

## Standards, Audit and Risk Committee

Committee Room 2, Floor 5, Fife House, North Street,  
Glenrothes, KY7 5LT / Blended meeting.



Friday, 30 June 2023 - 10.00 am

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### AGENDA

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1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST** – In terms of Section 5 of the Code of Conduct, members of the Committee are asked to declare any interest(s) in particular items on the agenda and the nature of the interest(s) at this stage.
3. **MINUTE** – Minute of the meeting of the Standards, Audit and Risk Committee on 25 May 2023. 3 – 5
4. **2021/22 AND 2022/23 ISSUED AUDIT REPORTS** – Report by the Service Manager - Audit and Risk Management Services. 6 – 17
5. **2022/23 INTERNAL AUDIT ANNUAL REPORT** – Report by the Service Manager - Audit and Risk Management Services. 18 – 36
6. **ANNUAL GOVERNANCE STATEMENT FOR THE YEAR TO 31 MARCH 2023** – Report by the Executive Director - Finance and Corporate Services. 37 – 47
7. **FIFE COUNCIL UNAUDITED ANNUAL ACCOUNTS 2022-23** – Report by the Executive Director - Finance and Corporate Services. 48 – 125
8. **FIFE COUNCIL CHARITABLE TRUSTS - UNAUDITED ANNUAL REPORT AND FINANCIAL STATEMENTS 2022-23** – Report by the Executive Director Finance and Corporate Services. 126 – 146
9. **RISK MANAGEMENT UPDATE** – Report by the Service Manager - Audit and Risk Management Services. 147 – 209

**Members are reminded that should they have queries on the detail of a report they should, where possible, contact the report authors in advance of the meeting to seek clarification.**

Lindsay Thomson  
Head of Legal and Democratic Services  
Finance and Corporate Services

Fife House  
North Street  
Glenrothes  
Fife, KY7 5LT

23 June, 2023

If telephoning, please ask for:

Wendy Macgregor, Committee Officer, Fife House 06 ( Main Building )

Telephone: 03451 555555, ext. 442178; email: Wendy.MacGregor@fife.gov.uk

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### **BLENDING MEETING NOTICE**

This is a formal meeting of the Committee and the required standards of behaviour and discussion are the same as in a face to face meeting. Unless otherwise agreed, Standing Orders will apply to the proceedings and the terms of the Councillors' Code of Conduct will apply in the normal way

For those members who have joined the meeting remotely, if they need to leave the meeting for any reason, they should use the Meeting Chat to advise of this. If a member loses their connection during the meeting, they should make every effort to rejoin the meeting but, if this is not possible, the Committee Officer will note their absence for the remainder of the meeting. If a member must leave the meeting due to a declaration of interest, they should remain out of the meeting until invited back in by the Committee Officer.

If a member wishes to ask a question, speak on any item or move a motion or amendment, they should indicate this by raising their hand at the appropriate time and will then be invited to speak. Those joining remotely should use the "Raise hand" function in Teams.

All decisions taken during this meeting, will be done so by means of a Roll Call vote.

Where items are for noting or where there has been no dissent or contrary view expressed during any debate, either verbally or by the member indicating they wish to speak, the Convener will assume the matter has been agreed.

There will be a short break in proceedings after approximately 90 minutes.

Members joining remotely are reminded to have cameras switched on during meetings and mute microphones when not speaking. During any breaks or adjournments please switch cameras off.

**THE FIFE COUNCIL - STANDARDS, AUDIT AND RISK COMMITTEE –  
BLENDED MEETING**

**Committee Room 2, 5<sup>th</sup> Floor, Fife House, North Street, Glenrothes.**

**25 May, 2023**

**10.00 am – 11.40 am**

**PRESENT:** Councillors Dave Dempsey (Convener) Lesley Backhouse, John Beare, Al Clark, Gary Holt, Sarah Neal, Gordon Pryde and Ann Verner.

**ATTENDING:** Elaine Muir, Head of Finance; Pamela Redpath, Service Manager – Audit and Risk Management Services; Gordon Mole, Head of Business and Employability; Paul Vaughan, Head of Communities and Neighbourhoods; Andy Maclellan, Community Projects Team Manager, Community Projects Team; Shelagh McLean, Head of Education and Childrens Services (Early Years and Directorate Support); Kevin Funnell, Service Manager (Operations), Education and Childrens Services; Anne-Marie Cardle, Service Manager - Human Resources Service; Helen Wilkie, Service Manager - Housing Supply, Regeneration and Stock Condition; Michael O’Gorman, Service Manager - Estates and Asset Management, Estates; Allan Barclay, Service Manager, Commercial Services; Martin Kotlewski, Service Manager – BTS Solutions and Service Assurance; Fiona McKay, Head of Strategic Planning, Performance and Commissioning Manager, Health and Social Care; Roy Lawrence, Principal Lead for Organisational Development and Culture, HSCP Health and Social Care; Anne Bence, Accountant, Finance Operations; Hazel Hastie, Auditor, Audit and Risk Management Services; Helena Couperwhite, Manager - Committee Services and Wendy MacGregor, Committee Officer, Legal and Democratic Services.

**ALSO ATTENDING:** Jamie Dale, Chief Internal Auditor, Aberdeenshire Council and Karen Jones, Director of Audit and Assurance, Azets.

**APOLOGIES FOR ABSENCE:** Councillors Tom Adams and Graeme Downie.

**36. DECLARATIONS OF INTEREST**

No declarations of interest were submitted in terms of Standing Order No 7.1.

**37. MINUTE**

The Committee agreed to approve the minute.

**38. EXTERNAL QUALITY ASSESSMENT**

The Committee considered a report by the Service Manager, Audit and Risk Management Services, delivering a report by Aberdeenshire Council's Chief Internal Auditor on the External Quality Assessment of Fife Council's Audit Services.

**Decision**

The Committee:-

- (1) noted the content of the External Quality Assessment report by Aberdeenshire Council's Chief Internal Auditor, as detailed in Appendix A to the report and thanked the Chief Internal Auditor for their efficiency in the delivery of the External Quality Assessment process; and
- (2) acknowledged with appreciation, that Fife Council's Internal Audit Service fully conformed with the required Public Sector Internal Audit Standards (PSIAS) and thanked the officers and elected members for their involvement during the assessment process.

**39. 2022/23 ISSUED AUDIT REPORTS**

The Committee considered a report by the Service Manager, Audit and Risk Management Services, summarising findings from the Internal Audit Reports finalised since the last meeting of the Standards, Audit and Risk Committee. The report highlighted any areas of concern and, if applicable, instances where Services were not taking appropriate action.

**Decision**

The Committee:

- (1) noted the contents of the report and the summary of findings detailed at Appendix 1 to the report; and
- (2) requested, in regard to report number nine - Safeguarding, officers from Education and Childrens Services, Health and Social Care Partnership and Human Resources Service notify the Service Manager, Audit and Risk Management Services and committee members with confirmation that the action identified as critical had been implemented, expected implementation by 30 June 2023.

*Councillor Al Clark left the meeting during consideration of the above item.*

**40. POST AUDIT REVIEW (PAR) REPORT**

The Committee considered a report by the Service Manager, Audit and Risk Management Services, updating on progress towards implementing internal audit recommendations previously agreed with Management.

**Decision**

The Committee noted the contents of the report and the progress that had been made in implementing recommendations.

*Councillor Al Clark joined the meeting during consideration of the above item.*

**41. 2023/24 INTERNAL AUDIT PLAN**

The Committee considered a report by the Service Manager, Audit and Risk Management Services, providing the Internal Audit Plan for the 2023/24 financial year, the outcome from the review of the 2022/23 Internal Audit Plan and an update on progress made towards delivering planned assignments.

**Decision**

The Committee:-

- (1) approved the 2023/24 Internal Audit Plan as detailed at Appendix A to the report;
- (2) approved the amendments made to the 2022/23 Internal Audit Plan; and
- (3) noted the update on progress made towards delivering the 2022/23 Internal Audit Plan, and last assignment from the 2021/22 Internal Audit Plan detailed at Appendix B to the report.

**42. STANDARDS, AUDIT AND RISK COMMITTEE FORWARD WORK PROGRAMME**

The Committee considered the Standards, Audit and Risk Committee Forward Work Programme.

**Decision**

The Committee noted:-

- (1) the contents of the Standards, Audit and Risk Committee Forward Work Programme which would be updated accordingly; and
- (2) that the final accounts for the Fife Council and Charitable Trusts would be presented to either, the Committee meeting on 28 September, 2023 or 30 October, 2023 and that the alternative meeting would be cancelled. Committee would receive confirmation of the meeting date the accounts would be submitted to, in due course.

30 June 2023

Agenda Item No. 4

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## 2021/22 & 2022/23 Issued Audit Reports

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**Report by:** Pamela Redpath, Service Manager, Audit and Risk Management Services

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**Wards Affected:** All

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### Purpose

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To submit to Members of the Standards, Audit and Risk Committee a summary of findings from the Internal Audit Reports finalised since the last meeting of the Standards, Audit and Risk Committee. The report highlights any areas of concern and, if applicable, instances where Services are not taking appropriate action.

### Recommendation(s)

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Members are asked to note the contents of this report, including the summary of findings at Appendix 1.

### Resource Implications

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None.

### Legal & Risk Implications

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Without suitable internal controls, there is an increased risk that Services and / or the Council will not achieve their objectives.

### Impact Assessment

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An Equality Impact Assessment is not required because the report is not proposing a change or revision to existing policies and practices.

### Consultation

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Audit Services has consulted all subjects of the audit reports.

## 1.0 Background

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- 1.1 Audit Services provides an assurance function that gives the Council an independent and objective opinion on the control environment by evaluating its effectiveness in achieving its objectives. We examine, evaluate and report, objectively, on the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 1.2 This report provides a summary of audit reports issued since the last report to this Committee. It describes key findings and highlights areas of concern.

## 2.0 Analysis of Issued Audit Reports

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- 2.1 To enable the Standards, Audit and Risk Committee to form an opinion on the effectiveness of the internal control environment, to provide assurance where internal controls are working well and to highlight areas for concern, the Service Manager – Audit and Risk Management Services, prepares a report which provides a summary of the audit reports issued by Audit Services.
- 2.2 The reports issued in the current period cover a number of Services and areas. A short outline of each report is contained in Appendix 1. Report number 93 relates to the last assignment from the 2021/22 Internal Audit Plan. All other reports summarised in Appendix 1 have been referenced utilising a new report numbering system, which was introduced for assignments in the 2022/23 Internal Audit Plan.
- 2.3 Following each completed internal audit / fraud risk report, Services are asked to complete a Post Audit Review (PAR) exercise. This indicates:
  - the Service’s progress in implementing agreed actions;
  - reasons for non-implementation; and
  - explanations for redundant recommendations.
- 2.4 The results of all PAR exercises are reported to Standards, Audit and Risk Committee.

## 3.0 Conclusions

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- 3.1 This period’s audits reveal some instances of non-compliance with the Council’s governance arrangements. However, these are not systemic failings and, in general, satisfactory procedures are in place and being followed. Appropriate actions have been agreed in all instances to address these shortcomings.
- 3.2 I conclude that the findings do not pose a significant risk and implementation of all actions will improve the Council’s control framework.

### List of Appendices

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1. Summary of Audit Reports Issued

Report Contact:

Carolyn Ward

Audit Team Manager, Audit and Risk Management Services

Email – [Carolyn.Ward@fife.gov.uk](mailto:Carolyn.Ward@fife.gov.uk)

SERVICE, REPORT AND PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
<p><b>1. Communities</b>  <b>- Housing Services</b>  Follow-Up to Report 71, Risk Management and Business Continuity (Report 15/22)</p>	<p>The 2022/23 Internal Audit Plan contains an allocation of days for Audit Services to carry out formal follow-up reviews for a planned portfolio of audit reports. This allocation is used to assess, through the consideration of evidence, the extent to which recommendations previously agreed with management have been implemented.</p> <p>This audit is a follow-up review of Report 71, Risk Management and Business Continuity, which was issued on 21 October 2021.</p> <p>The Audit Opinion in the original internal audit report concluded that Housing Services' risk management focuses on producing the Fife Local Housing Strategy and meeting Scottish Housing Regulator requirements and, recently, in managing Covid-19 issues. However, it is inconsistent, with inadequate evidence, rather than being embedded. A number of areas for improvement were identified and nine recommendations, which Housing Services agreed to implement by 30 November 2022, were made to address them.</p> <p>A summary of progress towards implementation of the nine recommendations previously agreed with management is as follows:</p> <ul style="list-style-type: none"> <li>• One recommendation (1) has been fully implemented;</li> <li>• Five recommendations (2, 3, 5, 6 and 8) are partly implemented;</li> <li>• Two recommendations (7 and 9) are not implemented;</li> <li>• One recommendation (4) is no longer applicable.</li> </ul> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> <li>• Level of Assurance           Grade 3</li> <li>• System Materiality           Grade 4</li> <li>• Overall Risk                    Medium</li> </ul> <p><u>Findings:</u></p> <p>Further action is required as follows:</p> <ul style="list-style-type: none"> <li>• Those who have not yet received risk and emergency resilience training should attend as and when further training sessions become available. All attendance should be evidenced and records retained.</li> <li>• The risk register should be completed as soon as possible in consultation with the Risk Management Co-ordinator and kept up to date. It should be held in Pentana and subject to regular review in line with the periods set out by the Risk Management Team.</li> <li>• Near misses should be recorded, monitored and reported on.</li> </ul>



SERVICE, REPORT AND PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
	<ul style="list-style-type: none"> <li>• The Fife Housing Register (FHR) Partnership Agreement and the Fife Council / Fife Housing Association Alliance (FHAA) Partnership Agreements should include a dedicated risk statement meeting the requirements of the audit recommendation. A partnership agreement should be drawn up for the Health and Social Care Partnership.</li> <li>• All written procedures should address risks to achieving Service Objectives and how they are mitigated (not just Health and Safety procedures). This should be carried out as and when procedures are updated / revised.</li> <li>• Housing Services should complete their list of critical activities on the Communities Directorate Index of Critical Activities and Business Continuity Workarounds spreadsheet.</li> <li>• Each identified critical activity for Housing Services should be covered in a Business Continuity Plan.</li> </ul> <p>Satisfactory actions have been agreed for the 7 outstanding audit recommendations (7 Substantial) in the report to be implemented by 31 October 2024.</p>
<p><b>2. Enterprise and Environment</b>  <b>- Facilities Management, Catering and Cleaning</b></p> <p>Stock Control  (Report 16/22)</p>	<p>This audit reviews the working practices and procedures in place for stock control within Facilities Management, with a view to identifying potential efficiencies and other improvement opportunities.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> <li>• Level of Assurance                      Grade 3</li> <li>• System Materiality                      Grade 3</li> <li>• Overall Risk                                  Medium</li> </ul> <p><u>Findings:</u></p> <p>The following areas for improvement were identified:</p> <ul style="list-style-type: none"> <li>• There are no comprehensive documented procedures in place covering stock controls and processes in any of the establishments visited.</li> <li>• Stock, including hazardous items, is not always being held securely and safely.</li> <li>• In one of the establishments visited, the shelves had not been labelled indicating where each item of stock should be held.</li> <li>• In another establishment visited, the password required to access Saffron (the catering management system) had been written down and was being shared amongst staff.</li> </ul>

SERVICE, REPORT AND PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
	<ul style="list-style-type: none"> <li>• The stock issuing function within Saffron was not being utilised in any of the establishments visited, resulting in stock quantities and values being overstated in the system.</li> <li>• Stock is not always purchased from a Fife Council 'approved' supplier.</li> <li>• Damaged and / or obsolete / out of date stock is not readily identified and recorded in Saffron within the wastage module. In addition, corresponding write offs and disposals are not recorded for catering stock. In relation to cleaning stock, there are also no formal arrangements in place.</li> <li>• There is no stock system in place to manage stock and stock checks are not carried out on a regular basis for Cleaning Services.</li> <li>• There are no stock management reports produced from Saffron and reviewed regularly by Management.</li> </ul> <p>Satisfactory actions have been agreed to address the 9 audit recommendations (7 Substantial and 2 Moderate) in the report by 31 March 2024.</p>
<p><b>3. Enterprise and Environment</b>  <b>- Environment and Building Services, Fleet Services</b></p> <p>Pool Cars  (Report 17/22)</p>	<p>A review of pool car usage across the Council from a reform and climate change perspective was carried out. Whilst this audit forms part of the 2022/23 Internal Audit Plan, following consultation with management, the original scope was extended from an Enterprise and Environment Directorate review to a Council-wide review.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> <li>• Level of Assurance                      Grade 2</li> <li>• System Materiality                      Grade 4</li> <li>• Overall Risk                                  Medium</li> </ul> <p><u>Findings:</u></p> <p>The following areas for improvement were identified:</p> <ul style="list-style-type: none"> <li>• The Fife Council Travel Plan has not been reviewed or revised for a number of years. Reference is made to the "Strategic Travel Plan Group", which no longer exists and statistics from the Travel to Work Surveys quoted in the document are dated 2011.</li> <li>• Travel to work surveys have not been recorded since 2019, although one is scheduled to go ahead in September 2023.</li> <li>• When pool cars are taken by Fleet Operations / Facilities staff for refuelling / maintenance purposes, the corresponding mileage is not always recorded in the</li> </ul>

SERVICE, REPORT AND PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
	<p>respective Pool Car Log Books leading to discrepancies between the previous end mileage and the new starting mileage.</p> <ul style="list-style-type: none"> <li>• Although an Electric Vehicle Familiarisation course is available to book through Oracle, it is not actively promoted with users being encouraged to complete the training and undergo refresher training.</li> <li>• The Pool Car Scheme - Booking Form and related authorisation process is manual.</li> <li>• Pool Car Scheme - Booking Forms are not always available or complete. From a sample of 15 trips selected from Pool Car Log Books, across 3 locations, there were 3 issues identified relating to the Pool Car Scheme - Booking Forms. One where a cost centre had not been recorded on the form, another which was not approved by a manager and a further instance where no form was available.</li> <li>• Pool Car Scheme - Booking Forms are sometimes completed and approved annually, rather than for each journey. This makes management oversight difficult and does not encourage users to consider alternative, more environmentally friendly, travel options each time they book a pool car.</li> <li>• Pool Car related Sustainable Travel actions are not monitored by a Group or Committee.</li> </ul> <p>Satisfactory action has been agreed to address the 6 audit recommendations (2 Substantial, 4 Moderate) in the report by 31 December 2024.</p>
<p><b>4. Communities</b>  <b>- Communications &amp; Engagement</b>  Media Relations  (Report 18/22)</p>	<p>This audit reviews the arrangements in place within the Communications and Engagement Service to manage and monitor media relations on behalf of the Council, including strategy, performance management and reporting.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> <li>• Level of Assurance           Grade 1</li> <li>• System Materiality           Grade 4</li> <li>• Overall Risk                    Low</li> </ul> <p><u>Findings:</u></p> <p>The following area for improvement was identified:</p> <ul style="list-style-type: none"> <li>• The process for escalating significant media issues, including the responsibility of senior officers and councillors, is not documented.</li> </ul> <p>Satisfactory action has been agreed to address the 1 audit recommendation (1 Moderate) in the report by 30 June 2023.</p>

SERVICE, REPORT AND PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
<p><b>5. Enterprise and Environment</b></p> <p><b>- Property Services</b></p> <p>Follow-Up to Report 62, Asset Management Land and Buildings (Report 19/22)</p>	<p>The 2022/23 Internal Audit Plan contains an allocation of days for Audit Services to carry out formal follow-up reviews for a planned portfolio of audit reports. This allocation is used to assess, through the consideration of evidence, the extent to which recommendations previously agreed with management have been implemented.</p> <p>This audit is a follow-up review of Report 62, Asset Management - Land and Buildings, which was issued on 16 June 2021.</p> <p>The Audit Opinion in the original internal audit report concluded that, the system of controls scored a Grade 3 and the materiality of the area scored a Grade 5, making the overall risk High. A number of areas for improvement were identified and seven recommendations, which Property Services agreed to implement by 31 March 2022, were made to address them.</p> <p>A summary of progress towards implementation of the seven recommendations previously agreed with management is as follows:</p> <ul style="list-style-type: none"> <li>• Three recommendations (2, 4 and 6) have been fully implemented;</li> <li>• Three recommendations (3, 5 and 7) are partly implemented;</li> <li>• One recommendation (1) is not implemented.</li> </ul> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> <li>• Level of Assurance                      Grade 2</li> <li>• System Materiality                      Grade 5</li> <li>• Overall Risk                                  Medium</li> </ul> <p><u>Findings:</u></p> <p>Further action is required as follows:</p> <ul style="list-style-type: none"> <li>• The planned review of the Building Compliance Guidebook should be completed promptly and the next date of review inserted.</li> <li>• The Asset Register should be formally cross-referenced to the Capital Plan.</li> <li>• Further communications are required with occupying Services to ensure that recommended repairs are promptly completed.</li> <li>• The terms of occupation as detailed in the Building Compliance Guidebook should be added, as planned, as a standing agenda item at Service liaison meetings. Minutes will support agreement.</li> </ul>

SERVICE, REPORT AND PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
	Satisfactory actions have been agreed for the 4 outstanding audit recommendations (2 Substantial and 2 Moderate) in the report to be implemented by 31 October 2023.
<p><b>6. Communities</b>  <b>- Housing Services</b>  Homelessness  (Report 20/22)</p>	<p>This audit reviewed the adequacy of the systems in place within Housing Services to ensure that the Council meets its statutory obligations in respect of homelessness and the recording of associated outcomes.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> <li>• Level of Assurance            Grade 2</li> <li>• System Materiality            Grade 5</li> <li>• Overall Risk                      Medium</li> </ul> <p><u>Findings:</u></p> <p>The following areas for improvement were identified:</p> <ul style="list-style-type: none"> <li>• Version control is inconsistent, with some documents being undated, some without target date for next review, and some where a target date had been set but not met.</li> <li>• In some instances there are documents, dates and notes missing from case details in homelessness systems.</li> <li>• Employee training records are not up to date.</li> <li>• Despite initiatives to acquire additional types of suitable temporary accommodation in general and in places where it is required, the use of Bed and Breakfast and hotel accommodation has increased. As a result, the Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2017 (with exceptions) is being breached.</li> </ul> <p>Despite the large number of Good Practice Points, the Council has been in breach of legislation on providing suitable temporary accommodation, and there are long delays in finding permanent accommodation.</p> <p>Audit Services was advised that this is due, as elsewhere in the country, to many inter-related factors beyond the control of Housing Services, including the increase in smaller households, greater regulatory and customer expectations, recent reduced levels of house building and the housing market in general.</p> <p>Satisfactory actions have been agreed to address the 5 audit recommendations (3 Substantial, 2 Moderate) in the report by 31 December 2023.</p>

SERVICE, REPORT AND PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
<p><b>7. Fife Resource Solutions and Cireco</b> Data Protection (Report 21/22)</p>	<p>This audit is a high-level review of the arrangements in place within Fife Resource Solutions (FRS) and Cireco (Scotland) to ensure their statutory obligations surrounding Data Protection and the UK General Data Protection Regulation (GDPR) are effectively discharged.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> <li>• Level of Assurance                      Grade 3</li> <li>• System Materiality                      Grade 4</li> <li>• Overall Risk                                  Medium</li> </ul> <p><u>Findings:</u></p> <p>The following areas for improvement were identified:</p> <ul style="list-style-type: none"> <li>• Of the eight staff contacted as part of the audit, two were unaware of FRS' and Cireco's data protection policies and guidance.</li> <li>• Employees' system access rights are not always removed promptly when required. One leaver's access rights were requested for removal more than three months after they had left.</li> <li>• Two of FRS' data processing agreements (DPAs) have not been signed by the relevant service provider to confirm their agreement to the data processing requirements. One of the two is also unsigned by FRS.</li> <li>• The Record of Processing Activities (ROPA) does not include links to relevant documentation, e.g, Data Sharing Agreements (DSAs) or Data Protection Impact Assessments (DPIAs), where required, and some information is incomplete such as retention details and confirmation that an appropriate policy document is in place when processing special category data, as required under the Data Protection Act 2018 Schedule 1 Condition for processing.</li> <li>• A retention policy and schedule are in the process of being prepared.</li> <li>• Although FRS / Cireco reviewed compliance with Data Protection legislation early 2022, utilising the Information Commissioner's Office Accountability Framework Tracker (Tracker) and UK GDPR Checklist, the corresponding UK GDPR Checklist action plan is not properly detailed to confirm progress of actions or data protection compliance. For example: <ul style="list-style-type: none"> <li>➤ the Checklist actions have no assigned owner specified, the various policies and procedures listed for actioning have no implementation date and one action description appears to have been deleted; and</li> </ul> </li> </ul>

SERVICE, REPORT AND PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
	<p>➤ the actions are not cross-referenced to the Tracker spreadsheet to ensure all outstanding areas are being addressed.</p> <p>Satisfactory actions have been agreed to address the 6 audit recommendations (4 Substantial, 2 Moderate) in the report by 30 June 2023.</p>
<p><b>8. Communities</b>  <b>- Housing Service</b>  Repairs and Maintenance - Mutual Repairs  (Report 93)</p>	<p>This audit reviews the processes and controls for managing mutual repairs of Council and private owner properties. The audit looked at how mutual repairs are identified, assessed, carried out, inspected and invoiced. The Construction (Design and Management) Regulations 2015 and the recovery process in place for any outstanding invoices relating to mutual repairs were not included in the scope of the review.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> <li>• Level of Assurance            Grade 4</li> <li>• System Materiality            Grade 4</li> <li>• Overall Risk                      High</li> </ul> <p><u>Findings:</u></p> <p>The following areas for improvement were identified:</p> <ul style="list-style-type: none"> <li>• Whilst they are in place, documented procedures are not up to date, regularly reviewed or sufficiently detailed, e.g. the use of Cx and what documentation should be held in SharePoint.</li> <li>• Owner led emergency repairs are not logged in Cx, and routine repairs (owner and Council led) are not always logged in Cx.</li> <li>• Quotes provided by Building Services for Council led routine repairs do not always provide the Mutual Repairs Team with an elemental breakdown of costs for passing on to the owner(s). Where an elemental breakdown is provided, the Mutual Repairs Team do not always include this breakdown in the correspondence with the mutual owner(s).</li> <li>• Although post inspections are carried out for Council led routine and emergency repairs, these are performed by both the Mutual Repairs Team and Building Services / another Council Service, e.g. Grounds Maintenance, resulting in duplication of work.</li> <li>• Post inspections are not carried out for owner led emergency repairs.</li> <li>• Building Services do not provide the final cost of repairs to the Mutual Repairs Team on completion of the work. The Mutual Repairs Team use the quoted price to charge owners, resulting in both over and under charges. From the sample of five Council led</li> </ul>

SERVICE, REPORT AND PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
	<p>routine repairs reviewed, three were overcharged (ranging from £43.39 to £501.12), and two were undercharged (£54.12 and £348.55).</p> <ul style="list-style-type: none"> <li>• Invoices are being raised to recover Council led routine repairs costs prior to Building Services advising that the repair has been completed to the required standard.</li> <li>• Reports are not currently available from Cx, detailing when repairs have been completed and, therefore, when they can be invoiced. Manual systems have been implemented by the Mutual Repairs Team to try and address this. Testing found that these manual systems have resulted in: <ul style="list-style-type: none"> <li>➢ Invoices to recover the owners share of Council led emergency repairs not being raised for up to six months after the date the repair was completed.</li> <li>➢ A risk that Council led emergency repairs are not being identified and invoiced for.</li> </ul> </li> <li>• Contractors Declaration forms do not specifically state the required value of public liability insurance needed for the type of repair work being carried out.</li> <li>• Of the 10 Owner Declaration forms checked for owner led routine repairs, one had not been signed and dated by the owner to confirm their responsibility for paying the Contractor and recovering shared costs from the other owners.</li> </ul> <p>Satisfactory actions have been agreed to address the 9 audit recommendations (3 Substantial, 6 Moderate) in the report by 31 December 2023.</p>
<p><b>9. Corporate</b>  <b>- HR, BTS and Revenue &amp; Commercial Services</b>  Leavers Process  (Report 22/22)</p>	<p>The purpose of this audit is to assess the adequacy of the processes and procedures in place surrounding the notification and processing of leavers. It is a corporate review that includes non-IT requirements e.g. keys, passes, uniforms, equipment and supplementary key roles.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> <li>• Level of Assurance                      Grade 3</li> <li>• System Materiality                      Grade 5</li> <li>• Overall Risk                                      High</li> </ul> <p><u>Findings:</u></p> <p>The following areas for improvement were identified:</p> <ul style="list-style-type: none"> <li>• There is no integrated corporate provision of advice and guidance for managers on actions required when employees leave the Council, including signposting to the processes and procedures that should be utilised when a member of staff leaves the Council. Omissions include arrangements to ensure:</li> </ul>



SERVICE, REPORT AND PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
	<ul style="list-style-type: none"> <li>➤ removal of editor access to the Council website.</li> <li>➤ return of portable storage devices.</li> <li>➤ Council vehicles are returned, along with vehicle fuel cards and fobs.</li> <li>➤ that the inventory is returned e.g. tools and equipment; uniforms and protective clothing; furniture (used for Home / Blended workstyles); and building keys / entry fobs.</li> <li>➤ that there is no loss of corporate memory when email and OneDrive accounts are shut down (managers retain email and OneDrive access for 30 days).</li> <li>➤ that training fees are repaid in line with OD11 Employee Development Guidelines.</li> </ul> <ul style="list-style-type: none"> <li>• While the Intranet is updated on staffing via Oracle Cloud there are issues around the accuracy of the information held.</li> <li>• There is no corporate process for ensuring continuity in various named person roles such as e.g. maintaining emergency contact lists / Business Continuity Plans; use of purchasing cards; First Aid and other voluntary roles; signatories e.g. RIPSA, PVG.</li> </ul> <p>Satisfactory action has been agreed to address the 1 overarching audit recommendation (1 Substantial) in the report by 31 March 2024.</p>

30 June 2023

Agenda Item No. 5

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## 2022/23 Internal Audit Annual Report

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**Report by:** Pamela Redpath, Service Manager - Audit & Risk Management Services

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**Wards Affected:** All

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### Purpose

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To submit to Members of the Standards, Audit and Risk Committee the 2022/23 Internal Audit Annual Report. The report provides an independent annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control framework and a summary of the key activities of Audit Services from which the opinion is derived.

### Recommendation

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Standards, Audit and Risk Committee is asked to:

1. Consider and note the contents of this report.

### Resource Implications

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None.

### Legal & Risk Implications

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Without proper corporate governance, risk management and internal controls, the risk increases that the Council will not achieve its objectives and may suffer financial loss and reputational damage.

### Impact Assessment

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An EqIA has not been completed and is not necessary as the report does not propose a change or revision to existing policies and practices.

### Consultation

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None.

# 1.0 Background

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- 1.1 The Terms of Reference of the Standards, Audit and Risk Committee includes approving the Internal Audit Strategy and annual Internal Audit Plan, ensuring that the process has due regard to risk and coverage, and operational effectiveness of Internal Audit by considering its standards, resources, staffing, technical competency, performance measures and output from the External Quality Assessment (EQA). In addition, the Committee is also required to review audit reports submitted by the Service Manager - Audit & Risk Management Services, monitor management action taken in response to audit recommendations made and consider the Internal Audit Annual Report.
- 1.2 The Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013 (updated 1 April 2017), apply to all internal audit service providers within the public sector and set out the requirements in respect of professional standards for these services. Professional Standard 2450, Overall Opinions, states that “the chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement”. In the context of Fife Council, the “chief audit executive” is the Service Manager - Audit and Risk Management Services.
- 1.3 The PSIAS state that the annual report prepared by the chief audit executive must incorporate:
  - the annual internal audit opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control;
  - a summary of the information that supports that opinion;
  - a disclosure of any impairments to scope and / or independence;
  - a statement of conformance with the PSIAS; and
  - the results of the quality assurance and improvement programme (relating to any PSIAS EQAs and self-assessments) and progress against any improvement plans.
- 1.4 The Local Authority Accounts (Scotland) Regulations 2014, which became effective in October 2014 state that “a local authority must operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing”. In this context, recognised standards and practices are deemed to be those set out in the PSIAS. The Regulations require that the local authority must, from time to time, assess the efficiency and effectiveness of its internal audit service, in accordance with the standards, the findings from which must be considered as part of the review of the effectiveness of its system of internal control.
- 1.5 The Internal Audit Annual Report for the 2022/23 financial year, which is attached for consideration by Elected Members, has been prepared on the basis of the requirements outlined above.

## 2.0 Framework of Governance, Risk Management and Control

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### **Governance**

- 2.1 The governance framework comprises the systems, processes, culture and values by which the activities of the Council are directed and controlled and through which they are accountable to, engage with, and where appropriate, lead the community. It enables the Council to monitor the achievement of its strategic objectives and

consider whether those objectives have led to the delivery of appropriate cost-effective services.

### ***Risk Management***

- 2.2 Risk management is a fundamental element of good governance and decision making in any organisation. The range of vital services delivered by the Council for individuals and businesses in Fife routinely result in a varied and complex risk profile. The Council's risk management arrangements are designed to support, on a continuous basis, the identification, assessment and management of risks as well as the monitoring, reviewing and reporting of them.
- 2.3 The Council's corporate risk management arrangements were significantly enhanced again this year and the Risk Management Strategy Group (RMSG) continued to meet regularly. Key improvements include:
- The appointment of a full time, dedicated Risk Management Co-ordinator in September 2022 to a newly established post.
  - A comprehensive Risk Management Improvement Plan (RMIP) was compiled to help support the Council on its risk management journey, the implementation of which is actively monitored by the RMSG, Council Executive Team (CET) and Standards, Audit and Risk Committee.
  - Risk appetite, including risk category and optimal risk zone, was defined for each of the Council's strategic risks following a Risk Appetite Workshop attended by the RMSG on 26 September 2022.
  - The new Risk Management Policy and Strategy document was updated to include the risk appetite, as well as minor amendments to the RMSG's remit.
  - A formal Roll Out Plan was compiled to schedule in corporate Risk Management Team support for directorates, which will help them to develop, implement and embed effective risk management arrangements locally.
  - Pentana, the Council's Performance and Risk Management system, has been developed with a view to ensuring the utilisation of system functionality.
  - Risk Management Procedures, including a section on Pentana, have also been drafted.
  - A revised Risk Impact Assessment Matrix was developed to help facilitate the consistent consideration of risk impact over a wider range of categories using the established PESTELO model. In addition to consistency, the new approach will highlight where internal controls require to be developed, assisting management to be more focused and effective in terms of utilising, often limited, resources for risk mitigation.
- 2.4 Further improvements surrounding the Council's risk management arrangements are planned for 2023/24, including the following:
- Implementation of the Roll Out Plan.
  - Utilisation of the new PESTELO impact matrix following approval at Standards, Audit and Risk Committee.
  - Comprehensive review of the risks within the Council's Strategic Risk Register.
  - Finalisation and circulation of Risk Management Procedures.
  - Development and launch of a training and awareness programme, including a planned awareness session for the extended Council Leadership Team and e-learning package.

### ***System of Control***

- 2.5 The system of control is a significant part of this framework, comprising a whole network of established controls and actions taken by management / others to

effectively mitigate risk and help provide reasonable assurance that the aims and objectives of the Council, including delivery of better outcomes for the individuals and businesses of Fife, can be achieved.

- 2.6 As a result of the constantly changing and complex environment in which the Council operates, it is essential that the framework of governance, risk management and control evolves at pace to support it.

### **3.0 Role of Internal Audit**

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- 3.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It is a fundamental element of Fife Council's governance and assurance framework and assists the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of its governance, risk management and control framework. This role includes the requirement to have a full understanding of the key risks to which the Council is exposed.
- 3.2 During 2022/23, Audit Services was independent of all the activities it audited. Independence is essential and helps ensure unbiased judgements and impartial advice can be provided to management. Whilst there have been no audits relating to the organisation's fraud governance, corporate risk management or insurance arrangements delivered during the year, the Service Manager - Audit and Risk Management Services continues to be operationally responsible for the Corporate Fraud Team as well as corporate risk function and Insurance Team.
- 3.3 Audit Services, with strict accountability for confidentiality and the safeguarding of records and information, is authorised full, free and unrestricted access to all of the organisation's records, physical properties and personnel relevant to carrying out any engagement and effectively discharging its remit.
- 3.4 The primary purpose of internal audit is to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control framework. The programme of work within the Internal Audit Plan, therefore, requires to be sufficient and diverse enough to enable the annual opinion to be formed. The types of reviews undertaken are grouped into key themes in the Audit Plan, which are integral to the assurance gathering process across the organisation's activities, specifically governance, ICT, systems, procurement / contract and financial. In addition, Audit Services provides ad-hoc support in the form of advice and guidance to assist services in respect of specific queries and contribute to the delivery of improvements.
- 3.5 The existence of Audit Services does not diminish the responsibility of management to ensure that resources are utilised appropriately, in a manner and on the activities intended and that governance, risk management and control arrangements are sufficient to address the risks that their services are exposed to.
- 3.6 The Internal Audit Charter, which was submitted to the former Standards and Audit Committee on 14 June 2018, sets out in more detail, within the context of Fife Council, the purpose, authority and responsibility of Audit Services. The Charter has been updated recently and will be submitted to Standards, Audit and Risk Committee in August 2023.

