



Annual Accounts 2018-19



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1. Introduction

Welcome to the financial statements for Fife Council and its group for the year ended 31 March 2019. The statements have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 (the Code). This commentary outlines the key messages regarding the performance of the Council over the 2018-19 financial year as well as providing an indication of risks and issues which may impact upon the Council in the future.

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, as well as 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, is responsible for the operational management of those services delegated and managed by the Board. The Council has a number of 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 and 12 ambitions are shown below.

Ambitions for Fife



Opportunities for All

- Fife has lower levels of poverty in line with national targets.
- Educational attainment continues to improve for all groups
- Fife has reduced levels of preventable ill health and premature mortality across all communities



Thriving Places

- Everyone has access to affordable housing options
- Fife's main town centres stand out as attractive places to live, work and visit.
- All our communities benefit from low levels of crime and anti-social behaviour.
- Every community has access to high quality outdoor, cultural and leisure opportunities



Inclusive Growth and Jobs

- Economic activity and employment in Fife is improving faster than in the rest of Scotland.
- Economic activity and employment in Mid-Fife is catching up with the rest of Fife and Scotland.
- Fife has year on year increases in visitor numbers and tourism spend.



Community Led Services

- Our public services are more joined up and acting 'one step sooner'.
- Fife's communities and individuals are more involved in local decision making and in helping to plan and deliver local services.



The Plan for Fife is supported by Local Community Plans developed in each of the 7 areas of Fife. These have been approved in early 2018. The full Plan for Fife can be viewed via the following link:
<http://fish.fife/fish/uploadfiles/Publications/Plan for Fife 2017 2027.pdf>.

Capital Strategy

The Council has developed its Capital Strategy which identifies and aligns investment to support the Plan for Fife. The strategy was used to inform the biennial review of the Council's 10 year capital plan which was 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, and the action plan that resulted from this report has been implemented over the past year.

4. Finance and Performance

Performance Reporting

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

Reporting of Financial Performance, includes monitoring reports for both Revenue and Capital expenditure and provides a projection of the level of reserves held by the Council. These are presented regularly to the Policy and Co-ordination Committee of the Council.

General Fund

The budget for 2018-19 was approved by the Council on 22 February 2018. 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 during 2018-19, with the total expenditure reporting an overspend of £2.301m.

Overspends are reported within all Directorates, with the exception of Finance and Corporate Services and Chief Executive which reported underspends of £0.522m and £0.029m respectively.

The financial challenges facing the Health and Social Care Partnership continue to be significant with increased demand for care packages, Home Care and adult placements. After applying the risk share agreement, the Council met £2.735m of the overspend.

Within Education and Children's Services there was an overspend of £4.427m on Children and Families due to a significant increase in demand for purchased placements. This was partially offset by an underspend of £3.179m in Devolved Education as a result of vacant teaching posts and shortage of supply.

Enterprise and Environment reported an overspend of £0.805m. Due to updated requirements from SEPA guidance there was an increase in the provision for Landfill Aftercare costs by £2.676m. This was partially offset by an underspend of £1.973m in Property Repairs and Maintenance costs due to the dry and milder winter.

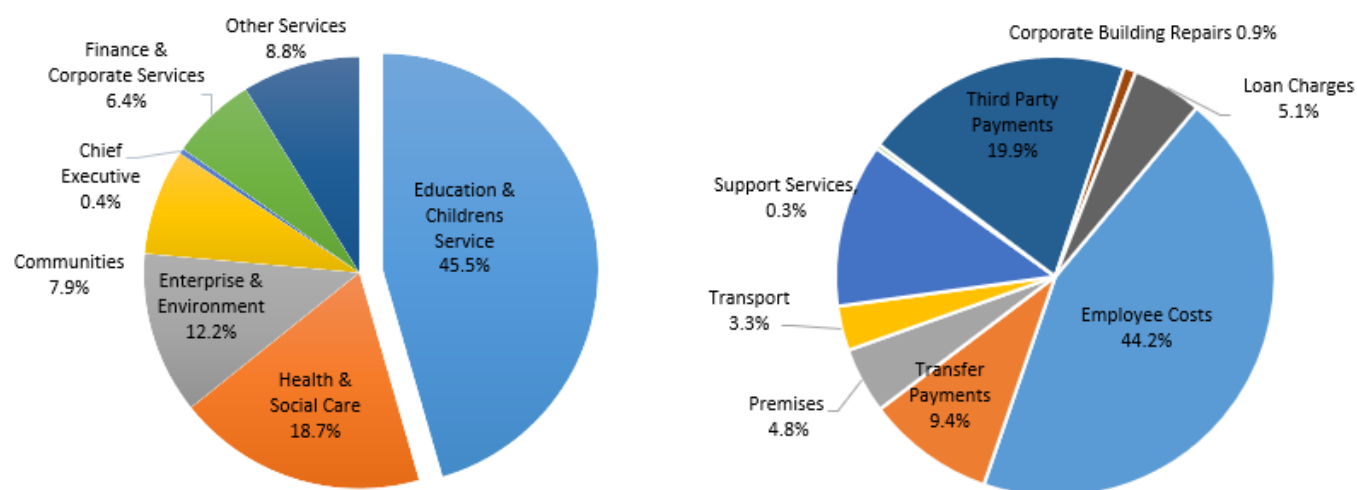
Communities reported an overspend of £1.019m, mainly due to unachieved or delayed savings.

An increase in general Revenue Grant income of £0.685m along with an underspend of £2.973m in Contingencies contributed to an overall overspend of £1.740m against budget, which equates to 0.22% of Budget.

Financial Position as at 31 March 2019

Total Revenue Expenditure for 2018-19 was £791.188m and is analysed as follows:-

Total Expenditure 2018-19



Revenue Outturn

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

	Annual Estimate	Outturn	Variance	Variance
	£m	£m	£m	%
Education & Children's Services	358.999	360.247	1.248	0.35%
Health & Social Care	145.602	148.337	2.735	1.88%
Enterprise & Environment	95.376	96.181	0.805	0.84%
Finance & Corporate Services	51.088	50.566	(0.522)	-1.02%
Chief Executive	0.283	0.254	(0.029)	-10.25%
Corporate & Democratic Core	2.848	2.984	0.136	4.78%
Communities	61.629	62.648	1.019	1.65%
General Fund Services	715.825	721.217	5.392	0.75%
Loan Charges	64.846	64.728	(0.118)	-0.18%
Contingencies	2.973	0.000	(2.973)	-100.00%
Capital Expenditure Financed from Current Revenue	5.243	5.243	0.000	0.00%
Total Expenditure	788.887	791.188	2.301	0.29%
Financed by:				
General Revenue Grant	(467.622)	(468.307)	(0.685)	0.15%
Non Domestic Rates	(155.922)	(155.922)	0.000	0.00%
Council Tax Income	(156.425)	(156.301)	0.124	-0.08%
Budgets Finance from Balances	(8.938)	(8.938)	0.000	0.00%
Total Income	(788.907)	(789.468)	(0.561)	0.07%
Contribution (to)/from balances	(0.020)	1.720	1.740	

Reserves

During the year the level of general fund balances fell by £12.442m from £52.805m to £40.363m. In 2018-19 costs exceeded income by £1.720m and total reserves of £10.722 (consisting of £8.938m and £1.784m relating to prior year adjustment for BRIS) were utilised to augment service budgets. These include budget carry forward scheme, Workforce Change costs and the funding strategy for Children and Families.

Once all existing commitments are taken into account the level of uncommitted balances is forecast to be £14.065m.

Reserves will remain under significant pressure given 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

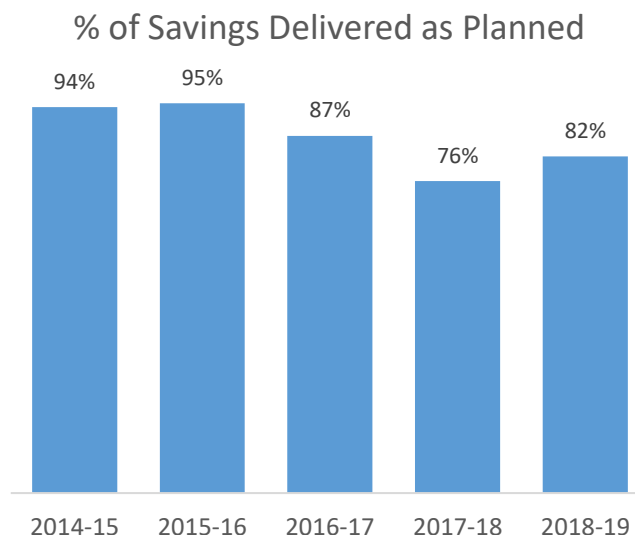
There is a statutory requirement for Local Authorities to maintain a Housing Revenue Account (HRA) separate from the General Fund. All expenditure incurred, and income received in the provision of rented accommodation must be included in the HRA.

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.

During 2018-19 the HRA made a positive contribution of £0.500m to balances and fund balances increased from £2.006m to £2.506m. There was an overspend of £3.550m on Repairs and Maintenance as a result of Change of Tenancy costs and Responsive repairs. Supervision and Management costs were £1.030m underspent and bad or doubtful debts were underspent by £0.969m. In 2018-19 an additional £1.000m was allocated to the bad debts budget to mitigate against the impact of Universal Credit. However, the majority of this additional budget was not required in year. Costs of borrowing is underspent by £0.482m and is influenced by a number of factors including the Affordable Housing Programme and fluctuations in borrowing levels. Revenue Contribution (including CFCR) is underspent by £1.109m. Details of the financial position for 2018 -19 are included within these financial statements.

Delivery of Savings

Overall, savings of £14.387m were identified to be delivered during 2018-19 of which £11.817m (82%) were delivered. Regular Revenue Monitoring reports presented to Policy and Co-ordination Committee tracked the delivery of these savings targets. 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 2019-20 and beyond.



Capital Expenditure

Total gross Capital Expenditure for 2018-19 was £144.084m, a variance of £44.852m (24.3%) against budget. Comparable expenditure for the previous 3 years was £139.673m (2017-18) £234.394m (2016-17) and £204.897m (2015-16). Expenditure variances exist within all Directorates, the most significant in Enterprise and Environment. The nature of capital expenditure being large, complex projects involving a number of stakeholders and dependencies can lead to expenditure delays within a particular financial year. However the budget is not restricted to an annual profile. Examples of the reasons for these underspends for 2018-19 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 2018-19	£m
Scottish Housing Quality Standards	39.994
Affordable Housing Programme	21.378
Roads Infrastructure	8.431
Glenrothes District Heat Network	7.381
Purchase of Vehicles and Equipment	5.675
Halbeath Depot	5.534
Building Fife's Future Programme	5.460
Early Learning and ChildCare	3.656

Assets and Liabilities

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2019 and explanatory notes are provided. Net assets have increased by £610.205m to £1,447.536m. Property, plant and equipment has increased by £813.214m. In terms of liabilities the pension liability has increased by £193.551m. The major changes are explained in the following paragraphs.

Non-Current and Current Assets

Property, Plant & Equipment have increased in value by £813.214m to £3,324.569m. This increase in asset values is as a result of the Council's investment in capital projects as well as revaluation increases. A rolling programme ensures that all Property, Plant & Equipment is revalued every 5 years. For 2018-19 this revaluation was undertaken by in-house valuers and predominately related to Schools. The assets were valued on a Depreciated Replacement Cost (DRC) basis, the valuation has resulted in an increase in value of £727.588m. Cash and Cash equivalents have also increased by £22.090m.

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 uses 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 £63.220m. In terms of the Council balance sheet the net retirement benefits liability was assessed by the actuary to be £821.473m this represents an increase in the liability of £193.551m.

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 £0.118m. Short term loans in place at 31 March 2019 amount to £131.299m, 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 at the following link-

<https://www.fifedirect.org.uk/publications/index.cfm?fuseaction=publication.pop&pubid=4787F288-96E6-A3FF-3D5E7DE838F9F915>

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 2019-20 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	2018-19	2017-18	Commentary
Reserves			
Uncommitted General Fund reserve as a proportion of Annual Budgeted Net Expenditure	1.78%	2.43%	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	£6.750m	£13.195m	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve.
Council Tax			
In-year Collection Rate	95.70%	95.79%	Reflects the Council's effectiveness in collection of 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	19.58%	19.46%	Reflects the Council's capacity to vary expenditure by raising Council Tax income, the only principal source of finance within the Local Authority Control. For 2018-19 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	0.22%	-0.92%	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management.
Actual Contribution to/(from) Unallocated General Fund Balance compared to Budget	(£1.740m)	£7.219m	The indicator is based on the format of budget monitoring as reported throughout the year.
Debt/Long-term Borrowing			
Capital Financing Requirement (CFR) for the Current Year	£1,108.371m	£1,108.010m	External debt levels are less than the CFR. This demonstrates that borrowing is for capital investment purposes.
External Debt Levels for the Current Year	£1,066.328m	£1,059.190m	
Ratio of Financing Costs to Net Revenue Stream			These two ratios complement the assurances of borrowing only being for capital purposes with an indication of the scale of financing costs compared with the level of funding available to the Council
General Fund	8.37%	8.54%	
HRA	20.23%	19.18%	

Fife Council Group Accounts

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

Subsidiaries

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

Joint Venture – Fife Integration Joint Board

Charities & Trusts

Common Good and Trusts

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 £1.757m (2017-18 £12.354m). 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 £5.399m (2017-18, increase of £4.791m).

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 2019 have been used.

Fife Sports and Leisure Trust Limited - The Company's draft Income and Expenditure Account shows an operating deficit of £2.081m for the year to 31 March 2019, the draft Balance Sheet shows a net liability of £6.407m.

Fife Coast and Countryside Trust Limited - The Company's draft Income and Expenditure Account shows an operating deficit of £0.027m for the year to 31 March 2019. The company's draft Balance Sheet shows net assets of £1.303m.

Fife Golf Trust Limited - The Company's draft Income and Expenditure Accounts shows an operating deficit of £0.211m for the year to 31 March 2019. The company's draft Balance Sheet shows net liabilities of £0.943m.

Fife Cultural Trust Limited - The Company's draft Income and Expenditure Account shows an operating deficit of £1.119 m for the year to 31 March 2019. The company's draft Balance Sheet shows a net liability of £0.940m.

Resource Efficient Solutions Limited Liability Partnership - The partnership's Income and Expenditure Account shows a breakeven position for the year to 31 March 2019. 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 £1.634m for the year to 31 March 2019. The partnership's Balance Sheet shows a net liability of £5.279m.

Business Gateway Fife - The Company's draft Income and Expenditure Account shows an operating surplus of £0.103m for the year to 31 March 2019. The company's draft Balance Sheet shows net assets of £0.511m.

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.

5. 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. The level of balances has reduced significantly in recent years and scenario planning is taking place to ensure that the Council can respond to any significant areas of financial pressure. The financial position of the Health and Social Care partnership is being closely monitored by partners and joint working is ongoing to ensure that a balanced budget is delivered over the medium term.

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 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 uncertainty around the impact of Brexit 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. 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 was published by the Accounts Commission in 2018. 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.

6. Acknowledgements

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

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

Councillor David Alexander
Co-Leader of the Council
27 September 2019

Councillor David Ross
Co-Leader of the Council
27 September 2019

Steve Grimmond
Chief Executive
27 September 2019

Eileen Rowand MBA CPFA
Executive Director Finance & Corporate Services
27 September 2019

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". During the year the Council has revised its Corporate Governance Framework to ensure that it is fit for purpose. The latest revision has been developed based on the guidance developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) in association with the Society of Local Authority Chief Executives and Senior Managers (SOLACE) entitled 'Delivery Good Governance in Local Governance Framework' (2016 Edition). The framework comprises of 40 statements that are considered by designated Lead officers and Directorates. The new approach is intended to consider the views of Directorates along with a more corporate assessment of the way in which the Council's governance arrangements are operating. A copy of the Code is on our website [here](#) or can be obtained from Morag Ferguson, Head of Legal and 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
- the Scheme of Scrutiny and Performance
- regular planning and performance management reports
- comprehensive financial management systems
- periodic and annual financial reports which indicate actual and projected financial performance against budget
- setting and monitoring targets for financial and other performance
- embedding risk management within the Council
- clearly defined capital expenditure guidelines
- IT Strategy
- Procurement Strategy
- the Capital Plan and the role of the Investment Strategy Group which considers high-level performance monitoring reports in relation to capital
- HR Plans and Policies
- as appropriate, formal programme and project management disciplines.

