse impact on income. These are offset by underspends in other areas such as Supervision and Management £0.646m, and over-recovery of income. The balanced position is achieved by increasing the level of revenue contributed to fund capital expenditure. This reflects a year of normal activity for the HRA. HRA Balances therefore remain at £2.006m. Details of the financial position for 2017 -18 are included within these financial statements.

Delivery of Savings

Overall, savings of £28.764m were identified to be delivered during 2017-18 of which £21.788m (76%) of target savings was delivered in full. Regular Revenue Monitoring reports presented to Policy and Co-ordination Committee tracked the delivery of these savings targets against the financial proposals. Where there is a shortfall in savings achieved against target, services are required to identify and implement alternative savings to remain with budget. It is acknowledged that continued effort is required to further improve this performance during financial year 2018-19 and beyond.



Capital Expenditure

Total gross Capital Expenditure for 2017-18 was £139.673m, demonstrating a variance of £45.074m (24.3%) against budget. Comparable expenditure for the previous 3 years was £192.000m (2016-17), £204.897m (2015-16) and £156.404m (2014-15). Expenditure variances exist within all Directorates, the most significant in Housing HRA (£14.452m). The nature of capital expenditure being large, complex projects involving a number of stakeholders and dependencies can lead to delays and underspends within a particular financial year, therefore these are carried forward to the later years of the plan. Examples of the reasons for these underspends for 2017-18 include uncertainty of site conditions, planning processes, adverse weather condition, land acquisitions and design processes taking longer than anticipated. Full detail of material variances is reported to the relevant strategic committees.

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

Project Spend 2017/18	£m
Building Fife's Future Programme	3.461
Re-Provision of Care for Older People	5.902
Roads Infrastructure	10.246
Scottish Housing Quality Standards	38.803
Affordable Housing Programme	17.964

Assets and Liabilities

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2018 and explanatory notes are provided. Net assets have increased by £601.325m to £835.547m. There have been significant changes in both asset and liabilities. Property, plant and equipment has increased by £207.230m while on the liabilities side the pension liability has reduced by £411.203m. The major changes are explained in the following paragraphs.

Non-Current and Current Assets

Property, Plant & Equipment have increased in value by £207.230m to £2,511.355m. This increase in asset values is as a result of Council's investment in capital projects as well as revaluation increases. The increase due to revaluation predominately relates to the Beacon valuation of Council house dwellings which is carried out every 5 years. Cash and Cash equivalents have decreased by £14.937m.

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 (Hymans Robertson) updates all technical assumptions that were established in the last triennial review (March 2017) and calculates the effect on future assets and liabilities. The method allows the comparison of 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 use longer term assumptions.

The Council has reflected the appropriate accounting entries for retirement benefits within these accounts. The impact on the net operating expenditure was an increase in expenditure by £56.900m. In terms of the Council balance sheet the net retirement benefits liability was assessed by the actuary to be £627.922m this represents a movement in the liability of £411.203m.

The Council continues to ensure the solvency of its retirement benefits, which relates to the Local Government Pension Scheme (LGPS), through the employer's contributions as recommended by the actuary following each 3-year valuation review. The triennial valuation took place in 2017 which resulted in the employers contributions remaining the same.

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 £1.746m. 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 2018 amount to £139.096m, 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 Policy and Co-ordination Committee.

Going Concern

The future financing of the Council and its Group's liabilities will be met by future grants and the application of future income. The approval of income for 2018-19 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.

Key Financial Ratios

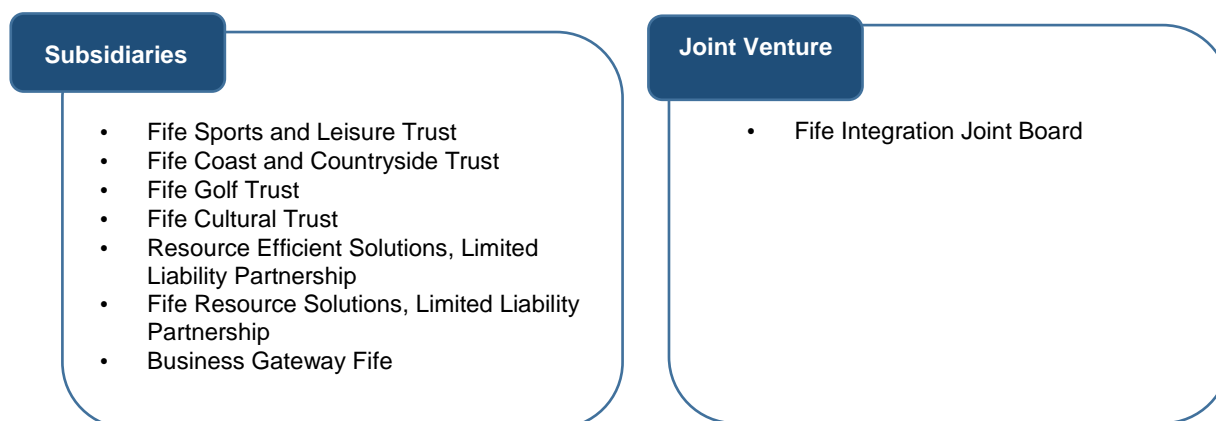
The Chartered Institute of Public Finance and Accountancy (CIPFA) Directors of Finance Section recommends that certain "financial ratios" are included in the Management Commentary to assist the reader to assess the performance of the Council over the financial year and the affordability of its ongoing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

The following table provides the indicators, with an explanation of each, grouped into CIPFA categories for the various areas of financial activity.

Financial Indicator	2017-18	2016-17	Commentary
Reserves			
Uncommitted General Fund reserve as a proportion of Annual Budgeted Net Expenditure	2.43%	4.13%	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's policy is a minimum of 2% of annual turnover which is considered appropriate in the context of the Council's financial and ongoing risk profile.
Movement in the Uncommitted General Fund Balance	(£13.195m)	£7.351m	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve.
Council Tax			
In-year Collection Rate	95.79%	95.80%	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	19.46%	18.24%	Reflects the Council's capacity to vary expenditure by raising Council Tax income, the only principal source of finance within the Local Authority Control. Fife Council, in common with all Scottish Local Authorities froze Council Tax at 2007-08 levels for a number of years. For 2017-18 a 3% increase was applied as well as an increase in Bands E to H in line with legislation.
Financial Management			
Actual Outturn Compared to Budgeted Expenditure	-0.92%	-1.69%	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	£7.219m	£13.157m	
Debt/Long-term Borrowing			
Capital Financing Requirement (CFR) for the Current Year	£1,108.010m	£1,090.241m	External debt levels are less than the CFR. This demonstrates that borrowing is for capital investment purposes.
External Debt Levels for the Current Year	£1,059.190m	£1,055.115m	
Ratio of Financing Costs to Net Revenue Stream	General Fund	8.54%	These two ratios complement the assurances of borrowing only being for capital purposes with an indication of the Council's ability to service the borrowing costs.
	HRA	19.18%	
Impact of Council Investment on Council Tax	(£11.58)	(£21.89)	

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:



By including the Subsidiary bodies, Common Good and Trusts and Joint Venture, the effect on the Balance Sheet is a net increase in both Net Assets and Reserves of £9.884m (2016-17, net decrease in both Net Assets and Reserves of £5.032m). This represents the Council's share of the net assets in these entities. The effect on the Comprehensive Income and Expenditure Statement is an increase to the deficit on the Provision of Services of £4.844m (2016-17, increase of £1.798m).

All Subsidiaries of Fife Council have an accounting period to 31 March and therefore for the purposes of consolidation and disclosure Draft Accounts to 31 March 2018 have been used.

Fife Sports and Leisure Trust Limited - The Company's draft Income and Expenditure Account shows an operating deficit of £1.488m for the year to 31 March 2018, the draft Balance Sheet shows a net liability of £3.405m.

Fife Coast and Countryside Trust Limited - The Company's draft Income and Expenditure Account shows an operating deficit of £0.179m for the year to 31 March 2018. The company's draft Balance Sheet shows net assets of £1.471m.

Fife Golf Trust Limited - The Company's draft Income and Expenditure Accounts shows an operating deficit of £0.221m for the year to 31 March 2018. The company's draft Balance Sheet shows net liabilities of £0.558m.

Fife Cultural Trust Limited - The Company's draft Income and Expenditure Account shows an operating deficit of £0.881m for the year to 31 March 2018. The company's draft Balance Sheet shows net assets of £0.861m.

Resource Efficient Solutions Limited Liability Partnership - The partnership's Income and Expenditure Account shows a breakeven position for the year to 31 March 2018. The partnership's Balance Sheet has no reserves.

Fife Resource Solutions Limited Liability Partnership - The partnership's Income and Expenditure Account shows an operating deficit of £2.124m for the year to 31 March 2018. The partnership's Balance Sheet shows a net liability of £2.547m.

Business Gateway Fife - The Company's draft Income and Expenditure Account shows an operating deficit of £0.142m for the year to 31 March 2018. The company's draft Balance Sheet shows net assets of £0.542m.

Common Good and Trusts - For the purposes of consolidation figures used are included in Fife Council Statutory Accounts, refer to Common Good Accounts and Charities and Trust Funds.

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

The Council continues to face challenges on a number of fronts as demand for services increase, resources reduce in real terms and inflationary pressures impact on the price of goods, services and our employee costs. It is therefore increasingly important that the Council focusses on the longer term and is clear about its priorities so that choices can be made about future service delivery. It is clear that incremental change will not provide the level of reduction in resource required to balance the budget going forward.

The financial challenge facing the Council is well understood and the Plan for Fife sets out the priorities for the Fife Partnership covering the next ten years. A Medium Term Financial Strategy is in place that provides a framework for budget decisions in the coming years. A Financial Risk Register sits alongside the strategy and the scope for the Council's balances to deal with unexpected events in the short term is monitored as part of the financial monitoring by the Policy and Co-ordination Committee.

Directorates are currently revisiting their three year change plans in order to come forward with further proposals that will be considered as part of the budget process it is recognised by the Council's Leadership Team that it is becoming increasingly difficult to develop proposals. In response to this the Council has invested in a corporate change programme to ensure that the Council becomes more commercial, works smarter, manages demand more effectively, and reshapes the asset base and how services are delivered within communities. The Council's Change and Financial Strategy Board oversees the programme to ensure that a cross council approach is adopted that provides opportunities for services to be redesigned and efficiencies to be made.

There are a number of factors that create uncertainty on the level of resource that will be provided to Councils in the future. The decision to leave the European Union and the impact of the Scottish Government's use of its taxation powers through the varying of income tax in Scotland are examples of the external factors that may significantly impact on resources available to councils going forward. The level of public resource within Scotland is also now directly linked to how well the Scottish economy performs and the level of growth achieved in comparison to the UK economy. The Scottish Government's review of Education Governance could also have a significant impact in the role council's play in the future. Therefore it is clear that a high level of uncertainty will continue in the medium term and it is vital that the Council identifies options to respond to future challenges. The Council has a strong foundation to respond to uncertainty and this is reflected in the Best Value Review that has been recently published by the Accounts Commission. The Council will continue to use its talented workforce to respond to the challenges and ensure that innovation is at the heart of the service redesign in order to ensure that the people of Fife receive the services that they need.

7. 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 September 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
Co-Leader of the Council
27 September 2018

Steve Grimmond
Chief Executive
27 September 2018

Eileen Rowand MBA CPFA
Executive Director Finance & Corporate Services
27 September 2018

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 [here](#) 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 Service Manager, Audit & Risk Management Services has been given the responsibility to review independently and report to the Standards and Audit Committee annually to provide assurance on the adequacy and effectiveness of the Code of Corporate Governance and the extent of compliance with it.
- 1.6 However, it should be noted that a sound system of Corporate Governance and internal control provides only reasonable, but not absolute, assurance that the Council will not be hindered in achieving its objectives or in the orderly and legitimate conduct of its business by circumstances which may reasonably be foreseen. A system of Corporate Governance and internal control cannot provide protection with certainty against an organisation failing to meet its objectives or material errors, losses, fraud, or breaches of laws or regulations.
- 1.7 This statement also covers the organisations included in the Council's Group Accounts.

2.0 Purpose of the governance framework

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

- Financial Regulations
- 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 function for Fife Council and operates in accordance with the Public Sector Internal Audit Standards which apply to Local Government. The Service undertakes an annual programme of audit work approved by the Standards and Audit Committee based on a five year strategic audit plan. The strategic audit plan is based on a formal risk assessment process and is amended on an ongoing basis to reflect evolving risks and changes within the Council. A review of the effectiveness of the Standards & Audit Committee is undertaken annually and the Service Manager, Audit and Risk Management Services also provides an assurance statement to the Chief Executive and the Executive Director (Finance & Corporate Services).

2.4 All internal audit reports are issued to the appropriate Executive Director and Head of Service and copied to the Convener of the Standards and Audit Committee, 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 Service Manager, Audit & Risk Management Services' annual assurance statement. In this regard, the most recent assurance statement concludes that a medium/high level of control exists and that reasonable assurance can be placed on the adequacy and effectiveness of the Council's system of Corporate Governance and internal control system in the year to 31 March 2018. This is the same level of control rating as in the 2016/17 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 In December 2017, the Council approved the "Plan for Fife" which sets out the priorities the Fife Community Planning Partnership (which includes the Council) will collectively focus on in order to add most value for local communities. The Plan sets out ten year ambitions and priorities, along with a number of short term actions.

3.3 Four priority themes of Opportunities for All; Thriving Places; Community-Led Services; and Inclusive Growth and Jobs have been translated into twelve "ambitions" and twenty-four "areas of focus" and centre on prevention and early intervention and on reducing inequality. Each of the community planning partners in Fife has committed to these and will be responsible for planning, scrutinising and reporting on performance and delivery to the partnership, the public and other key stakeholders. Local priorities and accountability are an essential part of this, and local community plans and neighbourhood plans will be reviewed and developed in order to improve outcomes for those with the greatest needs.

- 3.4 Appropriate targets and trajectories will help the Council to track progress towards the delivery of desired outcomes and assist strategic committees, area committees and the Fife Partnership in scrutinising performance. A framework for managing performance against the Fife Plan is in the process of being finalised.
- 3.5 The Council also 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 delivery of these is monitored through the ICT Governance Board and appropriate Corporate Change Programmes. In addition, Council services have developed and maintain Directorate Business Continuity Plans and these inform the ICT Systems Recovery Plans which are documented and subject to regular testing.
- 3.6 It was previously reported that Fife would be subject to a new Best Value Audit by Audit Scotland. This approach looks for a Council to demonstrate Best Value by showing continuous improvement in how it delivers on its priorities. Audit Scotland's Best Value Assurance Report on Fife Council was published on 24th May, 2018 and concludes that the Council has steadily improved and achieved significant change.

Key findings include:

- The Council has a well-developed approach to continuous improvement and a programme to empower its workforce and foster an improvement culture.
- There is effective leadership, and the Council and its community planning partners share a clear strategic vision through the Plan for Fife.
- The Council uses a varied range of tools to involve communities in decision-making, including plans to expand participatory budgeting.
- Performance of council services continues to improve, broadly tracking national trends, with positive improvement and investment on key priorities for a fairer Fife.
- The Council has improved the way it uses key resources including finance, staffing and assets.
- There are good examples of service change and using new technology to deliver financial and operational benefits.

The recommendations in the report as regards further improvement will be addressed as part of work that is already underway. A full copy of the report can be accessed at <http://www.audit-scotland.gov.uk/report/best-value-assurance-report-fife-council>.

- 3.7 We have been advised on the result of the review of the effectiveness of the governance framework by the processes and procedures outlined in Para. 3.1 above and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. We are also clear that the Council's financial management arrangements conform to the governance requirements of the Chartered Institute of Public Finance and Accountancy's Statement on the Role of the Chief Financial Officer in Local Government (2010).

4.0 Significant Governance Issues

- 4.1 The table below shows progress on significant governance issues highlighted in the 2016/17 Corporate Governance Statement.

Issue	Progress
Review of Governance/Decision-Making Following the Scottish Local Government Elections in May 2017, the Council agreed to revert to a committee model of decision-making (as opposed to the former executive model) in order to deliver the agreed Programme for Administration. The 2016/17 Corporate Governance Statement noted that this new model would continue to be the subject of review as regards its efficiency and effectiveness with reports submitted to the Council as appropriate.	The Council's key governance documents (i.e. Standing Orders; List of Committee Powers; List of Officer Powers; and Financial Regulations) have all been updated to reflect the new decision-making structure. A further review of the operation of the Governance Scheme overall, including delegation of functions to both committees and officers, is underway with the intention of reporting to Council in December, 2018.

<p>Changing to Deliver Programme</p> <p>The 2016/17 Corporate Governance Statement acknowledged that Local Government in general continued to face ongoing significant financial challenges and that Fife Council was no exception. A proposed funding strategy for future years had been put in place along with an “Enabling Change” programme which would enable the Council to lead change in a more joined-up way. Initiatives complementary to the programme included the development of individual Service Change Plans and the completion of an Activity Analysis across the Council to provide solid data which would assist with our future transformational planning.</p>	<p>A “Changing to Deliver “ programme has been established to contribute to the delivery phase of the longer-term programme of change in line with the Plan for Fife (referred to in para. 3.2 above) and the Council’s medium-term financial strategy. New governance arrangements have been developed which include five workstreams, each with a Senior Responsible Officer and overall progress against the Changing to Deliver agenda will be regularly monitored by a Change and Financial Strategy Board which comprises the Council Executive Team and which is chaired by the Chief Executive.</p> <p>A reference group of elected members will also have an oversight of the Programme and will provide a mechanism for early member engagement as well as a forum to discuss options and to receive regular updates.</p>
<p>Health and Social Care Integration</p> <p>The Health and Social Care Integration Joint Board (IJB) for Fife was established as a devolved Public Body on 3rd October 2015. Various audits were subsequently undertaken to provide financial assurance and to assess if the Board had implemented appropriate governance arrangements. It was proposed that a further governance review would be undertaken to ensure clarity of roles and responsibilities, including fraud oversight of the IJB, Fife Health Board and the Council.</p>	<p>While some progress has been made, there is still work required by the IJB, NHS Fife and Fife Council in relation to accountability, assurance and governance and clarity over the ownership of risks regarding delegated services and how the partners will receive sufficient assurance. This issue has also been identified in the Best Value Assurance Report referred to above.</p> <p>However, the IJB is continuing to review its governance and risk management arrangements in order to address issues identified.</p>
<p>Elected Member Support and Development</p> <p>The 2016/17 Corporate Governance Statement reported that in anticipation of the Scottish Council Elections in May 2017, the Council’s Elected Member Development Focus Group had been re-established with a view to developing a programme of induction for councillors elected to Fife Council, both new and returning. The opportunity would also be taken to strengthen the level of support currently provided to councillors.</p>	<p>The induction programme was successfully delivered between May and December, 2017 and, following feedback from councillors, a draft programme for training throughout 2018 has been issued to political groups for comments with the intention of formalising a new programme of development opportunities. This programme is in the process of being finalised although specific training is presently being delivered to meet identified needs. In addition, opportunities have been taken to put in place revised arrangements for administrative and secretarial support for councillors along with the introduction of a Case Management System.</p>

- 4.2 In April 2017, the Information Commissioner’s Office (ICO) undertook a consensual audit of Fife Council’s processing of personal data which covered data protection governance; training and awareness; and subject access requests. The ICO’s overall opinion was that there was limited assurance that processes and procedures were in place and being adhered to. 96 recommendations were made and the Council responded to these

recommendations positively, agreeing to formally document procedures and implement further compliance measures.

