



# Annual Accounts 2019-20





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## 1. Introduction

Welcome to the financial statements for Fife Council and its group for the year ended 31 March 2020. The statements have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. This commentary outlines the key messages regarding the performance of the Council over the 2019-20 financial year as well as providing an indication of risks and issues which may impact upon the Council in the future.

### Coronavirus (COVID-19)

The first few months of 2020 saw the outbreak of a global pandemic, coronavirus (COVID-19) which resulted in both the UK and Scottish Governments imposing restrictions through guidance and law on the movement of people with full effect from 23 March 2020. In response to the Government restrictions, the Council closed all offices to the public, the workforce was enabled to work from home where possible and schools and other facilities were closed.

The Council operated in emergency mode responding to COVID-19 by working with our partners to mitigate the impact and help protect vulnerable people in Communities. The Council has adapted its services and ways of working to continue to provide essential services under challenging circumstances including setting up and provision of Children's Activity Centres, Community Helpline, Food resilience arrangements and Welfare Support.

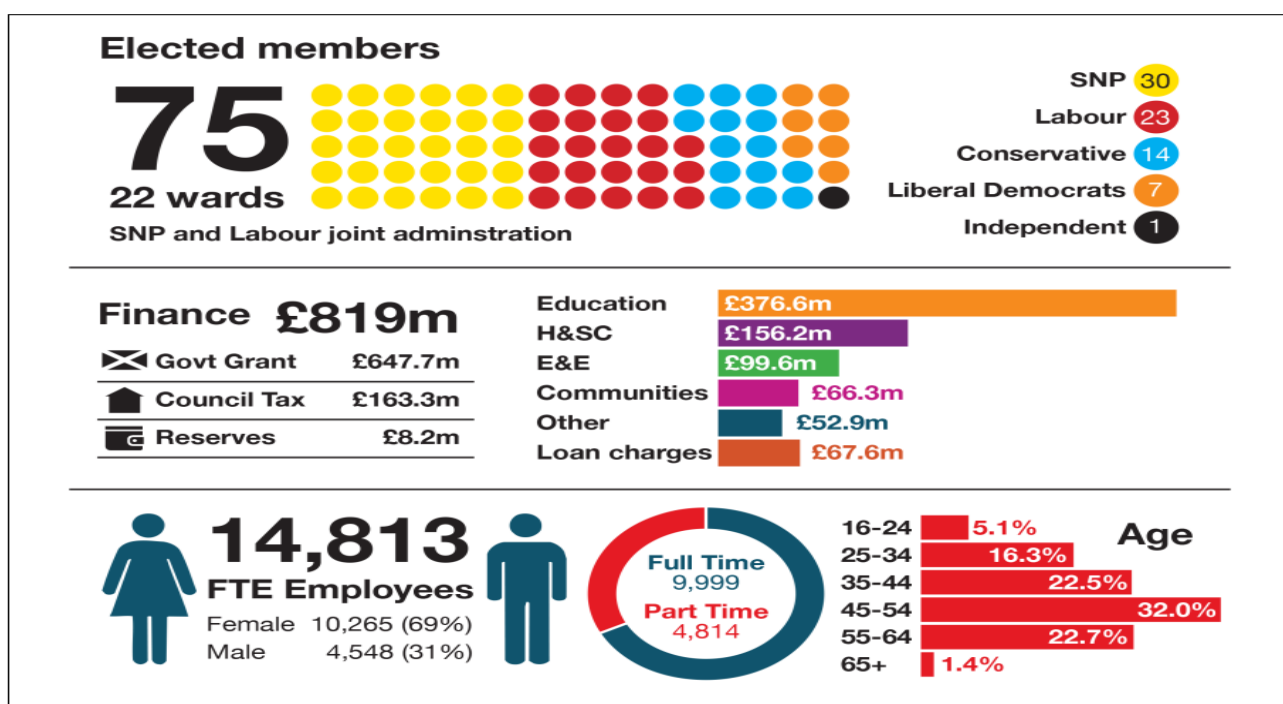
The impact of the COVID-19 outbreak was considered by CIPFA-LASAAC Code Board in respect of any adjustments to the Code and it was concluded that full application of the Code for 2019-20 would apply.

Scottish Ministers have advised that under the provisions made in The Coronavirus (Scotland) Act 2020 each authority may determine its date of publishing the audited Annual Accounts up to 30 November 2020 – an extension of 2 months. The Council determined that it would continue to work to the previously planned timetable for completion of draft accounts and to the revised timescales for completion of the audit process and publishing of Annual Accounts.

Although relevant to 2019-20, the financial implications of COVID-19 are not significant in this financial year, they are more pertinent in 2020-21 due to the timing of the "lockdown arrangements".

## 2. Profile of Fife Council

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



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

## DIRECTORATES



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

The Council has a number of Arms' Length subsidiary organisations who provide services on behalf of Fife Council – Fife Cultural Trust, Fife Sports and Leisure Trust, Fife Golf Trust, Fife Coast and Countryside Trust and Fife Resource Solutions. Section 4 contains more details 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 4 Fife”, which was published in November 2017. The four priority themes and 12 ambitions are;

## Ambitions for Fife



The Plan for Fife is supported by Local Community Plans developed in each of the 7 areas of Fife. These have been approved in early 2018. The full Plan for Fife can be viewed via the following link:

<https://www.fife.gov.uk/kb/docs/articles/about-your-council2/council-performance/a-new-plan-for-fife>

## **Capital Strategy**

The Council 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 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 the 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 report and recommendations were accepted. The report was considered by the Council in June 2018 and actions continue to be progressed and implemented.

## **4. Finance and Performance**

### **Performance Reporting**

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

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

The following sections provide commentary on the single entity that is Fife Council, details of Group information are provided on page 10.

### **General Fund**

The budget for 2019-20 was approved by the Council on 21st February 2019. 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 overall position for the General Fund is an underspend of £3.341m against budget. This equates to 0.41% of Budget. Earlier in the financial year, the Council forecast a significant overspend position. All Services were instructed to take corrective action to mitigate against this and contain expenditure where possible. Doing so improved the outturn position to that now reported in these financial statements.

However, there is an overspend of £8.015m against budget within Service Expenditure which is offset by underspends of £8.077m in Contingencies and £3.267m in loan charges, and an over recovery of £0.012m in income.

Education and Children's Services reported an overspend of £5.354m. Within Education and Children's Services there was an overspend of £10.347m on Children and Families due to a continuing demand for purchased placements. A new strategy has been developed for this service area and the number of purchase placements reduced significantly at the year end as a consequence of work related to COVID-19. This was partially offset by an underspend of £1.713m in Devolved Education as a result of vacant teaching posts and an underspend of £3.280m in Non-Devolved Education due to the timing of recruiting additional Early Years Officers and the timing of additional funding being received late in the year.

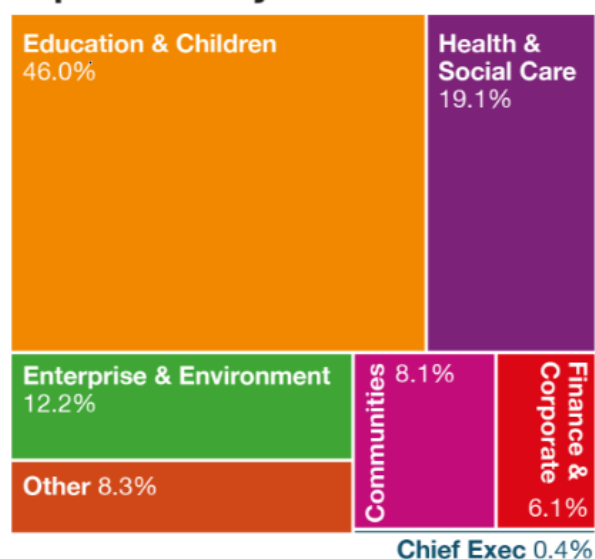
Health and Social Care reported an overspend of £1.781m as the number of adult placements increased, due to increased demand and complexity of support arrangements. The outturn position for the IJB partnership was an overspend of £6.639m, the Council share of this was £1.858m after having received risk share income of £8.830m from NHS Fife. However, this reduces to £1.781m when underspends on non-IJB items are included.

Communities reported an overspend of £0.917m, mainly due to unachieved or delayed savings.

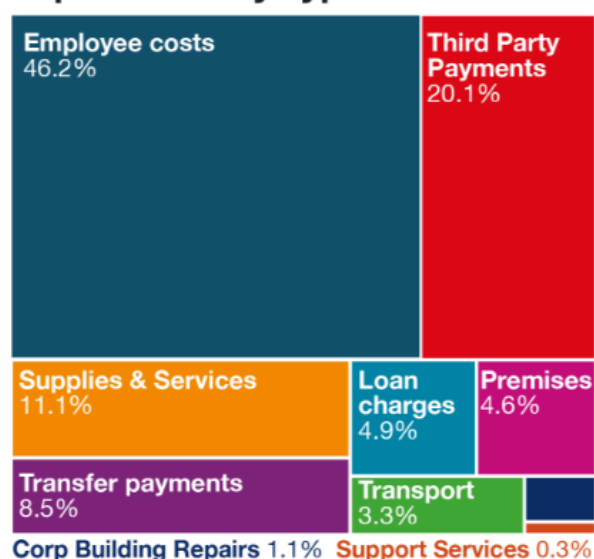


The Total Revenue Expenditure for 2019-20 was £819.238m and is categorised by Directorate and Type as follows:-

### Expenditure by Directorate



### Expenditure by Type



The revenue outturn position reported to Policy and Co-ordination Committee on 18<sup>th</sup> June 2020, compared to the primary statements of these accounts, is detailed in the table below: -

2019-20 Financial Year	General Fund Outturn				Annual Accounts			
	Outturn	Budget	Variance	Variance	General Fund	HRA	Transfers	Total
	£m	£m	£m	%	£m	£m	£m	£m
Education & Children	376.645	371.291	5.354	1.44%	376.646		73.737	450.383
Health & Social Care	156.201	154.420	1.781	1.15%	156.202		12.266	168.468
Enterprise & Environment	99.568	99.624	(0.056)	-0.06%	99.568		34.991	134.559
Communities	66.321	65.404	0.917	1.40%	66.322	(25.768)	19.317	59.871
Finance & Corporate	49.912	50.353	(0.441)	-0.88%	49.912		7.516	57.428
Chief Executive	0.257	0.290	(0.033)	-11.38%	0.257		0.028	0.285
Corporate & Democratic	2.697	2.204	0.493	22.37%	2.697		(11.541)	(8.844)
<b>Service expenditure</b>	<b>751.601</b>	<b>743.586</b>	<b>8.015</b>	<b>1.08%</b>	<b>751.604</b>	<b>(25.768)</b>	<b>136.314</b>	<b>862.150</b>
Loan Charges & CFR	67.637	70.904	(3.267)	-4.61%	67.636	25.269	(92.905)	0.000
Contingencies	0.000	8.077	(8.077)	-100.00%				
Government Grant Income	(647.687)	(647.687)	0.000	0.00%	(647.687)			(647.687)
Council Tax Income	(163.282)	(163.270)	(0.012)	0.01%	(163.282)			(163.282)
<b>(Surplus)/Deficit for the year</b>	<b>8.269</b>	<b>11.610</b>	<b>(3.341)</b>	<b>-28.78%</b>	<b>8.271</b>	<b>(0.499)</b>	<b>43.409</b>	<b>51.181</b>
Other Income & Expenditure					(13.005)		11.814	(1.191)
Budgeted Use of Balances	(11.620)	(11.620)	0.000					
<b>(Restoration) / Use of Balances</b>	<b>(3.351)</b>	<b>(0.010)</b>	<b>(3.341)</b>		<b>(4.734)</b>	<b>(0.499)</b>	<b>55.223</b>	<b>49.990</b>
Transfers to(from) Reserves								
- Unusable Reserves							(57.882)	(57.882)
- Useable Reserves	11.023				12.408		2.659	15.067
<b>(Increase) / Decrease in Reserves</b>	<b>7.672</b>				<b>7.674</b>	<b>(0.499)</b>	<b>-</b>	<b>7.175</b>

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

Note 2 – Annual Accounts figures show minor changes since reported to Committee, due to late accounting entries.



## Reserves

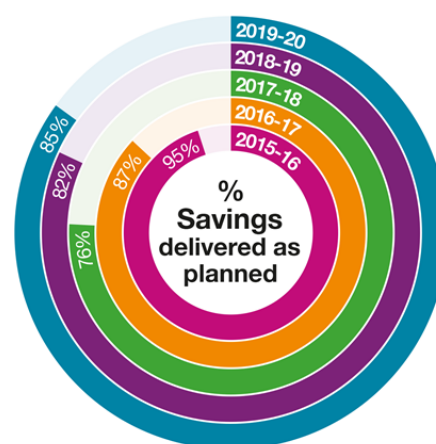
In 2019-20 the level of General Fund balances reduced by £7.674m from £40.363m to £32.689m. During the year reserves of £11.620m were utilised to augment service budgets. These include honouring commitments in respect of budget carry forward arrangements (£6.394m) Workforce Change costs (£1.828m) Change Fund (£1.272m) and the funding strategy for Children and Families (£1.803m) There was also a transfer into general reserves of £0.597m in 2019-20, which represents ring fenced capital receipts which have then subsequently been utilised as a funding stream for transformational projects.

With all existing commitments taken into consideration the level of uncommitted balances is forecast to be £19.036m. Financial reserves will remain under significant pressure given financial uncertainties, other pressures and risks. As a result of the outbreak of COVID-19 pandemic, the Council is continually assessing, monitoring and capturing the estimated costs of its response and recovery. Although some of these will be mitigated there is likely to be additional pressure on reserves. The Council has started preparing a Financial Strategy in immediate response to COVID-19 and the likely pressures on reserves.

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

## Delivery of Savings

Overall, savings of £13.796m were planned to be delivered during 2019-20 of which £11.728m (85%) were delivered, predominately as a result of delays implementation. 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 contain expenditure with budget. It is acknowledged that COVID-19 could impact on the realisation of approved savings for 2020-21, Directorates are assessing delivery plans and will aim to contain expenditure within existing resources wherever possible.



## 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 2019-20 the total income of £122.212m and the HRA made a positive contribution of £0.499m to balances. The HRA Fund balances therefore increased from £2.506m to £3.005m. Details of the financial position for 2019 -20 are included within these financial statements.

## Capital Expenditure

Total gross Capital Expenditure for 2019-20 was £175.104m, a variance of £2.751m (1.60%) against budget. Comparable expenditure for the previous 3 years was £144.084m (2018-19), £139.673m (2017-18) and £234.394m (2016-17). Expenditure variances exist within all Themes within the Capital Programme, the most significant in the Housing Revenue Account where work has progressed quicker than planned, as part of an agreed strategy. The nature of capital expenditure being large, complex projects involving a number of stakeholders and dependencies can lead to expenditure variances within a particular financial year, although the projects and funding can span a number of years. Full detail of material variances is reported to the relevant strategic committees.

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

Project Spend 2019-20	£m
Scottish Housing Quality Standards	37.990
Affordable Housing Programme	30.831
Building Fife's Future Programme	26.711
Early Learning and Childcare	11.361
Roads Infrastructure	9.442

## Assets and Liabilities

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2020 and explanatory notes are provided. Net assets have increased by £382.674m to £1,830.210m as detailed in the following table;

	2019-20 £m	2018-19 £m	Movement £m
Long Term Assets	3,538.224	3,384.545	153.679
Current Assets	183.119	134.325	48.794
Current Liabilities	(330.656)	(291.486)	(39.170)
Long Term Liabilities			
-Defined Benefit Pension Liability	(572.923)	(821.473)	248.550
-Other Long Term Liabilities	(987.554)	(958.375)	(29.179)
<b>Net Assets/(Liabilities)</b>	<b>1,830.210</b>	<b>1,447.536</b>	<b>382.674</b>
Useable Reserves			
-General Fund	(32.689)	(40.363)	7.674
-Housing Revenue Account (HRA)	(3.005)	(2.506)	(0.499)
-Capital Grants & Receipts Unapplied	(13.294)	(11.232)	(2.062)
-Insurance Fund	(20.782)	(7.777)	(13.005)
Unusable Reserves			
-Defined Benefit Pension Liability	572.923	821.473	(248.550)
-Other Unusable Reserves	(2,333.363)	(2,207.131)	(126.232)
<b>Total Reserves</b>	<b>(1,830.210)</b>	<b>(1,447.536)</b>	<b>(382.674)</b>

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

Defined benefit pension liabilities are valued using an approach that is common across all entities by applying international accounting standards (IAS19), which involves the fund actuary updating the technical assumptions applied at the time of the triennial valuation to calculate the impact on future assets and liabilities and provide a point in time comparison across organisations. In doing so the Actuary has calculated that the Defined Benefit Pension Liability has decreased by £248.550m to £572.923m which reflects changes in financial assumptions in respect of the rate of salary and pensions increases. Application of IAS19 also impacts on the net operating expenditure which was an increase in expenditure of £59.166m

The Insurance Fund has increased in value by £13.005m which includes the remaining balance of an interim insurance settlement following a major fire in August 2019 at Woodmill High School Dunfermline. The settlement will be used to partially fund the replacement high school and other associated costs such as temporary hatted accommodation.

## Treasury Management Activity

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

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

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

The reprofiling of the previous year's General Fund Loans Fund advances will reduce the charge to the revenue account in the short to medium-term by spreading the repayment of principal over a longer period, resulting in a saving in Loans Charges. As a direct result of the reduced principal repayment, the Capital Financing Requirement going forward will be higher and it will take longer to repay the total advances. This revised policy was implemented from 2019-20 onwards and this resulted in a saving of £3.267m. The future years' budget model has been updated to reflect the policy change.

In 2019-20, a decision was also taken to redeem one of the Lender Option Borrower Option (LOBO) loans valued at £20.000m and replace with borrowing from the PWLB in order to generate savings to the Council. Although a premium was incurred, financial modelling demonstrated it was cheaper to redeem the loan at a premium than continue at the current level of interest.