## 4.0 Audit Planning

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- 4.1 A key component of the effective management of internal audit is planning audit work to ensure that objectives are met, priorities are established, resources are targeted and used effectively, Best Value is achieved, and cognisance is taken of the risk(s) associated within each area.
- 4.2 To ensure planning is operationally effective, Audit Services is required to have a clear understanding of the Council's functions / activities, associated risks and range and breadth of potential areas for inclusion within the plan. The Internal Audit Plan is compiled on an annual basis and provides a summary of the areas where it is proposed that work will be carried out during the forthcoming year. The 2022/23 Internal Audit Plan was reviewed and approved by the former Standards and Audit Committee at its meeting on 19 April 2022. In line with recognised good practice, the Internal Audit Plan was prepared using the best information available at that time.
- 4.3 The internal audit arrangements are assessed on an annual basis by the Council's External Auditor, which changed during 2022/23 from Audit Scotland to Azets. The activities of internal audit are considered as part of that assessment, principally to obtain an understanding of the work carried out and determine the extent to which assurance can be placed on it. This approach helps minimise duplication of effort and unnecessary disruption to Council services. Audit Services actively engaged with external audit colleagues during 2022/23.

## 5.0 Audit Reports

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- 5.1 In general, each planned internal audit results in an internal audit report being published, which includes an executive summary as well as audit findings (in the form of good practice points and areas for improvement), recommendations and management responses. The audit report provides management with an action plan, which assigns responsibility and details the timescale agreed for implementation of each audit recommendation.
- 5.2 Within all audit reports a judgement is given on the importance of each recommendation i.e. critical, substantial or moderate. These judgements are considered along with the materiality of the area being audited and an assessment of the system of controls to determine and articulate the overall level of residual risk. Beyond the formal reporting process, management is informed of any minor matters identified.
- 5.3 The findings and recommendations arising from each of the internal audits reported upon since the last Annual Report have been discussed and agreed with appropriate officers of the Council and action plans have been put in place to address the areas for improvement identified. A summary of findings from each finalised Internal Audit Report is submitted to Standards, Audit and Risk Committee for consideration. In addition, each Elected Member on the Committee receives a full copy of every finalised report.
- 5.4 To confirm that management is discharging its responsibility in terms of implementing audit recommendations within the agreed timescales, Audit Services undertakes formal follow-up work and Post Audit Reviews (PARs). The outcomes from those exercises are formally reported to relevant officers and Committee, along with revised implementation dates where appropriate. In line with previous

years, the implementation of internal audit recommendations was managed and monitored via Pentana. The format of the PAR report is designed to facilitate active scrutiny.

## 6.0 Challenges, Change and Development

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- 6.1 The Council continues to operate within a substantially challenging and changing environment and has done for some time. Whilst the General Fund Revenue Budget 2023-26 report, submitted to the meeting of Fife Council on 23 February 2023 for budget setting purposes, described an investment position of £6.448m for 2023/24 only (funded from uncommitted reserves), it made clear that the unprecedented degree of financial uncertainty to which the Council is exposed required cumulative savings of £45.884m by 2025/26 to achieve balanced budgets. Consequently, it is expected that the level and pace of change will require to progressively increase for the foreseeable future. The report also communicated that there was a high risk that the assumptions used from 2024/25 onwards could be optimistic. A 3-year budget report, based on revised assumptions, informed by all available intelligence at that point in time, is scheduled to be presented to Cabinet Committee by September 2023.
- 6.2 As part of the Council's initial response to Covid-19, which continues to impact the organisation, a number of governance and operational arrangements were subject to change. These measures were necessary to allow key services to continue to be delivered, albeit, in some cases, in a different manner. Over the last couple of years, steps have been taken to recover / re-start and reform services and these efforts will continue into 2023/24.
- 6.3 Aside from the residual effects of Covid-19 continuing during 2022/23, a number of key events and developments have brought / will continue to bring about change and / or re-design to the Council's working practices / operating arrangements, processes and procedures, including:
- The Scottish local elections on 5 May 2022, which resulted in a new council and minority administration for Fife as well as the formation of a new committee structure, including cabinet committee and 4 scrutiny committees.
  - Fife Leadership Summits, corresponding thematic workshops (Building Community Wealth, Place, No Wrong Door and Health & Wellbeing) and supporting masterclasses.
  - Linked to that, the articulation of strategic change ambitions and leadership commitments, as well as the 3-year service change planning process, which is evolving simultaneously.
  - The planned refresh of the Plan for Fife and service recovery / re-start plans.
  - Ongoing developments surrounding the membership of the Corporate Governance Group, as well as the processes and procedures in place to capture governance assurances from the Council and its ALEOs.
  - Roll out of blended and flexible workstyles.
  - Digital Strategy.
  - Workforce Strategy (Our People Matter), corresponding maturity model and related service, directorate and corporate self-assessments and priorities.
  - Ongoing development of the Council's Whistleblowing arrangements, including policy, supporting processes and procedures.



- Further development and implementation of key systems (including Oracle Cloud and replacement of legacy systems such as COMIS and SWIFT) as well as prioritisation and delivery of a large portfolio of digital projects / enhancements.
- Approval and implementation of a number of new / updated corporate policies and strategies, including the revised Risk Management Policy and Strategy, evolving leadership development programme and portfolio of mandatory training.
- Future Local Government finance settlements and supplementary funding, including the Shared Prosperity Fund (which replaces the European Structural and Investment Funds), the Levelling Up Fund and LACER (Local Authority COVID Economic Recovery Fund).
- National commitments, such as those communicated via the Climate Change (Emissions Reductions Targets) (Scotland) 2019 Act, the Early Learning and Childcare Expansion provision, the Review of Children’s Services in Scotland (The Promise); and the Education: 2021 National Improvement Framework and Improvement Plan.
- Continuously increasing demands on Health and Social Care, related Independent Review of Adult Social Care in Scotland (The Feeley Report - published February 2021) and subsequent introduction of the National Care Service (Scotland) Bill in June 2022.
- UK inflation levels / cost of living crisis / supply chain issues.
- Council leadership changes, including the Executive Director of Enterprise & Environment and Chief Social Work Officer, as well as the impending early retirement of the Executive Director of Education & Children’s Services and the Council’s long-standing Chief Executive Officer.

6.4 The ongoing uncertainty surrounding funding and changes to the way Council services are administered will continue to result in a challenging environment within which internal audit services require to be planned and delivered. Steps will continue to be taken to ensure that any potential difficulties are identified by Audit Services and managed timeously.

## 7.0 PSIAS Conformance

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7.1 Audit Services operated in conformance with the PSIAS throughout 2022/23.

7.2 A requirement of the PSIAS is that the Chief Audit Executive develops and maintains a Quality Assurance and Improvement Programme (QA&IP) covering all aspects of Audit Services, including both periodic internal self-assessments and five-yearly EQAs. Since the PSIAS came into effect in April 2013, periodic self-assessments, and two EQAs, have been undertaken as required to assess conformance against the PSIAS and identify opportunities for improvement.

7.3 The most recent EQA was carried out during 2022/23 and a copy of the full report, detailing the findings, conclusions and recommendation from that assessment was submitted to Standards, Audit and Risk Committee on 25 May 2023. A Summary of the EQA and related Action Plan can be found at Appendix C to this report. An update on progress towards implementing the recommendation within the Action Plan will be provided to Standards, Audit and Risk Committee in due course.

## 8.0 Audit Plan Achievement

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8.1 For the 2022/23 Internal Audit Plan, there was of the order of 1,500 productive days used directly for audit activities. However, for a number of reasons, including



continuing significant levels of absence, a reduction in staff (through two further flexible retirements and a decrease in some employees' working hours) and rolling vacancies, this was 28.57% under the 2,100 budgeted productive audit days. Throughout the year, resource was also utilised for support activities, including strategic management of Audit Services, audit planning, attendance at / contribution to national groups (including the Scottish Local Authorities Chief Internal Auditors Group, SLACIAG, and its Management Committee; the Computer Audit Sub-Group; and the Scottish Local Authority Investigators Group) and staff training and development.

- 8.2 The 2022/23 Internal Audit Plan included a portfolio of internal audits, both at a corporate and service level across the organisation. It also included an allocation of audit days for follow-up reviews, the PAR exercise, finalisation of audit assignments that commenced in the previous financial year, the provision of advice and guidance to services, specific investigations, PSIAS Self-assessment and EQA. Whilst work on the majority of the planned areas for corporate and service reviews included within the plan commenced during 2022/23, there were (due to a number of factors) changes to the Audit Plan, which resulted in some re-scheduling of work into 2023/24, a deferral of one audit and three removals. Along with specific reasons, these changes were reported to, and approved by, the Standards, Audit and Risk Committee at its meeting on 25 May 2023.
- 8.3 As part of the continuous improvement process, Audit Services issue client questionnaires to auditees following the finalisation of each audit report. Feedback from this process is used, where appropriate, to improve the service. During 2022/23, completed questionnaires received were positive, with an overall satisfaction rating of 94%. Auditees were most satisfied (96%) with the timing of the audits and awarded the highest rating of 100% to audit approach. They were also 94% satisfied with the performance and conduct of audit staff and least satisfied with the audit report, rating it as 89% overall.

## **9.0 Overall Assessment of Governance, Risk Management and Control**

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- 9.1 Internal Audit activity covered a diverse range of areas during 2022/23, including Climate Change, Payroll, Reconciliations, Recurring Payments, Purchasing Cards, Mutual Repairs, Vacant Non-Housing Properties, Tell Us Once, Digital Devices, Information Security Management, Scottish Welfare Fund, Gas Safety, Oversight of ALEOs, Council Tax Reduction, Capital Plan, Safeguarding, Stock, Pool Cars, Media Relations, Homelessness and Leavers as well as 5 formal follow-up reviews on Common Good Fund Grants, Matrix Fife, Information Governance, Risk Management and Business Continuity (Service Level) and Asset Management.
- 9.2 The range of areas covered within the organisation continues to reflect the changing landscape and nature of internal audit work and focusses on evaluating, and contributing towards the improvement of the organisation's governance, risk management and control framework.
- 9.3 The 2022/23 corporate and service-level reviews identified that many of the expected controls are in place and operating satisfactorily in the areas examined. However, audit work also identified several areas requiring improvement and, consequently, Internal Audit reports included a range of recommendations and action plans (developed in consultation with management), which, once

implemented, will improve the organisation's governance, risk management and control framework.

- 9.4 In addition, whilst not necessarily directly informed through the planned programme of work, Audit Services assisted the Council through the provision of ongoing advice and guidance surrounding a number of areas, including purchasing card developments, cash ledgers and cash management system. Assistance was also provided through representation on the Risk Management Strategy Group, Corporate Governance Group and Corporate Health and Safety Strategy Group. Lastly, one member of Audit Services supported the Finance Service through the delivery of Display Screen Equipment assessments, a requirement for blended working.
- 9.5 A number of areas have been identified as requiring further improvement / development during 2023/24. These include some of the planned and ongoing developments mentioned at 2.4 and 6.3 as well as, for example, counter fraud and anti-corruption arrangements, H&SCP developments, standing orders and financial regulations review, impact assessments, performance management, ALEO governance, programme / project management arrangements, the leavers process, attendance management, recurring payments and safeguarding. Some of these areas will feature, alongside other areas identified as requiring improvement, in the Council's Annual Governance Statement. Progress towards addressing those areas for improvement will be formally monitored during 2023/24 by senior officers on the Corporate Governance Group, which is chaired by the Executive Director of Finance and Corporate Services.
- 9.6 A total of 28 internal audit reports have been finalised since the last Annual Report was submitted to the Standards, Audit and Risk Committee on 30 June 2022. A summary of these reports is attached at Appendix A. Reports have been well received by clients, with management agreeing to implement 100% of the recommendations made. A total of 157 recommendations were contained in the internal audit reports issued, including 111 new recommendations and 46 previous recommendations that were formally followed-up. Of these 157 recommendations, 1 was categorised as critical, 102 as substantial and 54 as moderate.
- 9.7 Analysis of the overall audit opinion in each of the reports issued highlighted that, in general terms, 14% of the areas reported upon were controlled as expected (full assurance), 79% were controlled, but potentially with some critical and / or many substantial / moderate weaknesses requiring improvement, (reduced assurance) and 7% were not adequately controlled and required significant improvement (limited assurance). None of the areas reviewed were assessed as having no assurance.
- 9.8 A summary of the outcome of the PAR exercise carried out during 2022/23, which obtained management assurances surrounding progress towards implementing 121 previously agreed recommendations, can also be found at Appendix A.
- 9.9 The PSIAS requires the Service Manager - Audit and Risk Management Services to provide an internal audit annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control, which should be used to inform the Council's Annual Governance Statement. This principle is also affirmed in the Local Authority Accounts (Scotland) Regulations 2014. Attached at Appendix B is the Service Manager - Audit and Risk Management Service's annual opinion, which is supported by the audit work carried out by Audit Services and other relevant information. On the basis of the areas used to inform this process for the year to 31 March 2023, the overall audit opinion

reached is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control.

## 10.0 Conclusions

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- 10.1 The governance framework comprises the systems, processes, culture and values by which the activities of the Council are directed and controlled and through which they are accountable to, engage with, and where appropriate, lead the community.
- 10.2 Risk management is a fundamental element of good governance and decision making in any organisation. The Council's corporate risk management arrangements were significantly enhanced again this year and the RMSG continued to meet regularly.
- 10.3 The system of control comprises a whole network of established controls and actions taken by management / others to effectively mitigate risk and help provide reasonable assurance that the aims and objectives of the Council, including delivery of better outcomes for the individuals and businesses of Fife, can be achieved.
- 10.4 Internal audit is a fundamental element of Fife Council's governance and assurance framework. Its primary purpose is to provide an annual opinion on the adequacy and effectiveness of the organisation's framework of governance, risk management and control. The programme of work within the Internal Audit Plan, therefore, requires to be sufficient and diverse enough to enable the annual opinion to be formed. During 2022/23, Audit Services was independent of all the activities it audited and operated in conformance with the PSIAS.
- 10.5 The 2022/23 Internal Audit Plan included a portfolio of internal audit assignments at a corporate and service level across the organisation. It also included an allocation of audit days for follow-up reviews, the PAR exercise, finalisation of audit assignments that commenced in the previous financial year, the provision of advice and guidance to services, specific investigations, PSIAS Self-assessment and EQA.
- 10.6 A total of 28 internal audit reports have been finalised since the last Annual Report was submitted to the Standards, Audit and Risk Committee on 30 June 2022. In general, these reports have been well received by clients, with management agreeing to implement 100% of the recommendations made. A total of 157 recommendations were contained in the internal audit reports issued, including 111 new recommendations and 46 previous recommendations that were formally followed-up. Of these 157 recommendations, 1 was categorised as critical, 102 as substantial and 54 as moderate.
- 10.7 Analysis of the overall audit opinion in each of the reports issued highlighted that, in general terms, 14% of the areas reported upon were controlled as expected (full assurance), 79% were controlled, but potentially with some critical and / or many substantial / moderate weaknesses requiring improvement, (reduced assurance) and 7% were not adequately controlled and required significant improvement (limited assurance). None of the areas reviewed were assessed as having no assurance.
- 10.8 On the basis of the areas used to inform this process for the year to 31 March 2023, the overall audit opinion reached is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control.

## List of Appendices

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- A. Summary of Internal Audit Reports and 2022/23 PAR Exercise
- B. Service Manager - Audit and Risk Management Service's – Annual Opinion
- C. PSIAS EQA - Summary of EQA 2022/23 and Action Plan

Report Contact:

Pamela Redpath

Service Manager, Audit and Risk Management Services

Email – [Pamela.Redpath@fife.gov.uk](mailto:Pamela.Redpath@fife.gov.uk)

## Summary of Internal Audit Reports and 2022/23 Progress Review Exercise

Key – Overall Level of Assurance (based on the Grade Assigned to Assessment of Controls)			
<b>F = Full Assurance</b> <b>Grade 1</b> - All, or practically all, expected controls are in place and operating effectively, and the audit uncovered no critical weaknesses.	<b>R = Reduced Assurance</b> <b>Grades 2 / 3</b> - Most expected controls are in place and operating effectively, and the audit uncovered no critical weaknesses. - Most expected controls are in place and operating effectively, but the audit uncovered some critical and / or many substantial / moderate weaknesses.	<b>L = Limited Assurance</b> <b>Grade 4</b> - Few of the expected controls are in place or operating effectively.	<b>N = No Assurance</b> <b>Grade 5</b> - None, or practically none, of the expected controls is in place or operating effectively.

## i) Summary of Internal Audit Reports Issued

Report No.	Area Reviewed	Level of Assurance	Recommendations			
			Total No.	Importance		
				Critical	Substantial	Moderate
88	Planning - Climate Change	R	4	-	4	-
89	Education & Children's Services - Payroll Processing	R	2	-	2	-
90	Shared Service Centre - Payroll Reconciliations	R	5	-	4	1
91	Accounts Payable - Recurring Payments	L	3	-	2	1
92	Education - Purchasing Cards	R	11	-	6	5
93	Housing Services - Mutual Repairs	L	9	-	3	6
01/22	Property Services - Vacant Non-Housing Properties	R	9	-	9	-
02/22	Customer & Online Services - Tell Us Once	R	5	-	-	5
03/22	Education & Children's Services / BTS - Digital Devices	R	6	-	2	4
04/22	BTS - Information Security Management	R	4	-	2	2
05/22	Customer Services - Scottish Welfare Fund	F	0	-	-	-
06/22	Education - Teachers Payroll	R	3	-	2	1
07/22	Housing Services - Gas Safety Checks	R	10	-	10	-
08/22	Communities - Oversight of ALEOs	R	6	-	6	-
09/22	Communities & Corporate Development - Follow-up Review of Common Good Fund Grants <sup>^</sup>	R	13	-	6 (1-PI, 5-NI)	7 (2-FI, 4-PI, 1-NI)
10/22	Customer & Online Services - Council Tax Reduction	F	0	-	-	-
11/22	Business & Employability - Follow-up Review of Matrix Fife <sup>^</sup>	R	8	-	5 (4-FI, 1-PI)	3 (2-FI, 1-PI)
12/22	Finance - Capital Plan	F	1	-	-	1
13/22	BTS - Follow-up Review of Information Governance <sup>^</sup>	R	9	-	5 (1-FI, 2-PI, 2-NI)	4 (2-FI, 1-PI, 1-NI)

Report No.	Area Reviewed	Level of Assurance	Recommendations			
			Total No.	Importance		
				Critical	Substantial	Moderate
14/22	Corporate - Safeguarding	R	5	1	3	1
15/22	Housing Services - Follow-up Review of Risk Management & Business Continuity^	R	9	-	9 (1-FI, 5-PI, 2-NI, 1-N/A)	-
16/22	Facilities Management - Catering & Cleaning Stock Control	R	9	-	7	2
17/22	Fleet Services - Pool Cars	R	6	-	2	4
18/22	Communities - Media Relations	F	1	-	-	1
19/22	Property Services - Follow-up Review of Asset Management, Land & Buildings^	R	7	-	5 (3-FI, 2-PI)	2 (1-PI, 1-NI)
20/22	Housing Services - Homelessness	R	5	-	3	2
21/22	Fife Resource Solutions & CIRECO - Data Protection	R	6	-	4	2
22/22	Leavers Process	R	1	-	1	-
<b>Totals</b>			<b>157</b>	<b>1</b>	<b>102</b>	<b>54</b>

^ For follow-up reviews, the recommendation importance is from the original audit report and the level of assurance is based on the position at follow-up. The information in brackets, details the number of original recommendations formally assessed as being fully implemented (FI), partly implemented (PI), not implemented (NI) or no longer applicable (N/A).

### ii) Summary of 2022/23 Post Audit Review (PAR) Exercise

As part of the 2022/23 Audit Plan, a total of 121 recommendations from 44 internal audit reports were subject to a PAR. In line with the previous exercises, an update on recommendations with implementation deadlines up to an agreed cut-off date of 31 March 2023 were included. Implementation of the recommendations within the new audit reports will be monitored in line with these standard working practices.

A summary of the outcome of the PAR exercise is detailed in the table below. A report providing more detail on the progress made towards implementing internal audit recommendations previously reported to and agreed by management was presented to the Standards, Audit and Risk Committee on 25 May 2023.

No. of Recommendations	Fully Implemented	Partly Implemented	Not Implemented
<b>121</b>	<b>87 (72%)</b>	<b>14 (12%)</b>	<b>20 (16%)</b>

For the recommendations reported as partly / not implemented, assurances were provided by management to Audit Services that the outstanding areas would be addressed. None of the partly / not implemented recommendations had been assessed as critical.

Delays in the implementation of some recommendations occurred due to the residual effect of Covid-19, resource issues and implementation of new IT systems. Outstanding recommendations will continue to be monitored until they have been appropriately implemented. An update on progress made towards full implementation of the outstanding recommendations will be sought from management, via Pentana, during the 2023/24 PAR Exercise and reported in line with standard working practices to the Standards, Audit and Risk Committee.



## **To the Members of Fife Council, Chief Executive and Executive Director of Finance and Corporate Services**

As Service Manager - Audit and Risk Management Services of Fife Council, I am pleased to present my annual opinion for the year ended 31 March 2023. It should be noted that the statement does not include assurances on group activities and relates solely to Fife Council.

## **Respective Responsibilities of Management and Internal Audit in Relation to Governance, Risk Management and Control**

It is the responsibility of the Council's officers to determine, establish and maintain sound systems of governance, risk management and control to ensure that the organisation's resources are utilised in the proper manner and on the activities intended and that these arrangements are sufficient to address the risks facing their services. This includes responsibility for the prevention and detection of fraud. Management is also charged with monitoring the continuing effectiveness of these arrangements and taking action as appropriate.

It is the responsibility of the Service Manager - Audit and Risk Management Services to provide an annual assessment of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

## **Control Environment**

This comprises the governance, risk management and control processes in the context of the Council's defined goals and objectives. The key elements include the following:

- Consistency of operations with established goals and objectives.
- Efficiency and effectiveness of operations and deployment of resources.
- Compliance with significant policies, plans, procedures, laws, and regulations.
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify and report such information.
- Safeguarding of assets.

A sound control environment reduces, but cannot eliminate, the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances. It, therefore, provides reasonable but not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the adequacy and effectiveness of its control environment.

## **The Focus of Internal Audit Work**

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. Through its work, Audit Services assists the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of its governance, risk management and control framework. The Council's Audit Services operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and the Local Authority Accounts (Scotland) Regulations 2014. The requirements under the PSIAS represent best practice and these, along with the Regulations, are mandatory.



The Service Manager - Audit and Risk Management Services prepares an annual Internal Audit Plan which outlines the programme of work to be undertaken. The Internal Audit Plan is developed utilising a risk-based methodology based on the audit universe and takes into account the requirement placed upon the Service Manager - Audit and Risk Management Services to provide an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. In compiling the plan, input from Elected Members, senior management and any other relevant parties is sought, and cognisance is taken of emerging issues. The plan needs to be flexible to be able to reflect the changing risks and priorities of the organisation. The plan, any material changes to the plan, and any significant matters that may impact upon the delivery of the plan are reported to the Standards, Audit and Risk Committee as appropriate.

Audit Services formally reports upon the areas subject to review. Such reports, which identify system weaknesses and / or non-compliance with expected controls, are issued for the attention of management and include appropriate recommendations and agreed action plans. It is management's responsibility to ensure that due consideration is given to internal audit reports. This includes management taking remedial action where appropriate or accepting that there may be a level of risk exposure if the weaknesses identified are not addressed (at all or timeously) for operational reasons. The Service Manager - Audit and Risk Management Services must establish a follow-up process to monitor and ensure that audit recommendations have been effectively implemented or as noted above, that senior management has accepted the risk of not taking action. Matters arising from internal audit work are also reported to the Council's Standards, Audit and Risk Committee, the Council Executive Team, Chief Executive, Executive Director of Finance and Corporate Services, Head of Finance, Service Manager - Change & Improvement and the Council's External Auditor, Azets.

### **Summary of Internal Audit Activity**

A total of 28 internal audit reports have been finalised since the last Annual Report was submitted to the Standards, Audit and Risk Committee on 30 June 2022 covering a diverse range of areas, including Climate Change, Payroll, Reconciliations, Recurring Payments, Purchasing Cards, Mutual Repairs, Vacant Non-Housing Properties, Tell Us Once, Digital Devices, Information Security Management, Scottish Welfare Fund, Gas Safety, Oversight of ALEOs, Council Tax Reduction, Capital Plan, Safeguarding, Stock, Pool Cars, Media Relations, Homelessness and Leavers as well as 5 formal follow-up reviews on Common Good Fund Grants, Matrix Fife, Information Governance, Risk Management and Business Continuity (Service Level) and Asset Management.

Audit Services also undertook a comprehensive PAR exercise during the year and provided advice and guidance as required surrounding the Council's governance, risk management and control framework.

The audit work during 2022/23 has identified that many of the expected controls are in place and operating satisfactorily, however, there is scope for improvement. Audit Services has made a range of recommendations in the areas examined and action plans have been developed in consultation with management which, once successfully implemented, will improve the Council's governance, risk management and control framework.

In addition, whilst not necessarily directly informed through the planned programme of work, Audit Services has assisted the Council, through the provision of ongoing advice and guidance surrounding a number of areas, including purchasing card developments, cash ledgers and cash management system. Assistance was also provided through representation on the Risk Management Strategy Group, Corporate Governance Group and Corporate Health and Safety Strategy Group. Lastly, one member of Audit Services supported the Finance Service through the delivery of Display Screen Equipment assessments, a requirement for blended working.



**Limitation of Scope or Independence**

There was no limitation of scope or independence placed upon the work undertaken by the Audit Services during 2022/23.

**Basis of Opinion**

My evaluation of the framework of governance, risk management and control has been informed by a number of sources, including the following:

- Audit work undertaken by Audit Services.
- The assessment of risk carried out during preparation of the Internal Audit Plan.
- Knowledge of the Council's culture, governance, risk management and performance monitoring arrangements.
- The Self-assessment Checklists completed by Executive Directors / Heads of Service providing formal assurances surrounding how effective the Council's governance arrangements are.
- Reports issued by the Council's External Auditor during 2022/23, together with other relevant reports.

**Opinion**

















It is my opinion, based on the above, that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year to 31 March 2023.







*Pamela Redpath FCCA*

**Service Manager – Audit and Risk Management Services, Fife Council**

**DATE: 13 June 2023**

**PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) - SUMMARY OF EQA 2022/23**

ASSESSMENT AREA	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
Mission of Internal Audit and Core Principles		-	-	-
Definition of Internal Auditing		-	-	-
Code of Ethics		-	-	-
<b>ATTRIBUTE STANDARDS</b>				
Purpose, Authority and Responsibility		-	-	-
Independence and Objectivity		-	-	-
Proficiency and Due Professional Care	-		-	-
Quality Assurance and Improvement Programme		-	-	-
<b>PERFORMANCE STANDARDS</b>				
Managing the internal Audit Activity		-	-	-
Nature of Work		-	-	-
Engagement Planning		-	-	-
Performing the Engagement		-	-	-
Communicating Results		-	-	-

ASSESSMENT AREA	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
Monitoring Progress		-	-	-
Communicating the Acceptance of Risks		-	-	-
<b>TOTALS</b>	<b>13</b>	<b>1</b>	-	-

**PSIAS - EQA 2022/23 ACTION PLAN**

No.	Recommendation	Grading	Management Response	Responsible Officer / Agreed Completion Date
1	<p><b>1200 Proficiency and Due Professional Care –</b>                      Since the Service Manager commenced employment in November 21, there have been no formal assessments of continuous professional development needs carried out. However, there have been a number of training and development opportunities that staff have benefitted from since the Service Manager took up post (e.g. e-learning, power BI training, attendance at SLACIAG presentations, technical reading, BGF Newsletters etc.). The Audit Team Manager has also organised Personal Development Plan meetings to be held in March 2023 with all professionally qualified auditors, with the rest of the team to follow. In addition, it is the responsibility of each individual member of staff to maintain training records and keep their employee development up to date in line with their requirements of their professional bodies as required.</p> <p>The Service Manager should implement their plans for CPD within the Internal Audit Service. This should look to ensure that there are annual assessments of the team’s CPD needs against predetermined skills and competencies.</p>	Routine	<p>In line with formal plans already initiated, annual formal assessments of the team’s skills and competencies will be carried out utilising the Council’s Personal Development Plan methodology, supplemented with the use of a recognised skills and competencies framework for the internal audit profession.</p> <p>Development needs and opportunities will continue to be discussed during 1-2-1s / team meetings throughout the year.</p>	<p>Service Manager – Audit &amp; Risk / Audit Team Manager</p> <p>31 October 2023</p>

Critical	Critical
Significant	Significant
Routine	Routine

30 June 2023

Agenda Item No. 6

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## Annual Governance Statement for the year to 31 March 2023

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**Report by:** Eileen Rowand Executive Director Finance and Corporate Services

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**Wards Affected:** All

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### Purpose

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To present the Annual Governance Statement for consideration, approval and inclusion into the unaudited Annual Accounts for the year ended 31 March 2023.

### Recommendation(s)

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It is recommended that the Standards, Audit and Risk Committee:-

- (1) notes the contents of this covering report;
- (2) approves the Annual Governance Statement which is included as an Appendix to this report and
- (3) notes that following approval, the Executive Director of Finance Corporate Services will include the Annual Governance Statement in the Annual Accounts for the year to 31 March 2023.

### Resource Implications

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There are no direct resource implications

### Legal & Risk Implications

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The relevant statutory provisions regarding the preparation of the Council's Accounts are contained in the Local Authority Accounts (Scotland) Amendment Regulations 2014. Section 5 of these regulations require "...an annual review of the effectiveness of a local authority's system of internal control. The findings of that review are to be considered at a meeting of elected members, and following that review, members must approve an Annual Governance Statement. There is no requirement to have separate meetings for the consideration of the findings and then the approval of the Annual Governance Statement. Both may be undertaken at the same meeting."

In addition the Annual Governance Statement will be prepared in accordance with the Code of Practice on Local Authority Accounting (the Code).

### Impact Assessment

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No impact assessment is required.

There has been a process of engagement across all Council services and ALEOs in the preparation of the Annual Governance Statement. That process is summarised in the Statement.

## 1.0 Background

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### 1.1 Annual Governance Statement

- 1.2 Each year an annual governance statement is included within the Council's Annual Accounts. The statement is subject to audit by the Council's External Auditors as part of the Annual Accounts process. There are a number of requirements for inclusion in the Annual Governance Statement. These are as follows:-
- i. An acknowledgement of responsibility for ensuring there is a sound system of governance (section 1);
  - ii. An opinion on the level of assurance that the systems and processes that comprise the Council's governance arrangements can provide (paragraph 3.1) ;
  - iii. A brief description of the key elements of the governance framework (section 2);
  - iv. A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements, (paragraph 1.3-1.5 and section 3);
  - v. An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan (section 4) and
  - vi. a conclusion.

## 2.0 Issues and Options

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### 2.1 Appendix 1

- 2.2 Appendix 1 contains the draft Annual Governance Statement for the year ended 31 March 2023 for consideration by the Committee.

## 3.0 Conclusions

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- 3.1 The draft statement complies with the requirements of the Regulations and Code and the Committee is invited to consider and then approve the annual governance statement for the year ended 31 March 2023.

### List of Appendices

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1. Draft Annual Governance Statement for the year ended 31 March 2023

### Background Papers

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973:-

Bulleted list

Report Contact  
Lindsay Thomson  
Head of Legal and Democratic Services  
Email: [Lindsay.thomson@fife.gov.uk](mailto:Lindsay.thomson@fife.gov.uk)

## 1.0 Fife Council's scope of responsibility and approach to maintaining effectiveness of governance arrangements

### 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 Code of Corporate Governance has been developed based on the guidance developed by CIPFA SOLACE entitled 'Delivery of Good Governance in Local Government Framework' (2016 Edition). A copy of the Code is available at: [Governance Documentation](#). This document summarises how Fife Council's governance arrangements address the requirements of the Code. In addition, Fife Council is responsible for confirming effective corporate governance arrangements exist within its other group entities. In line with Accounts Commission guidance, including "Safeguarding Public Money: are you getting it right?", "Following the Public Pound" and Arm's Length External Organisations (ALEOs): are you getting it right?", part of that responsibility is about ensuring that public money is being used appropriately and achieving Best Value.

### Fife Council's Group Accounts

Fife Council operates several ALEOs. They are Business Gateway Fife (BGF), Fife Resource Solutions (FRS), Fife Sports & Leisure Trust (FSLT), Fife Coast & Countryside Trust (FCCT), Fife Golf Trust (FGT) and Fife Cultural Trust (FCT). The two directorates responsible for managing and maintaining oversight of the Council's ALEOs are Communities and Enterprise & Environment. FSLT started trading on 1 April 2008. The Office of the Scottish Charity Regulator (OSCR) granted charitable status on 28 March 2008 and Fife Council is the sole member of the Company. FCCT is registered as a Company Limited by Guarantee with charitable status in March 2001. Fife Council is the sole member of the company. The trust was initially responsible for the marketing & promotion of the Fife Coastal Path (FCP). However, in June 2009, after a successful two-year pilot, it also took on responsibility for the Countryside Rangers and maintenance of both the Lomond Hills Regional Park (East) and FCP. FGT started trading on 1 April 2011. OSCR granted charitable status on 30 March 2011 and Fife Council is the sole member of the company and finally FCT started trading on 1 October 2012. OSCR granted charitable status on 27 September 2012 and Fife Council is the sole member of the Company.

Each ALEO is overseen by a Board of Directors. Regular performance monitoring and liaison is carried out with these four ALEOs by the Communities and Neighbourhoods Service with Annual Reports being presented to Scrutiny Committee.

In addition, Fife Council's waste services are provided by Fife Resource Solutions (FRS) (now known as Cireco), a limited liability partnership which was formed in 2014. The Council appointed three elected members and two officers to sit on the Board of FRS in addition to three non-executive directors.

Finally, Fife Council participates in Fife's Health and Social Care Partnership (HSCP) with NHS Fife. The HSCP is overseen by an Integration Joint Board (IJB) to which the Council nominate eight elected members. The IJB meets regularly in a remote meeting format attended by the Director of the HSCP and other professional advisers including a Standards Officer.

### Maintaining effectiveness of governance arrangements

- 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.
- 1.4 A lead officer (Executive Director, Finance and 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, the lead officer, chairs the Corporate Governance Group which has responsibility to input to and review the Annual Governance Statement before it is presented to and approved by the Standards, Audit and Risk Committee. The statement is subject to External Audit who are responsible for auditing the content against the Code of Corporate Governance.
- 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. A system of Corporate Governance and internal control cannot provide protection with certainty against material errors, losses, fraud, or breaches of laws or regulations.

## **2.0 Fife Council's 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:

### Governance

- 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
- Statutory Officers
- Standing Orders
- A Standards, Audit and Risk Committee, and Scrutiny Committees held in public / live streamed as part of the blended meeting project.
- Corporate Governance Groups

### Planning

- Plan for Fife
- Local Community Plans
- Service Change Planning
- Council Executive Team, Directorate Leadership Teams, Council Leadership Team
- Digital Strategy
- HR Plans and Policies and strong Organisational Development Framework
- Procurement Strategy
- As appropriate, formal programme and project management disciplines

### Performance

- Performance management framework - including Public Reporting requirements from Best Value
- Regular planning and performance reports – for management and committee scrutiny activity
- Setting and monitoring targets for financial and other performance aspects

### Financial Governance

- Financial Regulations
- Medium Term Financial Strategy
- Comprehensive financial management systems
- Periodic and annual committee reports which indicate forecast financial performance against budget, covering both Capital and Revenue expenditure.
- Clearly defined capital and revenue expenditure guidelines
- Investment Strategy Group which focusses on Capital Strategy monitoring, developing 10-year investment plans and monitoring high-level capital delivery performance

### Risk Management

- Risk Management Policy and Strategy (reviewed March 2022)



- Strategic and Service-level Risk Registers
  - Risk Management Strategy Group, chaired by the Executive Director, Finance and Corporate Services as Senior Responsible Officer for risk.
- 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 (PSIAS), which apply to Local Government. Conformance with the PSIAS has been confirmed independently, through the completion in 2023 of a formal External Quality Assurance process. The Service undertakes a risk-based annual programme of audit work approved by the Standards, Audit and Risk Committee. A review of the effectiveness of the Standards, Audit and Risk Committee is undertaken annually, and the Service Manager, Audit and Risk Management Services also provides an annual report to the Members of Fife Council, Chief Executive and Executive Director of Finance and Corporate Services, including the internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control framework. The overall audit opinion for the year to 31 March 2023 is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 2.4 All internal audit reports are issued to the appropriate Executive Director and Head of Service and to all members of the Standards, Audit and Risk Committee, the Executive Director - Finance and Corporate Services, other relevant Executive Directors and Heads of Service and the External Auditor. Where necessary, the Standards, Audit and Risk Committee can seek further reports from the appropriate Executive Director or Head of Service. In 2022-23 there were several internal audit reports which have been considered in the preparation of this Governance Statement, including those relating to information security management, payroll processing and reconciliation, recurring payments, and safeguarding.
- 2.5 The Council is determined to protect itself and the public from fraud and corruption and is committed to the rigorous maintenance of a strategy, and supporting policies and procedures, for the prevention and detection of fraud and corruption (including participation in the National Fraud Initiative, a biennial data matching exercise co-ordinated at a national level by the Cabinet Officer) which will provide a framework for:
- encouraging fraud deterrence and prevention
  - raising awareness of fraud and corruption and promoting their detection
  - performing investigations and facilitating recovery
  - invoking disciplinary proceedings and referral to Police and/or Procurator Fiscal
  - monitoring, publicising, and updating the policy and its related procedures and performance
  - appropriate action consistent with the Serious Organised Crime Taskforce objectives.