- 4.3 A desk-based follow-up audit assessment was undertaken in April 2018 to assess the extent to which the Council had implemented the agreed recommendations in the Action Plan. The ICO acknowledged that good progress had been made across the three scope areas; recommended that the Council's commitment to completing the Action Plan continues; and identified areas for priority action. Progress on achieving the recommended actions will continue to be reported to the Council's ICT Governance Board.

5.0 Conclusions

- 5.1 In conclusion, our corporate governance framework continues to evolve. The framework presently comprises 118 statements that Services are asked to consider. Services are asked to report on the current status of these statements, provide evidence of compliance and identify areas for improvement. Eight submissions, covering all Services, were submitted for 2017/18. The level of full compliance with the statements varies between 97.3% and 98.9%. There are four management criteria where more than one directorate has reported that they are still "working towards" full compliance: these are around service planning; people resources; partners and other resources; and service processes. This can, in part, be attributed to the transition to the new Plan for Fife, Service Change Plans and the new Service Workforce Planning process. However, individual service figures are not always directly comparable given the changes in Council structures that have occurred but, overall, there is evidence that governance arrangements are robust and this relatively high level of compliance has been sustained since 2014.
- 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 Alexander
Co-Leader of the Council
27 September 2018

Steve Grimmond
Chief Executive
27 September 2018

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 2017 (SSI 2017/66). 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 2017-18 the maximum salary for the Fife Council Leader is £39,497. 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 £442,222. 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 2017-18, Fife Council had 18 senior councillors pre election and 16 senior councillors post election, excluding the Council Leader/Co-Leaders and Provost. The remuneration paid to these senior councillors during 2017-18 totalled £329,301. 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 of Councillors' Remuneration and Expenses which encompasses the salaries of all elected members including the Council Leader/Co-Leaders, Provost and Senior Councillors was agreed at a meeting of the full Council on 15 May 2017.

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/140 sets the amount of salary for the Chief Executive of Fife Council for the period 1 April 2017 to 31 March 2018.

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. Trade Union Facility Time

A total of 28,061 hours were spent on paid Trade Union Facility Time over 2017-18. This equates to 15.0 full time equivalents. The total cost of this time was £442,669 which represents salary costs only and not on-costs.

Further information can be found in the Trade Union Facility Time Publication by following the link below:
http://publications.fifedirect.org.uk/c64_ReportonTradeUnionFacilityTimePublicationRequirement20181.pdf

5. Remuneration

Senior Councillors - Table 1

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

Senior Councillors	Responsibility	2017-18			2016-17
		Salary, fees & Allowances £	Taxable Expenses £	Total Remuneration £	Total Remuneration £
David Alexander	Co-Leader of Fife Council (from 18.05.17)	24,089	0	24,089	0
David Ross	Leader of the Council (to 03.05.17) and Co-Leader of Fife Council (from 18.05.17)	29,834	0	29,834	39,289
Jim Leishman	Provost (to 03.05.17) and Provost (from 18.05.17)	28,398	0	28,398	29,468
Kay Morrison	Depute Provost (to 03.05.17)	3,386	0	3,386	23,152
Julie Ford	Depute Provost (from 18.05.17)	17,554	0	17,554	0
Brian Goodall	Leader of Opposition (to 15.02.17)	0	0	0	20,123
Neale Hanvey	Leader of Opposition (to 03.05.17)	3,386	0	3,386	1,426
Dave Dempsey	Chair: Environment, Finance & Corporate Services Scrutiny Committee (to 03.05.17) and Leader of Opposition, Convener: Standards & Audit Committee and Convener: Superannuation and Pensions Sub-Committee (from 18.05.17)	20,940	0	20,940	23,152
Lesley Laird	Depute Leader (to 03.05.17)	3,386	0	3,386	23,152
Tom Adams	Chair: Local Area Committee - Levenmouth (to 03.05.17)	3,386	0	3,386	23,152
John Beare	Chair: Standards & Audit Committee (to 03.05.17)	3,386	0	3,386	23,152
Tim Brett	Convener: Scrutiny Committee (from 15.06.17)	15,898	0	15,898	0
Bill Brown	Chair: Local Area Committee - Glenrothes (to 03.05.17)	3,386	0	3,386	23,401
Ken Caldwell	Convener: Levenmouth Area Committee (from 01.06.17)	16,726	0	16,726	0
Pat Callaghan	Executive Member with portfolio responsibility for Environmental & Transportation (to 15.09.16)	0	0	0	11,926

Senior Councillors - continued

Senior Councillors	Responsibility	2017-18		2016-17	
		Salary, fees & Allowances £	Taxable Expenses £	Total Remuneration £	Total Remuneration £
William Clarke	Chair: Local Area Committee - Cowdenbeath (to 28.06.16)	0	0	0	7,115
Bobby Clelland	Chair: Local Area Committee - South West Fife (to 03.05.17)	3,386	0	3,386	23,152
Altany Craik	Executive Member with portfolio responsibility for Finance & Corporate Services (to 03.05.17) and Convener: Economy, Tourism, Strategic Planning & Transportation Committee (from 15.06.17)	19,284	0	19,284	23,152
Neil Crooks	Chair: Local Area Committee - Kirkcaldy (to 03.05.17) and Convener: Kirkcaldy Area Committee & Planning Committee (Central) (from 25.05.17)	20,526	0	20,526	23,152
Linda Erskine	Executive Member with portfolio responsibility for Community Health & Wellbeing (to 03.05.17) and Convener: Cowdenbeath Area Committee & HR Spokesperson (from 31.05.17)	20,195	0	20,195	23,152
Fiona Grant	Convener: Glenrothes Area Committee (from 29.05.17)	16,975	0	16,975	0
Judy Hamilton	Executive Member with portfolio responsibility for Housing & Building Services (to 03.05.17) and Convener: Community & Housing Services Committee (from 15.06.17)	19,284	0	19,284	23,152
Mark Hood	Chair: Local Area Committee - Cowdenbeath (to 03.05.17)	3,386	0	3,386	16,215
Helen Law	Chair: Local Area Committee - City of Dunfermline (to 03.05.17) and Convener: City of Dunfermline Area Committee (from 29.05.17)	20,360	0	20,360	23,152
Susan Leslie	Chair: Education, Health & Social Care Scrutiny Committees (to 03.05.17)	3,386	0	3,386	23,152
Carol Lindsay	Convener: Regulation & Licensing Committee and Fife Licensing Board (from 15.06.17)	15,898	0	15,898	0
Donald Lothian	Convener: North East Fife Area Committee (from 25.05.17)	17,140	0	17,140	0
Alice McGarry	Convener: South West Fife Area Committee & Planning Committee (West) (from 31.05.17)	16,809	0	16,809	0
Frances Melville	Chair: Local Area Committee - North East Fife (to 03.05.17)	3,386	35	3,421	23,335
Bryan Poole	Executive Member with portfolio responsibility for Education, Children, Young People & Families (to 03.05.17)	3,386	0	3,386	23,152
Fay Sinclair	Convener: Education & Children's Services Committee (from 15.06.17)	15,898	0	15,898	0
Ross Vettriano	Convener: Environment, Protective Services & Community Safety Committee (from 15.06.17)	15,898	0	15,898	0
Craig Walker	Convener: Assets Property & Facilities Committee (from 15.06.17)	15,898	0	15,898	0
John Wincott	Executive Member with portfolio responsibility for Environmental & Transportation (to 03.05.17)	3,386	0	3,386	11,226
Robert Young	Chair: Regulation & Licensing Committee (to 03.05.17)	3,386	0	3,386	23,172
Total		411,622	35	411,657	507,672

Please note there has been are no taxable allowances paid this year for the table above. Since 2017-18 is an election year all senior councillors are new to these posts - the full time equivalent for the co-leaders and the provost is £29,543 and for all other senior councillors is £21,529.

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	2017-18		2016-17	
		Salary, fees & Allowances £	Taxable Expenses £	Total Remuneration £	Total Remuneration £
William Campbell	Chair: Superannuation Fund and Pensions	0	0	0	16,838
Total		0	0	0	16,838

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 2017-18.

Type of Remuneration	2017-18 £000	2016-17 £000
Salaries	1,440	1,458
Travel and Subsistence	58	49
Training/ Conference and Meeting Expenses	2	7
Telephone and Information Technology Expenses reimbursed	0	1
Telephone and Information Technology Expenses met by Council	28	45
Cost of Provision of Council Cars met by Council	4	4
Other Expenses and Allowances	0	0
Total	1,532	1,564

The annual return of councillors' salaries and expenses for 2017-18 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 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	2017-18		2016-17	
		Salary, fees & Allowances £	Returning Officer £	Total Remuneration £	Total Remuneration £
Steve Grimmond	Chief Executive - note 1	149,646	10,673	160,319	172,118
Keith Winter	Executive Director Enterprise & Environment	117,056	0	117,056	116,245
Craig Munro	Executive Director Education & Children's Services (to 14.08.16)	0	0	0	49,569
Shelagh Mclean	Acting Executive Director Education & Children's Services (to 08.01.17)	0	0	0	46,970
Carrie Lindsay	Executive Director Education & Children's	117,403	0	117,403	20,130
Eileen Rowand	Executive Director Finance & Corporate	117,403	0	117,403	116,245
Michael Enston	Executive Director Communities	117,403	0	117,403	116,245
Total		618,911	10,673	629,584	637,522

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 (2017-18 - £10,673, and 2016-17 - £23,508)

Subsidiary Senior Employees - Table 5

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

Subsidiary Bodies	Subsidiary Bodies	Responsibility	2017-18		2016-17
			Salary, fees & Allowances £	Taxable Expenses £	Total Remuneration £
Business Gateway	Brian Blackburn	Managing Director	55,000	0	55,000
Fife Cultural Trust	Heather Stuart	Chief Executive	92,088	0	92,088
Fife Sport & Fife Golf Trust	Edmund Watson	Chief Executive	77,618	0	77,618
Fife Coast & Countryside Trust	Alistair MacGregor	Golf Services Manager	60,936	0	60,936
	Chris Broome - note 1	Chief Executive	76,641	0	76,641
Fife Resource Solutions LLP & Resource Efficient Solution LLP	Christopher Ewing	Senior Manager (to 21.09.17)	49,681	0	49,681
Fife Resource Solutions LLP & Resource Efficient Solution LLP	Robin Baird	Senior Manager (from 31.07.17)	47,792	0	47,792
Total			459,756	0	459,756

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:-

Joint Initiative	Subsidiary Bodies	Responsibility	2017-18		2016-17
			Salary, fees & Allowances £	Taxable Expenses £	Total Remuneration £
Health & Social Care	Sandy Riddell	Director of Health & Social Care (to 31.08.16)	0	0	54,960
Health & Social Care	Michael Kellet	Director of Health & Social Care	105,143	0	105,143
Total			105,143	0	117,991

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 2017-18		Remuneration Bands	Number of Employees 2016-17
£	Left During 2017-18 £		£
198	17	£50,000 - £54,999	204
94	10	£55,000 - £59,999	55
55	9	£60,000 - £64,999	40
8	4	£65,000 - £69,999	4
16	8	£70,000 - £74,999	15
16	4	£75,000 - £79,999	14
2	2	£80,000 - £84,999	3
9	0	£85,000 - £89,999	7
13	2	£90,000 - £94,999	11
1	0	£95,000 - £99,999	3
2	1	£100,000 - £104,999	2
2	2	£105,000 - £109,999	0
0	0	£110,000 - £114,999	1
4	0	£115,000 - £119,999	3
0	0	£120,000 - £124,999	0
0	0	£125,000 - £129,999	0
0	0	£130,000 - £134,999	0
0	0	£135,000 - £139,999	0
0	0	£140,000 - £144,999	0
1	0	£145,000 - £149,999	2
0	0	£150,000 - £154,999	0
0	0	£155,000 - £159,999	1
0	0	£160,000 - £164,999	0
1	1	£165,000 - £169,999	0
422	60	Total	365

Included in 2017-18 are 47 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 estimated capitalised compensatory added years' costs for Fife Council and its group. These estimated values are based on an assessment of the present value of all future payments to the retiree until death. Exit packages relating to ill health retirements are not classified as termination benefits therefore amounts paid to individuals on this basis have been excluded from the disclosure table.

Exit Package Cost Band	2017-18					
	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	0	90	90	0.814	0.000	0.814
20,000 - 39,999	0	44	44	1.214	0.050	1.264
40,000 - 59,999	0	26	26	1.235	0.102	1.337
60,000 - 79,999	0	22	22	1.240	0.318	1.558
80,000 - 99,999	0	19	19	1.225	0.470	1.695
100,000 - 149,999	0	23	23	1.971	0.901	2.872
150,000 - 199,999	0	5	5	0.613	0.271	0.884
Over 200,000	0	6	6	0.849	0.436	1.285
Total	0	235	235	9.161	2.548	11.709

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

The total cost of exit packages £11.709m in the table for 2017-18 above includes £1.057m cash value and £0.231m estimated CAY for exit packages that have been agreed, accrued for and charged to Fife Council's Comprehensive Income and Expenditure Statement in the current year. In 2016-17, Fife Council included a provision of £2.038m which was used to offset the total costs reported for 2017-18. In the current year, Fife Council has not made any provision for future payments.

Of the 2017-18 total cost of £11.709m, £2.391m relates to statutory redundancy payments, £2.126m to compensation for loss of office and £4.644m for enhanced pension benefits and £2.548m for estimated CAY.

As a consequence of the delivery of the 2017-18 savings each directorate has incurred termination payments. The Directorate incurring the largest cost is Finance & Corporate Services £5.705m

6. Pensions Benefits

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

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

However, pension benefits built up before 1 April 2015 are protected for employee and Councillor members. This means that membership built up to 31 March 2015 by employee members will continue to be based on final salary when the member retires or leaves. Councillor benefits built up to 31 March 2015 will continue to be calculated using average pay over the whole period of scheme membership, including both pre and post 2015 membership. The councillor's pay for each year or part year ending 31 March (other than the pay in final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of 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 2017-18	Contribution Rate 2017-18	Actual Pay 2016-17	Contribution Rate 2016-17
On earnings up to and including £20,700	5.50%	On earnings up to and including £20,500	5.50%
On earnings above £20,700 and up to £25,300	7.25%	On earnings above £20,500 and up to £25,000	7.25%
On earnings above £25,300 and up to £34,700	8.50%	On earnings above £25,000 and up to £34,400	8.50%
On earnings above £34,700 and up to £46,300	9.50%	On earnings above £34,400 and up to £45,800	9.50%
On earnings above £46,300	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 inflation.