The Council has a treasury management strategy which ensures that all decisions taken on treasury management give primary importance to minimising and managing potential risk. Detailed reports in relation to Capital investment and Treasury Management strategy are considered by the Council's Policy and Co-ordination Committee and can be found at: - <https://www.fife.gov.uk/kb/docs/articles/about-your-council2/budgets-and-finance/recache>

### Going Concern

The future financing of the Council and its Group's liabilities will be met by future grants and the application of future income. The approval of core income for 2020-21 has already been given and there is no reason to believe that future approvals will not be forthcoming. However, the onset of COVID-19 pandemic is likely to have a significant impact on the financial position of the Council and its Group, both in terms of increased additional costs and significant loss of income streams. A financial strategy is being developed and funding streams continue to be identified and quantified including additional financial support from the Scottish Government and use of new flexibility provided for ring fenced funding and, where appropriate, participation in national government reliefs such as the Job Retention Scheme. Technical accounting treatment and other solutions are also being pursued on a national basis. 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.

Financial Indicator	2019-20	2018-19	Commentary
<b>Reserves</b>			
Uncommitted General Fund reserve as a proportion of Annual Budgeted Net Expenditure	2.31%	1.78%	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	£4.971m	(£6.750m)	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve.
<b>Council Tax</b>			
In-year Collection Rate	95.33%	95.70%	Reflects the Council's effectiveness in collection Council Tax debt and financial management. This level is consistent with the last 3 financial years.
Ratio of Council Tax Income to Overall Level of Funding	19.85%	19.81%	Reflects the Council's capacity to vary expenditure by raising Council Tax income, the only principal source of finance within the Local Authority Control. Fife Council, in common with all Scottish Local Authorities froze Council Tax at 2007-08 levels until 2017-18. For 2019-20 a 3% increase was applied in line with legislation.

Financial Management				
Actual Outturn Compared to Budgeted Expenditure		(0.41%)	0.22%	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. The indicator is based on the format of budget monitoring as reported throughout the year.
Actual Contribution to/from Unallocated General Fund Balance compared to Budget		£3.341m	(£1.740m)	
Debt/Long-term Borrowing				
Capital Financing Requirement (CFR) for the Current Year		£1,121.785m	£1,108.373m	External debt levels are higher than the CFR for 2019-20. This is a result of borrowing for cashflow purposes in response to COVID-19.
External Debt Levels for the Current Year		£1,142.312m	£1,066.328m	
Ratio of Financing Costs to Net Revenue Stream	General Fund	7.79%	8.37%	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.
	HRA	21.54%	20.23%	

### 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

By including the Subsidiary bodies, Common Good and Trusts and Joint Venture, the effect on the Balance Sheet is a net increase in both Net Assets and Reserves of £9.797m (2018-19 £1.631m). 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 £6.505m (2018-19, increase to deficit £5.399m).

All Subsidiaries of Fife Council have an accounting period to 31 March and the final accounts for the year 31 March 2020 have been used for the purposes of consolidation and disclosure.

Subsidiary	Operating (Surplus) / Deficit to 31 March 2020 £m	Net Assets / (Liabilities) as at 31 March 2020 £m
Fife Sports and Leisure Trust Limited	1.833	(3.755)
Fife Coast and Countryside Trust Limited	0.356	1.486
Fife Golf Trust Limited	0.190	(0.454)
Fife Cultural Trust Limited	1.698	1.754
Resource Efficient Solutions LLP	0.000	0.000
Fife Resource Solutions LLP	1.079	(2.377)
Business Gateway Fife	(0.016)	0.539
Charities & Trusts	0.827	4.168
Common Good	0.538	8.436
<b>Total</b>	<b>6.505</b>	<b>9.797</b>

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

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

Since the COVID-19 outbreak the Council has been preparing and developing a Short Term Financial Strategy for 2020-21 to deal with the financial consequences of the pandemic and there has been a suite of reports prepared and considered at the Council's Policy and Co-ordination Committee since May 2020. Initial financial estimates focussed on the "lockdown" period of 14 weeks, however, the full year financial impact including costs of recovery, response to increasing numbers of COVID-19 cases and changing restrictions are continuously being evaluated alongside changes to the level of funding sources. Since the preparation of the draft accounts, the overall financial pressures for the year continue to be refined and updated and are currently estimated to be in the region of £76m. Further work has taken place on identifying and confirming funding sources including increased support from the Scottish Government, use of national Government schemes, natural cost reduction measures and in-year underspends.

The Financial Strategy contains a number of actions including review of commitments against balances, flexibility arrangements in terms of funding streams and cost control measures as well as pursuing possible national solutions, with the shortfall now estimated to be £3.5m. This is shortfall is likely to reduce as it is expected that the Council will receive further funding from the Scottish Government's Loss of Income Scheme once it is distributed. COVID-19 presents a significant financial risk to the Council and continual close monitoring is being carried out, with reports to Policy and Co-ordination Committee on a routine basis combined with increased internal governance and strong financial management.

Whilst the current situation needs immediate management, work has commenced in relation to financial planning beyond 2020-21. A review of the budget model and all underlying assumptions is underway to ensure relevance and to ensure all known risks are considered. The intention is to provide an update on financial planning and the revenue budget to the Policy and Co-ordination Committee in November.

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

The Council Management Team are committed to implementing the Short Term Financial Strategy for 2020-21, as well as further development which focusses on the longer term need for reform.

## **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 & Corporate Services and other Directorates, for their effort in achieving this deadline. This is of particular significance this year given the challenges faced by all officers who successfully completed the relevant year end entries, processes and consolidation of these accounts whilst the Council operated in emergency business critical mode in response to the COVID-19 pandemic.

**Councillor David Alexander**  
**Co-Leader of Council**

**Councillor David Ross**  
**Co-Leader of the Council**

**Steve Grimmond**  
**Chief Executive**

**Eileen Rowand MBA CPA**  
**Executive Director Finance and Corporate Services**

## 1.0 Scope of responsibility

- 1.1 Fife Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Fife Council also has a duty under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised. In discharging this responsibility, elected members and senior officers are responsible for putting in place proper arrangements for the governance of Fife Council's affairs and facilitating the effective exercise of its functions which includes the management of risk.
- 1.2 In discharging this overall responsibility, Fife Council approved and adopted a Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE (Chartered Institute of Public Finance & Accountancy/Society of Local Authority Chief Executives and Senior Managers) Framework "Delivering Good Governance in Local Government". The Council revised its Corporate Governance Framework during 2018-19 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 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 at [www.fifedirect.org.uk](http://www.fifedirect.org.uk) 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
- Digital Strategy
- Procurement Strategy
- the Capital Plan and the role of the Investment Strategy Group which considers high-level performance monitoring reports in relation to capital
- HR Plans and Policies
- as appropriate, formal programme and project management disciplines

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

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

### **3.0 Review of effectiveness**

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

- the work of the executive directors and managers within the authority who have responsibility for the development and maintenance of the governance environment which they report on through their annual assurance statements; a separate Trust Assurance Framework has been in place since 2012-13;
- the Service Manager, Audit & Risk Management Services' annual assurance statement. In this regard, the most recent assurance statement concludes that a medium/high level of control exists and that reasonable assurance can be placed on the adequacy and effectiveness of the Council's system of Corporate Governance and internal control system in the year to 31 March 2020. This is the same level of control rating as in the 2018-19 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 in 2019. A key factor in developing the new process was to avoid a box-ticking exercise and to encourage a more rounded, qualitative approach. In addition to simplifying the previous assurance process by reducing the number of statements to be completed annually by Directorates from 118 to 40 some of the statements were assigned to designated Lead Officers in order to provide a more corporate assessment of the way in which the Council's governance arrangements are operating. Once completed the returns were analysed to identify areas of good practice; areas for improvement/future actions etc. Key governance issues have then been captured into this statement.

3.3 In December 2017, the Council approved the "Plan for Fife" which sets out the priorities the Fife Community Planning Partnership (which includes the Council) will collectively focus on in order to add most value for local



communities. The Plan sets out ten-year ambitions and priorities, along with a number of short-term actions. A review of the Plan for Fife is underway and will be advanced over the current year.

- 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. A Digital Strategy and IT investment plan have been developed and delivery of these is monitored through the Council’s Change Board. In addition, Services have developed and maintain Directorate Business Continuity Plans and these inform the ICT Systems Recovery Plans which are documented and subject to regular testing.
- 3.7 The Council’s resilience plans and risk management processes have been tested during the COVID-19 Pandemic and the Council has responded well to this emergency that is still ongoing. All Committee meetings were cancelled following the initial lockdown arrangements with decisions being taken by senior officers, as set out in the Council’s governance documents. All decisions taken in this manner were recorded and circulated to Group Leaders on a timely basis and posted on the Council’s website. Relevant decisions taken also require to be reported to the next relevant meeting of the Committee. Policy and Co-ordination Committee met monthly from 21<sup>st</sup> May on a remote basis to deal with policy and strategy decisions relating to the COVID-19 pandemic and plans for recovery. Planning Committees have also met remotely to determine time critical applications that could not be decided by officers due to statutory requirements around the Scheme of Delegation. Since the summer recess all committees, including Fife Council, but excluding Fife Licensing Board and the Licensing and Regulation Committee have taken place on a remote basis. Meetings of Fife Licensing Board and the Licensing and Regulation Committee have taken place in a socially distanced manner.
- 3.8 The Financial regulations were updated to allow spend to be incurred in advance of funding solutions being identified, debt recovery was relaxed and additional support was provided to suppliers.
- 3.9 We have been advised on the result of the review of the effectiveness of the governance framework by the processes and procedures outlined in Para. 3.1 above and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. We are also clear that the Council’s financial management arrangements conform to the governance requirements of the Chartered Institute of Public Finance and Accountancy’s Statement on the Role of the Chief Financial Officer in Local Government (2010).

#### 4.0 Significant Governance Issues

- 4.1 The table below shows progress on significant governance issues and actions highlighted in the 2018-19 Corporate Governance Statement.

Issue	Progress made in 2019-20
<b>Members involvement in Setting the Tone from the Top</b> Members take a lead in developing the principles and values for the Council and ensure that these values are communicated and embedded in appropriate policies and processes.	Effective governance has been developed to ensure that members lead in ensuring that the correct values shape policies and processes. An Acceptable Behaviour Statement was developed and adopted by the Council.
<b>Embedding Risk Management</b> 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.	The Strategic Risks were reviewed and updated with all but one being finalised. This relates to counter-terrorism and counter fraud risks and was in the process of being drafted at lockdown. It is due for completion prior to the end of the calendar year.

Issue	Progress made in 2019-20
<b>Restructuring and Movement of Staff</b> 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 was considered during the Service Change Plan process and where gaps in controls were identified action was identified to address these. Attention continued to be paid to succession planning and ensuring that documented procedures were in place to ensure that processes were followed and that risk was minimised. Where failures in control were identified action was taken to address these and reduce the risk of failure going forward.
<b>Review of Governance and Decision Making</b> 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.	New governance arrangements were assessed to be operating satisfactorily. Training was provided to Members on their scrutiny role and briefings for officers who were either new Lead Officers or who were reporting to new Committees as a consequence of the changes.
<b>Changing to Deliver Programme</b> The Council needs to ensure that traction is made on the delivery of change.	Delivery has progressed in line with plans with progress and benefits tracking regularly reported to the Change Board (approximately 6 weekly) and through the Members Reference group to Policy and Co-ordination Committee (August 2019 meeting and March 2020 electronically to P&C members).
<b>Health and Social Care Integration</b> The actions identified within the self assessment on progress of integration and effective governance needs to be advanced as outlined above.	During 2019-20 a self assessment of progress made against the Ministerial Strategic Group recommendations was carried out by the Local Authority, Health Board and the Integration Joint Board. Fife rated 8 of the 22 proposals as established, 12 partly established and 2 not yet established. Work on the 2 outstanding areas will be advanced this year.
<b>Elected Member Support and Development</b> The 2019 member training programme that has been agreed needs to be delivered and monitored to ensure that member's development needs are met.	The planned sessions were held. Although attendance levels were not high, those Members that did attend found the sessions to be helpful and informative.

The table below provides an update on significant governance issues carried forward from 2018-19 along with further actions to be progressed within 2020-21 in relation to ongoing items.

Issue	Action Planned within 2020-21
<b>Members involvement in Setting the Tone from the Top</b> Members take a lead in developing the principles and values for the Council and ensure that these values are communicated and embedded in appropriate policies and processes.	The Plan for Fife is under review and members will have a key role in ensuring that the appropriate values are embedded in policies and procedures. The Councillor's Code of Conduct is being reviewed and the launch of this and the associated training will be an opportunity to remind Members of acceptable behaviours.
<b>Embedding Risk Management</b> 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.	The review of the Risk Management Strategy and related processes was postponed due to pressure on resources as a result of some unplanned emergency work during 2019-20. The review will take place in 2020-21, along with a refresh of the Strategic Risk Register, and will seek to ensure that Risk Management practices become more embedded in everything that the Council does through Service and Team risk processes.
<b>Restructuring and Movement of Staff</b> 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	The risk of reducing and moving staff will be considered when proposals are developed and mitigating action will be identified. Succession planning and written procedures will continue to be used to mitigate risk. Care

Issue	Action Planned within 2020-21
and structures are embedded. This risk is likely to continue given the financial pressures facing the Council.	will be taken to ensure that any changes to control measures are understood when planning staffing changes.
<b>Review of Governance and Decision Making</b> 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.	Governance arrangements will be reviewed to ensure they are fit for purpose during the COVID-19 Recovery Period.
<b>Changing to Deliver Programme</b> The Council needs to ensure that traction is made on the delivery of change.	The Programme is planned to naturally start closing down in 2020-21 with follow on activity to be identified and benefits tracking mechanisms put in place. The Change Board will continue to monitor progress on delivery.
<b>Health and Social Care Integration</b> The actions identified within the self assessment on progress of integration and effective governance needs to be advanced as outlined above.	An action plan that looks to progress compliance with the Ministerial Strategic Group recommendations will be developed and taken forward.  Regular dialogue with both partner organisations will continue to ensure that there is a shared understanding and commitment to delivery of the recommendations. Regular updates will also take place in terms of progress.

## 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 2019-20 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. This takes into account the temporary governance arrangements put in place to respond to COVID-19. We are satisfied that the actions highlighted in this Statement reflect the Council's commitment to continuous improvement and will further enhance our corporate governance and internal control arrangements.

**Councillor David Ross**  
Co- Leader of the Council

**Councillor David Alexander**  
Co-Leader of the Council

**Steve Grimmond,**  
Chief Executive

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

## **Remuneration Arrangements**

### **2. Senior Councillors**

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183), and The Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2019 (SSI 2019/23). 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 2019-20 the maximum salary for the Fife Council Leader is £40,765. The Regulations permit the council to remunerate one Civic Head and set out the maximum salary for that position. Fife Council policy is to pay the Provost at 75% of the maximum salary for the Council Leader.

The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a senior councillor is 75% of the total yearly amount payable to the Council Leader. The total yearly amount payable by the Council for remuneration of its senior councillors shall not exceed £456,415. The Council is able to exercise local flexibility in the determination of the precise number of senior councillors (up to a maximum of 19) and their salary within these maximum limits.

Table A details remuneration paid by the Council to its 18 senior councillors (totalling £389,984), to the Co-Leaders and to the Provost (at 75% of the permitted rate). The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of councillors who elect to become councillor members of the pension scheme. The Fife Council Scheme of Councillors' Remuneration and Expenses which encompasses the salaries of all elected members including the Council Leader/Co-Leaders, Provost and Senior Councillors was agreed at a meeting of the full Council on 15 May 2017 and last revised at a meeting of the full Council on the 26th September 2019.

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

### **3. Senior Employees**

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

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

The salary of senior employees is set by reference to national arrangements. Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/140 sets the salary for the Chief Executive of Fife Council for the period 1 April 2019 to 31 March 2020.