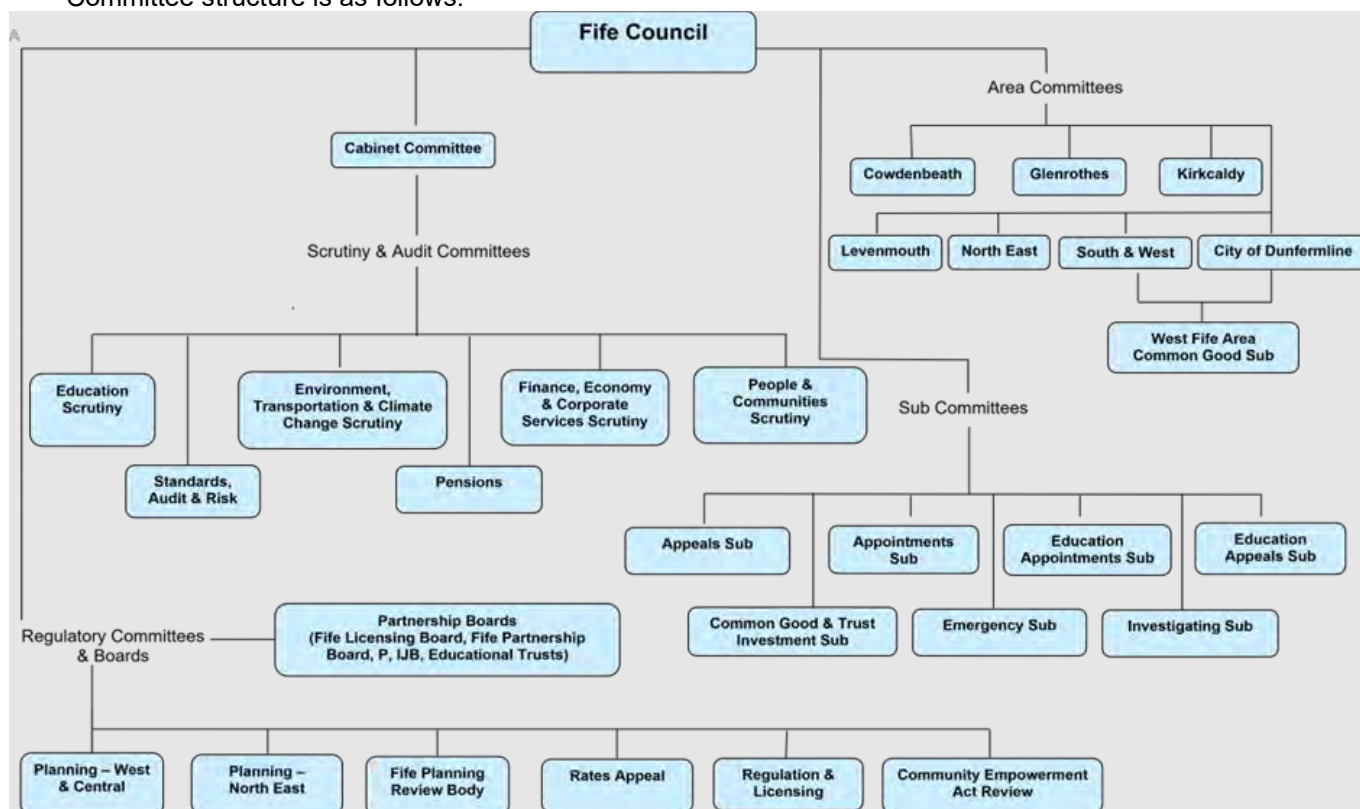
### **3.0 Review of Effectiveness**

- 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 2023. This is the same level of control rating as in the 2022-23 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 and Risk Committee.
  - the review of various forms of customer and stakeholder feedback.
- 3.2 The current approach to the Council's Local Code of Corporate Governance was agreed by the Standards and Audit Committee in 2019. A key factor in developing the process was to encourage a more rounded, qualitative approach. This approach has been further developed over the last two years. The Fife Council framework comprises of 40 statements that are considered by designated Lead officers, Directorates, and other significant group entities. 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. The corporate assessment approach has recently been enhanced using a working group to gain a wider perspective. An important element of assurance is the assessment by each directorate and ALEOs of 40 statements related to good governance, together with updates on previous improvement actions and any new actions identified. 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. An officer working group was established within 2021 to review corporate governance arrangements on an ongoing basis. This group has representation from all directorates and considers ongoing and new improvement actions that are required to enhance governance arrangements.

### Significant governance developments in 2022-23

3.3 Local Government elections were held in May 2022. The Council is made up of 75 elected members across 22 wards. Following the election, the Scottish Labour Party formed a minority administration and Cllr David Ross was elected as Leader of the Council. Six strategic spokespeople were also appointed. The Council also agreed a new structure of governance based on a Cabinet Committee and four scrutiny committees. The updated Committee structure is as follows:



3.4 The Council has continued to focus on four priority themes as set out in the Plan for Fife which was updated in September 2021. The priority themes are Opportunities for All; Thriving Places; Community-Led Services; and Inclusive Growth and Jobs. These have been translated into thirteen “ambitions”, with addressing the climate emergency added. Four Strategic boards continue to oversee the progress against the ambitions Leading Economic Recovery, Tackling Poverty and Preventing Crisis, Addressing Climate Emergency and Community Wealth Building and to focus 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 process, and local community plans and neighbourhood plans will be developed to improve outcomes for those with the greatest needs. The Council is considering decentralisation, through its Area Committee structure, as part of its place-based initiatives. In the summer of 2020, the Council began to look at some test of change opportunities, research organisational approaches in other councils across the UK and analysis of organisation, productivity, and digital opportunities across Fife as part of its reform to recovery work. A series of workshops over the latter half of 2022 were arranged across the following themes: community wealth building, place making, no wrong door and health inequality. The workshops included managers from across the community planning processes and they resulted in a series of output which will be used for future change planning.

3.5 Appropriate monitoring and reporting 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. Service performance reporting continued during 2022-23 financial year. Going forward, these reports will contain high level indicators relating to the work of the newly formed committees. Major change projects have governance boards established which meet regularly to monitor and track progress and risks.

- 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 Capital Strategy, a Procurement Strategy, a Risk Management Strategy, a Workforce Strategy which sets out the vision for the workforce for the period 2022-25 (Our People Matter), and a refreshed approach to workforce planning, which is designed to be more agile and responsive and will relate to and assist the current service planning approach (Our People Plan). There are also HR Policies. A Digital Strategy and IT investment plan have been developed and delivery of these is monitored through the Council's Reform and Recovery Board. In addition, Services have maintained and updated Directorate Business Continuity Plans, and these inform the ICT Systems Recovery Plans which are documented and subject to regular testing and updating.
- 3.7 The Council's resilience plans, and risk management processes were significantly tested during the Covid-19 Pandemic and the Council continues to respond well to recovery from this emergency. Continued emphasis on financial planning throughout the year was highlighted in several reports considered by the Cabinet Committee, this took account of the fluid nature of the significant financial consequences of the pandemic and the impact of covid funding on the Council's budget position. The Council has created a revised governance structure to respond to requests for information from the two national COVID inquiries.
- 3.8 The Council implemented Oracle Cloud during 2020, and as reported previously this was particularly challenging given it coincided with the need to respond to the Pandemic. The focus last year had been to deal with residual issues arising from implementation and this year has seen more focus on ensuring that the value of using an integrated system is maximised. While some of the benefits across security, reporting, forecasting, payroll, and recruitment are now being realised we have been reviewing our approach through internal audit to look at enhancing internal controls.

### Key Statements

- 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 (2016).

## 4.0 Areas for Improvement and Development in Governance

- 4.1 The table below shows progress on significant governance issues which were identified in the previous annual governance statement during the year and the second table shows actions planned for the coming year. Oversight of these actions is provided by a governance group, chaired by the Executive Director - Finance & Corporate Services. This group will review and monitor progress on a quarterly basis throughout the year to ensure appropriate actions are taken forward. A detailed action plan, containing all directorate actions, along with responsible officers and implementation dates will assist with the monitoring process.

### Update on previously agreed actions

<p><b>Review of Governance and Decision Making</b></p> <p><b>Issue:</b> Governance structures need to enable transparent and appropriate decision making.</p> <p><b>Responsible Officer:</b> Head of Legal and Democratic Services</p> <p><b>Progress made in 2022-23:</b> The new Council is now in place. Officers prepared a detailed advice note for the new administration setting out options for decision making structures. The Cabinet decision making structure has been adopted, along with four scrutiny committees. Council has taken a decision to adopt hybrid meetings for most of its decision making (a few Committees remain in person only) and the technology continues to evolve to support that process. Most committees are fully live streamed. Work is still required on the report template and guidance document.</p>
<p><b>Members Involvement in Setting the Tone from the Top</b></p> <p><b>Issue:</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.</p> <p><b>Responsible Officer:</b> Head of Legal and Democratic Services</p> <p><b>Progress made in 2022-23:</b> The Code of Conduct for Councillors forms the basis of the principles and values for elected members. A comprehensive programme of induction was delivered, including the use of pre-</p>

recorded videos on the code of conduct. The videos then formed the basis of discussion sessions. A Councillor hub was created on the internet where for resources relating to the Code of Conduct can be stored and referred to.

### **Elected Member Support and Development**

**Issue:** Elected members need to be supported to undertake their role through a programme of induction, development and learning.

**Responsible Officer:** Head of Legal and Democratic Services

**Progress made in 2022-23:** The induction programme has been fully delivered and was well received. A recent members survey has been carried out to begin to understand what ongoing support is required for members in 2023-24.

### **Change Programmes**

**Issue:** The Council needs to ensure that traction is made on the delivery of change.

**Responsible Officer:** Service Manager - Corporate Development

**Progress made in 2022-23:** Change continues to be actioned through the Plan for Fife partnership delivery arrangements. The Council set a balanced budget position for 2023-24 which recognised the need for change activity in future years. Longer term change work is ongoing, building on the Plan for Fife Leadership summits held late 2022 and early 2023 and focused on the themes of community wealth building, place making, no wrong door and health inequality and these summits will form the basis for the Council's future change activity.

### **Embedding Risk Management**

**Issue:** The Council's risk management arrangements have improved significantly during 2021-22. However, further development is required during 2022-23.

**Responsible Officer:** Service Manager – Audit & Risk Management Services

**Progress made in 2022-23:** A full time, dedicated Risk Management Co-ordinator position was established within the Risk Management Team. The position was successfully filled in September 2022.

The Risk Management Strategy Group (RMSG) continued to meet regularly throughout 2022-23.

Risk appetite, including risk category and optimal risk zone (the level of risk within which the Council aims to operate), was defined for each of the Council's strategic risks following a Risk Appetite Workshop attended by the RMSG on 26 September 2022.

Thereafter, the new Risk Management Policy and Strategy document was updated to include the risk appetite as well as minor amendments to the RMSG's remit.

Risk Management Update reports have been submitted to CET and Standards, Audit & Risk Committee throughout 2022-23 in line with the Policy and Strategy document. Reports included updates on the Council's Strategic Risk Register as well as progress towards implementing individual actions within the Risk Management Improvement Plan.

A formal Roll Out Plan was compiled to schedule in corporate Risk Management Team support for Directorates, which will help them to develop, implement and embed effective risk management arrangements locally.

Developments have taken place within Pentana, the Council's Performance and Risk Management system, with a view to ensuring system functionality is utilised. Risk Management Procedures, including a section on Pentana, have also been drafted.

Lastly, a revised Risk Impact Assessment Matrix was developed to help facilitate the consistent consideration of risk impact over a wider range of categories using the established PESTELO model. In addition to consistency, the new approach will highlight where internal controls require to be developed, assisting management to be more focused and effective in terms of utilising, often limited, resource for risk mitigation.

### **Health and Social Care Partnership**

**Issue:** The actions identified within the self-assessment on progress of integration and effective governance needs to be advanced.

**Responsible Officer:** Chief Finance Officer

**Progress made in 2022-23:** The IJB Risk Management Policy and Strategy was approved on 31 March 2023. There were two risk appetite sessions held for IJB members in 2022-23 and the Risk Appetite Statement is now in draft.

Due to changes in Governance structures and personnel a more formal approach will be progressed during 2023-24. Member Development Sessions are delivered regularly to ensure relevant topics are discussed to strengthen member knowledge and understanding.

An established member induction programme is in place.

#### **Restructuring, Movement of Staff and Change to Processes**

**Issue:** Restructuring and movement of staff had increased in previous years.

**Responsible Officer:** Head of Human Resources

**Progress made in 2022-23:** Following the introduction of the blended meeting pilot there has been lots of work to roll out and develop the model while supporting employees to work from home and in a blended setting. There have been benefits to the blended work approach, particularly in relation to widening options for recruitment and increasing the ability to retain staff. Some analysis has been carried out on the success of the approach and early indications shows a positive impact on absence for this workstyle.

#### **Impact on Planning and Delivery of Services**

**Issue:** Responding to the pandemic has impacted on the way we plan and deliver services.

**Responsible Officer:** Head of Human Resources

**Progress made in 2022-23:** The learning from the pandemic has informed our approaches to the way we support our workforce, particularly in relation to a refreshed approach to WFP (Workforce Planning) and associated tools aligned to Our People Matter. The blended approach to working, which was developed from the home-working model adopted over the pandemic, has also contributed to the way services are delivered. This focus on planning and lessons learned from the pandemic will continue into this year's action plan as we continue to make the shift from a public management model of provision toward a more strongly person and community led public service. This change will be based on the work we have done this year, gathering evidence of successful redesign, tests of change in Fife, experience from other local authority areas and analysis of current organisation. We have also carried out review work with community planning partners undertaken over the year.

#### **Health and Safety**

**Issue:** The need for a robust health and safety regime was tested throughout the Pandemic.

**Responsible Officer:** Head of Human Resources

**Progress made in 2022-23:** The work on health and safety was overseen by the CHSSG (Corporate Health & Safety Strategy Group) and the group had an increasing focus on emerging risk. There has been improvement to ECS incident reporting which has result in more detailed data and a better ability to respond to incidents. The team commissioned a digital tool for efficient inspection/audit and commissioned a process for consolidation of safety flags. The remote working pilot resulted in a robust process for assessing homework stations for DSE compliance to be put in place to ensure employer compliance and employee safety and wellbeing while working from home.

#### **Employee Wellbeing**

**Issue:** Our employees worked in different ways during the Pandemic and different approaches were required to protect and ensure our employees wellbeing.

**Responsible Officer:** Head of Human Resources

**Progress made in 2022-23:** This year we used provided Health Analysis information to services using the Council's Power BI format to allow service interrogation. The data identified 5 priority areas identified for management team consideration.

### **Action plan for 2023-24**

#### **Review of Governance and Decision Making**

**Issue:** Governance structures and processes need to enable transparent and appropriate decision making.

**Responsible Officer:** Head of Legal and Democratic Services / Monitoring Officer



**Action Planned within 2023-24:** A review of Standing Orders will be brought forward for approval in June 2023. There will also be a review of Committee Powers and Officers Powers to ensure these are the best fit for the new structure. This work will include mapping of the Council's governance structure. There is a review of financial regulations which will also support appropriate decision making. A protocol for scrutiny will be developed to support that area of work.

Work to improve internal controls remains a priority. We will focus on the development of our systems and processes to ensure that internal controls are effective.

#### **Elected Member Support and Development**

**Issue:** Elected members need to be supported to undertake their role through a continuous programme of development and learning.

**Responsible Officer:** Head of Legal and Democratic Services

**Action Planned within 2023-24:** We will prepare a revised approach to members on-going professional development and training. This will require cross party engagement. It will draw on our existing work which has focussed on employee learning and development. It will support our elected members to undertake their policy setting, scrutiny, and regulatory roles more effectively.

#### **Change Programmes**

**Issue:** The Council needs to focus on the pace and scale of change required to meet the challenging financial environment but also to improve service delivery for the people of Fife

**Responsible Officer:** Chief Executive / Service Manager - Corporate Development

**Action Planned within 2023-24:** Further change work has commenced focusing on the Plan for Fife and Leadership Summit findings. All Services are engaged in change planning. Change is likely to focus on place, people, digital and productivity. An approach to advancing change has been agreed and will progress throughout 2023-24. This change planning work will be supported by Our People Matter and the Council's workforce strategy. Priority areas for action across all directorates have been agreed and workforce planning activity will be a focus of 2023-24 to support change.

#### **Performance**

**Issue:** As part of our planning processes, we identify, monitor and report upon an appropriate range of performance information to evaluate progress, performance, and quality of service delivery.

**Responsible Officer:** Service Manager, Communication and Customer Insight

**Action Planned within 2023-24:** We will develop our approach to performance information and benchmarking by refreshing the performance and public reporting frameworks and developing proactive analysis and projects to drive performance improvement.

#### **Attendance and Wellbeing**

**Issue:** The attendance and wellbeing of our employees is key to the success of the Council. We have seen increased rates of absence from work so we will focus on attendance and wellbeing at work.

**Responsible Officer:** Head of Human Resources

**Action Planned within 2023-24:** We will seek approval for a revised approach to managing absence. We will also issue a fresh Health, Safety & Wellbeing pulse/survey and progress Directorate/service stress risk assessments promoted by Stress Overview Group

#### **ALEOS**

**Issue:** The Council has several ALEOS performance a range of functions. These have been in operation for several years and the detail of the operating arrangements may no longer reflect how the relationship between the Council and the ALEO has developed over time.

**Responsible Officer:** Service Manager, Communication and Customer Insight

**Action Planned within 2023-24:** We will develop our approach to performance information and benchmarking by refreshing the performance and public reporting frameworks and developing proactive analysis and projects to drive performance improvement.

#### **Embedding Risk Management**

**Issue:** The Council's risk management arrangements have improved significantly during the last two years; however further development is required during 2023-24.

**Responsible Officer:** Service Manager – Audit & Risk Management Services

**Action Planned within 2023-24:** Further improvements surrounding the Council's risk management arrangements are planned in the Risk Management Improvement Plan for 2023-24, including the following:

- implementation of the Roll Out Plan.
- utilisation of the new PESTELO impact matrix following its approval at CET and Standards, Audit and Risk Committee.
- comprehensive review of the risks within the Council's Strategic Risk Register.
- finalisation and circulation of Risk Management Procedures; and
- the development and launch of a Risk Management training and awareness programme, including e-learning package and awareness session for Extended Council Leadership Team.

#### **Fraud Governance and Anti corruption Arrangements**

**Issue:** The Council's fraud governance and ant-corruption improvements require some updating and development.

**Responsible Officer:** Service Manager – Audit & Risk Management Services

**Action Planned within 2023-24:** This year a revised whistleblowing policy with supporting processes and procedures will be developed and implemented. In addition, we will review our gifts and hospitality process and our officer register of interest. The Council will also plan how to develop its counter-fraud policies and procedures, anti-bribery policy and procedures and its anti-money laundering approach by looking at the referral and reporting processes and considering the delivery of further training. Finally, working with partners, we will review the approach to preventing serious and organised crime.

#### **Health and Social Care Partnership**

**Issue:** The actions identified within the self-assessment on progress of integration and effective governance needs to be advanced.

**Responsible Officer:** Chief Finance Officer, H&SC

**Action Planned within 2023-24:** There are several improvement actions within the self-assessment process including a review of Directions Policy, a revised Strategic Planning process and a refresh of the Performance Framework.

## **5.0 Conclusions**

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

5.2 The last year has been a challenging year for the Council and the focus has been to ensure that support is provided to communities, individuals and businesses during these difficult times whilst safeguarding the Council's financial sustainability and maintaining service delivery. We consider that the governance and internal control environment operating within 2022-23 to provide reasonable assurance and the actions identified in section 4 will address the governance issues that have been highlighted. We are satisfied that the actions highlighted in this Statement reflect the Council's commitment to continuous improvement and once implemented, will further enhance our corporate governance and internal control arrangements.

30 June 2023

Agenda Item No. 7

## **Fife Council Unaudited Annual Accounts 2022-23**

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Report by: Eileen Rowand, Executive Director of Finance and Corporate Services

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Wards Affected: All

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### **Purpose**

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This report contains the unaudited accounts for Fife Council and its group for 2022-23.

### **Recommendation**

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It is recommended that Members consider the unaudited accounts.

### **Resource Implications**

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None.

### **Legal & Risk Implications**

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None.

### **Policy & Impact Assessment**

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None.

### **Consultation**

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None.



## 1.0 Background

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- 1.1 The Local Authority Accounts (Scotland) Regulations 2014 require the unaudited accounts to be submitted to the appointed auditor no later than 30 June. The regulations also require elected members to consider the unaudited accounts at a meeting held no later than 31 August.
- 1.2 Best practice is recognised in Local Government Circular 7/2014 which outlines that it is for the Committee whose remit includes audit or governance functions, to have formally considered the unaudited Annual Accounts prior to submitting them to the appointed auditor and making them available for public inspection. This best practice approach has been adopted by Fife Council for many years and ensures that the committee are familiar with the content of the unaudited Annual Accounts in advance of the public inspection period. This forms part of the overall governance and financial management of the Council.
- 1.3 This committee has a key role in providing a focus on financial management, financial reporting, audit and assurance and supports officers with their governance responsibilities. Formal consideration of the unaudited Annual Accounts by the Committee is required to address, and to help mitigate any risk of the Committee not agreeing to approve audited Annual Accounts for signature.
- 1.4 The unaudited Annual Accounts have, once again, been completed within the statutory timeframes and will be submitted to External Audit following this meeting.
- 1.5 The unaudited Annual Accounts contains full details of the Governance Compliance statement which is subject of a separate report on this agenda.
- 1.6 The unaudited Annual Accounts will be made available for public inspection from Monday 03 July to Friday 21 July (inclusive). Details of the public inspection process were publicised on Monday 19th June.
- 1.7 Consideration of the unaudited Annual Accounts at this meeting complies with the regulations.

## 2.0 Issues

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- 2.1 Whilst presenting the unaudited accounts is a legal requirement, it is recognised that the Annual Accounts are technical in nature and interpretation of these can be complex. To assist with understanding of the documents and the requirements in relation to the document, a short presentation will be provided during committee that will outline the content and associated requirements.
- 2.2 Presentation of the unaudited accounts is an opportunity for the audit committee to review the governance and financial management arrangements of the Council and gives the committee the opportunity to understand the financial position of the Council at the end of the financial year 2022-23. The statements in the accounts outline:

- Management commentary and the governance statement
- The comprehensive income and expenditure statement for the year
- Movement in reserves statement
- Balance sheet at the end of the period
- Cash flow statement for the period
- A number of explanatory notes and information to assist with interpretation of the information in the statements.

- 2.3 As part of the Council's governance arrangements, financial reports have been presented to the Cabinet Committee throughout the year and the final outturn position was reported to that Committee on 29<sup>th</sup> June.
- 2.4 It is worth highlighting that within the management commentary in the Annual Accounts (page 3) that as well as outlining the profile of the Council and its group, there is explanatory narrative outlining the final financial position for the financial year 2022-23, as well as how the accounting figures correspond with the figures in the accounts, along with a reconciliation and reasons as to why they appear different.
- 2.5 The management commentary also provides explanations as to why the income and expenditure of the Council significantly underspent when compared with the planned budget over the course of the year and the impact this has on general fund reserves.
- 2.6 In terms of issues that are worth highlighting at this stage, there are some issues which are worth drawing to attention of members:
- The narrative related to service underspends on page 5
  - The narrative on Service Concessions on page 5
  - The commentary relating to reserves on page 8
  - The explanation of the significant change in valuation for pensions liabilities/assets on page 9
  - The comments on going concern on page 12
  - The outlook and plans for the future provided on page 13
- 2.7 The audit process will commence on 03 July 2023. The purpose of the audit is to ensure the Annual Accounts provide a true and fair view of the income and expenditure of the Council and that the statements have been prepared in accordance with appropriate accounting standards and in line with the appropriate laws. During the process any necessary audit adjustments will be made to the accounts as appropriate. Final accounts and an annual audit report are due to be presented to this Committee in September 2023.
- 2.8 Good progress has been made in relation to the audit recommendations arising from last year's audit, with actions including enhancements to procedures, development of bank reconciliation processes and review of valuation processes. This will be reported on more formally following this year's audit process.

## 3.0 Conclusions

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- 3.1 The unaudited Annual Accounts will be completed and submitted to External Audit in line with the timescales outlined in this report.

### Appendices

1. Fife Council unaudited Annual Accounts 2022-23

### Report Contact

Elaine Muir  
Head of Finance  
Fife House

Email: [elaine.muir@fife.gov.uk](mailto:elaine.muir@fife.gov.uk)





# Annual Accounts 2022-23

SUBMITTED FOR AUDIT 30 JUNE 2023

Aerial view of City of Dunfermline



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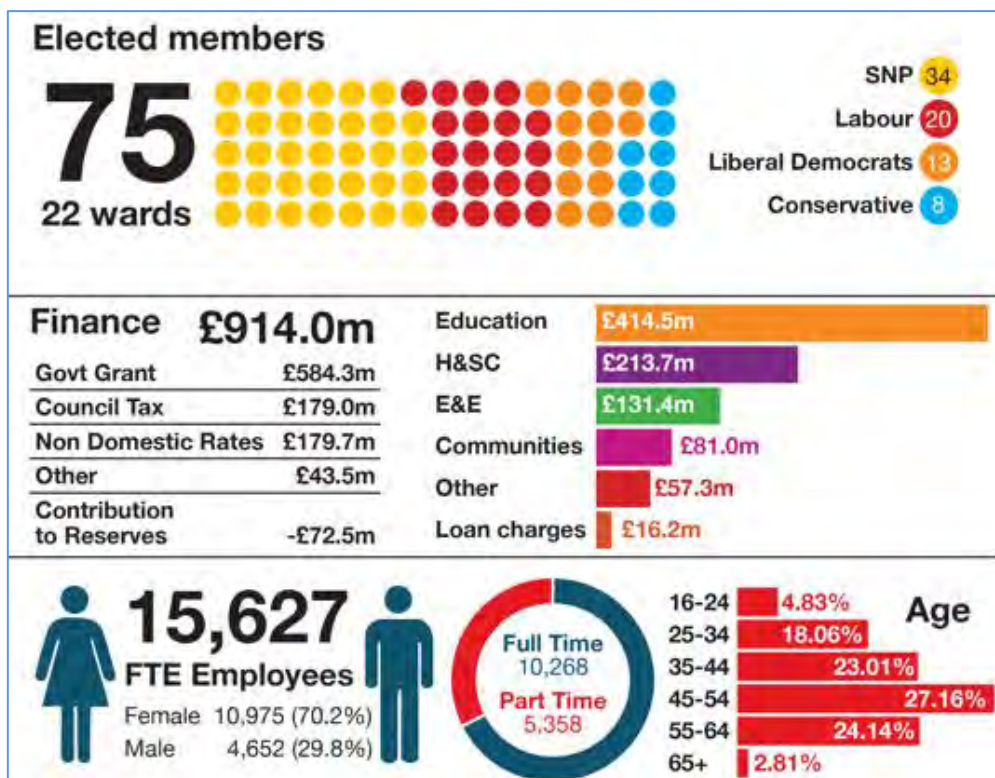
## 1. Introduction

Welcome to the financial statements for Fife Council and its group for the year ended 31 March 2023. The statements have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This commentary outlines the key messages regarding the performance of the Council over the 2022-23 financial year as well as providing an indication of risks and issues which may impact upon the Council in the future.

## 2. Profile of Fife Council

Fife 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 375,000 residents, 57% 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.

The last council elections were held on 5 May 2022. The SNP group hold the most seats on the Council but fall short of a majority. The new councillors voted to elect Cllr David Ross (Labour) as Council Leader and to create a Cabinet structure of governance.



The Council provides a range of essential public services throughout Fife. The Council is structured into 5 main Directorates and during the year was led by the Chief Executive, Steve Grimmond who was responsible for ensuring the Council delivers high quality services to Fife residents. Steve Grimmond retired from the Council on 2<sup>nd</sup> July 2023 and Ken Gourlay (former Executive Director, Enterprise & Environment) was appointed to the role with effect from 3<sup>rd</sup> July 2023.

## 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, including Health & Social Care 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 about 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 lead 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 is for A Fairer Fife.

Fife Council has set out its vision and ambitions in its ten-year local outcomes improvement plan (LOIP) – Plan for Fife – which was published in November 2017. The Plan was reviewed and a three-year update – Plan for Fife Recovery and Renewal – was agreed in August 2021. As well as being the three-year update of the Plan for Fife, the updated Plan is also Fife's recovery and renewal plan following the COVID-19 pandemic. The Plan sets out three recovery and renewal priorities to be taken forward as part of an overall community wealth-building approach: tackling poverty and preventing crisis, leading economic recovery, and addressing the climate emergency.

These recovery and renewal priorities are being taken forward in the context of the ambitions for Fife.



A further ambition was added as part of the 2021 plan update in relation to addressing the [climate emergency](#) which the Council declared 2019. The targets and actions are set out in [Climate Fife](#). Fife Council provides an annual [Public Body Duties Report](#) which is required in compliance with climate change duties established under S44 of the Climate Change (Scotland) Act 2009 and in accordance with subsequent orders.

The Plan for Fife is supported by local community plans in each of Fife's seven local committee areas. These plans are currently being updated in line with the revised Plan for Fife. The full Plan for Fife can be viewed via the following link: [Recovery and Renewal \(fife.gov.uk\)](http://fife.gov.uk/Recovery-and-Renewal)

The three recovery and renewal priorities remain our sharpened focus with attention in 2022-23 primarily on exploring our leadership approach to strategic change and reform to help leaders consider the future of services and the changes required to respond to Fife priorities, national shifts, and social and financial pressures. We want our public services to be fit for the future, sustainable and delivered with communities if we are to address inequalities and boost life chances for all.

Our Fife Leadership Summits 2022 programme provided an opportunity for a series of focused conversations on public service redesign involving leaders across the Fife Partnership. Work has been underway to explore how we harness some of the culture shifts evidenced during the pandemic and apply those to achieve better outcomes for Communities in Fife. It considered whole system change across four strategic change priorities; 'no wrong door' for people & family support services, building community wealth, health & well-being and working for place.

The Leadership Summits evidenced both an appetite for change together with consensus around its direction. This was the first stage in the process that will lead partnership services through a three-year programme of public service reform – laying the ground for the next 10-year plan in 2026-27. Work continues to shape the strategic direction for recovery and reform and will be the basis for organisational change in the Council over the medium term.

## 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 these provide a forecast of the financial position of the Council for the year as well as reporting the level of reserves held by the Council. The style of reporting has been adapted this year to ensure a focus on strategic oversight by the Cabinet Committee of the Council with more detailed financial performance reports being presented to the Scrutiny Committees. Commentary on the single entity that is Fife Council are provided below, and details of Group information are provided on page 12.

### General Fund Revenue

2022-23 proved to be another exceptional year in local government with the Council facing significant cost pressures in terms of inflation both in pay and non-pay costs. The Council approved the General Fund Revenue budget for 2022-23 on 24<sup>th</sup> February 2022. Financial reports were provided to the Cabinet Committee throughout the financial year. The following commentary provides some context to the outturn position at the end of the financial year.

### 2022-23 Provisional Outturn

There is an underspend of £27.542m against budget within Service Expenditure, an underspend of £47.895m on Loan charges and an overspend on corporate budgets of £2.977m. Combined, this generates an overall underspend in the General Fund of £72.460m against budget (7.33% of Budget). There are two significant contributory factors to be considered in the context of the provisional level of underspend:

#### 1. Service Underspends

Recruitment difficulties are impacting many areas across the Council, and this is a significant contributory factor that has increased underspends over the last three years. This problem is not unique to Fife Council and has impacted organisations nationally. The situation has been recognised as part of the budget strategy from 2023-24 onwards.

In addition, the Council has been in receipt of significant levels of grant income from the Scottish Government. This grant has been awarded in a variety of ways as either General Revenue Grant or provided for specific initiatives. Due to the timing and receipt of these grants it is not always feasible that the relevant expenditure is incurred in the year the grant has been awarded. As grant income should be recognised in the year it is awarded, this has led to some large underspends in year and contributes to the overall service underspend.

#### 2. Service Concession Arrangements

In response to the COVID-19 pandemic and the financial challenges being faced by Local Government, the Scottish Government introduced a range of financial flexibilities, one of which centred around the profiling of debt repayments charged to the General Fund for PPP contracts.

The revised accounting guidance allows the Council to account for the cost of the repayment element over the life of the assets – 40 years as opposed to the contract period of 25 years. This approach is deemed to be prudent as it matches the expenditure profile to the consumption of the assets over time. Doing so reduces the cost per annum as the debt is accounted for over a longer period of time, but the total amount paid remains the same over the new repayment life.

This is an accounting entry which has the effect of releasing a “catch-up” benefit which reflects the reduced charges to the accounts for the earlier years of the arrangements. The catch-up benefit is in the region of £40m. There are also annual benefits of circa £4m. Following consideration at both Cabinet Committee and Fife Council, the application of the accounting guidance was approved, and the accounting entries were actioned, resulting in a significant favourable variance in this financial year, allowing the benefit to be used to support the Capital Plan Review as agreed.

The catch-up benefit then makes a significant contribution to general fund balances which has been earmarked as funding for the Capital Plan 2023-33, as approved by Fife Council on 22 June 2023, with the recurring benefit being to reduce the budget gap from 2023-24 onwards.

## COVID-19 Recovery

The additional net costs associated with COVID-19 are estimated to be in the region of £16m in this year. Specific Funding was identified for most of these costs leaving the remainder of £3.1m being funded from Service underspends. As time has passed, it is becoming increasingly difficult to identify costs that are as a direct result of COVID-19, given the consequences and subsequent impacts in relation to cost of living crisis and inflationary factors.

costs as a legacy of COVID-19 may continue into future years and assumptions have been made as to the possible impacts for both 2023-24 and 2024-25, with commitments recognised against balances to mitigate costs in those years. Loss of income has been identified as a particular challenge and may take several years to recover. This will continue to be reviewed, however, it is likely that in future, Services will need to manage any residual cost impacts within the budget available to them. This will be subject to consideration when setting the budget in the future.

## Pay Award

The level of pay award for 2022-23 was higher than in recent years and only partially funded by the Scottish Government. The uplift for single status staff and craft workers was agreed and the cost reflected in individual Service costs. Teachers also settled and although payment was made in 2023-24, the costs have been accrued as they relate to 2022-23 and are reflected in these accounts.

## Other pressures – Economic Conditions

The current global economic crisis is concerning in terms of the possible financial repercussions of inflation for the Council. These inflationary pressures mean the Council is already experiencing increased costs, most notably, energy costs (£5.497m) along with others such as fuel and other commodities. Whilst the headline level of inflation has recently eased slightly, there is still concern that core inflation is not easing, meaning there is still uncertainty in this area.

The revenue outturn position was reported to the Cabinet Committee on 29<sup>th</sup> June 2023, and a comparison to the primary statements of these accounts, is detailed in the table below: -

2022-23 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	414.473	440.748	(26.275)	(5.96%)	414.473		47.926	462.399
Health & Social Care	213.656	213.689	(0.033)	(0.02%)	213.656		15.012	228.668
Enterprise & Environment	131.415	129.432	1.983	1.53%	131.415		47.571	178.986
Communities	80.955	82.259	(1.304)	(1.59%)	80.955	(30.337)	38.182	88.800
Finance & Corporate	54.451	56.188	(1.737)	(3.09%)	48.619		21.421	70.040
Chief Executive	0.283	0.304	(0.021)	(6.91%)	0.283		0.035	0.318
Corporate & Democratic	2.543	2.698	(0.155)	(5.74%)	2.543		(1.438)	1.105
<b>Service expenditure</b>	<b>897.776</b>	<b>925.318</b>	<b>(27.542)</b>	<b>(2.98%)</b>	<b>891.944</b>	<b>(30.337)</b>	<b>168.709</b>	<b>1,030.316</b>
Loan Charges & CFCR	16.247	64.142	(47.895)	(74.67%)	22.078	29.636	(51.714)	0.000
Contingencies	0.000	(1.202)	1.202	(100.00%)				0.000
Government Grant Income	(763.964)	(763.965)	0.001	(0.00%)	(763.964)			(763.964)
Council Tax Income	(178.996)	(180.770)	1.774	(0.98%)	(178.996)			(178.996)
COVID Funding								
<b>(Surplus)/Deficit for year</b>	<b>(28.937)</b>	<b>43.523</b>	<b>(72.460)</b>		<b>(28.938)</b>	<b>(0.701)</b>	<b>116.995</b>	<b>87.356</b>
Other Income & Expenditure							(19.863)	(19.863)
Budgeted Use of Balances	(43.523)	(43.523)	0.000					
<b>Movement in Balances</b>	<b>(72.460)</b>	<b>(0.000)</b>	<b>(72.460)</b>		<b>(28.938)</b>	<b>(0.701)</b>	<b>97.132</b>	<b>67.493</b>
Transfers to(from) Reserves								
- Unusable Reserves							(94.075)	(94.075)
- Useable Reserves	39.219				(4.303)	0.326	(3.057)	(7.034)
<b>(Increase) / Decrease in Reserves</b>	<b>(33.241)</b>				<b>(33.241)</b>	<b>(0.375)</b>	<b>0.000</b>	<b>(33.616)</b>

Note 1 - A CFCR contribution of £5.832m from Insurance Fund has caused presentational differences in the table. This was included under Finance & Corporate Services in the Cabinet Committee report however, accounting regulations require that it is shown under Loan Charges & CFCR in the Annual Accounts.

Note 2 – The Transfers column represents adjustments between accounting basis and funding basis under regulations (detailed further in the Expenditure & Funding Analysis Statement on page 32).

Turning to specific commentary in relation to directorates:

**Education and Children’s Services** reported an overall underspend of £26.275m. The contributing factors included Devolved School Management (DSM) with an underspend of £8.243m. Pupil Equity Funding (PEF) is ring-fenced funding and the underspend of £4.578m will be carried forward used next year. Vacant teaching posts account for a further underspend of £3.665m.