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

Senior Councillors - Table 10

The pension entitlements for Senior Councillors, for the year to 31 March 2018 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 31/03/2018 £	For year to 31/03/2017 £		As at 31/03/2018 £	Difference from March 2017 £
David Alexander	Co-Leader of Fife Council (from 18.05.17)	0	0	Pension Lump Sum	0 0	0 0
David Ross	Leader of the Council (to 03.05.17) and Co-Leader of Fife Council (from 18.05.17)	0	0	Pension Lump Sum	0 0	0 0
Jim Leishman	Provost (to 03.05.17) and Provost (from 18.05.17)	6,958	6,955	Pension Lump Sum	3,000 0	0 0
Kay Morrison	Depute Provost (to 03.05.17)	829	5,464	Pension Lump Sum	0 0	0 0
Julie Ford	Depute Provost (from 18.05.17)	4,301	0	Pension Lump Sum	1,000 0	0 0
Brian Goodall	Leader of Opposition (15.02.17)	0	0	Pension Lump Sum	0 0	0 0
Neale Harvey	Leader of Opposition (to 03.05.17)	829	336	Pension Lump Sum	0 0	0 0
Dave Dempsey	Chair: Environment, Finance & Corporate Services Scrutiny Committee (to 03.05.17) and Leader of Opposition & Convener: Standards & Audit Committee (from 18.05.17)	5,130	5,464	Pension Lump Sum	4,000 2,000	0 1,000
Lesley Laird	Depute Leader (to 03.05.17)	829	5,464	Pension Lump Sum	0 0	0 0
Tom Adams	Chair: Local Area Committee - Levenmouth (to 03.05.17)	829	5,464	Pension Lump Sum	0 0	0 0
John Beare	Chair: Standards & Audit Committee (to 03.05.17)	829	5,464	Pension Lump Sum	0 0	0 0
Tim Brett	Convener: Scrutiny Committee (from 15.06.17)	3,895	0	Pension Lump Sum	5,000 2,000	1,000 0
Bill Brown	Chair: Local Area Committee - Glenrothes (to 03.05.17)	829	5,464	Pension Lump Sum	0 0	0 0
Ken Caldwell	Convener: Levenmouth Area Committee (from 01.06.17)	4,098	0	Pension Lump Sum	0 0	0 0
Pat Callaghan	Executive Member with portfolio responsibility for Environmental & Transportation (to 15.09.16)	0	2,815	Pension Lump Sum	0 0	0 0
William Clarke	Chair: Local Area Committee - Cowdenbeath (to 28.06.16)	0	0	Pension Lump Sum	0 0	0 0
Bobby Clelland	Chair: Local Area Committee - South West Fife (to 03.05.17)	829	5,464	Pension Lump Sum	0 0	0 0
Altany Craik	Executive Member with portfolio responsibility for Finance & Corporate Services (to 03.05.17) and Convener: Economy, Tourism, Strategic Planning & Transportation Committee (from 15.06.17)	4,725	5,464	Pension Lump Sum	3,000 0	1,000 0

Senior Councillors - continued

Senior Councillors	Responsibility	In-year employer's pension contributions (see note above)			Accrued Pension Benefits Difference	
		For year to 31/03/2018 £	For year to 31/03/2017 £		As at 31/03/2018 £	from March 2017 £
Neil Crooks *	Chair: Local Area Committee - Kirkcaldy (to 03.05.17) and Convener: Kirkcaldy Area Committee & Planning Committee (Central) (from 25.05.17)	5,029	5,464	Pension Lump Sum	7,000 7,000	1,000 0
Linda Erskine	Executive Member with portfolio responsibility for Community Health & Wellbeing (to 03.05.17) and Convener: Cowdenbeath Area Committee & HR Spokesperson (from 31.05.17)	4,948	5,464	Pension Lump Sum	3,000 0	1,000 0
Fiona Grant	Convener: Glenrothes Area Committee (from 29.05.17)	4,159	0	Pension Lump Sum	4,000 1,000	1,000 0
Judy Hamilton *	Executive Member with portfolio responsibility for Housing & Building Services (to 03.05.17) and Convener: Community & Housing Services Committee (from 15.06.17)	4,872	5,464	Pension Lump Sum	5,000 3,000	1,000 0
Mark Hood	Chair: Local Area Committee - Cowdenbeath (to 03.05.17)	0	0	Pension Lump Sum	0 0	0 0
Helen Law	Chair: Local Area Committee - City of Dunfermline (to 03.05.17) and Convener: City of Dunfermline Area Committee (from 29.05.17)	4,988	5,464	Pension Lump Sum	3,000 0	1,000 0
Susan Leslie	Chair: Education, Health & Social Care Scrutiny Committees (to 03.05.17)	829	5,464	Pension Lump Sum	0 0	0 0
Carol Lindsay	Convener: Regulation & Licensing Committee and Fife Licensing Board (from 15.06.17)	3,895	0	Pension Lump Sum	4,000 1,000	1,000 0
Donald Lothian	Convener: North East Fife Area Committee (from 25.05.17)	4,199	0	Pension Lump Sum	4,000 1,000	1,000 0
Alice McGarry	Convener: South West Fife Area Committee & Planning Committee (West)(from 31.05.17)	4,118	0	Pension Lump Sum	4,000 2,000	1,000 1,000
Frances Melville	Chair: Local Area Committee - North East Fife (to 03.05.17)	829	5,464	Pension Lump Sum	0 0	0 0
Bryan Poole	Executive Member with portfolio responsibility for Education, Children, Young People & Families (to 03.05.17)	0	0	Pension Lump Sum	0 0	0 0
Fay Sinclair	Convener: Education & Children's Services Committee (from 15.06.17)	3,895	0	Pension Lump Sum	1,000 0	0 0
Ross Vettriano	Convener: Environment, Protective Services & Community Safety Committee (from 15.06.17)	0	0	Pension Lump Sum	0 0	0 0

Senior Councillors - continued

Senior Councillors	Responsibility	In-year employer's pension contributions (see note above)			Accrued Pension Benefits Difference	
		For year to 31/03/2018 £	For year to 31/03/2017 £		As at 31/03/2018 £	from March 2017 £
Craig Walker	Convener: Assets Property & Facilities Committee (from 15.06.17)	3,895	0	Pension Lump Sum	1,000 0	0 0
John Wincott	Executive Member with portfolio responsibility for Environmental & Transportation (to 03.05.17)	829	2,649	Pension Lump Sum	0 0	0 0
Robert Young	Chair: Regulation & Licensing Committee (to 03.05.17)	829	5,464	Pension Lump Sum	0 0	0 0
Total		82,224	94,715	Pension Lump Sum	52,000 19,000	10,000 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 Neil Crooks - pension £2,000 and lump sum £6,000. No pension or lump sum differences from March 2017.
- Cllr Judy Hamilton - pension £1,000 and lump sum £2,000. No pension or lump sum differences from March 2017.

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

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 2018 are shown in the table below, together with the contribution made by their pension during the year.

Senior Councillors	Responsibility	In-year employer's pension contributions (see note above)			Accrued Pension Benefits Difference	
		For year to 31/03/2018 £	For year to 31/03/2017 £		As at 31/03/2018 £	from March 2017 £
William Campbell	Chair: Superannuation Fund and Pensions Committee	0	3,974	Pension Lump Sum	0 0	0 0
Total		0	3,974	Pension Lump Sum	0 0	0 0

Senior Employees - Table 12

The pension entitlements for Senior Employees, for the year to 31 March 2018 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 Difference	
		For year to 31/03/2018 £	For year to 31/03/2017 £		As at 31/03/2018 £	from March 2017 £
Steve Grimmond	Chief Executive - note 1	36,663	35,072	Pension	69,000	4,000
				Lump Sum	134,000	1,000
Keith Winter	Executive Director Enterprise & Environment	28,679	27,434	Pension	54,000	3,000
				Lump Sum	103,000	1,000
Craig Munro	Executive Director Education & Children's Services (to 14.08.16)	0	8,453	Pension	0	0
				Lump Sum	0	0
Shelagh Mclean	Executive Director Education & Children's Services (from 15.08.16 to 08.01.17)	0	11,085	Pension	0	0
				Lump Sum	0	0
Carrie Lindsay	Executive Director Education & Children's Services - note 2	28,764	4,751	Pension	7,000	3,000
				Lump Sum		0
Eileen Rowand	Executive Director Finance & Corporate Services	28,764	27,434	Pension	40,000	3,000
				Lump Sum	63,000	0
Michael Enston	Executive Director Communities	28,764	27,434	Pension	56,000	4,000
				Lump Sum	109,000	1,000
Total		151,634	141,663	Pension	226,000	17,000
				Lump Sum	409,000	3,000

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 - Steven Grimmond is no longer in the pension scheme for his Returning Officer post as of 31st March 2016.

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 2018 are shown in the table below, together with the contribution made by the council to each Subsidiary Senior Employees' pension during

Subsidiary Bodies	Responsibility	In-year employer's pension contributions (see note above)			Accrued Pension Benefits Difference	
		For year to 31/03/2018 £	For year to 31/03/2017 £		As at 31/03/2018 £	from March 2017 £
Business Gateway	Managing Director - note 1	3,300	3,300	Pension		
				Lump Sum		
Fife Cultural Trust	Heather Stuart	20,720	20,515	Pension	10,000	2,000
				Lump Sum	0	0
Fife Sport & Leisure Trust	Edmund Watson	14,359	14,218	Pension	41,000	2,000
				Lump Sum	86,000	1,000
Fife Golf Trust	Alistair MacGregor	12,858	12,702	Pension	23,000	2,000
				Lump Sum	38,000	0

Subsidiary Senior Employees - continued

Subsidiary Bodies	Responsibility		In-year employer's pension contributions (see note above)			Accrued Pension Benefits Difference	
			For year to 31/03/2018 £	For year to 31/03/2017 £		As at 31/03/2018 £	from March 2017 £
Fife Coast & Countryside Trust	Chris Broome	Chief Executive	16,589	5,869	Pension Lump Sum	2,000 0	1,000 0
Fife Resource Solutions LLP & Resource Efficient Solution LLP	Christopher Ewing	Senior Manager (to 21.09.17)	11,079	15,942	Pension Lump Sum	0 0	0 0
Fife Resource Solutions LLP & Resource Efficient Solution LLP	Robin Baird	Senior Manager (from 31.07.17)	10,658	0	Pension Lump Sum	17,000 16,000	7,000 6,000
Total			89,563	72,546	Pension Lump Sum	93,000 140,000	14,000 7,000

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 2018 are shown in the table below, together with the contribution made by the council to each Joint Initiative Employees' pension during the

Joint Initiative	Responsibility		In-year employer's pension contributions (see note above)			Accrued Pension Benefits Difference	
			For year to 31/03/2018 £	For year to 31/03/2017 £		As at 31/03/2018 £	from March 2017 £
Health & Social Care	Sandy Riddell - note 1	Director of Health & Social Care (to 31.08.16)	0	12,971	Pension Lump Sum	0 0	0 0
Health & Social Care	Michael Kellet - note 1	Director of Health & Social Care	15,666	9,392	Pension Lump Sum	3,000 0	1,000 0
Total			15,666	22,363	Pension Lump Sum	3,000 0	1,000 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
27 September 2018

Steve Grimmond
Chief Executive
27 September 2018

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 27 September 2018.

Signed on behalf of Fife Council

Councillor David Alexander
Co-Leader of the Council
27 September 2018

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 2018.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services
27 September 2018

Expenditure and Funding Analysis

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

2016-17 (Restated)			Expenditure chargeable to General Fund and HRA	2017-18		
Expenditure chargeable to the Gen Fund & HRA £m	Adjusts between Funding & Accounting Basis £m	Net Exp in the CI&ES £m		Expenditure chargeable to the Gen Fund & HRA £m	Adjusts between Funding & Accounting Basis £m	Net Exp in the CI&ES £m
350.706	43.232	393.938	Education & Children	348.353	41.065	389.418
142.879	2.530	145.409	Health & Social Care	144.200	11.037	155.237
88.203	25.348	113.551	Enterprise & Environment	96.998	21.717	118.715
52.069	5.709	57.778	Finance & Corporate	54.016	9.297	63.313
0.250	0.005	0.255	Chief Executive	0.247	0.016	0.263
5.545	(11.539)	(5.994)	Corporate & Democratic	2.387	(0.139)	2.248
62.439	9.848	72.287	Communities	63.929	11.624	75.553
(19.265)	(1.472)	(20.737)	Housing Revenue Account	(20.755)	12.614	(8.141)
85.189	(85.189)	0.000	Loan Charges	86.502	(86.502)	0.000
768.015	(11.528)	756.487	Net Cost of Services	775.877	20.729	796.606
(3.503)	(1.903)	(5.406)	Other Operating Expenditure	(1.107)	(0.812)	(1.919)
0.000	66.898	66.898	Financing and Investment Income & Expenditure	0.000	69.791	69.791
(766.750)	(50.740)	(817.490)	Taxation and Non Specific Grant Income & Expenditure	(769.794)	(46.677)	(816.471)
(2.238)	2.727	0.489	Difference between the Statutory Charge to the Combined General Fund & HRA Balance compared to the (Surplus) or Deficit in the CI&ES	4.976	43.031	48.007

(60.375)	Opening General Fund & HRA Balance	(59.110)
(2.238)	Less or Plus (Surplus) or Deficit on General Fund & HRA Balance in Year	4.976
3.503	Transfers to/ from Other Reserves	1.107
(59.110)	Closing General Fund & HRA Balance at 31 March *	(53.027)

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

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

2016-17 (Restated)				Expenditure chargeable to General Fund and HRA	2017-18			
Adjustments for Capital Purposes £m	Net change for Pensions Adjustments £m	Other Differences £m	Adjustments between Accounting & Funding Basis £m		Adjustments for Capital Purposes £m	Net change for Pensions Adjustments £m	Other Differences £m	Adjustments between Accounting & Funding Basis £m
38.859	1.622	2.751	43.232	Education & Children	34.176	7.103	(0.214)	41.065
1.357	1.399	(0.226)	2.530	Health & Social Care	5.084	5.784	0.169	11.037
23.154	2.279	(0.085)	25.348	Enterprise & Environment	11.767	9.996	(0.046)	21.717
4.959	0.959	(0.209)	5.709	Finance & Corporate	5.573	3.766	(0.042)	9.297
0.000	0.004	0.001	0.005	Chief Executive	0.000	0.017	(0.001)	0.016
0.000	(3.963)	(7.576)	(11.539)	Corporate & Democratic	0.000	(0.346)	0.207	(0.139)
9.289	0.563	(0.004)	9.848	Communities	9.353	2.261	0.010	11.624
(1.557)	0.225	(0.140)	(1.472)	Housing Revenue Account	11.834	0.965	(0.185)	12.614
0.000	0.000	(85.189)	(85.189)	Loan Charges	0.000	0.000	(86.502)	(86.502)
76.061	3.088	(90.677)	(11.528)	Net Cost of Services	77.787	29.546	(86.604)	20.729
(1.903)	0.000	0.000	(1.903)	Other Operating Expenditure	(0.812)	0.000	0.000	(0.812)
0.000	24.560	42.338	66.898	Financing and Investment Income & Expenditure	0.000	27.380	42.411	69.791
(50.740)	0.000	0.000	(50.740)	Taxation and Non Specific Grant Income & Expenditure	(46.677)	0.000	0.000	(46.677)
23.418	27.648	(48.339)	2.727	Difference between the Statutory Charge to the Combined General Fund & HRA Balance	30.298	56.926	(44.193)	43.031

Explanation of Adjustment columns above: -

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

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

Other Differences - differences between amounts debited or credited to the CI&ES and amounts payable/receivable to be recognised under statute. For services this represents the accrual made for the cost of holiday entitlements earned by employees but not taken before the year end which employees can carry forward into the next financial year. These require to be included within the Net Cost of Services under generally accepted accounting practices, however are not charged to the General Fund or HRA. For Financing and Investment income and expenditure the other differences column recognises adjustments to the General Fund & HRA for timing differences for premiums and discounts.

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

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	HRA £m	Insurance Fund £m	Capital Receipts Reserve £m	Capital Grants 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 2016	(58.369)	(2.006)	(5.529)	0.000	(1.898)	(67.802)	(537.847)	(605.649)	(10.686)	(616.335)
Adjustment to opening balance									(0.211)	(0.211)
Adjusted opening balance 1 April 2016									(10.897)	(616.546)
<u>Movement in Reserves during 2016-17 (Restated)</u>										
Total Comprehensive Income & Expenditure	28.222	(27.733)	0.000	0.000	0.000	0.489	370.938	371.427	15.929	387.356
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	0.000	0.000
Transfers (to)/from Other Statutory Reserves (note 6 & 8)	3.503	0.000	(3.503)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in Year	1.265	0.000	(3.503)	0.000	(3.154)	(5.392)	376.819	371.427	15.929	387.356
Balance at 31 March 2017 carried forward	(57.104)	(2.006)	(9.032)	0.000	(5.052)	(73.194)	(161.028)	(234.222)	5.032	(229.190)
<u>Movement in Reserves during 2017-18</u>										
Total Comprehensive Income & Expenditure	47.674	0.333	0.000	0.000	0.000	48.007	(649.332)	(601.325)	(14.917)	(616.242)
Adjustments between accounting basis & funding basis under regulations (note 5)	(42.698)	(0.333)	0.000	0.000	(1.058)	(44.089)	44.089	0.000	0.000	0.000
Transfers (to)/from Other Statutory Reserves (note 6 & 8)	1.107	0.000	(1.107)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in Year	6.083	0.000	(1.107)	0.000	(1.058)	3.918	(605.243)	(601.325)	(14.917)	(616.242)
Balance at 31 March 2018 carried forward	(51.021)	(2.006)	(10.139)	0.000	(6.110)	(69.276)	(766.271)	(835.547)	(9.885)	(845.432)

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.

2016-17 (Restated)					2017-18			
Fife Council			Group		Fife Council			Group
Gross Expenditure £m	Gross Income £m	Net Expenditure £m	Net Expenditure £m		Gross Expenditure £m	Gross Income £m	Net Expenditure £m	Net Expenditure £m
410.559	(16.621)	393.938	393.938	Education & Children	415.266	(25.848)	389.418	389.418
363.568	(218.159)	145.409	145.409	Health & Social Care	386.366	(231.129)	155.237	155.237
147.675	(34.124)	113.551	113.272	Enterprise & Environment	154.956	(36.241)	118.715	120.318
185.151	(127.373)	57.778	57.778	Finance & Corporate	179.866	(116.553)	63.313	63.313
0.255	0.000	0.255	0.255	Chief Executive	0.263	0.000	0.263	0.263
(5.994)	0.000	(5.994)	(5.805)	Corporate & Democratic	2.248	0.000	2.248	2.269
90.971	(18.684)	72.287	73.450	Communities	92.669	(17.116)	75.553	77.856
87.385	(108.122)	(20.737)	(20.737)	Housing Revenue	103.467	(111.608)	(8.141)	(8.141)
1,279.570	(523.083)	756.487	757.560	Cost of Services	1,335.101	(538.495)	796.606	800.533
		(5.406)	(5.102)	Other Operating Expenditure (note 8)			(1.919)	(1.473)
		66.898	67.319	Financing and Investment Income & Expenditure (note 10)			69.791	70.755
		(817.490)	(817.490)	Taxation and Non-Specific Grant Income (note 11)			(816.471)	(816.964)
		0.489	2.287	(Surplus) or Deficit on the Provision of Services			48.007	52.851
		60.708	60.626	(Surplus) or deficit on revaluation of non-current assets			(182.044)	(182.176)
		0.231	0.231	(Surplus) or deficit on impairment of non-current assets			0.841	0.841
		(0.807)	(0.807)	(Surplus) or deficit on revaluation of available for sale financial assets			0.000	0.000
		310.806	325.019	Remeasurements of the net defined benefit pensions liability			(468.129)	(487.758)
		370.938	385.069	Other Comprehensive Income & Expenditure			(649.332)	(669.093)
		371.427	387.356	Total Comprehensive Income & Expenditure			(601.325)	(616.242)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Authority are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (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 Group 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 2017 (Restated)			Notes	31 March 2018	
Fife Council	Group			Fife Council	Group
£m	£m			£m	£m
2,304.125	2,308.149	Property, Plant & Equipment	14	2,511.355	2,516.444
26.967	27.017	Heritage Assets	16	26.999	27.004
0.141	0.141	Intangible Assets	15	0.091	0.091
4.493	12.694	Long Term Investments	25	4.528	12.448
24.071	24.071	Long Term Debtors	25	25.798	25.798
2,359.797	2,372.072	Long Term Assets		2,568.771	2,581.785
0.000	0.510	Short Term Investments		0.000	0.505
3.812	3.941	Inventories	23	3.725	3.846
64.935	75.508	Short Term Debtors	22	69.875	70.273
43.158	53.581	Cash and Cash Equivalents		28.221	37.054
0.000	0.000	Intangible Assets	15	1.099	1.099
6.670	6.670	Assets held for sale	17	4.944	4.944
118.575	140.210	Current Assets		107.864	117.721
(150.921)	(150.921)	Short Term Borrowing	25	(149.698)	(149.752)
(120.810)	(136.050)	Short Term Creditors	22	(117.986)	(123.149)
(3.416)	(3.416)	Provisions	21	(1.515)	(1.515)
(2.094)	(2.094)	Receipts in Advance - Revenue	24	(6.802)	(6.802)
0.000	0.000	Receipts in Advance - Capital	24	(0.250)	(0.250)
(277.241)	(292.481)	Current Liabilities		(276.251)	(281.468)
0.000	(0.041)	Long Term Creditors		0.000	(0.303)
(7.018)	(7.018)	Provisions	21	(7.556)	(7.556)
(809.019)	(809.019)	Long Term Borrowing	25	(819.890)	(819.890)
(1,039.125)	(1,062.787)	Liability Related to Defined Benefit Pension	30	(627.922)	(635.388)
(105.387)	(105.387)	Other Long Term Liabilities	25	(100.615)	(100.615)
(1.160)	(1.160)	Receipts in Advance - Revenue	24	(1.998)	(1.998)
(5.199)	(5.199)	Receipts in Advance - Capital	24	(6.856)	(6.856)
(1,966.908)	(1,990.611)	Long Term Liabilities		(1,564.837)	(1,572.606)
234.222	229.190	Net Assets/(Liabilities)		835.547	845.432
(73.194)	(88.788)	Usable reserves	12	(69.276)	(83.122)
(161.028)	(140.402)	Unusable Reserves	13	(766.271)	(762.310)
(234.222)	(229.190)	Total Reserves		(835.547)	(845.432)

The unaudited accounts were issued on 29 June 2018 and the audited accounts were authorised for issue on the 27 September 2018.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services
27 September 2018

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council and its Group during the reporting period. The statement shows how the Group 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 Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group'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 Group. For the purpose of Group Accounts a cash flow has been prepared for Resource Efficient Solutions, Fife Resource Solutions and Business Gateway Fife.