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

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

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

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

#### 4. Pensions Benefits

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

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

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

Actual Pay 2019-20	Contribution Rate 2019-20	Actual Pay 2018-19	Contribution Rate 2018-19
Up to and including £21,800	5.50%	Up to and including £21,300	5.50%
Above £21,801 and up to £26,700	7.25%	Above £21,301 and up to £26,100	7.25%
Above £26,701 and up to £36,600	8.50%	Above £26,101 and up to £35,700	8.50%
Above £36,601 and up to £48,800	9.50%	Above £35,701 and up to £47,600	9.50%
Above £48,800	12.00%	Above £47,600	12.00%

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

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

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

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

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

#### 5. Trade Union Facility Time

The Council is required to publish details of Trade Union facility time, which is the provision of paid or unpaid time off from employees normal roles to undertake Trade Union duties and activities. Details are in Table C and also at: <https://online.fifedirect.org.uk/topics/index.cfm?fuseaction=subject.display&subjectid=D7C049D4-AE06-5798-9011AB2E6BF4031A&themeid=CF1A6730-CD2E-2956-93489E941E29AD03>



**Table A- Fife Council**

Name	Responsibility	Remuneration		Pension Benefits				
		Salary, Fees & Allowances		Employer's pension contributions		Accrued Pension Benefits at 31/03/20		Change from 31/03/19
		2019-20	2018-19	2019-20	2018-19		£	£
		£	£	£	£			
<b>Senior Councillors</b>								
David Alexander	Co-Leader of Fife Council	30,716	29,661	7,526	6,568	Pension Lump Sum	1,000 -	- -
David Ross	Co-Leader of Fife Council	30,716	29,661	-	-	Pension Lump Sum	- -	- -
Jim Leishman	Provost	30,716	29,661	7,526	7,267	Pension Lump Sum	5,000 -	1,000 -
Julie Kelly	Depute Provost	22,384	21,615	5,484	5,296	Pension Lump Sum	2,000 -	1,000 -
Dave Dempsey	Leader of Opposition, Convener: Standards & Audit Committee and Convener: Superannuation and Pensions Sub-Committee	22,384	21,615	5,484	5,296	Pension Lump Sum	6,000 2,000	1,000 -
Tim Brett	Convener: Scrutiny Committee	22,384	21,615	5,484	5,296	Pension Lump Sum	7,000 2,000	1,000 -
Ken Caldwell	Convener: Levenmouth Area Committee	22,384	21,615	5,484	5,296	Pension Lump Sum	1,000 -	- -
Altany Craik	Convener: Economy, Tourism, Strategic Planning & Transportation Committee	22,384	21,615	5,484	5,296	Pension Lump Sum	4,000 -	1,000 -
Neil Crooks	Convener: Kirkcaldy Area Committee & Planning Committee	22,384	21,615	5,484	5,296	Pension Lump Sum	8,000 8,000	1,000 -
Linda Erskine	Convener: Cowdenbeath Area Committee & HR Spokesperson	22,384	21,615	5,484	5,296	Pension Lump Sum	4,000 -	1,000 -
Fiona Grant	Convener: Glenrothes Area Committee	22,384	21,615	5,484	5,296	Pension Lump Sum	5,000 1,000	1,000 -
Judy Hamilton	Convener: Community & Housing Services Committee	22,886	21,615	5,926	5,590	Pension Lump Sum	6,000 4,000	1,000 -
Helen Law	Convener: City of Dunfermline Area Committee	22,384	21,615	5,484	5,296	Pension Lump Sum	4,000 -	1,000 -
Rosemary Liewald	Chair - Joint Health & Social Care Partnership and Fife Corporate Parent Board	22,384	-	5,486	-	Pension Lump Sum	1,000 -	1,000 -
Carol Lindsay	Convener: Regulation & Licensing Committee and Fife Licensing Board	22,384	21,615	5,484	5,296	Pension Lump Sum	5,000 1,000	1,000 -

Name	Responsibility	Remuneration		Pension Benefits				
		Salary, Fees & Allowances		Employer's pension contributions		Accrued Pension Benefits		Change from 31/03/19
		2019-20	2018-19	2019-20	2018-19	at 31/03/20		
		£	£	£	£		£	£
Senior Councillors (Continued)								
Donald Lothian	Convener: North East Fife Area Committee	22,384	21,615	5,484	5,296	Pension Lump Sum	5,000 1,000	1,000 -
Alice McGarry	Convener: South West Fife Area Committee & Planning Committee (West)	22,384	21,615	5,484	5,296	Pension Lump Sum	6,000 2,000	1,000 -
Tony Miklinski	Convener: Scrutiny Committee Education & Children's Services and Health & Social Care (from 27/09/19) - See Note 1	8,954 (fye 22,384)	-	-	-	Pension Lump Sum	- -	- -
Fay Sinclair	Convener: Education & Children's Services Committee	22,384	21,615	5,484	5,296	Pension Lump Sum	2,000 -	- -
Ross Vettraino	Convener: Environment, Protective Services & Community Safety Committee	22,384	21,615	-	-	Pension Lump Sum	- -	- -
Craig Walker	Convener: Assets & Corporate Services Committee	22,384	21,615	5,484	5,296	Pension Lump Sum	2,000 -	- -
	Total Senior Councillors	482,132	434,823	103,240	93,569	Pension Lump Sum	74,000 21,000	14,000 -
Senior Employees								
Steve Grimmond	Chief Executive (Note 2)	163,777	148,720	37,794	36,396	Pension Lump Sum	75,000 139,000	4,000 4,000
Keith Winter	Executive Director Enterprise & Environment	120,009	116,558	29,564	28,525	Pension Lump Sum	61,000 108,000	4,000 3,000
Carrie Lindsay	Executive Director Education & Children's Services (Note 3)	123,535	119,113	30,266	29,153	Pension Lump Sum	73,000 -	5,000 -
Eileen Rowand	Executive Director Finance & Corporate Services	123,535	119,113	30,266	29,183	Pension Lump Sum	47,000 66,000	4,000 2,000
Michael Enston	Executive Director Communities	120,004	118,685	29,598	29,078	Pension Lump Sum	63,000 114,000	4,000 4,000
	Total Senior Employees	650,860	622,189	157,488	152,335	Pension Lump Sum	319,000 427,000	21,000 13,000

Note 1 - Councillor Miklinski took up his position as a senior councillor on the 27 September 2019, a full years equivalent (fye) salary is £22,384.

Note 2 - The remuneration for the Chief Executive includes payments made in respect of his role as Returning Officer (2019-20 - £10,237, 2018-19 - £0)

Note 3 - The Executive Director Education and Children's Services was originally a member of Scottish Teachers' Superannuation Scheme (STSS) until 31 March 2015 and has been a member of the LGPS from 1 April 2015. The pension figures at 31 March 2019 and 2020 include the transfer in of STSS membership.



**Table B- Joint Initiatives and Subsidiary Bodies - Senior Employees**

Senior Employees	Responsibility	Organisation	Remuneration (see Note 1)				Pension Benefits (see Note 2)				
			Salary, Fees & Allowances 2019-20	Exit Packages 2019-20	Total 2019-20	Total 2018-19	Employer's pension contributions		Accrued Pension Benefits		Change from
			2019-20 £	2019-20 £	2019-20 £	2018-19 £	2019-20 £	2018-19 £	at 31/03/20		31/03/19
Joint Initiative											
Michael Kellet	Director-Health & Social Care (until 31-07-19)	Health & Social Care Partnership (see Note 3)	36,333 (fye 109,000)	-	36,333	107,068	7,594	15,953	Pension Lump Sum	6,000 -	1,000 -
Nicky Connor	Director-Health & Social Care (from 02-08-19)		55,086 (fye 83,762)	-	55,086	-	11,513	-	Pension Lump Sum	1,000 -	1,000 -
	Total Joint Initiative		91,419	0	91,419	107,068	19,107	15,953	Pension Lump Sum	7,000 -	2,000 -
Subsidiary Bodies											
Heather Stuart	Chief Executive	Fife Cultural Trust	99,143	-	99,143	95,448	22,307	21,476	Pension Lump Sum	15,000 -	3,000 -
Edmund Watson	Chief Executive (until 31-01-20)	Fife Sport & Leisure Trust	70,118 (fye 83,020)	-	70,118	81,258	12,972	14,870	Pension Lump Sum	47,000 91,000	3,000 2,000
Joseph Hamilton	Chief Executive (from 03-02-20)		21,662 (fye 130,350)	-	21,662	-	-	-	Pension Lump Sum	- -	- -
Alistair MacGregor	Golf Services Manager	Fife Golf Trust	65,018	-	65,018	63,183	13,719	13,331	Pension Lump Sum	27,000 41,000	2,000 1,000
Chris Broome	Chief Executive (until 03-11-19)	Fife Coast & Countryside Trust	59,623 (fye 75,370)	16,261	75,884	73,078	9,453	15,931	Pension Lump Sum	5,000 -	1,000 -
Jeremy Harris	Chief Executive (from 19-08-19)		37,683 (fye 59,543)	-	37,683	-	8,215	-	Pension Lump Sum	1,000 -	1,000 -
Robin Baird	Senior Manager	Fife Resource Solutions LLP & Resource Efficient Solutions LLP	83,492	-	83,492	80,318	18,619	17,911	Pension Lump Sum	21,000 17,000	2,000 -
Grant Jarvis	Company Secretary (Note 4)	Business Gateway	16,635 (fye 33,652)	-	16,635	33,100	993	1,986	see Note 5		
Fraser McKee	Senior Growth Adviser (from 23-09-19)		21,513 (fye 40,000)	-	21,513	-	257	-			
	Total Subsidiary Bodies		474,887	16,261	491,148	426,385	86,535	85,505	Pension Lump Sum	116,000 149,000	12,000 3,000

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

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

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

Note 4 - Grant Jarvis was the most senior employee in Business Gateway Fife from August 2018 - September 2019. Remuneration shown reflects this period only.

Note 5 - Business Gateway Fife employees are members of a defined contribution pension scheme therefore disclosure of pension benefits accrued in year is not possible.

**Table C - Trade Union Facility Time**

2018-19		2019-20
69	Number of employees who were relevant union officials during the relevant period	75
63.3	Number of full time equivalent employees	70.2
	Number of employees analysed by % of time spent on facility time	
30	0%	29
31	1% - 50%	38
1	51% - 99%	1
7	100%	7
£0.300m	Total cost of Facility Time	£0.231m
0.1%	% of Total pay bill spent on Facility Time	0.1%

**Table D - Members Expenses**

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

2018-19 £m	Type of Remuneration	2019-20 £m
1.378	Salaries	1.424
0.059	Travel and Subsistence	0.044
0.009	Training/ Conference and Meeting Expenses	0.007
0.000	Telephone and Information Technology Expenses reimbursed	0.000
0.018	Telephone and Information Technology Expenses met by Council	0.017
0.004	Cost of Provision of Council Cars met by Council	0.003
0.000	Other Expenses and Allowances	0.000
<b>1.468</b>	<b>Total</b>	<b>1.495</b>

The annual return of councillors' salaries and expenses for 2019-20 is available on Fife Council's website at ; <https://www.fife.gov.uk/kb/docs/articles/about-your-council2/politicians-and-committees/your-local-councillors>

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

**Table E - Fife Council Employees Analysis by Pay Band**

2018-19 £	Remuneration Bands	2019-20 £	Left in 2019-20 £	2018-19 £	Remuneration Bands	2019-20 £	Left in 2019-20 £
202	£50,000 - £54,999	279	5	0	£125,000 - £129,999	0	0
91	£55,000 - £59,999	210	8	0	£130,000 - £134,999	0	0
41	£60,000 - £64,999	115	4	0	£135,000 - £139,999	0	0
17	£65,000 - £69,999	46	0	0	£140,000 - £144,999	0	0
8	£70,000 - £74,999	11	0	1	£145,000 - £149,999	0	0
4	£75,000 - £79,999	18	1	0	£150,000 - £154,999	0	0
8	£80,000 - £84,999	7	0	0	£155,000 - £159,999	0	0
7	£85,000 - £89,999	7	0	0	£160,000 - £164,999	1	0
9	£90,000 - £94,999	5	0	0	£165,000 - £169,999	0	0
2	£95,000 - £99,999	13	0	0	£170,000 - £174,999	0	0
1	£100,000 - £104,999	1	1	0	£175,000 - £179,999	0	0
1	£105,000 - £109,999	1	0	0	£180,000 - £184,999	0	0
0	£110,000 - £114,999	0	0	0	£185,000 - £189,999	0	0
5	£115,000 - £119,999	2	0	1	£190,000 - £194,999	0	0
0	£120,000 - £124,999	2	0	<b>398</b>	<b>Total</b>	<b>718</b>	<b>19</b>

Included in 2019-20 are 12 employees who left during the year and appear above as a result of the inclusion of their associated redundancy or early retirement payments costs.

## Table F - Exit Packages

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

Exit Package Cost Band £	No. of Compulsory Redundancies	No. of Other Agreed Departures	Total No. of Exit Packages	Cash Value £m	Estimated CAY £m	Total Exit Packages Cost £m
<b>2019-20</b>						
0 - 19,999	4	17	21	0.226	0.000	0.226
20,000 - 39,999	1	19	20	0.603	0.000	0.603
40,000 - 59,999	0	6	6	0.279	0.030	0.309
60,000 - 79,999	1	4	5	0.339	0.020	0.359
80,000 - 99,999	0	3	3	0.220	0.102	0.322
100,000 - 149,999	0	9	9	0.800	0.327	1.127
Over 150,000	0	5	5	0.745	0.252	0.997
<b>Total</b>	<b>6</b>	<b>63</b>	<b>69</b>	<b>3.212</b>	<b>0.731</b>	<b>3.943</b>
<b>2018-19</b>						
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
Over 150,000	0	8	8	1.073	0.536	1.609
<b>Total</b>	<b>2</b>	<b>109</b>	<b>111</b>	<b>5.248</b>	<b>1.301</b>	<b>6.549</b>

The total cost of exit packages £3.943m in the table for 2019-20 above includes £0.620m cash value and £0.108m estimated Compulsory Added Years (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 2019-20 total cost of £3.943m, £0.735m relates to statutory redundancy payments, £0.813m to compensation for loss of office, £1.664m for enhanced pension benefits and £0.731m for estimated CAY.

As a consequence of the delivery of the 2019-20 savings each Council Directorate has incurred termination payments. The Directorate incurring the largest cost is Communities at £1.708m.

**Councillor David Alexander**  
Co-Leader of the Council

**Councillor David Ross**  
Co-Leader of the Council

**Steve Grimmond**  
Chief Executive

**Eileen Rowand MBA CPFA**  
Executive Director Finance and Corporate Services

**The Authority's Responsibilities**

The Authority is required to:-

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

We confirm that these Annual Accounts were approved for signature by the Standards and Audit Committee at its meeting on 26 November 2020.

Signed on behalf of Fife Council

**Councillor David Alexander**  
**Co-Leader of the Council**

**Councillor David Ross**  
**Co-Leader of the Council**

**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 2020.

**Eileen Rowand MBA CPFA**  
**Executive Director Finance and Corporate Services**

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

2018-19			Expenditure chargeable to General Fund and HRA	2019-20		
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
360.247	22.706	382.953	Education & Children	376.646	73.737	450.383
148.337	7.893	156.230	Health & Social Care	156.202	12.266	168.468
96.181	45.743	141.924	Enterprise & Environment	99.568	34.991	134.559
50.567	7.039	57.606	Finance & Corporate	49.912	7.516	57.428
0.254	0.021	0.275	Chief Executive	0.257	0.028	0.285
2.984	12.106	15.090	Corporate & Democratic	2.697	(11.541)	(8.844)
62.648	2.288	64.936	Communities	66.322	16.151	82.473
(23.429)	3.976	(19.453)	Housing Revenue Account	(25.768)	3.166	(22.602)
92.900	(92.900)	0.000	Loan Charges	92.905	(92.905)	0.000
<b>790.689</b>	<b>8.872</b>	<b>799.561</b>	<b>Net Cost of Services</b>	<b>818.741</b>	<b>43.409</b>	<b>862.150</b>
2.362	1.016	3.378	Other Operating Expenditure	(13.005)	2.304	(10.701)
0.000	60.400	60.400	Financing and Investment Income & Expenditure	0.000	82.017	82.017
(778.746)	(66.440)	(845.186)	Taxation and Non Specific Grant Income & Expenditure	(810.969)	(72.507)	(883.476)
<b>14.305</b>	<b>3.848</b>	<b>18.153</b>	<b>Difference between the Statutory Charge to the Combined General Fund &amp; HRA Balance compared to the (Surplus) or Deficit in the CI&amp;ES</b>	<b>(5.233)</b>	<b>55.223</b>	<b>49.990</b>

(54.811)	Opening General Fund & HRA Balance	(42.869)
14.304	Less or Plus (Surplus) or Deficit on General Fund & HRA Balance in Year	(5.233)
(2.362)	Transfers to / (from) Other Reserves	12.408
<b>(42.869)</b>	Closing General Fund & HRA Balance at 31 March *	<b>(35.694)</b>

\* 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)**

2018-19				Expenditure chargeable to General Fund and HRA	2019-20			
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
12.388	8.648	1.670	22.706	Education & Children	58.872	13.300	1.565	73.737
0.685	6.765	0.443	7.893	Health & Social Care	2.189	10.288	(0.211)	12.266
34.535	10.515	0.693	45.743	Enterprise & Environment	19.674	15.564	(0.247)	34.991
2.821	3.996	0.222	7.039	Finance & Corporate	2.747	5.102	(0.333)	7.516
0.000	0.019	0.002	0.021	Chief Executive	0.000	0.028	0.000	0.028
0.000	11.962	0.144	12.106	Corporate & Democratic	0.000	(11.765)	0.224	(11.541)
(0.588)	2.656	0.220	2.288	Communities	11.455	4.646	0.050	16.151
2.930	1.105	(0.059)	3.976	Housing Revenue Account	1.687	1.734	(0.255)	3.166
0.000	0.000	(92.900)	(92.900)	Loan Charges	0.000	0.000	(92.905)	(92.905)
<b>52.771</b>	<b>45.666</b>	<b>(89.565)</b>	<b>8.872</b>	<b>Net Cost of Services</b>	<b>96.624</b>	<b>38.897</b>	<b>(92.112)</b>	<b>43.409</b>
1.016	0.000	0.000	1.016	Other Operating Expenditure	2.304	0.000	0.000	2.304
0.000	17.554	42.846	60.400	Financing and Investment Income & Expenditure	0.000	20.269	61.748	82.017
(66.440)	0.000	0.000	(66.440)	Taxation and Non Specific Grant Income & Expenditure	(72.507)	0.000	0.000	(72.507)
<b>(12.653)</b>	<b>63.220</b>	<b>(46.719)</b>	<b>3.848</b>	<b>Difference between the Statutory Charge to the Combined General Fund &amp; HRA Balance</b>	<b>26.421</b>	<b>59.166</b>	<b>(30.364)</b>	<b>55.223</b>

**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 Provisional Outturn Report figures (shown in Column 1 of the EFA) and the Comprehensive Income and Expenditure Account (column 3 of the EFA)