Non-DSM and Childcare reported an underspend of £9.553m. General Education underspent by £7.741m due to strike action (£2.882m), a budget transfer from DSM to Non-DSM to reflect reduced school roll (£1.800m), and additional funding (£1.547m). Early Years underspent by £6.218m due to the level of staff costs being lower than planned. for Early Years provision and non-domestic rates relief to nurseries.

Children and Families reported an underspend of £8.327m, of which £6.237m is due to a reduction third party payments relating in the number of purchased placements and foster care costs. This is a direct consequence of the agreed Children and Families strategy to bring young people back to Fife.

**Enterprise and Environment** reported an overspend of £1.983m.

Assets, Transportation and Environment reported an overspend of £2.388m due to Roads and Transportation being overspent by £2.013m as Structural Maintenance reported an overspend of £1.198m because of cost increases for materials, and Winter Maintenance overspent by £0.856m due to inflationary factors.

Property, Repairs and Maintenance overspend of £2.174m due to the realisation of Corporate Repair backlog of approved projects in previous years. The overspend also relates to unanticipated spend following an enhanced electrical testing condition introduced by insurers.

The above overspends were offset by an underspend of £1.126m in Protective Service due to the volume of applications for building warrants generating more income than planned and challenges in filling vacancies. Business & Employability was also underspent by £1.047m mainly because of focussed delivery on short term externally funded projects linked to the economic recovery from Covid-19 (£0.408m).

**Communities** reported an underspend against budget of £1.304m, which relates to several smaller offsetting contributing factors.

**Corporate Budgets** reported a total underspend of £46.693m of which £43.576m represents the application of revised accounting guidance associated with Service concessions arrangements in 2022-23. This results in financial benefits in the current year which are earmarked balances in future years to support the Capital Plan. In addition, there was an underspend on Loan Charges as a result of the there being less borrowing than anticipated which resulted in reduced interest costs.

Net revenue expenditure for 2022-23 was £914.023m (Net Service expenditure £897.776m and Loan Charges & CFR £16.247m) and is categorised by Directorate below. Gross expenditure by Type is also shown below:

### Expenditure by Directorate



### Expenditure by Type





**Reserves**

The General Fund balance increased during the year from £182.813m to £216.053m. This net movement of £33.240m was a contribution to balances of £72.460m plus transfers from other statutory reserves of £4.303m less £43.523m of budgets transferred from balances brought forward and used in year, as shown on Note 6 page 40.

For 2022-23 reserves of £43.523m were utilised to augment service budgets. These included honouring commitments in respect of funding COVID-19 costs (£15.082m), energy inflation (£5.497m), construction inflation (£3.079m) specific Scottish Government funding (£7.858m) and Devolved School Management (£3.625m) and funding agreed recovery investment (£1.950m). There were also transfers into the general reserves of £1.829m which represents ring fenced capital receipts which have subsequently been used as a funding stream for transformational projects.

Against the General Fund balance of £216.053m at 31<sup>st</sup> March 2023 are Earmarked balances totalling £134.516m and includes significant commitments which underpin the investment in the capital plan, principally Service Concessions totalling £43.576m and CFCR contributions £24.548m. In addition, there are commitments for Covid-19 Funding of £25.307m, and Scottish Government specific funding of £9.066m as well as inflation for pay and non-pay £10.469m. Commitments total £44.530m and include £18.000m for changing demographics, £10.000m for Change Programmes and £8.000m agreed in 2023-24 Revenue Budget process. Further information on all earmarked balances and commitments is provided on Page 40.

With all existing commitments taken into consideration the level of uncommitted balances is forecast to be £37.007m.

The significant increase in balances is predominantly as a result of the application of revised accounting guidance in respect of Service Concession arrangements.

The Council continues to be faced with considering the likely financial implications of steeply rising inflation and considering likely financial scenarios for 2023-24 and beyond. This has implications for the increase in reserves which will no doubt be required to assist the Council in securing the financial stability over the medium term. Whilst the temporary increase in the level of reserves will assist in recovery, it will not be able to alleviate the pressures in the underlying core revenue budget, particularly with the current levels of steeply rising inflation.

**Revenue Budget 2023-24**

The favourable position in the current year demonstrates how the financial position of the Council has changed significantly over the last few years, and reflects why the use of budget realignment, use of underlying underspends and vacancy factors has been an appropriate strategy when agreeing the revenue budget for 2023-24. The outturn position demonstrates and re-enforces the decision to re-align budgets during the consideration of the 2023-24 position.

Re-aligning £22m in the 2023-24 budget does not come without risk and will inevitably impact on the level of resources available to deal with day-to-day pressures within services in the future. However, this is linked to the strategy of holding more risk corporately which is supported by the current level of balances.

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

**Delivery of Savings**

Savings of £0.565m were planned to be delivered during 2022-23 of which £0.517m (92%) were delivered. Where there is a shortfall in savings achieved against target, services are required to identify and implement alternative savings to contain expenditure with budget.



## Housing Revenue Account

There is a statutory requirement for Local Authorities to maintain a Housing Revenue Account (HRA) separate from the General Fund. The HRA must break even in its own right. All expenditure incurred, and income received in the provision of rented accommodation must be included in the HRA. The bulk of income to the HRA is derived from rents from tenants, and this must be sufficient to cover the expenditure on the HRA.

During the year, the HRA made a surplus of £0.375m and the HRA Fund balances therefore increased from £7.005m to £7.380m. HRA experienced similar inflationary pressures as General Fund which significantly increased costs in repairs and maintenance, energy and insurance. As a result of increased costs the level of CFCR (capital from current revenue) was reduced. If this situation continues over the coming years, this will have an impact on the affordability of the HRA capital programme. After taking into account current commitments totalling £4.875m the level of uncommitted HRA Fund balances is £2.505m. Details of the financial position for 2022-23 are included within these financial statements.

## Capital Expenditure

The gross Capital Expenditure for 2022-23 was £189.362m, a variance of £17.392m (8.41%) against budget. Comparable expenditure for the previous 3 years was £163.805m (2021-22), £138.473m (2020-21) and £163.805m (2019-20). Expenditure variances exist across all Themes within the Capital Programme, the nature of capital expenditure being large, complex projects involving a number of stakeholders and dependencies can lead to expenditure differences within a particular year. However, the budget is not restricted to an annual profile.

Full detail of material capital expenditure variances was regularly reported to the Cabinet Committee and the relevant sub-committees. The major elements of expenditure are analysed as follows:

Project Spend	£m
Maintaining our assets – rolling programmes	44.781
Secondary schools – West Fife	36.720
Affordable Housing Programme	34.122
Scottish Housing Quality Standards	33.451

## Assets and Liabilities

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2023 and explanatory notes are provided. Net assets have increased by £1,230.666m to £3,378.131m as detailed in the following table;

	2022 23 £m	2021 22 £m	Movement £m
Long Term Assets			
-Defined Benefit Pension Asset	435.993	0.000	435.993
-Other Long Term Assets	3,979.541	3,676.326	303.215
Current Assets	181.973	227.666	(45.693)
Current Liabilities	(249.903)	(230.569)	(19.334)
Long Term Liabilities			
-Defined Benefit Pension Liability	(69.292)	(76.230)	6.938
-Other Long Term Liabilities	(900.181)	(1,449.728)	549.547
<b>Net Assets/(Liabilities)</b>	<b>3,378.131</b>	<b>2,147.465</b>	<b>1,230.666</b>
Useable Reserves			
-General Fund	(216.054)	(182.813)	(33.241)
-Housing Revenue Account (HRA)	(7.380)	(7.005)	(0.375)
-Capital Grants & Receipts Unapplied	(0.859)	(5.745)	4.886
-Insurance Fund	(14.423)	(16.571)	2.148
Unusable Reserves			
-Defined Benefit Pension (Asset) / Liability	(435.993)	531.427	(967.420)
-Other Unusable Reserves	(2,703.422)	(2,466.758)	(236.664)
<b>Total Reserves</b>	<b>(3,378.131)</b>	<b>(2,147.465)</b>	<b>(1,230.666)</b>

The majority of this increase relates to defined benefit pension asset which was previously a defined benefit pension liability and has moved by £967.420m.

Defined benefit pension liabilities/assets are valued using an approach that is common across all entities by applying international accounting standards (IAS19), this 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 become an asset, which reflects current year charges against Useable Reserves (£90.308m) offset by changes in financial assumptions of £1,057.728m.

The movement is as a result of the current economic environment which impacts on the assumptions and calculations of the obligations. The outlook for corporate bond yields have significantly improved which means that the discount rate or assumed investment return on an accounting basis is significantly higher this year (4.75% compared to 2.7%). A higher discount rate places a lower value on obligations and in turn improves the position from liability to asset.

Other assumptions, although updated, do not have such a significant impact and given the magnitude of the change in discount rate, the overall impact of the changes in financial assumptions on the balance sheet is overwhelmingly positive.

Accounting Standards do make provision for employers who are part of the LGPS scheme to apply an asset ceiling and effectively "cap" the amount of asset recorded on the balance sheet. Following additional calculations it was determined that the asset ceiling for Fife Council was zero. Therefore the asset has not been capped.

Other Long-Term assets reflects the levels of capital expenditure in 2022-23 as well as the revaluation of non-current assets actioned in 2022-23 offset by other capital accounting entries such as depreciation. Revaluations are carried out on a quinquennial basis. The corresponding entries are recorded in Other Unuseable Reserves and represents the increase from last year.

### **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's loan fund policy is in line with the regulations in that:

- 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 to .
- For 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 Capital Plans for both HRA and General Fund are tested for affordability to ensure that any borrowing remains is affordable, sustainable and prudent. Prudential Indicators are produced and approved at Council as part of the revenue budget process.

During 2022-23, the Council applied the revised accounting guidance for the treatment of Service Concession arrangements which has the impact of spreading the cost of the principal repayments across the life of the asset, generating both a retrospective benefit and annual benefit in the immediate term.

As previously outlined, this has a positive impact on the balances position which will be utilised to fund the capital investment plan. As this is an accounting benefit, there is no actual cash benefit, this means that the use of the benefit to support capital expenditure will require to be managed through the Council's Treasury Management approach and daily cash flow arrangements. The Capital Financing requirement will increase as a result of the re-profiled principal repayments as it will take longer.

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 the Treasury Management strategy are considered by the Council's Cabinet Committee and can be found at [Treasury Management Strategy | Fife Council](#)

## 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	2022 23	2021 22	Commentary
<b>Reserves</b>			
Uncommitted General Fund reserve as a proportion of Annual Budgeted Net Expenditure	3.74%	3.42%	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's policy is a minimum of 2% of annual turnover over a three-year period which is considered appropriate in the context of the Council's financial and ongoing risk profile.
Increase/(decrease) in the Uncommitted General Fund Balance	£5.250m	(£15.272m)	Reflects the extent to which the Council is using Uncommitted General Fund Reserves.
<b>Council Tax</b>			
In-year Collection Rate	95.82%	95.31%	Reflects the Council's effectiveness in collection Council Tax debt and financial management. This level is consistent with the last 3 financial years.
Ratio of Council Tax Income to Overall Level of Funding	18.11%	18.60%	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 increased Council Tax by 3% for 2022-23.
<b>Financial Management</b>			
Actual Outturn Compared to Budgeted Expenditure	(7.33%)	(6.36%)	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	£72.460m	£58.974m	
<b>Debt/Long term Borrowing</b>			
Capital Financing Requirement (CFR) for the Current Year	£1,200.054m	£1,133.121m	External debt levels remain lower than the CFR which reflects the borrowing requirements
External Debt Levels for the Current Year	£995.595m	£1,022.655m	
Ratio of Financing Costs to Net Revenue Stream			These two ratios complement the assurances of borrowing only being for capital purposes with an indication of the scale of financing costs compared with the level of funding available to the Council. The General Fund figure in 2022-23 is lower as this reflects the gain from application of revised accounting guidance for Service Concessions.
General Fund	1.27%	6.39%	
HRA	23.77%	22.04%	



## 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 2023-24 has already been given and there is no reason to believe that future approvals will not be forthcoming. As the Council moves into 2023-24, it is in a strong financial position, with the budget gap having been closed without the need for any significant service reduction and is holding a significant scale of balances in order to manage some of the short-term uncertainties. However, the recovery from the COVID-19 pandemic and subsequent national cost of living crisis are likely to have a continued impact on the financial position of the Council and its Group, both in terms of increased additional costs and loss of income. These costs can be contained in the short term, however the medium-term position is less certain and will likely be challenging, but the Council's plan for recovery and renewal is looking at future change to enable the Council to deal with those future challenges. Continued financial evaluation of the Council and its subsidiaries is ongoing and a medium-term financial strategy is in place and is continually reviewed to ensure it remains fit for purpose. All options and all funding streams including the potential use of balances continue to be identified to ensure the continued financial sustainability of the organisation. We have accordingly considered it appropriate to adopt a going concern basis for the preparation of these financial statements.

## Fife Council Group Accounts

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

### Subsidiaries

- Fife Sports and Leisure Trust
- Fife Coast and Countryside Trust
- Fife Golf Trust
- Fife Cultural Trust
- CIRECO (Scotland) Ltd
- Fife Resource Solutions LLP
- Business Gateway Fife

**Joint Venture** – Fife Integration Joint Board

**Charities & Trusts**

**Common Good**

By including the Subsidiary bodies, Common Good, Trusts and Fife Integration Joint Board, the effect on the Balance Sheet is a net increase in both Net Assets and Reserves of £88.843m (2021-22 £56.086m). This represents the Council's share of the net assets in these entities. The effect is an increase in Total Comprehensive Income & Expenditure surplus of £31.840m (2021-22, surplus of £40.826m).

The Fife Integration Joint Board and all Subsidiaries of Fife Council have an accounting period to 31 March and for the purposes of consolidation and disclosure their Draft Accounts to 31 March 2023 have been used.

The table below shows the figures included in the annual accounts from Group bodies which includes the impacts of Defined Pension Assets and Liabilities.

Subsidiary	Operating (Surplus) / Deficit to 31 March 2023 £m	Net Assets / (Liabilities) at 31 March 2023 £m
Fife Sports and Leisure Trust Limited	(18.603)	14.920
Fife Coast and Countryside Trust Limited	(0.393)	1.351
Fife Golf Trust Limited	(0.065)	0.265
Fife Cultural Trust Limited	(16.711)	23.497
Fife Resource Solutions LLP	(15.526)	11.919
CIRECO (Scotland) Ltd	0.000	0.000
Business Gateway Fife	0.005	0.541
Integration Joint Board	20.996	18.860
Charities & Trusts	0.139	4.555
Common Good	(1.682)	12.935
<b>Total</b>	<b>(31.840)</b>	<b>88.843</b>

#### **4. Our Plans for the Future : Principal Risks and Uncertainties**

In the last 3 years the Council has significantly underspent on its general fund revenue budget. Services have moved from an overspend position of around £8m in 2019-20 to an underspend of £28m in 2022-23. The Budget Strategy adopted for 2023-24 built on this position and service budgets have been realigned, underspends used, and staff vacancy factors increased to balance the budget. This is a one-off opportunity and going forward the Council will have to take hard decisions in order to balance the budget.

The level of funding that the Council will receive from the Scottish Government for its core activities is likely to reduce given the commitments that are in place and the financial challenge that exists nationally. Higher inflation exasperates the challenge as any increase in costs will need to be managed internally within the Council with the scope to also increase council tax, fees and charges. The Council is actively developing change plans to address the financial challenge. The medium-term financial strategy and the budget assumptions used in February 2023 will be reviewed and updated based on all known intelligence and an updated budget gap will be reported to Cabinet Committee later in the year. This will no doubt influence the level of future change being planned for.

There is an opportunity to bring forward change proposals that can be delivered in a staged way to address the financial challenge. The appointment of the new Chief Executive along with the significant work that has taken place and will be advanced will mean that more fundamental change proposals around people, place, digital and productivity will be advanced in the next year.

There is still a high level of uncertainty as a consequence of the economic crisis. Inflationary pressures, increasing demand for services and the constraint of funding from the Scottish Government could increase the scale of the financial challenge the Council has to deal with. The Council has Strong financial management with a Medium-Term Financial Strategy and a financial Risk Register in place to support future budget decisions.

Consideration is also being given to other pressures the Council is facing, for example achieving savings, and strategic growth. The core budget is where the main concern and risk exists going forward. The level of reserves that the Council holds provides a means to address financial pressures on a one-off basis but there is a danger of over reliance being placed on using these for recurring expenditure, so exit strategies will need to be clear at the time of commitments.

As we move forward Directorates will need to consider all options to reconfigure services and potentially use alternative operating models to provide services in a different, more cost-effective way to ensure best value to the Council. This will be integrated to the strategic change work that is being undertaken around people and place.

#### **5. 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 another considerably 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.

## 1.0 Fife Council's scope of responsibility and approach to maintaining effectiveness of governance arrangements

### 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 Code of Corporate Governance has been developed based on the guidance developed by CIPFA SOLACE entitled 'Delivery of Good Governance in Local Government Framework' (2016 Edition). A copy of the Code is available at: [Governance Documentation](#). This document summarises how Fife Council's governance arrangements address the requirements of the Code. In addition, Fife Council is responsible for confirming effective corporate governance arrangements exist within its other group entities. In line with Accounts Commission guidance, including "Safeguarding Public Money: are you getting it right?", "Following the Public Pound" and Arm's Length External Organisations (ALEOs): are you getting it right?", part of that responsibility is about ensuring that public money is being used appropriately and achieving Best Value.

### Fife Council's Group Accounts

Fife Council operates several ALEOs. They are Business Gateway Fife (BGF), Fife Resource Solutions (FRS), Fife Sports & Leisure Trust (FSLT), Fife Coast & Countryside Trust (FCCT), Fife Golf Trust (FGT) and Fife Cultural Trust (FCT). The two directorates responsible for managing and maintaining oversight of the Council's ALEOs are Communities and Enterprise & Environment. FSLT started trading on 1 April 2008. The Office of the Scottish Charity Regulator (OSCR) granted charitable status on 28 March 2008 and Fife Council is the sole member of the Company. FCCT is registered as a Company Limited by Guarantee with charitable status in March 2001. Fife Council is the sole member of the company. The trust was initially responsible for the marketing & promotion of the Fife Coastal Path (FCP). However, in June 2009, after a successful two-year pilot, it also took on responsibility for the Countryside Rangers and maintenance of both the Lomond Hills Regional Park (East) and FCP. FGT started trading on 1 April 2011. OSCR granted charitable status on 30 March 2011 and Fife Council is the sole member of the company and finally FCT started trading on 1 October 2012. OSCR granted charitable status on 27 September 2012 and Fife Council is the sole member of the Company.

Each ALEO is overseen by a Board of Directors. Regular performance monitoring and liaison is carried out with these four ALEOs by the Communities and Neighbourhoods Service with Annual Reports being presented to Scrutiny Committee.

In addition, Fife Council's waste services are provided by Fife Resource Solutions (FRS) (now known as Cireco), a limited liability partnership which was formed in 2014. The Council appointed three elected members and two officers to sit on the Board of FRS in addition to three non-executive directors.

Finally, Fife Council participates in Fife's Health and Social Care Partnership (HSCP) with NHS Fife. The HSCP is overseen by an Integration Joint Board (IJB) to which the Council nominate eight elected members. The IJB meets regularly in a remote meeting format attended by the Director of the HSCP and other professional advisers including a Standards Officer.

### Maintaining effectiveness of governance arrangements

- 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.
- 1.4 A lead officer (Executive Director, Finance and 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, the lead officer, chairs the Corporate Governance Group which has responsibility to input to and review the Annual Governance Statement before it is presented to and approved by the Standards, Audit and Risk Committee. The statement is subject to External Audit who are responsible for auditing the content against the Code of Corporate Governance.
- 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. A system of Corporate Governance and internal control cannot provide protection with certainty against material errors, losses, fraud, or breaches of laws or regulations.

## **2.0 Fife Council's 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:

### Governance

- 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
- Statutory Officers
- Standing Orders
- A Standards, Audit and Risk Committee, and Scrutiny Committees held in public / live streamed as part of the blended meeting project.
- Corporate Governance Groups

### Planning

- Plan for Fife
- Local Community Plans
- Service Change Planning
- Council Executive Team, Directorate Leadership Teams, Council Leadership Team
- Digital Strategy
- HR Plans and Policies and strong Organisational Development Framework
- Procurement Strategy
- As appropriate, formal programme and project management disciplines

### Performance

- Performance management framework - including Public Reporting requirements from Best Value
- Regular planning and performance reports – for management and committee scrutiny activity
- Setting and monitoring targets for financial and other performance aspects

### Financial Governance

- Financial Regulations
- Medium Term Financial Strategy
- Comprehensive financial management systems
- Periodic and annual committee reports which indicate forecast financial performance against budget, covering both Capital and Revenue expenditure.
- Clearly defined capital and revenue expenditure guidelines
- Investment Strategy Group which focusses on Capital Strategy monitoring, developing 10-year investment plans and monitoring high-level capital delivery performance

### Risk Management

- Risk Management Policy and Strategy (reviewed March 2022)

- Strategic and Service-level Risk Registers
  - Risk Management Strategy Group, chaired by the Executive Director, Finance and Corporate Services as Senior Responsible Officer for risk.
- 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 (PSIAS), which apply to Local Government. Conformance with the PSIAS has been confirmed independently, through the completion in 2023 of a formal External Quality Assurance process. The Service undertakes a risk-based annual programme of audit work approved by the Standards, Audit and Risk Committee. A review of the effectiveness of the Standards, Audit and Risk Committee is undertaken annually, and the Service Manager, Audit and Risk Management Services also provides an annual report to the Members of Fife Council, Chief Executive and Executive Director of Finance and Corporate Services, including the internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control framework. The overall audit opinion for the year to 31 March 2023 is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 2.4 All internal audit reports are issued to the appropriate Executive Director and Head of Service and to all members of the Standards, Audit and Risk Committee, the Executive Director - Finance and Corporate Services, other relevant Executive Directors and Heads of Service and the External Auditor. Where necessary, the Standards, Audit and Risk Committee can seek further reports from the appropriate Executive Director or Head of Service. In 2022-23 there were several internal audit reports which have been considered in the preparation of this Governance Statement, including those relating to information security management, payroll processing and reconciliation, recurring payments, and safeguarding.
- 2.5 The Council is determined to protect itself and the public from fraud and corruption and is committed to the rigorous maintenance of a strategy, and supporting policies and procedures, for the prevention and detection of fraud and corruption (including participation in the National Fraud Initiative, a biennial data matching exercise co-ordinated at a national level by the Cabinet Officer) which will provide a framework for:
- encouraging fraud deterrence and prevention
  - raising awareness of fraud and corruption and promoting their detection
  - performing investigations and facilitating recovery
  - invoking disciplinary proceedings and referral to Police and/or Procurator Fiscal
  - monitoring, publicising, and updating the policy and its related procedures and performance
  - appropriate action consistent with the Serious Organised Crime Taskforce objectives.

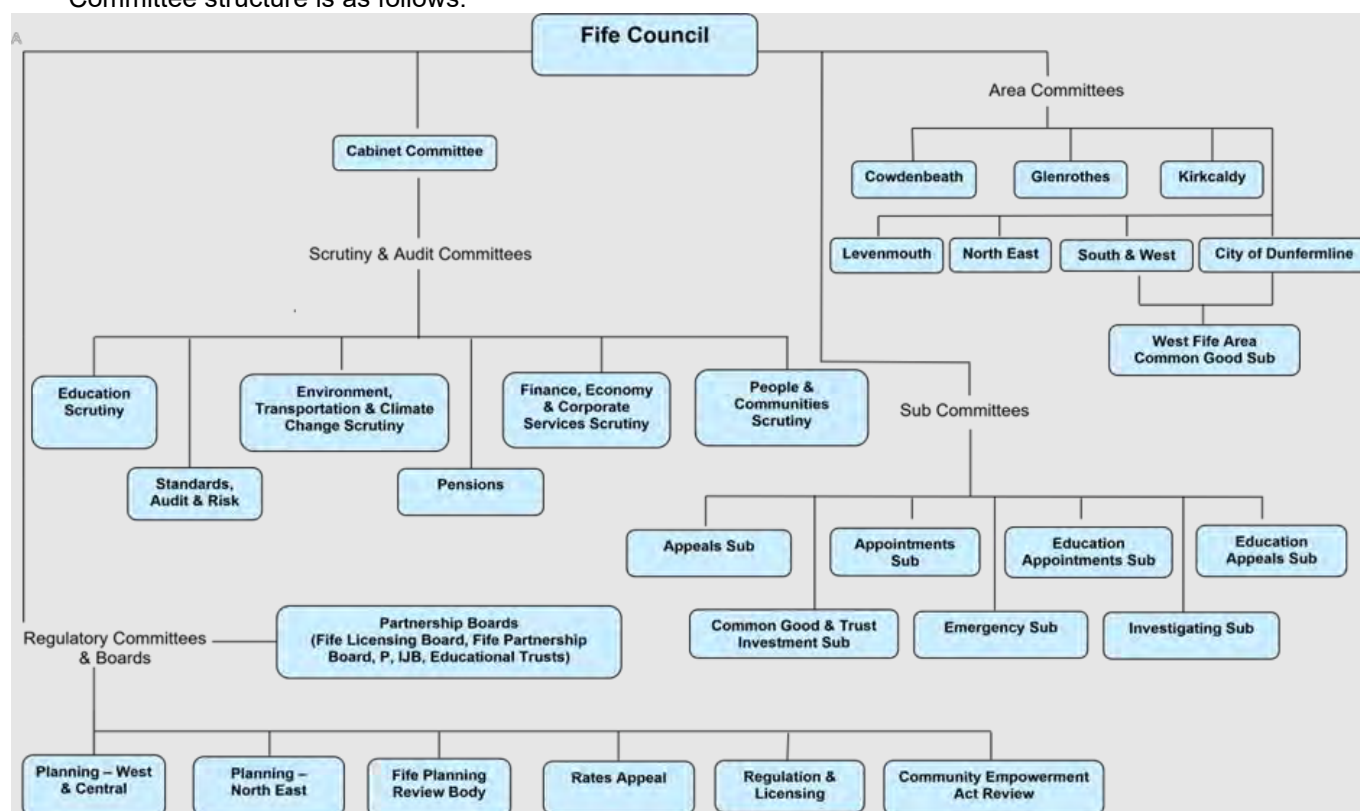
### **3.0 Review of Effectiveness**

- 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 2023. This is the same level of control rating as in the 2022-23 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 and Risk Committee.
  - the review of various forms of customer and stakeholder feedback.
- 3.2 The current approach to the Council's Local Code of Corporate Governance was agreed by the Standards and Audit Committee in 2019. A key factor in developing the process was to encourage a more rounded, qualitative approach. This approach has been further developed over the last two years. The Fife Council framework comprises of 40 statements that are considered by designated Lead officers, Directorates, and other significant group entities. 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. The corporate assessment approach has recently been enhanced using a working group to gain a wider perspective. An important element of assurance is the assessment by each directorate and ALEOs of 40 statements related to good governance, together with updates on previous improvement actions and any new actions identified. 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. An officer working group was established within 2021 to review corporate governance arrangements on an ongoing basis. This group has representation from all directorates and considers ongoing and new improvement actions that are required to enhance governance arrangements.

### Significant governance developments in 2022-23

3.3 Local Government elections were held in May 2022. The Council is made up of 75 elected members across 22 wards. Following the election, the Scottish Labour Party formed a minority administration and Cllr David Ross was elected as Leader of the Council. Six strategic spokespeople were also appointed. The Council also agreed a new structure of governance based on a Cabinet Committee and four scrutiny committees. The updated Committee structure is as follows:



3.4 The Council has continued to focus on four priority themes as set out in the Plan for Fife which was updated in September 2021. The priority themes are Opportunities for All; Thriving Places; Community-Led Services; and Inclusive Growth and Jobs. These have been translated into thirteen “ambitions”, with addressing the climate emergency added. Four Strategic boards continue to oversee the progress against the ambitions Leading Economic Recovery, Tackling Poverty and Preventing Crisis, Addressing Climate Emergency and Community Wealth Building and to focus 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 process, and local community plans and neighbourhood plans will be developed to improve outcomes for those with the greatest needs. The Council is considering decentralisation, through its Area Committee structure, as part of its place-based initiatives. In the summer of 2020, the Council began to look at some test of change opportunities, research organisational approaches in other councils across the UK and analysis of organisation, productivity, and digital opportunities across Fife as part of its reform to recovery work. A series of workshops over the latter half of 2022 were arranged across the following themes: community wealth building, place making, no wrong door and health inequality. The workshops included managers from across the community planning processes and they resulted in a series of output which will be used for future change planning.

3.5 Appropriate monitoring and reporting 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. Service performance reporting continued during 2022-23 financial year. Going forward, these reports will contain high level indicators relating to the work of the newly formed committees. Major change projects have governance boards established which meet regularly to monitor and track progress and risks.



- 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 Capital Strategy, a Procurement Strategy, a Risk Management Strategy, a Workforce Strategy which sets out the vision for the workforce for the period 2022-25 (Our People Matter), and a refreshed approach to workforce planning, which is designed to be more agile and responsive and will relate to and assist the current service planning approach (Our People Plan). There are also HR Policies. A Digital Strategy and IT investment plan have been developed and delivery of these is monitored through the Council's Reform and Recovery Board. In addition, Services have maintained and updated Directorate Business Continuity Plans, and these inform the ICT Systems Recovery Plans which are documented and subject to regular testing and updating.
- 3.7 The Council's resilience plans, and risk management processes were significantly tested during the Covid-19 Pandemic and the Council continues to respond well to recovery from this emergency. Continued emphasis on financial planning throughout the year was highlighted in several reports considered by the Cabinet Committee, this took account of the fluid nature of the significant financial consequences of the pandemic and the impact of covid funding on the Council's budget position. The Council has created a revised governance structure to respond to requests for information from the two national COVID inquiries.
- 3.8 The Council implemented Oracle Cloud during 2020, and as reported previously this was particularly challenging given it coincided with the need to respond to the Pandemic. The focus last year had been to deal with residual issues arising from implementation and this year has seen more focus on ensuring that the value of using an integrated system is maximised. While some of the benefits across security, reporting, forecasting, payroll, and recruitment are now being realised we have been reviewing our approach through internal audit to look at enhancing internal controls.

### Key Statements

- 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 (2016).

## 4.0 Areas for Improvement and Development in Governance

- 4.1 The table below shows progress on significant governance issues which were identified in the previous annual governance statement during the year and the second table shows actions planned for the coming year. Oversight of these actions is provided by a governance group, chaired by the Executive Director - Finance & Corporate Services. This group will review and monitor progress on a quarterly basis throughout the year to ensure appropriate actions are taken forward. A detailed action plan, containing all directorate actions, along with responsible officers and implementation dates will assist with the monitoring process.

### Update on previously agreed actions

Review of Governance and Decision Making
<p><b>Issue:</b> Governance structures need to enable transparent and appropriate decision making.</p> <p><b>Responsible Officer:</b> Head of Legal and Democratic Services</p> <p><b>Progress made in 2022-23:</b> The new Council is now in place. Officers prepared a detailed advice note for the new administration setting out options for decision making structures. The Cabinet decision making structure has been adopted, along with four scrutiny committees. Council has taken a decision to adopt hybrid meetings for most of its decision making (a few Committees remain in person only) and the technology continues to evolve to support that process. Most committees are fully live streamed. Work is still required on the report template and guidance document.</p>
Members Involvement in Setting the Tone from the Top
<p><b>Issue:</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.</p> <p><b>Responsible Officer:</b> Head of Legal and Democratic Services</p> <p><b>Progress made in 2022-23:</b> The Code of Conduct for Councillors forms the basis of the principles and values for elected members. A comprehensive programme of induction was delivered, including the use of pre-</p>

recorded videos on the code of conduct. The videos then formed the basis of discussion sessions. A Councillor hub was created on the internet where for resources relating to the Code of Conduct can be stored and referred to.

### **Elected Member Support and Development**

**Issue:** Elected members need to be supported to undertake their role through a programme of induction, development and learning.

**Responsible Officer:** Head of Legal and Democratic Services

**Progress made in 2022-23:** The induction programme has been fully delivered and was well received. A recent members survey has been carried out to begin to understand what ongoing support is required for members in 2023-24.

### **Change Programmes**

**Issue:** The Council needs to ensure that traction is made on the delivery of change.

**Responsible Officer:** Service Manager - Corporate Development

**Progress made in 2022-23:** Change continues to be actioned through the Plan for Fife partnership delivery arrangements. The Council set a balanced budget position for 2023-24 which recognised the need for change activity in future years. Longer term change work is ongoing, building on the Plan for Fife Leadership summits held late 2022 and early 2023 and focused on the themes of community wealth building, place making, no wrong door and health inequality and these summits will form the basis for the Council's future change activity.

### **Embedding Risk Management**

**Issue:** The Council's risk management arrangements have improved significantly during 2021-22. However, further development is required during 2022-23.

**Responsible Officer:** Service Manager – Audit & Risk Management Services

**Progress made in 2022-23:** A full time, dedicated Risk Management Co-ordinator position was established within the Risk Management Team. The position was successfully filled in September 2022.

The Risk Management Strategy Group (RMSG) continued to meet regularly throughout 2022-23.

Risk appetite, including risk category and optimal risk zone (the level of risk within which the Council aims to operate), was defined for each of the Council's strategic risks following a Risk Appetite Workshop attended by the RMSG on 26 September 2022.

Thereafter, the new Risk Management Policy and Strategy document was updated to include the risk appetite as well as minor amendments to the RMSG's remit.

Risk Management Update reports have been submitted to CET and Standards, Audit & Risk Committee throughout 2022-23 in line with the Policy and Strategy document. Reports included updates on the Council's Strategic Risk Register as well as progress towards implementing individual actions within the Risk Management Improvement Plan.

A formal Roll Out Plan was compiled to schedule in corporate Risk Management Team support for Directorates, which will help them to develop, implement and embed effective risk management arrangements locally.

Developments have taken place within Pentana, the Council's Performance and Risk Management system, with a view to ensuring system functionality is utilised. Risk Management Procedures, including a section on Pentana, have also been drafted.

Lastly, a revised Risk Impact Assessment Matrix was developed to help facilitate the consistent consideration of risk impact over a wider range of categories using the established PESTELO model. In addition to consistency, the new approach will highlight where internal controls require to be developed, assisting management to be more focused and effective in terms of utilising, often limited, resource for risk mitigation.

### **Health and Social Care Partnership**

**Issue:** The actions identified within the self-assessment on progress of integration and effective governance needs to be advanced.

**Responsible Officer:** Chief Finance Officer



**Progress made in 2022-23:** The IJB Risk Management Policy and Strategy was approved on 31 March 2023. There were two risk appetite sessions held for IJB members in 2022-23 and the Risk Appetite Statement is now in draft.

Due to changes in Governance structures and personnel a more formal approach will be progressed during 2023-24. Member Development Sessions are delivered regularly to ensure relevant topics are discussed to strengthen member knowledge and understanding.

An established member induction programme is in place.

### **Restructuring, Movement of Staff and Change to Processes**

**Issue:** Restructuring and movement of staff had increased in previous years.

**Responsible Officer:** Head of Human Resources

**Progress made in 2022-23:** Following the introduction of the blended meeting pilot there has been lots of work to roll out and develop the model while supporting employees to work from home and in a blended setting. There have been benefits to the blended work approach, particularly in relation to widening options for recruitment and increasing the ability to retain staff. Some analysis has been carried out on the success of the approach and early indications shows a positive impact on absence for this workstyle.

### **Impact on Planning and Delivery of Services**

**Issue:** Responding to the pandemic has impacted on the way we plan and deliver services.

**Responsible Officer:** Head of Human Resources

**Progress made in 2022-23:** The learning from the pandemic has informed our approaches to the way we support our workforce, particularly in relation to a refreshed approach to WFP (Workforce Planning) and associated tools aligned to Our People Matter. The blended approach to working, which was developed from the home-working model adopted over the pandemic, has also contributed to the way services are delivered. This focus on planning and lessons learned from the pandemic will continue into this year's action plan as we continue to make the shift from a public management model of provision toward a more strongly person and community led public service. This change will be based on the work we have done this year, gathering evidence of successful redesign, tests of change in Fife, experience from other local authority areas and analysis of current organisation. We have also carried out review work with community planning partners undertaken over the year.

### **Health and Safety**

**Issue:** The need for a robust health and safety regime was tested throughout the Pandemic.

**Responsible Officer:** Head of Human Resources

**Progress made in 2022-23:** The work on health and safety was overseen by the CHSSG (Corporate Health & Safety Strategy Group) and the group had an increasing focus on emerging risk. There has been improvement to ECS incident reporting which has result in more detailed data and a better ability to respond to incidents. The team commissioned a digital tool for efficient inspection/audit and commissioned a process for consolidation of safety flags. The remote working pilot resulted in a robust process for assessing homework stations for DSE compliance to be put in place to ensure employer compliance and employee safety and wellbeing while working from home.

### **Employee Wellbeing**

**Issue:** Our employees worked in different ways during the Pandemic and different approaches were required to protect and ensure our employees wellbeing.

**Responsible Officer:** Head of Human Resources

**Progress made in 2022-23:** This year we used provided Health Analysis information to services using the Council's Power BI format to allow service interrogation. The data identified 5 priority areas identified for management team consideration.

## **Action plan for 2023-24**

### **Review of Governance and Decision Making**

**Issue:** Governance structures and processes need to enable transparent and appropriate decision making.

**Responsible Officer:** Head of Legal and Democratic Services / Monitoring Officer

**Action Planned within 2023-24:** A review of Standing Orders will be brought forward for approval in June 2023. There will also be a review of Committee Powers and Officers Powers to ensure these are the best fit for the new structure. This work will include mapping of the Council's governance structure. There is a review of financial regulations which will also support appropriate decision making. A protocol for scrutiny will be developed to support that area of work.

Work to improve internal controls remains a priority. We will focus on the development of our systems and processes to ensure that internal controls are effective.