2016-17 (Restated)			2017-18	
Fife Council	Group		Fife Council	Group
£m	£m		£m	£m
(0.489)	(2.287)	Net surplus or (deficit) on the provision of services	(43.994)	(48.838)
94.465	94.985	Depreciation & impairment	93.054	93.638
7.607	7.604	Downward/(upward) revaluations	12.675	12.729
2.533	2.533	Amortisation of intangibles	0.040	0.040
0.000	0.000	Movement in Fair Value of Investments	0.000	0.280
(3.884)	(5.661)	Increase/(decrease) in creditors	1.429	1.911
2.151	0.276	(Increase)/decrease in debtors	(0.839)	(0.910)
0.120	0.077	(Increase)/decrease in stock	0.087	0.095
27.650	29.366	Movement in Pension liability/(asset)	56.926	60.404
(46.027)	(46.027)	Contributions to/(from) provisions	(1.363)	(1.363)
11.582	11.617	Carrying amount of assets sold	5.590	5.596
(0.108)	(0.957)	Other non-cash items	0.000	0.000
96.089	93.813	Adjustment for non cash movements	167.599	172.420
(50.645)	(50.645)	Capital Grants credited to surplus/(deficit) on provision of services	(46.677)	(47.170)
(13.485)	(13.485)	Proceeds from the sale of assets	(6.402)	(6.402)
(64.130)	(64.130)	Adjustment for investing & financing activities	(53.079)	(53.572)
31.470	27.396	Net cash flows from Operating Activities	70.526	70.011
(200.521)	(200.647)	Purchase of non-current assets	(137.465)	(139.038)
(0.017)	(1.158)	Purchase of investments	(0.035)	(0.035)
0.000	0.000	Long Term Loans granted	(2.897)	(2.897)
13.485	13.483	Proceeds from the sale of assets	6.402	6.402
51.510	52.068	Other receipts from investing activities	46.954	47.452
(135.543)	(136.254)	Net cash flows from investing activities	(87.041)	(88.116)
124.666	124.666	Cash receipts and repayments of short and long term borrowing	8.409	8.409
(3.275)	(2.984)	Cash payments reducing liabilities for finance leases & PPP contracts	(4.329)	(4.329)
(14.873)	(14.873)	Other financing activities	(2.502)	(2.502)
106.518	106.809	Net cash flows from financing activities	1.578	1.578
2.445	(2.049)	Net increase or (decrease) in cash and cash equivalents	(14.936)	(16.527)
40.713	55.625	Cash and cash equivalents at the beginning of reporting period	43.158	53.581
43.158	53.576		28.221	37.054
0.056	0.056	Cash in Hand	0.055	0.055
0.192	8.347	Bank	1.570	8.085
45.270	45.270	Short Term Investments	29.115	29.115
(2.360)	(0.097)	Advances from other accounts	(2.519)	(0.202)
43.158	53.576	Cash and cash equivalents at the end of the reporting period	28.221	37.054
		Net cash flows for operating activities include the following:-		
(0.832)	(0.907)	Interest received	(0.368)	(0.707)
42.358	44.644	Interest paid	43.174	43.174
41.526	43.737	Total	42.806	42.467

Notes to the Accounts

1. General Accounting Policies

General Principles

The Statement of Accounts summarises Fife Council and its Group transactions for the 2017-18 financial year and its position at the year-end of 31 March 2018. Fife Council 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 2017-18 and the Service Reporting Code of Practice 2017-18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

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

Accruals of Income and Expenditure

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

The main accruals and estimation techniques used are as follows:

- Payroll Costs: An estimation of the salaries and wages paid in 2018-19 which relate to 2017-18 is accrued back to 2017-18 based on the number of days which relate to the period to 31 March 2018.
- Energy Costs: Information held by Energy Management Unit and Service records.
- Supplies and Services: Based on purchase ordering and goods receipting information held in the Council's financial systems.
- Interest: Based on the Council's Investment Team records of internal and external loans.
- Travelling Expenses: Estimate of claims paid in 2018-19 that relate to 2017-18.
- Pension Liability: Estimate of future liability calculated by the Council's actuaries in accordance with IAS19.
- Holiday Pay: Based on a sample of employees holiday and flexi leave earned during 2017-18 but not taken by 31 March 2018.
- Termination Benefits: Accruals based on the estimated cost for those employees who returned written confirmation of their termination package by 31 March 2018.

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.

Charges to the Comprehensive Income and Expenditure Statement (CI&ES) for Non-current Assets

The Comprehensive Income and Expenditure Statement (CI&ES) is charged with the following amounts relating to non-current assets during the year:

- depreciation and amortisation 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
- revaluation increases and impairment reversals to the extent of losses previously charged to the CI&ES, with any additional balance written to the Revaluation Reserve.
- gain or loss arising from de-recognition or disposal of an asset

The Council is not required to raise council tax or HRA rents to cover the charges above and these are therefore a reconciling item in the Movement in Reserves Statement (MIRS) for the General Fund and Housing Revenue Account with adjusting transactions in the capital adjustment account.

Fair Value

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

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council 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

Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council (detailed in note 13).

Interests in Companies and Other Entities

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

2. Accounting Standards Issued, not yet Adopted

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

Accounting Standards not yet adopted are:

- IFRS 9 Financial Instruments
- IFRS15 Revenue from Contracts with Customers
- Amendment to IAS12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendment to IAS 7 Statement of Cash Flows; Disclosure Initiative

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 20 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 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 2018.

Lender Options Borrower Options

The Council holds a Lender Option Borrower Option (LOBO) loan. It is an inverse floating LOBO, which means that interest rates will rise and fall in the opposite direction to the base rate. This loan has been measured on the amortised cost basis, as a floating rate instrument, in accordance with IAS 39 AG7. This means that periodic re-estimation of cash flows to reflect movements in market rates of interest alters the effective interest rate of the loan, and therefore impacts future interest payments, with no significant effect on the carrying amount of the liability of £20m

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 2018 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 & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £2.658m 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 Council 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 £263.900m.
Arrears	At 31 March 2018, the Council had a balance of sundry debtors of £16.027m. A review of significant balances suggested that an allowance for impairment of 24.30% (£3.895m) was appropriate. Included in this figure is an amount of £0.680m for debt written off which equates to 1.1% 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 £0.309m, to be set aside as an allowance.
Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the 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 Council's assets and liabilities is disclosed in Notes 14, 16 and 25.	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

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

	Usable Reserves						Unusable Reserves	Total Reserves
	General Fund Balance	Housing Revenue Account	Insurance Fund	Capital Receipts Reserve	Capital Grants Unapplied	Movement in	Unusable Reserves	
	£m	£m	£m	£m	£m		£m	£m
2017-18								
Adjustments involving the Capital Adjustment Account:-								
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES):-</u>								
Charges for depreciation and impairment of non-current assets	(66.158)	(26.896)	0.000	0.000	0.000	93.054	0.000	
Revaluation losses on non-current assets and assets held for sale	0.243	(12.918)	0.000	0.000	0.000	12.675	0.000	
Amortisation of intangible assets	(0.040)	0.000	0.000	0.000	0.000	0.040	0.000	
Capital grants and contributions applied to capital financing	43.667	1.952	0.000	0.000	0.000	(45.619)	0.000	
Amounts written off on disposal or sale as part of the (gain)/loss on disposal to the CI&ES	(3.745)	(1.845)	0.000	0.000	0.000	5.590	0.000	
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES):-</u>								
Statutory provision for financing capital investment	32.471	9.166	0.000	0.000	0.000	(41.637)	0.000	
Capital expenditure charged against General Fund and HRA balances	0.262	27.980	0.000	0.000	0.000	(28.242)	0.000	
Adjustments involving the Capital Receipts Reserve (CRR):-								
Sale proceeds credited as part of the (gain)/loss on disposal to the CI&ES	3.444	2.958	0.000	(6.402)	0.000	0.000	0.000	
Use of CRR to finance capital investment	0.000	0.000	0.000	4.241	0.000	(4.241)	0.000	
Use of CRR for HRA set aside to repay debt	0.000	0.000	0.000	2.161	0.000	(2.161)	0.000	
Adjustment involving the Capital Grants Unapplied Account:-								
Reversal of unapplied capital grants and contributions credited to the CI&ES	2.415	0.515	0.000	0.000	(2.930)	0.000	0.000	
Application of grants to capital financing transferred to the Capital Adjustment Account	(1.810)	(0.062)	0.000	0.000	1.872	0.000	0.000	
Adjustments involving the Financial Instruments Adjustment Account:-								
Difference in finance costs charged to the CI&ES from finance costs chargeable in the year in accordance with statutory requirements	1.505	0.688	0.000	0.000	0.000	(2.193)	0.000	
Adjustments involving the Pensions Reserve:-								
Reversal of items relating to post employment benefits included in the (Surplus) or Deficit on the Provision of Services in the CI&ES	(126.397)	(3.981)	0.000	0.000	0.000	130.378	0.000	
Employer's pensions contributions and direct payments to pensioners payable in the year	71.321	2.131	0.000	0.000	0.000	(73.452)	0.000	
Adjustment involving the Employee Statutory Adjustment Account:-								
Difference in officer remuneration charged to the CI&ES on an accruals basis from remuneration chargeable in the year in accordance with statutory requirements	0.124	(0.021)	0.000	0.000	0.000	(0.103)	0.000	
Total Adjustments	(42.698)	(0.333)	0.000	(0.000)	(1.058)	44.089	0.000	

	Usable Reserves						Unusable Reserves	
	General Fund Balance	Housing Revenue Account	Insurance Fund	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	Total Reserves	
	£m	£m	£m	£m	£m	£m	£m	£m
2016-17								
Adjustments involving the Capital Adjustment Account:-								
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES):-</u>								
Charges for depreciation and impairment of non-current assets	(67.402)	(27.063)	0.000	0.000	0.000	94.465	0.000	
Revaluation losses on non-current assets and assets held for sale	(7.681)	0.074	0.000	0.000	0.000	7.607	0.000	
Amortisation of intangible assets	(2.533)	0.000	0.000	0.000	0.000	2.533	0.000	
Capital grants and contributions applied to capital financing	35.628	11.863	0.000	0.000	0.000	(47.491)	0.000	
Income in relation to Donated Assets	0.095	0.000	0.000	0.000	0.000	(0.095)	0.000	
Amounts written off on disposal or sale as part of the (gain)/loss on disposal to the CI&ES	(4.503)	(7.079)	0.000	0.000	0.000	11.582	0.000	
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES):-</u>								
Statutory provision for financing capital investment	32.152	8.501	0.000	0.000	0.000	(40.653)	0.000	
Capital expenditure charged against General Fund and HRA balances	0.000	28.546	0.000	0.000	0.000	(28.546)	0.000	
Adjustments involving the Capital Receipts Reserve (CRR):-								
Sale proceeds credited as part of the (gain)/loss on disposal to the CI&ES	1.746	11.739	0.000	(13.485)	0.000	0.000	0.000	
Use of CRR to finance capital investment	0.000	0.000	0.000	3.015	0.000	(3.015)	0.000	
Use of CRR for HRA set aside to repay debt	0.000	0.000	0.000	8.724	0.000	(8.724)	0.000	
Use of CRR to fund equal pay	0.000	0.000	0.000	1.746	0.000	(1.746)	0.000	
Adjustment involving the Capital Grants Unapplied Account:-								
Reversal of unapplied capital grants and contributions credited to the CI&ES	2.264	1.532	0.000	0.000	(3.796)	0.000	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	0.000	
Adjustments involving the Financial Instruments Adjustment Account:-								
Difference in finance costs charged to the CI&ES from finance costs chargeable in the year in accordance with statutory requirements	1.549	0.649	0.000	0.000	0.000	(2.198)	0.000	
Adjustments involving the Pensions Reserve:-								
Reversal of items relating to post employment benefits included in the (Surplus) or Deficit on the Provision of Services in the CI&ES	(93.517)	(2.976)	0.000	0.000	0.000	96.493	0.000	
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)	0.000	
Adjustment involving the Employee Statutory Adjustment Account:-								
Difference in officer remuneration charged to the CI&ES on an accruals basis from remuneration chargeable in the year in accordance with statutory requirements	(2.228)	(0.019)	0.000	0.000	0.000	2.247	0.000	
Adjustment involving the Equal Pay Provision Statutory Adjustment Account:-								
Amount charged to the CI&ES 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)	0.000	
Total Adjustments	(30.460)	27.733	0.000	(0.000)	(3.154)	5.881	0.000	

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 2018 amounted to £6.079m (31 March 2017, £7.058m). Note 32 gives further detail of the Insurance Arrangements operated by the Council.

	Balance at 1 April 17 £m	Transfers Out 2017-18 £m	Transfers In 2017-18 £m	Balance at 31 March 18 £m
2017-18				
Transfers (to)/from Statutory Reserves:-				
Insurance Fund	(7.058)	0.979		(6.079)
Of which: Earmarked	(1.974)		(2.086)	(4.060)
Statutory Other Reserves	(9.032)	0.979	(2.086)	(10.139)
	Balance at 1 April 16 £m	Transfers Out 2016-17 £m	Transfers In 2016-17 £m	Balance at 31 March 17 £m
2016-17 - (Restated)				
Transfers (to)/from Statutory Reserves:-				
Insurance Fund	(5.529)	0.000	(1.529)	(7.058)
Of which: Earmarked	0.000		(1.974)	(1.974)
Statutory Other Reserves	(5.529)	0.000	(3.503)	(9.032)

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 17 £m	Transfers Out 2017-18 £m	Transfers In 2017-18 £m	Balance at 31 March 18 £m
2017-18				
General Fund				
Earmarked Balances:-				
Energy Management Fund	0.000	(0.266)	0.757	0.491
Council Tax - Second Homes	4.012	(1.211)	1.593	4.394
Earmarked Grants	0.677	(0.677)	1.226	1.226
Total	4.689	(2.154)	3.576	6.111
Other Commitments:-				
Services c/f	2.959	(2.959)	4.548	4.548
Ring Fenced & Other Carry forwards	3.492	(3.492)	4.657	4.657
Change Fund	1.281	(0.574)	2.000	2.707
Workforce Change Funding	1.004	(4.793)	7.789	4.000
Fife Job Contract	1.563	0.000	0.000	1.563
Support to Children and Families	5.409	(1.803)	0.000	3.606
Scottish Government Funding	0.000	0.000	2.357	2.357
Contributions from Balances (Budget)	4.187	(4.187)	2.000	2.000
Other Commitments	0.294	(0.401)	0.548	0.441
Total	20.189	(18.209)	23.899	25.879
Total Commitments	24.878	(20.363)	27.475	31.990
Uncommitted Balances	32.226			19.031
General Fund Total	57.104			51.021

Explanatory Note

• General Fund Balance

The General Fund Services balance decreased by £6.083m in 2017-18, leaving a balance at the end of the year of £51.021m. Once the commitments of £31.990m shown above are set against this, an uncommitted balance of £19.031m remains as at 31 March 2018. 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 is now held for further initiatives and projects.

• Council Tax - Second Homes

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

• Earmarked Grants

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

• Service Carry Forward

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. The Council also operates a devolved school management scheme which allows an element of budget carry forward. In 2017-18 £4.548m underspend will be carried forward and added to the 2018-19 revenue budget. (2016-17, £2.959m underspend).

• Ring Fenced Projects and other Carry forwards

The balance of £4.657m (31 March 2017, £3.492m) held for Ring Fenced and temporary investment projects which are expected to be finalised in 2018-19 and monies have been carried forward for this purpose.

• Change Fund

In order to address the scale of the financial challenge the Council is facing in the coming years, Services will be required to change the way they operate. To facilitate this change, investment is required and balances of £2.707m (2016-17, £1.281m) 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 £4.000m (2016-17, £1.004m) and have been earmarked for this purpose.

• Fife Job Contract

To address the growing issues in relation to 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 (2016-17, £1.563m) remains.

• Support to Children & Families

The Council requires to address the sustainability of the Children and Families budget 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 the Service 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. Funding of £4.376m was earmarked February 2014 with an additional £5.409m being earmarked in February 2015. A total of £1.803m was transferred in the current financial year (2016-17, £1.803m) leaving a balance of £3.606m

• Scottish Government Funding

The overall funding package for 2018-19 from Scottish Government includes a balance of £34.500m for all Scottish Authorities paid as a redetermination during 2017-18. The £34.500m was part of the £159.500m additional resource agreed by the Scottish Government to support local government services in 2018-19 as per Local Government Finance (Scotland) Order 2018. Fife's share of the funding is £2.357m.