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

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

3.0 Review of effectiveness

3.1 Fife Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review of effectiveness is informed by:

- the work of the executive directors and managers within the authority who have responsibility for the development and maintenance of the governance environment which they report on through their annual assurance statements; a separate Trust Assurance Framework has been in place since 2012-13;
- the Service Manager, Audit & Risk Management Services' annual assurance statement. In this regard, the most recent assurance statement concludes that a medium/high level of control exists, and that reasonable assurance can be placed on the adequacy and effectiveness of the Council's system of Corporate Governance and internal control system in the year to 31 March 2019. This is the same level of control rating as in the 2017-18 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 A new approach was implemented during 2018-19 for the Council's Local Code of Corporate Governance and this was agreed by the Standards and Audit Committee on the 28th February. A key factor in developing the new process was to avoid a box-ticking exercise and to encourage a more rounded, qualitative approach. In addition to simplifying the previous assurance process by reducing the number of statements to be completed annually by Directorates from 118 to 40 some of the statements were assigned to designated Lead Officers in order to

provide a more corporate assessment of the way in which the Council's governance arrangements are operating. Once completed the returns were analysed to identify areas of good practice; areas for improvement/future actions etc. Key governance issues have then been captured into this statement.

- 3.3 In December 2017, the Council approved the "Plan for Fife" which sets out the priorities the Fife Community Planning Partnership (which includes the Council) will collectively focus on in order to add most value for local communities. The Plan sets out ten-year ambitions and priorities, along with a number of short term actions.
- 3.4 Four priority themes of Opportunities for All; Thriving Places; Community-Led Services; and Inclusive Growth and Jobs have been translated into twelve "ambitions" and twenty-four "areas of focus" and centre on prevention and early intervention and on reducing inequality. Each of the community planning partners in Fife has committed to these and will be responsible for planning, scrutinising and reporting on performance and delivery to the partnership, the public and other key stakeholders. Local priorities and accountability are an essential part of this, and local community plans and neighbourhood plans will be reviewed and developed in order to improve outcomes for those with the greatest needs.
- 3.5 Appropriate targets and trajectories will help the Council to track progress towards the delivery of desired outcomes and assist strategic committees, area committees and Fife Partnership in scrutinising performance. A framework for managing performance against the Fife Plan has been agreed.
- 3.6 The Council also has in place the components for the effective management of its resources. These include a Medium-Term Financial Strategy, a Procurement Strategy, a Risk Management Strategy, a Corporate Workforce Plan and HR Policies. 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.
- 3.7 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 and actions highlighted in the 2017-18 Corporate Governance Statement.

Issue	Progress made in 2018-19
Review of Governance/Decision-Making Following the Scottish Local Government Elections in May 2017, the Council moved to a committee model of decision-making (as opposed to the former executive model) in order to deliver the agreed Programme for Administration. A cross party Governance Review Working Group was established to review the governance scheme overall. The Administration undertook to review the governance scheme of the Council overall to ensure effective and efficient decision making.	The planned review of the Council's governance scheme was initiated in June 2018. All Elected Members were surveyed for their views on the scheme and a cross-party Governance Review Working Group was constituted. This group met four times in 2018/19 and agreed a number of changes. These were reported to Council in June 2019, where they were agreed and have now been implemented.
Changing to Deliver Programme The 2017-18 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 a "Changing to Deliver" Programme which would enable the Council to lead change in a more joined-up way. The Council undertook to	The Change and Financial Strategy Board now referred to as the Change Board meets on a monthly basis and monitors progress on the delivery of the Changing to Deliver Programme. The reference group of elected members has been established and has reviewed a number of areas over the last year which has allowed early engagement and the consideration of options to take place in relation to the programme.

regularly monitor progress through the Change and Financial Strategy Board and to establish a reference group of elected members to allow oversight, improve engagement as well as act as a forum to discuss options and receive updates.	
Health and Social Care Integration The Health and Social Care Integration Joint Board (IJB) for Fife was established as a devolved Public Body on 3rd October 2015. 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>Progress was made during the year through working groups to develop the Corporate Governance Framework. These activities include the review of documentation, enhancing governance arrangements and risk management arrangements. The IJB Finance and Performance Committee also approved the adoption of an IJB Best Value Framework which provides a strong framework to ensure that strong governance is in place.</p> <p>Audit Scotland published a review of integration of health & social care in Scotland in November 2018 which covered governance. Informed by that report the Ministerial Steering Group published a set of recommendations to support more progress with integration and effective governance. Each HSCP was asked to complete a self-assessment of progress against those recommendations which covers the need for a review of governance. Partners in Fife completed that assessment and submitted it to Scottish Governance in May as requested. Partners and the IJB are now engaged in taking forward the actions identified in that self-assessment.</p>
Elected Member Support and Development Following the Scottish Local Government Elections in May 2017, a successful programme of induction training was delivered to elected Members, both new and returning. It was agreed that there was a need to progress an ongoing programme of training and development for Members and to review the level of support provided to Members.	<p>The successful programme of training offered as induction training in 2017 was adapted and developed and used as a training programme in 2018 as several new Members indicated they would find it useful to attend these sessions again. Additional sessions on a number of topics were offered by officers, including a refresher session on the Councillors' Code of Conduct in June 2018, Superannuation and Pension training in August 2018 and Effective Scrutiny in November 2018. In addition, a Motion agreed by Council proposed that all Members should attend Dementia Awareness training from December 2018. In relation to support, whilst the team has reduced in size, we continue to work with the Members to ensure the support evolves to meet their needs (e.g. moving away from dictation and offering out speech to text app, casework management system). We are also continuing to work with BTS to ensure an efficient system for reporting and dealing with equipment issues on an ongoing basis.</p>

The table below provides an update on new significant governance issues along with further actions to be progressed within 2019-20 in relation to ongoing items.

Issue	Action Planned within 2019-20
Members Involvement in Setting the Tone from the Top Members take a lead in developing the principles and values for the Council and ensure that these values are communicated	Cross Party Working Group established to prepare a statement of acceptable behaviour for Members in relation to bullying or other unacceptable behaviour. This was subsequently endorsed by the Council. Informal resolution of minor issues is achieved through discussion with the

and embedded in appropriate policies and processes.	whips for each political group. There is an opportunity to pick up further development work with Members as part of the training programme that has been developed and is referred to later in this table.
Embedding Risk Management The Strategic Risk Register was reviewed within the year and it is apparent from this exercise that further work is required to ensure that risk management is embedded throughout the organisation.	Significant work was advanced during the year to review Strategic Risks and further work on service and team risks is essential to ensure that robust mechanisms are in place. A review of the Risk Management Strategy and processes is scheduled to be advanced within the year.
Restructuring and Movement of Staff Work undertaken during the year by audit has highlighted that the continued restructuring and movement of staff has increased the risk of failings in governance arising as new processes and structures are embedded. This risk is likely to continue given the financial pressures facing the Council.	The impact of savings proposals on governance and control will be considered during the Service Change Plan process and where gaps in controls are identified controls will be introduced to address these. The Council will continue to ensure that risks relating to key staffing changes are reduced by the use of succession planning and that up to date documented procedures are in place to ensure that processes are followed and this risk is minimised. The audit plan will continue to be targeted at key areas of risk.
Review of Governance and Decision Making (c/f 2017/18) There is a need to fully embed changes to the Governance Scheme overall following the work undertaken by the Cross Party Governance Review Working Group.	Changes were agreed at the Council meeting in June 2019, following the work of the cross-party Governance Review Working Group over the course of 2018/19. The Group will be reconstituted as required should new issues arise and the need for further changes identified. Briefings for officers and training for Members on the operation of the Governance Scheme and the changes made are scheduled for summer/autumn 2019.
Changing to Deliver Programme (c/f 2017/18) The Council needs to ensure that traction is made on the delivery of change.	The Change Board will continue to monitor progress to ensure delivery. Regular reports will be provided to members through the Policy and Coordination Committee and the members Reference Group.
Health and Social Care Integration (c/f 2017/18) The actions identified within the self assessment on progress of integration and effective governance needs to be advanced as outlined above.	Engagement is planned to take place between Partners and the IJB in order to advance the action plan.
Elected Member Support and Development (c/f 2017/18) The 2019 member training programme that has been agreed needs to be delivered and monitored to ensure that member's development needs are met.	Following discussion at the Members Liaison group, a training programme for 2019 has been developed, which includes refresher sessions from the 2017 induction programme along with other suggested sessions (e.g. Technology & Digital Literacy). Dates for these sessions are now being arranged and will be held over summer/autumn 2019.

5.0 Conclusions

5.1 We have revised our Corporate Governance Framework to ensure that it is fit for purpose

5.2 We consider the governance and internal control environment operating within 2018/19 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our actions will be identified and action taken to avoid or mitigate their impact. This is on the basis that the assurance provided and the identified actions outlined above are implemented. 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 2019

Councillor David Ross
Co-Leader of the Council
27 September 2019

Steve Grimmond
Chief Executive
27 September 2019

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 12 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 2018 (SSI 2018/38). 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 2018-19 the maximum salary for the Fife Council Leader is £39,655. 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 £443,984. 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 2018-19, Fife Council had 16 senior councillors, excluding the Council Leader/Co-Leaders and Provost. The remuneration paid to these senior councillors during 2018-19 totalled £345,835. 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 2018 to 31 March 2019.

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. Any new Chief Officer posts below Executive Director level are evaluated and approved by the Chief Executive under delegated Officer Powers and reported to Committee through the Annual Workforce Report. Posts at Executive Director level are only agreed by Committee. 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

The cost of paid Trade Union Facility Time during 2018/19 was £477,048, which represents 0.1% of the total pay bill. This cost represents salary costs only and does not include 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_FacilityTimeReport2018-19.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	2018-19			2017-18
		Salary, fees & Allowances £	Taxable Expenses £	Total Remuneration £	Total Remuneration £
David Alexander	Co-Leader of Fife Council (from 18-05-17)	29,661	0	29,661	24,089
David Ross	Leader of the Council (to 03-05-17) and Co-Leader of Fife Council (from 18-05-17)	29,661	0	29,661	29,834
Jim Leishman	Provost (to 03-05-17) and Provost (from 18-05-17)	29,661	0	29,661	28,398
Kay Morrison	Depute Provost (to 03-05-17)	0	0	0	3,386
Julie Ford	Depute Provost (from 18-05-17)	21,615	0	21,615	17,554
Neale Hanvey	Leader of Opposition (to 03-05-17)	0	0	0	3,386
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)	21,615	0	21,615	20,940
Lesley Laird	Depute Leader (to 03-05-17)	0	0	0	3,386
Tom Adams	Chair: Local Area Committee - Levenmouth (to 03-05-17)	0	0	0	3,386
John Beare	Chair: Standards & Audit Committee (to 03-05-17)	0	0	0	3,386
Tim Brett	Convener: Scrutiny Committee (from 15-06-17)	21,615	0	21,615	15,898
Bill Brown	Chair: Local Area Committee - Glenrothes (to 03-05-17)	0	0	0	3,386
Ken Caldwell	Convener: Levenmouth Area Committee (from 01-06-17)	21,615	0	21,615	16,726
Bobby Clelland	Chair: Local Area Committee - South West Fife (to 03-05-17)	0	0	0	3,386

Senior Councillors - continued

Senior Councillors	Responsibility	2018-19		2017-18	
		Salary, fees & Allowances £	Taxable Expenses £	Total Remuneration £	Total Remuneration £
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)	21,615	0	21,615	19,284
Neil Crooks	Chair: Local Area Committee - Kirkcaldy (to 03-05-17) and Convener: Kirkcaldy Area Committee & Planning Committee (Central) (from 25-05-17)	21,615	0	21,615	20,526
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)	21,615	0	21,615	20,195
Fiona Grant	Convener: Glenrothes Area Committee (from 29-05-17)	21,615	0	21,615	16,975
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)	21,615	0	21,615	19,284
Mark Hood	Chair: Local Area Committee - Cowdenbeath (to 03-05-17)	0	0	0	3,386
Helen Law	Chair: Local Area Committee - City of Dunfermline (to 03-05-17) and Convener: City of Dunfermline Area Committee (from 29-05-17)	21,615	0	21,615	20,360
Susan Leslie	Chair: Education, Health & Social Care Scrutiny Committees (to 03-05-17)	0	0	0	3,386
Carol Lindsay	Convener: Regulation & Licensing Committee and Fife Licensing Board (from 15-06-17)	21,615	0	21,615	15,898
Donald Lothian	Convener: North East Fife Area Committee (from 25-05-17)	21,615	0	21,615	17,140
Alice McGarry	Convener: South West Fife Area Committee & Planning Committee (West) (from 31-05-17)	21,615	0	21,615	16,809
Frances Melville	Chair: Local Area Committee - North East Fife (to 03-05-17)	0	0	0	3,421
Bryan Poole	Executive Member with portfolio responsibility for Education, Children, Young People & Families (to 03-05-17)	0	0	0	3,386
Fay Sinclair	Convener: Education & Children's Services Committee (from 15-06-17)	21,615	0	21,615	15,898
Ross Vettriano	Convener: Environment, Protective Services & Community Safety Committee (from 15-06-17)	21,615	0	21,615	15,898
Craig Walker	Convener: Assets Property & Facilities Committee (from 15-06-17)	21,615	0	21,615	15,898
John Wincott	Executive Member with portfolio responsibility for Environmental & Transportation (to 03-05-17)	0	0	0	3,386
Robert Young	Chair: Regulation & Licensing Committee (to 03-05-17)	0	0	0	3,386
Total		434,823	0	434,823	411,657

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

Members Expenses - Table 2

The following table provides details of the salaries, allowances and expenses paid to all councillors (including the senior councillors above) during 2018-19.

Type of Remuneration	2018-19 £m	2017-18 £m
Salaries	1.378	1.440
Travel and Subsistence	0.059	0.058
Training/ Conference and Meeting Expenses	0.009	0.002
Telephone and Information Technology Expenses reimbursed	0.000	0.000
Telephone and Information Technology Expenses met by Council	0.018	0.028
Cost of Provision of Council Cars met by Council	0.004	0.004
Other Expenses and Allowances	0.000	0.000
Total	1.468	1.532

The annual return of councillors' salaries and expenses for 2018-19 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 3

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

Senior Employees	Responsibility	2018-19			2017-18
		Salary, fees & Allowances £	Returning Officer £	Total Remuneration £	Total Remuneration £
Steve Grimmond	Chief Executive - note 1	148,720	0	148,720	160,319
Keith Winter	Executive Director Enterprise & Environment	116,558	0	116,558	117,056
Carrie Lindsay	Executive Director Education & Children's	119,113	0	119,113	117,403
Eileen Rowand	Executive Director Finance & Corporate	119,113	0	119,113	117,403
Michael Enston	Executive Director Communities	118,685	0	118,685	117,403
Total		622,189	0	622,189	629,584

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 (2018-19 - £0 and 2017-18 - £10,673)

Joint Initiative Senior Employees - Table 4

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

Joint Initiative	Subsidiary Bodies	Responsibility	2018-19			2017-18
			Salary, fees & Allowances £	Taxable Expenses £	Total Remuneration £	Total Remuneration £
Health & Social Care	Michael Kellet	Director of Health & Social Care	107,068	0	107,068	105,143
Total			107,068	0	107,068	105,143

Note 1 - Michael Kellet is the current Director of the Joint Initiative and is employed by the NHS.

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	2018-19		2017-18	
			Salary, fees, Taxable Expenses & Allowances £	Settlement Package £	Total Remuneration £	Total Remuneration £
Business Gateway	Brian Blackburn	Managing Director (to Aug 18)	21,083	20,522	41,605	55,000
	Grant Jarvis	Company Secretary	33,100	0	33,100	0
Fife Cultural Trust	Heather Stuart	Chief Executive	95,448	0	95,448	92,088
Fife Sport & Fife Golf Trust	Edmund Watson	Chief Executive	81,258	0	81,258	77,618
Fife Coast & Countryside Trust	Alistair MacGregor	Golf Services Manager	63,183	0	63,183	60,936
	Chris Broome	Chief Executive	73,078	0	73,078	76,641
Fife Resource Solutions LLP & Resource Efficient Solution LLP	Christopher Ewing	Senior Manager (to 21-09-17)	0	0	0	49,681
	Robin Baird	Senior Manager (from 31-07-17)	80,318	0	80,318	47,792
Total			447,468	20,522	467,990	459,756

General Disclosure by Pay Band - Table 6

Number of Employees 2018-19		Remuneration Bands	Number of Employees 2017-18
£	Left During £		£
202	5	£50,000 - £54,999	198
91	2	£55,000 - £59,999	94
41	3	£60,000 - £64,999	55
17	2	£65,000 - £69,999	8
8	1	£70,000 - £74,999	16
4	1	£75,000 - £79,999	16
8	0	£80,000 - £84,999	2
7	0	£85,000 - £89,999	9
9	0	£90,000 - £94,999	13
2	0	£95,000 - £99,999	1
1	1	£100,000 - £104,999	2
1	0	£105,000 - £109,999	2
0	0	£110,000 - £114,999	0
5	1	£115,000 - £119,999	4
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	1
0	0	£150,000 - £154,999	0
0	0	£155,000 - £159,999	0
0	0	£160,000 - £164,999	0
0	0	£165,000 - £169,999	1
0	0	£170,000 - £174,999	0
0	0	£175,000 - £179,999	0
0	0	£180,000 - £184,999	0
0	0	£185,000 - £189,999	0
1	1	£190,000 - £194,999	0
398	17	Total	422

Included in 2018-19 are 13 employees who left during the year and appear above as a result of the inclusion of their associated redundancy or early retirement payments costs.