#### **Elected Member Support and Development**

**Issue:** Elected members need to be supported to undertake their role through a continuous programme of development and learning.

**Responsible Officer:** Head of Legal and Democratic Services

**Action Planned within 2023-24:** We will prepare a revised approach to members on-going professional development and training. This will require cross party engagement. It will draw on our existing work which has focussed on employee learning and development. It will support our elected members to undertake their policy setting, scrutiny, and regulatory roles more effectively.

#### **Change Programmes**

**Issue:** The Council needs to focus on the pace and scale of change required to meet the challenging financial environment but also to improve service delivery for the people of Fife

**Responsible Officer:** Chief Executive / Service Manager - Corporate Development

**Action Planned within 2023-24:** Further change work has commenced focusing on the Plan for Fife and Leadership Summit findings. All Services are engaged in change planning. Change is likely to focus on place, people, digital and productivity. An approach to advancing change has been agreed and will progress throughout 2023-24. This change planning work will be supported by Our People Matter and the Council's workforce strategy. Priority areas for action across all directorates have been agreed and workforce planning activity will be a focus of 2023-24 to support change.

#### **Performance**

**Issue:** As part of our planning processes, we identify, monitor and report upon an appropriate range of performance information to evaluate progress, performance, and quality of service delivery.

**Responsible Officer:** Service Manager, Communication and Customer Insight

**Action Planned within 2023-24:** We will develop our approach to performance information and benchmarking by refreshing the performance and public reporting frameworks and developing proactive analysis and projects to drive performance improvement.

#### **Attendance and Wellbeing**

**Issue:** The attendance and wellbeing of our employees is key to the success of the Council. We have seen increased rates of absence from work so we will focus on attendance and wellbeing at work.

**Responsible Officer:** Head of Human Resources

**Action Planned within 2023-24:** We will seek approval for a revised approach to managing absence. We will also issue a fresh Health, Safety & Wellbeing pulse/survey and progress Directorate/service stress risk assessments promoted by Stress Overview Group

#### **ALEOS**

**Issue:** The Council has several ALEOS performance a range of functions. These have been in operation for several years and the detail of the operating arrangements may no longer reflect how the relationship between the Council and the ALEO has developed over time.

**Responsible Officer:** Service Manager, Communication and Customer Insight

**Action Planned within 2023-24:** We will develop our approach to performance information and benchmarking by refreshing the performance and public reporting frameworks and developing proactive analysis and projects to drive performance improvement.

#### **Embedding Risk Management**

**Issue:** The Council's risk management arrangements have improved significantly during the last two years; however further development is required during 2023-24.

**Responsible Officer:** Service Manager – Audit & Risk Management Services

**Action Planned within 2023-24:** Further improvements surrounding the Council's risk management arrangements are planned in the Risk Management Improvement Plan for 2023-24, including the following:

- implementation of the Roll Out Plan.
- utilisation of the new PESTELO impact matrix following its approval at CET and Standards, Audit and Risk Committee.
- comprehensive review of the risks within the Council's Strategic Risk Register.
- finalisation and circulation of Risk Management Procedures; and
- the development and launch of a Risk Management training and awareness programme, including e-learning package and awareness session for Extended Council Leadership Team.

#### **Fraud Governance and Anti corruption Arrangements**

**Issue:** The Council's fraud governance and ant-corruption improvements require some updating and development.

**Responsible Officer:** Service Manager – Audit & Risk Management Services

**Action Planned within 2023-24:** This year a revised whistleblowing policy with supporting processes and procedures will be developed and implemented. In addition, we will review our gifts and hospitality process and our officer register of interest. The Council will also plan how to develop its counter-fraud policies and procedures, anti-bribery policy and procedures and its anti-money laundering approach by looking at the referral and reporting processes and considering the delivery of further training. Finally, working with partners, we will review the approach to preventing serious and organised crime.

#### **Health and Social Care Partnership**

**Issue:** The actions identified within the self-assessment on progress of integration and effective governance needs to be advanced.

**Responsible Officer:** Chief Finance Officer, H&SC

**Action Planned within 2023-24:** There are several improvement actions within the self-assessment process including a review of Directions Policy, a revised Strategic Planning process and a refresh of the Performance Framework.

## **5.0 Conclusions**

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

5.2 The last year has been a challenging year for the Council and the focus has been to ensure that support is provided to communities, individuals and businesses during these difficult times whilst safeguarding the Council's financial sustainability and maintaining service delivery. We consider that the governance and internal control environment operating within 2022-23 to provide reasonable assurance and the actions identified in section 4 will address the governance issues that have been highlighted. We are satisfied that the actions highlighted in this Statement reflect the Council's commitment to continuous improvement and once implemented, will further enhance our corporate governance and internal control arrangements.

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 of this Remuneration Report will be audited by the Council's external auditors. The other sections of the Report will be reviewed by Council's external auditors 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 2020 (SSI 2020/26). 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 2022-23 the maximum salary for the Fife Council Leader is £45,669. 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 £511,316. 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 19 senior councillors (totalling £472,666), to the Leader / Co-Leaders and to the Provost. 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. Fife Council's governance arrangements structure and positions of responsibility, which encompasses the salaries of the Council Leader, Provost and Senior Councillors, was agreed at a meeting of the full Council on 19 May 2022.

The Regulations also set out remuneration payable to councillors with the responsibility of a Convenor or Vice Convenor of a Joint Authority. For those members, the Regulations require the remuneration to be paid by the Council of which they are a member which includes any pension contributions to LGPS. The Council is reimbursed by the Joint Authority for any additional remuneration paid to those members.

### 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. The Scottish Joint Negotiating Committee for Local Authority Services sets the salaries for Chief Executives of Scottish local authorities. Circular CO/151 sets the salary for the Chief Executive of Fife Council for the period 1 April 2022 to 31 March 2023.

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 (Convention of Scottish Local Authorities). The 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. Appointment to Chief Officer posts are subject to a recruitment process by the Council's Appointments Committee, unless there is a legal obligation to reemploy 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 evaluates 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), 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. The scheme year runs from 1 April to 31 March. and all members, both employee and councillor, now build up a pension based on 1/49th of pensionable pay received in each scheme year. The normal pension age of the new scheme is linked to State Pension Age but with a minimum age of 65.

Pension benefits for employee members built up before 1 April 2015 are protected which means that membership built up to that date will continue to be based on final salary when the member retires or leaves.

Pension benefits for councillor members built up before 1 April 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.

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. It 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 2022-23	Contribution Rate 2022-23	Actual Pay 2021-22	Contribution Rate 2021-22
Up to and including £23,000	5.50%	Up to and including £22,300	5.50%
Above £23,001 and up to £28,100	7.25%	Above £22,301 and up to £27,300	7.25%
Above £28,101 and up to £38,600	8.50%	Above £27,301 and up to £37,400	8.50%
Above £38,601 and up to £51,400	9.50%	Above £37,401 and up to £49,900	9.50%
Above £51,401	12.00%	Above £49,901	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 up to 31 March 2009 at an accrual rate of 3/80ths. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

Value of 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: [Fair Work First | Fife Council](#)



**Table A- Fife Council**

Name	Responsibility	Remuneration (Note 1)		Pension Benefits (Note 2)				
		Salary, Fees & Allowances		Employer's pension contributions		Accrued Pension Benefits	Change from	
		2022 23	2021 22	2022 23	2021 22	at 31/03/23	31/03/22	
		£	£	£	£	£	£	
<b>Senior Councillors</b>								
David Ross	Leader of Council (from 19.05.22) Co-Leader of Fife Council (until 04.05.22)	42,910	32,593	-	-	Pension Lump Sum	-	-
Jim Leishman	Provost (from 19.05.22) Provost (until 04.05.22)	32,971	32,593	8,078	7,985	Pension Lump Sum	9,000	2,000
David Alexander	Leader of Opposition (from 19.05.22) Co-Leader of Fife Council (until 04.05.22)	26,578	32,593	6,512	7,985	Pension Lump Sum	4,000	1,000
Judy Hamilton (note 3)	Spokesperson: Housing & Building Services (from 19.05.22) Convener: Community & Housing Services Committee (until 04.05.22)	27,174	25,158	6,658	6,164	Pension Lump Sum	9,000	1,000
Altany Craik	Spokesperson: Finance, Economy & Strategic Planning (from 19.05.22) Convener: Economy, Tourism, Strategic Planning & Transportation Committee (until 04.05.22)	25,724	23,751	6,302	5,819	Pension Lump Sum	5,000	-
Linda Erskine	Spokesperson: Communities & Leisure (from 19.05.22) Convener: Cowdenbeath Area Committee & HR Spokesperson (until 04.05.22)	25,724	23,751	6,302	5,819	Pension Lump Sum	7,000	1,000
Jan Wincott	Spokesperson: Environment & Climate Change (from 19.05.22)	23,431	-	5,741	-	Pension Lump Sum	4,000	1,000
Cara Hilton	Spokesperson: Education (from 19.05.22)	23,431	-	5,741	-	Pension Lump Sum	-	-
Tom Adams	Chair Regulation & Licensing (from 19.05.22)	23,431	-	5,741	-	Pension Lump Sum	-	-
Craig Walker	Convener: Glenrothes Area Committee (from 26.05.22) Convener: Education & Children's Services Committee (until 04.05.22)	25,584	23,751	6,268	5,819	Pension Lump Sum	4,000	1,000
David Barratt	Convener: South & West Fife Area Committee and West & Central Planning Committee (from 27.05.22) Convener: Assets & Corporate Services Committee (until 04.05.22)	25,555	23,751	6,261	5,819	Pension Lump Sum	3,000	1,000
Jonny Tepp	Convener: North East Area Committee & North East Planning Committee (from 31.05.22)	22,605	-	5,538	-	Pension Lump Sum	3,000	1,000
James Calder	Convener: City of Dunfermline Area Committee (from 31.05.22)	22,605	-	5,538	-	Pension Lump Sum	2,000	-
Ian Cameron	Convener: Kirkcaldy Area Committee (from 31.05.22)	22,605	-	5,538	-	Pension Lump Sum	2,000	-

Name	Responsibility	Remuneration (Note 1)		Pension Benefits (Note 2)				
		Salary, Fees & Allowances		Employer's pension contributions		Accrued Pension Benefits	Change from	
		2022 23 £	2021 22 £	2022 23 £	2021 22 £	at 31/03/23 £	31/03/22 £	
<b>Senior Councillors (continued)</b>								
Alex Campbell	Convener: Cowdenbeath Area Committee (from 09.06.22)	21,883	-	-	-	Pension Lump Sum	-	-
Colin Davidson	Convener: Levenmouth Area Committee (from 09.06.22)	21,883	-	5,361	-	Pension Lump Sum	3,000	1,000
Dave Dempsey	Convener: Standards, Audit and Risk Committee, Convener: Pensions Committee (from 09.06.22) Leader of Opposition, Convener: Standards & Audit Committee, Convener: Superannuation & Pensions Sub-Committee (until 04.05.22)	24,176	23,751	5,923	5,819	Pension Lump Sum	10,000 2,000	2,000 -
Eugene Clarke	Convener: People & Communities Scrutiny Committee (from 15.06.22)	21,470	-	5,260	-	Pension Lump Sum	1,000	1,000
Allan Knox	Convener: Finance, Economy & Corporate Services Scrutiny Committee (from 15.06.22)	21,470	-	5,260	-	Pension Lump Sum	-	-
Jane Ann Liston	Convener: Environment, Transportation & Climate Change Scrutiny Committee (from 21.06.22)	21,057	-	5,159	-	Pension Lump Sum	2,000	-
Kathleen Leslie	Convener Education Scrutiny Committee (from 21.06.22)	21,057	-	5,159	-	Pension Lump Sum	2,000	-
Julie Ford	Depute Provost (until 04.05.22)	2,293	23,751	562	5,819	Pension Lump Sum	3,000	-
Ken Caldwell	Convener: Levenmouth Area Committee (until 04.05.22)	2,293	23,751	562	5,819	Pension Lump Sum	3,000	1,000
Neil Crooks	Convener: Kirkcaldy Area Committee & Planning Committee (until 04.05.22)	2,293	23,751	562	5,819	Pension Lump Sum	10,000 9,000	- -
Fiona Grant	Convener: Glenrothes Area Committee (until 04.05.22)	2,293	23,751	562	5,819	Pension Lump Sum	6,000 1,000	- -
Helen Law	Convener: City of Dunfermline Area Committee (until 04.05.22)	2,293	23,751	562	5,819	Pension Lump Sum	6,000	-
Alice McGarry	Convener: South West Fife Area Committee & Planning Committee (West) (until 04.05.22)	2,293	23,751	562	5,819	Pension Lump Sum	8,000 2,000	- -
Donald Lothian	Convener: North East Fife Area Committee (until 04.05.22)	2,293	23,751	562	5,819	Pension Lump Sum	7,000 2,000	1,000 -
Tim Brett	Convener: Scrutiny Committee (until 04.05.22)	2,293	23,751	562	5,819	Pension Lump Sum	9,000 2,000	- -
Carol Lindsay	Convener: Regulation & Licensing Committee and Fife Licensing Board (until 04.05.22)	2,293	23,751	562	5,819	Pension Lump Sum	7,000 2,000	1,000 -

Name	Responsibility	Remuneration (Note 1)		Pension Benefits (Note 2)				
		Salary, Fees & Allowances		Employer's pension contributions		Accrued Pension Benefits		Change from 31/03/22
		2022 23 £	2021 22 £	2022 23 £	2021 22 £	at 31/03/23 £		
<b>Senior Councillors (continued)</b>								
Tony Miklinski	Convener: Scrutiny Committee Education & Children's Services and Health & Social Care (until 04.05.22)	2,293	23,751	-	-	Pension Lump Sum	-	-
Ross Vettrano	Convener: Environment, Protective Services & Community Safety Committee (until 04.05.22)	2,293	23,751	-	-	Pension Lump Sum	-	-
	<b>Total Senior Councillors</b>	<b>548,547</b>	<b>470,360</b>	<b>117,398</b>	<b>103,600</b>	<b>Pension Lump Sum</b>	<b>129,000</b>	<b>16,000</b>
							<b>25,000</b>	<b>1,000</b>
<b>Senior Employees</b>								
Steve Grimmond	Chief Executive (Note 4)	172,681	174,125	41,881	39,793	Pension Lump Sum	89,000	7,000
							151,000	7,000
Keith Winter	Executive Director Enterprise & Environment (until 01.05.22)	10,780 (fy 133,984)	127,800	2,641	31,311	Pension Lump Sum	69,000	-
							112,000	-
Ken Gourlay	Executive Director Enterprise & Environment (from 02.05.22)	123,662 (fy 133,984)	-	30,297	-	Pension Lump Sum	67,000	10,000
							102,000	14,000
Carrie Lindsay	Executive Director Education & Children's Services	133,984	127,800	32,826	31,311	Pension Lump Sum	87,000	6,000
							-	-
Eileen Rowand	Executive Director Finance & Corporate Services	133,984	127,800	32,826	31,311	Pension Lump Sum	58,000	4,000
							72,000	3,000
Michael Enston	Executive Director Communities	133,984	127,800	31,502	31,311	Pension Lump Sum	77,000	6,000
							124,000	6,000
Kathryn Henwood	Head of Children & Families & Criminal Justice (Chief Social Work Officer)	105,660	100,825	25,887	24,702	Pension Lump Sum	48,000	4,000
							9,000	-
	<b>Total Senior Employees</b>	<b>814,735</b>	<b>786,150</b>	<b>197,860</b>	<b>189,739</b>	<b>Pension Lump Sum</b>	<b>495,000</b>	<b>37,000</b>
							<b>570,000</b>	<b>30,000</b>

Note 1 - Due to Council elections on 5th May 2022, no senior councillors were in position for a full year. 2022-23 full year equivalent (fy) salaries are; Council Leader £45,669, Co-Leader / Provost £34,254, other senior councillors £26,655. For senior employees, fy salaries are shown in brackets for those who started or left in the year.

Note 2 - The pension figures shown relate to benefits accrued as a consequence of total local government service and not just for the current post. Benefits for persons who have left during the year are shown as the benefits accrued at the time of leaving.

Note 3 - Remuneration for Cllr Hamilton includes £1,450 (2021-22, £1,407) for her role as Chair of APSE (Association for Public Service Excellence).

Note 4 - Remuneration for the Chief Executive includes payments made in respect of his role as Returning Officer in 2022-23 of £2,123 (2021-22 £11,493)



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

Senior Employees	Responsibility	Organisation	Remuneration (Note 1)		Pension Benefits (Note 2)				
			Salary, Fees & Allowances		Employer's pension contributions		Accrued Pension Benefits	Change from	
			2022 23	2021 22	2022 23	2021 22	at 31/03/23	31/03/22	
				£	£	£	£		
<b>Joint Initiative</b>									
Nicky Connor	Director-Health & Social Care	Health & Social Care Partnership (Note 3)	93,207	88,897	19,480	18,580	Pension Lump Sum	7,000	3,000
	<b>Total Joint Initiative</b>		<b>93,207</b>	<b>88,897</b>	<b>19,480</b>	<b>18,580</b>	<b>Pension Lump Sum</b>	<b>7,000</b>	<b>3,000</b>
<b>Subsidiary Bodies</b>									
Heather Stuart	Chief Executive	Fife Cultural Trust	107,676	102,726	24,227	23,113	Pension Lump Sum	22,000	3,000
Emma Walker	Chief Executive	Fife Sport & Leisure Trust	99,578	95,014	18,422	17,578	Pension Lump Sum	-	-
Alistair MacGregor	Golf Services Manager (until 27.05.22)	Fife Golf Trust	12,726 (fy 71,200)	68,027	2,363	14,353	Pension Lump Sum	31,000	-
Paul Murphy	Golf Services Manager (from 30.05.22)	Fife Golf Trust	53,819 (fy 64,874)	-	11,356	-	Pension Lump Sum	43,000	-
Jeremy Harris	Chief Executive	Fife Coast & Countryside Trust	72,590	68,268	15,824	14,781	Pension Lump Sum	29,000	6,000
Robin Baird	Chief Executive	Fife Resource Solutions LLP & CIRECO (Scotland) LLP	99,578	93,980	22,206	20,957	Pension Lump Sum	31,000	7,000
Fraser McKee	Senior Growth Adviser	Business Gateway	47,429	42,429	-	-	see Note 4		
	<b>Total Subsidiary Bodies</b>		<b>493,396</b>	<b>470,444</b>	<b>94,398</b>	<b>90,782</b>	<b>Pension Lump Sum</b>	<b>123,000</b>	<b>15,000</b>
								<b>95,000</b>	<b>9,000</b>

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

Note 2 - The pension figures shown relate to benefits accrued as a consequence of total local government service and not just for the current post. Benefits for persons who have left during the year are 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 - 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**

2021 22			2022 23	
Non Education staff	Education staff		Non Education staff	Education staff
58	18	Number of employees who were relevant union officials in the year	65	18
51.6	15.2	Number of full time equivalent employees	57.6	15.2
		Number of employees analysed by % of time spent on facility time		
34	6	0%	35	6
16	9	1% - 50%	22	9
2	2	51% - 99%	1	2
6	1	100%	7	1
£0.326m	£0.315m	Total cost of Facility Time	£0.328m	£0.341m
0.1%	0.1%	% of Total pay bill spent on Facility Time	0.1%	0.1%
0%	0%	Time on paid Activities as % of total paid Facility Time	5%	5%

**Table D - Members Expenses**

Details of the salaries, allowances and expenses paid to all councillors (including senior councillors in Table A).

2021 22 £m	Type of Remuneration	2022 23 £m
1.517	Salaries	1.627
0.003	Travel and Subsistence	0.022
0.003	Training/ Conference and Meeting Expenses	0.001
0.005	Telephone and Information Technology Expenses met by Council	0.003
0.003	Cost of Provision of Council Cars met by Council	0.004
0.000	Other Expenses and Allowances	0.000
<b>1.531</b>	<b>Total</b>	<b>1.657</b>

The annual return of councillors' salaries and expenses for 2022-23 is available for any member of the public to view at all Fife Council libraries and public offices during normal working hours. It is also available on the Fife Council website at the following link; [Members Publishing 2022-23 \(live.com\)](https://www.fife.gov.uk/members-publishing-2022-23-live-com)

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

The figures below are the total number of Council employees receiving more than £50,000 remuneration for the year (including any associated redundancy or early retirement payments).

2021 22	Remuneration Bands	2022 23	2021 22	Remuneration Bands	2022 23
349	£50,000 - £54,999	398	0	£115,000 - £119,999	0
275	£55,000 - £59,999	241	0	£120,000 - £124,999	0
113	£60,000 - £64,999	184	4	£125,000 - £129,999	0
84	£65,000 - £69,999	95	0	£130,000 - £134,999	4
13	£70,000 - £74,999	99	0	£135,000 - £139,999	0
12	£75,000 - £79,999	15	0	£140,000 - £144,999	0
11	£80,000 - £84,999	17	0	£145,000 - £149,999	0
10	£85,000 - £89,999	8	0	£150,000 - £154,999	0
2	£90,000 - £94,999	8	0	£155,000 - £159,999	0
2	£95,000 - £99,999	2	0	£160,000 - £164,999	0
16	£100,000 - £104,999	4	0	£165,000 - £169,999	0
0	£105,000 - £109,999	13	1	£170,000 - £174,999	1
1	£110,000 - £114,999	0	<b>893</b>	<b>Total</b>	<b>1,089</b>

## 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 are not included in 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
<b>2022-23</b>						
0 - 19,999	0	17	17	0.223	0.000	0.223
20,000 - 39,999	0	0	0	0.000	0.000	0.000
40,000 - 59,999	0	0	0	0.000	0.000	0.000
60,000 - 79,999	0	0	0	0.000	0.000	0.000
80,000 - 99,999	0	0	0	0.000	0.000	0.000
100,000 - 149,999	0	0	0	0.000	0.000	0.000
Over 150,000	0	0	0	0.000	0.000	0.000
<b>Total</b>	<b>0</b>	<b>17</b>	<b>17</b>	<b>0.223</b>	<b>0.000</b>	<b>0.223</b>
<b>2021-22</b>						
0 - 19,999	0	17	17	0.188	0.006	0.194
20,000 - 39,999	0	13	13	0.333	0.000	0.333
40,000 - 59,999	0	1	1	0.050	0.000	0.050
60,000 - 79,999	0	2	2	0.117	0.025	0.142
80,000 - 99,999	0	3	3	0.257	0.000	0.257
100,000 - 149,999	0	4	4	0.399	0.077	0.476
Over 150,000	0	8	8	1.248	0.412	1.660
<b>Total</b>	<b>0</b>	<b>48</b>	<b>48</b>	<b>2.592</b>	<b>0.520</b>	<b>3.112</b>

The total cost of exit packages £0.223m in the table for 2022-23 above includes £0.223m cash value and estimated CAY for exit packages that have been agreed, accrued for and charged to Fife Council's Comprehensive Income and Expenditure Statement in the current year.

Of the 2022-23 total cost of £0.223m, £0.004m relates to statutory redundancy payments, £0.028m to compensation for loss of office, £0.191m for enhanced pension benefits and nil for estimated CAY.

As a consequence of the delivery of the 2022-23 savings each directorate has incurred termination payments. The Directorate incurring the largest cost is Enterprise & Environment £0.159m.

### **The Authority's Responsibilities**

The Authority is required to:-

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

### **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<sup>st</sup> March 2023.

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

The objective of this Analysis is to demonstrate to council tax and rent payers how 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 resources consumed or earned by authorities in accordance with generally accepted accounting practices under accounting standards or statutory provisions, and also shows how net expenditure is allocated for decision making purposes between Council directorates. Expenditure under generally accepted accounting practices is presented more fully in Comprehensive Income & Expenditure Statement (CIES).

2021 22			Expenditure chargeable to General Fund and HRA	2022 23		
Expenditure chargeable to the Gen Fund & HRA £m	Adjustments between Funding & Accounting Basis £m	Net Expenditure in the CIES £m		Expenditure chargeable to the Gen Fund & HRA £m	Adjustments between Funding & Accounting Basis £m	Net Expenditure in the CIES £m
377.787	56.653	434.440	Education & Children	414.473	47.926	462.399
183.745	18.846	202.591	Health & Social Care	213.656	15.012	228.668
115.295	55.748	171.043	Enterprise & Environment	131.415	47.571	178.986
47.315	19.500	66.815	Finance & Corporate	48.619	21.421	70.040
0.261	0.044	0.305	Chief Executive	0.283	0.035	0.318
2.722	(3.166)	(0.444)	Corporate & Democratic	2.543	(1.438)	1.105
71.881	18.940	90.821	Communities	80.955	19.319	100.274
(26.246)	7.925	(18.321)	Housing Revenue Account	(30.337)	18.863	(11.474)
97.295	(97.295)	0.000	Loan Charges	51.714	(51.714)	0.000
<b>870.055</b>	<b>77.195</b>	<b>947.250</b>	<b>Net Cost of Services</b>	<b>913.321</b>	<b>116.995</b>	<b>1,030.316</b>
(913.619)	10.490	(903.129)	Other Income & Expenditure not charged to Net Cost of Services	(942.960)	(19.863)	(962.823)
<b>(43.564)</b>	<b>87.685</b>	<b>44.121</b>	<b>Total (Surplus)/Deficit on Provision of Services</b>	<b>(29.639)</b>	<b>97.132</b>	<b>67.493</b>

(144.039)	Opening General Fund & HRA Balance	(189.818)
(43.564)	(Surplus) / Deficit for the year	(29.639)
(2.215)	Transfers to / (from) Other Reserves	(3.977)
<b>(189.818)</b>	Closing General Fund & HRA Balance *	<b>(223.434)</b>

\* For a split of Net Expenditure in CIES between General Fund & HRA see the Movement in Reserves Statement.

Adjustments between funding & accounting basis (above) is comprised of the following 3 items which are detailed by Council directorate in Note 8-Analysis of Income and Expenditure by Segment/Nature.

- **Adjustments for Capital Purposes** in Net Cost of Services reflect impairment & revaluation gains/losses and depreciation charged to CIES. Adjustments outwith Net Cost of Services include gains/losses on disposal of assets and capital grants receivable in the year. These adjustments in 2022-23 include an adjustment of £43.576m for Service Concessions Arrangements which is detailed in Note 17.

- **Net change for Pension Adjustments** in Net Cost of Services are the removal of employer pension contributions made by the Council, replaced with current & past service costs calculated under IAS19. Adjustments outwith Net Cost of Service includes net interest on defined benefit asset / liability under IAS19.

- **Other Adjustments** in Net Cost of Services include an accrual for costs of holiday entitlement earned by employees not taken before year end, and other transfers between services to recognise differences between the reporting structure of the Council and the accounting basis. Adjustments outwith Net Cost of Services include timing differences for premiums and discounts relating to Financial Instruments.

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 CIES. These are different from the amounts charged to General Fund Balance and Housing Revenue Account for council tax setting and dwellings rent setting purposes under accounting standards and statutory regulations. The Transfers (to)/from Other Statutory Reserves shows charges made to the CIES 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 £m	HRA £m	Insurance Fund £m	Capital Fund £m	Capital Grants and Receipts and Receipts Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Fife Council Reserves £m	Subsidiary Reserves & Share of Joint Venture £m	Total Group Reserves £m
<b>Opening Balance 1 April 2021</b>	<b>(136.034)</b>	<b>(8.005)</b>	<b>(17.287)</b>	<b>0.000</b>	<b>(10.290)</b>	<b>(171.616)</b>	<b>(1,612.126)</b>	<b>(1,783.742)</b>	<b>(15.199)</b>	<b>(1,798.941)</b>
<b>Movement in Reserves during 2021-22</b>										
<b>Total Comprehensive Income &amp; Expenditure</b>	60.317	(16.196)	0.000	0.000	0.000	<b>44.121</b>	(407.905)	<b>(363.784)</b>	(40.826)	<b>(404.610)</b>
Adjustments between accounting & funding basis:										
- permitted by accounting standards	(26.198)	(5.025)	0.000	0.000	0.000	<b>(31.223)</b>	31.223	<b>0.000</b>	0.000	<b>0.000</b>
- required by statutory regulations	(78.833)	22.371	0.000	0.000	3.046	<b>(53.416)</b>	53.416	<b>0.000</b>	0.000	<b>0.000</b>
Transfers to/(from) Other Statutory Reserves	(2.065)	(0.150)	0.716	0.000	1.499	<b>0.000</b>	0.000	<b>0.000</b>	0.000	<b>0.000</b>
Transfer to/(from) Common Good Reserves	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>	0.061	<b>0.061</b>	(0.061)	<b>0.000</b>
<b>(Increase)/Decrease in Year</b>	<b>(46.779)</b>	<b>1.000</b>	<b>0.716</b>	<b>0.000</b>	<b>4.545</b>	<b>(40.518)</b>	<b>(323.205)</b>	<b>(363.723)</b>	<b>(40.887)</b>	<b>(404.610)</b>
<b>Balance at 31 March 2022</b>	<b>(182.813)</b>	<b>(7.005)</b>	<b>(16.571)</b>	<b>0.000</b>	<b>(5.745)</b>	<b>(212.134)</b>	<b>(1,935.331)</b>	<b>(2,147.465)</b>	<b>(56.086)</b>	<b>(2,203.551)</b>
<b>Movement in Reserves during 2022-23</b>										
<b>Total Comprehensive Income &amp; Expenditure</b>	89.551	(22.058)	0.000	0.000	0.000	<b>67.493</b>	(1,299.076)	<b>(1,231.583)</b>	(31.840)	<b>(1,263.423)</b>
Adjustments between accounting & funding basis:										
- permitted by accounting standards	(25.772)	(4.911)	0.000	0.000	0.000	<b>(30.683)</b>	30.683	<b>0.000</b>	0.000	<b>0.000</b>
- required by statutory regulations	(92.717)	26.268	0.000	0.000	3.057	<b>(63.392)</b>	63.392	<b>0.000</b>	0.000	<b>0.000</b>
Transfers to/(from) Other Statutory Reserves	(4.303)	0.326	2.148	0.000	1.829	<b>0.000</b>	0.000	<b>0.000</b>	0.000	<b>0.000</b>
Transfer to/(from) Common Good Reserves	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>	0.917	<b>0.917</b>	(0.917)	<b>0.000</b>
<b>(Increase)/Decrease in Year</b>	<b>(33.241)</b>	<b>(0.375)</b>	<b>2.148</b>	<b>0.000</b>	<b>4.886</b>	<b>(26.582)</b>	<b>(1,204.084)</b>	<b>(1,230.666)</b>	<b>(32.757)</b>	<b>(1,263.423)</b>
<b>Balance at 31 March 2023 c/fwd</b>	<b>(216.054)</b>	<b>(7.380)</b>	<b>(14.423)</b>	<b>0.000</b>	<b>(0.859)</b>	<b>(238.716)</b>	<b>(3,139.415)</b>	<b>(3,378.131)</b>	<b>(88.843)</b>	<b>(3,466.974)</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.

2021 22					2022 23			
Fife Council			Group		Fife Council		Group	
Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£m	£m	£m	£m		£m	£m	£m	
507.396	(72.956)	434.440	434.440	Education & Children	535.027	(72.628)	462.399	462.399
485.959	(283.368)	202.591	202.591	Health & Social Care	599.313	(370.645)	228.668	228.668
207.144	(36.101)	171.043	172.292	Enterprise/Environment	221.271	(42.285)	178.986	179.196
160.183	(93.368)	66.815	66.815	Finance & Corporate	156.361	(86.321)	70.040	70.040
0.305	0.000	0.305	0.305	Chief Executive	0.318	0.000	0.318	0.318
(0.441)	(0.003)	(0.444)	(0.444)	Corporate & Dem Core	1.105	0.000	1.105	1.105
111.131	(20.310)	90.821	95.520	Communities	122.068	(21.794)	100.274	102.733
109.944	(128.265)	(18.321)	(18.321)	Housing Revenue Acc.	119.678	(131.152)	(11.474)	(11.474)
<b>1,581.621</b>	<b>(634.371)</b>	<b>947.250</b>	<b>953.198</b>	<b>Cost of Services</b>	<b>1,755.141</b>	<b>(724.825)</b>	<b>1,030.316</b>	<b>1,032.985</b>
				Other Income & Expenditure				
		1.001	1.402	- Other Operating Expenditure			1.664	2.208
		57.593	32.849	- Financing & Investment			52.272	73.937
		(961.723)	(962.015)	- Taxation & Non-Specific Grant Income			(1,016.759)	(1,017.786)
		<b>44.121</b>	<b>25.434</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>67.493</b>	<b>91.344</b>
				(Surplus)/Deficit on;				
		(18.346)	(18.747)	- revaluation of non-current assets			(242.774)	(243.640)
		0.047	0.047	- impairment of non-current assets			1.631	1.631
		(0.442)	(0.442)	- revaluation of financial assets			(0.205)	(0.205)
		(389.164)	(410.902)	Remeasurement of net pensions liability			(1,057.728)	(1,112.553)
		<b>(407.905)</b>	<b>(430.044)</b>				<b>(1,299.076)</b>	<b>(1,354.767)</b>
		<b>(363.784)</b>	<b>(404.610)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(1,231.583)</b>	<b>(1,263.423)</b>

### Material Items of Income and Expenditure

**Fife Integration Joint Board (IJB)** - Fife Council made contributions of £212.522m to the Integration Joint Board, £210.823m from Health & Social Care and £1.699m from Housing. Fife Council received amounts from the IJB totalling £275.063m. The Council's share of the IJB underspend has decreased by £20.996m in 2022-23 and this is included in the Group Financing & Investment line above.

**COVID-19** - Although not as significant as in previous years, the pandemic continued to have an effect in 2022-23 and the cost to Council Services costs relating to this was £15.821m. This comprised of additional expenditure incurred of £13.594m, an estimated loss of income of £2.182m and capital expenditure of £0.045m. These costs have been funded by additional grant income from the Scottish Government and Service underspends.



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 2022				31 March 2023	
Fife Council £m	Group £m		Notes	Fife Council £m	Group £m
3,638.527	3,644.094	Property, Plant & Equipment	11	3,939.912	3,948.775
28.252	28.620	Heritage Assets	12	31.132	31.582
0.000	0.000	Intangible Assets	14	0.000	0.000
6.853	6.853	Long Term Debtors	21	5.750	5.750
2.694	10.649	Long Term Investments	21	2.747	10.126
0.000	0.000	Defined Benefit Pension Asset	24	435.993	485.197
0.000	39.856	Investment in Joint Venture	27	0.000	18.860
<b>3,676.326</b>	<b>3,730.072</b>	<b>Long Term Assets</b>		<b>4,415.534</b>	<b>4,500.290</b>
110.093	118.072	Cash and Cash Equivalents	Cash Flow	70.349	77.964
11.078	11.078	Assets held for sale	13	1.666	1.666
4.384	4.474	Inventories	18	4.671	4.785
102.111	105.298	Short Term Debtors	19	105.287	108.637
0.000	0.803	Short Term Investments	21	0.000	0.744
<b>227.666</b>	<b>239.725</b>	<b>Current Assets</b>		<b>181.973</b>	<b>193.796</b>
(15.394)	(15.394)	Short Term Receipts in Advance	10	(17.651)	(17.651)
(147.641)	(156.503)	Short Term Creditors	19	(162.812)	(170.494)
(0.479)	(0.479)	Short Term Provisions	20	(0.700)	(0.700)
(67.055)	(67.055)	Short Term Borrowing	21	(68.740)	(68.740)
<b>(230.569)</b>	<b>(239.431)</b>	<b>Current Liabilities</b>		<b>(249.903)</b>	<b>(257.585)</b>
(15.112)	(15.112)	Long Term Receipts in Advance	10	(20.256)	(20.256)
(13.992)	(13.992)	Long Term Provisions	20	(13.998)	(13.998)
0.000	(0.065)	Long Term Creditors	21	0.000	(0.054)
(889.197)	(889.197)	Long Term Borrowing	21	(865.927)	(865.927)
(76.230)	(76.230)	Other Long Term Liabilities	21	(69.292)	(69.292)
(531.427)	(532.219)	Defined Benefit Pension Liability	24	0.000	0.000
<b>(1,525.958)</b>	<b>(1,526.815)</b>	<b>Long Term Liabilities</b>		<b>(969.473)</b>	<b>(969.527)</b>
<b>2,147.465</b>	<b>2,203.551</b>	<b>Net Assets/(Liabilities)</b>		<b>3,378.131</b>	<b>3,466.974</b>
(212.134)	(266.005)	Usable Reserves	6	(238.716)	(274.156)
(1,935.331)	(1,937.546)	Unusable Reserves	7	(3,139.415)	(3,192.818)
<b>(2,147.465)</b>	<b>(2,203.551)</b>	<b>Total Reserves</b>		<b>(3,378.131)</b>	<b>(3,466.974)</b>

The unaudited accounts were issued on 30th June 2023.