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Total Comprehensive Income & Expenditure line shows the true economic cost of providing the Council's services, details of which are shown in the 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 Fund £m	Capital Grants and Receipts Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Fife Council Reserves £m	Subsidiary Reserves £m	Total Group Reserves £m
<b>Opening Balance 1 April 2018</b>	<b>(52.805)</b>	<b>(2.006)</b>	<b>(10.139)</b>	<b>0.000</b>	<b>(6.110)</b>	<b>(71.060)</b>	<b>(766.271)</b>	<b>(837.331)</b>	<b>(12.354)</b>	<b>(849.685)</b>
Adjustment to opening balance						<b>0.000</b>		<b>0.000</b>	0.126	<b>0.126</b>
<b>Adjusted opening balance 1 April 2018</b>	<b>(52.805)</b>	<b>(2.006)</b>	<b>(10.139)</b>	<b>0.000</b>	<b>(6.110)</b>	<b>(71.060)</b>	<b>(766.271)</b>	<b>(837.331)</b>	<b>(12.228)</b>	<b>(849.559)</b>
<b><u>Movement in Reserves during 2018-19</u></b>										
<b>Total Comprehensive Income &amp; Expenditure</b>	35.749	(17.596)	0.000	0.000	0.000	<b>18.153</b>	(628.358)	<b>(610.205)</b>	10.597	<b>(599.608)</b>
Adjustments between accounting basis & funding basis under regulations (note 5)	(20.945)	17.096	0.000	0.000	(5.122)	<b>(8.971)</b>	8.971	<b>0.000</b>	0.000	<b>0.000</b>
Transfers (to)/from Other Statutory Reserves	(2.362)	0.000	2.362	0.000	0.000	<b>0.000</b>	0.000	<b>0.000</b>	0.000	<b>0.000</b>
<b>(Increase)/Decrease in Year</b>	<b>12.442</b>	<b>(0.500)</b>	<b>2.362</b>	<b>0.000</b>	<b>(5.122)</b>	<b>9.182</b>	<b>(619.387)</b>	<b>(610.205)</b>	<b>10.597</b>	<b>(599.608)</b>
<b>Balance at 31 March 2019 c/fwd</b>	<b>(40.363)</b>	<b>(2.506)</b>	<b>(7.777)</b>	<b>0.000</b>	<b>(11.232)</b>	<b>(61.878)</b>	<b>(1,385.658)</b>	<b>(1,447.536)</b>	<b>(1.631)</b>	<b>(1,449.167)</b>
<b><u>Movement in Reserves during 2019-20</u></b>										
<b>Total Comprehensive Income &amp; Expenditure</b>	66.056	(16.066)	0.000	0.000	0.000	<b>49.990</b>	(432.664)	<b>(382.674)</b>	(8.166)	<b>(390.840)</b>
Adjustments between accounting basis & funding basis under regulations (note 5)	(70.790)	15.567	0.000	0.000	(2.659)	<b>(57.882)</b>	57.882	<b>0.000</b>	0.000	<b>0.000</b>
Transfers (to)/from Other Statutory Reserves	12.408	0.000	(13.005)	0.000	0.597	<b>0.000</b>	0.000	<b>0.000</b>	0.000	<b>0.000</b>
<b>(Increase)/Decrease in Year</b>	<b>7.674</b>	<b>(0.499)</b>	<b>(13.005)</b>	<b>0.000</b>	<b>(2.062)</b>	<b>(7.892)</b>	<b>(374.782)</b>	<b>(382.674)</b>	<b>(8.166)</b>	<b>(390.840)</b>
<b>Balance at 31 March 2020 c/fwd</b>	<b>(32.689)</b>	<b>(3.005)</b>	<b>(20.782)</b>	<b>0.000</b>	<b>(13.294)</b>	<b>(69.770)</b>	<b>(1,760.440)</b>	<b>(1,830.210)</b>	<b>(9.797)</b>	<b>(1,840.007)</b>



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.

2018-19					2019-20			
Fife Council		Net Expenditure £m	Net Expenditure (Restated) £m		Fife Council		Net Expenditure £m	Net Expenditure £m
Gross Expenditure £m	Gross Income £m				Gross Expenditure £m	Gross Income £m		
418.553	(35.600)	382.953	382.953	Education & Children	492.523	(42.140)	450.383	450.383
398.133	(241.903)	156.230	156.230	Health & Social Care	421.281	(252.813)	168.468	168.468
182.988	(41.064)	141.924	143.026	Enterprise & Environment	169.888	(35.329)	134.559	134.937
161.994	(104.388)	57.606	57.606	Finance & Corporate	155.193	(97.765)	57.428	57.428
0.275	0.000	0.275	0.275	Chief Executive	0.285	0.000	0.285	0.285
15.090	0.000	15.090	15.103	Corporate & Democratic	(8.844)	0.000	(8.844)	(8.970)
82.388	(17.452)	64.936	68.233	Communities	100.699	(18.226)	82.473	86.319
98.178	(117.631)	(19.453)	(19.453)	Housing Revenue Account	99.610	(122.212)	(22.602)	(22.602)
<b>1,357.599</b>	<b>(558.038)</b>	<b>799.561</b>	<b>803.973</b>	<b>Cost of Services</b>	<b>1,430.635</b>	<b>(568.485)</b>	<b>862.150</b>	<b>866.248</b>
				Other Income & Expenditure				
		3.378	3.890	- Other Operating Expenditure			(10.701)	(10.179)
		60.400	60.922	- Financing & Investment			82.017	83.957
		(845.186)	(845.233)	- Taxation & Non-Specific Grant Income			(883.476)	(883.531)
		<b>18.153</b>	<b>23.552</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>49.990</b>	<b>56.495</b>
				(Surplus)/Deficit on;				
		(757.745)	(758.167)	- revaluation of non-current assets			(135.702)	(136.158)
		0.034	0.034	- impairment of non-current assets			9.271	9.271
		(0.978)	(0.978)	- fair value of financial assets			1.483	1.483
		130.331	135.951	Remeasurement of net pensions liability			(307.716)	(321.931)
		<b>(628.358)</b>	<b>(623.160)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>(432.664)</b>	<b>(447.335)</b>
		<b>(610.205)</b>	<b>(599.608)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(382.674)</b>	<b>(390.840)</b>

**Material Items of Income and Expenditure** - Fife Council made contributions of £156.216m to the Integration Joint Board, £154.560m from Health & Social Care and £1.656m from Housing. Receipts of £51.873m for Resource Transfer from NHS are included in Health and Social Care. Fife Council received amounts totalling £216.469m from Integration Joint Board, which includes Resource Transfer of £51.873m.

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 2019				31 March 2020	
Fife Council	Group (Restated)			Fife Council	Group
£m	£m		Notes	£m	£m
3,324.569	3,329.656	Property, Plant & Equipment	11	3,484.436	3,489.936
0.061	0.061	Intangible Assets	14	0.030	0.030
28.252	28.252	Heritage Assets	12	28.252	28.294
5.509	12.967	Long Term Investments	21	2.743	8.651
26.154	26.154	Long Term Debtors	21	22.763	22.763
<b>3,384.545</b>	<b>3,397.090</b>	<b>Long Term Assets</b>		<b>3,538.224</b>	<b>3,549.674</b>
0.000	0.539	Short Term Investments		0.000	0.437
3.779	3.950	Inventories	20	3.370	3.554
76.508	77.375	Short Term Debtors	18	107.645	108.012
50.311	58.868	Cash and Cash Equivalents		66.681	74.760
0.033	0.033	Intangible Assets	14	0.000	0.000
3.694	3.694	Assets held for sale	13	5.423	5.423
<b>134.325</b>	<b>144.459</b>	<b>Current Assets</b>		<b>183.119</b>	<b>192.186</b>
(142.272)	(142.272)	Short Term Borrowing	21	(188.167)	(188.167)
(141.585)	(147.977)	Short Term Creditors	18	(125.448)	(131.915)
(0.562)	(0.562)	Provisions	19	(0.580)	(0.580)
(6.817)	(6.817)	Receipts in Advance - Revenue	10	(16.461)	(16.461)
(0.250)	(0.250)	Receipts in Advance - Capital	10	0.000	0.000
<b>(291.486)</b>	<b>(297.878)</b>	<b>Current Liabilities</b>		<b>(330.656)</b>	<b>(337.123)</b>
0.000	(0.230)	Long Term Creditors		0.000	(0.157)
(13.171)	(13.171)	Provisions	19	(13.019)	(13.019)
(839.558)	(839.558)	Long Term Borrowing	21	(875.745)	(875.745)
(821.473)	(835.899)	Defined Benefit Pension Liability	25	(572.923)	(577.019)
(94.397)	(94.397)	Other Long Term Liabilities	21	(88.272)	(88.272)
(3.387)	(3.387)	Receipts in Advance - Revenue	10	(2.042)	(2.042)
(7.862)	(7.862)	Receipts in Advance - Capital	10	(8.476)	(8.476)
<b>(1,779.848)</b>	<b>(1,794.504)</b>	<b>Long Term Liabilities</b>		<b>(1,560.477)</b>	<b>(1,564.730)</b>
<b>1,447.536</b>	<b>1,449.167</b>	<b>Net Assets/(Liabilities)</b>		<b>1,830.210</b>	<b>1,840.007</b>
(61.878)	(74.463)	Usable Reserves	6	(69.770)	(79.676)
(1,385.658)	(1,374.704)	Unusable Reserves	7	(1,760.440)	(1,760.331)
<b>(1,447.536)</b>	<b>(1,449.167)</b>	<b>Total Reserves</b>		<b>(1,830.210)</b>	<b>(1,840.007)</b>

The unaudited accounts were issued on 30 June 2020 and the audited accounts were authorised for issue on 26 November 2020.

**Eileen Rowand MBA CPFA**  
**Executive Director Finance and Corporate Services**

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

2018-19 Fife Council £m	Group (Restated) £m		2019-20 Fife Council £m	Group £m
(18.153)	(23.552)	Net surplus or (deficit) on the provision of services	(49.990)	(56.495)
100.445	101.010	Depreciation & impairment	127.433	127.981
(17.773)	(17.327)	Downward/(upward) revaluations	(0.675)	(0.736)
0.706	0.706	Amortisation of intangibles	0.064	0.064
0.000	0.464	Movement in Fair Value of Investments	0.000	1.546
24.247	22.645	Increase/(decrease) in creditors	(12.265)	(11.548)
(8.186)	(5.911)	(Increase)/decrease in debtors	(19.654)	(19.868)
(0.055)	(0.164)	(Increase)/decrease in inventories	0.409	0.397
63.220	66.976	Movement in pension liability	59.166	63.051
4.662	4.662	Contributions to/(from) provisions	(0.134)	(0.134)
4.929	4.929	Carrying amount of assets sold	14.467	14.467
0.000	0.000	Other non-cash items	0.000	0.102
172.195	177.990	Adjustment for non cash movements	168.811	175.322
(66.440)	(66.488)	Capital Grants credited to surplus/(deficit) on provision of services	(72.507)	(72.562)
(3.912)	(3.912)	Proceeds from the sale of assets	(12.163)	(12.163)
(70.352)	(70.400)	Adjustment for investing & financing activities	(84.670)	(84.725)
<b>83.690</b>	<b>84.038</b>	<b>Net cash flows from Operating Activities</b>	<b>34.151</b>	<b>34.102</b>
(142.012)	(142.582)	Purchase of non-current assets	(174.939)	(175.423)
(0.004)	(0.004)	Purchase of investments	(0.009)	(0.009)
(1.361)	(1.361)	Long Term Loans granted	0.000	0.000
3.912	3.912	Proceeds from the sale of assets	12.163	12.163
67.168	67.182	Other receipts from investing activities	71.897	71.952
<b>(72.297)</b>	<b>(72.853)</b>	<b>Net cash flows from investing activities</b>	<b>(90.888)</b>	<b>(91.317)</b>
11.904	11.904	Cash receipts and repayments of short and long term borrowing	82.201	82.201
(4.772)	(4.772)	Cash payments reducing liabilities for finance leases & PPP contracts	(6.217)	(6.217)
3.565	3.565	Other financing activities	(2.877)	(2.877)
<b>10.697</b>	<b>10.697</b>	<b>Net cash flows from financing activities</b>	<b>73.107</b>	<b>73.107</b>
<b>22.090</b>	<b>21.882</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>16.370</b>	<b>15.892</b>
28.221	36.986	Cash and cash equivalents at the beginning of reporting period	50.311	58.868
<b>50.311</b>	<b>58.868</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>66.681</b>	<b>74.760</b>
0.056	0.056	Cash in Hand	0.056	0.056
1.563	7.658	Bank	(1.411)	4.027
51.330	51.329	Short Term Investments	70.800	70.800
(2.638)	(0.175)	Advances from other accounts	(2.764)	(0.123)
<b>50.311</b>	<b>58.868</b>		<b>66.681</b>	<b>74.760</b>
		<b>Net cash flows for operating activities include the following:-</b>		
0.667	1.003	Interest received	0.229	0.587
(44.762)	(44.762)	Interest paid	(45.365)	(45.365)
<b>(44.095)</b>	<b>(43.759)</b>	<b>Total</b>	<b>(45.136)</b>	<b>(44.778)</b>

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

## Notes to the Accounts

### 1. General Accounting Policies

#### General Principles

The Statement of Accounts summarises Fife Council and its Group transactions for the 2019-20 financial year and its position at the year-end of 31 March 2020. 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 2019-20 and the Service Reporting Code of Practice 2019-20, 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 2020-21 which relate to 2019-20 is accrued back to 2019-20 based on the number of days which relate to the period to 31 March 2020.
- 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 2020-21 that relate to 2019-20.
- Pension Liability: Estimate of future liability calculated by the Council's actuaries in accordance with IAS19.
- Holiday Pay: Based on a sample of employees holiday leave earned during 2019-20 but not taken by 31 March 2020.
- Termination Benefits: Accruals based on the estimated cost for those employees who returned written confirmation of their termination package by 31 March 2020.

#### Interests in Companies and Other Entities

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

#### Fair Value

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

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

## **Reserves**

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

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

## **2. Accounting Standards Issued, not yet Adopted**

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

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

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-17 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

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

## **3. Critical Judgements in Applying Accounting Policies**

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

### **Public Private Partnership (PPP)**

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

### **Public Sector Funding**

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

### **Employee Benefits**

The Council has used a sampling approach to calculating the accrual for short-term compensated absences. A random sample of employees has been used to calculate the short-term accrual necessary for annual leave at 31 March 2020.

### **Property Valuations - Coronavirus (COVID-19)**

The impact of the COVID-19 pandemic is not fully known and as a result there continues to be uncertainty surrounding the position of the property market. As a result, less weight can be placed upon previous market evidence for comparison purposes, to inform opinions of value, which therefore gives rise to increased uncertainty over the valuations of the current year of the Council's 5 year rolling valuation programme. The Council's surveyors have deemed this uncertainty great enough to require the valuations to be issued on the basis of 'material valuation uncertainty' and it is prudent to note that less certainty can be attached to the valuation that may otherwise be the case.

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

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

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year detailed in the following table:-

## Uncertainties

## Effect if Actual Results Differ from Assumptions

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### Property, Plant & Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and carrying amount of assets fall. It is estimated that for every year that useful lives have to be reduced, the annual depreciation charge for buildings would increase by approximately £3.150m.

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### Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

Changes to individual assumptions will have an effect on net pensions liability. For instance, a 0.5% increase in the discount rate would decrease the liability by £286m, a 0.5% increase in Pension Increase rate (CPI) would increase the liability by £233m and a 1 year increase in life expectancy assumptions would increase the liability by 3% - 5%.

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### Arrears

At 31 March 2020, the Council had a balance of sundry debtors of £20.697m. A review of significant balances suggested that an allowance for impairment of 23.30% (£4.821m) was appropriate. Included in this figure is an amount of £1.211m for debt written off which equates to 1.8% 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 £0.345m.

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### Fair value measurements

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value. Information about 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.

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### Property Valuations – Coronavirus (COVID-19) Impact on Retirement Benefits

The outbreak of the COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020, has impacted global financial markets, meaning that the Fife Council Pension Fund property valuer (CBRE) consider that the Fund can attach less weight to the previous market evidence for comparison purposes, to inform opinions of value. Valuations are therefore reported based on "material valuation uncertainty" as per VP3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution – are attached to the valuation of the Funds'; investment property assets than would normally be the case.

There is a risk that these investments may be under or overstated in accounts in relation to the IAS19 disclosures.

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



	Usable Reserves					Unusable Reserves	Total Reserves
	General Fund Balance £m	Housing Revenue Account £m	Insurance Fund £m	Capital Fund £m	Capital Grants and Receipts and Unapplied £m	Movement in Unusable Reserves £m	
<b>2018-19</b>							
<b>Adjustments involving the Capital Adjustment Account:-</b>							
Reversal of items debited or credited to the CI&ES (Non-current Assets & Assets Held for Sale):-							
Depreciation & impairment	(69.778)	(30.667)	0.000	0.000	0.000	100.445	0.000
Revaluation losses	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	51.762	12.557	0.000	0.000	0.000	(64.319)	0.000
Carrying value of assets disposed	(4.894)	(0.035)	0.000	0.000	0.000	4.929	0.000
Insertion of items not debited or credited to the CI&ES:-							
Statutory provision-financing capital investment	32.342	10.300	0.000	0.000	0.000	(42.642)	0.000
Capital expenditure charged to revenue	5.243	30.608	0.000	0.000	0.000	(35.851)	0.000
<b>Adjustments involving the Capital Fund:-</b>							
Sale proceeds of assets disposed	3.696	0.216	0.000	(3.912)	0.000	0.000	0.000
Use of Fund to finance capital investment	0.000	0.000	0.000	0.777	0.000	(0.777)	0.000
Use of Fund for transformation projects	0.000	0.000	0.000	3.000	(3.000)	0.000	0.000
Use of Fund for HRA set aside to repay debt	0.000	0.000	0.000	0.135	0.000	(0.135)	0.000
<b>Adjustment involving the Capital Grants Unapplied Account:-</b>							
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 & receipts to capital financing (transfer to Capital Adj Account)	(0.913)	(1.986)	0.000	0.000	2.899	0.000	0.000
<b>Adjustments involving the Financial Instruments Adjustment Account:-</b>							
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
<b>Adjustments involving the Pensions Reserve:-</b>							
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
<b>Adjustment involving the Employee Statutory Adjustment Account:-</b>							
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
<b>Total Adjustments</b>	<b>(20.945)</b>	<b>17.096</b>	<b>0.000</b>	<b>0.000</b>	<b>(5.122)</b>	<b>8.971</b>	<b>0.000</b>

## 6. Usable Reserves and Earmarked Balances

2018-19 £m	Useable Reserves	2019-20 £m
(40.363)	General Fund	(32.689)
(2.506)	Housing Revenue Account (HRA)	(3.005)
(7.777)	Insurance Fund	(20.782)
0.000	Capital Fund	0.000
(11.232)	Capital Grants and Receipts Unapplied Account	(13.294)
<b>(61.878)</b>	<b>Total Useable Reserves</b>	<b>(69.770)</b>

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

- **Insurance Fund**  
The Council purchases insurance cover and manages risk through its Insurance Fund with the exception of theft, malicious damage and accidental damage which are charged to the cost of services in the year they arise.
- **Capital Fund**  
Capital receipts are transferred to this fund which is used to finance capital expenditure, set aside to repay HRA debt, or transferred to the Capital Grants & Receipts Unapplied account to fund Transformation Projects.
- **Capital Grants and Receipts Unapplied Account**  
This account holds capital grants and receipts credited to Surplus / Deficit on Provision of Services but not yet applied to fund expenditure. When applied these are transferred in MIRS either to Capital Adjustment Account (when used to fund capital expenditure) or General Fund balances (when used to fund Transformation Projects, £0.597m in 2019-20).