Exit Packages - Table 7 & 8

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	2018-19					
	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	2	29	31	0.331	0.006	0.337
20,000 - 39,999	0	23	23	0.622	0.035	0.657
40,000 - 59,999	0	15	15	0.658	0.087	0.745
60,000 - 79,999	0	11	11	0.660	0.117	0.777
80,000 - 99,999	0	9	9	0.656	0.124	0.780
100,000 - 149,999	0	14	14	1.248	0.396	1.644
150,000 - 199,999	0	5	5	0.555	0.283	0.838
Over 200,000	0	3	3	0.518	0.253	0.771
Total	2	109	111	5.248	1.301	6.549

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

The total cost of exit packages £6.549m in the table for 2018-19 above includes £1.105m cash value and £0.287m estimated CAY for exit packages that have been agreed, accrued for and charged to Fife Council's Comprehensive Income and Expenditure Statement in the current year.

Of the 2018-19 total cost of £6.549m, £1.156m relates to statutory redundancy payments, £1.019m to compensation for loss of office and £3.073m for enhanced pension benefits and £1.301m for estimated CAY.

As a consequence of the delivery of the 2018-19 savings each directorate has incurred termination payments. The Directorate incurring the largest cost is Enterprise & Environment £2.930m.

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 2018-19	Contribution Rate 2018-19	Actual Pay 2017-18	Contribution Rate 2017-18
On earnings up to and including £21,300	5.50%	On earnings up to and including £20,700	5.50%
On earnings above £21,300 and up to £26,100	7.25%	On earnings above £20,700 and up to £25,300	7.25%
On earnings above £26,100 and up to £35,700	8.50%	On earnings above £25,300 and up to £34,700	8.50%
On earnings above £35,700 and up to £47,600	9.50%	On earnings above £34,700 and up to £46,300	9.50%
On earnings above £47,600	12.00%	On earnings above £46,300	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 9

The pension entitlements for Senior Councillors, for the year to 31 March 2019 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 31/03/2019 £	For year to 31/03/2018 £		As at 31/03/2019 £	Difference from March 2018 £
David Alexander	Co-Leader of Fife Council (from 18-05-17)	6,568	0	Pension Lump Sum	1,000 0	1,000 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)	7,267	6,958	Pension Lump Sum	4,000 0	1,000 0
Kay Morrison	Depute Provost (to 03-05-17)	0	829	Pension Lump Sum	0 0	0 0
Julie Ford	Depute Provost (from 18-05-17)	5,296	4,301	Pension Lump Sum	1,000 0	0 0
Neale Hanvey	Leader of Opposition (to 03-05-17)	0	829	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)	5,296	5,130	Pension Lump Sum	5,000 2,000	1,000 0
Lesley Laird	Depute Leader (to 03-05-17)	0	829	Pension Lump Sum	0 0	0 0
Tom Adams	Chair: Local Area Committee - Levenmouth (to 03-05-17)	0	829	Pension Lump Sum	0 0	0 0
John Beare	Chair: Standards & Audit Committee (to 03-05-17)	0	829	Pension Lump Sum	0 0	0 0
Tim Brett	Convener: Scrutiny Committee (from 15-06-17)	5,296	3,895	Pension Lump Sum	6,000 2,000	1,000 0
Bill Brown	Chair: Local Area Committee - Glenrothes (to 03-05-17)	0	829	Pension Lump Sum	0 0	0 0
Ken Caldwell	Convener: Levenmouth Area Committee (from 01-06-17) and Central Area Planning Committee (from 28-05-18)	5,296	4,098	Pension Lump Sum	1,000 0	1,000 0
Bobby Clelland	Chair: Local Area Committee - South West Fife (to 03-05-17)	0	829	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)	5,296	4,725	Pension Lump Sum	3,000 0	0 0
Neil Crooks *	Chair: Local Area Committee - Kirkcaldy (to 03-05-17) and Convener: Kirkcaldy Area Committee & Planning Committee (Central) (from 25-05-17 to 27-05-18)	5,296	5,029	Pension Lump Sum	7,000 8,000	0 1,000

Senior Councillors - continued

Senior Councillors	Responsibility	In-year employer's pension contributions (see note above)			Accrued Pension Benefits Difference	
		For year to 31/03/2019 £	For year to 31/03/2018 £		As at 31/03/2019 £	from March 2018 £
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)	5,296	4,948	Pension Lump Sum	3,000 0	0 0
Fiona Grant	Convener: Glenrothes Area Committee (from 29-05-17)	5,296	4,159	Pension Lump Sum	4,000 1,000	0 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)	5,590	4,872	Pension Lump Sum	5,000 4,000	0 1,000
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)	5,296	4,988	Pension Lump Sum	3,000 0	0 0
Susan Leslie	Chair: Education, Health & Social Care Scrutiny Committees (to 03-05-17)	0	829	Pension Lump Sum	0 0	0 0
Carol Lindsay	Convener: Regulation & Licensing Committee and Fife Licensing Board (from 15-06-17)	5,296	3,895	Pension Lump Sum	4,000 1,000	0 0
Donald Lothian	Convener: North East Fife Area Committee & Planning Committee (from 25-05-17)	5,296	4,199	Pension Lump Sum	4,000 1,000	0 0
Alice McGarry	Convener: South West Fife Area Committee & Planning Committee (West) and Fife Planning Review Body (from 31-05-17)	5,296	4,118	Pension Lump Sum	5,000 2,000	1,000 0
Frances Melville	Chair: Local Area Committee - North East Fife (to 03-05-17)	0	829	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)	5,296	3,895	Pension Lump Sum	2,000 0	1,000 0
Ross Vettriano	Convener: Environment, Protective Services & Community Safety Committee (from 15-06-17)	0	0	Pension Lump Sum	0 0	0 0
Craig Walker	Convener: Assets Property & Facilities Committee (from 15-06-17)	5,296	3,895	Pension Lump Sum	2,000 0	1,000 0

Senior Councillors - continued

Senior Councillors	Responsibility	In-year employer's pension contributions (see note above)			Accrued Pension Benefits Difference	
		For year to 31/03/2019 £	For year to 31/03/2018 £		As at 31/03/2019 £	from March 2018 £
John Wincott	Executive Member with portfolio responsibility for Environmental & Transportation (to 03-05-17)	0	829	Pension	0	0
Robert Young	Chair: Regulation & Licensing Committee (to 03-05-17)	0	829	Lump Sum	0	0
				Pension	0	0
				Lump Sum	0	0
Total		93,569	82,224	Pension	60,000	8,000
				Lump Sum	21,000	2,000

The Local Government Pension Scheme is a funded scheme with contributions from both the employer and the employee (see section 6 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 2018.
- Cllr Judy Hamilton - pension £1,000 and lump sum £2,000. No pension or lump sum differences from March 2018.

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.

Senior Employees - Table 10

The pension entitlements for Senior Employees, for the year to 31 March 2019 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 31/03/2019 £	For year to 31/03/2018 £		As at 31/03/2019 £	from March 2018 £
Steve Grimmond	Chief Executive	36,396	36,663	Pension	71,000	2,000
				Lump Sum	135,000	1,000
Keith Winter	Executive Director Enterprise & Environment	28,525	28,679	Pension	57,000	3,000
				Lump Sum	105,000	2,000
Carrie Lindsay	Executive Director Education & Children's Services - note 1	29,153	28,764	Pension	68,000	3,000
				Lump Sum	0	0
Eileen Rowand	Executive Director Finance & Corporate Services	29,183	28,764	Pension	43,000	3,000
				Lump Sum	64,000	1,000
Michael Enston	Executive Director Communities	29,078	28,764	Pension	59,000	3,000
				Lump Sum	110,000	1,000
Total		152,335	151,634	Pension	298,000	14,000
				Lump Sum	414,000	5,000

The Local Government Pension Scheme is a funded scheme with contributions from both the employer and the employee (see section 6 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

Note 1 - Executive Director Education and Children's Services Carrie Lindsay was originally a member of Scottish Teachers' Superannuation Scheme (STSS) until 8 January 2017. However, the Scottish Public Pensions Agency (SPPA), who administer the STSS, advised that she should have been a member of the LGPS from 1 April 2015. Carrie's LGPS pension membership has been amended to reflect a start date of 1 April 2015. The pension figures at 31 March 2018 and 2019 include the transfer in of STSS membership.

Joint Initiative Senior Employees - Table 11

The pension entitlements for Subsidiary Senior Employees, for the year to 31 March 2019 are shown in the table below, together with the contribution made by the council to each Joint Initiative Employees' pension during the year.

Joint Initiative	Responsibility		In-year employer's pension contributions (see note above)			Accrued Pension Benefits Difference	
			For year to 31/03/2019 £	For year to 31/03/2018 £		As at 31/03/2019 £	from March 2018 £
Health & Social Care	Michael Kellet - note 1	Director of Health & Social Care	15,953	15,666	Pension Lump Sum	5,000 0	2,000 0
Total			15,953	15,666	Pension Lump Sum	5,000 0	2,000 0

Note 1 - Michael Kellet is the current Director of the Joint Initiative and is employed by the NHS.

Subsidiary Senior Employees - Table 12

The pension entitlements for Subsidiary Senior Employees, for the year to 31 March 2019 are shown in the table below, together with the contribution made by the council to each Subsidiary Senior Employees' pension during the year.

Subsidiary Bodies	Responsibility		In-year employer's pension contributions (see note above)			Accrued Pension Benefits Difference	
			For year to 31/03/2019 £	For year to 31/03/2018 £		As at 31/03/2019 £	from March 2018 £
Business Gateway	Brian Blackburn	Managing Director -note 1	1,265	3,300	Pension Lump Sum		0 0
	Grant Jarvis	Company Secretary	1,986		Pension Lump Sum		0 0
Fife Cultural Trust	Heather Stuart	Chief Executive	21,476	20,720	Pension Lump Sum	12,000	2,000 0
Fife Sport & Leisure Trust	Edmund Watson	Chief Executive	14,870	14,359	Pension Lump Sum	44,000 89,000	3,000 3,000
Fife Golf Trust	Alistair MacGregor	Golf Services Manager	13,331	12,858	Pension Lump Sum	25,000 40,000	2,000 2,000
Fife Coast & Countryside Trust	Chris Broome	Chief Executive	15,931	16,589	Pension Lump Sum	4,000	2,000 0
Fife Resource Solutions LLP & Resource Efficient Solution LLP	Christopher Ewing	Senior Manager (to 21.09.17)	0	11,079	Pension Lump Sum	0 0	0 0
	Robin Baird	Senior Manager (from 31.07.17)	17,911	10,658	Pension Lump Sum	19,000 17,000	2,000 1,000
Total			86,770	89,563	Pension Lump Sum	104,000 146,000	11,000 6,000

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.

Councillor David Alexander
Co-Leader of the Council
27 September 2019

Councillor David Ross
Co-Leader of the Council
27 September 2019

Steve Grimmond
Chief Executive
27 September 2019

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services
27 September 2019

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.

We confirm that these Annual Accounts were approved for signature by the Standards and Audit Committee at its meeting on 27 September 2019.

Signed on behalf of Fife Council

Councillor David Alexander
Co-Leader of the Council
27 September 2019

Councillor David Ross
Co-Leader of the Council
27 September 2019

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 2019.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services
27 September 2019

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.

2017-18 (Restated)			Expenditure chargeable to General Fund and HRA	2018-19		
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
348.353	41.065	389.418	Education & Children	360.247	22.706	382.953
144.200	11.037	155.237	Health & Social Care	148.337	7.893	156.230
96.998	21.717	118.715	Enterprise & Environment	96.181	45.743	141.924
54.016	9.297	63.313	Finance & Corporate	50.567	7.039	57.606
0.247	0.016	0.263	Chief Executive	0.254	0.021	0.275
2.387	(0.139)	2.248	Corporate & Democratic	2.984	12.106	15.090
63.929	11.624	75.553	Communities	62.648	2.288	64.936
(20.755)	12.614	(8.141)	Housing Revenue Account	(23.429)	3.976	(19.453)
86.502	(86.502)	0.000	Loan Charges	92.900	(92.900)	0.000
775.877	20.729	796.606	Net Cost of Services	790.689	8.872	799.561
(1.107)	(0.812)	(1.919)	Other Operating Expenditure	2.362	1.016	3.378
0.000	69.791	69.791	Financing and Investment Income & Expenditure	0.000	60.400	60.400
(771.578)	(46.677)	(818.255)	Taxation and Non Specific Grant Income & Expenditure	(778.746)	(66.440)	(845.186)
3.192	43.031	46.223	Difference between the Statutory Charge to the Combined General Fund & HRA Balance compared to the (Surplus) or Deficit in the CI&ES	14.305	3.848	18.153

(59.110)	Opening General Fund & HRA Balance	(54.811)
3.192	Less or Plus (Surplus) or Deficit on General Fund & HRA Balance in Year	14.304
1.107	Transfers to/ from Other Reserves	(2.362)
(54.811)	Closing General Fund & HRA Balance at 31 March *	(42.869)

* 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)**

2017-18				Expenditure chargeable to General Fund and HRA	2018-19			
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
34.176	7.103	(0.214)	41.065	Education & Children	12.388	8.648	1.670	22.706
5.084	5.784	0.169	11.037	Health & Social Care	0.685	6.765	0.443	7.893
11.767	9.996	(0.046)	21.717	Enterprise & Environment	34.535	10.515	0.693	45.743
5.573	3.766	(0.042)	9.297	Finance & Corporate	2.821	3.996	0.222	7.039
0.000	0.017	(0.001)	0.016	Chief Executive	0.000	0.019	0.002	0.021
0.000	(0.346)	0.207	(0.139)	Corporate & Democratic	0.000	11.962	0.144	12.106
9.354	2.261	0.009	11.624	Communities	(0.588)	2.656	0.220	2.288
11.834	0.965	(0.185)	12.614	Housing Revenue Account	2.930	1.105	(0.059)	3.976
0.000	0.000	(86.502)	(86.502)	Loan Charges	0.000	0.000	(92.900)	(92.900)
77.788	29.546	(86.605)	20.729	Net Cost of Services	52.771	45.666	(89.565)	8.872
(0.812)	0.000	0.000	(0.812)	Other Operating Expenditure	1.016	0.000	0.000	1.016
0.000	27.380	42.411	69.791	Financing and Investment Income & Expenditure	0.000	17.554	42.846	60.400
(46.677)	0.000	0.000	(46.677)	Taxation and Non Specific Grant Income & Expenditure	(66.440)	0.000	0.000	(66.440)
30.299	56.926	(44.194)	43.031	Difference between the Statutory Charge to the Combined General Fund & HRA Balance	(12.653)	63.220	(46.719)	3.848

Explanation of Adjustment columns above: -

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

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

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

	General Fund Balance £m	HRA £m	Insurance Fund £m	Capital Receipts Reserve £m	Capital Grants and Receipts Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m	Share of Subsidiaries Reserves £m	Total Group Reserves £m
Opening Balance 1 April 2017	(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	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)
Adjustment to opening balance	(1.784)					(1.784)		(1.784)	(2.469)	(4.253)
Adjusted opening balance 1 April 2018	(52.805)	(2.006)	(10.139)	0.000	(6.110)	(71.060)	(766.271)	(837.331)	(12.354)	(849.685)
<u>Movement in Reserves during 2018-19</u>										
Total Comprehensive Income & Expenditure	35.749	(17.596)	0.000	0.000	0.000	18.153	(628.358)	(610.205)	10.597	(599.608)
Adjustments between accounting basis & funding basis under regulations (note 5)	(20.945)	17.096	0.000	0.000	(5.122)	(8.971)	8.971	0.000	0.000	0.000
Transfers (to)/from Other Statutory Reserves	(2.362)	0.000	2.362	0.000	0.000	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in Year	12.442	(0.500)	2.362	0.000	(5.122)	9.182	(619.387)	(610.205)	10.597	(599.608)
Balance at 31 March 2019 carried forward	(40.363)	(2.506)	(7.777)	0.000	(11.232)	(61.878)	(1,385.658)	(1,447.536)	(1.757)	(1,449.293)