**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).

2021 22			2022 23	
Fife Council £m	Group £m		Fife Council £m	Group £m
(44.121)	(25.434)	Net surplus or (deficit) on the provision of services	(67.493)	(91.344)
		Adjustments for non cash movements		
106.553	107.112	Depreciation charges	112.574	113.149
12.650	12.643	Downward/(upward) revaluations & Impairments	7.855	7.970
0.000	(0.109)	Movement in Fair Value of Investments	0.000	0.699
(10.805)	(9.829)	Increase/(decrease) in creditors	22.824	20.673
(3.801)	(6.098)	(Increase)/decrease in debtors	(2.976)	(2.178)
(0.102)	0.009	(Increase)/decrease in inventories	(0.287)	(0.311)
100.945	107.904	Movement in pension asset / liability	90.308	95.137
0.096	0.096	Contributions to/(from) provisions	0.227	0.227
4.995	5.001	Carrying amount of assets sold	14.459	14.520
0.000	(25.069)	Other non-cash items	0.000	21.055
		Adjustments for investing & financing activities		
(48.104)	(48.397)	Capital Grants in surplus/(deficit) on provision of services	(73.799)	(74.825)
(3.994)	(3.994)	Proceeds from the sale of assets	(12.795)	(12.795)
<b>114.312</b>	<b>113.835</b>	<b>Net cash flows from Operating Activities</b>	<b>90.897</b>	<b>91.977</b>
(166.440)	(167.184)	Purchase of non-current assets	(191.124)	(193.472)
(0.010)	(0.665)	Purchase of investments	(0.005)	(0.171)
3.994	3.994	Proceeds from the sale of assets	12.795	12.795
57.910	58.263	Other receipts from investing activities	72.903	73.973
<b>(104.546)</b>	<b>(105.592)</b>	<b>Net cash flows from Investing Activities</b>	<b>(105.431)</b>	<b>(106.875)</b>
(30.870)	(30.870)	Cash receipts and repayments of short & long term borrowing	(21.430)	(21.430)
(6.412)	(6.412)	Cash payments reducing liabilities on finance leases & PPP	(5.631)	(5.631)
0.191	0.191	Other financing activities	1.851	1.851
<b>(37.091)</b>	<b>(37.091)</b>	<b>Net cash flows from Financing Activities</b>	<b>(25.210)</b>	<b>(25.210)</b>
<b>(27.325)</b>	<b>(28.848)</b>	<b>Net increase or (decrease) in cash &amp; cash equivalents</b>	<b>(39.744)</b>	<b>(40.108)</b>
137.418	146.920	Cash & cash equivalents at beginning of reporting period	110.093	118.072
<b>110.093</b>	<b>118.072</b>	<b>Cash &amp; cash equivalents at end of reporting period</b>	<b>70.349</b>	<b>77.964</b>
0.058	0.071	Cash in Hand	0.050	0.064
0.935	6.011	Bank	1.877	6.170
111.990	111.990	Short Term Investments	71.730	71.730
(2.890)	0.000	Advances from other accounts	(3.308)	0.000
<b>110.093</b>	<b>118.072</b>		<b>70.349</b>	<b>77.964</b>
		<b>Net cash flows for Operating Activities include:-</b>		
0.089	0.404	Interest received	2.764	3.192
(42.838)	(42.838)	Interest paid	(41.870)	(41.870)
<b>(42.749)</b>	<b>(42.434)</b>	<b>Total</b>	<b>(39.106)</b>	<b>(38.678)</b>

**Movement in Liabilities held in the Balance Sheet recognised as Financing Activities (£m)**

	1 April 2021	Movement 2021 22 Cash	Non Cash	1 April 2022	Movement 2022 23 Cash	Non Cash	31 March 2023
Long & Short Term Borrowing	(971.664)	30.870	0.000	(940.794)	21.430	0.000	(919.364)
PPP & Lease Liabilities	(88.273)	6.412	0.000	(81.861)	5.631	0.000	(76.230)
EIR Loan Liability	(5.117)	0.000	0.027	(5.090)	0.000	0.021	(5.069)

## Notes to the Accounts

### 1. General Accounting Policies

#### General Principles

The Statement of Accounts summarises Fife Council and its Group transactions for the 2022-23 financial year and its position at the year-end of 31 March 2023. 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 2022-23 and the Service Reporting Code of Practice 2022-23, 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: Estimate of salaries & wages based on number of days relating to the period up to 31 March
- Energy Costs: Information held by Energy Management Unit and Service records.
- Supplies & Services: 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.
- Pensions: Estimate of future asset / liability calculated by the Council's actuaries in accordance with IAS19.
- Holiday Pay: Based on a sample of employees holiday leave earned in 2022-23 but not taken by 31 March 2023.

#### 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.

#### 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 are:

- 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

#### Interests in Companies and Other Entities

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

## 2. Accounting Standards Issued, not yet Adopted

The code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. Those to be introduced in the 2023-24

- IFRS16 Leases
- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

## 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. The most significant of these for the Council is;

**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 & Equipment on the Council's Balance Sheet with further details are shown in a separate note to the accounts.

## 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 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are below:-

Uncertainties	Effect if Actual Results Differ from Assumptions
<p><b>Property, Plant &amp; Equipment</b></p> <p>The Net Book Value of assets subject to depreciation is £2,027,124m. They 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.</p>	<p>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 £5.516m.</p>
<p><b>Pensions Asset / Liability</b></p> <p>Estimation of the Council's 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.</p>	<p>Changes to individual assumptions will have an effect on net pensions asset. e.g. a 0.1% decrease in the discount rate would decrease asset by £46m, a 0.1% increase in Pension Increase rate (CPI) would decrease asset by £42m and a 1 year increase in life expectancy assumptions would decrease asset by 4%.</p>
<p><b>Fair value measurements</b></p> <p>When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets (Level 1), it is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, these techniques are based on observable data, but if not possible judgement is required in establishing fair values, typically including considerations such as uncertainty and risk. Where Level 1 inputs are unavailable, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value.</p>	<p>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.</p>



## 6. Usable Reserves and Earmarked Balances

2021 22 £m	Useable Reserves	2022 23 £m
(182.813)	General Fund	(216.054)
(7.005)	Housing Revenue Account (HRA)	(7.380)
(16.571)	Insurance Fund	(14.423)
0.000	Capital Fund	0.000
(5.745)	Capital Grants and Receipts Unapplied Account	(0.859)
<b>(212.134)</b>	<b>Total Useable Reserves</b>	<b>(238.716)</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).

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, and also other transfers between committed and uncommitted balances.

2022-23	Balance 1 April 2022 £m	Net Transfers to / (from) Services £m	Other Balance Transfers £m	Movement in Reserves (MIRS) £m	Balance 31 March 2023 £m
<b>General Fund</b>					
<u>Earmarked and Committed Balances:</u>					
Energy Management Fund	(1.462)	(0.391)	-	-	(1.853)
Council Tax - Second Homes	(8.331)	(0.815)	-	-	(9.146)
Earmarked Grants	(4.308)	0.091	(2.669)	-	(6.886)
Grants Received & Carried Forward	(31.810)	8.647	14.097	-	(9.066)
Change Fund	(10.000)	-	-	-	(10.000)
Demographics/Pay/Pensions	(18.000)	-	-	-	(18.000)
Workforce Change	(6.000)	0.377	(0.500)	-	(6.123)
Service Carry Forwards	(3.625)	3.625	(3.665)	-	(3.665)
Financial Consequences of COVID-19	(64.993)	0.000	29.217	-	(35.776)
Contribution from Balances	0.000	-	(8.000)	-	(8.000)
Capital Investment Plan	0.000	-	(68.124)	-	(68.124)
Other Commitments	(2.527)	5.966	(5.847)	-	(2.408)
<b>Total Commitments</b>	<b>(151.056)</b>	<b>17.500</b>	<b>(45.491)</b>	<b>0.000</b>	<b>(179.047)</b>
Uncommitted Balances	(31.757)	(17.500)	45.491	(33.241)	(37.007)
	<b>(182.813)</b>	<b>0.000</b>	<b>0.000</b>	<b>(33.241)</b>	<b>(216.054)</b>
<b>Insurance Fund</b>					
Insurance Fund - Earmarked	(10.537)	-	3.707	-	(6.830)
Insurance Fund	(6.034)	-	(3.707)	2.148	(7.593)
	<b>(16.571)</b>	<b>0.000</b>	<b>0.000</b>	<b>2.148</b>	<b>(14.423)</b>
<b>Capital Grants &amp; Receipts Unapplied</b>					
Transformation Projects	(3.734)	-	3.734	-	0.000
Capital Grants and Receipts	(2.011)	-	(3.734)	4.886	(0.859)
	<b>(5.745)</b>	<b>0.000</b>	<b>0.000</b>	<b>4.886</b>	<b>(0.859)</b>

## **Explanatory Note**

### **General Fund Balance**

The General Fund Services balance increased by £33.241m in 2022-23, leaving a balance at the end of the year of £216.054m. Once the commitments of £179.047m shown above are set against this, an uncommitted balance of £37.007m remains as at 31 March 2023. The level of balances is continually being monitored to ensure a sufficient level is maintained to meet future potential liabilities.

### **Energy Management Fund**

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.

### **Grants Received & Carried Forward**

The balance is held for Grants Received 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.

### **Demographics/Pay/Pensions**

There is a known temporary demographics pressure arising in the coming years within secondary school rolls which will be challenging to contain within the resources available. This, coupled with the fact that pay settlements have yet to be agreed leads to a commitment that an additional £18m over the coming three years be committed from balances to cover demographics, pay and pensions. Services will be asked to assess mitigating actions where possible but it may not be possible for them to fully mitigate these costs.

### **Workforce Change**

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

### **Service Carry Forward**

The Council operates a devolved school management scheme which allows an element of budget carry forward.

### **Continuing Financial Consequences of COVID-19**

The committed balance represents mainly unused GRG (General Revenue Grant) relating to COVID-19 and provision for inflation.

### **Contribution from Balances**

Fife Councils approved Revenue Budget 2023-26 included a commitment of £8.000m which has been used to close the budget gap and one-off temporary investment.

### **Capital Investment Plan**

The Scottish Government issued statutory guidance in 2022-23 (Finance circular 10/2022) which permitted the reprofiling of debt repayments charged to the General Fund for Service Concession arrangements. By applying this guidance a benefit of £43.576m was released which resulted in a positive contribution to General Fund balances. Following approval this has been earmarked for funding for the Capital Plan 2023-33 and future PPP costs. Details of the revised accounting treatment are provided at Note 17 of these accounts. In addition Service underspends have been earmarked for investment purposes.

### **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 (IBNR) claims. In addition, £3.267m is held relating to a settlement received for fire damage incurred at Woodmill High School, Dunfermline which is earmarked as a contribution to the new Dunfermline Learning Campus.

### **Capital Grants and Receipts - Transformation Projects**

The Scottish Government permitted the use of capital receipts to fund projects designed to transform service delivery to reduce costs and/or demand up to 31st March 2023. The Council utilised £1.829m of this earmarked balance in 2022-23 to fund projects of this nature, with the remaining £1.905m transferred to the Capital Fund.

## 7. Unusable Reserves

2021 22 £m		2022 23 £m
(1,472.583)	Revaluation Reserve	(1,671.040)
0.285	Financial Instruments Revaluation Reserve	0.064
531.427	Pensions Reserve	(435.993)
(1,075.133)	Capital Adjustment Account	(1,104.429)
51.150	Financial Instruments Adjustment Account	48.584
29.523	Employee Statutory Adjustment Account	23.399
<b>(1,935.331)</b>	<b>Total Unusable Reserves</b>	<b>(3,139.415)</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.

2021 22 £m		2022 23 £m
<b>(1,485.888)</b>	<b>Balance at 1 April</b>	<b>(1,472.583)</b>
	Revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services	
(57.376)	Upward Revaluation & reversal of impairment losses	(291.846)
39.077	Downward revaluation & impairment losses	50.703
(18.299)		(241.143)
31.223	Revaluation element of depreciation charged to CIES	30.683
0.279	Transfer to Capital Adjustment Account - accumulated gains on assets disposed	11.532
0.102	Transfer to/(from) Common Good Reserves	0.471
<b>(1,472.583)</b>	<b>Balance at 31 March</b>	<b>(1,671.040)</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.

2021 22 £m		2022 23 £m
<b>0.797</b>	<b>Balance at 1 April</b>	<b>0.285</b>
(0.442)	(Surplus)/Deficit on Financial Instruments Revaluation	(0.205)
(0.070)	Transfer to Capital Adjustment Account - accumulated gains/(losses) on disposals	(0.016)
<b>0.285</b>	<b>Balance at 31 March</b>	<b>0.064</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 CIES 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 the difference 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.

2021 22 £m		2022 23 £m
<b>819.646</b>	<b>Balance at 1 April</b>	<b>531.427</b>
(389.164)	Actuarial (gains) or losses on pensions assets and liabilities	(1,057.728)
182.825	Reversal of items relating to retirement benefits charged to CIES	179.175
(81.880)	Employer's pensions contributions & direct payments to pensioners payable	(88.867)
<b>531.427</b>	<b>Balance at 31 March</b>	<b>(435.993)</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.

<b>2021 22</b>		<b>2022 23</b>
<b>£m</b>		<b>£m</b>
<b>(1,029.250)</b>	<b>Balance at 1 April</b>	<b>(1,075.133)</b>
	Reversal of items relating to capital expenditure charged to the CIES:-	
75.330	Depreciation of non-current assets	81.891
12.650	Revaluation & Impairments losses/(gains) on non-current assets	7.855
0.000	Amortisation of intangible assets	0.000
1.001	(Gains)/Losses on disposal of assets	1.664
	Capital financing applied in the year:-	
(52.520)	Capital grants & contributions applied to finance capital expenditure	(74.951)
(42.751)	Statutory provision for the financing of capital investment	(43.832)
0.000	Service Concession Arrangements (see Note 17)	43.576
(40.713)	Capital expenditure charged to General Fund and HRA balances	(32.524)
1.370	Adjustment for Capital Fund applied to transformation projects	(1.905)
(0.279)	Adjusting amounts written out of the Revaluation Reserve	(11.532)
0.070	Adjusting amounts written out of the Financial Instruments Revaluation Reserve	0.016
(0.041)	Transfer to/(from) Common Good Reserves	0.446
<b>(1,075.133)</b>	<b>Balance at 31 March</b>	<b>(1,104.429)</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.

<b>2021 22</b>		<b>2022 23</b>
<b>£m</b>		<b>£m</b>
<b>53.745</b>	<b>Balance at 1 April</b>	<b>51.150</b>
	Amount by which costs charged to the CIES are different from costs chargeable in the year in accordance with statutory requirements:-	
(0.027)	Effective Interest Rate - Borrowings Loan Interest	(0.021)
0.013	Effective Interest Rate - Soft Loans	0.036
(2.581)	Proportion of prior year early redemption premiums	(2.581)
<b>51.150</b>	<b>Balance at 31 March</b>	<b>48.584</b>
5.090	Borrowing where the loan is a stepped interest rate loan.	5.069
0.049	Loans to third parties granted at less than market interest rates	0.085
46.011	Premiums and discounts associated with the refinancing of loans	43.430
<b>51.150</b>	<b>Balance at 31 March</b>	<b>48.584</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.

<b>2021 22</b>		<b>2022 23</b>
<b>£m</b>		<b>£m</b>
<b>28.824</b>	<b>Balance at 1 April</b>	<b>29.523</b>
(28.824)	Settlement or cancellation of accrual at previous financial year end	(29.523)
29.523	Amounts accrued at the end of the current year	23.399
<b>29.523</b>	<b>Balance at 31 March</b>	<b>23.399</b>

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

	Employee Expenditure £m	Other Service Expenditure £m	Adjustments between funding & accounting basis			Total Expenditure £m	Fees, Charges & Service Income £m	Grants & Contribution Income £m	Total Income £m	Net Expenditure in the CIES £m
			Adjustments for Capital Purposes £m	Net change for Pensions adjustments £m	Other adjustments £m					
<b>2022-23</b>										
Education & Children Services	368.383	118.718	34.096	21.899	(8.069)	535.027	(2.182)	(70.446)	(72.628)	<b>462.399</b>
Health & Social Care	96.593	487.708	1.416	15.327	(1.731)	599.313	(303.751)	(66.894)	(370.645)	<b>228.668</b>
Enterprise & Environment	142.010	31.690	29.965	23.025	(5.419)	221.271	(30.902)	(11.383)	(42.285)	<b>178.986</b>
Finance & Corporate Services	43.464	91.476	4.274	6.802	10.345	156.361	(5.727)	(80.594)	(86.321)	<b>70.040</b>
Chief Executive	0.278	0.005	0.000	0.038	(0.003)	0.318	0.000	0.000	0.000	<b>0.318</b>
Corporate & Democratic Core	2.259	0.284	0.000	(1.632)	0.194	1.105	0.000	0.000	0.000	<b>1.105</b>
Communities	41.510	61.239	13.820	6.580	(1.081)	122.068	(16.838)	(4.956)	(21.794)	<b>100.274</b>
Housing Revenue Account	17.936	82.879	16.298	2.926	(0.361)	119.678	(131.002)	(0.150)	(131.152)	<b>(11.474)</b>
Loan Charges	0.000	51.714	(12.220)	0.000	(39.494)	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>Net Cost of Services</b>	<b>712.433</b>	<b>925.713</b>	<b>87.649</b>	<b>74.965</b>	<b>(45.619)</b>	<b>1,755.141</b>	<b>(490.402)</b>	<b>(234.423)</b>	<b>(724.825)</b>	<b>1,030.316</b>
Other Income and Expenditure	0.000	0.000	(72.135)	15.343	36.929	(19.863)	(179.010)	(763.950)	(942.960)	<b>(962.823)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>712.433</b>	<b>925.713</b>	<b>15.514</b>	<b>90.308</b>	<b>(8.690)</b>	<b>1,735.278</b>	<b>(669.412)</b>	<b>(998.373)</b>	<b>(1,667.785)</b>	<b>67.493</b>
<b>2021-22</b>										
Education & Children Services	340.331	110.412	36.122	24.383	(3.852)	507.396	(2.086)	(70.870)	(72.956)	<b>434.440</b>
Health & Social Care	90.316	376.797	1.474	17.884	(0.512)	485.959	(205.680)	(77.688)	(283.368)	<b>202.591</b>
Enterprise & Environment	130.351	21.045	32.878	26.151	(3.281)	207.144	(27.931)	(8.170)	(36.101)	<b>171.043</b>
Finance & Corporate Services	41.572	99.111	2.627	8.032	8.841	160.183	(5.576)	(87.792)	(93.368)	<b>66.815</b>
Chief Executive	0.257	0.004	0.000	0.044	0.000	0.305	0.000	0.000	0.000	<b>0.305</b>
Corporate & Democratic Core	2.500	0.225	0.000	(3.382)	0.216	(0.441)	0.000	(0.003)	(0.003)	<b>(0.444)</b>
Communities	39.315	52.876	12.057	7.422	(0.539)	111.131	(14.444)	(5.866)	(20.310)	<b>90.821</b>
Housing Revenue Account	15.753	86.266	4.902	3.197	(0.174)	109.944	(128.092)	(0.173)	(128.265)	<b>(18.321)</b>
Loan Charges	0.000	97.295	(54.321)	0.000	(42.974)	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>Net Cost of Services</b>	<b>660.395</b>	<b>844.031</b>	<b>35.739</b>	<b>83.731</b>	<b>(42.275)</b>	<b>1,581.621</b>	<b>(383.809)</b>	<b>(250.562)</b>	<b>(634.371)</b>	<b>947.250</b>
Other Income and Expenditure	0.000	0.000	(47.103)	17.214	40.379	10.490	(172.622)	(740.997)	(913.619)	<b>(903.129)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>660.395</b>	<b>844.031</b>	<b>(11.364)</b>	<b>100.945</b>	<b>(1.896)</b>	<b>1,592.111</b>	<b>(556.431)</b>	<b>(991.559)</b>	<b>(1,547.990)</b>	<b>44.121</b>

## 9. Other Income and Expenditure

2021 22 £m		2022 23 £m
	<b>Other Operating Expenditure</b>	
1.001	(Gains)/losses on the disposal of assets	1.664
<b>1.001</b>		<b>1.664</b>
	<b>Financing and Investment Income and Expenditure</b>	
40.455	Interest payable and similar charges	39.657
(0.089)	Interest receivable and similar income	(2.764)
17.214	Pensions interest cost & expected return on pensions assets	15.343
0.013	Income & expenditure related to financial instruments and changes in their fair value	0.036
<b>57.593</b>		<b>52.272</b>
	<b>Taxation and Non Specific Grant Income</b>	
(172.593)	Council tax income	(178.996)
(135.763)	Non-domestic rates (contribution from National Non Domestic Rates Pool)	(179.675)
(0.029)	Non-domestic rates (Tax Incremental Financing projects)	(0.014)
(30.458)	Non ring-fenced government grants: COVID-19	0.000
(574.776)	Non ring-fenced government grants: Other	(584.275)
(48.104)	Capital grants and contributions	(73.799)
<b>(961.723)</b>		<b>(1,016.759)</b>

## 10. Grant and Contribution Income

Whether paid 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 grant or contribution will be received. They are only credited to Comprehensive Income & Expenditure Statement (CIES) 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 CIES, they are reversed out of General Fund or HRA Balances in Movement in Reserves Statement.

2021 22 £m	<b>Grants and Contributions credited to the CIES</b> (excl non ring-fenced Government Grants)	2022 23 £m
	<b>Credited to Services</b>	
(83.607)	Government Grant: Housing Benefit Subsidy	(78.111)
(77.414)	Government Grants and Contributions: NHS	(66.391)
(4.201)	Government Grants and Contributions: COVID-19	(0.154)
(79.979)	Government Grants and Contributions: Other (incl former EU)	(87.118)
(5.361)	Non-Government Grants and Contributions	(2.649)
<b>(250.562)</b>		<b>(234.423)</b>
	<b>Credited to Taxation and Non Specific Grant Income</b>	
(1.576)	Government Grants and Contributions: COVID-19	0.000
(40.350)	Government Grants and Contributions: Other	(69.378)
(6.178)	Non Government Grants and Contributions	(4.421)
<b>(48.104)</b>		<b>(73.799)</b>

31 March 2022		Receipts in Advance (balances at year end)	31 March 2023	
Short Term £m	Long Term £m		Short Term £m	Long Term £m
		<b>Receipts in Advance - Revenue</b>		
(2.381)	0.000	Government Grants: COVID-19	0.000	0.000
(5.182)	0.000	Government Grants: Other	(7.048)	(4.696)
(1.895)	0.000	Non Government Grants	(1.372)	0.000
<b>(9.458)</b>	<b>0.000</b>		<b>(8.420)</b>	<b>(4.696)</b>
		<b>Receipts in Advance - Capital</b>		
(5.936)	(3.405)	Government Grants	(9.231)	(2.626)
0.000	(11.707)	Non Government Grants	0.000	(12.934)
<b>(5.936)</b>	<b>(15.112)</b>		<b>(9.231)</b>	<b>(15.560)</b>
<b>(15.394)</b>	<b>(15.112)</b>	<b>Total Receipts in Advance</b>	<b>(17.651)</b>	<b>(20.256)</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. Scottish Government statutory guidance, introduced in 2021-22, states that Infrastructure Assets within PPE are not required to show Gross Book Value and Accumulated Depreciation & Impairment, and this is reflected below.

Property, Plant & Equipment movements	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant & Equipment £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Infrastructure Assets £m	Total PPE £m	PPP/NPD Assets included in Total PPE £m
<b>2022-23</b>									
<b>Net Book Value at 1 April 2022</b>	<b>1,105.548</b>	<b>2,070.168</b>	<b>42.707</b>	<b>2.854</b>	<b>24.793</b>	<b>69.981</b>	<b>322.476</b>	<b>3,638.527</b>	<b>217.537</b>
Additions	53.750	19.617	14.384	0.746	0.354	79.789	20.718	<b>189.358</b>	(0.044)
Revaluations & Impairments to Net Cost of Services	0.187	(7.945)	0.000	0.000	(0.449)	0.000	0.000	<b>(8.207)</b>	0.000
Revaluations & Impairments to Revaluation Reserve	(31.195)	271.200	0.000	(0.025)	(1.716)	0.000	0.000	<b>238.264</b>	30.584
Depreciation	(36.827)	(50.912)	(12.069)	(0.197)	(0.211)	0.000	(12.360)	<b>(112.576)</b>	(6.433)
Disposals	0.000	(1.325)	(0.124)	0.000	(0.411)	0.000	0.000	<b>(1.860)</b>	0.000
Transfer (to)/from Common Good	0.000	0.054	0.000	(0.014)	(0.957)	0.000	0.000	<b>(0.917)</b>	0.000
Other Movements	17.841	(13.331)	0.000	1.123	8.921	(17.231)	0.000	<b>(2.677)</b>	0.000
<b>Net Book Value at 31 March 2023</b>	<b>1,109.304</b>	<b>2,287.526</b>	<b>44.898</b>	<b>4.487</b>	<b>30.324</b>	<b>132.539</b>	<b>330.834</b>	<b>3,939.912</b>	<b>241.644</b>
Gross Book Value	1,109.304	2,302.678	154.321	5.255	30.764	138.752			241.644
Accumulated Depreciation & Impairment	0.000	(15.152)	(109.423)	(0.768)	(0.440)	(6.213)			0.000
<b>Net Book Value at 31 March 2023</b>	<b>1,109.304</b>	<b>2,287.526</b>	<b>44.898</b>	<b>4.487</b>	<b>30.324</b>	<b>132.539</b>	<b>330.834</b>	<b>3,939.912</b>	<b>241.644</b>
<b>2021-22</b>									
<b>Net Book Value at 1 April 2021</b>	<b>1,054.394</b>	<b>2,039.280</b>	<b>38.755</b>	<b>1.908</b>	<b>24.860</b>	<b>113.246</b>	<b>315.520</b>	<b>3,587.963</b>	<b>223.943</b>
Additions	45.205	15.080	14.503	0.639	0.140	69.638	18.572	<b>163.777</b>	0.619
Revaluations & Impairments to Net Cost of Services	0.939	(6.631)	(0.799)	0.000	(4.282)	0.000	0.000	<b>(10.773)</b>	0.000
Revaluations & Impairments to Revaluation Reserve	10.354	8.098	0.000	0.000	(0.153)	0.000	0.000	<b>18.299</b>	(0.700)
Depreciation	(35.081)	(50.002)	(9.504)	(0.110)	(0.240)	0.000	(11.616)	<b>(106.553)</b>	(6.628)
Disposals	0.000	(0.063)	(0.248)	0.000	(0.995)	(1.823)	0.000	<b>(3.129)</b>	0.000
Other Movements	29.737	64.406	0.000	0.417	5.463	(111.080)	0.000	<b>(11.057)</b>	0.303
<b>Net Book Value at 31 March 2022</b>	<b>1,105.548</b>	<b>2,070.168</b>	<b>42.707</b>	<b>2.854</b>	<b>24.793</b>	<b>69.981</b>	<b>322.476</b>	<b>3,638.527</b>	<b>217.537</b>
Gross Book Value	1,105.548	2,089.457	142.343	3.320	25.256	74.037			217.537
Accumulated Depreciation & Impairment	0.000	(19.289)	(99.636)	(0.466)	(0.463)	(4.056)			0.000
<b>Net Book Value at 31 March 2022</b>	<b>1,105.548</b>	<b>2,070.168</b>	<b>42.707</b>	<b>2.854</b>	<b>24.793</b>	<b>69.981</b>	<b>322.476</b>	<b>3,638.527</b>	<b>217.537</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.
- Dunfermline Museum and Art Gallery (included in Other Land & Buildings Assets)  
Carnegie Library is an historic building with special features and is the first "Carnegie Library" built with donations from Dunfermline born philanthropist Andrew Carnegie. As such it is valued using reproduction valuation method.
- 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	2018 19 £m	2019 20 £m	2020 21 £m	2021 22 £m	2022 23 £m	Total £m
Council Dwellings	0.000	0.000	0.000	0.000	0.000	1,109.304	<b>1,109.304</b>
Surplus Assets	0.689	0.822	1.229	5.212	6.079	16.733	<b>30.764</b>
Other Land & Buildings	23.994	24.567	17.292	27.181	3.389	2,206.255	<b>2,302.678</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 and amortisation is applied on a straight line basis on 1 April asset values over their remaining useful lives with significant components depreciated separately. Exceptions are made for assets without a determinable finite useful life (i.e. land) and 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	3 - 25 years	Determined by suitably qualified officers
Infrastructure	10 - 40 years	

## Impairment

Impairment reviews are undertaken at the end of each financial year to identify if the value of any asset has materially changed in the year and the reasons for that change. Where this is the case, the recoverable amount of the asset is estimated and, if this is less than the carrying amount of the asset, an impairment loss is recognised.

There were 7 impairments made to assets during 2022-23 with a value of £2.120m. The impairments related to demolitions of these assets, the largest being the Tryst Centre, Dunfermline which was £1.633m.

## Accounting Treatment

The CIES 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 CIES, 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 those that are intended to be preserved in trust for future generations, held and maintained principally for their contribution to knowledge and culture. Accounting treatment is the same as for Property, Plant & Equipment assets however they are deemed to have indeterminate lives and high residual values and as such it is considered inappropriate to charge depreciation. The Council has identified Heritage Assets which include works of art, museums collections, historical buildings and archaeological sites.

- The Council has Heritage Assets which have been valued and recognised in the balance sheet, namely; the Council's fine art collections mainly comprising 19th and 20th century oil paintings, and a substantial number of works on paper and a small number of pieces of sculpture were valued in November 2022 by historic and contemporary fine arts specialists, the Scottish Gallery of Edinburgh and; the Council's Provost chains which were valued in December 2022 by leading auction house Lyon & Turnbull of Edinburgh.
- 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 and 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.

Individual museums are fully accredited under the Accreditation Scheme administered by Museums Galleries Scotland (An application will be made in 2023 for accredited status for Dunfermline Carnegie Library & Galleries, which has Working Towards Accreditation Status). This sets minimum standards for collections care (including storage, documentation, handling and access). Various plans, such as the Museum Documentation Manual, Collections Care Plan and Document Plans 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.

2021 22			Heritage Asset movements during the year	2022 23		
Fine Art £m	Other £m	Total £m		Fine Art £m	Other £m	Total £m
<b>20.005</b>	<b>8.247</b>	<b>28.252</b>	<b>At 1 April</b>	<b>20.005</b>	<b>8.247</b>	<b>28.252</b>
0.000	0.000	0.000	Additions	0.000	0.001	0.001
0.000	0.000	0.000	Revaluations	2.499	0.380	2.879
<b>20.005</b>	<b>8.247</b>	<b>28.252</b>	<b>At 31 March</b>	<b>22.504</b>	<b>8.628</b>	<b>31.132</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 CIES (gains limited to extent of previous losses to CIES).

2021 22 £m	Assets Held for Sale movements during the year	2022 23 £m
<b>3.591</b>	<b>At 1 April</b>	<b>11.078</b>
0.018	Additions	0.000
(1.877)	Revaluation gains/(losses)	0.354
11.057	Assets transferred (to)/from Property, Plant & Equipment	2.677
(1.650)	Assets sold	(12.443)
(0.061)	Transfer (to)/from Common Good	0.000
<b>11.078</b>	<b>At 31 March</b>	<b>1.666</b>



#### 14. Intangible Assets

Intangible assets are non-monetary assets that do not have a physical substance but are controlled by the Council. The Council's Intangible assets are software assets which are not an integral part of IT systems within Property, Plant & Equipment (PPE). Accounting treatment of Intangible assets is the same as for PPE assets.

2021 22 £m	Intangible Assets movements during the year	2022 23 £m
	<b>Opening balance at 1 April</b>	
1.302	Gross carrying amounts	1.302
(1.302)	Accumulated amortisation	(1.302)
<b>0.000</b>	<b>Net carrying amount at start of year</b>	<b>0.000</b>
0.000	Movements in year	0.000
<b>0.000</b>	<b>Net carrying amount at end of year</b>	<b>0.000</b>
1.302	Gross carrying amounts	1.302
(1.302)	Accumulated amortisation	(1.302)
<b>0.000</b>	<b>Total</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.

2021 22 £m	Capital Financing Requirement movements during the year	2022 23 £m
<b>1,118.254</b>	<b>At 1 April</b>	<b>1,133.121</b>
	<b>Capital investment:-</b>	
163.777	Property, Plant and Equipment	189.358
0.018	Assets Held for Sale	0.000
0.000	Heritage Assets	0.001
0.010	Financial Instrument Investments	0.003
	<b>Sources of finance:-</b>	
(2.624)	Capital receipts	(14.700)
(10.330)	Loan Repayments	0.000
(52.520)	Government grants and other contributions	(74.951)
(40.713)	Direct revenue contributions	(32.524)
(42.751)	Loans Fund principal repayments	(43.832)
0.000	Service Concession Arrangements (see note 17)	43.576
<b>1,133.121</b>	<b>At 31 March</b>	<b>1,200.052</b>
746.223	Capital Financing Requirement - General Fund	785.891
386.898	Capital Financing Requirement - Housing Revenue Account	414.161
<b>1,133.121</b>	<b>At 31 March</b>	<b>1,200.052</b>
<b>0.000</b>	<b>Capital Contract Commitments at 31 March - Property, Plant &amp; Equipment</b>	<b>70.133</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 (CIES) 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 at 31 March 2023 at a value of £166.951m.

There are no other finance lease agreements included in the Council's balance sheet at 31 March 2023.

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 2023.

### 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 CIES as an expense of the services benefitting from use of the lease.

2021 22 £m	Future minimum lease payments due at 31 March under non-cancellable leases in future years:-	2022 23 £m
1.698	Not later than one year	1.502
2.385	Later than one year and not later than five years	1.257
6.855	Later than five years	7.224
<b>10.938</b>	<b>Total</b>	<b>9.983</b>

2021 22 £m	Expenditure charged to the CIES during the year in relation to these leases:-	2022 23 £m
1.717	Minimum lease payments	1.483
0.000	Contingent rents	0.000
<b>1.717</b>	<b>Total</b>	<b>1.483</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.

2021 22 £m	The future minimum lease payments at 31 March receivable in future years are:-	2022 23 £m
3.095	Not later than one year	3.349
8.058	Later than one year and not later than five years	8.569
75.834	Later than five years	73.296
<b>86.987</b>	<b>Total</b>	<b>85.214</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, which 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. 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.

2021 22		Annual Unitary Charge payments and Scottish Government Grant support	2022 23	
Unitary charge £m	Grant support £m		Unitary charge £m	Grant support £m
8.294	(3.680)	PPP1	8.475	(3.680)
8.597	(4.168)	PPP2	8.961	(4.168)
3.865	(3.212)	NPD	3.958	(3.212)
<b>20.756</b>	<b>(11.060)</b>		<b>21.394</b>	<b>(11.060)</b>
<b>Outstanding Liability on Balance Sheet</b>				
88.273		1 April		81.861
(6.412)		Capital Repayments during the year		(5.631)
<b>81.861</b>		31 March		<b>76.230</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 (CIES) 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 CIES (Financing and Investment Income & Expenditure).

<b>Contract payments remaining to be made at 31 March 2023</b> (using 2.5% indexation excl availability/performance deductions)	<b>Service Costs</b> £m	<b>Capital Repayment</b> £m	<b>Finance Costs</b> £m	<b>Total</b> £m
Payable in 2023-24	7.913	6.938	6.530	21.381
Payable within two to five years	39.024	30.208	19.128	88.360
Payable within six to ten years	29.525	23.322	12.398	65.245
Payable within eleven to fifteen years	9.342	8.796	3.283	21.421
Payable within sixteen to twenty years	6.514	6.966	1.013	14.493
<b>Total</b>	<b>92.318</b>	<b>76.230</b>	<b>42.352</b>	<b>210.900</b>

### Application of Service Concession Arrangement Flexibilities

In 2022 the Scottish Government issued statutory guidance (Local Government Finance Circular 10/2022) which allowed Councils temporary flexibility in accounting for Service Concession Arrangements entered into prior to April 2022, which include the Council's PPP and NPD schemes.

The guidance sets out the accounting requirements and options for recognising the capital repayment element of these arrangements and permits councils to undertake internal accounting changes to reprofile the repayment charged to General Fund over an extended period of time.

The Council has applied the permitted flexibility in financial year 2022-23 on a retrospective annuity basis over 40 years. This approach is consistent with current Council Loans Fund policy and is considered prudent, sustainable, and affordable over the useful life of the asset. The annuity period used is 40 years as this replicates the useful asset life of other similar type assets held on the Council's balance sheet i.e. schools.

The current unitary charge repayments to contractors will continue until the end of each PPP & NPD contract, however, the use of this flexibility results in a one-off credit to the General Fund and ongoing annual savings for a period of time. At the end of each of the PPP & NDP contracts, the unitary charge is no longer paid but reprofiled debt repayments continue to be charged to General Fund until the debt liability has been extinguished.

The calculation of the repayment charges, using the asset life annuity basis, is compared to the current charges which are made over the contract period. By applying the flexibility, a one-off combined pre 2022-23 retrospective saving of £39.787m (as detailed in the table below) will be achieved.

Comparison of current and revised debt repayments	Current Repayment £m	Revised Repayment £m	(Reduction) / Cost £m
Pre 2022-23	53.275	13.488	(39.787)
Paid in 2022-23	5.631	1.842	(3.789)
Payable in 2023-24	6.938	1.974	(4.964)
Payable within two to five years	30.208	9.459	(20.749)
Payable within six to ten years	23.322	16.463	(6.859)
Payable within eleven to fifteen years	8.796	24.055	15.259
Payable within sixteen to twenty years	6.966	35.635	28.669
Payable within twenty one to twenty five years	0.000	17.308	17.308
Payable within twenty six to thirty years	0.000	7.708	7.708
Payable within thirty one to thirty five years	0.000	7.204	7.204
<b>Total</b>	<b>135.136</b>	<b>135.136</b>	<b>0.000</b>

In addition to the one-off retrospective element, an in-year saving occurs in scheduled debt repayments in 2022-23, of £3.789m. This will be followed by a reduction in the annual charges for a further 9 years and then the statutory charges will continue until the end of the reprofiled debt repayment period. Over the full asset lives the total repayment for the debt liability remains the same.