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

2019-20	Balance 1 April 2019 £m	Net Transfers (to) / from Services £m	Decommitted Balances & Other Transfers £m	Movement in Reserves (MIRS) £m	Balance 31 March 2020 £m
<b>General Fund</b>					
<u>Earmarked and Committed Balances:</u>					
Energy Management Fund	0.554	0.412	-	-	0.966
Council Tax - Second Homes	5.063	1.029	-	-	6.092
Earmarked Grants	1.046	(0.450)	-	-	0.596
Ring Fenced & Other Carry forwards	4.346	(3.176)	-	-	1.170
Change Fund	3.042	(1.272)	0.049	-	1.819
Fife Job Contract	1.447	(0.349)	-	-	1.098
BTS Investment	1.039	-	-	-	1.039
Contributions from Balances (Budget)	0.716	(0.526)	-	-	0.190
Services Carry Forwards	2.768	(2.768)	-	-	0.000
Workforce Change Funding	3.500	(1.828)	(1.672)	-	0.000
Support to Children and Families	1.803	(1.803)	-	-	0.000
Other Commitments	0.974	(0.889)	0.598	-	0.683
<b>Total Commitments</b>	<b>26.298</b>	<b>(11.620)</b>	<b>(1.025)</b>	<b>0.000</b>	<b>13.653</b>
Uncommitted Balances	14.065	11.620	1.025	(7.674)	19.036
<b>General Fund Total</b>	<b>40.363</b>	<b>0.000</b>	<b>0.000</b>	<b>(7.674)</b>	<b>32.689</b>
<b>Insurance Fund</b>					
Insurance Fund - Earmarked	4.964	-	11.441	-	16.405
Insurance Fund	2.813	-	(11.441)	13.005	4.377
<b>Insurance Fund Total</b>	<b>7.777</b>	<b>0.000</b>	<b>0.000</b>	<b>13.005</b>	<b>20.782</b>

## **Explanatory Note**

### **General Fund Balance**

The General Fund Services balance decreased by £7.674m in 2019-20, leaving a balance at the end of the year of £32.689m. Once the commitments of £13.689m shown above are set against this, an uncommitted balance of £19.036m remains as at 31 March 2020. 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.

### **Ring Fenced Projects and other Carry forwards**

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

### **Change Fund**

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

### **Fife Job Contract**

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

### **BTS Investment Requirements**

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

### **Contribution from Balances**

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

### **Other Commitments**

This represents a number of other minor commitments against balances.

### **Insurance Fund - Earmarked**

The earmarked balance is held to cover own damage claims and anticipated incurred but not reported claims. The balance has increased significantly in the year due mainly to the interim settlement related to major fire damage at Woodmill High School, Dunfermline in August 2019 which accounts for £12.987m of the balance.

## 7. Unusable Reserves

2018-19 £m		2019-20 £m
(1,365.779)	Revaluation Reserve	(1,454.246)
(0.978)	Financial Instruments Revaluation Reserve	0.734
821.473	Pensions Reserve	572.923
(903.240)	Capital Adjustment Account	(959.469)
40.446	Financial Instruments Adjustment Account	56.405
22.420	Employee Statutory Adjustment Account	23.213
<b>(1,385.658)</b>	<b>Total Unusable Reserves</b>	<b>(1,760.440)</b>

### Revaluation Reserve

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

2018-19 £m		2019-20 £m
<b>(626.829)</b>	<b>Balance at 1 April</b>	<b>(1,365.779)</b>
	Revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services	
(1,200.683)	Upward Revaluation & reversal of impairment losses	(157.300)
442.972	Downward revaluation & impairment losses	30.869
(757.711)		(126.431)
	Amounts written off to the Capital Adjustment Account:-	
16.845	Difference between historic cost and fair value depreciation	28.423
1.916	Accumulated gains on assets sold or scrapped	9.541
18.761		37.964
<b>(1,365.779)</b>	<b>Balance at 31 March</b>	<b>(1,454.246)</b>

### 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.

2018-19 £m		2019-20 £m
<b>(0.001)</b>	<b>Balance at 1 April</b>	<b>(0.978)</b>
(0.977)	(Surplus)/Deficit on Financial Instruments Revaluation	1.483
0.000	Transfer to Capital Adjustment Account - accumulated gains on assets disposed	0.229
<b>(0.978)</b>	<b>Balance at 31 March</b>	<b>0.734</b>

### 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.

2018-19 £m		2019-20 £m
<b>627.922</b>	<b>Balance at 1 April</b>	<b>821.473</b>
130.331	Actuarial (gains) or losses on pensions assets and liabilities	(307.716)
137.820	Reversal of items relating to retirement benefits charged to CI&ES	136.466
(74.600)	Employer's pensions contributions & direct payments to pensioners payable	(77.300)
<b>821.473</b>	<b>Balance at 31 March</b>	<b>572.923</b>

### **Capital Adjustment Account**

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

2018-19 £m		2019-20 £m
<b>(829.061)</b>	<b>Balance at 1 April</b>	<b>(903.240)</b>
	Reversal of items relating to capital expenditure charged to the CI&ES:-	
100.445	Depreciation and impairment of non-current assets	127.433
(17.773)	Revaluation losses/(gains) on non-current assets	(0.675)
0.706	Amortisation of intangible assets	0.064
4.929	Carrying value of assets sold	14.467
	Capital financing applied in the year:-	
(3.912)	Use of Capital Fund to finance capital or to repay HRA debt	(12.163)
3.000	Transfer from Capital Fund to finance transformation projects	1.300
(64.319)	Capital grants & contributions applied to finance capital expenditure	(71.148)
(42.643)	Statutory provision for the financing of capital investment	(42.633)
(35.851)	Capital expenditure charged to General Fund and HRA balances	(34.681)
(18.761)	Adjusting amounts written out of the Revaluation Reserve	(37.964)
0.000	Adjusting amounts written out of the Financial Instruments Revaluation Reserve	(0.229)
<b>(903.240)</b>	<b>Balance at 31 March</b>	<b>(959.469)</b>

### **Financial Instruments Adjustment Account**

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

In 2012 Fife Council entered into an inverse floater Lender Option Borrower Option (LOBO) arrangement as a way of hedging against the potential impact of an increase in interest rates. The rate payable on this loan is currently 7.83%. Updated forecasts indicate that market expectations are for interest rates to remain low and the Council opted to repay the loan during 2019-20 incurring a premium of £18.471m.

2018-19 £m		2019-20 £m
<b>42.615</b>	<b>Balance at 1 April</b>	<b>40.446</b>
	Amount by which costs charged to the CI&ES are different from costs chargeable in the year in accordance with statutory requirements:-	
(0.033)	Effective Interest Rate - Borrowings Loan Interest	(0.035)
(0.012)	Effective Interest Rate - Soft Loans	(0.005)
(2.124)	Proportion of prior year early redemption premiums	(2.472)
0.000	Premium paid for early redemption of LOBO Loan	18.471
<b>40.446</b>	<b>Balance at 31 March</b>	<b>56.405</b>

### **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.

2018-19 £m		2019-20 £m
<b>19.083</b>	<b>Balance at 1 April</b>	<b>22.420</b>
(19.083)	Settlement or cancellation of accrual at previous financial year end	(22.420)
22.420	Amounts accrued at the end of the current year	23.213
<b>22.420</b>	<b>Balance at 31 March</b>	<b>23.213</b>

## 8. Analysis of Income and Expenditure by Segment/Nature

	Employee Expenditure £m	Other Service Expenditure £m	Adjustments for Capital Purposes £m	Net change for Pension Adjustment £m	Other adjustments £m	Total Expenditure £m	Fees, Charges & Service Income £m	Gov Grants & Contributions £m	Total Income £m	Net Exp in the CI&ES £m
<b>2019-20</b>										
Education & Children Services	304.052	114.734	58.872	13.300	1.565	492.523	(3.464)	(38.676)	(42.140)	<b>450.383</b>
Health & Social Care	83.109	325.906	2.189	10.288	(0.211)	421.281	(188.248)	(64.565)	(252.813)	<b>168.468</b>
Enterprise & Environment	123.772	11.125	19.674	15.564	(0.247)	169.888	(28.379)	(6.950)	(35.329)	<b>134.559</b>
Finance & Corporate Services	41.152	106.525	2.747	5.102	(0.333)	155.193	(3.084)	(94.681)	(97.765)	<b>57.428</b>
Chief Executive	0.251	0.006	0.000	0.028	0.000	0.285	0.000	0.000	0.000	<b>0.285</b>
Corporate & Democratic Core	2.478	0.219	0.000	(11.765)	0.224	(8.844)	0.000	0.000	0.000	<b>(8.844)</b>
Communities	38.068	46.480	11.455	4.646	0.050	100.699	(13.887)	(4.339)	(18.226)	<b>82.473</b>
Housing Revenue Account	13.703	82.741	1.687	1.734	(0.255)	99.610	(122.084)	(0.128)	(122.212)	<b>(22.602)</b>
Loan Charges	0.000	92.905	0.000	0.000	(92.905)	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>Net Cost of Services</b>	<b>606.585</b>	<b>780.641</b>	<b>96.624</b>	<b>38.897</b>	<b>(92.112)</b>	<b>1,430.635</b>	<b>(359.146)</b>	<b>(209.339)</b>	<b>(568.485)</b>	<b>862.150</b>
Other Income and Expenditure										<b>(812.160)</b>
<b>(Surplus ) or Deficit on the Provision of Services</b>										<b>49.990</b>
<b>2018-19</b>										
Education & Children Services	280.042	115.805	12.388	8.648	1.670	418.553	(3.895)	(31.705)	(35.600)	<b>382.953</b>
Health & Social Care	78.138	312.102	0.685	6.765	0.443	398.133	(179.482)	(62.421)	(241.903)	<b>156.230</b>
Enterprise & Environment	121.390	15.855	34.535	10.515	0.693	182.988	(31.457)	(9.607)	(41.064)	<b>141.924</b>
Finance & Corporate Services	44.829	110.126	2.821	3.996	0.222	161.994	(3.022)	(101.366)	(104.388)	<b>57.606</b>
Chief Executive	0.243	0.011	0.000	0.019	0.002	0.275	0.000	0.000	0.000	<b>0.275</b>
Corporate & Democratic Core	2.363	0.621	0.000	11.962	0.144	15.090	0.000	0.000	0.000	<b>15.090</b>
Communities	31.245	48.855	(0.588)	2.656	0.220	82.388	(14.897)	(2.555)	(17.452)	<b>64.936</b>
Housing Revenue Account	12.425	81.777	2.930	1.105	(0.059)	98.178	(117.513)	(0.118)	(117.631)	<b>(19.453)</b>
Loan Charges	0.000	92.900	0.000	0.000	(92.900)	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>Net Cost of Services</b>	<b>570.675</b>	<b>778.052</b>	<b>52.771</b>	<b>45.666</b>	<b>(89.565)</b>	<b>1,357.599</b>	<b>(350.266)</b>	<b>(207.772)</b>	<b>(558.038)</b>	<b>799.561</b>
Other Income and Expenditure										<b>(781.408)</b>
<b>(Surplus ) or Deficit on the Provision of Services</b>										<b>18.153</b>



## 9. Other Income and Expenditure

2018-19 £m		2019-20 £m
	<b>Other Operating Expenditure</b>	
2.362	Insurance Fund *	(13.005)
1.016	(Gains)/losses on the disposal of assets	2.304
<b>3.378</b>		<b>(10.701)</b>
	<b>Financing and Investment Income and Expenditure</b>	
43.525	Interest payable and similar charges	43.511
(0.667)	Interest receivable and similar income	(0.229)
17.554	Pensions interest cost & expected return on pensions assets	20.269
(0.012)	Income & expenditure in relation to financial instruments and changes in their fair value	(0.005)
0.000	Premium paid for early redemption of Lender Option Borrower Option Loan	18.471
<b>60.400</b>		<b>82.017</b>
	<b>Taxation and Non Specific Grant Income</b>	
(156.301)	Council tax and community charge income	(163.282)
(154.138)	Non-domestic rates	(165.717)
(468.307)	Non ring-fenced government grants	(481.970)
(66.440)	Capital grants and contributions	(72.507)
<b>(845.186)</b>		<b>(883.476)</b>

\* The Council Operates an internal insurance fund with premiums charged to Services to cover the operating costs, and some over or under recovery of costs in the year are normal. The balance has increased significantly this year due to the interim settlement received in relation to the major fire at Woodmill High School, Dunfermline which is held in the Insurance Fund as an earmarked balance.

## 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.

2018-19 £m	<b>Grants and Contributions credited to the CI&amp;ES</b> (excl non ring-fenced Government Grants)	2019-20 £m
	<b>Credited to Services</b>	
(98.724)	Government Grant: Housing Benefit Subsidy	(89.589)
(55.193)	Government Grants and contributions: NHS	(64.162)
(44.733)	Government Grants and Contributions: Other	(50.689)
(2.579)	EU Grants	(1.488)
(6.543)	Non-Government Grants and Contributions	(3.411)
<b>(207.772)</b>		<b>(209.339)</b>
	<b>Credited to Taxation and Non Specific Grant Income</b>	
(61.752)	Government Grants and Contributions	(69.444)
(4.688)	Non Government Grants and Contributions	(3.063)
<b>(66.440)</b>		<b>(72.507)</b>

31 March 2019 Short Term £m	Long Term £m	Receipts in Advance (balances at year end)	31 March 2020 Short Term £m	Long Term £m
		<b>Receipts in Advance - Revenue</b>		
(6.515)	(3.001)	Government grants	(15.961)	(1.708)
(0.302)	(0.386)	Non Government Grants	(0.500)	(0.334)
<b>(6.817)</b>	<b>(3.387)</b>		<b>(16.461)</b>	<b>(2.042)</b>
		<b>Receipts in Advance - Capital</b>		
(0.250)	0.000	Government grants	0.000	0.000
0.000	(7.862)	Non Government Grants	0.000	(8.476)
<b>(0.250)</b>	<b>(7.862)</b>		<b>0.000</b>	<b>(8.476)</b>

## 11. Property, Plant and Equipment

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

Property, Plant & Equipment Movements	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure £m	Community £m	Surplus £m	Assets Under Construction £m	Total PPE £m	PPP/NPD Assets Included in Total PPE £m
<b>2019-20</b>									
<b>Net Book Value at 1 April 2019</b>	<b>976.088</b>	<b>1,931.935</b>	<b>38.305</b>	<b>298.818</b>	<b>2.796</b>	<b>27.034</b>	<b>49.593</b>	<b>3,324.569</b>	<b>212.382</b>
Additions	58.923	27.967	13.322	17.900	0.255	1.363	55.369	<b>175.099</b>	0.258
Revaluations	2.101	134.254	0.000	0.000	0.000	(0.627)	0.000	<b>135.728</b>	11.423
Impairment	0.000	(10.542)	0.000	0.000	0.000	(1.886)	0.000	<b>(12.428)</b>	0.000
Depreciation	(32.465)	(70.722)	(10.173)	(10.435)	(0.124)	(0.357)	0.000	<b>(124.276)</b>	(5.946)
Disposals	0.000	(11.259)	(0.494)	0.000	0.000	(0.559)	(0.371)	<b>(12.683)</b>	0.000
Other Movements	22.272	5.045	0.495	0.954	(1.677)	0.211	(28.873)	<b>(1.573)</b>	0.000
<b>Net Book Value at 31 March 2020</b>	<b>1,026.919</b>	<b>2,006.678</b>	<b>41.455</b>	<b>307.237</b>	<b>1.250</b>	<b>25.179</b>	<b>75.718</b>	<b>3,484.436</b>	<b>218.117</b>
Gross Book Value	1,026.919	2,042.097	130.775	435.542	1.376	27.138	76.035	<b>3,739.882</b>	218.117
Accumulated Depreciation & Impairment	0.000	(35.419)	(89.320)	(128.305)	(0.126)	(1.959)	(0.317)	<b>(255.446)</b>	0.000
	<b>1,026.919</b>	<b>2,006.678</b>	<b>41.455</b>	<b>307.237</b>	<b>1.250</b>	<b>25.179</b>	<b>75.718</b>	<b>3,484.436</b>	<b>218.117</b>
<b>2018-19 (Restated)</b>									
<b>Net Book Value at 1 April 2018</b>	<b>920.117</b>	<b>1,204.347</b>	<b>39.161</b>	<b>285.288</b>	<b>3.123</b>	<b>24.720</b>	<b>34.599</b>	<b>2,511.355</b>	<b>149.756</b>
Additions	51.269	26.711	9.559	24.078	0.247	0.238	29.908	<b>142.010</b>	0.022
Revaluations	29.581	749.343	0.000	0.000	0.000	(4.395)	0.000	<b>774.529</b>	67.915
Impairment	0.000	(3.822)	0.000	0.000	0.000	0.000	0.000	<b>(3.822)</b>	0.000
Depreciation	(30.600)	(46.295)	(9.798)	(9.697)	(0.129)	(0.140)	0.000	<b>(96.659)</b>	(5.311)
Disposals	0.000	(2.148)	(0.563)	0.000	0.000	(0.307)	0.000	<b>(3.018)</b>	0.000
Other Movements	5.721	3.799	(0.054)	(0.851)	(0.445)	6.918	(14.914)	<b>0.174</b>	0.000
<b>Net Book Value at 31 March 2019</b>	<b>976.088</b>	<b>1,931.935</b>	<b>38.305</b>	<b>298.818</b>	<b>2.796</b>	<b>27.034</b>	<b>49.593</b>	<b>3,324.569</b>	<b>212.382</b>
Gross Book Value	976.088	1,951.197	121.491	416.689	3.941	28.862	50.773	<b>3,549.041</b>	212.382
Accumulated Depreciation & Impairment	0.000	(19.262)	(83.186)	(117.871)	(1.145)	(1.828)	(1.180)	<b>(224.472)</b>	0.000
	<b>976.088</b>	<b>1,931.935</b>	<b>38.305</b>	<b>298.818</b>	<b>2.796</b>	<b>27.034</b>	<b>49.593</b>	<b>3,324.569</b>	<b>212.382</b>

## Recognition and De-Recognition

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

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

## Measurement

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

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

## Revaluations

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

Effective valuation date / Historic Cost (HC)	HC £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m	Total £m
Council Dwellings	0.000	0.000	0.000	0.000	0.000	1,026.919	<b>1,026.919</b>
Other Land & Buildings	33.546	23.288	34.839	149.291	73.193	1,727.940	<b>2,042.097</b>
Infrastructure	435.256	0.000	0.000	0.000	0.000	0.286	<b>435.542</b>
Surplus Assets	1.385	0.000	0.175	23.178	1.342	1.058	<b>27.138</b>

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

## Depreciation

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

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

## 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 2019-20, the Council has recognised an impairment loss of £12.428m relating to 7 assets, the largest of these relating to the major fire damage sustained at Woodmill High School in Dunfermline (£6.410m).