Comprehensive Income and Expenditure Statement

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

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

2017-18 (Restated)					2018-19			
Fife Council					Fife Council			
Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure
£m	£m	£m	£m		£m	£m	£m	£m
415.266	(25.848)	389.418	389.418	Education & Children	418.553	(35.600)	382.953	382.953
386.366	(231.129)	155.237	155.237	Health & Social Care	398.133	(241.903)	156.230	156.230
154.956	(36.241)	118.715	120.318	Enterprise & Environment	182.988	(41.064)	141.924	143.026
179.866	(116.553)	63.313	63.313	Finance & Corporate	161.994	(104.388)	57.606	57.606
0.263	0.000	0.263	0.263	Chief Executive	0.275	0.000	0.275	0.275
2.248	0.000	2.248	2.269	Corporate & Democratic	15.090	0.000	15.090	15.103
92.669	(17.116)	75.553	77.803	Communities	82.388	(17.452)	64.936	68.233
103.467	(111.608)	(8.141)	(8.141)	Housing Revenue	98.178	(117.631)	(19.453)	(19.453)
1,335.101	(538.495)	796.606	800.480	Cost of Services	1,357.599	(558.038)	799.561	803.973
		(1.919)	(1.473)	Other Operating Expenditure (note 9)			3.378	3.890
		69.791	70.755	Financing and Investment Income & Expenditure (note 9)			60.400	60.922
		(818.255)	(818.748)	Taxation and Non-Specific Grant Income (note 9)			(845.186)	(845.233)
		46.223	51.014	(Surplus) or Deficit on the Provision of Services			18.153	23.552
		(182.044)	(182.176)	(Surplus) or deficit on revaluation of non-current assets			(757.745)	(758.167)
		0.841	0.841	(Surplus) or deficit on impairment of non-current assets			0.034	0.034
		0.000	0.000	(Surplus) or deficit on financial assets measured at fair value through other comprehensive income			(0.978)	(0.978)
		(468.129)	(490.174)	Remeasurements of the net defined benefit pensions liability			130.331	135.951
		(649.332)	(671.509)	Other Comprehensive Income & Expenditure			(628.358)	(623.160)
		(603.109)	(620.495)	Total Comprehensive Income & Expenditure			(610.205)	(599.608)

Material Items of Income and Expenditure - Fife Council made contributions of £148.666m to Integration Joint Board, this includes a contribution towards overspend of £2.607m. Receipts of £52.177m for Resource Transfer from NHS are included in Health and Social Care. Payments of £1.519m to the IJB were made from Housing. Fife Council received amounts totalling £207.797m from Integration Joint Board, which includes Resource Transfer of £52.177m and amounts to meet Fife Council overspend of £9.561m.

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

31 March 2018 (Restated)				31 March 2019	
Fife Council £m	Group £m		Notes	Fife Council £m	Group £m
2,511.355	2,516.460	Property, Plant & Equipment	11	3,324.569	3,329.651
0.091	0.091	Intangible Assets	12	0.061	0.061
26.999	27.004	Heritage Assets	14	28.252	28.257
4.528	12.448	Long Term Investments	21	5.509	12.967
25.798	25.798	Long Term Debtors	21	26.154	26.154
2,568.771	2,581.801	Long Term Assets		3,384.545	3,397.090
0.000	0.505	Short Term Investments		0.000	0.539
3.725	3.846	Inventories	20	3.779	4.008
70.767	71.164	Short Term Debtors	18	76.508	77.375
28.221	37.054	Cash and Cash Equivalents		50.311	58.936
1.099	1.099	Intangible Assets	12	0.033	0.033
4.944	4.944	Assets held for sale	13	3.694	3.694
108.756	118.612	Current Assets		134.325	144.585
(149.698)	(149.699)	Short Term Borrowing	21	(142.272)	(142.272)
(117.094)	(122.272)	Short Term Creditors	18	(141.748)	(148.140)
(1.515)	(1.515)	Provisions	19	(0.562)	(0.562)
(6.802)	(6.802)	Receipts in Advance - Revenue	10	(6.654)	(6.654)
(0.250)	(0.250)	Receipts in Advance - Capital	10	(0.250)	(0.250)
(275.359)	(280.538)	Current Liabilities		(291.486)	(297.878)
0.000	(0.303)	Long Term Creditors		0.000	(0.230)
(7.556)	(7.556)	Provisions	19	(13.171)	(13.171)
(819.890)	(819.890)	Long Term Borrowing	21	(839.558)	(839.558)
(627.922)	(632.972)	Liability Related to Defined Benefit Pension	26	(821.473)	(835.899)
(100.615)	(100.615)	Other Long Term Liabilities	21	(94.397)	(94.397)
(1.998)	(1.998)	Receipts in Advance - Revenue	10	(3.387)	(3.387)
(6.856)	(6.856)	Receipts in Advance - Capital	10	(7.862)	(7.862)
(1,564.837)	(1,570.190)	Long Term Liabilities		(1,779.848)	(1,794.504)
837.331	849.685	Net Assets/(Liabilities)		1,447.536	1,449.293
(71.060)	(84.959)	Usable Reserves	5&6	(61.878)	(74.589)
(766.271)	(764.726)	Unusable Reserves	7	(1,385.658)	(1,374.704)
(837.331)	(849.685)	Total Reserves		(1,447.536)	(1,449.293)

The unaudited accounts were issued on 28 June 2019 and the audited accounts were authorised for issue on the 27 September 2019.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services
27 September 2019

Cash Flow Statement

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

2017-18 (Restated)			2018-19	
Fife Council £m	Group £m		Fife Council £m	Group £m
(46.223)	(51.014)	Net surplus or (deficit) on the provision of services	(18.153)	(23.552)
93.054	93.638	Depreciation & impairment	100.445	101.010
12.675	12.729	Downward/(upward) revaluations	(17.773)	(17.327)
0.040	0.040	Amortisation of intangibles	0.706	0.706
0.000	0.280	Movement in Fair Value of Investments	0.000	0.464
5.442	5.885	Increase/(decrease) in creditors	24.247	22.645
(0.839)	(0.910)	(Increase)/decrease in debtors	(8.186)	(5.911)
0.087	0.095	(Increase)/decrease in stock	(0.055)	(0.164)
56.926	60.404	Movement in pension liability	63.220	66.976
(1.363)	(1.363)	Contributions to/(from) provisions	4.662	4.662
5.590	5.596	Carrying amount of assets sold	4.929	4.929
171.612	176.394	Adjustment for non cash movements	172.195	177.990
(46.677)	(47.170)	Capital Grants credited to surplus/(deficit) on provision of services	(66.440)	(66.488)
(6.402)	(6.402)	Proceeds from the sale of assets	(3.912)	(3.912)
(53.079)	(53.572)	Adjustment for investing & financing activities	(70.352)	(70.400)
72.310	71.808	Net cash flows from Operating Activities	83.690	84.038
(137.465)	(139.052)	Purchase of non-current assets	(142.012)	(142.582)
(0.035)	(0.035)	Purchase of investments	(0.004)	(0.004)
(2.897)	(2.897)	Long Term Loans granted	(1.361)	(1.361)
6.402	6.402	Proceeds from the sale of assets	3.912	3.912
46.954	47.452	Other receipts from investing activities	67.168	67.182
(87.041)	(88.130)	Net cash flows from investing activities	(72.297)	(72.853)
8.409	8.409	Cash receipts and repayments of short and long term borrowing	11.904	11.904
(4.329)	(4.329)	Cash payments reducing liabilities for finance leases & PPP contracts	(4.772)	(4.772)
(4.286)	(4.286)	Other financing activities	3.565	3.565
(0.206)	(0.206)	Net cash flows from financing activities	10.697	10.697
(14.937)	(16.528)	Net increase or (decrease) in cash and cash equivalents	22.090	21.882
43.158	53.582	Cash and cash equivalents at the beginning of reporting period	28.221	37.054
28.221	37.054	Cash and cash equivalents at the end of the reporting period	50.311	58.936
0.055	0.055	Cash in Hand	0.056	0.056
1.570	8.086	Bank	1.563	7.726
29.115	29.115	Short Term Investments	51.330	51.329
(2.519)	(0.202)	Advances from other accounts	(2.638)	(0.175)
28.221	37.054		50.311	58.936
		Net cash flows for operating activities include the following:-		
(0.368)	(0.707)	Interest received	(0.667)	(1.003)
43.174	43.174	Interest paid	44.762	44.762
42.806	42.467	Total	44.095	43.759

Notes to the Accounts

1. General Accounting Policies

General Principles

The Statement of Accounts summarises Fife Council and its Group transactions for the 2018-19 financial year and its position at the year-end of 31 March 2019. Fife Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 and the Service Reporting Code of Practice 2018-19, 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 2019-20 which relate to 2018-19 is accrued back to 2018-19 based on the number of days which relate to the period to 31 March 2019.
- 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 2019-20 that relate to 2018-19.
- 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 2018-19 but not taken by 31 March 2019.
- Termination Benefits: Accruals based on the estimated cost for those employees who returned written confirmation of their termination package by 31 March 2019.

Interests in Companies and Other Entities

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

Fair Value

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

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

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

The CI&ES is charged with the following amounts relating to Property, Plant & Equipment, Intangible and Heritage 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 CI&ES is charged with the following amounts relating to Assets Held for Sale during the year:

- Revaluation decreases in fair value (less costs to sell)
- Revaluation gains in fair value (less costs to sell) to the extent of any previous losses charged to CI&ES.
- Gain/loss from de-recognition or disposal of assets (i.e. carrying value compared to disposal proceeds)

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.

Revenue Recognition

There was no material impact from the changes to IFRS15 Revenue from Contracts with Service Recipients.

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:

- Amendments to IAS40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-16 Cycle
- IRFIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

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

3. Critical Judgements in Applying Accounting Policies

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

Public Private Partnership (PPP)

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

Public Sector Funding

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

Employee Benefits

The Council has used a sampling approach to calculating the accrual for short-term compensated absences. A random sample of employees has been used to calculate the short-term accrual necessary for annual leave. Flexi-leave has been calculated based on the actual credit or debit position for all employees eligible at 31 March 2019.

Lender Options Borrower Options

The Council holds a Lender Option Borrower Option (LOBO) loan. It is an inverse floating LOBO, which means interest rates 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 IFRS 9. 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 2019 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 for every year that useful lives have to be reduced, the annual depreciation charge for buildings would increase by approximately £3.304m.
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 £311.120m.
Arrears	At 31 March 2019, the Council had a balance of sundry debtors of £18.685m. A review of significant balances suggested that an allowance for impairment of 23.20% (£4.334m) was appropriate. Included in this figure is an amount of £1.513m for debt written off which equates to 2.5% 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 the amount to be set aside as an allowance of £0.300m.
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 the relevant notes to the accounts.	Significant changes in any of the unobservable inputs would result in a significantly lower or higher value for the Council's assets which are measured at fair value.

5. Adjustments between Accounting Basis and Funding Basis under Regulations

These are the adjustments that are made to the total comprehensive income and expenditure statement (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 £m	Housing Revenue Account £m	Insurance Fund £m	Capital Receipts Reserve £m	Capital Grants and Receipts and Unapplied £m	Movement in Unusable Reserves £m	
2018-19							
Adjustments involving the Capital Adjustment Account:-							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES):-							
Charges for depreciation and impairment of non-current assets	(69.778)	(30.667)	0.000	0.000	0.000	100.445	0.000
Revaluation losses on non-current assets and assets held for sale	20.644	(2.871)	0.000	0.000	0.000	(17.773)	0.000
Amortisation of intangible assets	(0.706)	0.000	0.000	0.000	0.000	0.706	0.000
Capital grants and contributions applied to capital financing	51.762	12.557	0.000	0.000	0.000	(64.319)	0.000
Amounts written off on disposal or sale as part of the (gain)/loss on disposal to the CI&ES	(4.894)	(0.035)	0.000	0.000	0.000	4.929	0.000
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES):-							
Statutory provision for financing capital investment	32.342	10.300	0.000	0.000	0.000	(42.642)	0.000
Capital expenditure charged against General Fund and HRA balances	5.243	30.608	0.000	0.000	0.000	(35.851)	0.000
Adjustments involving the Capital Receipts Reserve (CRR):-							
Sale proceeds credited as part of the (gain)/loss on disposal to the CI&ES	3.696	0.216	0.000	(3.912)	0.000	0.000	0.000
Use of CRR to finance capital investment	0.000	0.000	0.000	0.777	0.000	(0.777)	0.000
Use of CRR for transformation projects	0.000	0.000	0.000	3.000	(3.000)	0.000	0.000
Use of CRR for HRA set aside to repay debt	0.000	0.000	0.000	0.135	0.000	(0.135)	0.000
Adjustment involving the Capital Grants Unapplied Account:-							
Reversal of unapplied capital grants and contributions credited to the CI&ES	5.011	0.010	0.000	0.000	(5.021)	0.000	0.000
Application of grants to capital financing transferred to the Capital Adjustment Account	(0.913)	(1.986)	0.000	0.000	2.899	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	1.438	0.731	0.000	0.000	0.000	(2.169)	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	(133.938)	(3.882)	0.000	0.000	0.000	137.820	0.000
Employer's pensions contributions and direct payments to pensioners payable in the year	72.399	2.201	0.000	0.000	0.000	(74.600)	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	(3.251)	(0.086)	0.000	0.000	0.000	3.337	0.000
Total Adjustments	(20.945)	17.096	0.000	0.000	(5.122)	8.971	0.000

	Usable Reserves					Unusable Reserves	Total Reserves
	General Fund Balance £m	Housing Revenue Account £m	Insurance Fund £m	Capital Receipts Reserve £m	Capital Grants and Receipts Unapplied £m	Movement in Unusable Reserves £m	
2017-18							
Adjustments involving the Capital Adjustment Account:-							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES):-							
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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES):-							
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

6. Usable Reserves and Earmarked Balances

Movements in usable reserves are outlined in the Movement in Reserves Statement (MIRS) which also details amounts set aside from General Fund balances in statutory reserves to provide financing for specific areas.

Statutory Reserves

- Insurance Fund

This Council purchases insurance cover and manages risk through its Insurance Fund with the exception of theft, malicious damage and accidental damage which are charged to the cost of services in the year they arise. Included in the Insurance Fund is an earmarked balance (detailed below) to cover own damage claims and anticipated incurred but not reported claims. The Council also has a provision for insurance (shown in the Provisions note to the accounts) which covers all known outstanding third party claims. The earmarked balance and provision cover liability claims prior to 16th May 1975 and other significant losses including the Municipal Mutual Insurance Scheme of Administration for which a levy has been set by the administrator for known claims.

- Capital Receipts Reserve

Capital receipts are transferred to this reserve which is used to fund capital expenditure or debt repayment.

- Capital Grants and Receipts Unapplied Account

Capital grants and receipts have no impact on General Fund or HRA balances and therefore, when credited to Surplus / Deficit on Provision of Services, there is an adjustment in the MIRS either to Capital Grants & Receipts Unapplied Account (when not yet applied to fund expenditure) or Capital Adjustment Account (when applied).

Earmarked Balances

Legislation in Scotland does not allow for the creation of separate non-statutory earmarked reserves and 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 are detailed below:-

	Balance at 1 April 18 (Restated) £m	Transfers Out 2018-19 £m	Transfers In 2018-19 £m	Balance at 31 March 19 £m
2018-19				
General Fund				
Earmarked Balances:-				
Energy Management Fund	0.491	0.000	0.063	0.554
Council Tax - Second Homes	4.394	(0.939)	1.608	5.063
Earmarked Grants	1.226	(1.226)	1.046	1.046
Total Earmarked Balances	6.111	(2.165)	2.717	6.663
Other Commitments:-				
Services Carry Forwards	4.548	(4.548)	2.768	2.768
Ring Fenced & Other Carry forwards	4.657	(4.657)	4.346	4.346
Change Fund	2.707	(0.642)	0.977	3.042
Workforce Change Funding	4.000	(4.408)	3.908	3.500
Fife Job Contract	1.563	(0.116)	0.000	1.447
Support to Children and Families	3.606	(1.803)	0.000	1.803
BTS Investment	0.000	0.000	1.039	1.039
Scottish Government Funding	2.357	(2.357)	0.000	0.000
Contributions from Balances (Budget)	2.000	(1.284)	0.000	0.716
Other Commitments	0.441	(0.695)	1.228	0.974
Total Other Commitments	25.879	(20.510)	14.266	19.635
Total Commitments	31.990	(22.675)	16.983	26.298
Uncommitted Balances	20.815			14.065
General Fund Total	52.805			40.363
Transfers (to)/from Statutory Reserves:				
Insurance Fund	6.079	(3.266)		2.813
Insurance Fund - Earmarked	4.060		0.904	4.964
Insurance Fund Total	10.139			7.777

Explanatory Note

General Fund Balance

The General Fund Services balance decreased by £12.442m in 2018-19, leaving a balance at the end of the year of £40.363m. Once the commitments of £26.298m shown above are set against this, an uncommitted balance of £14.065m remains as at 31 March 2019. 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.