• Contribution from Balances

The 2018-19 Budget strategy included a commitment of £2.000m to enhance funding for Health & Social Care and Economic Development should sufficient surpluses be generated in 2017-18. A surplus was generated and added to Balances, therefore the commitment will be honoured.

• Other Commitments

There are a number of other minor commitments against balances totalling £0.441m (2016-17, £0.294m).

7. Analysis of Income and Expenditure by Segment/Nature

The Council's expenditure and income is analysed as follows for 2017/18.

	Employee Expenditure £m	Other Service Expenditure £m	Adjustments for Capital Purposes £m	Net change for Pension Adjustment £m	Other adjustments £m	Total Expenditure £m	Fees, Charges & Service Income £m	Gov Grants & Contributions £m	Total Income £m	Net Exp in the CI&ES £m
2017-18										
Education & Childrens Services	265.186	110.393	34.176	7.103	(0.214)	416.644	(1.379)	(25.847)	(27.226)	389.418
Health & Social Care	74.439	300.890	5.084	5.784	0.169	386.366	(145.134)	(85.995)	(231.129)	155.237
Enterprise & Environment	119.196	193.228	11.767	9.996	(0.046)	334.141	(179.185)	(36.241)	(215.426)	118.715
Finance & Corporate Services	50.152	127.506	5.573	3.766	(0.042)	186.955	(7.089)	(116.553)	(123.642)	63.313
Chief Executive	0.244	0.003	0.000	0.017	(0.001)	0.263	0.000	0.000	0.000	0.263
Corporate & Democratic Core	2.168	0.219	0.000	(0.346)	0.207	2.248	0.000	0.000	0.000	2.248
Communities	29.530	55.845	9.353	2.261	0.010	96.999	(4.330)	(17.116)	(21.446)	75.553
Housing Revenue Account	20.271	70.582	11.834	0.965	(0.185)	103.467	(111.608)	0.000	(111.608)	(8.141)
Loan Charges	0.000	86.502	0.000	0.000	(86.502)	(0.000)	0.000	0.000	0.000	(0.000)
Net Cost of Services	561.186	945.168	77.787	29.546	(86.604)	1,527.083	(448.725)	(281.752)	(730.477)	796.606
Other Income and Expenditure										(748.599)
(Surplus) or Defecit on the Provision of Services										48.007

	Employee Expenditure £m	Other Service Expenditure £m	Adjustments for Capital Purposes £m	Net change for Pension Adjustment £m	Other adjustments £m	Total Expenditure £m	Fees, Charges & Service Income £m	Gov Grants & Contributions £m	Total Income £m	Net Exp in the CI&ES £m
2016-17										
Education & Childrens Services	257.526	110.444	38.859	1.622	2.751	411.202	(0.643)	(16.621)	(17.264)	393.938
Health & Social Care	74.731	286.307	1.357	1.399	(0.226)	363.568	(143.695)	(74.464)	(218.159)	145.409
Enterprise & Environment	116.206	193.943	23.154	2.279	(0.085)	335.497	(188.397)	(33.549)	(221.946)	113.551
Finance & Corporate Services	48.023	135.436	4.959	0.959	(0.209)	189.168	(6.279)	(125.111)	(131.390)	57.778
Chief Executive	0.241	0.009	0.000	0.004	0.001	0.255	0.000	0.000	0.000	0.255
Corporate & Democratic Core	1.468	4.077	0.000	(3.963)	(7.576)	(5.994)	0.000	0.000	0.000	(5.994)
Communities	29.779	53.229	9.289	0.563	(0.004)	92.856	(5.549)	(15.020)	(20.569)	72.287
Housing Revenue Account	19.260	69.201	(1.557)	0.225	(0.140)	86.989	(107.726)	0.000	(107.726)	(20.737)
Loan Charges	0.000	85.189	0.000	0.000	(85.189)	0.000	0.000	0.000	0.000	0.000
Net Cost of Services	547.234	937.835	76.061	3.088	(90.677)	1,473.541	(452.289)	(264.765)	(717.054)	756.487
Other Income and Expenditure										(755.998)
(Surplus) or Defecit on the Provision of Services										0.489

8. Other Operating Expenditure

2016-17 (Restated) £m		2017-18 £m
(3.503)	Insurance Fund	(1.107)
(1.903)	(Gains)/losses on the disposal of assets	(0.812)
(5.406)	Total	(1.919)

Insurance

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.

9. Material Items of Income and Expenditure

Fife Council made contributions of £145.134m to Integrated Joint Board, this includes a contribution towards overspend of £2.475m. Receipts of £52.752m for Resource Transfer from NHS are included in Health and Social Care. Payments of £2.078m to the IJB were made from Housing. Fife Council received amounts totalling £197.579m from Integrated Joint Board, which includes Resource Transfer of £52.752m and amounts to meet Fife Council overspend of £2.169m.

10. Financing and Investment Income and Expenditure

2016-17 £m		2017-18 £m
42.696	Interest payable and similar charges	42.788
24.560	Pensions interest cost & expected return on pensions assets	27.380
(0.332)	Interest receivable and similar income	(0.368)
(0.026)	Income & expenditure in relation to financial instruments and changes in their fair value	(0.009)
66.898	Total	69.791

11. Taxation and Non Specific Grant Income

2016-17 £m		2017-18 £m
(139.838)	Council tax and community charge income	(149.839)
(183.331)	Non-domestic rates	(170.998)
(443.581)	Non-ring fenced government grants	(448.957)
(50.645)	Capital grants and contributions	(46.677)
(0.095)	Income in relation to Donated Assets	0.000
(817.490)	Total	(816.471)

12. Usable Reserves

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

13. Unusable Reserves

2016-17 £m		2017-18 £m
(458.914)	Revaluation Reserve	(626.829)
(0.001)	Available for Sale Financial Instruments Reserve	(0.001)
44.808	Financial Instruments Adjustment Account	42.615
(805.232)	Capital Adjustment Account	(829.061)
1,039.125	Pensions Reserve	627.922
19.186	Employee Statutory Adjustment Account	19.083
0.000	Equal pay provision statutory adjustment account	0.000
(161.028)	Total Unusable Reserves	(766.271)

Revaluation Reserve

The reserve contains the unrealised gains made by the council arising from the increases in the value of its Property, Plant and Equipment and its Heritage Assets. The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created.

2016-17 £m		2017-18 £m
(538.236)	Balance at 1 April	(458.914)
	Revaluation of non-current assets not posted to (Surplus)/Deficit on Provision of Services:-	
(3.264)	Upward Revaluation & reversal of impairment losses	(189.039)
64.203	Downward revaluation & impairment losses	7.836
60.939		(181.203)
	Amounts written off to the Capital Adjustment Account:-	
15.626	Difference between historic cost and fair value	12.541
2.757	Accumulated gains on assets sold or scrapped	0.747
18.383		13.288
(458.914)	Balance at 31 March	(626.829)

Available for Sale Financial Instruments Reserve

The reserve contains the gains or losses made by the council arising from changes in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments, which includes the Council's employment land investment with Scottish Enterprise (see Note 25). The balance is reduced when investments are revalued downward or impaired, or disposed of and the gains are realised.

2016-17 £m		2017-18 £m
0.806	Balance at 1 April	(0.001)
(0.807)	Surplus/(Deficit) on revaluation of Available for Sale Financial Assets	0.000
(0.001)	Balance at 31 March	(0.001)

Financial Instruments Adjustment Account

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

2016-17 £m		2017-18 £m
47.006	Balance at 1 April	44.808
	Amount by which costs charged to the CI&ES are different from costs chargeable in the year in accordance with statutory requirements:-	
(0.015)	Effective Interest Rate - Borrowings Loan Interest	(0.027)
(0.026)	Effective Interest Rate - Soft Loans	(0.009)
(2.157)	Proportion of prior year early redemption premiums	(2.157)
44.808	Balance at 31 March	42.615

Capital Adjustment Account

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

2016-17		2017-18
£m		£m
(774.512)	Balance at 1 April	(805.232)
	Reversal of items relating to capital expenditure charged to the CI&ES:-	
94.465	Depreciation and impairment of non-current assets	93.054
7.607	Revaluation losses/(gains) on non-current assets	12.675
2.533	Amortisation of intangible assets	0.040
11.582	Carrying value of assets sold	5.590
	Capital financing applied in the year:-	
(11.739)	Use of the Capital Receipts Reserve to finance capital	(6.402)
(47.491)	Capital grants & contributions applied to finance capital	(45.619)
(0.095)	Income in relation to Donated Assets	0.000
(40.653)	Statutory provision for the financing of capital	(41.637)
(28.546)	Capital expenditure charged to General Fund and HRA	(28.242)
(18.383)	Adjusting amounts written out of the Revaluation Reserve	(13.288)
(805.232)	Balance at 31 March	(829.061)

Pensions Reserve

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

2016-17		2017-18
£m		£m
700.669	Balance at 1 April	1,039.125
310.806	Actuarial (gains) or losses on pensions assets and liabilities	(468.129)
96.493	Reversal of items relating to retirement benefits charged to CI&ES	130.378
(68.843)	Employer's pensions contributions & direct payments to pensioners payable	(73.452)
1,039.125	Balance at 31 March	627.922

Employee Statutory Adjustment Account

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

2016-17		2017-18
£m		£m
16.939	Balance at 1 April	19.186
(16.939)	Settlement or cancellation of accrual at previous financial year end	(19.186)
19.186	Amounts accrued at the end of the current year	19.083
19.186	Balance at 31 March	19.083

Equal Pay Provision Statutory Adjustment Account

The 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.

2016-17		2017-18
£m		£m
9.481	Balance at 1 April	0.000
(9.481)	Settlement or cancellation of accrual at previous financial year end	0.000
0.000	Balance at 31 March	0.000

14. Property, Plant and Equipment

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

Recognition

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

Measurement

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

- Council House Dwellings
Existing Use Value for Social Housing using Beacon approach (adjusted vacant possession)
- Other Land & Buildings
Current 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 & Equipment / Infrastructure Assets / Community Assets / Assets Under Construction
Historic Cost, net of Depreciation
- Surplus Assets
Fair Value, based on the market approach using current market conditions, recent sales prices and other relevant information for similar assets in the local authority area. In estimating the fair value of the authority's surplus assets, the highest and best use of the properties is their current use.

Revaluations

The Council carries out a rolling programme which ensures that all Property, Plant and Equipment required to be measured at fair value are revalued at least every 5 years. In the 2017-18 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 table below shows the effective date of valuations over the preceding 5 financial years of the rolling revaluation programme (Council Dwellings are valued using beacon values assessed 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	0.000	94.726	117.773	393.496	4.050	0.023	29.705	639.773
Valued at fair value as at:-								
31 March 2018	920.117	185.125	0.000	0.000	0.000	24.370	0.625	1,130.237
31 March 2017	0.000	99.546	0.000	0.000	0.000	0.165	4.270	103.981
31 March 2016	0.000	42.308	0.000	0.000	0.000	0.000	0.000	42.308
31 March 2015	0.000	55.602	0.000	0.000	0.000	0.000	0.000	55.602
31 March 2014	0.000	892.188	0.000	0.000	0.000	1.905	0.000	894.093
Total Cost / Valuation	920.117	1,369.495	117.773	393.496	4.050	26.463	34.600	2,865.994

The Council applies component accounting to all assets that comprise land and buildings. Land and buildings are treated as separate components of an asset and accounted for separately. The building component of assets with a carrying value of over £10 million are separated into further significant components.

Property, Plant & Equipment Movements in 2017-18	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/NPD Assets Included in Property, Plant & Equipment £m
Cost or Valuation									
1 April 2017	705.171	1,290.700	123.096	374.616	3.484	26.396	110.007	2,633.470	174.198
Additions	49.217	23.455	8.318	18.530	0.440	0.065	35.617	135.642	0.262
Revaluations inc/(dec)-to Revaluation Reserve	119.611	18.372	0.000	0.000	0.000	0.442	0.000	138.425	0.000
Revaluations inc/(dec)-to (Surplus)Deficit on the Provision of Services	(12.810)	1.211	0.000	0.000	0.000	(2.359)	0.000	(13.958)	0.000
Disposals	(0.340)	(2.288)	(17.589)	0.000	(0.002)	(0.320)	(0.760)	(21.299)	0.000
Transfer (to)/from Held for Sale	0.050	(5.803)	0.000	0.000	0.000	(0.397)	(0.104)	(6.254)	0.000
Other movement in Cost/Valuation	59.218	43.848	3.948	0.350	0.128	2.636	(110.160)	(0.032)	0.000
31 March 2018	920.117	1,369.495	117.773	393.496	4.050	26.463	34.600	2,865.994	174.460
Accumulated Depreciation and Impairment									
1 April 2017	(0.000)	(146.696)	(82.600)	(98.782)	(0.748)	(0.190)	(0.329)	(329.345)	(19.400)
Depreciation charge	(26.860)	(44.528)	(11.039)	(9.302)	(0.092)	(0.145)	0.000	(91.966)	(5.304)
Depreciation-to Revaluation Reserve	26.909	16.489	0.000	0.000	0.000	0.221	0.000	43.619	0.000
Depreciation-to (Surplus)Deficit on the Provision of Services	0.000	2.983	0.000	0.000	0.000	0.026	0.000	3.009	0.000
Impairment (loss)reversal-to Revaluation Reserve	0.000	(0.269)	0.000	0.000	0.000	(0.572)	0.000	(0.841)	0.000
Impairment (loss)reversal-to (Surplus)Deficit on the Provision of Services	0.000	(0.271)	0.000	0.000	0.000	(0.817)	0.000	(1.088)	0.000
Disposals	0.000	1.555	16.562	0.000	0.002	0.000	0.000	18.119	0.000
Transfer (to)/from Held for Sale	0.000	3.856	0.000	0.000	0.000	(0.002)	0.000	3.854	0.000
Other movement in Depreciation & Impairment	(0.049)	1.733	(1.535)	(0.124)	(0.089)	(0.264)	0.328	0.000	0.000
31 March 2018	(0.000)	(165.148)	(78.612)	(108.208)	(0.927)	(1.743)	(0.001)	(354.639)	(24.704)
Net Book Value:-									
31 March 2018	920.117	1,204.347	39.161	285.288	3.123	24.720	34.599	2,511.355	149.756
31 March 2017	705.171	1,144.004	40.496	275.834	2.736	26.206	109.678	2,304.125	154.798

Property, Plant & Equipment Movements in 2016-17 (Restated)	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/NPD Assets Included in Property, Plant & Equipment £m
Cost or Valuation									
1 April 2016	705.606	1,205.294	135.147	357.452	3.038	27.392	96.518	2,530.447	129.838
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
Revaluations inc/(dec)-to Revaluation Reserve	(87.240)	(0.661)	0.000	0.000	0.000	(1.028)	0.000	(88.929)	0.000
Revaluations inc/(dec)-to (Surplus)Deficit on the Provision of Services	0.180	(8.665)	0.000	0.000	0.000	(0.961)	0.000	(9.446)	(4.166)
Disposals	(8.121)	(5.125)	(14.572)	0.000	(0.002)	(0.662)	(0.027)	(28.509)	(0.385)
Transfer (to)/from Held for Sale	(1.297)	(1.783)	0.000	0.000	0.000	(1.349)	0.000	(4.429)	0.000
Other movement in Cost/Valuation	58.604	33.004	(5.294)	(0.035)	0.049	2.722	(89.051)	(0.001)	6.259
31 March 2017	705.171	1,290.700	123.096	374.616	3.484	26.396	110.007	2,633.470	174.198
Accumulated Depreciation and Impairment									
1 April 2016	0.000	(102.049)	(89.526)	(89.914)	(0.634)	(0.190)	(0.329)	(282.642)	(15.108)
Depreciation charge	(26.876)	(44.249)	(12.149)	(8.868)	(0.113)	(0.243)	0.000	(92.498)	(4.470)
Depreciation-to Revaluation Reserve	27.063	0.979	0.000	0.000	0.000	0.136	0.000	28.178	0.000
Depreciation-to (Surplus)Deficit on the Provision of Services	0.000	1.780	0.000	0.000	0.000	0.125	0.000	1.905	0.178
Impairment (loss)reversal-to Revaluation Reserve	0.000	(0.231)	0.000	0.000	0.000	0.000	0.000	(0.231)	0.000
Impairment (loss)reversal-to (Surplus)Deficit on the Provision of Services	0.000	(1.761)	(0.008)	0.000	0.000	(0.170)	(0.027)	(1.966)	0.000
Disposals	0.000	3.447	14.176	0.000	0.002	0.203	0.027	17.855	0.000
Transfer (to)/from Held for Sale	0.000	0.054	0.000	0.000	0.000	0.001	0.000	0.055	0.000
Other movement in Depreciation and Impairment	(0.187)	(4.666)	4.907	0.000	(0.003)	(0.052)	0.000	(0.001)	0.000
31 March 2017	(0.000)	(146.696)	(82.600)	(98.782)	(0.748)	(0.190)	(0.329)	(329.345)	(19.400)
Net Book Value:-									
31 March 2017	705.171	1,144.004	40.496	275.834	2.736	26.206	109.678	2,304.125	154.798
31 March 2016	705.606	1,103.245	45.621	267.538	2.404	27.202	96.189	2,247.805	114.730

Depreciation

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

Fife Council assets are maintained on an individual asset by asset basis, depreciating significant components separately. An indication of the typical useful life of the assets is given below:-

Buildings	1 - 99 years	Determined by the valuer
Vehicles	1 - 10 years	
IT assets	4 - 25 years	Determined by suitably
Plant & Equipment	3 - 50 years (average 9 years)	qualified officers
Infrastructure	10 - 40 years	

Impairment

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

During 2017-18, the Council has recognised an impairment loss of £2.083m relating to 3 assets. These losses were offset by £0.154m of impairment reversals.

Capital Commitments

As at 31 March 2018, the Council had no material legal commitments on capital contracts. As at 31 March 2017 there was a commitment of £3.864m mainly in relation to a new build schools and a new cycle track. This expenditure was funded from a combination of Prudential borrowing, capital grants, income from the sale of assets and revenue contributions.

15. Intangible Assets

Intangible assets are non-monetary assets that do not have a physical substance but are controlled by the Council. The Council accounts for software as non-current intangible assets, to the extent that the software is not an integral part of an IT system hardware asset included in Property, Plant and Equipment, and in addition has one current intangible asset in respect of allowances purchased in in a forecast sale in 2017-18 to comply with the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme and expected to meet the Council's 2018-19

Amortisation

The depreciable amount of an intangible asset is amortised over its useful life on a straight line basis. All assets are given a useful life, based on the period that the assets are expected to be of use to the Council and is applied in year from 1st April based on asset values as at 31 March of the previous financial year. Amortisation of £0.040m was charged in 2017-18 relating to two assets with remaining useful lives of 2 and 4 years respectively.