## Accounting Treatment

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

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

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

## 12. Heritage Assets

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

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

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

2018-19			Heritage Asset Movements during the year	2019-20		
Fine Art £m	Other £m	Total £m		Fine Art £m	Other £m	Total £m
<b>18.752</b>	<b>8.247</b>	<b>26.999</b>	<b>At 1 April</b>	<b>20.005</b>	<b>8.247</b>	<b>28.252</b>
1.253	0.000	1.253	Revaluations	0.000	0.000	0.000
<b>20.005</b>	<b>8.247</b>	<b>28.252</b>	<b>At 31 March</b>	<b>20.005</b>	<b>8.247</b>	<b>28.252</b>

## 13. Assets Held for Sale

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

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

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

2018-19 £m	Assets Held for Sale Movements during the year	2019-20 £m
<b>4.944</b>	<b>At 1 April</b>	<b>3.694</b>
(0.265)	Revaluation gains/(losses)	0.649
(0.173)	Assets transferred to/(from) Property, Plant & Equipment	1.573
(0.812)	Assets sold	(0.493)
<b>3.694</b>	<b>At 31 March</b>	<b>5.423</b>

## 14. Intangible Assets

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

2018-19 Non-Current £m	Current £m	Intangible Assets Movements during the year	2019-20 Non-Current £m	Current £m
		<b>Opening balance at 1 April</b>		
1.302	1.099	Gross carrying amounts	1.302	0.709
(1.211)	0.000	Accumulated amortisation	(1.241)	(0.676)
<b>0.091</b>	<b>1.099</b>	<b>Net carrying amount at start of year</b>	<b>0.061</b>	<b>0.033</b>
0.000	0.709	Additions	0.000	0.000
(0.030)	(0.676)	Amortisation for the period	(0.031)	(0.033)
0.000	(1.099)	Disposals	0.000	0.000
<b>0.061</b>	<b>0.033</b>	<b>Net carrying amount at end of year</b>	<b>0.030</b>	<b>0.000</b>
1.302	0.709	Gross carrying amounts	1.302	0.000
(1.241)	(0.676)	Accumulated amortisation	(1.272)	0.000
<b>0.061</b>	<b>0.033</b>	<b>Total</b>	<b>0.030</b>	<b>0.000</b>

## 15. Capital Expenditure and Capital Financing

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

2018-19 £m	Capital Financing Requirement Movements during the year	2019-20 £m
<b>1,108.013</b>	<b>At 1 April</b>	<b>1,108.373</b>
	<b>Capital investment:-</b>	
142.010	Property, Plant and Equipment	175.099
0.709	Intangible Assets	0.000
0.004	Financial Instrument Investments	0.005
1.361	Loan Advances	0.000
	<b>Sources of finance:-</b>	
(0.912)	Capital receipts	(10.863)
0.000	Loan Repayments	(2.367)
(64.319)	Government grants and other contributions	(71.148)
(35.851)	Direct revenue contributions	(34.681)
(42.642)	Loans Fund principal repayments	(42.633)
<b>1,108.373</b>	<b>At 31 March</b>	<b>1,121.785</b>
767.183	Capital Financing Requirement - General Fund	757.232
341.190	Capital Financing Requirement - Housing Revenue Account	364.553
<b>1,108.373</b>	<b>At 31 March</b>	<b>1,121.785</b>
<b>13.997</b>	<b>Capital Contract Commitments at 31 March - Property, Plant &amp; Equipment</b>	<b>28.194</b>

## 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 2020 at a value of £148.936m.

There are no other finance lease agreements included in the Council's balance sheet at 31 March 2020.

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 2020.

### 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.

2018-19 £m	Future minimum lease payments due at 31 March under non-cancellable leases in future years:-	2019-20 £m
1.500	Not later than one year	1.338
2.869	Later than one year and not later than five years	2.157
7.278	Later than five years	7.051
<b>11.647</b>	<b>Total</b>	<b>10.546</b>

2018-19 £m	Expenditure charged to the CI&ES during the year in relation to these leases:-	2019-20 £m
2.590	Minimum lease payments	2.079
0.000	Contingent rents	0.000
<b>2.590</b>	<b>Total</b>	<b>2.079</b>

#### • 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.

2018-19 £m	The future minimum lease payments at 31 March receivable in future years are:-	2019-20 £m
4.150	Not later than one year	3.530
10.353	Later than one year and not later than five years	8.506
81.393	Later than five years	76.199
<b>95.896</b>	<b>Total</b>	<b>88.235</b>



## 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.

2018-19		Annual Unitary Charge payments and Scottish Government Grant support	2019-20	
Unitary charge £m	Grant support £m		Unitary charge £m	Grant support £m
7.784	(3.680)	PPP1	7.773	(3.680)
8.128	(4.168)	PPP2	8.235	(4.168)
3.885	(3.212)	NPD	3.844	(3.212)
<b>19.797</b>	<b>(11.060)</b>		<b>19.852</b>	<b>(11.060)</b>

£m	Outstanding Liability on Balance Sheet	£m
105.387	1 April	100.614
(4.772)	Capital Repayments during the year	(6.217)
<b>100.615</b>	31 March	<b>94.397</b>

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 2020 (using 2.5% indexation excl availability/performance deductions)	Service Costs £m	Capital Repayment £m	Finance Costs £m	Total £m
Payable in 2020-21	6.274	6.125	7.757	20.156
Payable within two to five years	31.674	26.116	25.355	83.145
Payable within six to ten years	42.769	32.438	18.355	93.562
Payable within eleven to fifteen years	18.557	17.274	8.028	43.859
Payable within sixteen to twenty years	9.625	9.593	2.548	21.766
Payable within twenty one to twenty five	2.611	2.851	0.218	5.680
<b>Total</b>	<b>111.510</b>	<b>94.397</b>	<b>62.261</b>	<b>268.168</b>

## 18. Debtors and Creditors

31 March 2019		Short Term Debtors and Creditors	31 March 2020	
Debtors (Restated)	Creditors (Restated)		Debtors	Creditors
£m	£m		£m	£m
26.354	(5.231)	Central Government bodies	29.949	(0.954)
28.983	(2.998)	Local Taxation (Council Tax & Non-Domestic Rates)	31.008	(0.495)
1.651	(75.644)	Employees (Pay and Holiday Pay Accruals)	1.997	(59.329)
15.366	(27.463)	Financial Assets and Liabilities (Note 21)	16.905	(36.477)
2.265	0.000	Insurance Fund	16.135	0.000
1.889	(30.249)	Other Entities and Individuals	11.651	(28.193)
<b>76.508</b>	<b>(141.585)</b>		<b>107.645</b>	<b>(125.448)</b>
		<b>Local Taxation Debtors</b>		
		Past due (but not impaired) amount analysed by age of debt		
5.964		Up to 1 Year	6.561	
10.581		1-5 Years	11.748	
12.438		Greater than 5 Years	12.699	
<b>28.983</b>			<b>31.008</b>	

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

## 19. Provisions

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

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

	Insurance Claims £m	Expenses Awards £m	Employee Allowances £m	Asset Decomm. £m	Total £m
<b>1 April 2019</b>	<b>(7.234)</b>	<b>(0.112)</b>	<b>(0.450)</b>	<b>(5.937)</b>	<b>(13.733)</b>
Additional provisions made	(1.660)	(0.060)	(0.010)	(0.119)	(1.849)
Amounts used	2.055	0.000	0.052	0.000	2.107
Unused amounts reversed	0.000	0.000	0.000	0.000	0.000
Unwinding of discounting	(0.048)	0.000	0.000	(0.076)	(0.124)
<b>31 March 2020</b>	<b>(6.887)</b>	<b>(0.172)</b>	<b>(0.408)</b>	<b>(6.132)</b>	<b>(13.599)</b>
Short-Term Provisions	0.000	(0.172)	(0.408)	0.000	(0.580)
Long-Term Provisions	(6.887)	0.000	0.000	(6.132)	(13.019)
<b>Balance 31 March 2020</b>	<b>(6.887)</b>	<b>(0.172)</b>	<b>(0.408)</b>	<b>(6.132)</b>	<b>(13.599)</b>

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

## 20. Inventories

2018-19			Movement in Inventories (measured at lower of cost and net realisable value)	2019-20		
Stores & Raw Materials £m	Equipment Stock £m	Total £m		Stores & Raw Materials £m	Equipment Stock £m	Total £m
3.190	0.535	3.725	Opening Balance 1 April	3.397	0.382	3.779
18.112	0.987	19.099	Purchases	16.364	1.549	17.913
(18.150)	(1.140)	(19.290)	Recognised as in-year expense	(16.552)	(1.770)	(18.322)
0.245	0.000	0.245	Written off balances	0.000	0.000	0.000
3.397	0.382	3.779	Balance 31 March	3.209	0.161	3.370

## 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 2019		Categories of Financial Instruments in the Balance Sheet	31 March 2020	
Short Term (Restated) £m	Long Term £m		Short Term £m	Long Term £m
		<b>Investments</b>		
0.000	5.509	Employment Land	0.000	2.743
0.000	5.509		0.000	2.743
		<b>Other Financial Assets</b>		
0.999	9.708	Loan Debt - Police and Fire Authorities	1.017	8.691
0.000	16.247	Loan Advances - National Housing Trust (NHT)	0.000	13.880
0.016	0.199	Loan Advances - Soft Loans	0.012	0.187
14.351	0.000	Other Loans and Receivables	15.876	0.005
15.366	26.154		16.905	22.763
		<b>Borrowings</b>		
(9.799)	(468.815)	Loans - Public Works Loan Board (PWLb)	(8.751)	(540.064)
(20.500)	(365.600)	Loans - Money Market	(15.000)	(330.600)
(101.000)	0.000	Loans - Temporary Short Term	(153.500)	0.000
(10.904)	0.000	Loan Interest	(10.821)	0.000
(0.069)	(5.143)	Loan Liability - Effective Interest Rate (EIR)	(0.095)	(5.081)
(142.272)	(839.558)		(188.167)	(875.745)
		<b>Other Financial Liabilities</b>		
(6.217)	(94.397)	PPP, NPD and finance lease liabilities	(6.125)	(88.272)
(21.246)	0.000	Trade Creditors (at contract amount)	(30.352)	0.000
(27.463)	(94.397)		(36.477)	(88.272)

### 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). The Council disposed of part of the Employment Land asset in 2019-20 recognising a gain on disposal of £0.292m.

### Other Financial Assets

The Council has loan debt due from Scottish Police & Fire Authorities, recognised in 2013 when the services were transferred from the Council, repayable annually until 2037; loan advances made under NHT Initiative repayable within 5-10 years of an advance; soft loans (below market rate of interest) to employees; and other trade debtors. Interest receivable is based on an effective rate of interest for 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 balance sheet at amortised cost. Interest on borrowings charged to CI&ES in the year is £37.042m (2018-19, £35.563m).

For comparison purposes, Fair Value of PWLB & Money Market Loans are assessed under fair value hierarchy Level 2, using net present values of cash flows expected over remaining life of the debt to estimate the value of future payments. It is greater than amortised cost, as the Council's portfolio of loans includes fixed rate loans where interest payable is higher than rates available on similar loans in the market at the balance sheet date.

2018-19 £m	PWLB and Money Market Loans at the Balance Sheet date	2019-20 £m
864.714	Carrying Value (amortised cost)	894.415
1,209.729	Fair Value	1,172.436

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 Financial Liabilities

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

## Movement in Liabilities recognised as Financing Activities

	1 April 2018 £m	Movements 2018-19 Cash £m	Non-Cash £m	1 April 2019 £m	Movements 2019-20 Cash £m	Non-Cash £m	31 March 2020 £m
Long & Short Term Borrowing	(953.810)	(11.904)	0.000	(965.714)	(82.201)	0.000	(1,047.915)
EIR Loan Liability	(5.244)	0.000	0.032	(5.212)	0.000	0.036	(5.176)
PPP & Lease Liabilities	(105.386)	4.772	0.000	(100.614)	6.217	0.000	(94.397)

## 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 exposure to the unpredictability of the financial markets and protects the financial resources available to fund services. The Council has formally adopted the CIPFA Code of Practice on Treasury Management and there are written policies and procedures for areas such as interest rate risk, credit risk and investment of surplus cash. A report detailing three year Treasury Management Borrowing & Investment Strategies is approved annually by the Council's Policy & 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. 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, setting prudential indicators, approving an annual borrowing strategy and 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 it has readily available access to borrowing from the 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.

<b>Maturity Analysis of Financial Liabilities (principal and interest)</b>	<b>PWLB £m</b>	<b>Money Market Loans (incl EIR) £m</b>	<b>Short- Term Loans £m</b>	<b>Total £m</b>	<b>Maturity Profile %</b>
Less than one year	15.350	18.980	153.801	188.131	17.68%
Between one and two years	21.620	3.277	0.000	24.897	2.34%
Between two and five years	58.207	1.112	0.000	59.319	5.58%
Between five and ten years	51.440	0.239	0.000	51.679	4.86%
Ten years or more	408.797	331.089	0.000	739.886	69.54%
<b>Total</b>	<b>555.414</b>	<b>354.697</b>	<b>153.801</b>	<b>1,063.912</b>	<b>100.00%</b>

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

### Credit Risk

Credit risk from financial instruments arises from the deposits placed with banks and financial institutions, 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.

<b>Total 2018-19 £m</b>	<b>Analysis of Trade Debtors</b>	<b>Within 3 months £m</b>	<b>3 - 6 months £m</b>	<b>6 - 12 months £m</b>	<b>Beyond 12 months £m</b>	<b>Total 2019-20 £m</b>
16.622	At 31 March	8.050	1.305	4.632	6.710	20.697
19.06%	Historical experience of default					23.30%
4.334	Expected maximum exposure to default					4.821

### 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.

<b>2018-19 £m</b>	<b>Impact of 1% increase in interest rate (assuming all other variables are constant)</b>	<b>2019-20 £m</b>
1.150	Increase in Interest Payable	1.304
(0.780)	Increase in Interest Receivable	(0.760)
<b>0.370</b>	<b>Net impact on the CI&amp;ES</b>	<b>0.544</b>
<b>(206.361)</b>	<b>Reduction in Fair Value of Investments</b>	<b>(197.246)</b>

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

### Members and Officers of the Council

The Council enters into a number of transactions with external bodies. In addition to the Assisted Organisations (listed separately below), elected members also have registered interests in other bodies where the Council does not have significant influence over their operations. In 2019-20 the Council made material payments (>£0.100m) to 14 of these bodies totalling £4.552m. The register of members' interests held by Finance & Corporate Services is available at: [http://publications.fifedirect.org.uk/c64\\_Register%28PUBLIC%29fromMar2020.pdf](http://publications.fifedirect.org.uk/c64_Register%28PUBLIC%29fromMar2020.pdf)

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

### Local Government 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 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 this pension scheme as they have a separately constituted pension scheme.

2018-19 £m		2019-20 £m
1.795	Charges to the Pension Fund for support services related to administration	1.698
67.842	Employers' contribution paid to the Pension Fund	69.328
15.601	Employee's contributions collected and paid to the Pension Fund	16.270

The Fife Pension Fund accounts are not part of the Council's Annual Accounts but are subject to a separate audit, receiving a separate audit opinion. The Fife Pension Fund Annual Report is available on request from Pensions Team, Fife Council, North Street, Glenrothes, KY7 5LT. Email: [pensions.section@fife.gov.uk](mailto:pensions.section@fife.gov.uk)

### Assisted Organisations

The Council provides material funding to organisations under joint venture, subsidiary, associate and other external trading arrangements which provides the Council with a degree of influence over their operation. This note details Council expenditure incurred in the year to these organisations as well as Council debtors and creditors balances at 31 March for those included in the Group Accounts.