Ring Fenced Projects and other Carry forwards

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

Change Fund

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

Workforce Change

The balance relates to future costs in relation to the Council's continuing strategy of workforce change.

Fife Job Contract

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

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 was agreed in February 2014 and February 2015 and the balance is the remainder of this funding yet to be utilised.

BTS Investment Requirements

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

Contribution from Balances

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

Other Commitments

This represents a number of other minor commitments against balances.

7. Unusable Reserves

2017-18 £m		2018-19 £m
(626.829)	Revaluation Reserve	(1,365.779)
(0.001)	Financial Instruments Revaluation Reserve	(0.978)
42.615	Financial Instruments Adjustment Account	40.446
(829.061)	Capital Adjustment Account	(903.240)
627.922	Pensions Reserve	821.473
19.083	Employee Statutory Adjustment Account	22.420
(766.271)	Total Unusable Reserves	(1,385.658)

Revaluation Reserve

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

2017-18 £m		2018-19 £m
(458.914)	Balance at 1 April	(626.829)
	Revaluation of non-current assets not posted to (Surplus)/Deficit on Provision of Services:-	
(189.039)	Upward Revaluation & reversal of impairment losses	(1,200.683)
7.836	Downward revaluation & impairment losses	442.972
(181.203)		(757.711)
	Amounts written off to the Capital Adjustment Account:-	
12.541	Difference between historic cost and fair value depreciation	16.845
0.747	Accumulated gains on assets sold or scrapped	1.916
13.288		18.761
(626.829)	Balance at 31 March	(1,365.779)

Financial Instruments Revaluation Reserve

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

2017-18 £m		2018-19 £m
(0.001)	Balance at 1 April	(0.001)
0.000	Surplus/(Deficit) on Financial Instruments Revaluation	(0.977)
(0.001)	Balance at 31 March	(0.978)

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.

2017-18 £m		2018-19 £m
44.808	Balance at 1 April	42.615
	Amount by which costs charged to the CI&ES are different from costs chargeable in the year in accordance with statutory requirements:-	
(0.027)	Effective Interest Rate - Borrowings Loan Interest	(0.033)
(0.009)	Effective Interest Rate - Soft Loans	(0.012)
(2.157)	Proportion of prior year early redemption premiums	(2.124)
42.615	Balance at 31 March	40.446

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.

2017-18		2018-19
£m		£m
(805.232)	Balance at 1 April	(829.061)
	Reversal of items relating to capital expenditure charged to the CI&ES:-	
93.054	Depreciation and impairment of non-current assets	100.445
12.675	Revaluation losses/(gains) on non-current assets	(17.773)
0.040	Amortisation of intangible assets	0.706
5.590	Carrying value of assets sold	4.929
	Capital financing applied in the year:-	
(6.402)	Use of the Capital Receipts Reserve to finance capital or to repay HRA debt	(3.912)
(45.619)	Capital grants & contributions applied to finance capital expenditure	(64.319)
0.000	Application of Capital Receipts to finance transformation projects	3.000
	Application of grants to finance capital expenditure from Capital Grants Unapplied	
0.000	Income in relation to Donated Assets	0.000
(41.637)	Statutory provision for the financing of capital investment	(42.643)
(28.242)	Capital expenditure charged to General Fund and HRA balances	(35.851)
(13.288)	Adjusting amounts written out of the Revaluation Reserve	(18.761)
	Movements in the market value of Investment Properties	
(829.061)	Balance at 31 March	(903.240)

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.

2017-18		2018-19
£m		£m
1,039.125	Balance at 1 April	627.922
(468.129)	Actuarial (gains) or losses on pensions assets and liabilities	130.331
130.378	Reversal of items relating to retirement benefits charged to CI&ES	137.820
(73.452)	Employer's pensions contributions & direct payments to pensioners payable	(74.600)
627.922	Balance at 31 March	821.473

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.

2017-18		2018-19
£m		£m
19.186	Balance at 1 April	19.083
(19.186)	Settlement or cancellation of accrual at previous financial year end	(19.083)
19.083	Amounts accrued at the end of the current year	22.420
19.083	Balance at 31 March	22.420

8. Analysis of Income and Expenditure by Segment/Nature

The Council's expenditure and income is analysed as follows for 2018-19.

2018-19	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 CIES £m
Education & Childrens Services	280.042	115.805	12.388	8.648	1.670	418.553	(3.895)	(31.705)	(35.600)	382.953
Health & Social Care	78.138	312.102	0.685	6.765	0.443	398.133	(179.482)	(62.421)	(241.903)	156.230
Enterprise & Environment	121.390	15.855	34.535	10.515	0.693	182.988	(31.457)	(9.607)	(41.064)	141.924
Finance & Corporate Services	44.829	110.126	2.821	3.996	0.222	161.994	(3.022)	(101.366)	(104.388)	57.606
Chief Executive	0.243	0.011	0.000	0.019	0.002	0.275	0.000	0.000	0.000	0.275
Corporate & Democratic Core	2.363	0.621	0.000	11.962	0.144	15.090	0.000	0.000	0.000	15.090
Communities	31.245	48.855	(0.588)	2.656	0.220	82.388	(14.897)	(2.555)	(17.452)	64.936
Housing Revenue Account	12.425	81.777	2.930	1.105	(0.059)	98.178	(117.513)	(0.118)	(117.631)	(19.453)
Loan Charges	0.000	92.900	0.000	0.000	(92.900)	0.000	0.000	0.000	0.000	0.000
Net Cost of Services	570.675	778.052	52.771	45.666	(89.565)	1,357.599	(350.266)	(207.772)	(558.038)	799.561
Other Income and Expenditure										(781.408)
(Surplus) or Deficit on the Provision of Services										18.153

2017-18 (Restated)	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 CIES £m
Education & Childrens Services	265.185	109.016	34.176	7.103	(0.214)	415.266	(3.697)	(22.151)	(25.848)	389.418
Health & Social Care	74.438	300.891	5.084	5.784	0.169	386.366	(174.645)	(56.484)	(231.129)	155.237
Enterprise & Environment	119.197	14.042	11.767	9.996	(0.046)	154.956	(31.126)	(5.115)	(36.241)	118.715
Finance & Corporate Services	50.153	120.416	5.573	3.766	(0.042)	179.866	(3.316)	(113.237)	(116.553)	63.313
Chief Executive	0.243	0.004	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	29.531	51.514	9.354	2.261	0.009	92.669	(14.055)	(3.061)	(17.116)	75.553
Housing Revenue Account	12.208	78.645	11.834	0.965	(0.185)	103.467	(111.477)	(0.131)	(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	553.123	761.249	77.788	29.546	(86.605)	1,335.101	(338.316)	(200.179)	(538.495)	796.606
Other Income and Expenditure										(750.383)
(Surplus) or Deficit on the Provision of Services										46.223

9. Other Income and Expenditure

2017-18 Restate £m		2018-19 £m
	Other Operating Expenditure	
(1.107)	Insurance Fund	2.362
(0.812)	(Gains)/losses on the disposal of assets	1.016
(1.919)		3.378
	Financing and Investment Income and Expenditure	
42.788	Interest payable and similar charges	43.525
27.380	Pensions interest cost & expected return on pensions assets	17.554
(0.368)	Interest receivable and similar income	(0.667)
(0.009)	Income & expenditure in relation to financial instruments and changes in their fair value	(0.012)
69.791		60.400
	Taxation and Non Specific Grant Income	
(149.839)	Council tax and community charge income	(156.301)
(170.998)	Non-domestic rates	(154.138)
(1.784)	Non-domestic rates Income Retained by Fife Council (BRIS)	0.000
(448.957)	Non ring-fenced government grants	(468.307)
(46.677)	Capital grants and contributions	(66.440)
(818.255)		(845.186)

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.

10. Grant Income

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

2017-18 (Restated) £m	Grants and Contributions credited to the CI&ES (excl non ring-fenced Government Grants)	2018-19 £m
	Credited to Services	
(108.295)	Government Grant: Housing Benefit Subsidy	(98.724)
(55.807)	Government Grants and contributions: NHS	(55.193)
(27.540)	Government Grants and Contributions: Other	(44.733)
(2.534)	EU Grants	(2.579)
(6.003)	Non-Government Grants and Contributions	(6.543)
(200.179)		(207.772)
	Credited to Taxation and Non Specific Grant Income	
(40.969)	Government Grants and Contributions	(61.752)
(5.708)	Non Government Grants and Contributions	(4.688)
(46.677)		(66.440)

31 March 2018 Short Term £m	Long Term £m	Receipts in Advance (balances at year end)	31 March 2019 Short Term £m	Long Term £m
		Receipts in Advance - Revenue		
(6.500)	(1.560)	Government grants	(6.515)	(3.001)
(0.302)	(0.438)	Non Government Grants	(0.139)	(0.386)
(6.802)	(1.998)		(6.654)	(3.387)
		Receipts in Advance - Capital		
(0.250)	0.000	Government grants	(0.250)	0.000
0.000	(6.856)	Non Government Grants	0.000	(7.862)
(0.250)	(6.856)		(0.250)	(7.862)

11. 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.

Property, Plant & Equipment Movements in 2018-19		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 2018		920.117	1,369.495	117.773	393.496	4.050	26.463	34.600	2,865.994	174.460
Additions		51.269	26.711	9.559	24.078	0.247	0.238	29.908	142.010	0.022
Assets Acquired through HUB		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Donated Assets		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Revaluations inc/(dec)-recognised in Revaluation Reserve		0.320	541.449	0.000	0.000	0.000	(3.285)	0.000	538.484	32.774
Revaluations inc/(dec)-recognised in Cost of Services		(3.008)	14.995	(0.013)	0.000	0.000	(2.745)	0.000	9.229	5.126
Disposals		0.000	(2.257)	(4.289)	0.000	0.000	(0.319)	0.000	(6.865)	0.000
Transfer (to)/from Held for Sale		0.000	(0.234)	0.000	0.000	0.000	0.423	0.000	0.189	0.000
Other movement in Cost/Valuation		7.390	1.038	(1.539)	(0.885)	(0.356)	8.087	(13.735)	0.000	0.000
31 March 2019		976.088	1,951.197	121.491	416.689	3.941	28.862	50.773	3,549.041	212.382

Accumulated Depreciation and Impairment

1 April 2018	0.000	(165.148)	(78.612)	(108.208)	(0.927)	(1.743)	(0.001)	(354.639)	(24.704)
Depreciation charge	(30.600)	(46.295)	(9.798)	(9.697)	(0.129)	(0.140)	0.000	(96.659)	(5.311)
Depreciation-to Revaluation Reserve	32.131	184.505	0.000	0.000	0.000	1.106	0.000	217.742	30.015
Depreciation-to Cost of Services	0.138	8.394	0.013	0.000	0.000	0.529	0.000	9.074	0.000
Impairment (loss)/reversal-recognised in Revaluation Reserve	0.000	(0.034)	0.000	0.000	0.000	0.000	0.000	(0.034)	0.000
Impairment (loss)/reversal-recognised in Cost of Services	0.000	(3.788)	0.000	0.000	0.000	0.000	0.000	(3.788)	0.000
Disposals	0.000	0.109	3.726	0.000	0.000	0.012	0.000	3.847	0.000
Transfer (to)/from Held for Sale	0.000	(0.039)	0.000	0.000	0.000	(0.054)	0.000	(0.093)	0.000
Other movement in Depreciation & Impairment	(1.669)	3.034	1.485	0.034	(0.089)	(1.538)	(1.179)	0.078	0.000
31 March 2019	0.000	(19.262)	(83.186)	(117.871)	(1.145)	(1.828)	(1.180)	(224.472)	0.000

Net Book Value:-

31 March 2019	976.088	1,931.935	38.305	298.818	2.796	27.034	49.593	3,324.569	212.382
31 March 2018	920.117	1,204.347	39.161	285.288	3.123	24.720	34.599	2,511.355	149.756

Property, Plant & Equipment Movements in 2017-18	Council Dwellings		Other Land & Buildings		Vehicles, Plant & Equipment		Infrastructure Assets		Community Assets		Surplus Assets		Assets Under Construction		Total Property, Plant & Equipment		PP/PPD Assets Included in Property, Plant & Equipment	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£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									
Donated Assets	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000									
Revaluations inc/(dec)-recognised in Revaluation Reserve	119.611	18.372	0.000	0.000	0.000	0.442	0.000	138.425	0.000									
Revaluations inc/(dec)-recognised in Cost 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 Cost of Services	0.000	2.983	0.000	0.000	0.000	0.026	0.000	3.009	0.000									
Impairment (loss)/reversal-recognised in Revaluation Reserve	0.000	(0.269)	0.000	0.000	0.000	(0.572)	0.000	(0.841)	0.000									
Impairment (loss)/reversal-recognised in Cost 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									

Recognition and De-Recognition

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

When assets are disposed or decommissioned, the carrying values of those assets in the balance sheet are reduced accordingly and any proceeds from those disposals treated as a capital receipt. Capital Receipts are transferred to the Capital Receipts Reserve which are used to fund capital expenditure or repay debt.

Measurement

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

- Council House Dwellings
Existing Use Value for Social Housing using Beacon approach (adjusted vacant possession)
- Surplus Assets
Fair Value, based on the market approach using current market conditions, recent sales prices and 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.
- Vehicles, Plant & Equipment / Infrastructure Assets / Community Assets / Assets Under Construction
Historic Cost, net of Depreciation
- Other Land & Buildings
Current Value, determined as the amount that would be paid for the asset in its existing use, in accordance with methodologies and bases for estimation in the Royal Institution of Chartered Surveyors Professional Standards.

Revaluations

The Council carries out a rolling programme which ensures that all Property, Plant and Equipment requiring a valuation, are revalued at least every 5 years. Valuations are undertaken as part of the annual rolling revaluation programme and ad-hoc valuations are undertaken by in-house and external valuers.

Effective date of valuation	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	15.854	121.491	416.689	3.941	0.314	45.198	603.487
Valuation as at:-								
31 March 2019	976.088	1,700.357	0.000	0.000	0.000	2.720	0.000	2,679.165
31 March 2018	0.000	151.611	0.000	0.000	0.000	25.653	1.624	178.888
31 March 2017	0.000	35.102	0.000	0.000	0.000	0.175	3.951	39.228
31 March 2016	0.000	25.362	0.000	0.000	0.000	0.000	0.000	25.362
31 March 2015	0.000	22.911	0.000	0.000	0.000	0.000	0.000	22.911
Total Cost / Valuation	976.088	1,951.197	121.491	416.689	3.941	28.862	50.773	3,549.041

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.

Effects of Changes in Estimates

Fife Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured is revalued at least every five years. In 2018-19 valuations were undertaken as part of this rolling revaluation programme by in-house valuers.

Valuations of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS) and the CIPFA Code of Practice. The council's in-house valuers undertook the revaluation of assets measured on a Depreciated Replacement Cost (DRC) basis. These valuations had previously been valued in 2013-14 by an external valuer.

The DRC technique involves assessing all the costs of providing a modern equivalent asset using pricing at the valuation date. The factors which were used in arriving at the DRC valuation were reviewed by the in-house team and this review and pricing differences at the valuation date resulted in an increase in the asset value of £727.588m. A peer review was also undertaken which endorsed the methodology and resulting valuation.

In 2018-19 no other material changes to the accounting estimates for Property, Plant and Equipment were made.

Depreciation

Depreciation is provided on Property, Plant and Equipment assets by a straight line allocation of their depreciable amounts over their useful lives which is applied in year from 1st April based on asset values as at 31 March of the previous financial year. 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). Assets are maintained on an individual asset by asset basis depreciating significant components separately. An indication of typical useful lives are:-

Buildings	1 - 99 years	Determined by the valuer
Vehicles	2 - 10 years	
IT assets	3 - 7 years	Determined by suitably
Plant & Equipment	2 - 25 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 2018-19, the Council has recognised an impairment loss of £3.822m relating to 4 assets.

Capital Commitments

As at 31 March 2019, there was a commitment of £13.997m on capital contracts. There were no material contracts in 2017-18. This expenditure is funded from a combination of borrowing, capital grants, income from the sale of assets and revenue contributions.