2016-17		Intangible Assets Movements during the year	2017-18	
Non-Current £m	Current £m		Non-Current £m	Current £m
		Opening balance at 1 April		
1.334	2.509	Gross carrying amounts	1.361	0.000
(1.209)	0.000	Accumulated amortisation	(1.220)	0.000
0.125	2.509	Net carrying amount at start of year	0.141	0.000
0.040	0.000	Additions	0.000	1.099
(0.024)	(2.509)	Amortisation for the period	(0.040)	0.000
(0.013)	(2.509)	Disposals - Gross Book Value	(0.059)	0.000
0.013	2.509	Disposals - Accumulated Depreciation	0.049	0.000
0.141	0.000	Net carrying amount at end of year	0.091	1.099
		Comprising:		
1.361	0.000	Gross carrying amounts	1.302	1.099
(1.220)	0.000	Accumulated amortisation	(1.211)	0.000
0.141	0.000	Total	0.091	1.099

16. Heritage Assets

Heritage Assets are recognised as a separate class of assets in the financial statements. Heritage assets are those that are intended to be preserved in trust for future generations and are held and maintained principally for their contribution to knowledge and culture. They are deemed to have indeterminate lives and high residual value and as such it is considered inappropriate to charge depreciation. The Council has identified Heritage Assets which include 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 of £18.751m has been recognised in the Council's balance sheet.

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.

2016-17 £m	Heritage Asset Movements during the year	2017-18 £m
26.830	At 1 April	26.967
0.095	Donated Assets	0.000
0.000	Additions	0.032
0.042	Revaluations	0.000
26.967	At 31 March	26.999

17. Assets Held for Sale

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

Measurement

Assets held for sale are measured at the lower of carrying value and fair value less costs to sell at the Balance Sheet date. 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, and their recoverable amount at the date of the decision not to sell.

Charges to the Comprehensive Income and Expenditure Account (CI&ES)

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to Other Operating Expenditure in the CI&ES. Gains in fair value are recognised only up to the amount of any previously losses recognised in the CI&ES. Depreciation is not charged on Assets Held for Sale.

The Council is not required to raise council tax to cover revaluation and disposal gains & losses on Assets Held for Sale. These are therefore a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account with adjusting transactions in the capital adjustment account.

2016-17 £m	Assets Held for Sale Movements during the year	2017-18 £m
3.114	At 1 April	6.670
	Assets newly classified as held for sale:	
4.374	Property, Plant & Equipment	3.495
(0.097)	Revaluation losses	(1.726)
0.032	Revaluation gains	0.000
	Assets declassified as held for sale:	
0.000	Property, Plant & Equipment	(1.095)
(0.753)	Assets sold	(2.400)
6.670	At 31 March	4.944

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 Council (including 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 that has yet to be financed. The CFR is analysed below:-

2016-17 £m	Capital Financing Requirement Movements during the year	2017-18 £m
984.275	At 1 April	1,090.240
	Capital investment:-	
234.337	Property, Plant and Equipment	135.642
0.040	Intangible Assets	1.099
0.017	Available for Sale Financial Assets	0.035
0.000	Loan Advances	2.897
	Sources of finance:-	
(11.739)	Capital receipts	(6.402)
(47.491)	Government grants and other contributions	(45.619)
	Sums set aside from revenue:-	
(28.546)	Direct revenue contributions	(28.242)
(40.653)	Loans fund principal	(41.637)
1,090.240	At 31 March	1,108.013
794.339	Capital Financing Requirement - General Fund	785.802
295.901	Capital Financing Requirement - Housing Revenue Account	322.211
1,090.240	At 31 March	1,108.013
105.965	Increase in underlying need to borrow (unsupported by government financial assistance)	17.773

19. Leases

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

Finance Leases

• Leased in Assets

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

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

The assets covered by this arrangement are accounted for in the Fife Council financial statements and £93.061m has been included on the Council's Balance Sheet at 31 March 2018 as Property, Plant & Equipment which includes: Carnegie Leisure Centre; Dunfermline £16.930m; Adam Smith Theatre, Kirkcaldy £3.914m; Beacon Leisure Centre, Burntisland £4.288m; Kirkcaldy Galleries £3.618m, Dunfermline Museum & Art Galleries £36.300m and Cupar Leisure Centre £3.034m.

There are no other finance lease agreements included in the Council's balance sheet at 31 March 2018.

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

• Leased out Assets

The Council has no finance leases agreements as a lessor in place at 31 March 2018.

Operating Leases

• Leased in Assets

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

2016-17	Future minimum lease payments due at 31 March	2017-18
£m	under non-cancellable leases in future years:-	£m
1.551	Not later than one year	1.240
2.637	Later than one year and not later than five years	2.233
8.272	Later than five years	7.756
12.460	Total	11.229

2016-17	Expenditure charged to the CI&ES	2017-18
£m	during the year in relation to these leases:-	£m
2.255	Minimum lease payments	2.323
0.000	Contingent rents	0.000
2.255	Total	2.323

• Leased out Assets

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

2016-17	The future minimum lease payments at 31 March	2017-18
£m	receivable in future years are:-	£m
3.484	Not later than one year	3.909
9.663	Later than one year and not later than five years	10.207
72.577	Later than five years	69.597
85.724	Total	83.713

20. Public Private Partnerships (PPP) and similar contracts

PPP and NPD (non-profit distribution) 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/NPD contractor. As the Council is deemed to control the services that are provided under its PPP/NPD schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge. The Council carries the assets under the contracts on its Balance Sheet as part of Property, Plant and Equipment (detailed in Note 14) and are depreciated and revalued in a similar manner. The amounts payable to the PPP/NPD operators each year are analysed into five elements:

- Fair value of the services received during the year - charged to the relevant service in the CI&ES.
- Finance cost - an interest charge on the outstanding Balance Sheet liability, charged to Financing and Investment Income and Expenditure line in the CI&ES.
- 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 CI&ES
- Payment towards liability - applied to write down the Balance Sheet liability for the PPP/NPD
- 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.

The Council has entered into three PPP/NPD arrangements 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 2017-18 was £7.686m. The charge for 2018-19 is currently estimated at £7.682m. 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 2017-18 was £7.911m 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 2018-19 is £8.087m 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.

NPD

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 Levenmouth Academy in December 2014, funded through an NPD model from Scottish Futures Trust (SFT). The school became operational in August 2016 and the concession arrangement is due to terminate in September 2042. NPD is similar to the PPP schemes in that a special purpose company raises money to build the school, Fife Council 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. 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. The unitary charge, payable to HUB East Central Scotland Ltd, for 2017-18 was £3.754m. The charge for 2018-19 is currently estimated at £3.816m. This charge is partly offset by grant support from the Scottish Government of £3.212m.

Contracts

The contracts allow the Council to use the facilities for Education and Community use, and also allow the Council and the 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 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.

Payments

The Council 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 at 31 March 2018 (excluding any availability/performance deductions and using an inflation factor of 2.5% for RPI increases within the contract) are as follows:-

	Payment for Services £m	Reimbursement of Capital Expenditure £m	Interest £m	Total £m
Payable in 2018-19	6.737	4.772	8.075	19.584
Payable within two to five years	27.333	24.384	28.997	80.714
Payable within six to ten years	44.561	37.146	24.998	106.705
Payable within eleven to fifteen years	28.069	23.322	11.826	63.217
Payable within sixteen to twenty years	9.342	8.796	3.283	21.421
Payable within twenty one to twenty five	6.514	6.967	1.013	14.494
Total	122.556	105.387	78.192	306.135

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		2017-18 £m
113.660	Balance outstanding at 1 April	109.716
(3.944)	Payments during the year	(4.329)
109.716	Balance outstanding at 31 March	105.387

21. Provisions

Provisions are made where an event has taken place that gives the Council 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 Council 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.

	Employee Allowances £m	Insurance Claims £m	Redundancy/ Settlement £m	Dilapidations £m	Asset Decommissioning £m	Expenses Awards £m	Total £m
Balance at 1 April 2017 (Restated)	(0.749)	(3.976)	(2.038)	(0.628)	(3.043)	0.000	(10.434)
Additional provisions made	(0.214)	(1.617)	0.000	0.000	(0.065)	(0.112)	(2.008)
Amounts used	0.188	1.236	2.038	0.000	0.000	0.000	3.462
Unused amounts reversed	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Unwinding of discounting	0.000	(0.014)	0.000	0.000	(0.077)	0.000	(0.091)
Balance at 31 March 2018	(0.775)	(4.371)	(0.000)	(0.628)	(3.185)	(0.112)	(9.071)
Short-Term Provisions	(0.775)	0.000	0.000	(0.628)	0.000	(0.112)	(1.515)
Long-Term Provisions	0.000	(4.371)	0.000	0.000	(3.185)	0.000	(7.556)
	(0.775)	(4.371)	0.000	(0.628)	(3.185)	(0.112)	(9.071)

The provisions above are for liabilities which exist at the 31 March 2018 but are likely to be incurred in financial years 2018-19 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 (£0.775m) covers the expected costs resulting from Equal Pay Claims.
- The provision for Insurance (£4.371m) covers all known outstanding claims (further details in Note 32).
- The provision for Dilapidations (£0.628m) covers all known costs relating to outstanding property dilapidations.
- The provision for Asset Decommissioning covers the expected landfill site aftercare costs, at Lochhead and Lower Melville Wood (£3.185m), to continue to meet obligations when they reach the point of closure.
- The provision for Expenses Awards (£0.112m) covers the expected expenses which will be awarded against the Council as a result of decisions taken by Planning Committees.
- Workforce change is no longer treated as a provision and is classed as a commitment from balances.

22. Debtors and Creditors

31 March 2017			31 March 2018	
Debtors £m	Creditors £m		Debtors £m	Creditors £m
8.357	(4.426)	Central government bodies	9.614	(4.981)
0.507	(0.143)	Other local authorities	0.443	(0.110)
2.260	(2.334)	NHS bodies	0.725	(0.603)
53.811	(113.907)	Other entities and individuals	59.094	(112.292)
64.935	(120.810)		69.876	(117.986)

23. Inventories

Inventories are measured at the lower of cost and net realisable value.

2016-17			2017-18		
Stores & Raw Materials £m	Equipment Stock £m	Total £m	Stores & Raw Materials £m	Equipment Stock £m	Total £m
3.738	0.194	3.932	3.555	0.257	3.812
15.597	0.794	16.391	17.949	1.307	19.256
(16.077)	(0.731)	(16.808)	(18.771)	(1.029)	(19.800)
0.297	0.000	0.297	0.457	0.000	0.457
3.555	0.257	3.812	3.190	0.535	3.725
Opening Balance 1 April			Opening Balance 1 April		
Purchases			Purchases		
Recognised as an expense in the year			Recognised as an expense in the year		
Written off balances			Written off balances		
Balance 31 March			Balance 31 March		

24. Grant Income

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 Council will comply with the conditions attached to the payments, and the grants or contributions will be received.

Amounts recognised as due to the Council are only credited to the Comprehensive Income and Expenditure Statement (CI&ES) when any conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that future economic benefits or service potential embodied in the grant or contribution are required to be met by the Council as specified, or if not met, they must be returned to the transferor.

Where capital grants are credited to the CI&ES, they are reversed out of the General Fund or HRA Balances 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 and when applied, transferred to the Capital Adjustment Account.

In addition to General Revenue Grant, the Council also credited the following grants & contributions to the CI&ES:-

2016-17 £m	Credited to Taxation and Non Specific Grant Income	2017-18 £m
(26.781)	Scottish Government: General Capital Grant	(35.768)
(0.403)	Scottish Government: Cycling, Walking & Safer Streets	(0.538)
(0.992)	Scottish Government: Vacant & Derelict Land	(0.355)
(12.344)	Scottish Government: HRA funding new build housing	(1.889)
(1.577)	Scottish Government: Task Force Funding	(1.643)
0.000	Scottish Government: Early Years Funding	(2.276)
(1.107)	SUSTRANS: Traffic Management Project Funding	0.000
(1.020)	Developers Contributions	0.000
(5.331)	Other Capital Grants	(0.712)
(1.090)	Capital Contributions	(3.496)
(50.645)	Total	(46.677)

2016-17 £m	Credited to Services	2017-18 £m
(1.470)	Education Maintenance Allowance	(1.320)
(114.475)	Housing Benefit Subsidy	(108.295)
(6.426)	Criminal Justice Service Grant	0.000
(1.656)	Discretionary Housing Payments	(0.725)
(2.306)	Levenmouth Academy SFT Contribution	(3.255)
(0.638)	Active Schools	0.000
(38.112)	Various NHS payments	(55.807)
(0.549)	Skills Development Scotland Funding	(1.297)
(0.637)	European Election	0.000
(0.583)	Scottish Parliamentary Election	(0.639)
(5.251)	Other Government Grants	(5.423)
(10.898)	Other Non-Government Grants	(8.537)
(183.001)	Total	(185.297)

The Council 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 transferor, if those conditions are not met. The balances at the year-end are as follows:-

31 March 2017		Receipts in Advance	31 March 2018	
Short Term £m	Long Term £m		Short Term £m	Long Term £m
		Capital Grants and Contributions		
0.000	0.000	Economy, Planning and Employability- Kincardine Regeneration	(0.250)	0.000
0.000	(5.199)	Economy, Planning and Employability- Section 75 Grants	0.000	(6.856)
0.000	(5.199)	Total	(0.250)	(6.856)
		Revenue Grants		
(0.015)	0.000	Education & Children's Services - PE Programme	0.000	0.000
(0.189)	0.000	Education & Children's Services - Youth Music Initiative	(0.213)	0.000
(0.032)	0.000	Education & Children's Services - Service Children in State Schools	(0.032)	0.000
0.000	0.000	Education & Children's Services- Attainment Scotland	(0.171)	0.000
0.000	0.000	Education & Children's Services- PEF	(4.014)	0.000
(0.045)	(0.446)	Communities- Lumphinnans Sports Hub	(0.045)	(0.362)
(0.060)	(0.039)	Asset Transport & Environment- Area Services	(0.012)	(0.076)
(1.005)	(0.135)	Economy, Planning & Employability- Fife Task Force	(1.481)	0.000
(0.450)	(0.540)	Economy, Planning & Employability- Vacant & Derelict Land	(0.531)	(1.560)
(0.298)	0.000	Economy, Planning & Employability- Developing Youth Workforce	(0.303)	0.000
(2.094)	(1.160)	Total	(6.802)	(1.998)
(2.094)	(6.359)	Total Receipts in Advance - Capital and Revenue	(7.052)	(8.854)

25. Financial Instruments

Financial instruments are contracts which create a financial asset in one entity and a financial liability or equity instrument in another entity and are recognised at fair value or amortised cost, or where no reliable fair value measurement exists, they are measured at cost.. The following categories of financial instrument are carried in the Balance Sheet:-

31 March 2017			31 March 2018	
Short Term £m	Long Term £m		Short Term £m	Long Term £m
		Debtors		
17.157	24.071	Loans and receivables	17.185	25.798
		Investments		
0.000	4.493	Employment Land	0.000	4.528
		Borrowings		
(2.090)	(380.710)	PWLB Loans	(2.096)	(428.614)
(27.000)	(423.100)	Money Market Loans	(27.000)	(386.100)
(112.500)	0.000	Temporary Loans	(110.000)	0.000
(0.062)	(5.209)	Loan Interest - EIR	(0.068)	(5.176)
(5.445)	0.000	Loan Interest - PWLB	(5.856)	0.000
(3.709)	0.000	Loan Interest - Money Market Loans	(4.565)	0.000
(0.115)	0.000	Loan Interest - Temporary Loans	(0.113)	0.000
		Other Long Term Liabilities		
(4.329)	(105.387)	PPP and finance lease liabilities	(4.772)	(100.615)
		Creditors		
		Financial liabilities carried at contract amount		
(23.854)	0.000	Trade Creditors	(18.605)	0.000

Financial Assets

Investments

The Council is party to Employment Land investments with Scottish Enterprise which are measured at fair value and given that market conditions are such that similar assets are actively purchased and sold and the level of observable inputs are significant, the properties are categorised at Level 2 in the fair value hierarchy. In estimating the fair value of the Council'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 £4.528m (2016-17 £4.493m).

The Council ensures the valuation of investments is carried out with sufficient regularity as to ensure they are carried at fair value. Increases and decreases in valuation are accounted for in the Financial Assets Available for Sale Reserve and reflected in the Comprehensive Income and Expenditure Statement (CI&ES).

Loans and Receivables

Loans and Receivables include Soft loans (loans at below market rate of interest) to employees of £0.209m (2016-17, £0.227m), loan advances under the National Housing Trust initiative £14.886m (2016-17, £11.989m) repayable within 5 and 10 years of the loan advances, and Loan Debt of £11.854m (2016-17, £13.100m) due from the Scottish Police and Fire Authorities recognised initially as a debtor when those services were transferred from Fife Council at 1st April 2013 and repayable annually. The remaining amount shown within loans and receivables being the Council's sundry debtors where invoices have been raised for goods and services provided for a fee.

Interest receivable is based on an effective rate of interest for the instrument and credited annually to the CI&ES. When soft loan are made, interest is credited to the CI&ES at a marginally higher effective rate of interest than the rate receivable (representing interest that will be foregone over the life of the instrument). Statutory provisions require that the impact of soft loans on Balances is interest receivable for the financial year and this is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the de-recognition or impairment of a financial asset are credited or debited to the Financing and Investment Income and Expenditure line in the CI&ES.

Financial Liabilities

Borrowings

The Council has significant financial liabilities at amortised cost in the form of long-term borrowing from the Public Works Loan Board (PWLb) and other money market lenders 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, 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 2018 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.

31 March 2017 £m	PWLb and Money Market Loans	31 March 2018 £m
832.900	Carrying value	843.810
1,178.086	Fair value	1,170.283

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 £34.672m (2016-17, £34.151m).