#### - Joint Venture: Fife Integration Joint Board

The Integration Joint Board (IJB) for the area of Fife was legally established on 3 October 2015 as a Joint Venture with the NHS. 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. The IJB is included in the Council's accounts on an equity basis and details are shown as material items of income and expenditure in the Comprehensive Income & Expenditure Statement in these accounts.



**- Subsidiaries, included in Group Accounts are:**

Payments from Fife Council £	2018-19 Fife Council balances at 31 March			Payments from Fife Council £	2019-20 Fife Council balances at 31 March	
	Debtors £	Creditors £			Debtors £	Creditors £
2.794	0.204	0.035	Fife Sports and Leisure Trust	2.879	0.113	0.027
1.758	0.099	0.060	Fife Coast & Countryside Trust	1.508	0.020	0.000
0.581	0.074	0.000	Fife Golf Trust	0.581	0.217	0.000
8.514	0.028	0.089	Fife Cultural Trust	7.645	0.206	0.000
20.474	0.402	0.475	Fife Resource Solutions LLP	20.592	0.771	0.517
0.042	0.000	0.000	Resource Efficient Solutions LLP	0.014	0.000	0.000
			Business Gateway Fife			
0.153	0.000	0.403	- Operational funding	0.168	0.000	0.261
1.077	0.000	0.000	- National contract contribution	1.244	0.000	0.000
<b>35.393</b>	<b>0.807</b>	<b>1.062</b>		<b>34.631</b>	<b>1.327</b>	<b>0.805</b>

**• Fife Sports and Leisure Trust**

The Trust is a company limited by guarantee with charitable status and was set up on 1 April 2008. 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 Trust and is represented on the Board of Directors by 6 board members.

**• Fife Coast & Countryside Trust**

The Trust is a company limited by guarantee with charitable status and 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 Trust and is represented on the Board of Directors by 4 board members.

**• Fife Golf Trust**

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

**• Fife Cultural Trust**

The Trust is a company limited by guarantee with charitable status 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 4 theatre facilities are owned by the Council and leased to the company. The Council pays a management fee to the company and is represented on the Board of Directors by 4 board members.

**• Fife Resource Solutions Limited Liability Partnership**

The 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.

**• Resource Efficient Solutions Limited Liability Partnership**

The 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 & industrial waste to external customers and provision of consultancy services. The Council is represented on the Board of Directors by 5 board members.

**• Business Gateway Fife**

This is a company limited by guarantee which 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 Council provides operational funding and funding for financial assistance to small businesses as well as a contribution to the Business Gateway national contract, and is represented on the Board of Directors by 2 board members.

**- Subsidiary, Associates & Other Related Parties not included in Group Accounts due to materiality levels:**

2018-19 £m	Payments from Fife Council	2019-20 £m
	<b>Subsidiary</b>	
0.000	Sustainability Fife Ltd	0.000
	<b>Associates</b>	
0.046	SESTran	0.046
0.148	Fife Historic Building Trust	0.235
0.000	TAYPlan	0.000
0.010	SESPlan	0.000
0.119	West Fife Enterprise	0.077
	<b>Other Related Parties</b>	
1.779	RWE Markinch	0.000
0.000	Tay Road Bridge Joint Board	0.000
	Scotland Excel	
0.213	- Annual Requisition	0.217
0.335	- Other	0.543
<b>2.650</b>		<b>1.118</b>

**• 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.

**• 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.

**• Fife Historic Building Trust**

The Trust is a company limited by guarantee 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.

**• Strategic Development Planning Authorities:**

Four strategic development planning authorities (SDPA) were designated by Scottish Ministers in May 2008 under Section 4 of Planning etc.(Scotland) Act 2006. Fife Council is a member of the Joint Committees of two SDPA's:-

- TAYPlan is the SDPA for Dundee, Perth, Angus and North Fife. Its membership comprises Dundee City, Angus, Fife and Perth & Kinross Councils.

- SESPlan is the SDPA for Edinburgh and South East Scotland. Its membership comprises of City of Edinburgh, Fife, East Lothian, Midlothian, West Lothian and Scottish Borders Councils. Fife Council has agreed to administer the finance and human resources aspects of SESPlan and retains the reserves of the Authority on their behalf.

**• West Fife Enterprise**

West Fife Enterprise was an organisation contributing to employability inclusion and economic regeneration within Fife which ceased operations in June 2019. Fife Council was previously represented on the organisation's Board.

**• RWE Markinch**

In 2018, Fife Council entered into a joint operation with RWE Markinch with support from Scottish Government grant funding. The joint operation was formed to provide secure, sustainable, low carbon heat supply to a mix of industrial, commercial, community and domestic properties in the centre of Glenrothes.

**• Tay Road Bridge Joint Board**

The 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.

**• 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.

## 24. Pensions Schemes Accounted for as Defined Contribution Schemes

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

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

2018-19 £m	Teachers' Retirement Benefits	2019-20 £m
23.909	Amounts due to Scottish Public Pensions Agency for Teachers' Pensions	30.742
16.91%	% of pensionable pay	20.25%
4.481	Early Retirement Benefits outside the terms of the Teachers' Scheme	4.496

## 25. Defined Benefit Retirement Schemes

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

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

### Basis for estimating assets and liabilities

Liabilities 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 LGPS and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. Estimates are based on the roll-forward of the 2017 valuation as adjusted for changes in assumptions, additional benefit accrual and estimated cash flows. Assumptions vary depending on age profile of scheme members for each employer within the Council Group - Fife Sports & Leisure Trust are considered a 'Long Duration' employer, Business Gateway 'Short Duration', and all others (including Fife Council) 'Medium Duration'.

Short Duration	2018-19		Principal Assumptions used	2019-20		
	Medium Duration	Long Duration		Short Duration	Medium Duration	Long Duration
			<b>Mortality-Longevity at age 65 (years)</b>			
21.2	21.2	21.2	Men (current pensioners)	20.5	20.5	20.5
22.6	22.6	22.6	Men (future pensioners)	21.6	21.6	21.6
23.8	23.8	23.8	Women (current pensioners)	23.0	23.0	23.0
25.8	25.8	25.8	Women (future pensioners)	24.6	24.6	24.6
			<b>Financial</b>			
3.00%	3.00%	3.00%	Rate of increase in salaries	2.40%	2.30%	2.20%
2.50%	2.50%	2.00%	Rate of increase in pensions	2.00%	1.90%	1.80%
2.40%	2.40%	3.00%	Rate for discounting scheme	2.30%	2.30%	2.30%
			<b>Commutation</b>			
50%*	50%*	50%*	Take-up of option to convert annual pension into a lump sum	50%*	50%*	50%*

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

### Transactions relating to post employment benefits

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

2018-19 Fife Council £m		Group £m	2019-20 Fife Council £m		Group £m
			<b>Comprehensive Income &amp; Expenditure Statement (CI&amp;ES)</b>		
			Cost of Services:-		
100.807		107.559	120.619		128.381
19.459		20.669	(4.422)		(4.610)
			Financing and Investment Income and Expenditure:-		
74.398		77.726	75.018		78.546
(56.844)		(59.992)	(54.749)		(57.878)
137.820		145.962	136.466		144.439
130.331		135.951	(307.716)		(321.931)
<b>268.151</b>		<b>281.913</b>	<b>(171.250)</b>		<b>(177.492)</b>
			<b>Total Post Employment Benefit charged to the CI&amp;ES</b>		
			<b>Movement in Reserves Statement</b>		
(137.820)		(145.962)	(136.466)		(144.439)
			Reversal of charges to the CI&ES in accordance with accounting regulations		
			Amounts charged for pensions in the year against Balances:-		
67.103		71.281	69.957		74.034
7.497		7.530	7.343		7.354
<b>(63.220)</b>		<b>(67.151)</b>	<b>(59.166)</b>		<b>(63.051)</b>
			<b>Present value of scheme liabilities(defined benefit</b>		
<b>(2,725.833)</b>		<b>(2,845.716)</b>	<b>(3,092.026)</b>		<b>(3,233.587)</b>
			<b>Balance at 1 April</b>		
(100.807)		(107.559)	(120.619)		(128.381)
(74.398)		(77.726)	(75.018)		(78.546)
(15.643)		(16.691)	(16.481)		(17.562)
			<b>Remeasurements:-</b>		
0.000		0.000	106.017		111.156
(224.825)		(235.922)	310.001		326.048
(3.445)		(3.474)	20.886		21.444
64.887		66.640	65.013		66.751
7.497		7.530	7.343		7.354
(19.459)		(20.669)	4.422		4.610
<b>(3,092.026)</b>		<b>(3,233.587)</b>	<b>(2,790.462)</b>		<b>(2,920.713)</b>
			<b>Balance at 31 March</b>		
			<b>Fair value of scheme assets</b>		
<b>2,097.911</b>		<b>2,212.992</b>	<b>2,270.553</b>		<b>2,397.688</b>
			<b>Balance at 1 April</b>		
56.844		59.992	54.749		57.878
97.939		103.372	(129.188)		(136.719)
67.103		71.281	69.957		74.034
15.643		16.691	16.481		17.562
(64.887)		(66.640)	(65.013)		(66.749)
7.497		7.530	7.343		7.354
(7.497)		(7.530)	(7.343)		(7.354)
<b>2,270.553</b>		<b>2,397.688</b>	<b>2,217.539</b>		<b>2,343.694</b>
			<b>Balance at 31 March</b>		
<b>(821.473)</b>		<b>(835.899)</b>	<b>(572.923)</b>		<b>(577.019)</b>
			<b>Total Surplus / (Deficit)</b>		

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

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

31 March 2019					31 March 2020			
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	%
531.399	0.000	531.399	24%	Equity Securities	631.924	0.000	631.924	28%
				Debt Securities				
0.000	66.609	66.609	3%	• Corporate Bonds	0.000	68.891	68.891	3%
0.000	164.848	164.848	7%	• UK Government	0.000	168.092	168.092	8%
0.000	0.591	0.591	0%	• Other	0.000	0.510	0.510	0%
				Real Estate				
192.051	6.615	198.666	9%	• UK Property	174.783	3.655	178.438	8%
				Investment Funds & Unit Trusts				
1,041.637	0.000	1,041.637	46%	• Equities	899.333	0.000	899.333	41%
77.070	0.000	77.070	3%	• Bonds	79.682	0.000	79.682	4%
2.759	0.000	2.759	0%	• Commodities			0.000	0%
0.000	48.686	48.686	2%	• Infrastructure	0.000	91.049	91.049	4%
2.703	0.000	2.703	0%	• Other	2.487	0.000	2.487	0%
(0.171)	0.000	(0.171)	0%	Derivatives	(0.327)	0.000	(0.327)	0%
135.756	0.000	135.756	6%	Cash & Cash Equivalents	97.460	0.000	97.460	4%
<b>1,983.204</b>	<b>287.349</b>	<b>2,270.553</b>	<b>100%</b>	<b>TOTAL</b>	<b>1,885.342</b>	<b>332.197</b>	<b>2,217.539</b>	<b>100%</b>

## Scheme History

	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
<b>Fife Council</b>					
Funded Liabilities	(2,221.980)	(2,920.432)	(2,583.086)	(2,944.411)	(2,659.939)
Fair value of assets in the LGPS	1,648.617	2,019.791	2,097.911	2,270.553	2,217.539
Funded Scheme Surplus/(Deficit)	(573.363)	(900.641)	(485.175)	(673.858)	(442.400)
Unfunded Scheme Surplus/(Deficit)	(127.306)	(138.484)	(142.747)	(147.615)	(130.523)
<b>Total Surplus/(Deficit)</b>	<b>(700.669)</b>	<b>(1,039.125)</b>	<b>(627.922)</b>	<b>(821.473)</b>	<b>(572.923)</b>
<b>Group</b>					
Funded Liabilities	(2,312.504)	(3,048.660)	(2,702.801)	(3,085.577)	(2,789.836)
Fair value of assets in the LGPS	1,731.577	2,124.399	2,212.989	2,397.688	2,343.694
Funded Scheme Surplus/(Deficit)	(580.927)	(924.261)	(489.812)	(687.889)	(446.142)
Unfunded Scheme Surplus/(Deficit)	(127.339)	(138.526)	(142.953)	(148.010)	(130.877)
<b>Total Surplus/(Deficit)</b>	<b>(708.266)</b>	<b>(1,062.787)</b>	<b>(632.765)</b>	<b>(835.899)</b>	<b>(577.019)</b>

Contributions expected to be made to the funded scheme in financial year 2020-21

Fife(£m)	Group(£m)
68.008	71.864

## 26. External Audit Costs

The agreed external audit fee for 2019-20 was £0.522m for work undertaken in accordance with the Code of Audit Practice (2018-19, £0.513m). No other services were provided by Audit Scotland.

## **27. Financial Guarantees**

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

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

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

## **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 2020 the Council has no contingent assets but has the following contingent liabilities: -

- The Council has developed a strategy for Workforce Change which would result in an FTE staff reduction of approximately 2,300 at an estimated cost of £75.000m over the 14 year period (2010-11 to 2023-24). Included in the 2019-20 accounts are costs totalling £3.212m for approximately 69 staff. There is significant uncertainty over the extent of employee reductions required over the next 4 years although it is estimated at approximately £20.000m for under 600 staff and no provision has been made for this contingency.
- The Scottish Child Abuse Inquiry was set up in October 2015 to examine the abuse of children in care from the 1930's to the present day. Fife Council have 3 establishments which are included in the list of Institutions being investigated. Fife Council have already received claims for £1.165m, however there is potential for more claims as the time bar has been removed for cases where the abuse occurred post September 1964. 2020 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.
- A contingent liability exists in respect of equal pay claims. There is an uncertainty around the tribunal outcomes, and this, together with the complex nature of equal pay legislation, means that it is not possible at this time to be certain of all potential future costs in this area.



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

- Pensions Liability - McCloud judgement: In December 2018 the UK appeal court found that certain protections introduced in the reform of the Local Government Pension Scheme in 2015 were unlawful on the grounds of age discrimination. On 16 July 2020, the UK Government released a consultation document on the remedy to the issues and the Council received a new actuarial report to reflect this. The accounts have been amended for Council and its Group £7.5m and £7.9m respectively to reflect the revised pension liabilities.
- The COVID-19 pandemic has, and will continue to have, major implications worldwide. The UK lockdown commenced on 23 March 2020, just one week prior to the financial year end, and it is considered not to have had a material effect on the Council's transactions in the 2019-20 financial year although investment values for Common Good and Trust Funds at the balance sheet date of 31 March have been impacted. The implications for the Council in future years are detailed further in the Management Commentary to these accounts.

## 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 Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

- Group Accounts - Fife Cultural Trust restated their 2018-19 Balance sheet to reflect movement of prior year stock and investment interest to reserves totalling £0.126m. This has resulted in a restatement of the 2018-19 Group Accounts figures in Movement in Reserves Statement, Comprehensive Income & Expenditure Statement, Balance Sheet and Cash Flow Statement.
- Note 10 Grant Income & Note 18 Debtors and Creditors - The 2018-19 Receipts in Advance - Revenue and Creditors figures have both been restated by £0.163m as a result of a change in accounting treatment of 3 revenue grants. This restatement is also reflected in the balance sheet.
- Note 11 Property Plant & Equipment - A change in presentation was introduced in 2019-20. The note previously showed Gross Book Value & Accumulated Depreciation in separate tables but this has been changed to a Net Book Value table only. The 2018-19 comparative figures reflect this presentational change.
- Note 18 Debtors and Creditors - A change in presentation was introduced in 2019-20 which recategorises short term debtors and creditors. The 2018-19 comparative figures reflect this recategorisation.
- Note 21 Financial Instruments - The 2018-19 'Other Loans and Receivables' figures have been restated to include impairment for bad debts of £1.675m
- Note 23 Related Parties & Group - The Fife Council debtors figure at 31 March 2019 with Resource Efficient Solutions has been restated. The £2.915m figure reported in the 2018-19 accounts did not relate to the Council, but to another body within the Council's Group.
- Charities & Trust Funds: Comprehensive Income & Expenditure Statement - The 2018-19 Disbursements have been restated to include Locality payments and payments to other Local Authorities totalling £0.073m. These were previously shown under Other Expenditure which has also been restated accordingly.