The reprofiling of the debt liability repayments increases the Capital Financing Requirement (CFR) by £39.787m as at 1 April 2022. The increase in the CFR (Note 15) will continue to be reduced by the revised repayments after each PPP and NPD contract has expired until the end of the revised period. Being a cumulative statutory adjustment there is no prior year restatement of statutory adjustments in the Annual Accounts. The statutory adjustment up to 31 March 2023 has the following impact on the 2022-23 Balance sheet (Capital Adjustment Account) and Movement in Reserves statement:

Impact on Balance Sheet and Movement in Reserves Statement	Pre-2022 23 £m	2022 23 £m	Total £m
Capital Adjustment Account	39.787	3.789	43.576
Movement in Reserves Statement	(39.787)	(3.789)	(43.576)

## 18. Inventories

2021 22			Movement in Inventories (measured at lower of cost and net realisable value)	2022 23		
Stores / Raw Materials £m	Equipment Stock £m	Total £m		Stores / Raw Materials £m	Equipment Stock £m	Total £m
3.909	0.373	<b>4.282</b>	Opening Balance 1 April	4.049	0.335	<b>4.384</b>
17.704	1.191	<b>18.895</b>	Purchases	20.815	1.446	<b>22.261</b>
(18.564)	(1.229)	<b>(19.793)</b>	Recognised as in-year expense	(20.811)	(1.277)	<b>(22.088)</b>
1.000	0.000	<b>1.000</b>	Stock adjustments-write on/(off)	0.114	0.000	<b>0.114</b>
<b>4.049</b>	<b>0.335</b>	<b>4.384</b>	<b>Balance 31 March</b>	<b>4.167</b>	<b>0.504</b>	<b>4.671</b>

## 19. Short Term Debtors and Creditors

31 March 2021		Short Term Debtors and Creditors (after provision for impairment)	31 March 2023	
Debtors £m	Creditors £m		Debtors £m	Creditors £m
33.005	(17.526)	Central Government bodies	35.838	(17.815)
30.692	(0.866)	Local Taxation (Council Tax & Non-Domestic Rates)	30.408	(0.788)
3.147	(32.936)	Employees (Pay & Holiday Pay Accruals)	0.130	(38.995)
16.847	(30.636)	Financial Assets and Liabilities (see Note 21)	16.220	(40.829)
0.000	(36.277)	Integration Joint Board (IJB)	0.000	(35.451)
18.420	(29.400)	Other Entities and Individuals	22.691	(28.934)
<b>102.111</b>	<b>(147.641)</b>		<b>105.287</b>	<b>(162.812)</b>
		<b>Local Taxation Debtors analysed by age of debt</b>		
6.348		Up to 1 Year	5.129	
14.020		1-5 Years	14.300	
10.324		Greater than 5 Years	10.979	
<b>30.692</b>			<b>30.408</b>	

## 20. Provisions

Provisions are based on the Council's obligations arising from past events, probability that transfer of economic benefit or service potential will take place and reliable estimate of the obligation. Provisions are charged to the relevant service in the CIES when 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. insurance claims) this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be made 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 lower settlement than anticipated is made), it is reversed and credited back to the relevant service.

	Dilapidations £m	Expenses Awards £m	Insurance Claims £m	Employee Allowances £m	Asset Decomm. £m	Total £m
<b>1 April 2022</b>	<b>0.000</b>	<b>(0.071)</b>	<b>(7.251)</b>	<b>(0.408)</b>	<b>(6.741)</b>	<b>(14.471)</b>
Additional provisions made	(0.700)	0.000	(1.660)	0.000	0.566	<b>(1.794)</b>
Amounts used	0.000	0.001	1.293	0.095	0.000	<b>1.389</b>
Unused amounts reversed	0.000	0.070	0.000	0.313	0.000	<b>0.383</b>
Unwinding of discounting	0.000	0.000	(0.163)	0.000	(0.042)	<b>(0.205)</b>
<b>31 March 2023</b>	<b>(0.700)</b>	<b>0.000</b>	<b>(7.781)</b>	<b>0.000</b>	<b>(6.217)</b>	<b>(14.698)</b>
Short-Term Provisions	(0.700)	0.000	0.000	0.000	0.000	<b>(0.700)</b>
Long-Term Provisions	0.000	0.000	(7.781)	0.000	(6.217)	<b>(13.998)</b>
<b>Balance 31 March 2023</b>	<b>0.000</b>	<b>0.000</b>	<b>(7.781)</b>	<b>0.000</b>	<b>(6.217)</b>	<b>(14.698)</b>

- Dilapidations - expected future costs related to New City House in Dunfermline
- Expenses Awards - expected awards against the Council as a result of Planning Committee decisions.
- Insurance Claims - all known outstanding third party claims.
- Employee Allowances - expected costs resulting from agreed Equal Pay Claims.
- Asset Decommissioning - expected future obligations for landfill site aftercare at Lochhead and Lower Melville Wood (when they reach the point of closure) and for the closed site at Balbarton.

## 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 2022		Financial Instruments in the Balance Sheet	31 March 2023	
Short Term £m	Long Term £m		Short Term £m	Long Term £m
		<b>Investments</b>		
0.000	2.694	Employment Land	0.000	2.747
<b>0.000</b>	<b>2.694</b>		<b>0.000</b>	<b>2.747</b>
		<b>Other Financial Assets</b>		
1.016	6.687	Loan Debt - Police and Fire Authorities	1.039	5.649
0.016	0.166	Loan Advances - Soft Loans	0.009	0.101
15.815	0.000	Trade Debtors	15.172	0.000
<b>16.847</b>	<b>6.853</b>		<b>16.220</b>	<b>5.750</b>
		<b>Borrowings</b>		
(21.630)	(556.814)	Loans - Public Works Loan Board (PWLB)	(35.426)	(551.388)
0.000	(327.350)	Loans - Money Market	(1.000)	(309.550)
(35.000)	0.000	Loans - Temporary Short Term	(22.000)	0.000
(10.368)	0.000	Loan Interest	(10.234)	0.000
(0.057)	(5.033)	Loan Liability - Effective Interest Rate (EIR)	(0.080)	(4.989)
<b>(67.055)</b>	<b>(889.197)</b>		<b>(68.740)</b>	<b>(865.927)</b>
		<b>Other Financial Liabilities</b>		
(5.631)	(76.230)	PPP, NPD and finance lease liabilities	(6.938)	(69.292)
(25.005)	0.000	Trade Creditors (at contract amount)	(33.891)	0.000
<b>(30.636)</b>	<b>(76.230)</b>		<b>(40.829)</b>	<b>(69.292)</b>

### Investments

The Council is party to Employment Land investments with Scottish Enterprise. Market conditions show that similar assets are actively sold so these are valued at Level 2 of the Fair Value hierarchy. Valuation changes are shown in Comprehensive Income & Expenditure Statement (CIES) & Financial Instruments Revaluation Reserve. Part of the investment was disposed in 2022-23 recognising a gain on disposal of £0.027m.

### 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; soft loans (below market rate of interest) to employees; and other trade debtors.

Interest receivable is based on an effective rate of interest for each instrument and credited to CIES. For soft loans, a higher rate of interest is credited (reflecting interest foregone over the life of the loan) with transfers to Financial Instruments Adjustment Account to ensure only interest receivable impacts on Council Balances. Any gains and losses from de-recognition or impairment of loans & receivables are also charged to CIES.

### Borrowings

Borrowing from the PWLB, Money Market and Temporary Loans is held at amortised cost. Fair Value of these was assessed at 31 March 2022 and was greater than amortised cost, as the Council's portfolio of loans includes fixed rate loans where interest payable was higher than market rates available. At 31 March 2023 however, the increase in market rates in the last year has led to Fair Value being lower than the amortised cost.

2021 22 £m	PWLB and Money Market Loans	2022 23 £m
905.794	Carrying Value (amortised cost) at balance sheet date	897.364
1,144.286	Fair Value at balance sheets date	788.401
32.795	Interest on borrowings charged to CIES in the year	33.254

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 General Fund and Financial Instruments Adjustment Account.

### Other Financial Liabilities

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



## 22. Nature and Extent of Risks Arising from Financial Instruments

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, in accordance with the Prudential Code for Capital Finance in Local Authorities, approved annually prudential and treasury indicators for the following three years.

### Liquidity and Re-Financing Risk

There is no significant risk that the Council will be unable to raise finance to meet its commitments, as borrowing is readily available from PWLB, but there is a risk that it will be bound to replenish a significant proportion of debt in a time of unfavourable interest rates. The Council's treasury management indicators provide maximum limits for maturity structure of borrowings and investments maturing beyond one year, and its Borrowing & Investment Strategy addresses the main risks by monitoring maturity profiles of financial liabilities and investments, and amending (by new borrowing or rescheduling debt) to ensure sufficient liquidity is available for daily cash flow.

Maturity Analysis of Financial Liabilities	PWLB & Money Market £m	Temp Loans & Interest £m	EIR Loan Liability £m	Total £m	Maturity Profile %
Less than one year	36.426	32.234	0.080	68.740	7.35%
Between one and two years	1.152	0.000	0.046	1.198	0.13%
Between two and five years	22.499	0.000	0.141	22.640	2.42%
Between five and ten years	51.912	0.000	0.283	52.195	5.58%
Ten years or more	785.375	0.000	4.519	789.894	84.52%
<b>Total</b>	<b>897.364</b>	<b>32.234</b>	<b>5.069</b>	<b>934.667</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, loans to other Local Authorities and credit exposures to the Council's customers. The Council's policy for managing credit risk is outlined in the its Treasury Management Policy. Deposits are not made with banks and financial institutions unless they satisfy a minimum rating set by each of three leading credit agencies.

The potential exposure to credit risk, based on experience of default and uncollectability is shown below. The majority of debt is past its due date for payment as the Council's payment policy is 14 days from the invoice date.

2021 22 £m	Analysis of Trade Debtors	Within 3 months £m	3 - 6 months £m	6 - 12 months £m	Beyond 12 months £m	Total 2022 23 £m
20.497	At 31 March	7.431	1.123	3.278	8.791	20.623
22.80%	Historical experience of default					26.40%
4.682	Potential exposure to default					5.451

### Market risk

The Council is exposed to interest rate movements on borrowings and investments which have a direct impact on General Fund or HRA balances. e.g. an increase in interest rates would increase interest payable on variable borrowings and increase interest receivable on investments (if rates reduce the reverse applies). Borrowings are held at amortised cost, so gains and losses to fair value from a change in interest rates will not have an impact.

The Council's Treasury Management Policies manage interest rate exposure by limiting the amount of borrowing held at variable rates to 75% of it's total portfolio. In previous years loans have been restructured into "variable structure" debt and 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.

2021 22 £m	Impact of 1% increase in interest rate (assuming all other variables are constant)	2022 23 £m
0.157	Increase in Interest Payable	0.080
(0.926)	Increase in Interest Receivable	(1.666)
<b>(0.769)</b>	<b>Net impact on the CIES</b>	<b>(1.586)</b>

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. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Scottish Teachers' Superannuation Scheme, an unfunded scheme administered by the Scottish Public Pensions Agency. The scheme is accounted for as a defined contribution scheme as it is a national scheme which does not allow for the identification of pension liabilities consistently and reliably between participating authorities. The accounts, therefore, include the payments made by the Council to the scheme in year but do not reflect estimated pension assets or liabilities. The Council is however responsible for 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.

2021 22 £m	Teachers' Retirement Benefits	2022 23 £m
36.360	Amounts due to Scottish Public Pensions Agency for Teachers' Pensions	37.013
4.393	Early Retirement Benefits outside the terms of the Teachers' Scheme	4.409

## 24. 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.

### 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.

2021 22			2022 23	
Fife Council £m	Group £m		Fife Council £m	Group £m
		<b>Comprehensive Income &amp; Expenditure Statement (CIES)</b>		
		Cost of Services:-		
161.902	171.638	Current Service Cost	158.379	166.780
3.709	5.307	Past service costs (incl. Curtailments )	5.453	5.730
		Financing and Investment Income and Expenditure:-		
74.011	77.721	Interest cost	97.384	101.928
(56.797)	(60.132)	Interest Income on plan assets	(82.041)	(86.527)
182.825	194.534	Total charged to (Surplus)/Deficit on Provision of Services	179.175	187.911
(389.164)	(410.902)	Total remeasurements recognised in Other Expenditure	(1,057.728)	(1,112.553)
<b>(206.339)</b>	<b>(216.368)</b>	<b>Total Post Employment Benefit charged to the CIES</b>	<b>(878.553)</b>	<b>(924.642)</b>
		<b>Movement in Reserves Statement</b>		
(182.825)	(194.534)	Reversal of charges to the CIES under accounting regulations	(179.175)	(187.911)
		Amounts charged for pensions in the year against Balances:-		
74.789	79.513	Employers' contributions payable to plan	81.782	85.665
7.091	7.117	Contributions in respect of unfunded benefits	7.085	7.109
<b>(100.945)</b>	<b>(107.904)</b>		<b>(90.308)</b>	<b>(95.137)</b>

Contributions expected to be made to the funded plan in financial year 2023-24

81.690	85.869
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## Value of Plan Assets and Liabilities

2021 22			2022 23	
Fife Council £m	Group £m		Fife Council £m	Group £m
		<b>Fair Value of Plan assets</b>		
<b>2,833.505</b>	<b>2,997.321</b>	<b>Balance at 1 April</b>	<b>3,029.060</b>	<b>3,206.354</b>
56.797	60.132	Interest Income on Plan Assets	82.041	86.527
18.033	19.135	Participants Contributions	19.879	20.958
74.789	79.513	Employers contributions	81.782	85.665
(76.156)	(78.611)	Benefits paid	(78.304)	(80.744)
(7.091)	(7.117)	Unfunded benefits paid	(7.085)	(7.109)
7.091	7.117	Contributions in respect of unfunded benefits paid	7.085	7.109
122.092	128.864	Return on assets excluding amounts included in net interest	(190.954)	(207.842)
<b>3,029.060</b>	<b>3,206.354</b>	<b>Balance at 31 March</b>	<b>2,943.504</b>	<b>3,110.918</b>
		<b>Present Value of Plan liabilities (defined benefit obligation)</b>		
<b>(3,653.151)</b>	<b>(3,832.538)</b>	<b>Balance at 1 April</b>	<b>(3,560.487)</b>	<b>(3,738.573)</b>
(161.902)	(171.638)	Current Service Cost	(158.379)	(166.780)
(3.709)	(5.307)	Past Service Cost (including curtailments)	(5.453)	(5.730)
(74.011)	(77.721)	Interest Cost on defined benefit obligation	(97.384)	(101.928)
(18.033)	(19.135)	Participants Contributions	(19.879)	(20.958)
76.156	78.611	Benefits paid	78.304	80.744
7.091	7.117	Unfunded Benefits paid	7.085	7.109
249.294	263.602	Remeasurement: Change in financial assumptions	1,391.043	1,469.655
22.377	23.437	Remeasurement: Change in demographic assumptions	26.640	27.750
(4.599)	(5.001)	Remeasurement: Other experience	(169.001)	(177.010)
<b>(3,560.487)</b>	<b>(3,738.573)</b>	<b>Balance at 31 March</b>	<b>(2,507.511)</b>	<b>(2,625.721)</b>
<b>(531.427)</b>	<b>(532.219)</b>	<b>Net Asset / (Liability)</b>	<b>435.993</b>	<b>485.197</b>
3,029.060	3,206.354	Fair value of Plan Assets	2,943.504	3,110.918
(3,432.039)	(3,609.217)	Present value of funded liabilities	(2,405.043)	(2,522.654)
(128.448)	(129.356)	Present value of unfunded liabilities	(102.468)	(103.067)
<b>(531.427)</b>	<b>(532.219)</b>	<b>Net Asset / (Liability)</b>	<b>435.993</b>	<b>485.197</b>

31 March 2022				Fair Value of Plan Assets at bid value (under accounting standard IAS19)	31 March 2023			
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	%
546.962	0.000	546.962	18%	Equity Securities	523.022	0.000	523.022	18%
				Debt Securities				
				• Corporate Bonds	0.000	64.393	64.393	2%
				• UK Government	0.000	360.017	360.017	12%
				• Other	0.000	0.317	0.317	0%
				Real Estate				
				• UK Property	156.325	15.489	171.814	6%
				Investment Funds & Unit Trusts				
				• Equities	942.384	0.000	942.384	32%
				• Bonds	289.201	0.000	289.201	10%
				• Infrastructure	0.000	424.972	424.972	14%
				Derivatives	0.115	0.000	0.115	0%
				Cash & Cash Equivalents	167.269	0.000	167.269	6%
<b>2,492.461</b>	<b>536.599</b>	<b>3,029.060</b>	<b>100%</b>	<b>TOTAL</b>	<b>2,078.316</b>	<b>865.188</b>	<b>2,943.504</b>	<b>100%</b>

Only Fife Council figures are shown above as other Group bodies are prepared using accounting standard FRS102.

## Basis for estimating assets and liabilities

Liabilities are assessed on an actuarial basis using the projected unit credit method, an estimate of 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 2020 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	2021 22		Principal Assumptions used	2022 23		
	Medium Duration	Long Duration		Short Duration	Medium Duration	Long Duration
			<b>Mortality-Longevity at age 65 (years)</b>			
20.1	20.1	20.1	Men (current pensioners)	20.0	20.0	20.0
21.2	21.2	21.2	Men (future pensioners)	21.1	21.1	21.1
22.9	22.9	22.9	Women (current pensioners)	22.9	22.9	22.9
24.9	24.9	24.9	Women (future pensioners)	24.9	24.9	24.9
			<b>Financial</b>			
3.30%	3.20%	3.15%	Rate of increase in pensions	3.00%	2.95%	2.95%
3.80%	3.70%	3.65%	Rate of increase in salaries	3.50%	3.45%	3.45%
2.70%	2.70%	2.75%	Rate for discounting scheme liabilities	4.75%	4.75%	4.75%
			<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.

## 25. Agency Income and Expenditure

Agency arrangements operate in some services where the Council undertakes work on behalf of other Local Authorities, Government or other public bodies. Expenditure and income relating to this work is excluded from the Comprehensive Income and Expenditure Statement because it is not part of the Council's responsibilities.

- The Council bills and collects domestic water and sewerage charges on behalf of Scottish Water along with its own Council Tax. During 2022-23 the Council transferred £65.747m (2021-22 £62.921m) to Scottish Water.
- The Council administered £26.041m of COVID-19 & Cost of Living support funding for businesses and individuals on behalf of the Scottish and UK Governments in 2022-23 (£55.852m, 2021-22).

## 26. 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 CIRECO Scotland Ltd 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 August 2023 (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 and Fife Resources Solutions LLP to confirm the Council's commitment to the ongoing financial sustainability of those bodies.

In addition, the Council agreed in January 2020, to provide a pensions arrangement for small employers who wish to exit the Fife Pension Fund. Six employers elected to take advantage of this proposal and have subsequently ceased participation in the scheme. The Council, as an Employer, has taken on the pension assets and liabilities of these employers which could result in increased liabilities depending on the future performance of the Fund.

## 27. Group & Related Parties

Group accounts are required to be prepared where the Council has material interests in other organisations which can be classified as subsidiaries, joint ventures or associates in line with the level of control that the Council exerts.

### Subsidiaries

Subsidiaries are independent bodies over which the Council is considered to have control. The following Subsidiaries have been identified and are included in the Group accounts where material.

Management Fee £m	2021 22 Fife Council balances at 31 March			Management Fee £m	2022 23 Fife Council balances at 31 March	
	Debtors £m	Creditors £m			Debtors £m	Creditors £m
			<b>Included in Group Accounts</b>			
4.135	0.449	0.055	Fife Sports and Leisure Trust	3.826	0.474	0.395
1.560	0.188	0.269	Fife Coast & Countryside Trust	1.729	0.027	0.424
0.608	0.303	0.033	Fife Golf Trust	0.701	0.002	0.000
8.047	0.031	0.000	Fife Cultural Trust	8.579	0.129	0.082
15.064	1.606	0.772	Fife Resource Solutions LLP	15.498	1.667	0.947
0.000	0.000	0.000	CIRECO (Scotland) Ltd	0.000	0.001	0.008
0.790	0.003	0.121	Business Gateway Fife	0.767	0.003	0.004
<b>30.204</b>	<b>2.580</b>	<b>1.250</b>		<b>31.100</b>	<b>2.303</b>	<b>1.860</b>
			<b>Not included in Group Accounts</b> (due to materiality levels)			
0.000	0.000	0.000	Sustainability Fife Ltd	0.000	0.000	0.000

**Fife Sports & Leisure Trust** is a company limited by guarantee with charitable status set up on 1 April 2008 to provide sport & leisure activities in Fife through 14 leisure facilities leased from the Council. 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** is a company limited by guarantee with charitable status set up on 31 July 2006 providing countryside activities in Fife for the Council and partners including 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** is a company limited by guarantee with charitable status set up on 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 4 board members.

**Fife Cultural Trust** is a company limited by guarantee with charitable status set up on 1 October 2012 to provide arts, culture and entertainment across Fife, through library and museum services, an Arts Development service and management & operation of 4 theatre 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 4 board members.

**Fife Resource Solutions Limited Liability Partnership** was established on 1 April 2014 between Fife Council and Sustainability Fife Ltd to provide Waste Treatment & Disposal, Collection of Commercial & Industrial Waste, Waste Haulage & Transfer, Recycling Facilities, Energy Generation & Supply and related Consultancy Services. The Council pays a management fee and is represented on the Board of Directors by 5 board members.

**CIRECO (Scotland) Ltd** was established (as Resource Efficient Solutions Limited Liability Partnership) on 1 April 2014 as a partnership between Fife Council and Fife Resource Solutions LLP 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** is a company limited by guarantee established as a joint venture between Fife Council and Scottish Enterprise to deliver support to start up and existing small businesses in Fife. The Council is now the sole owner, providing funding for financial assistance to small businesses, operational funding and a contribution to the Business Gateway delivery contract, and is represented on the Board of Directors by 2 board members.

**Sustainability Fife Ltd** is wholly owned by the Council and established to form a partnership with the Council to create Fife Resource Solutions LLP. The Council is represented on the Board of Directors by 5 board members.

### **Joint Venture - Fife Integration Joint Board (IJB)**

The IJB, established on 3 October 2015 as a Joint Venture with NHS, is responsible for planning, operational oversight and management of Integrated Health & Social Care Services. The Council's share of IJB reserves at 31 March 2023 is £18.860m (31 March 2022 £39.856m) which is included in the Council's accounts on an equity basis. Further details are shown as material items in the Comprehensive Income & Expenditure Statement.

### **Associates**

Associates are bodies which the Council has significant influence over, but do not meet criteria of Joint Ventures or Subsidiaries. The following Associates were identified but not included in Group accounts due to materiality.

**Fife Historic Building Trust** is a company which promotes and encourages the maintenance and improvement of the amenity of the area of Fife and the protection and preservation of its landscape, architectural and historical heritage. The Council has 2 of the 10 Board members and in 2022-23 contributed £0.273m (2021-22 £0.183m).

**Fife Environment Trust** is a company which distributes locally generated landfill tax monies to environmental and community projects eligible under Scottish Landfill Communities Fund requirements. The Council has 2 of the 6 Board members and in 2022-23 the Council and its Group contributed £0.879m (2021-22 £0.937m).

### **Other Related Parties**

The Council transacts with 'related parties' on a regular basis 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.

### **Scottish Government**

The 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**

In addition to Subsidiaries and Associates, elected members have registered interests in other bodies where the Council does not have significant influence over their operations. In 2022-23 the Council and its Group made material payments (>£0.100m) to 15 of these bodies totalling £7.213m. The members' register of interests is at:

<https://www.fife.gov.uk/kb/docs/articles/about-your-council2/politicians-and-committees/your-local-councillors>

The Council's senior officers (detailed in Remuneration Report) have control over its financial & operating policies. There were no material payments to bodies where senior officers have a registered interest but members do not.

### **Other Organisations**

The Council has interests in other bodies in collaboration with other local authorities, but are not Associates as the Council either has no significant influence, or does not invest in those bodies. These include SESTRan (South East of Scotland Transport Partnership), Tay Bridge Joint Board and Scotland Excel. Payments made to these bodies are included in Members and Officers section above where material.

### **Local Government Pension Fund**

Fife Council acts as the administering Authority for 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 but does not include Teachers. The Fife Pension Fund accounts are not part of the Council's accounts but subject to separate audit, and available from Pensions Team, Fife Council, North Street, Glenrothes, KY7 5LT.

2021 22 £m		2022 23 £m
1.645	Charges to the Pension Fund for support services related to administration	1.775
81.193	Employers' contribution paid to the Pension Fund	81.180
19.266	Employee's contributions collected and paid to the Pension Fund	19.734

### **External Audit**

The agreed external audit fee for 2022-23 was £0.648m for work undertaken in accordance with the Code of Audit Practice (2021-22, £0.550m). No other services were provided by external audit in the year.

## 28. Contingent Assets and Liabilities

Contingent assets or liabilities arise where an event occurs 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 control of the Council. Contingent liabilities also arise 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 obligation cannot be measured reliably.

At 31 March 2023 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 2,400 at an estimated cost of £81.000m over the 17 year period (2010-11 to 2026-27). Included in the 2022-23 accounts are costs totalling £0.225m for approximately 10 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 4 establishments included in the list of Institutions being investigated along with investigations into Foster Care, Child Migrant, and a few individuals. The Council have received claims for £4.140m, however there is potential for more as the time bar has been removed for cases where the abuse occurred post September 1964. The introduction of Qualified One-Way Cost Shifting in 2021 removed the risk of the claimant having to pay defenders expenses if their claim is 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 exact timing or value of any future claims.

## 29. 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 policies are only made when required by proper accounting practices or to provide more reliable or relevant information on the Council's financial position. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are also corrected retrospectively.

The following restatement is included in these Accounts: -

- Note 27 Group & Related Parties - Changes in presentation were introduced this year to disclose Management Fees paid by the Council to Subsidiaries. The 2021-22 figures have been included for comparison purposes.

## 30. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date the Statement of Accounts is authorised for issue. There are two distinct types:- those that existed at the balance sheet date where the accounts should be adjusted to reflect these; and those which arose after the balance sheet date which require disclosure in the notes to the accounts if material. Fife Council had no such events for 2022-23.

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.

2021 22 £m		2022 23 £m
	<b>Income</b>	
(121.218)	Dwelling Rents	(125.010)
1.728	Rent Voids	1.984
(3.484)	Non-dwelling Rents	(3.477)
(2.343)	Hostels - Accommodation Charges	(2.316)
(2.948)	Other Income	(2.333)
<b>(128.265)</b>	<b>Total Income</b>	<b>(131.152)</b>
	<b>Expenditure</b>	
45.549	Repairs and Maintenance	49.880
26.560	Supervision and Management	28.448
0.236	Rents, rates, taxes and other charges	0.245
34.044	Depreciation, impairment and revaluation losses of non-current assets	36.858
2.335	Impairment of Debtors	3.277
1.220	Other Expenditure	0.970
<b>109.944</b>	<b>Total Expenditure</b>	<b>119.678</b>
<b>(18.321)</b>	<b>Net Expenditure or (Income) of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>(11.474)</b>
0.179	Share of Corporate and Democratic Core	0.155
0.037	HRA share of other amounts included in the whole Council Net Expenditure of Continuing Operations but not allocated to specific services	0.041
<b>(18.105)</b>	<b>Net (Income) or Expenditure for HRA Services</b>	<b>(11.278)</b>
	<b>HRA Share of operating income and expenditure included in the whole Council Comprehensive Income and Expenditure Statement</b>	
(0.145)	(Gain) or Loss on sale of HRA Non Current Assets	(0.152)
12.402	Interest Payable and Similar Charges	13.176
(0.068)	Interest and Investment Income	(0.884)
0.632	Pension Interest Cost and Expected Return on Pension Assets	0.586
(10.912)	Capital Grants and Contributions Receivable	(23.506)
<b>(16.196)</b>	<b>(Surplus) or Deficit for the Year on HRA Services</b>	<b>(22.058)</b>

**Movement on the Housing Revenue Account Statement**

2021 22 £m		2022 23 £m
(16.196)	(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement	(22.058)
	Adjustments between accounting & funding basis:	
(5.025)	- permitted by accounting standards	(4.911)
22.371	- required by statutory regulations	26.268
(0.150)	Transfers to/(from) Other Statutory Reserves	0.326
1.000	Net (Increase) or Decrease In Year on HRA	(0.375)
(8.005)	Balance on the HRA at the end of the Previous Year	(7.005)
<b>(7.005)</b>	<b>Balance on the HRA at the end of the Current Year</b>	<b>(7.380)</b>



## Housing Revenue Account Disclosures

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

2021 22 £m		2022 23 £m
	<b>Accounting Standards Adjustments</b>	
	Adjustments for Capital Purposes	
(5.025)	Revaluation element of depreciation in CIES	(4.911)
<b>(5.025)</b>	<b>Total Accounting Standards Adjustments</b>	<b>(4.911)</b>
	<b>Statutory Adjustments</b>	
	Adjustments for Capital Purposes	
(29.019)	Depreciation, Impairment and Revaluations	(31.947)
10.912	Capital Grants and Contributions	23.506
0.145	Gain or (loss) on sale of HRA non-current assets	0.152
14.096	Repayment of Debt	16.333
29.142	Capital expenditure funded by the HRA	20.560
(3.829)	HRA share of contributions to/(from) the Pensions Reserve	(3.512)
0.966	HRA Share of Transfer (to)/from Financial Instruments Adjustment Account	1.009
(0.042)	HRA adjustment for compensated absences	0.167
<b>22.371</b>	<b>Total Statutory Adjustments</b>	<b>26.268</b>

### 2. Housing Stock

31 March 2022 Number	Council housing stock analysed by number of bedrooms	31 March 2023 Number
253	0	253
7,432	1	7,457
14,475	2	14,554
7,376	3	7,444
1,186	4 - 8	1,200
<b>30,722</b>		<b>30,908</b>

### 3. Rent Arrears

31 March 2022 £m		31 March 2023 £m
5.012	Current Tenants	6.696
1.549	Former Tenants	2.150
0.248	Temporary Accommodation	0.558
<b>6.809</b>		<b>9.404</b>

### 4. Impairment of Debtors

A provision of £7.065m (75.1%), has been made in respect of uncollectable debts. (2021-22 - £5.249m, 77.1%).



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, deductions made under statute and income retained by the Council for approved Tax Incremental Financing (TIF) projects. The net income is paid to Scottish Government as a contribution to the national non-domestic pool.

2021 22 £m		2022 23 £m
(206.237)	Gross Rates Levied & Contributions in Lieu	(208.170)
66.778	Reliefs & Other Deductions	41.361
0.837	Debts Written Off and Allowance for Impairment	0.994
<b>(138.622)</b>	<b>Net Non-Domestic Rate Income</b>	<b>(165.815)</b>
10.859	Adjustment to previous years National Non-Domestic Rates	6.009
0.029	Non-domestic rate income retained by authority (TIF)	0.014
<b>(127.734)</b>	<b>Contribution to Non-Domestic Rate Pool</b>	<b>(159.792)</b>
(135.763)	Distribution from Non-Domestic Rate Pool	(179.675)
<b>(135.763)</b>	<b>Non-Domestic Rate Income to the CIES</b>	<b>(179.675)</b>

Analysis of Rateable Values at 1 April 2022	Number of Subjects	Total £m	%
<b>Type of Subject</b>			
Shops	3,359	79.719	19.56
Public Houses	248	5.605	1.38
Offices (including banks)	2,372	25.875	6.35
Hotels, Boarding Houses etc	177	9.568	2.35
Industrial and Freight Transport Subjects	3,417	73.327	17.99
Leisure, Entertainment, Caravans and Holiday sites	1,304	14.083	3.46
Garages and Petrol Stations	184	2.031	0.50
Education and Training	218	31.544	7.74
Public Service Subjects	491	18.910	4.64
Communications (Non Formula)	27	2.580	0.63
Quarries, Mines etc.	32	1.094	0.27
Petrochemical	12	13.429	3.30
Religious	322	3.962	0.97
Health/Medical	67	8.422	2.07
Care Facilities	336	10.511	2.58
Undertaking (including Scottish Water)	57	96.479	23.68
Cultural	68	1.623	0.40
Sporting Subjects	588	1.025	0.25
Advertising	42	0.235	0.06
Other	1,404	7.431	1.82
<b>Total all Non-Domestic Subjects</b>	<b>14,725</b>	<b>407.453</b>	<b>100.00%</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 2022-23 this rate was 49.8p (2021-22, 49p) which is uniform throughout Scotland. A rate poundage of 51.1p (2021-22, 50.3p) applies to properties with a rateable value of more than £51,000 but less than £95,000. A rate poundage of 52.4p applies to properties with a rateable value of more than £95,000. 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 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. By law, the Council is required to bill and collect water and sewerage charges for Scottish Water however these are excluded from the Council's accounts except for any cash collected not yet paid over at the financial year end.

2021 22 £m		2022 23 £m
	<b>Gross Tax Levied</b>	
(228.399)	Council Tax	(237.040)
(0.148)	Council Tax - Prior Year Income	(0.543)
(0.552)	Contributions in lieu	(0.572)
(229.099)		(238.155)
	<b>Deductions</b>	
22.159	Council Tax Reduction	22.402
29.316	Discount and Exemptions	31.037
4.067	Debts Written Off and Allowance for Impairment	4.207
0.964	Prior Years Adjustments	1.513
56.506		59.159
<b>(172.593)</b>	<b>Council Tax Income to CIES</b>	<b>(178.996)</b>

### Charges Levied

Council Tax payable is dependent on the valuation band of a dwelling and is payable on any dwelling which is not determined as Exempt. Discounts and exemptions as specified in legislation can be applied to the gross charge.

Valuation Band (£)	A Up to 27,000	B 27,000 35,000	C 35,001 45,000	D 45,001 58,000	E 58,001 80,000	F 80,001 106,000	G 106,001 212,000	H Over 212,000
2022-23 charges (£)	879.48	1,026.06	1,172.64	1,319.22	1,733.31	2,143.73	2,583.48	3,232.09
2021-22 charges (£)	853.87	996.18	1,138.49	1,280.80	1,682.83	2,081.30	2,508.23	3,137.95

### Band D equivalent properties

The table below shows an analysis of properties at 31 March 2023 across valuation bandings. Certain prescribed dwellings are exempt and discounts are given to eligible taxpayers (e.g. single occupants) with reductions also granted to properties with certain attributes that are the sole and main residence of permanently disabled persons. The table converts the total number of properties into band D equivalents including a provision for non-payment.

Number of Dwellings	Total	Band								
		A(Dis)	A	B	C	D	E	F	G	H
Total Dwellings	182,136	0	40,454	48,685	24,304	21,931	24,675	14,571	6,997	519
Disabled Relief	0	77	134	(61)	4	99	(117)	(55)	(76)	(5)
Exemptions	(7,947)	0	(2,282)	(1,959)	(1,194)	(901)	(884)	(441)	(198)	(88)
Discounts	(20,178)	(9)	(6,631)	(5,581)	(2,790)	(2,087)	(1,805)	(821)	(413)	(41)
	<b>154,011</b>	<b>68</b>	<b>31,675</b>	<b>41,084</b>	<b>20,324</b>	<b>19,042</b>	<b>21,869</b>	<b>13,254</b>	<b>6,310</b>	<b>385</b>
Band D Ratio			240/360	280/360	320/360	360/360	473/360	585/360	705/360	882/360
	<b>153,787</b>	<b>38</b>	<b>21,117</b>	<b>31,954</b>	<b>18,065</b>	<b>19,042</b>	<b>28,734</b>	<b>21,537</b>	<b>12,357</b>	<b>943</b>
Non-payment provision-2.1%	(3,228)	(1)	(443)	(671)	(379)	(400)	(603)	(452)	(259)	(20)
<b>Band D Equivalent</b>	<b>150,559</b>	<b>37</b>	<b>20,674</b>	<b>31,283</b>	<b>17,686</b>	<b>18,642</b>	<b>28,131</b>	<b>21,085</b>	<b>12,098</b>	<b>923</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 (CIES) 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 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 CIES 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. The valuation of investments decreased by £0.326m due mainly to difficult market conditions affected by rising inflation and issues arising from the Russia - Ukraine conflict.