12. Intangible Assets

Intangible assets are non-monetary assets that do not have a physical substance but are controlled by the Council. Non-current intangible assets include software which is not an integral part of IT systems within Property, Plant & Equipment. Current intangible assets are Carbon Reduction Commitment Allowances which are substantially used this year. Amortisation is applied on a straight line basis on 1 April asset values over their remaining useful lives.

2017-18		Intangible Assets Movements during the year	2018-19	
Non-Current	Current		Non-Current	Current
£m	£m		£m	£m
		Opening balance at 1 April		
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	Net carrying amount at start of year	0.091	1.099
0.000	1.099	Additions	0.000	0.709
(0.040)	0.000	Amortisation for the period	(0.030)	(0.676)
(0.010)	0.000	Disposals	0.000	(1.099)
0.091	1.099	Net carrying amount at end of year	0.061	0.033
1.302	1.099	Gross carrying amounts	1.302	0.709
(1.211)	0.000	Accumulated amortisation	(1.241)	(0.676)
0.091	1.099	Total	0.061	0.033

13. Assets Held for Sale

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

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

2017-18	Assets Held for Sale Movements during the year	2018-19
£m		£m
6.670	At 1 April	4.944
3.495	Assets newly classified as Held for Sale from Property, Plant & Equipment	0.304
(1.726)	Revaluation losses	(0.408)
0.000	Revaluation gains	0.143
(1.095)	Assets declassified as Held for Sale to Property, Plant & Equipment	(0.477)
(2.400)	Assets sold	(0.812)
4.944	At 31 March	3.694

14. Heritage Assets

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

The Council owns a small number of historical buildings and sites however these are not included on the balance sheet as valuation of these assets is neither practicable nor useful to potential users of the accounts.

The Council's museums collections were mainly built up in the twentieth century by gifts from members of the public. They are extremely diverse in nature and the level of information associated with the individual items is variable. The collections have an overall insurance value included in the balance sheet of £7.551m.

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 as at March 2018 by historic and contemporary fine arts specialists from the Scottish Gallery. The collections are recognised in the Council's balance sheet at a value of £20.005m.

Acquisition and disposal of the collections is governed by the Museums Collections Development Policy 2019-23 which was agreed by the Fife Council Executive Committee in February 2019. Management and Preservation of collections is governed by the Council's Collections Care Plan and the Museums Documentation Manual. Fife Council's museums have full accreditation under the Accreditation Scheme administered by Museums Galleries Scotland on behalf of the Arts Council England, which 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.

2017-18 £m	Heritage Asset Movements during the year	2018-19 £m
26.967	At 1 April	26.999
0.000	Donated Assets	0.000
0.032	Additions	0.000
0.000	Revaluations	1.253
26.999	At 31 March	28.252

15. Capital Expenditure and Capital Financing

The Capital Financing Requirement (CFR) is a measure of the capital expenditure incurred historically that has yet to be financed. Shown below is capital expenditure in the year, the resources used to finance that expenditure and repayment of Loans Fund principal (relating to outstanding debt from prior years), which all impact on the CFR.

2017-18 £m	Capital Financing Requirement Movements during the year	2018-19 £m
1,090.240	At 1 April	1,108.013
	Capital investment:-	
135.642	Property, Plant and Equipment	142.010
1.099	Intangible Assets	0.709
0.035	Financial Instruments Revaluation Reserve	0.004
2.897	Loan Advances	1.361
	Sources of finance:-	
(6.402)	Capital receipts	(0.912)
(45.619)	Government grants and other contributions	(64.319)
	Sums set aside from revenue:-	
(28.242)	Direct revenue contributions	(35.851)
(41.637)	Loans fund principal	(42.642)
1,108.013	At 31 March	1,108.373
785.802	Capital Financing Requirement - General Fund	767.183
322.211	Capital Financing Requirement - Housing Revenue Account	341.190
1,108.013	At 31 March	1,108.373
17.773	Increase in underlying need to borrow (unsupported by government financial assistance)	0.360

16. Leases

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

Finance Leases

• Leased in Assets

Assets acquired under finance leases are included in non-current assets at the lower of the fair value or the present value of the minimum lease payments. The capital element of the lease is included as obligations under finance leases / creditors. The lease rentals comprise capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the Comprehensive Income & Expenditure Statement (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) and the assets are included as Property, Plant & Equipment on the Council's balance sheet 31 March 2019 at a value of £140.374m.

There are no other finance lease agreements included in the Council's balance sheet at 31 March 2019.

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 2019.

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.

2017-18	Future minimum lease payments due at 31 March	2018-19
£m	£m under non-cancellable leases in future years:-	£m
1.240	Not later than one year	1.500
2.233	Later than one year and not later than five years	2.869
7.756	Later than five years	7.278
11.229	Total	11.647

2017-18	Expenditure charged to the CI&ES	2018-19
£m	£m during the year in relation to these leases:-	£m
2.323	Minimum lease payments	2.590
0.000	Contingent rents	0.000
2.323	Total	2.590

• 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.

2017-18	The future minimum lease payments at 31 March	2018-19
£m	£m receivable in future years are:-	£m
3.909	Not later than one year	4.150
10.207	Later than one year and not later than five years	10.353
69.597	Later than five years	81.393
83.713	Total	95.896

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

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

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

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

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

2017-18		Annual Unitary Charge payments and Scottish Government Grant support	2018-19	
Unitary charge £m	Grant support £m		Unitary charge £m	Grant support £m
7.686	(3.680)	PPP1	7.784	(3.680)
7.911	(4.168)	PPP2	8.128	(4.168)
3.754	(3.212)	NPD	3.885	(3.212)
19.351	(11.060)		19.797	(11.060)

£m	Outstanding Liability on Balance Sheet	£m
109.716	1 April	105.387
(4.329)	Capital Repayments during the year	(4.772)
105.387	31 March	100.615

The annual unitary charge payments are analysed into elements which determine the accounting treatment.

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

Contract payments remaining to be made at 31 March 2019 (using 2.5% indexation excl availability/performance deductions)	Service Costs £m	Capital Repayment £m	Finance Costs £m	Total £m
Payable in 2019-20	5.440	6.217	8.273	19.930
Payable within two to five years	29.817	25.105	27.264	82.186
Payable within six to ten years	44.492	34.926	21.570	100.988
Payable within eleven to fifteen years	23.208	20.197	9.917	53.322
Payable within sixteen to twenty years	9.735	8.935	2.921	21.591
Payable within twenty one to twenty five	4.294	5.235	0.577	10.106
Total	116.986	100.615	70.522	288.123

18. Debtors and Creditors

31 March 2018			31 March 2019	
Debtors (Restated £m)	Creditors (Restated) £m		Debtors £m	Creditors £m
		Short Term Debtors and Creditors		
9.614	(4.981)	Central government bodies	11.706	(4.403)
0.443	(0.110)	Other local authorities	0.612	(0.498)
0.725	(0.603)	NHS bodies	7.219	(0.270)
59.985	(111.400)	Other entities and individuals	56.971	(136.577)
70.767	(117.094)		76.508	(141.748)
		Local Taxation Debtors (Council Tax & Non-Domestic Rates)		
		Past due (but not impaired) amount analysed by age of debt		
10.177		Up to 1 Year	10.162	
16.582		1-5 Years	12.646	
11.399		Greater than 5 Years	10.850	
38.158			33.658	

The analysis above only shows those balances where assessment has indicated that, by exception, no impairment is required.

19. Provisions

The value of provisions is based upon the council's obligations arising from past events, the probability that a transfer of economic benefit or service potential will take place, and a reliable estimate of the obligation.

Provisions are charged to the relevant service line in the Comprehensive Income and Expenditure Statement in the year the obligation becomes known, and reviewed at each balance sheet date.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the council settles the obligation.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Where it becomes less than probable that a provision is required (or a lower settlement than anticipated is made), it is reversed and credited back to the relevant service.

	Dilapidations £m	Insurance Claims £m	Expenses Awards £m	Employee Allowances £m	Asset Decomm. £m	Total £m
Balance 1 April 2018	(0.628)	(4.371)	(0.112)	(0.775)	(3.185)	(9.071)
Additional provisions made	0.000	(4.419)	0.000	(0.574)	(2.676)	(7.669)
Amounts used	0.400	1.585	0.000	0.899	0.000	2.884
Unused amounts reversed	0.228	0.000	0.000	0.000	0.000	0.228
Unwinding of discounting	0.000	(0.028)	0.000	0.000	(0.077)	(0.105)
Balance 31 March 2019	0.000	(7.233)	(0.112)	(0.450)	(5.938)	(13.733)
Short-Term Provisions	0.000	0.000	(0.112)	(0.450)	0.000	(0.562)
Long-Term Provisions	0.000	(7.234)	0.000	0.000	(5.937)	(13.171)
Balance 31 March 2019	0.000	(7.234)	(0.112)	(0.450)	(5.937)	(13.733)

- Dilapidations - all known costs relating to outstanding property dilapidations, fully used in the year.
- Insurance Claims - all known outstanding claims (see also Usable Reserves Note to the accounts).
- Expenses Awards - expected awards against the Council as a result of Planning Committee decisions.
- Employee Allowances - expected costs resulting from Equal Pay Claims.
- Asset Decommissioning - expected landfill site aftercare costs, at Lochhead and Lower Melville Wood to continue to meet obligations when they reach the point of closure.

20. Inventories

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

2017-18				2018-19		
Stores & Raw Materials £m	Equipment Stock £m	Total £m		Stores & Raw Materials £m	Equipment Stock £m	Total £m
3.555	0.257	3.812	Opening Balance 1 April	3.190	0.535	3.725
17.949	1.307	19.256	Purchases	18.112	0.987	19.099
(18.771)	(1.029)	(19.800)	Recognised as an in-year expense	(18.150)	(1.140)	(19.290)
0.457	0.000	0.457	Written off balances	0.245	0.000	0.245
3.190	0.535	3.725	Balance 31 March	3.397	0.382	3.779

21. Financial Instruments

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

31 March 2018		Categories of Financial Instruments in the Balance Sheet	31 March 2019	
Short Term £m	Long Term £m		Short Term £m	Long Term £m
		Investments		
0.000	4.528	Employment Land	0.000	5.509
		Loans and Receivables		
1.147	10.707	Loan Debt - Police and Fire Authorities	0.999	9.708
0.000	14.886	Loan Advances - National Housing Trust (NHT)	0.000	16.247
0.012	0.197	Loan Advances - Soft Loans	0.016	0.199
16.026	0.008	Other Loans and Receivables	18.685	0.000
		Borrowings		
(2.096)	(428.614)	Loans - Public Works Loan Board (PWLb)	(9.799)	(468.815)
(27.000)	(386.100)	Loans - Money Market	(20.500)	(365.600)
(110.000)	0.000	Loans - Temporary Short Term	(101.000)	0.000
(10.534)	0.000	Loan Interest	(10.904)	0.000
(0.068)	(5.176)	Loan Liability - Effective Interest Rate (EIR)	(0.069)	(5.143)
		Other Liabilities		
(4.772)	(100.615)	PPP, NPD and finance lease liabilities	(6.217)	(94.397)
(18.605)	0.000	Trade Creditors (at contract amount)	(21.239)	0.000

Investments

The Council is party to Employment Land investments with Scottish Enterprise which are measured at fair value. Market conditions are such that similar assets are actively purchased and sold, so they are valued at Level 3 in the fair value hierarchy. Valuations are carried out with sufficient regularity to ensure they are carried at fair value and it is estimated that highest and best use of the assets is their current use. Valuation changes are accounted for in Financial Instruments Revaluation Reserve and Comprehensive Income & Expenditure Statement (CI&ES).

Loans and Receivables

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

Interest receivable is based on an effective rate of interest for the instrument and credited annually to the CI&ES. When soft loans are made, interest is credited to the CI&ES at a higher effective rate (representing interest that will be foregone over the life of the loan) with transfers made to the Financial Instruments Adjustment Account to ensure only interest receivable impacts on Council Balances. Gains and losses arising from de-recognition or impairment of loans and receivables are shown as Financing and Investment Income & Expenditure in the CI&ES.

Borrowing

The Council has significant long-term borrowing from the PWLB and Money Market Loans held on the Council's balance sheet at amortised cost rather than fair value. For comparison purposes, fair value has been assessed under Level 2 of the fair value hierarchy using net present value of cash flows expected to take place over the remaining life of the debt to estimate the value of future payments on today's terms (discount rate based on debt with similar characteristics to Council debt with no provision for premature repayment of debt). Fair value of the debt is greater than amortised cost because the Council's portfolio of loans includes fixed rate loans where interest payable is higher than rates available on similar loans in the market at the balance sheet date.

2017-18 £m	PWLB and Money Market Loans at the Balance Sheet date	2018-19 £m
843.810	Carrying Value (amortised cost)	864.714
1,170.283	Fair Value	1,209.729
34.672	Interest on borrowings charged to CI&ES in the year (at amortised cost)	35.563

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

Other Liabilities

These include PPP, NPD & finance lease liabilities (detailed in separate notes to the accounts) and trade creditors.

22. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks; **Liquidity Risk**- possibility that the Council might not have funds available to meet its commitments to make payments; **Re-Financing Risk**- possibility that the Council may have to renew financial instruments on maturity at disadvantageous rates or terms; **Credit Risk**- possibility that other parties might fail to pay amounts due to the Council; **Market Risk**- possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

The Council's treasury management policies operate to minimise the Council's exposure to the unpredictability of the market. The procedures for risk management are set out through a legal framework based on the Local Government in Scotland Act 2003 and associated regulations.

The Council has formally adopted the CIPFA Code of Practice on Treasury Management. A treasury policy statement and treasury management clauses are contained within the Council's financial regulations and there are written policies and procedures covering areas such as interest rate risk, credit risk and investment of surplus cash which are reviewed regularly as required by the Code. A report detailing three year Treasury Management Borrowing & Investment Strategies is approved annually by the Council's Policy and Co-ordination Committee.

In accordance with the Prudential Code for Capital Finance in Local Authorities, the Council sets prudential and treasury indicators for the following three years as part of its annual budget report approved by full Council in February each year. The report includes the setting of Authorised Limit and Operational Boundary (for levels of debt and other long term liabilities), maximum amount of variable rate interest exposure and maximum exposure to the maturity structure of debt. Reports are also submitted annually to Committee providing a mid year update and, after the year end, reporting on the actual performance against Treasury and Prudential indicators in the year.

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 Finance & Corporate Services Directorate address 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.

Maturity Analysis of Financial Liabilities (principal and interest)	PWLB £m	Money Market Loans (incl EIR) £m	Short-Term Loans £m	Total £m	Maturity Profile %
Less than one year	16.116	24.801	101.319	142.236	14.49%
Between one and two years	8.750	15.060	0.000	23.810	2.43%
Between two and five years	78.675	3.342	0.000	82.017	8.35%
Between five and ten years	52.419	1.233	0.000	53.652	5.46%
Ten years or more	328.971	351.144	0.000	680.115	69.27%
Total	484.931	395.580	101.319	981.830	100.00%

All trade and other payables are due to be paid in less

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 the Balance Sheet date.

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, and this figure is included in the accounts as a provision for impairment of bad debts. 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.

Total 2017-18 £m	Analysis of Trade Debtors	Within 3 months £m	3 - 6 months £m	6 - 12 months £m	Beyond 12 months £m	Total 2018-19 £m
15.994	At 31 March	7.063	1.397	2.994	5.168	16.622
19.55%	Historical experience of					19.06%
3.895	Expected maximum exposure					4.334

Market risk

• Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments and any rate changes will have a direct impact on the Comprehensive Income and Expenditure Statement (CI&ES) and General Fund or HRA balances. e.g. an increase in interest rates would increase interest payable on variable borrowings and also increase interest receivable on investments (if rates reduce the reverse would apply). Borrowings are held in the Balance Sheet at amortised cost rather than fair value, so any gains and losses to fair value as a result of a change in interest rates will not have an impact on the Balance Sheet.

2017-18 £m	Impact of 1% increase in interest rate (assuming all other variables are constant)	2018-19 £m
0.685	Increase in Interest Payable	1.150
(0.601)	Increase in Interest Receivable	(0.780)
0.084	Net impact on the CI&ES	0.370
(194.705)	Reduction in Fair Value of Investments	(206.361)

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. Risk is managed within the contracts as they are Lender Option Buyer Option (LOBO) loans where interest rates can only be reviewed on certain anniversary dates. If the Lender wishes to exercise their option to increase the rate on those dates, the Borrower can exercise their option to repay the loan.

• Price Risk and Foreign Exchange Risk

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

23. External Audit Costs

The agreed external audit fee for 2018-19 was £0.513m for work undertaken in accordance with the Code of Audit Practice (2017-18, £0.505m). No other services were provided by Audit Scotland.