## 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.

2018-19 £m		2019-20 £m
	<b>Income</b>	
(110.949)	Dwelling Rents	(114.720)
1.084	Rent Voids	1.231
(3.493)	Non-dwelling Rents	(3.503)
(2.118)	Hostels - Accommodation Charges	(2.195)
(2.155)	Other Income	(3.025)
<b>(117.631)</b>	<b>Total Income</b>	<b>(122.212)</b>
	<b>Expenditure</b>	
39.912	Repairs and Maintenance	39.865
20.372	Supervision and Management	23.361
0.159	Rents, rates, taxes and other charges	0.163
33.538	Depreciation, impairment and revaluation losses of non-current assets	31.885
2.813	Impairment of Debtors	2.813
1.384	Other Expenditure	1.523
<b>98.178</b>	<b>Total Expenditure</b>	<b>99.610</b>
<b>(19.453)</b>	<b>Net Expenditure or (Income) of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>(22.602)</b>
0.082	Share of Corporate and Democratic Core	0.103
0.063	HRA share of other amounts included in the whole Council Net Expenditure of Continuing Operations but not allocated to specific services	0.122
<b>(19.308)</b>	<b>Net (Income) or Expenditure for HRA Services</b>	<b>(22.377)</b>
	<b>HRA Share of operating income and expenditure included in the whole Council Comprehensive Income and Expenditure Statement</b>	
(0.181)	(Gain) or Loss on sale of HRA Non Current Assets	(0.116)
12.119	Interest Payable and Similar Charges	19.638
(0.222)	Interest and Investment Income	(0.196)
0.576	Pension Interest Cost and Expected Return on Pension Assets	0.694
(10.580)	Capital Grants and Contributions Receivable	(13.709)
<b>(17.596)</b>	<b>(Surplus) or Deficit for the Year on HRA Services</b>	<b>(16.066)</b>

### Movement on the Housing Revenue Account Statement

2018-19 £m		2019-20 £m
(17.596)	(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement	(16.066)
17.096	Adjustments between Accounting and Funding Basis Under Statute (note 1)	15.567
(0.500)	Net (Increase) or Decrease In Year on HRA	(0.499)
(2.006)	Balance on the HRA at the end of the Previous Year	(2.506)
<b>(2.506)</b>	<b>Balance on the HRA at the end of the Current Year</b>	<b>(3.005)</b>

## Housing Revenue Account Disclosures

### 1. Adjustments between Accounting Basis and Funding Basis under Statute

2018-19 £m		2019-20 £m
0.181	Gain or (loss) on sale of HRA non-current assets	0.116
30.608	Capital expenditure funded by the HRA	30.198
	<b>Transfer to/(from) the Capital Adjustment Account:-</b>	
(33.537)	Depreciation, Impairment and Revaluations	(31.885)
10.580	Capital Grants and Contributions	13.709
10.300	Repayment of Debt	11.629
(1.681)	HRA share of contributions to/(from) the Pensions Reserve	(2.428)
0.731	HRA Share of Transfer (to)/from Financial Instruments Adjustment Account	(5.803)
(0.086)	HRA adjustment for compensated absences	0.031
<b>17.096</b>		<b>15.567</b>

### 2. Housing Stock

The Council's housing stock at 31 March 2020 was 30,455 (31 March 2019, 30,275) in the following categories:

31 March 2019 Number	Number of Bedrooms	31 March 2020 Number
269	0	251
7,394	1	7,425
14,326	2	14,423
7,220	3	7,267
1,066	4 - 8	1,089
<b>30,275</b>		<b>30,455</b>

### 3. Rent Arrears

31 March 2019 £m		31 March 2020 £m
7.175	Current Tenants	5.628
1.800	Former Tenants	2.419
0.132	Temporary Accommodation	0.147
<b>9.107</b>		<b>8.194</b>

### 4. Impairment of Debtors

A provision of £6.470m (78.9%), including £0.072m for temporary accommodation, (2018-19, £7.141m, 78.4%) has been made in respect of uncollectable debts.

### 5. Weekly Rents

The average weekly house rent (52 week basis) for 2019-20 was £73.38 (2018-19, £70.49). 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 2019-20 was £376.663m (2018-19, £351.735m). The increase in the level of debt is mainly due to the scale of the investment programme that is in place to deliver the Affordable Housing and the Component Replacement Programme.

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

2018-19 £m		2019-20 £m
(213.438)	Gross Rates Levied & Contributions in Lieu	(212.186)
39.504	Reliefs & Other Deductions	40.399
0.000	Payment of Interest	0.001
1.023	Debts Written Off and Allowance for Impairment	1.031
<b>(172.911)</b>	<b>Net Non-Domestic Rate Income</b>	<b>(170.755)</b>
6.624	Adjustment to previous years National Non-Domestic Rates	12.583
<b>(166.287)</b>	<b>Contribution to Non-Domestic Rate Pool</b>	<b>(158.172)</b>

(154.138)	Distribution from Non-Domestic Rate Pool	(165.717)
<b>(154.138)</b>	<b>Non-Domestic Rate Income to the CI&amp;ES</b>	<b>(165.717)</b>

Analysis of Rateable Values at 31 March 2020:-	Number of Subjects	Total £m	%
<b>Type of Subject</b>			
Shops	3,343	79.560	18.98
Public Houses	247	5.528	1.32
Offices (including banks)	2,373	25.912	6.18
Hotels, Boarding Houses etc	180	9.679	2.31
Industrial and Freight Transport Subjects	3,421	80.751	19.27
Leisure, Entertainment, Caravans and Holiday sites	1,145	13.899	3.32
Garages and Petrol Stations	189	2.204	0.53
Education and Training	217	31.130	7.43
Public Service Subjects	500	20.182	4.82
Communications (Non Formula)	26	3.542	0.84
Quarries, Mines etc.	33	1.175	0.28
Petrochemical	14	15.139	3.61
Religious	328	4.035	0.96
Health/Medical	69	8.588	2.05
Care Facilities	328	10.301	2.46
Undertaking (including Scottish Water)	53	97.007	23.15
Cultural	70	1.739	0.41
Sporting Subjects	591	1.057	0.25
Advertising	52	0.267	0.06
Other	1,352	7.415	1.77
<b>Total all Non-Domestic Subjects</b>	<b>14,531</b>	<b>419.110</b>	<b>100%</b>

## 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 2019-20 this rate was 49p (2018-19, 48p) which is uniform throughout Scotland. A rate poundage of 51.60p (2018-19, 50.60p) 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.

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.

2018-19 £m		2019-20 £m
	<b>Gross Tax Levied</b>	
(206.732)	Council Tax	(214.784)
(0.273)	Council Tax - Prior Year Income	(0.191)
(0.558)	Contributions in lieu	(0.559)
(207.563)		(215.534)
	<b>Deductions</b>	
20.704	Council Tax Reduction	20.475
26.572	Discount and Exemptions	27.704
3.287	Debts Written Off and Allowance for Impairment	3.464
0.699	Prior Years Adjustments	0.609
51.262		52.252
<b>(156.301)</b>	<b>Council Tax Income to CI&amp;ES</b>	<b>(163.282)</b>

#### Charges Levied:-

2018-19 £	Valuation Band	Band	Weighting	2019-20 £
790.73	A	Up to - 27,000	240/360	814.45
922.51	B	27,001 - 35,000	280/360	950.19
1,054.30	C	35,001 - 45,000	320/360	1,085.93
1,186.09	D	45,001 - 58,000	360/360	1,221.67
1,558.39	E	58,001 - 80,000	473/360	1,605.14
1,927.40	F	80,001 - 106,000	585/360	1,985.21
2,322.76	G	106,001 - 212,000	705/360	2,392.44
2,905.92	H	Over 212,000	882/360	2,993.09

#### 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 2020 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 149,667 Band D equivalent properties (2018-19, 148,496).

	Disabled Relief Band A	Band			
		A	B	C	D
Dwellings on the valuation list		40,298	48,615	23,562	21,220
Exempt dwellings		(2,228)	(1,925)	(1,075)	(954)
Dwellings subject to disabled reduction		(65)	(199)	(132)	(135)
Dwellings subject to council tax at this band due to disabled relief	65	199	132	135	206
Dwellings entitled to a 10% discount	0	(25)	(19)	(8)	(7)
Dwellings entitled to a single discount	(8)	(5,934)	(4,936)	(2,239)	(1,603)
Dwellings entitled to a 50% discount	0	(146)	(106)	(43)	(37)
<b>Dwellings after discounts, exemptions and disabled relief</b>	<b>57</b>	<b>32,099</b>	<b>41,562</b>	<b>20,200</b>	<b>18,690</b>
Ratio to Band D	5/9	240/360	280/360	320/360	360/360
<b>Band D equivalent properties</b>	<b>32</b>	<b>21,399</b>	<b>32,326</b>	<b>17,956</b>	<b>18,690</b>
Provision for non-payment <b>2.10%</b> (2017-18, 2.10%)	1	449	679	377	392
<b>Band D equivalent properties</b>	<b>31</b>	<b>20,950</b>	<b>31,647</b>	<b>17,579</b>	<b>18,298</b>

	Band				Total Bands A - H
	E	F	G	H	
Dwellings on the valuation list	23,944	14,014	6,711	514	<b>178,878</b>
Exempt dwellings	(837)	(457)	(194)	(88)	<b>(7,758)</b>
Dwellings subject to disabled reduction	(206)	(127)	(56)	(4)	<b>(924)</b>
Dwellings subject to council tax at this band due to disabled relief	127	56	4	0	<b>924</b>
Dwellings entitled to a 10% discount	(6)	(4)	(3)	0	<b>(72)</b>
Dwellings entitled to a single discount	(1,377)	(585)	(251)	(13)	<b>(16,946)</b>
Dwellings entitled to a 50% discount	(32)	(15)	(10)	(1)	<b>(390)</b>
<b>Dwellings after discounts, exemptions and disabled relief</b>	<b>21,613</b>	<b>12,882</b>	<b>6,201</b>	<b>408</b>	<b>153,712</b>
Ratio to Band D	473/360	585/360	705/360	882/360	
<b>Band D equivalent properties</b>	<b>28,397</b>	<b>20,933</b>	<b>12,144</b>	<b>1,000</b>	<b>152,877</b>
Provision for non-payment <b>2.10%</b> (2018-19, 2.10%)	596	440	255	21	<b>3,210</b>
<b>Band D equivalent properties</b>	<b>27,801</b>	<b>20,493</b>	<b>11,889</b>	<b>979</b>	<b>149,667</b>



## Introduction

The introduction of LASAAC guidance "Accounting for the Common Good", in December 2007, sets out the disclosure requirements for Common Good funds and requires that authorities prepare an Explanatory Foreword, a Comprehensive Income and Expenditure Statement (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 2019-20, the value of investments held by Common Good decreased by £0.704m which was largely due to the volatility of the financial markets at the end of March 2020 in reaction to the COVID-19 pandemic.

## Common Good Movement in Reserves Balance

	Useable Reserve £m	Unusable Reserves £m	Total Reserves £m
<b>Opening Balance 1 April 2018</b>	<b>(4.739)</b>	<b>(3.500)</b>	<b>(8.239)</b>
<b><u>Movement in Reserves during 2018-19</u></b>			
(Surplus) or deficit on provision of services	0.143	0.000	<b>0.143</b>
Other Comprehensive Expenditure and Income	0.000	(0.422)	<b>(0.422)</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>0.143</b>	<b>(0.422)</b>	<b>(0.279)</b>
Adjustments between accounting & funding basis under regulations	(0.455)	0.455	<b>0.000</b>
<b>(Increase)/Decrease in year</b>	<b>(0.312)</b>	<b>0.033</b>	<b>(0.279)</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>(5.051)</b>	<b>(3.467)</b>	<b>(8.518)</b>
<b><u>Movement in Reserves during 2019-20</u></b>			
(Surplus) or deficit on provision of services	0.538	0.000	<b>0.538</b>
Other Comprehensive Expenditure and Income	0.000	(0.456)	<b>(0.456)</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>0.538</b>	<b>(0.456)</b>	<b>0.082</b>
Adjustments between accounting & funding basis under regulations	0.059	(0.059)	<b>0.000</b>
<b>(Increase)/Decrease in Year</b>	<b>0.597</b>	<b>(0.515)</b>	<b>0.082</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>(4.454)</b>	<b>(3.982)</b>	<b>(8.436)</b>

## Common Good Comprehensive Income and Expenditure Statement

2018-19 £m		2019-20 £m
	<b>Expenditure</b>	
0.175	Property Costs	0.177
(0.142)	Donations	0.132
0.502	Depreciation and Revaluations	(0.003)
0.035	Other Expenditure	0.029
<b>0.570</b>	<b>Total Expenditure</b>	<b>0.335</b>
	<b>Income</b>	
(0.171)	Interest on investments	(0.182)
(0.277)	Rents	(0.259)
(0.139)	Other Income	(0.005)
<b>(0.587)</b>	<b>Total Income</b>	<b>(0.446)</b>
0.207	(Gain)/ Loss on Revaluation of Investment Fund	0.704
(0.047)	Capital Grant Received	(0.055)
<b>0.160</b>	<b>Other Operating Expenditure</b>	<b>0.649</b>
<b>0.143</b>	<b>(Surplus)/Deficit for year</b>	<b>0.538</b>
(0.422)	Other Comprehensive Expenditure & Income	(0.456)
<b>(0.279)</b>	<b>Total Comprehensive Expenditure &amp; Income</b>	<b>0.082</b>

## Common Good Balance Sheet

2018-19 £m		2019-20 £m
3.466	Heritable Property	3.983
3.888	Investments	3.183
<b>7.354</b>	<b>Long Term Assets</b>	<b>7.166</b>
1.076	Advances to Loans Fund	1.239
0.046	Sundry Debtors	0.046
<b>1.122</b>	<b>Current Assets</b>	<b>1.285</b>
0.042	Sundry Creditors	(0.015)
<b>0.042</b>	<b>Current Liabilities</b>	<b>(0.015)</b>
<b>8.518</b>	<b>Net Assets/(Liabilities)</b>	<b>8.436</b>
	<b>Financed by:</b>	
(5.051)	Usable Reserves	(4.454)
(3.467)	Unusable Reserves	(3.982)
<b>(8.518)</b>	<b>Total Reserves</b>	<b>(8.436)</b>

The unaudited accounts were issued on 30 June 2020 and the audited accounts were authorised for issue on 26 November 2020.

**Eileen Rowand MBA CPFA**  
Executive Director Finance and Corporate Services

## 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 2019-20, the value of investments held by Charities & Trust Funds decreased by £0.842m due to the volatility of the financial markets in March 2020 in reaction to the COVID-19 pandemic.

2018-19 Total £m	Summary of balances held at 31st March	Other Trust Funds £m	Registered Charities £m	2019-20 Total £m
(2.142)	Fife Educational Trust	0.000	(1.621)	<b>(1.621)</b>
(0.060)	Community Funds	(0.057)	0.000	<b>(0.057)</b>
(2.793)	Other Trusts/Charities	(1.038)	(1.452)	<b>(2.490)</b>
<b>(4.995)</b>		<b>(1.095)</b>	<b>(3.073)</b>	<b>(4.168)</b>

## Charities and Trust Funds Movement in Reserves Statement

	Useable Reserve £m	Unusable Reserve £m	Total Reserves £m
<b>Opening Balance 1 April 2018</b>	<b>(5.277)</b>	<b>(0.005)</b>	<b>(5.282)</b>
<b>Movement in Reserves during 2018-19</b>			
(Surplus) or deficit on provision of services	0.287	0.000	<b>0.287</b>
Other Comprehensive Expenditure and Income	0.000	0.000	<b>0.000</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>0.287</b>	<b>0.000</b>	<b>0.287</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>(4.990)</b>	<b>(0.005)</b>	<b>(4.995)</b>
<b>Movement in Reserves during 2019-20</b>			
(Surplus) or deficit on provision of services	0.827	0.000	<b>0.827</b>
Other Comprehensive Expenditure and Income	0.000	0.000	<b>0.000</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>0.827</b>	<b>0.000</b>	<b>0.827</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>(4.163)</b>	<b>(0.005)</b>	<b>(4.168)</b>

## Charities and Trust Funds Comprehensive Income and Expenditure Statement

2018-19 Total £m		Other Trust Funds £m	2019-20 Registered Charities £m	Total £m
	<b>Expenditure</b>			
0.187	Disbursements	0.048	0.092	<b>0.140</b>
0.008	Other Expenditure	0.010	0.012	<b>0.022</b>
<b>0.195</b>	<b>Total Expenditure</b>	<b>0.058</b>	<b>0.104</b>	<b>0.162</b>
	<b>Income</b>			
(0.165)	Interest on investments	(0.040)	(0.137)	<b>(0.177)</b>
0.000	Other Income	0.000	0.000	<b>0.000</b>
<b>(0.165)</b>	<b>Total Income</b>	<b>(0.040)</b>	<b>(0.137)</b>	<b>(0.177)</b>
0.257	Financing and Investment Income and Expenditure	0.141	0.701	<b>0.842</b>
<b>0.287</b>	<b>(Surplus)/Deficit for year</b>	<b>0.159</b>	<b>0.668</b>	<b>0.827</b>
<b>0.287</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>0.159</b>	<b>0.668</b>	<b>0.827</b>

## Charities and Trust Funds Balance Sheet

2018-19 Total £m		Other Trust Funds £m	2019-20 Registered Charities £m	Total £m
0.005	Heritable Property	0.000	0.005	<b>0.005</b>
3.570	Investments	0.684	2.041	<b>2.725</b>
<b>3.575</b>	<b>Long Term Assets</b>	<b>0.684</b>	<b>2.046</b>	<b>2.730</b>
1.387	Advances to Loans Fund	0.403	0.999	<b>1.402</b>
0.033	Sundry Debtors	0.008	0.028	<b>0.036</b>
<b>1.420</b>	<b>Current Assets</b>	<b>0.411</b>	<b>1.027</b>	<b>1.438</b>
0.000	Sundry Creditors	0.000	0.000	<b>0.000</b>
<b>0.000</b>	<b>Current Liabilities</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>4.995</b>	<b>Net Assets/(Liabilities)</b>	<b>1.095</b>	<b>3.073</b>	<b>4.168</b>
	<b>Financed by:</b>			
(4.990)	Usable Reserves	(1.095)	(3.068)	<b>(4.163)</b>
(0.005)	Unusable Reserve - Revaluation Reserve	0.000	(0.005)	<b>(0.005)</b>
<b>(4.995)</b>	<b>Total Reserves</b>	<b>(1.095)</b>	<b>(3.073)</b>	<b>(4.168)</b>

The unaudited accounts were issued on 30 June 2020 and the audited accounts were authorised for issue on 26 November 2020.

**Eileen Rowand MBA CPFA**  
Executive Director Finance and Corporate Services

## **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 2020 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 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 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 2019/20 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 four 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.

#### **Emphasis of matter: Additional uncertainty on property valuations**

I draw attention to Note 3 in the financial statements, which describes the effects of material uncertainties that exist in property valuations due to the impact of the Covid-19 pandemic. My opinion is not modified in respect of this matter.

#### **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.

#### **Risks of material misstatement**

I report in a separate Annual Audit Report, 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Other information in the annual accounts**

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

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

## **Report on other requirements**

### **Opinions on matters prescribed by the Accounts Commission**

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

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

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and



- the information given in the Annual 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