Where premiums and discounts have been charged to the CI&ES, regulations allow the impact on the Balance to be spread over future years. The Council spreads 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 CI&ES to the net charge required against Balances is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

26. Nature and Extent of Risks Arising from Financial Instruments

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

- 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
- 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

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 which 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 Councils to manage risk in the following ways:-

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- By adoption of a Treasury Policy statement & 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 2017-18 financial year. The key issues included in those reports were:-

- Authorised limit set at £1,206.678m (Maximum limit of debt and other long term liabilities during year)
- Operational boundary set at £1,149.217m (Expected level of debt and other long term liabilities during year)
- Maximum amount of fixed and variable rate interest exposure set at 100% and 75% respectively of net debt
- Maximum exposure to the maturity structure of debt (shown under Liquidity and Re-financing Risk 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 2018-19 to 2020-21 were approved by the Council's Policy and Co-ordination Committee on 12 April 2018. 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.

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 or HRA balances. For example, an increase in interest rates would increase interest payable on variable borrowings and increase interest receivable on investments. However, 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 Statement (CI&ES) 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 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 rate on those dates, the Borrower can exercise their option to repay the loan. For 2017-18, the impact of a 1% increase in interest rates, assuming all other variables were constant, would increase interest payable by £0.685m on borrowings taken in the year, but would also increase interest receivable by £0.601m, the net effect on the CI&ES being a debit of £0.084m. The impact on the fair value of long-term borrowings would be a reduction in fair value of £194.705m. If rates were to decrease, the reverse would apply.

• Price Risk and Foreign Exchange Risk

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

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 2018.

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. This figure is included in the accounts as a provision for impairment of bad debts:-

2017		2018
15.899	Debtors at 31 March (£m)	16.027
19.49%	Historical experience adjusted for market conditions	19.55%
3.849	Expected maximum exposure to default (£m)	3.895

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. The figures for Trade debtors are included in Note 22 and are analysed by age below:-

	Within 3 months £m	3 - 6 months £m	6 - 9 months £m	9 - 12 months £m	Beyond 12 months £m	Total £m
At 31 March 2018	6.394	1.320	1.560	1.227	5.493	15.994
At 31 March 2017	6.904	0.909	2.066	1.082	4.951	15.912

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 have a balanced budget, which ensures sufficient monies are raised to cover expenditure.

Instead, the risk is that the Council 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:

Loans maturing:	PWLb £m	Money Market Loans (incl EIR) £m	Short-Term Loans £m	Total £m	Maturity Profile %
Less than one year	7.953	31.598	110.113	149.664	15.44%
Between one and two years	9.799	20.535	0.000	30.334	3.13%
Between two and five years	52.000	18.358	0.000	70.358	7.26%
Between five and ten years	59.076	1.232	0.000	60.308	6.22%
Ten years or more	307.739	351.133	0.000	658.872	67.95%
Total	436.567	422.856	110.113	969.536	100.00%

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

27. External Audit Costs

The agreed external audit fee for 2017-18 was £0.505m for work undertaken in accordance with the Code of Audit Practice (2016-17, £0.503m). No other services were provided by Audit Scotland.

28. Related Parties & Group

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 2018 are shown in the Grant Income note 24.

Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. During 2017-18 and 2016-17 there were no material works and services that were commissioned from organisations in which any elected member has an interest. Grants totalling £5.412m (2016-17, £3.364m) were awarded to 14 organisations (2016-17, 5) 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 http://publications.fifedirect.org.uk/c64_currentelectronicregister-fromMay2018.pdf.

Officers

No grants were awarded to organisations in 2017-18 nor 2016-17 where officers have some representation but members do not.

Local Government Pension Fund

During the 2017-18 financial year the Council charged £1.611m, (2016-17, £1.156m) for support services related to the administration of the Pension Fund. Fife Council paid employers' contributions to the Pension Fund of £66.494m (2016-17, £62.182m) and collected and paid over employees' contributions of £15.091m (2016-17, £15.008m).

Assisted Organisations

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

Subsidiaries, included in Group Accounts are:

• 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 14 leisure facilities which are owned by the Council and leased to the Trust. The Council pays a management fee to the company. The Council is represented on the Board of Directors by 6 board members. In 2017-18 the Council contracted with the Trust to the value of £2.603m (2016-17, £2.343m). At balance sheet date the Council had balances outstanding of £0.227m debtors (2016-17, £0.340m) and £0.161m creditors (2016-17, £0.106m).

- **Fife Coast & Countryside Trust**

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 pays a management fee to the company. The company is limited by guarantee with charitable status. The Council is represented on the Board of Directors by 3 board members. In 2017-18 the Council contracted with the Trust to the value of £1.635m (2016-17 £1.596m). At balance sheet date the Council had balances outstanding of £0.084m debtors (2016-17, £0.010m) and £0.287m creditors (2016-17, £0.114m).

- **Fife Golf Trust**

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 4 board members. In 2017-18 the Council contracted with the Trust to the value of £0.585m (2016-17, £0.589m) in respect of the management of its golf courses. At the balance sheet date the Council had balances outstanding of £0.153m debtors (2016-17, £0.071m) and no creditors (2016-17, £0.000m).

- **Fife Cultural Trust**

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 4 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 board members. In 2017-18 the Council contracted with the Trust to the value of £7.961m in respect of the management of its arts, theatre, library and museum facilities (2016-17, £8.252m). At the balance sheet date the council had outstanding balances of £0.196m debtors (2016-17, £0.278m) and £0.126m creditors (2016-17, £0.204m).

- **Fife Resource Solutions Limited Liability Partnership**

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 5 board members. In 2017-18 the Council contracted with the company to the value of £20.668m (2016-17, £18.378m). At the balance sheet date the Council had outstanding balances of £0.405m debtors (2016-17, £0.515m) and £4.544m creditors (2016-17, £0.534m).

- **Resource Efficient Solutions Limited Liability Partnership**

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 5 board members. In 2017-18 the Council contracted with the company to the value of £0.314m (2016-17, £0.838m) in respect of industrial waste disposal services. At the balance sheet date the council had outstanding balances of £3.812m debtors (2016-17, £0.000m) and £0.000m creditors (2016-17, £0.387m).

- **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 board members. In 2017-18, Fife Council provided £0.166m (2016-17, £0.0.153m) of operational funding and funding for financial assistance to small businesses delivered through Business Gateway Fife. In 2017-18 £1.318m was contributed to the Business Gateway National contract (2016-17, £0.824m). At balance sheet date the council had outstanding balances of £0.000m debtors (2016-17, £0.003) and £0.249m creditors (2016-17, £0.119m).

Subsidiaries, not included in Group Accounts due to materiality levels:

- **Sustainability Fife Ltd**

Sustainability Fife is wholly owned by the Council and was established to form a partnership with the Council to create Fife Resource Solutions LLP. The Council is represented on the Board of Directors by 3 board members.

Joint Venture, included on an Equity basis:

• Fife Integration Joint Board

The Integration Joint Board (IJB) for the area of Fife was legally established on 3 October 2015. The IJB through the chief officer is responsible for the planning and operational oversight of Integrated Services and for the operational management of the services. Funding contribution from Fife Council to IJB in 17-18 amounted to £145.134m (2016-17, £143.465m) and income received of £197.580m (2016-17, £185.230m).

Associates, have not been included in Group Accounts due to materiality levels:

• 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 (2016-17 £0.048m) in terms of requisitions during 2017-18 and £0.020m (2016-17, £0.020m) in respect of clerking and legal services.

• 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. In 2017-18 the Council contributed £0.011m (2016-17, £0.098m) to the Trust from its own funds.

• 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 2017-18 Fife Council contributed £0.237m (2016-17 £0.198m).

• 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 2017-18 Fife Council contributed £0.044m (2016-17, £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 2018, this amounted to £0.198m (£0.089m at 31 March 2017).

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 2017-18 Fife Council contributed £0.046m (2016-17, £0.036m).

• West Fife Enterprises

West Fife Enterprise is an organisation contributing to employability inclusion and economic regeneration within Fife. The Council is represented on the board by 3 board members. In 2017-18 the Council contracted with the organisation to the value of £0.099m (2016-17, £0.113m).

Other related parties:

• 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 2017-18 Fife Council contributed requisitions of £0.213m (2016-17, £0.214m).

• Tay Road Bridge Joint Board

Tay Road Bridge Joint Board is responsible for the management, maintenance and operation of the Tay Road Bridge and is funded from Scottish Government Grant. The Board comprises of 12 members, 5 of which are from Fife Council. Fife hold 42% of voting power and therefore significant influence however there is no investment in the organisation.

29. Pensions Schemes Accounted for as Defined Contribution Schemes

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

The Scheme is technically a defined benefit scheme. However, as the Scheme is unfunded, the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. The 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 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.

In 2017-18, the amounts due to Scottish Public Pensions Agency for Teachers' Pensions in respect of teachers' retirement benefits were £22.961m representing 16.99% of pensionable pay (2016-17, £22.955m, 17.10%) .

The Council 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 30. The sum due for discretionary benefits during 2017-18 was £4.452m (2016-17, £4.271m).

30. Defined Benefit Retirement Schemes

Participation in pension schemes

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

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

Transactions relating to post employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, 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/HRA via the Movement in Reserves Statement.

2016-17 £m		2017-18 £m
	Comprehensive Income and Expenditure Statement (CI&ES)	
	Cost of Services:-	
68.601	Current Service Cost	95.880
3.332	Past service costs (incl. Curtailments)	7.118
	Financing and Investment Income and Expenditure:-	
82.470	Interest cost	80.080
(57.910)	Interest Income on plan assets	(52.700)
96.493	Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	130.378
310.806	Total remeasurements recognised in Other Expenditure in the CI&ES	(468.129)
407.299	Total Post Employment Benefit Charged to the CI&ES	(337.751)
	Movement in Reserves Statement	
(96.493)	Reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the code	(130.378)
	Actual amount charged for pensions in the year against General Fund/HRA Balances	
61.548	Interest cost	65.988
7.295	Interest Income on plan assets	7.464

Assets and liabilities in relation to post employment benefits

2016-17 £m	Reconciliation of present value of the scheme liabilities (defined benefit obligation) :-	2017-18 £m
(2,349.286)	Balance at 1 April	(3,058.916)
(68.601)	Current service cost	(95.880)
(82.470)	Interest cost	(80.080)
(14.919)	Contributions by plan participants	(15.078)
	Remeasurements:-	
0.000	Change in Demographic Assumptions	29.351
(607.027)	Change in Financial Assumptions	123.980
(2.685)	Other Experience	306.539
62.109	Benefits paid	63.905
7.295	Unfunded Benefits Paid	7.464
(3.332)	Past service costs (incl. Curtailments)	(7.118)
(3,058.916)	Balance at 31 March	(2,725.833)
	Reconciliation of fair value of the scheme (plan) assets:-	
1,648.617	Balance at 1 April	2,019.791
57.910	Interest Income on Plan Assets	52.700
298.906	Return on assets excluding amounts included in net interest	(41.491)
61.548	Employer contributions	65.988
14.919	Contributions by plan participants	15.078
(62.109)	Benefits paid	(63.905)
7.295	Contributions in respect of unfunded benefits	7.464
(7.295)	Unfunded benefits paid	(7.464)
2,019.791	Balance at 31 March	2,048.161

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.

Analysis of the asset values is shown below at bid values (as required by IAS19):-

31 March 2017					31 March 2018			
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	%
451.090	0.000	451.090	22%	Equity Securities:	520.917	0.000	520.917	25%
				Debt Securities				
0.000	59.260	59.260	3%	•Corporate Bonds	0.000	58.053	58.053	3%
0.000	151.640	151.640	8%	•UK Government	0.000	158.187	158.187	8%
0.000	8.820	8.820	0%	•Other	0.000	0.577	0.577	0%
				Real Estate				
12.860	156.000	168.860	8%	•UK Property	168.175	6.562	174.737	8%
0.000	2.460	2.460	0%	•Overseas Property	0.000	0.000	0.000	0%
				Investment Funds and Unit Trusts				
776.460	8.730	785.190	39%	•Equities	943.917	0.000	943.917	45%
0.000	73.610	73.610	4%	•Bonds	71.386	0.000	71.386	3%
2.520	0.000	2.520	0%	•Commodities	2.302	0.000	2.302	0%
0.000	40.010	40.010	2%	•Infrastructure	0.000	33.725	33.725	2%
0.000	173.350	173.350	9%	•Other	2.441	0.000	2.441	0%
0.090	0.000	0.090	0%	Derivatives	0.017	0.000	0.017	0%
102.890	0.000	102.890	5%	Cash and Cash Equivalents	131.652	0.000	131.652	6%
1,345.910	673.880	2,019.790	100%	TOTAL	1,840.807	257.104	2,097.911	100%

Scheme History

	2013-14 £m	2014-15 £m	2015-16 £m	2016-17 £m	2017-18 £m
Present value of liabilities:-					
Funded Liabilities	(2,118.247)	(2,360.832)	(2,221.980)	(2,920.432)	(2,583.086)
Unfunded Liabilities	(137.815)	(140.200)	(127.306)	(138.484)	(142.747)
Fair value of assets in the Local Government Pension Scheme	1,478.352	1,638.669	1,648.617	2,019.791	2,097.911
Total Surplus/(Deficit)	(777.710)	(862.363)	(700.669)	(1,039.125)	(627.922)
Surplus/(deficit) in the scheme:-					
Funded Scheme	(639.895)	(722.163)	(573.363)	(900.641)	(485.175)
Unfunded Scheme	(137.815)	(140.200)	(127.306)	(138.484)	(142.747)
Total Surplus/(Deficit)	(777.710)	(862.363)	(700.669)	(1,039.125)	(627.922)

The contribution expected to be made to the funded scheme in the year to 31 March 2018 is £62.068m.

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 2017 valuation as adjusted for changes in assumptions, additional benefit accrual and estimated cash flows. The principal assumptions used are:-

2016-17		2017-18
	Mortality assumptions:-	
	Longevity at 65 for current pensioners:-	
22.0	Men	21.2
23.7	Women	23.8
	Longevity at 65 for future pensioners:-	
24.1	Men	22.6
26.4	Women	25.8
	Financial Assumptions	
3.60%	Rate of increase in salaries	2.90%
2.40%	Rate of increase in pensions	2.40%
2.60%	Rate for discounting scheme liabilities	2.70%
	Computation	
50%**	Take-up of option to convert annual pension into retirement lump sum	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.

31. Contingent Assets and Liabilities

A contingent asset arises where an event has taken place that gives the council 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 Council.

At 31 March 2018 the Council has no contingent assets.

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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.

At 31 March 2018, the Council had one material contingent liability:-

The Council has developed a strategy for Workforce Change which would result in an FTE staff reduction of approximately 2,000 at an estimated cost of £61.000m over the 12 year period (2010-11 to 2021-22). Included in the 2017-18 accounts are costs totalling £7.122m for approximately 120 staff. There is significant uncertainty over the extent of employee reductions required over the next 4 years although this is estimated at approximately £11.500m for under 400 staff and no provision has been made for this contingency.

32. 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.

A provision of £4.371m has been made for all known outstanding third party claims and there is an earmarked element of the insurance fund of £4.060m for own damage claims and anticipated incurred but not reported (IBNR) claims giving a total estimate of £8.431m. The figure includes liability claims prior to 16th May 1975 and also for the following significant losses:-

- **Municipal Mutual Insurance (MMI) Scheme of Administration**
MMI set up a Scheme of Administration in 1992 with the expectation that there would be a solvent run off of the company. Due to the company's deteriorating financial position, the Scheme Administrator triggered the Scheme in 2013-14 and 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%. A further Levy is anticipated in the future. Provision of £0.686m has been made to cover the 25% on known outstanding claims and a further 9% on all known claims in anticipation of a future Levy.
- **Debtors**
The accounts include debtors of £1.597m related to insurer or third party 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.
- **Cairneyhill Primary School**
A fire in December 2017 resulted in significant damage to building and contents, along with business interruption costs. The loss adjuster has estimated the total cost will be approximately £1.810m. A policy excess of £0.250m applies and a debtor created for £1.560m reflecting the anticipated insurer contribution.

33. Fife Council Pension Fund

Fife Council acts as the administering Authority for one pension fund, the Fife 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 Pension Fund Annual Report is available from the Pensions Team, Fife Council, North Street, Glenrothes, KY7 5LT, email pensions.section@fife.gov.uk

34. Adjusting Events after Reporting Period

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

There are no post balance sheet events which require disclosure. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

35. Prior Period Adjustments / Restatements

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

- In 2016-17 the Expenditure and Funding Analysis (EFA) and associated note were introduced, and for 2017-18 the number of segments have been reduced in line with the Best Practice Guide. These are in line with Council Directorates and can be linked to Directorate totals from the Revenue Monitor Report and 2016-17 figures have been subsequently re-stated. The EFA and note have been given due prominence in the annual accounts, these are not Financial Statements but should be used to show the link between the Revenue Monitor Report and the Comprehensive Income and Expenditure Statement. Central Support expenditure has not been allocated to services in 2017-18 in line with EFA Guidance and the prior year has been restated accordingly.
- Self Insurance is no longer treated as a provision and is now classed as earmarked. The 2016-17 prior year figure for Self Insurance has been adjusted for this in Note 6 Movement in Reserves and Earmarked Balances. Third Party Insurance continues to be treated as a reserve.
- In note 14 Property, Plant & Equipment, the 2016-17 prior year figures have been restated to reflect a presentational change which was implemented in 2017-18. The change moves impairment charges from the Cost/Valuation section to the Accumulated Depreciation and Impairment section of the note. There is no change to Net Book Values.
- 2016-17 Group Accounts have been restated to include adjustments for FSLT Debtors and FCT Debtors, Cash and Creditors.

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.