24. 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 2019 are shown in the Grant Income Note to these accounts.

Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. During 2018-19 and 2017-18 there were no material works and services that were commissioned from organisations in which any elected member has an interest. Grants totalling £3.560m (2017-18, £5.412m) were awarded to 10 organisations (2017-18, 14) 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_Register\(PUBLIC\)fromFeb2019.pdf](http://publications.fifedirect.org.uk/c64_Register(PUBLIC)fromFeb2019.pdf)

Officers

No grants were awarded to organisations in 2018-19 nor 2017-18 where officers have some representation but members do not.

Local Government Pension Fund

During the 2018-19 financial year the Council charged £1.795m, (2017-18, £1.611m) for support services related to the administration of the Pension Fund. Fife Council paid employers' contributions to the Pension Fund of £67.842m (2017-18, £66.494m) and collected and paid over employees' contributions of £15.601m (2017-18, £15.091m).

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 2018-19 the Council contracted with the Trust to the value of £2.794m (2017-18, £2.603m). At balance sheet date the Council had balances outstanding of £0.204m debtors (2017-18, £0.227m) and £0.035m creditors (2017-18, £0.161m).

- **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 4 board members. In 2018-19 the Council contracted with the Trust to the value of £1.758m (2017-18 £1.635m). At balance sheet date the Council had balances outstanding of £0.099m debtors (2017-18, £0.084m) and £0.060m creditors (2017-18, £0.287m).

- **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 3 board members. In 2018-19 the Council contracted with the Trust to the value of £0.581m (2017-18, £0.585m) in respect of the management of its golf courses. At the balance sheet date the Council had balances outstanding of £0.074m debtors (2017-18, £0.153m) and no creditors (2017-18, £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 2018-19 the Council contracted with the Trust to the value of £8.514m in respect of the management of its arts, theatre, library and museum facilities (2017-18, £7.961m). At the balance sheet date the council had outstanding balances of £0.028m debtors (2017-18, £0.196m) and £0.089m creditors (2017-18, £0.126m).

- **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 2018-19 the Council contracted with the company to the value of £20.474m (2017-18, £20.668m). At the balance sheet date the Council had outstanding balances of £0.402m debtors (2017-18, £0.405m) and £0.475m creditors (2017-18 re-stated, £0.732m).

- **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 2018-19 the Council contracted with the company to the value of £0.042m (2017-18, £0.314m) in respect of industrial waste disposal services. At the balance sheet date the council had outstanding balances of £2.915m debtors (2017-18, £3.812m) and no creditors (2017-18, £0.000m).

- **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 2018-19, Fife Council provided £0.153m (2017-18, £0.166m) of operational funding and funding for financial assistance to small businesses delivered through Business Gateway Fife. In 2018-19 £1.077m was contributed to the Business Gateway National contract (2017-18, £1.318m). At balance sheet date the council had outstanding balances of no debtors (2017-18, £0.000m) and £0.403m creditors (2017-18 £0.249m).

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 5 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 2018-19 amounted to £148.666m (2017-18, £145.134m) and income received of £207.797m (2017-18, £197.580m).

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 £0.046m (2017-18 £0.048m) in terms of requisitions during 2018-19.

• 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 2018-19 Fife Council contributed £0.148m (2017-18 £0.237m).

• 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 2018-19 Fife Council contributed £0.010m (2017-18, £0.044m). In addition, the reserves generated by SESPlan at the year-end are held by Fife Council on SESPlan's behalf. At 31 March 2019, this amounted to £0.178m (£0.198m at 31 March 2018).

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 2018-19 Fife Council did not require to contribute to TAYplan (2017-18, £0.046m).

• 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 2018-19 the Council contracted with the organisation to the value of 0.119m (2017-18, £0.099m). The Board have made the decision to close in March

Other related parties:

• RWE Markinch

Fife Council has entered a joint operation with RWE Markinch, along with a grant contribution from Scottish Government, to provide secure, sustainable, low carbon heat supply to a mix of industrial, commercial, community and domestic properties in the centre of Glenrothes. Fife Council contribute £1.779m, RWE Markinch contribute £13.573m and Scottish Government provide a grant of £8.559m.

• 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 2018-19 Fife Council contributed requisitions of £0.213m (2017-18, £0.213m).

• 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.

25. Pensions Schemes Accounted for as Defined Contribution Schemes

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

2017-18 £m	Teachers' Retirement Benefits	2018-19 £m
22.961	Amounts due to Scottish Public Pensions Agency for Teachers' Pensions	23.909
16.99%	% of pensionable pay	16.91%
4.452	Early Retirement Benefits outside the terms of the Teachers' Scheme	4.481

26. Defined Benefit Retirement Schemes

This note represents Fife Council's defined benefit retirement scheme only. The subsidiaries consolidated in the group accounts have defined benefit retirement scheme liabilities of (£141.555m) and assets of £127.129m resulting in a deficit (£14.426m).

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, in accordance with accounting regulations, the amount to be funded by Council Tax or HRA rents is based on benefits payable in the year, so an adjustment is made to General Fund/HRA balances in the Movement in Reserves Statement.

2017-18 £m		2018-19 £m
	Comprehensive Income and Expenditure Statement (CI&ES)	
	Cost of Services:-	
95.880	Current Service Cost	100.807
7.118	Past service costs (incl. Curtailments)	19.459
	Financing and Investment Income and Expenditure:-	
80.080	Interest cost	74.398
(52.700)	Interest Income on plan assets	(56.844)
130.378	Total charged to the (Surplus) or Deficit on the Provision of Services	137.820
(468.129)	Total remeasurements recognised in Other Expenditure in the CI&ES	130.331
(337.751)	Total Post Employment Benefit charged to the CI&ES	268.151
	Movement in Reserves Statement	
(130.378)	Reversal of charges to the CI&ES in accordance with accounting regulations	(137.820)
	Amounts charged for pensions in the year against General Fund/HRA Balances:-	
65.988	Employers' contributions payable to scheme	67.103
7.464	Contributions in respect of unfunded benefits	7.497

Assets and liabilities in relation to post employment benefits

2017-18 (Restated) £m	Reconciliation of present value of the scheme liabilities (defined benefit obligation) :-	2018-19 £m
(3,058.916)	Balance at 1 April	(2,725.833)
(95.880)	Current service cost	(100.807)
(80.080)	Interest cost	(74.398)
(15.078)	Contributions by plan participants	(15.643)
	Remeasurements:-	
29.351	Change in Demographic Assumptions	0.000
123.980	Change in Financial Assumptions	(224.825)
306.539	Other Experience	(3.445)
63.905	Benefits paid	64.887
7.464	Unfunded Benefits Paid	7.497
(7.118)	Past service costs (incl. Curtailments)	(19.459)
(2,725.833)	Balance at 31 March	(3,092.026)
	Reconciliation of fair value of the scheme (plan) assets:-	
2,019.791	Balance at 1 April	2,097.911
52.700	Interest Income on Plan Assets	56.844
8.259	Return on assets excluding amounts included in net interest *	97.939
65.988	Employer contributions	67.103
15.078	Contributions by plan participants	15.643
(63.905)	Benefits paid	(64.887)
7.464	Contributions in respect of unfunded benefits	7.497
(7.464)	Unfunded benefits paid	(7.497)
2,097.911	Balance at 31 March	2,270.553

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 at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates experienced in the respective markets. Fair value of assets is shown below at bid values (as required by IAS19):-

31 March 2018					31 March 2019			
Prices Quoted in Active Markets £m	Prices not Quoted in Active Markets £m	Total £m	%		Prices Quoted in Active Markets £m	Prices not Quoted in Active Markets £m	Total £m	%
520.917	0.000	520.917	25%	Equity Securities	531.399	0.000	531.399	24%
				Debt Securities				
0.000	58.053	58.053	3%	• Corporate Bonds	0.000	66.609	66.609	3%
0.000	158.187	158.187	8%	• UK Government	0.000	164.848	164.848	7%
0.000	0.577	0.577	0%	• Other	0.000	0.591	0.591	0%
				Real Estate				
168.175	6.562	174.737	8%	• UK Property	192.051	6.615	198.666	9%
0.000	0.000	0.000	0%	• Overseas Property	0.000	0.000	0.000	0%
				Investment Funds & Unit Trusts				
943.917	0.000	943.917	45%	• Equities	1,041.637	0.000	1,041.637	46%
71.386	0.000	71.386	3%	• Bonds	77.070	0.000	77.070	3%
2.302	0.000	2.302	0%	• Commodities	2.759	0.000	2.759	0%
0.000	33.725	33.725	2%	• Infrastructure	0.000	48.686	48.686	2%
2.441	0.000	2.441	0%	• Other	2.703	0.000	2.703	0%
0.017	0.000	0.017	0%	Derivatives	(0.171)	0.000	(0.171)	0%
131.652	0.000	131.652	6%	Cash & Cash Equivalents	135.756	0.000	135.756	6%
1,840.807	257.104	2,097.911	100%	TOTAL	1,983.204	287.349	2,270.553	100%

Scheme History

	2014-15 £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m
Present value of liabilities:-					
Funded Liabilities	(2,360.832)	(2,221.980)	(2,920.432)	(2,583.086)	(2,944.411)
Unfunded Liabilities	(140.200)	(127.306)	(138.484)	(142.747)	(147.615)
Fair value of assets in the Local Government Pension Scheme	1,638.669	1,648.617	2,019.791	2,097.911	2,270.553
Total Surplus/(Deficit)	(862.363)	(700.669)	(1,039.125)	(627.922)	(821.473)
Surplus/(deficit) in the scheme:-					
Funded Scheme	(722.163)	(573.363)	(900.641)	(485.175)	(673.858)
Unfunded Scheme	(140.200)	(127.306)	(138.484)	(142.747)	(147.615)
Total Surplus/(Deficit)	(862.363)	(700.669)	(1,039.125)	(627.922)	(821.473)

The contribution expected to be made to the funded scheme in the year to 31 March 2020 is £64.914m.

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:-

2017-18		2018-19
	Mortality assumptions:-	
	Longevity at 65 for current pensioners:-	
21.2	Men	21.2
23.8	Women	23.8
	Longevity at 65 for future pensioners:-	
22.6	Men	22.6
25.8	Women	25.8
	Financial Assumptions	
2.90%	Rate of increase in salaries	3.00%
2.40%	Rate of increase in pensions	2.50%
2.70%	Rate for discounting scheme liabilities	2.40%
	Commutation	
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% maximum additional tax-free cash up to HM Revenue & Customs limits for pre-April 2009 service and 75% maximum tax-free cash for post-April 2009 service.

27. Fife 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

28. Contingent Assets and Liabilities

A contingent asset or liability arises where an event has taken place that gives the council a possible asset or obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within 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 2019 the Council has no contingent assets but has the following contingent liabilities: -

- The Council has developed a strategy for Workforce Change which would result in an FTE staff reduction of approximately 2,500 at an estimated cost of £81.000m over the 13 year period (2010-11 to 2022-23). Included in the 2018-19 accounts are costs totalling £5.248m for approximately 111 staff. There is significant uncertainty over the extent of employee reductions required over the next 4 years although it is estimated at approximately £26.000m for under 800 staff and no provision has been made for this contingency.
- The Scottish Child Abuse Inquiry was set up in October 2015 to examine the abuse of children in care from the 1930's to the present day. Fife Council have 3 establishments which are included in the list of Institutions being investigated. Fife Council have already received claims for £1.147m, however there is potential for more claims as the time bar has been removed for cases where the abuse occurred post September 1964. 2019 will bring the introduction of Qualified One-Way Cost Shifting (QOCS) which will remove the risk of the claimant having to pay defenders expenses if unsuccessful and therefore this will further open the possibility of new cases or re-submissions of those which were rejected due to the time bar. It is not possible to determine the exact timing or value of any future claims.

29. 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 was two post balance sheet events which requires disclosure. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

- The McCloud judgement and GMP Equalisation have impacted Fife Council and its Group. Pension liabilities have been adjusted by £21.638m.

McCloud judgement - The LGPS benefit structure was reformed in 2015 and transitional protections were applied to certain older members close to retirement age to ensure that members do not lose out from the introduction of the new scheme. A ruling in December 2018 at the Court of Appeal found that these protections were unlawful on the grounds of age discrimination. The UK Government requested leave to appeal to the Supreme Court which was refused. The Statement of Accounts for Fife Council and its Group have been adjusted to reflect the revised potential pension liabilities as a result of the ruling.

GMP - A High Court ruling stated that UK defined benefit pension schemes must compensate members for differences attributable to guaranteed minimum pensions (GMP). GMP represents the minimum pension an occupational pension scheme must provide a scheme member as an alternative to the State Earnings Related Pension Scheme (SERPS). GMPs are unequal due to a number of factors, including differing retirement ages and female GMPs accruing at a higher rate. What members of the scheme receive in total from LGPS and the State is what counts and whether this leads to inequality. GMP therefore has to be equalised and indexed in the LGPS. The impact on liability values will depend on how many members reach State Pension Age after 2016 who have GMP benefits. The current solution is for the LGPS fund to pay for both initial pension and all increases. The interim solution has been extended until April 2021.

- Woodmill High School

A fire in August 2019 has resulted in significant damage to building and contents, along with business interruption costs. A policy excess of £0.250m will apply. The Statement of Accounts have not been adjusted.

30. 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.

- Defined Benefit Retirement Scheme - Analysis of Asset Values was updated after changes to IAS19, however Reconciliation of fair value of scheme assets was not updated in line with this change, now re-stated by £49.750m.
- Cashflow - 2017-18 has been restated for Net Surplus or (deficit) on the provision of services and Increase/ (Decrease) in Creditors for PEF carryforward by £4.013m.
- Non-domestic Rates amendment for Bris - Restatement for 2017-18 increase to income relating to prior years by £1.784m.
- Group accounts amendment for IAS19 – Restatement for 2017-18 due to late entries from the subsidiaries by £2.469m.
- Analysis of Income and Expenditure by Segment/Nature - Restatement for 2017-18 to match the CI&ES.

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.

2017-18 £m		2018-19 £m
	Income	
(105.427)	Dwelling Rents	(110.949)
1.194	Rent Voids	1.084
(3.386)	Non-dwelling Rents	(3.493)
(2.017)	Hostels - Accommodation Charges	(2.118)
(1.972)	Other Income	(2.155)
(111.608)	Total Income	(117.631)
	Expenditure	
39.124	Repairs and Maintenance	39.912
20.271	Supervision and Management	20.372
0.113	Rents, rates, taxes and other charges	0.159
39.814	Depreciation, impairment and revaluation losses of non-current assets	33.538
2.510	Impairment of Debtors	2.813
1.635	Other Expenditure	1.384
0.000	Contributions to Fife Council Balances	0.000
103.467	Total Expenditure	98.178
(8.141)	Net Expenditure or (Income) of HRA Services as included in the Comprehensive Income and Expenditure Statement	(19.453)
0.086	Share of Corporate and Democratic Core	0.082
0.121	HRA share of other amounts included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services	0.063
(7.934)	Net (Income) or Expenditure for HRA Services	(19.308)
	HRA Share of operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement	
(1.113)	(Gain) or Loss on sale of HRA Non Current Assets	(0.181)
11.020	Interest Payable and Similar Charges	12.119
(0.119)	Interest and Investment Income	(0.222)
0.000	Interest on the net defined benefit liability	0.000
0.884	- Pension Interest Cost and Expected Return on Pension Assets	0.576
0.000	- Change in Fair Value of Investment Properties	0.000
0.884	Interest on the net defined benefit liability	0.576
(2.405)	Capital Grants and Contributions Receivable	(10.580)
0.333	(Surplus) or Deficit for the Year on HRA Services	(17.596)

Movement on the Housing Revenue Account Statement

2017-18 £m		2018-19 £m
0.333	(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement	(17.596)
(0.333)	Adjustments between Accounting and Funding Basis Under Statute (note 1)	17.096
0.000	Net (Increase) or Decrease In Year on HRA	(0.500)
(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	(2.506)

Housing Revenue Account Disclosures

1. Adjustments between Accounting Basis and Funding Basis under Statute

2017-18 £m		2018-19 £m
1.113	Gain or (loss) on sale of HRA non-current assets	0.181
27.980	Capital expenditure funded by the HRA	30.608
0.000	For transfer to Reserves	0.000
	Transfer to/(from) the Capital Adjustment Account:-	
(39.814)	Depreciation and Impairment	(33.537)
2.405	Capital Grants and Contributions	10.580
9.166	Repayment of Debt	10.300
(1.850)	HRA share of contributions to/(from) the Pensions Reserve	(1.681)
0.688	HRA Share of Transfer (to)/from Financial Instruments Adjustment Account	0.731
(0.021)	HRA adjustment for compensated absences	(0.086)
(0.333)		17.096

2. Housing Stock

The Council's housing stock at 31 March 2019 was 30,275 (31 March 2018, 30,261) in the following categories:

31 March 2018 Number	Number of Bedrooms	31 March 2019 Number
272	0	269
7,393	1	7,394
14,324	2	14,326
7,213	3	7,220
1,059	4 - 8	1,066
30,261		30,275

3. Rent Arrears

31 March 2018 £m		31 March 2019 £m
6.475	Current Tenants	7.175
1.319	Former Tenants	1.800
0.115	Temporary Accommodation	0.132
7.909		9.107

4. Impairment of Debtors

A provision of £7.141m (78.4%), including £0.054m for temporary accommodation, (2017-18, £6.081m, 76.9%) has been made in respect of uncollectable debts.

5. Weekly Rents

The average weekly house rent (52 week basis) for 2018-19 was £70.49 (2017-18, £67.28). 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 2019 was £351.735m (31 March 2018, £333.657m). 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.

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.

2017-18 Restate £m		2018-19 £m
(208.119)	Gross Rates Levied & Contributions in Lieu	(213.438)
36.752	Reliefs & Other Deductions	39.504
0.001	Payment of Interest	0.000
0.961	Debts Written Off and Allowance for Impairment	1.023
(170.405)	Net Non-Domestic Rate Income	(172.911)
9.871	Adjustment to previous years National Non-Domestic Rates	6.624
1.784	Non-Domestic Rate Income retained by Fife Council (Business Rates Incentivisation Scheme)	0.000
(158.750)	Contribution to Non-Domestic Rate Pool	(166.287)
(170.998)	Distribution from Non-Domestic Rate Pool	(154.138)
(170.998)	Non-Domestic Rate Income to the CI&ES	(154.138)

Analysis of Rateable Values at 1 April 2019:-	Number of Subjects	Total £m	%
Type of Subject			
Shops	3,342	84.911	19.85
Public Houses	248	5.756	1.38
Offices (including banks)	2,379	27.981	6.55
Hotels, Boarding Houses etc	180	10.092	1.74
Industrial and Freight Transport Subjects	3,329	80.207	18.75
Leisure, Entertainment, Caravans and Holiday sites	1,090	13.814	3.26
Garages and Petrol Stations	190	2.141	0.53
Education and Training	222	32.623	7.65
Public Service Subjects	510	19.961	4.69
Communications (Non Formula)	26	3.548	0.86
Quarries, Mines etc.	33	1.269	0.33
Petrochemical	14	15.139	3.57
Religious	332	4.043	0.98
Health/Medical	67	8.910	2.11
Care Facilities	326	10.240	2.42
Undertaking (including Scottish Water)	52	96.524	22.56
Cultural	72	1.778	0.45
Sporting Subjects	589	1.056	0.28
Advertising	55	0.271	0.10
Other	1,369	8.183	1.94
Total all Non-Domestic Subjects	14,425	428.447	100%

Explanatory Note

Non-Domestic Rates is a tax on the occupation of non-domestic land and property which is entered in the Valuation Roll. The amount levied is calculated by multiplying the Rateable Value by the Rate Poundage, which is prescribed by Scottish Government. For 2018-19 this rate was 48p (2017-18, 46.60p) which is uniform throughout Scotland. A rate poundage of 50.60p (2017-18, 49.20p) 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.

2017-18 £m		2018-19 £m
	Gross Tax Levied:-	
(199.018)	Council Tax	(206.732)
(0.170)	Council Tax - Prior Year Income	(0.273)
(0.573)	Contributions in lieu	(0.558)
(199.761)		(207.563)
	Deductions:-	
20.220	Council Tax Reduction	20.704
25.992	Discount and Exemptions	26.572
3.174	Debts Written Off and Allowance for Impairment	3.287
0.536	Prior Years Adjustments	0.699
49.922		51.262
(149.839)	Council Tax Income to CI&ES	(156.301)

Charges Levied:-

2017-18 £	Valuation Band	Band	Weighting	2018-19 £
767.69	A	Up to - 27,000	240/360	790.73
895.64	B	27,001 - 35,000	280/360	922.51
1,023.59	C	35,001 - 45,000	320/360	1,054.30
1,151.54	D	45,001 - 58,000	360/360	1,186.09
1,513.00	E	58,001 - 80,000	473/360	1,558.39
1,871.25	F	80,001 - 106,000	585/360	1,927.40
2,255.10	G	106,001 - 212,000	705/360	2,322.76
2,821.27	H	Over 212,000	882/360	2,905.92

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 2019 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 148,496 Band D equivalent properties (201-18, 147,340).

	Disabled Relief Band A	Band			
		A	B	C	D
Dwellings on the valuation list		40,401	48,587	23,239	20,962
Exempt dwellings		(2,264)	(1,870)	(1,061)	(911)
Dwellings subject to disabled reduction		(66)	(215)	(139)	(127)
Dwellings subject to council tax at this band due to disabled relief	66	215	139	127	208
Dwellings entitled to a 10% discount	0	(25)	(19)	(10)	(10)
Dwellings entitled to a single discount	(8)	(5,896)	(4,870)	(2,164)	(1,557)
Dwellings entitled to a 50% discount	0	(128)	(115)	(50)	(42)
Dwellings after discounts, exemptions and disabled relief	58	32,237	41,637	19,942	18,523
Ratio to Band D	5/9	240/360	280/360	320/360	360/360
Band D equivalent properties	32	21,491	32,384	17,726	18,523
Provision for non-payment 2.10% (2017-18, 2.10%)	1	451	680	372	389
Band D equivalent properties	31	21,040	31,704	17,354	18,134

	Band				Total Bands A - H
	E	F	G	H	
Dwellings on the valuation list	23,673	13,734	6,593	513	177,702
Exempt dwellings	(848)	(439)	(204)	(89)	(7,686)
Dwellings subject to disabled reduction	(208)	(128)	(53)	(3)	(939)
Dwellings subject to council tax at this band due to disabled relief	128	53	3	0	939
Dwellings entitled to a 10% discount	(7)	(4)	(3)	0	(78)
Dwellings entitled to a single discount	(1,333)	(567)	(240)	(12)	(16,647)
Dwellings entitled to a 50% discount	(29)	(22)	(9)	(1)	(396)
Dwellings after discounts, exemptions and disabled relief	21,376	12,627	6,087	408	152,895
Ratio to Band D	473/360	585/360	705/360	882/360	
Band D equivalent properties	28,086	20,519	11,920	1,000	151,681
Provision for non-payment 2.10% (2017-18, 2.10%)	590	431	250	21	3,185
Band D equivalent properties	27,496	20,088	11,670	979	148,496

Introduction

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

History and Background

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

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

Financial Statements

The CI&ES records the income generated from rents, interest, investment income and any profit from sale of assets. Expenditure represents the costs incurred in relation to the Common Good fund, such as repairs and maintenance, depreciation and disbursements. In 2018-19, the CI&ES shows a surplus of £0.279m (2017-18, surplus £0.452m). The main reason for the surplus is the revaluation of Cellardyke Town Hall £0.542m. The Common Good balances are £8.518m at 31 March 2019 (2017-18 £8.239).

Common Good Movement in Reserves Balance

	Useable Reserve £m	Unusable Reserve £m	Total Reserves £m
Opening Balance 1 April 2017	(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 Income & Expenditure	(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)
<u>Movement in Reserves during 2018-19</u>			
(Surplus) or deficit on provision of services	0.143	0.000	0.143
Other Comprehensive Expenditure and Income	0.000	(0.422)	(0.422)
Total Comprehensive Income & Expenditure	0.143	(0.422)	(0.279)
Adjustments between accounting & funding basis under regulations	(0.455)	0.455	0.000
(Increase)/Decrease in Year	(0.312)	0.033	(0.279)
Balance at 31 March 2019 carried forward	(5.051)	(3.467)	(8.518)

Common Good Comprehensive Income and Expenditure Statement

2017-18 £m		2018-19 £m
	Expenditure	
0.058	Property Costs	0.175
0.292	Donations	(0.142)
0.111	Depreciation and Revaluations	0.502
0.028	Other Expenditure	0.035
0.489	Total Expenditure	0.570
	Income	
(0.177)	Interest on investments	(0.171)
(0.268)	Rents	(0.277)
0.000	Other Income	(0.139)
(0.445)	Total Income	(0.587)
0.000	Other Operating Expenditure	0.000
0.129	(Gain)/ Loss on Revaluation of Investment Fund	0.207
(0.493)	Capital Grant Received	(0.047)
(0.320)	(Surplus)/Deficit for year	0.143
(0.132)	Other Comprehensive Expenditure & Income	(0.422)
(0.452)	Total Comprehensive Expenditure & Income	(0.279)

Common Good Balance Sheet

2017-18 £m		Notes	2018-19 £m
3.500	Heritable Property		3.466
4.095	Investments		3.888
7.595	Long Term Assets		7.354
0.899	Advances to Loans Fund		1.076
0.040	Sundry Debtors		0.046
0.939	Current Assets		1.122
(0.295)	Sundry Creditors		0.042
(0.295)	Current Liabilities		0.042
8.239	Net Assets/(Liabilities)		8.518
	Financed by:	1	
(4.739)	Usable Reserves		(5.051)
(3.500)	Unusable Reserves	2	(3.467)
(8.239)	Total Reserves		(8.518)

The unaudited accounts were issued on 28 June 2019 and the audited accounts were authorised for issue on the 27 September 2019.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services
27 September 2019

Notes to Common Good Accounts

1. Breakdown of Balances

Useable Reserves £m	2017-18 Unusable Reserves £m	Total £m		Useable Reserves £m	2018-19 Unusable Reserves £m	Total £m
0.082	0.351	0.433	Anstruther	0.098	0.893	0.991
0.000	0.000	0.000	Auchtermuchty	0.000	0.000	0.000
0.002	0.000	0.002	Buckhaven & Methil	0.002	0.000	0.002
0.253	0.240	0.493	Burntisland	0.325	0.140	0.465
0.000	0.000	0.000	Cowdenbeath	0.000	0.000	0.000
0.696	0.585	1.281	Crail	0.727	0.585	1.312
0.196	0.641	0.837	Cupar	0.198	0.195	0.393
0.094	0.000	0.094	Elie & Earlsferry	0.094	0.000	0.094
0.015	0.021	0.036	Falkland	0.016	0.021	0.037
0.551	0.039	0.590	Kinghorn	0.543	0.038	0.581
0.391	0.026	0.417	Kirkcaldy	0.393	0.026	0.419
0.255	0.050	0.305	Leslie	0.257	0.050	0.307
0.278	0.185	0.463	Leven	0.276	0.177	0.453
0.061	0.000	0.061	Lochgelly	0.061	0.000	0.061
0.181	0.000	0.181	Markinch	0.184	0.000	0.184
(0.028)	0.000	(0.028)	Newburgh	(0.028)	0.000	(0.028)
0.000	0.000	0.000	Newport-on-Tay	0.000	0.000	0.000
0.219	0.029	0.248	Pittenweem	0.202	0.029	0.231
0.559	0.661	1.220	St Andrews	0.741	0.646	1.387
0.441	0.375	0.816	St Monans	0.460	0.375	0.835
0.001	0.000	0.001	Tayport	0.001	0.000	0.001
0.492	0.297	0.789	West Fife	0.501	0.292	0.793
4.739	3.500	8.239	Total	5.051	3.467	8.518

2. Unusable Reserves

2017-18 £m	Capital Adjustment Account	2018-19 £m
(1.308)	Balance at 1 April	(1.727)
	Reversal of items relating to capital expenditure charged to the CI&ES:-	
0.057	Depreciation and impairment of non-current assets	0.056
0.054	Revaluation losses/(gains) on non-current assets	0.446
(0.037)	Adjusting amounts written out of the Revaluation Reserve	(0.038)
	Capital financing applied in the year:-	
(0.493)	Capital grants & contributions applied to finance capital expenditure	(0.047)
(1.727)	Balance as at 31 March	(1.310)

2017-18 £m	Revaluation Reserve	2018-19 £m
(1.678)	Balance at 1 April	(1.773)
	Revaluation of non-current assets not posted to (Surplus)/Deficit for the year:-	
(0.378)	Upward revaluation of assets	(0.589)
0.246	Downward revaluation of assets	0.167
(0.132)		(0.422)
0.037	Amounts written out to the Capital Adjustment Account	0.038
(1.773)	Balance as at 31 March	(2.157)

Introduction

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

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

History and Background

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

Financial Statements

The CI&ES records income generated and any profit from sale of assets. Expenditure represents costs incurred in relation to disbursements from the various Charities and Trust funds in accordance with individual trust conditions. In 2018-19, the CI&ES shows a deficit of £0.287m (2017-18, deficit £0.174m). The main reason for which is a decrease in the market value of investments.

2017-18 Total £m	Summary of balances held at 31st March	Other Trust Funds £m	Registered Charities £m	2018-19 Total £m
(2.300)	Fife Educational Trust	0.000	(2.142)	(2.142)
(0.067)	Community Funds	(0.060)	0.000	(0.060)
(2.915)	Other Trusts/Charities	(1.195)	(1.598)	(2.793)
(5.282)		(1.255)	(3.740)	(4.995)

Charities and Trust Funds Movement in Reserves Statement

	Useable Reserve £m	Unusable Reserve £m	Total Reserves £m
Opening Balance 1 April 2017	(5.406)	(0.050)	(5.456)
Movement in Reserves during 2017-18			
(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 Income & Expenditure	0.129	0.045	0.174
Balance at 31 March 2018 carried forward	(5.277)	(0.005)	(5.282)
Movement in Reserves during 2018-19			
(Surplus) or deficit on provision of services	0.287	0.000	0.287
Other Comprehensive Expenditure and Income	0.000	0.000	0.000
Total Comprehensive Income & Expenditure	0.287	0.000	0.287
Balance at 31 March 2019 carried forward	(4.990)	(0.005)	(4.995)

Charities and Trust Funds Comprehensive Income and Expenditure Statement

2017-18 Total £m		Other Trust Funds £m	2018-19 Registered Charities £m	Total £m
	Expenditure			
0.079	Disbursements	0.072	0.042	0.114
0.060	Other Expenditure	0.013	0.068	0.081
0.139	Total Expenditure	0.085	0.110	0.195
	Income			
(0.162)	Interest on investments	(0.039)	(0.126)	(0.165)
0.000	Other Income	0.000	0.000	0.000
(0.162)	Total Income	(0.039)	(0.126)	(0.165)
0.152	Financing and Investment Income and Expenditure	0.035	0.222	0.257
0.129	(Surplus)/Deficit for year	0.081	0.206	0.287
0.045	Asset revaluations recognised in Revaluation Reserve	0.000	0.000	0.000
0.045	Other Comprehensive Expenditure & Income	0.000	0.000	0.000
0.174	Total Comprehensive Income and Expenditure	0.081	0.206	0.287

Charities and Trust Funds Balance Sheet

2017-18 Total £m		Other Trusts £m	2018-19 Registered Charities £m	Total £m
0.005	Heritable Property	0.000	0.005	0.005
3.825	Investments	0.827	2.743	3.570
3.830	Long Term Assets	0.827	2.748	3.575
1.419	Advances to Loans Fund	0.421	0.966	1.387
0.033	Sundry Debtors	0.007	0.026	0.033
1.452	Current Assets	0.428	0.992	1.420
0.000	Sundry Creditors	0.000	0.000	0.000
0.000	Current Liabilities	0.000	0.000	0.000
5.282	Net Assets/(Liabilities)	1.255	3.740	4.995
	Financed by:			
(5.277)	Usable Reserves	(1.255)	(3.735)	(4.990)
(0.005)	Unusable Reserve - Revaluation Reserve	0.000	(0.005)	(0.005)
(5.282)	Total Reserves	(1.255)	(3.740)	(4.995)

The unaudited accounts were issued on 28 June 2019 and the audited accounts were authorised for issue on the 27 September 2019.

Eileen Rowand MBA CPFA
Executive Director Finance and Corporate Services
27 September 2019

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

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 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the council and group Expenditure and Funding Analysis, Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash-Flow Statement, 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 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the council and its group as at 31 March 2019 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 2018/19 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)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. 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 was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is three years. 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. Non-audit services prohibited by the Ethical Standard were not provided to the council. 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.
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Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

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 obtain 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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/our] 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.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

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, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Brian Howarth ACMA CGMA
Audit Director
Audit Scotland
4th Floor, The Athenaeum Building
8 Nelson Mandela Place,
Glasgow, G2 1BT

30 September 2019