2016-17 £m		2017-18 £m
	Income	
(100.764)	Dwelling Rents	(104.233)
(3.163)	Non-dwelling Rents	(3.386)
(1.658)	Hostels - Accommodation Charges	(2.017)
(2.141)	Other Income	(1.972)
(107.726)	Total Income	(111.608)
	Expenditure	
36.393	Repairs and Maintenance	39.124
19.258	Supervision and Management	20.271
0.097	Rents, rates, taxes and other charges	0.113
26.989	Depreciation, impairment and revaluation losses of non-current assets	39.814
2.730	Impairment of Debtors	2.510
1.520	Other Expenditure	1.635
86.987	Total Expenditure	103.467

2016-17 £m		2017-18 £m
(20.739)	Net Expenditure or (Income) of HRA Services as included in the Comprehensive Income and Expenditure Statement	(8.141)
0.082	Share of Corporate and Democratic Core	0.086
0.077	HRA share of other amounts included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services	0.121
(20.580)	Net (Income) or Expenditure for HRA Services	(7.934)

2016-17 £m		2017-18 £m
	HRA Share of operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement	
(4.660)	(Gain) or Loss on sale of HRA Non Current Assets	(1.113)
10.233	Interest Payable and Similar Charges	11.020
(0.116)	Interest and Investment Income	(0.119)
0.785	Interest on the net defined benefit liability	0.884
(13.395)	Capital Grants and Contributions Receivable	(2.405)
(27.733)	(Surplus) or Deficit for the Year on HRA Services	0.333

Movement on the Housing Revenue Account Statement

2016-17 £m		2017-18 £m
(27.733)	(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement	0.333
27.733	Adjustments between Accounting and Funding Basis Under Statute (note 1)	(0.333)
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		2017-18 £m
4.660	Gain or (loss) on sale of HRA non-current assets	1.113
28.546	Capital expenditure funded by the HRA	27.980
	Transfer to/(from) the Capital Adjustment Account:-	
(26.989)	Depreciation and Impairment	(39.814)
13.395	Capital Grants and Contributions	2.405
8.501	Repayment of Debt	9.166
(1.010)	HRA share of contributions to/(from) the Pensions Reserve	(1.850)
0.649	HRA Share of Transfer (to)/from Financial Instruments Adjustment Account	0.688
(0.019)	HRA adjustment for compensated absences	(0.021)
27.733		(0.333)

2. Housing Stock

The Council's housing stock at 31 March 2018 was 30,261 (31 March 2017, 30,004) in the following categories:

31 March 2017 Number	Number of Bedrooms	31 March 2018 Number
271	0	272
7,320	1	7,393
14,203	2	14,324
7,183	3	7,213
1,027	4 - 8	1,059
30,004		30,261

3. Rent Arrears

31 March 2017 £m		31 March 2018 £m
5.941	Current Tenants	6.475
0.980	Former Tenants	1.319
0.143	Temporary Accommodation	0.115
7.064		7.909

4. Impairment of Debtors

A provision of £6.081m (76.9%), including £0.041m for temporary accommodation, (2016-17, £5.310m, 75.2%) has been made in respect of uncollectable debts.

5. Weekly Rents

The average weekly house rent (52 week basis) for 2017-18 was £67.28 (2016-17, £65.23). 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 2018 was £333.657m (31 March 2017, £307.348m). 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 provision properties was £1.194m (2016-17, £0.969m) 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.

2016-17 £m		2017-18 £m
(218.746)	Gross Rates Levied & Contributions in Lieu	(208.119)
34.427	Reliefs & Other Deductions	36.752
0.000	Payment of Interest	0.001
1.488	Debts Written Off and Allowance for Impairment	0.961
(182.831)	Net Non-Domestic Rate Income	(170.405)
2.523	Adjustment to previous years National Non-Domestic Rates	9.871
(180.308)	Contribution to Non-Domestic Rate Pool	(160.534)

183.331	Distribution from Non-Domestic Rate Pool	170.998
183.331	Non-Domestic Rate Income to the CI&ES	170.998

Analysis of Rateable Values at 1 April 2018:-	Number of Subjects	Total £m	%
Type of Subject			
Shops	3,367	85.070	19.75%
Public Houses	254	6.024	1.43%
Offices (including banks)	2,351	28.685	6.67%
Hotels, Boarding Houses etc	179	10.170	1.73%
Industrial and Freight Transport Subjects	3,225	80.285	18.65%
Leisure, Entertainment, Caravans and Holiday sites	1,046	13.750	3.22%
Garages and Petrol Stations	192	2.212	0.55%
Education and Training	225	32.535	7.58%
Public Service Subjects	520	20.020	4.67%
Communications (Non Formula)	26	5.093	1.21%
Quarries, Mines etc.	33	1.260	0.33%
Petrochemical	15	15.448	3.61%
Religious	335	4.063	0.98%
Health/Medical	68	8.924	2.10%
Care Facilities	326	10.017	2.36%
Undertaking (including Scottish Water)	52	96.584	22.42%
Cultural	72	1.778	0.45%
Sporting Subjects	581	1.038	0.27%
Advertising	54	0.264	0.10%
Other	1,365	8.144	1.92%
Total all Non-Domestic Subjects	14,286	431.364	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 2017-18 this rate was 46.60p (2016-17, 48.40p) which is uniform throughout Scotland. A rate poundage of 49.20p (2016-17, 51.00p) applies to properties with a rateable value of £51,000 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 (CI&ES) of the Council.

2016-17 £m		2017-18 £m
	Gross Tax Levied:-	
(183.974)	Council Tax	(199.018)
(0.283)	Council Tax - Prior Year Income	(0.170)
(0.551)	Contributions in lieu	(0.573)
(184.808)		(199.761)
	Deductions:-	
19.499	Council Tax Reduction	20.220
24.136	Discount and Exemptions	25.992
0.904	Debts Written Off and Allowance for Impairment	3.174
0.431	Prior Years Adjustments	0.536
44.970		49.922
(139.838)	Council Tax Income to CI&ES	(149.839)

Charges Levied:-

2016-17 £	Valuation Band	Band	Weighting	2017-18 £
745.33	A	Up to - 27,000	240/360	767.69
869.56	B	27,001 - 35,000	280/360	895.64
993.78	C	35,001 - 45,000	320/360	1,023.59
1,118.00	D	45,001 - 58,000	360/360	1,151.54
1,366.44	E	58,001 - 80,000	473/360	1,513.00
1,614.89	F	80,001 - 106,000	585/360	1,871.25
1,863.33	G	106,001 - 212,000	705/360	2,255.10
2,236.00	H	Over 212,000	882/360	2,821.27

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 2018 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 147,340 Band D equivalent properties (2016-17, 139,729).

	Disabled Relief Band A	Band			
		A	B	C	D
Dwellings on the valuation list		40,469	48,515	23,056	20,732
Exempt dwellings		(2,292)	(1,984)	(1,062)	(896)
Dwellings subject to disabled reduction		(62)	(208)	(136)	(122)
Dwellings subject to council tax at this band due to disabled relief	62	208	136	122	204
Dwellings entitled to a 10% discount	0	(26)	(20)	(10)	(10)
Dwellings entitled to a single discount	(8)	(5,820)	(4,755)	(2,080)	(1,522)
Dwellings entitled to a 50% discount	0	(149)	(127)	(55)	(40)
Dwellings after discounts, exemptions and disabled relief	54	32,328	41,557	19,835	18,346
Ratio to Band D	5/9	240/360	280/360	320/360	360/360
Band D equivalent properties	30	21,552	32,322	17,631	18,346
Provision for non-payment 2.10% (2016-17, 2.10%)	1	453	679	370	385
Band D equivalent properties	29	21,099	31,643	17,261	17,961

	Band				Total Bands A - H
	E	F	G	H	
Dwellings on the valuation list	23,392	13,471	6,488	505	176,628
Exempt dwellings	(843)	(456)	(208)	(85)	(7,826)
Dwellings subject to disabled reduction	(204)	(120)	(49)	(3)	(904)
Dwellings subject to council tax at this band due to disabled relief	120	49	3	0	904
Dwellings entitled to a 10% discount	(9)	(3)	(2)	0	(80)
Dwellings entitled to a single discount	(1,286)	(549)	(224)	(11)	(16,255)
Dwellings entitled to a 50% discount	(31)	(18)	(10)	(1)	(431)
Dwellings after discounts, exemptions and disabled relief	21,139	12,374	5,998	405	152,036
Ratio to Band D	473/360	585/360	705/360	882/360	
Band D equivalent properties	27,774	20,108	11,746	992	150,501
Provision for non-payment 2.10% (2016-17, 2.10%)	583	422	247	21	3,161
Band D equivalent properties	27,191	19,686	11,499	971	147,340

Introduction

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

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

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.

Financial Statements

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

The Comprehensive Income and Expenditure Statement (CI&ES) 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 2017-18, the CI&ES shows a surplus of £0.452m (2016-17, surplus £0.348m). The main reason for the surplus is a capital grant contribution for Cupar £0.493m. The Common Good balances are £8.239m at 31 March 2018 (2016-17 £7.787).

Eileen Rowand MBA CPFA

Executive Director Finance and Corporate Services

27 September 2018

Common Good Movement in Reserves Balance

	Useable Reserve £m	Unusable Reserve £m	Total Reserves £m
Balance at 1 April 2016	(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 & funding basis under regulations	(0.069)	0.069	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)
<u>Movement in Reserves during 2017-18</u>			
(Surplus) or deficit on provision of services	(0.320)	0.000	(0.320)
Other Comprehensive Expenditure and Income	0.000	(0.132)	(0.132)
Total Comprehensive Expenditure and Income	(0.320)	(0.132)	(0.452)
Adjustments between accounting & funding basis under regulations	0.382	(0.382)	0.000
(Increase)/Decrease in Year	0.062	(0.514)	(0.452)
Balance at 31 March 2018 carried forward	(4.739)	(3.500)	(8.239)

Common Good Comprehensive Income and Expenditure Statement

2016-17 £m		2017-18 £m
	Expenditure	
0.048	Property Costs	0.058
0.321	Donations	0.292
0.069	Depreciation and Revaluations	0.111
0.035	Other Expenditure	0.028
0.473	Total Expenditure	0.489
	Income	
(0.191)	Interest on investments	(0.177)
(0.250)	Rents	(0.268)
(0.007)	Other Income	0.000
(0.448)	Total Income	(0.445)
(0.291)	(Gain)/ Loss on Revaluation of Investment Fund	0.129
0.000	Capital Grant Received	(0.493)
(0.266)	(Surplus)/Deficit for year	(0.320)
(0.082)	Other Comprehensive Expenditure & Income	(0.132)
(0.348)	Total Comprehensive Income and Expenditure	(0.452)

Common Good Balance Sheet

2016-17 £m		Notes	2017-18 £m
2.986	Heritable Property		3.500
4.224	Investments		4.095
7.210	Long Term Assets		7.595
0.868	Advances to Loans Fund		0.899
0.042	Sundry Debtors		0.040
0.910	Current Assets		0.939
(0.333)	Sundry Creditors		(0.295)
(0.333)	Current Liabilities		(0.295)
7.787	Net Assets/(Liabilities)		8.239
	Financed by:	1	
(4.801)	Useable Reserves		(4.739)
(2.986)	Unusable Reserves	2	(3.500)
(7.787)	Total Reserves		(8.239)

The unaudited accounts were issued on 29 June 2018 and the audited accounts were authorised for issue on the 27 September 2018.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services
27 September 2018

Notes to Common Good Accounts

1. Breakdown of Balances

2016-17				2017-18		
Useable Reserves £m	Unusable Reserves £m	Total £m		Useable Reserves £m	Unusable Reserves £m	Total £m
0.082	0.352	0.434	Anstruther	0.082	0.351	0.433
0.000	0.000	0.000	Auchtermuchty	0.000	0.000	0.000
0.003	0.000	0.003	Buckhaven & Methil	0.002	0.000	0.002
0.238	0.254	0.492	Burntisland	0.253	0.240	0.493
0.000	0.000	0.000	Cowdenbeath	0.000	0.000	0.000
0.695	0.483	1.178	Crail	0.696	0.585	1.281
0.205	0.140	0.345	Cupar	0.196	0.641	0.837
0.096	0.000	0.096	Elie & Earlsferry	0.094	0.000	0.094
0.016	0.021	0.037	Falkland	0.015	0.021	0.036
0.547	0.041	0.588	Kinghorn	0.551	0.039	0.590
0.378	0.156	0.534	Kirkcaldy	0.391	0.026	0.417
0.252	0.020	0.272	Leslie	0.255	0.050	0.305
0.286	0.160	0.446	Leven	0.278	0.185	0.463
0.060	0.000	0.060	Lochgelly	0.061	0.000	0.061
0.184	0.000	0.184	Markinch	0.181	0.000	0.181
(0.005)	0.000	(0.005)	Newburgh	(0.028)	0.000	(0.028)
0.000	0.000	0.000	Newport-on-Tay	0.000	0.000	0.000
0.222	0.055	0.277	Pittenweem	0.219	0.029	0.248
0.657	0.699	1.356	St Andrews	0.559	0.661	1.220
0.412	0.240	0.652	St Monans	0.441	0.375	0.816
0.001	0.000	0.001	Tayport	0.001	0.000	0.001
0.472	0.365	0.837	West Fife	0.492	0.297	0.789
4.801	2.986	7.787	Total	4.739	3.500	8.239

2. Unusable Reserves

2016-17 £m	Capital Adjustment Account	2017-18 £m
(1.311)	Balance at 1 April	(1.308)
	Reversal of items relating to capital expenditure charged to the CI&ES:-	
0.072	Depreciation and impairment of non-current assets	0.057
(0.003)	Revaluation losses/(gains) on non-current assets	0.054
(0.066)	Adjusting amounts written out of the Revaluation Reserve	(0.037)
	Capital financing applied in the year:-	
0.000	Capital grants & contributions applied to finance capital expenditure	(0.493)
(1.308)	Balance as at 31 March	(1.727)

2016-17 £m	Revaluation Reserve	2017-18 £m
(1.662)	Balance at 1 April	(1.678)
	Revaluation of non-current assets not posted to (Surplus)/Deficit on Provision of Services:-	
(0.082)	Upward revaluation of assets	(0.378)
0.000	Downward revaluation of assets	0.246
(0.082)		(0.132)
0.066	Amounts written out to the Capital Adjustment Account	0.037
(1.678)	Balance as at 31 March	(1.773)

Introduction

The Council acts as Trustee for 93 Charitable Trusts, 49 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

Authorities are required to prepare separate financial statements for those charities where the Authority or some members of the Authority are sole trustees of the charity. These separate statements are available from Finance & Corporate Services, Fife Council, North Street, Glenrothes, KY7 5LT.

History and Background

Charities and Trust funds have been set up from donations made by various individuals and organisations over many years. 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.

Financial Statements

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

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

In 2017-18, the CI&ES shows a deficit of £0.174m (2016-17, surplus £0.176m). The main reason for the deficit is a decrease in the market value of investments. The Charities and Trust balances are £5.282m at 31 March 2018 (2016-17 £5.456m).

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services
27 September 2018

Charities and Trust Funds Movement in Reserves Statement

	Useable Reserve £m	Unusable Reserve £m	Total Reserves £m
Balance at 1 April 2016	(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 & funding basis under regulations	0.000	0.000	0.000
(Increase)/Decrease in Year	(0.176)	0.000	(0.176)
Balance at 31 March 2017 carried forward	(5.406)	(0.050)	(5.456)
<u>Movement in Reserves during 2017-18</u>			
(Surplus) or deficit on provision of services	0.129	0.000	0.129
Other Comprehensive Expenditure and Income	0.000	0.045	0.045
Total Comprehensive Expenditure and Income	0.129	0.045	0.174
Adjustments between accounting & funding basis under regulations	0.000	0.000	0.000
(Increase)/Decrease in Year	0.129	0.045	0.174
Balance at 31 March 2018 carried forward	(5.277)	(0.005)	(5.282)

Charities and Trust Funds Comprehensive Income and Expenditure Statement

2016-17 Total £m		Other Trust Funds £m	2017-18 Registered Charities £m	Total £m
	Expenditure			
0.257	Disbursements	0.064	0.015	0.079
0.071	Other Expenditure	0.003	0.057	0.060
0.328	Total Expenditure	0.067	0.072	0.139
	Income			
(0.163)	Interest on investments	(0.038)	(0.124)	(0.162)
(0.001)	Other Income	0.000	0.000	0.000
(0.164)	Total Income	(0.038)	(0.124)	(0.162)
(0.204)	Financing and Investment Income and Expenditure	0.028	0.124	0.152
(0.040)	(Surplus)/Deficit for year	0.057	0.072	0.129
(0.136)	Other Comprehensive Expenditure & Income	0.000	0.045	0.045
(0.176)	Total Comprehensive Income and Expenditure	0.057	0.117	0.174

Charities and Trust Funds Balance Sheet

2016-17 Total £m		Other Trusts £m	2017-18 Registered Charities £m	Total £m
0.050	Heritable Property	0.000	0.005	0.005
3.977	Investments	0.861	2.964	3.825
4.027	Long Term Assets	0.861	2.969	3.830
1.395	Advances to Loans Fund	0.468	0.951	1.419
0.034	Sundry Debtors	0.008	0.025	0.033
1.429	Current Assets	0.476	0.976	1.452
0.000	Sundry Creditors	0.000	0.000	0.000
0.000	Current Liabilities	0.000	0.000	0.000
5.456	Net Assets/(Liabilities)	1.337	3.945	5.282
	Financed by:			
(5.406)	Useable Reserves	(1.337)	(3.940)	(5.277)
(0.050)	Unusable Reserves	0.000	(0.005)	(0.005)
(5.456)	Total Reserves	(1.337)	(3.945)	(5.282)

The unaudited accounts were issued on 29 June 2018 and the audited accounts were authorised for issue on the 27 September 2018.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services
27 September 2018

Notes to the Charities and Trust Funds Account

The Council acts as Trustee for 93 Charitable Trusts, 49 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 2018 is also shown.

2016-17 Total £m		2017-18		
		Other Trust Funds £m	Registered Charities £m	Total £m
(2.415)	Fife Educational Trust	0.000	(2.300)	(2.300)
(0.106)	Community Funds (6 Trusts)	(0.067)	0.000	(0.067)
(2.935)	Other Trusts/Charities	(1.270)	(1.645)	(2.915)
(5.456)		(1.337)	(3.945)	(5.282)

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.

Unusable Reserves

2016-17 £m	Revaluation Reserve	2017-18 £m
(0.050)	Balance at 1 April	(0.050)
	Revaluation of non-current assets not posted to (Surplus)/Deficit on Provision of Services:-	
0.000	Downward revaluation of assets	0.045
(0.050)	Balance as at 31 March	(0.005)

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 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the council and group Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash-Flow Statement, the Expenditure and Funding Analysis, the council-only 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 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the council and its group as at 31 March 2018 and of the income and expenditure 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 2017/18 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). 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 Standard, 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.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director Finance and Corporate Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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

In preparing the financial statements, the Executive Director Finance and Corporate Services is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The council is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit 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) 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

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, the audited part of the Remuneration Report, 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, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited 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 audited 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
Audit Director
Audit Scotland
4th Floor, The Athenaeum Building
8 Nelson Mandela Place,
Glasgow, G2 1BT
27 September 2018