**Common Good Movement in Reserves Statement**

	Useable Reserves		Revaluation	Total
	Revenue	Capital	Reserve	Reserves
	£m	£m	£m	£m
<b>Opening Balance 1 April 2021</b>	<b>(5.409)</b>	<b>(1.423)</b>	<b>(2.542)</b>	<b>(9.374)</b>
<b><u>Movement in Reserves during 2021-22</u></b>				
(Surplus) or deficit on provision of services	(0.500)	0.000	0.000	<b>(0.500)</b>
Other Comprehensive Expenditure and Income	0.000	0.000	(0.401)	<b>(0.401)</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(0.500)</b>	<b>0.000</b>	<b>(0.401)</b>	<b>(0.901)</b>
Adjustments between accounting & funding basis	0.250	(0.290)	0.040	<b>0.000</b>
Transfers to/(from) Fife Council Reserves	0.000	0.041	(0.102)	<b>(0.061)</b>
Transfers between Reserves	0.034	(0.034)	0.000	<b>0.000</b>
<b>(Increase)/Decrease in year</b>	<b>(0.216)</b>	<b>(0.283)</b>	<b>(0.463)</b>	<b>(0.962)</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(5.625)</b>	<b>(1.706)</b>	<b>(3.005)</b>	<b>(10.336)</b>
<b><u>Movement in Reserves during 2022-23</u></b>				
(Surplus) or deficit on provision of services	(0.816)	0.000	0.000	<b>(0.816)</b>
Other Comprehensive Expenditure and Income	0.000	0.000	(0.866)	<b>(0.866)</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(0.816)</b>	<b>0.000</b>	<b>(0.866)</b>	<b>(1.682)</b>
Adjustments between accounting & funding basis	0.773	(0.918)	0.145	<b>0.000</b>
Transfers to/(from) Fife Council Reserves	0.000	(0.446)	(0.471)	<b>(0.917)</b>
Transfers between Reserves	0.000	0.000	0.000	<b>0.000</b>
<b>(Increase)/Decrease in Year</b>	<b>(0.043)</b>	<b>(1.364)</b>	<b>(1.192)</b>	<b>(2.599)</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>(5.668)</b>	<b>(3.070)</b>	<b>(4.197)</b>	<b>(12.935)</b>

## Common Good Comprehensive Income and Expenditure Statement

2021 22 £m		2022 23 £m
	<b>Expenditure</b>	
0.028	Property Costs	0.253
0.168	Donations	0.192
0.054	Depreciation and Revaluations	0.180
0.004	Other Expenditure	0.007
<b>0.254</b>	<b>Total Expenditure</b>	<b>0.632</b>
	<b>Income</b>	
(0.158)	Interest on investments	(0.235)
(0.233)	Rents	(0.286)
0.000	Other Income	(0.286)
<b>(0.391)</b>	<b>Total Income</b>	<b>(0.807)</b>
(0.003)	Movement in Fair Value of Investments	0.326
(0.068)	Losses / (Gains) on Disposal of Assets	0.060
(0.292)	Capital Grant Received	(1.027)
<b>(0.363)</b>	<b>Other Operating Income and Expenditure</b>	<b>(0.641)</b>
<b>(0.500)</b>	<b>(Surplus)/Deficit for year</b>	<b>(0.816)</b>
(0.401)	Asset revaluations recognised in Revaluation Reserve	(0.866)
<b>(0.401)</b>	<b>Other Comprehensive Expenditure &amp; Income</b>	<b>(0.866)</b>
<b>(0.901)</b>	<b>Total Comprehensive Expenditure &amp; Income</b>	<b>(1.682)</b>

## Common Good Balance Sheet

2021 22 £m		2022 23 £m
4.711	Heritable Property	7.267
3.829	Investments	3.503
<b>8.540</b>	<b>Long Term Assets</b>	<b>10.770</b>
1.762	Advances to Loans Fund	2.123
0.034	Sundry Debtors	0.042
<b>1.796</b>	<b>Current Assets</b>	<b>2.165</b>
0.000	Sundry Creditors	0.000
<b>0.000</b>	<b>Current Liabilities</b>	<b>0.000</b>
<b>10.336</b>	<b>Net Assets/(Liabilities)</b>	<b>12.935</b>
	<b>Financed by:</b>	
(5.625)	Useable Reserves: Revenue	(5.668)
(1.706)	Useable Reserves: Capital	(3.070)
(3.005)	Unusable Reserve: Revaluation Reserve	(4.197)
<b>(10.336)</b>	<b>Total Reserves</b>	<b>(12.935)</b>

The unaudited accounts were issued on 30th June 2023.

Eileen Rowand MBA CPFA  
Executive Director Finance and Corporate Services

**Introduction**

The Council is Trustee for 81 Charitable Trusts consolidated into these financial statements, comprising of an Explanatory Foreword, a Movement in Reserves Statement, a Comprehensive Income & Expenditure Statement (CIES) and a Balance Sheet. The statements are prepared in accordance with Fife Council's accounting policies.

The Council has 44 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 37 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 approval, 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 CIES 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. The valuation of investments decreased by £0.199m due mainly to difficult market conditions affected by rising inflation and issues arising from the Russia - Ukraine conflict.

2021 22 Total £m	Summary of balances held at 31st March	Other Trust Funds £m	Registered Charities £m	2022 23 Total £m
(2.116)	Fife Educational Trust	0.000	(2.087)	<b>(2.087)</b>
(0.048)	Community Fund	(0.037)	0.000	<b>(0.037)</b>
(2.530)	Other Trusts/Charities	(0.908)	(1.523)	<b>(2.431)</b>
<b>(4.694)</b>		<b>(0.945)</b>	<b>(3.610)</b>	<b>(4.555)</b>

	Useable Reserve £m	Unusable Reserve £m	Total Reserves £m
<b>Opening Balance 1 April 2021</b>	<b>(4.678)</b>	<b>(0.002)</b>	<b>(4.680)</b>
<b>Movement in Reserves during 2021-22</b>			
(Surplus) or deficit on provision of services	(0.014)	0.000	<b>(0.014)</b>
Other Comprehensive Expenditure and Income	0.000	0.000	<b>0.000</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(0.014)</b>	<b>0.000</b>	<b>(0.014)</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(4.692)</b>	<b>(0.002)</b>	<b>(4.694)</b>
<b>Movement in Reserves during 2022-23</b>			
(Surplus) or deficit on provision of services	0.139	0.000	<b>0.139</b>
Other Comprehensive Expenditure and Income	0.000	0.000	<b>0.000</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>0.139</b>	<b>0.000</b>	<b>0.139</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>(4.553)</b>	<b>(0.002)</b>	<b>(4.555)</b>

2021 22 Total £m		2022 23		
		Other Trust Funds £m	Registered Charities £m	Total £m
	<b>Expenditure</b>			
0.238	Disbursements	0.038	0.086	<b>0.124</b>
0.011	Other Expenditure	0.000	0.008	<b>0.008</b>
<b>0.249</b>	<b>Total Expenditure</b>	<b>0.038</b>	<b>0.094</b>	<b>0.132</b>
	<b>Income</b>			
(0.158)	Interest on investments	(0.042)	(0.150)	<b>(0.192)</b>
0.001	Other Income	0.000	0.000	<b>0.000</b>
<b>(0.157)</b>	<b>Total Income</b>	<b>(0.042)</b>	<b>(0.150)</b>	<b>(0.192)</b>
(0.106)	Movement in Fair Value of Investments	0.065	0.134	<b>0.199</b>
<b>(0.106)</b>	<b>Other Operating Income and Expenditure</b>	<b>0.065</b>	<b>0.134</b>	<b>0.199</b>
<b>(0.014)</b>	<b>(Surplus)/Deficit for year</b>	<b>0.061</b>	<b>0.078</b>	<b>0.139</b>
<b>0.000</b>	<b>Other Comprehensive Expenditure &amp; Income</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>(0.014)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>0.061</b>	<b>0.078</b>	<b>0.139</b>

2021 22 Total £m		2022 23		
		Other Trust Funds £m	Registered Charities £m	Total £m
0.002	Heritable Property	0.000	0.002	<b>0.002</b>
3.532	Investments	0.748	2.585	<b>3.333</b>
<b>3.534</b>	<b>Long Term Assets</b>	<b>0.748</b>	<b>2.587</b>	<b>3.335</b>
1.128	Advances to Loans Fund	0.189	0.996	<b>1.185</b>
0.032	Sundry Debtors	0.008	0.027	<b>0.035</b>
<b>1.160</b>	<b>Current Assets</b>	<b>0.197</b>	<b>1.023</b>	<b>1.220</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>4.694</b>	<b>Net Assets/(Liabilities)</b>	<b>0.945</b>	<b>3.610</b>	<b>4.555</b>
	<b>Financed by:</b>			
(4.692)	Usable Reserves	(0.945)	(3.608)	<b>(4.553)</b>
(0.002)	Unusable Reserve - Revaluation Reserve	0.000	(0.002)	<b>(0.002)</b>
<b>(4.694)</b>	<b>Total Reserves</b>	<b>(0.945)</b>	<b>(3.610)</b>	<b>(4.555)</b>

The unaudited accounts were issued on 30th June 2023.

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









30 June 2023

Agenda Item No. 8

## **Fife Council Charitable Trusts - Unaudited Annual Report & Financial Statements 2022-23**

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Report by: Eileen Rowand, Executive Director of Finance and Corporate Services

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Wards Affected: All

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### **Purpose**

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This report contains the unaudited annual accounts for Fife Council Charitable Trusts for 2022-23.

### **Recommendation**

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It is recommended that Members consider the unaudited accounts.

### **Resource Implications**

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None.

### **Legal & Risk Implications**

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None.

### **Policy & Impact Assessment**

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None.

### **Consultation**

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None.

## 1.0 Background

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- 1.1. The Local Authority Accounts (Scotland) Regulations 2014 require the unaudited accounts to be submitted to the appointed auditor no later than 30 June. The regulations also require elected members to consider the unaudited accounts at a meeting held no later than 31 August.
- 1.2. Best practice is recognised in Local Government Circular 7/2014 which outlines that it is for the Committee whose remit includes audit or governance functions, to have formally considered the unaudited Annual Accounts prior to submitting them to the appointed auditor and making them available for public inspection. This best practice approach has been adopted by Fife Council for many years and ensures that the committee are familiar with the content of the unaudited Annual Accounts in advance of the public inspection period. This forms part of the overall governance and financial management of the Charities.
- 1.3. Formal consideration of the unaudited Annual Accounts by the Committee is required to address, and to mitigate, the risk of the Committee not agreeing to approve audited Annual Accounts for signature.
- 1.4. The unaudited Annual Accounts have, once again, been completed within the statutory timeframes and will be submitted to External Audit following this meeting.
- 1.5. The unaudited Annual Accounts will be made available for public inspection from Monday 03 July to Friday 21 July (inclusive). Details of the public inspection process were publicised on Monday 19th June.
- 1.6. Consideration of the unaudited Annual Accounts at this meeting complies with the regulations.
- 1.7. The audit process will commence on 03 July 2023. During that process any necessary audit adjustments will be made to the accounts as appropriate. Final accounts and an annual audit report are due to be presented to this Committee in September 2023

## 2.0 Issues

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- 2.1. These accounts include those trust funds which have charitable status and are registered with the Office of Scottish Charity Regulator (OSCR). Not all of the trust funds administered by the Council have charitable status. Details of those included are provided on page 6.
- 2.2. The accounts have been prepared on an accruals basis and using the “connected charities” provision as outlined in the Charities Accounts (Scotland) Regulations 2006. This means that only one set of accounts is prepared that includes all charities as opposed to individual sets of accounts.

## 3.0 Conclusions

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- 3.1 The unaudited Annual Accounts have been completed and submitted to External Audit in line with the previously agreed timescales.

### Appendices

1. Fife Council Charitable Trusts – Unaudited Annual Report and Financial Statements 2022-23.

### Report Contact

Elaine Muir  
Head of Finance  
Fife House

Email: [elaine.muir@fife.gov.uk](mailto:elaine.muir@fife.gov.uk)



# Trustees' Annual Report & Financial Statements 2022-23

SUBMITTED FOR AUDIT 30 JUNE 2023





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## TRUSTEES' ANNUAL REPORT

### Introduction

Elected members of Fife Council act as trustees' for the Charitable Trusts listed at page 5 which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR). The financial statements included within this report incorporate all of the charities detailed on page 6 of this report.

The principal address of the Charitable Trusts is:

Fife Council  
Finance and Corporate Services  
Fife House  
North Street  
Glenrothes  
Fife  
KY7 5LT

Fife Council administers the Charitable Trusts and separately accounts for them. They do not form part of the Council's single entity balance sheet, although under Section 222 of the Local Government (Scotland) Act 1973, the property of the Charitable Trusts vest[s] in the relevant local authority. However they are included in the financial statements of the Council and its group.

The Trusts' auditors are:-

Azets Audit Services  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

### Trustees

As per guidance provided by OSCR, "Trustees" of the Charitable Trusts are described as those who have "general control and management" of the charity. The Council has determined that members of the relevant Area Committee will be the trustees for charitable trusts. For the purposes of this report it is our interpretation of the aforementioned that all elected members are Charity Trustees.

A full list of Trustees of the Charitable Trusts in their capacity as elected members of Fife Council can be found on page 5 of this report.

Day to day management of the Charitable Trusts is delegated to the Executive Director of Finance and Corporate Services of Fife Council. All of the Trustees for the accounts are normally elected or re-elected at local government elections. By-elections are held on the occasions of elected members vacating their positions to elect new members, who automatically become Trustees.

### Objectives and Activities

The objective of the Charitable Trusts is to provide support to organisations and individuals, in the form of grants, payments and awards, for projects which fulfil the criteria of the Trusts.

Income to the Charitable Trusts comprises; donations, investment returns and bank interest.

There are 43 Charitable Trusts, 30 of which are Settlement Trust funds. The following Financial Statements for all 43 registered charities have been prepared using the connected charities provision. Administration of the Settlement Trusts has been devolved to Area Committees to allow more localised decision making on spend, in line with the Council's overall objective of decentralisation.

## Structure, Governance and Management

The Charitable Trusts are constituted in a variety of ways, many coming from bequests from individuals or families who have entrusted a predecessor local authority with the task of distributing the fund for a charitable purpose. Individual Trusts and an indication of their purpose can be found on page 6 of this report.

Information regarding many of the Trusts is not available owing to their antiquity and the fact that since coming into public control they have been administered by several local government bodies, the purpose of these trusts have been agreed with OSCR and updated on the OSCR online register. Trustees have assured themselves that, where governance documents are missing, the charity nevertheless meets its objectives, in terms of the reporting process to them which has set out the purposes to which the funds have historically been put as well as correspondence with OSCR to confirm their understanding of the current purposes.

The Executive Director of Finance & Corporate Services has responsibility for ensuring an effective system of internal financial control is maintained and operated. This system of internal financial control can only provide reasonable and not absolute assurance that assets are safeguarded, transactions are recorded and properly authorised, and that material errors or irregularities are either prevented or would be detected within a timely period. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures and a system of delegation and accountability. The Executive Director of Finance & Corporate Services is responsible for keeping proper accounting records which are up to date and which ensure the financial statements comply with the Charities Accounts (Scotland) Regulations 2006.

Decisions regarding the overall operation, assets, processes or policies of the Charitable Trusts are delegated by the Council to its Cabinet Committee. However, as previously stated, the Scheme of Administration allows Area Committees to take most decisions on individual charitable trusts within their Area.

## Risk

The Trustees have overall responsibility for the Charitable Trusts system of internal control that is designed by senior management to ensure effective and efficient operations, including financial reporting and compliance with laws and regulations. The Trustees acknowledge that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The main risk identified is the movement in market value and returns from investments held by the Trusts. Fife Council has a risk adverse appetite which is demonstrated by the outsourcing of investment management to Janus Henderson Investors who are an international investment company.

## Achievements and Performance

The Charitable Trusts made grants totalling £30,361 in the year to support local communities. These were made from 12 individual Trusts and a total of 43 separate grants were awarded in 2022-23 compared to 47 grants awarded in 2021-22. Details of the most significant donations are detailed below

Anstruther & Cellardyke Settlement Trust	
Anstruther Harbour Festival Trust - To support and deliver the festival	£3,500
Scottish Fisheries Museum Trust - Development of Online Database	£2,000
Crail Settlement Trust	
Crail Town Hall - Contribution towards upgrade of the hall	£2,000
Newburgh Settlement Trust	
The Dino Club - Contribution towards resources	£1,382
Kirkcaldy Settlement Trust	
23 Small payments from purchase cards to various Individuals	£6,409
Bell Fund/Good Templars Fund	
Madras College Endowment Trust - Madras Pipe Band Upkeep & Development	£3,350
Madras College Endowment Trust - Mentors in the Environment Project	£3,000
Cupar Settlement Trust	
Cupar Old Parish Church - Warm Safe Space Café	£1,000
St Andrew's Settlement Trust	
North East Fife Community Hub - To provide stock for Clothes Bank (Clothesline)	£1,000
St Monan's Settlement Trust	
St Monans CC Heritage Collection - To assist with payment of a large Water Bill	£1,310

## **Financial Statements**

Financial Statements for Fife Council Charitable Trusts have been prepared in accordance with the Charities Accounts (Scotland) Regulations 2006 and the Accounting and Reporting by Charities: Statement of Recommended Practice (Charities SORP). The main statements included are;

- Statement of Financial Activities: Providing an analysis of incoming and outgoing transactions for the period.
- Balance Sheet: Showing the value as at the Balance Sheet date of the assets and liabilities recognised by the Charitable Trusts. The Balance Sheet also summarises final closing balances at the end of the year.
- Notes to the Financial Statements: To expand on or explain the information contained in Statement of Financial Activities and Balance Sheet.

A Cash flow statement is not required as stated in FRS102

## **Financial Review**

The Charitable Trusts have no explicit reserves policy, but as a general principle the “Capital” of the funds is held effectively as a permanent endowment, with only the annual income available for disbursement in the year. Trustees are permitted to use “Capital” balances should they require, however this will result in a reduction in the level of funding available for future investment. All funds within the Trusts have been classified as unrestricted funds in terms of the OSCR returns.

The main funding sources for the Charitable Trusts consist of dividends and interest from UK government bonds, with interest from bank deposits forming a lesser proportion of income. Given the sources, the income is subject to market fluctuation and can change as a result of economic factors.

In 2022-23, the net movement in funds is a decrease of £49,110. The value of investments held reduced by £76,668. It has been a very difficult year for the global financial markets which were affected by rising inflation and interest rates, further exacerbated by global supply issues arising from the Russia - Ukraine conflict. The balances held are £1,523,170 as at 31 March 2023.

## **Acknowledgements**

The Trustees wish to thank all officers and staff involved in the preparation of the Report and Financial Statements.

## TRUSTEES BY COMMITTEE AREA AS AT 31 MARCH 2023

### DUNFERMLINE

Aude Boubaker-Calder  
Auxi Barrera  
Cara Hilton  
Derek Glen  
Gavin Ellis  
Gordon Pryde  
James Calder (Chair)  
Jean Hall Muir  
Jim Leishman MBE  
Lynn Ballantyne-Wardlaw  
Naz Anis-Miah

### COWDENBEATH

Alex Campbell (Chair)  
Alie Bain  
Bailey-Lee Robb  
Darren Watt  
Lea McLelland  
Linda Erskine  
Mary Bain Lockhart  
Rosemary Liewald

### GLENROTHES

Altany Craik  
Craig Walker (Chair)  
Daniel Wilson  
Derek Noble  
Jan Wincott  
John Beare  
Julie Ford  
Lynn Mowatt  
Peter Gulline  
Ross J Vettraino OBE

### LEVENMOUTH

Alistair Suttie  
Colin Davidson (Chair)  
David Alexander  
David Graham  
Eugene Clarke  
John O'Brien  
Ken Caldwell  
Tom Adams

### NORTH EAST FIFE

Al Clark  
Allan Knox  
Alycia Hayes  
Ann Verner  
David MacDiarmid  
Donald Lothian  
Fiona Corps  
Gary Holt  
Jane Ann Liston  
John Caffrey  
Jonny Tepp (Chair)  
Louise Kennedy-Dalby  
Margaret Kennedy  
Robin Lawson  
Sean Dillon  
Stefan Hoggan-Radu

### SOUTH & WEST FIFE

Andrew Verrecchia  
Andy Jackson  
Brian Goodall  
Conner Young  
Dave Dempsey  
David Barratt (Chair)  
Graeme Downie  
Patrick Browne  
Sam Steele  
Sarah Neal

### KIRKCALDY

Alistair Cameron  
Blair Allan  
Carol Lindsay  
David Ross  
Ian Cameron (Chair)  
James Leslie  
Judy Hamilton  
Julie MacDougall  
Kathleen Leslie  
Lesley Backhouse  
Nicola Patrick  
Rod Cavanagh

## CHARITABLE TRUSTS AND THEIR PURPOSES

Trust Name	Charity Number	Purpose of the Trust
<b>Settlement Trusts</b>		
Ladybank	SC042143	The purpose of the Settlement Trusts are as follows:-  a) The prevention or relief of poverty; b) The advancement of education; c) The advancement of health; d) The saving of lives; e) The advancement of citizenship or community development; f) The advancement of the arts, heritage, culture or science; g) The advancement of public participation in sport; h) The provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended; i) The advancement of human rights, conflict resolution or reconciliation; the promotion of religious or racial harmony; j) The promotion of equality and diversity; k) The advancement of environmental protection or improvement; l) The relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantage; m) The advancement of animal welfare; n) Any other purpose that may reasonably be regarded as analogous to any of the preceding purposes.
Kingskettle	SC042144	
Kilconquhar	SC042145	
Freuchie And Area	SC042148	
Falkland	SC042149	
Crail	SC042150	
Cupar	SC042151	
Auchtermuchty	SC042152	
St Monans	SC042153	
Elie	SC042154	
Newburgh	SC042155	
Anstruther & Cellardyke	SC042156	
St Andrews	SC042157	
Dunfermline	SC042161	
Leslie	SC042170	
Collessie	SC042172	
Tayport	SC042173	
Pittenweem	SC042174	
Leven	SC042207	
Kennoway	SC042208	
Buckhaven And Methil	SC042211	
Burntisland	SC042382	
Kirkcaldy	SC042383	
Kinghorn	SC042385	
Auchtertool	SC042387	
Culross	SC042749	
Limekilns	SC042750	
Kincardine	SC042751	
Lochgelly	SC042904	
Ballingry	SC042905	
<b>Other Trusts</b>		
Waugh & Wharrie Bequest	SC018777	Poor and needy of Aberdour
Adam Smith & Gow Bequest (Michael Beveridge Bequest)	SC019331	Provision of Beveridge Park and Adam Smith and Beveridge Halls
A A Wilkie Trust	SC019334	To supply toys to children in hospital at Christmas
F L Lawsons Executry	SC019335	Interest to be used towards the upkeep of Star Hall
Raemore Mortification. Kinglassie	SC019339	Income to be applied for the benefit of the poor of the Parish
Frances Lawson's Bequest	SC019392	Benefit of Library at Simpson Institute
Ogilvy Dalgleish Mortification	SC019396	Coal for the poor
Macintosh Bequest	SC019399	Benefit of industrious poor
B F Nisbet's Trust & Garden	SC019402	Upkeep of public gardens, Station Road, Lundin Links
Thomas S Grieg's Bequest	SC019417	To provide pavilion in Tayside Park
Thomson Bequest And Laing Library	SC019420	(1) Thomson - Benefit of the old folks (2) Laing Library - Upkeep of library
Bell Fund/Good Templars Fund	SC019435	Moral and religious improvement of St Andrews
Thomas Ireland's Trust	SC019447	Provision of coal etc

## **STATEMENTS OF RESPONSIBILITIES**

### **The Trustees Responsibilities**

The Trustees are 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 Charitable Accounts (Scotland) Regulations 2006) and the Accounting and Reporting by Charities Statement of Recommended Practice (Charities SORP), 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).

### **The Executive Director Finance and Corporate Services Responsibilities**

The Executive Director Finance and Corporate Services is responsible for the preparation of the Fife Council Charitable Trusts Annual Accounts in accordance with proper practices as required by legislation and as set out in the Charities Accounts (Scotland) Regulations 2006 and the Accounting and Reporting by Charities Statement of Recommended Practice (Charities SORP).

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 accounting and reporting by charities: Statement of Recommended Practice (in so far as it is compatible with legislation)

The Executive Director Finance and Corporate Services has also:-

- 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 charities trusts at the reporting date and the transactions of the charities trusts for the year ended 31 March 2023.

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



## STATEMENT OF FINANCIAL ACTIVITIES

Total Funds 2021-22 £		Total Funds 2022-23 £	Notes
	<b>Income from:</b>		
(29,760)	Donations & Legacies	(34,893)	2
<u>(37,674)</u>	Investments	<u>(57,919)</u>	3
<u><b>(67,434)</b></u>	<b>Total</b>	<u><b>(92,812)</b></u>	
	<b>Expenditure on:</b>		
14,884	Charitable activities	30,361	4
29,760	Other expenditure	34,893	5
<u><b>44,644</b></u>	<b>Total</b>	<u><b>65,254</b></u>	
<u>(777)</u>	Net (gains) / losses on investments	<u>76,668</u>	6
<u><b>(23,567)</b></u>	<b>Net (income)/expenditure</b>	<u><b>49,110</b></u>	
0	<b>Other recognised gains/losses</b>	<b>0</b>	
<u><b>(23,567)</b></u>	<b>Net movement in funds</b>	<u><b>49,110</b></u>	
	<b>Reconciliation of funds:</b>		
<u>(1,548,713)</u>	Total funds brought forward	<u>(1,572,280)</u>	12
<u><b>(1,572,280)</b></u>	<b>Total funds carried forward</b>	<u><b>(1,523,170)</b></u>	12

All funds are unrestricted

## BALANCE SHEET

31 March 2022		31 March 2023	Note
£		£	
	<b>Fixed assets:</b>		
901,356	Investments	824,688	6
<b>901,356</b>	<b>Total fixed assets</b>	<b>824,688</b>	
	<b>Current assets:</b>		
8,099	Debtors	9,780	7
662,825	Cash at Bank and in Hand	688,702	8
<b>670,924</b>	<b>Total current assets</b>	<b>698,482</b>	
<b>670,924</b>	<b>Net current assets</b>	<b>698,482</b>	
<b>1,572,280</b>	<b>Total net assets</b>	<b>1,523,170</b>	
	<b>Funds of the charity</b>		
(1,572,280)	Unrestricted funds	(1,523,170)	12
<b>(1,572,280)</b>	<b>Total Charity Funds</b>	<b>(1,523,170)</b>	

The unaudited financial statements were issued on 30th June 2023.

Eileen Rowand MBA CPFA  
 Executive Director Finance & Corporate Services  
 Fife Council

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting Policies

#### General Principles

The financial statements for the period ended 31 March 2023 have been compiled in accordance with Charities Accounts (Scotland) Regulations 2006, Accounting and Reporting by Charities Statement of Recommended Practice Charities SORP (FRS102). They are designed to give a true and fair view of the financial performance and position of the Charitable Trusts and comparative figures for the previous financial year are provided. There are no significant departures from accounting standards other than that outlined specifically below.

The accounting concepts of "materiality" and "going concern" 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 to justify its inclusion. The going concern concept assumes that the Charitable Trusts will not significantly curtail the scale of its operations. Trustees are of the opinion that the Charitable Trusts are a going concern based on a review of activities undertaken and expected commitments in the coming year and, as such, these financial statements are prepared on a going concern basis.

These accounts have been prepared on an accruals basis, accruals are made for all material debtors and creditors within the accounts and on the basis of the "connected charities" provision outlined in Section 7 of the Charities Accounts (Scotland) Regulations 2006. In addition, the accounts have been prepared under the historic cost convention, other than changes resulting from the revaluation of certain categories of assets.

#### Income and Expenditure

Income is recognised in the accounts when due and receivable in the period to which it relates.

- Investment Income: This is included in the accounts when due and receivable, investments are held in Janus Henderson Investors. The investment strategy is to generate income whilst preserving and growing capital.
- Investment Gains and Losses: This includes any gain or loss on the sale of investments and any gain or loss resulting from revaluing investments.

Expenditure is recognised in the accounts when due and payable in the period to which it relates.

- Costs of Generating Funds: The cost of administering the Charitable Trusts is borne by Fife Council.
- Governance Costs: where applicable, include; cost of preparation and examination of statutory accounts, cost of any legal advice to trustees on governance or constitutional matters; and the cost of administering grants.
- Charitable Activities: Decisions regarding the way the charitable income is spent are taken by the relevant Area Committee. These are recognised in the accounts when the grant is paid.

#### Assets

Fixed assets are listed investments with Janus Henderson Investors held at fair value. Accounting Policies in respect of fixed asset valuation, depreciation and impairment are consistent with that of Fife Council.

### 2 Donations & Legacies

2021-22		2022-23
£		£
(10,302)	Accountancy Costs	(10,708)
(7,000)	Audit Fee	(12,000)
(12,458)	Management & Admin Support	(12,185)
<b>(29,760)</b>	<b>Total Donations &amp; Legacies</b>	<b>(34,893)</b>

### 3 Investment Income

2021-22		2022-23
£		£
(36,982)	Dividends and interest on listed investments	(42,835)
(692)	Interest on cash deposits	(15,084)
<b>(37,674)</b>	<b>Total Investment Income</b>	<b>(57,919)</b>

#### 4 Charitable Activities

2021-22		Fund Name	Activities Undertaken	2022-23	
Individuals £	Organisations £			Individuals £	Organisations £
		<b>Settlement Trusts</b>			
190		Ladybank	Prevention of Poverty		
	99	Freuchie & Area	Advancement of Environmental Protection		
		Crail	Advancement of Health		2,000
	1,000	Crail	Provide Recreational Facilities		
200		Cupar	Advancement of Education		
250		Cupar	Advancement of Health		
875		Cupar	Prevention of Poverty	500	1,000
	100	Auchtermuchty	Advancement of Arts		
		Auchtermuchty	Provide Recreational Facilities		275
		St Monans	Provide Recreational Facilities		1,310
319	600	St Monans	Prevention of Poverty		
		Newburgh	Advancement of Health	200	
577		Newburgh	Prevention of Poverty	40	
		Newburgh	Advancement of Education		1,382
	1,500	Anstruther & Cellardyke	Advancement of Arts		3,500
		Anstruther & Cellardyke	Advancement of Education		2,000
		Anstruther & Cellardyke	Advancement of Citizenship		500
250	2,500	Anstruther & Cellardyke	Prevention of Poverty		600
	500	Anstruther & Cellardyke	Advance Participation in Sport		
		St Andrews	Advancement of Religion		600
		St Andrews	Advancement of Health		425
		St Andrews	Prevention of Poverty	40	1,000
	1,000	St Andrews	Advancement of Environmental Protection		
	654	St Andrews	Advance Participation in Sport		
	500	Dunfermline	Relief for those in Need		
	100	Tayport	Advancement of Education		
350		Pittenweem	Prevention of Poverty	250	
	250	Leven	Prevention of Poverty		
	100	Buckhaven & Methil	Prevention of Poverty		
35		Kirkcaldy	Advancement of Citizenship		
675		Kirkcaldy	Advancement of Health	1,925	
1,980		Kirkcaldy	Prevention of Poverty	3,494	
		Kirkcaldy	Advancement of Education	990	
		Auchtertool	Prevention of Poverty	980	
	25	Limekilns	Advancement of Citizenship		25
	25	Limekilns	Prevention of Poverty		25
	150	Limekilns	Provide Recreational Facilities		150
		<b>Other Trusts</b>			
	80	Waugh/Wharrie Bequest	Prevention of Poverty		
		Bell Fund / Good Templars Fund	Moral & Religious Improvement		7,150
<b>5,701</b>	<b>9,183</b>	<b>TOTAL</b>		<b>8,419</b>	<b>21,942</b>
	<b>14,884</b>				<b>30,361</b>

## 5 Other Expenditure

2021-22		2022-23
£	Other Resources Expended	£
10,302	Accountancy Costs	10,708
7,000	Audit Fee	12,000
12,458	Management & Admin Support	12,185
<b>29,760</b>	<b>Total Other Resources Expended</b>	<b>34,893</b>

## 6 Investments

2021-22		2022-23
£		£
900,579	Market Value as at beginning of year	901,356
777	Net increase/(decrease) in value of investments	(76,668)
<b>901,356</b>	<b>Market Value at end of year</b>	<b>824,688</b>

## 7 Debtors

Debtors balance related to accrued income on investments from Janus Henderson Investors of £9,780 (2021-22 £8,099).

## 8 Cash at Bank and in Hand

Cash at Bank and in Hand are balances held as part of Council's loans fund which have been accumulated over a number of years. In 2022-23 this amounted to £688,702 (2021-22 £662,825).

## 9 Trustee's Remuneration and Expenses

Neither the Trusts of the Charitable Trust nor any associated person connected with them have received any remuneration for their services. Further, no directly incurred expenses were reimbursed to the Trustees during the period.

## 10 Related Parties

During the period, the Charitable Trust Balances were invested by Fife Council, who manages the administration of the Funds on behalf of the Trustees. The costs of administrating the Trusts is £34,893 and this is provided as a donated service by Fife Council resulting in no direct costs being incurred by the Charitable Trust. The Council acts as the banker for the Charitable Trust and all incomings and outgoings are made via the Council's financial systems.

## 11 Post Balance Sheet Events

There were no adjusting events after the balance sheet date.

## 12 Outline Summary of Fund Movements

Fund Name	Charity Number	Funds Brought Forward at 01/04/2022 £	Income in Year £	Expenditure in Year £	(Gains)/ Losses on Investments £	Funds Carried Forward at 31/03/2023 £
<b>Settlement Trusts</b>						
Ladybank	SC042143	(9,207)	(329)	0	411	(9,125)
Kingskettle	SC042144	(2,303)	(79)	0	93	(2,289)
Kilconquhar	SC042145	(6,728)	(239)	0	294	(6,673)
Freuchie And Area	SC042148	(7,105)	(230)	0	236	(7,099)
Falkland	SC042149	(3,410)	(122)	0	153	(3,379)
Crail	SC042150	(106,793)	(3,736)	2,000	4,557	(103,972)
Cupar	SC042151	(67,848)	(2,538)	1,500	3,436	(65,450)
Auchtermuchty	SC042152	(13,634)	(616)	275	575	(13,400)
St Monans	SC042153	(55,215)	(2,032)	1,310	2,677	(53,260)
Elie	SC042154	(17,155)	(590)	0	687	(17,058)
Newburgh	SC042155	(86,192)	(3,368)	1,622	4,866	(83,072)
Anstruther & Cellardyke	SC042156	(196,324)	(7,510)	6,600	11,069	(186,165)
St Andrews	SC042157	(137,615)	(5,792)	2,065	9,146	(132,196)
Dunfermline	SC042161	(89,355)	(3,011)	0	3,374	(88,992)
Leslie	SC042170	(2,490)	(104)	0	162	(2,432)
Collessie	SC042172	(2,618)	(89)	0	102	(2,605)
Tayport	SC042173	(12,663)	(408)	0	416	(12,655)
Pittenweem	SC042174	(21,842)	(734)	250	834	(21,492)
Leven	SC042207	(10,810)	(359)	0	431	(10,738)
Kennoway	SC042208	(1,296)	(42)	0	48	(1,290)
Buckhaven And Methil	SC042211	(821)	(279)	0	47	(1,053)
Burntisland	SC042382	(24,401)	(681)	0	447	(24,635)
Kirkcaldy	SC042383	(216,208)	(7,377)	6,409	9,463	(207,713)
Kinghorn	SC042385	(29,783)	(1,030)	0	1,188	(29,625)
Auchtertool	SC042387	(1,912)	(67)	980	83	(916)
Culross	SC042749	(4,575)	(195)	0	309	(4,461)
Limekilns	SC042750	(4,952)	(214)	200	360	(4,606)
Kincardine	SC042751	(31,291)	(1,105)	0	1,351	(31,045)
Lochgelly	SC042904	(21,007)	(696)	0	754	(20,949)
Ballingry	SC042905	(11,650)	(406)	0	484	(11,572)
<b>Other Trusts</b>						
Waugh & Wharrie Bequest	SC018777	(2,586)	(99)	0	136	(2,549)
Adam Smith / Gow / Beveridge Bequest	SC019331	(10,521)	(358)	0	410	(10,469)
A. A. Wilkie Trust - Children	SC019334	(122)	(4)	0	4	(122)
Fl. Lawsons Executry	SC019335	(912)	(31)	0	34	(909)
Raemore Mortification Kinglassie	SC019339	(3,037)	(108)	0	133	(3,012)
Frances Lawson's Bequest	SC019392	(1,296)	(42)	0	42	(1,296)
Ogilvy Dalgleish Mortification	SC019396	(2,188)	(79)	0	99	(2,168)
Macintosh Bequest	SC019399	(942)	(34)	0	42	(934)
B.F. Nisbet's Trust & Garden	SC019402	(7,255)	(240)	0	260	(7,235)
Thomas S. Greig's Bequest	SC019417	(23,970)	(899)	0	1,211	(23,658)
Thomson Bequest and Laing Library	SC019420	(24,441)	(1,161)	0	2,058	(23,544)
Bell Fund/Good Templars Fund	SC019435	(293,751)	(10,738)	7,150	13,995	(283,345)
Thomas Ireland's Trust	SC019447	(4,056)	(148)	0	191	(4,013)
		<b>(1,572,280)</b>	<b>(57,919)</b>	<b>30,361</b>	<b>76,668</b>	<b>(1,523,170)</b>
Donated Services (Support Services)			(34,893)	34,893		
<b>TOTAL</b>		<b>(1,572,280)</b>	<b>(92,812)</b>	<b>65,254</b>	<b>76,668</b>	<b>(1,523,170)</b>









30 June 2023

Agenda Item No. 9

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## Risk Management Update

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**Report by:** Pamela Redpath, Service Manager - Audit and Risk Management

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**Wards Affected:** All

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### Purpose

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The purpose of this report is to:

- Inform Standards, Audit and Risk Committee about an update to the Council's Risk Management Policy and Strategy document.
- Provide Standards, Audit and Risk Committee with an update on progress made towards implementing the Risk Management Improvement Plan (RMIP) and Roll Out Plan.
- Provide Standards, Audit and Risk Committee with an update on the level of risk within the Council's Strategic Risk Register as of 29 May 2023.

### Recommendation(s)

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Standards, Audit and Risk Committee is asked to:

1. Approve the Council's revised Risk Management Policy and Strategy, including the new Risk Impact Assessment Matrix (Appendix A).
2. Note the content of the RMIP and status of actions (Appendix B).
3. Note the summarised content and progress of the Roll Out Plan (Appendix C).
4. Approve the Council's Strategic Risk Register following its most recent review (Appendix D) and note that the Strategic Risk Register is continuously reviewed and, where appropriate, updated.
5. Note the planned comprehensive review of the risks within the Strategic Risk Register (SRR).
6. Note that further updates on Risk Management arrangements will be provided throughout 2023/24 in line with the Policy and Strategy document.

### Resource Implications

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None.

### Legal & Risk Implications

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If the Council does not have robust risk management arrangements in place, including a Risk Management Policy, Strategy and risk registers, its ability to effectively monitor, manage and mitigate risks and make sound, informed decisions may be impacted. This could lead to, amongst other things, non-compliance with legislation and regulation, legal and financial penalties, the inability to identify and exploit opportunities and the inability to achieve its objectives and deliver better outcomes for Fife.

## Impact Assessment

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An EqIA has not been completed because the changes to the Risk Management Policy and Strategy do not require it.

## Consultation

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The Council Executive Team and Corporate Risk Management Strategy Group (RMSG) have been consulted and agree with the content of this report.

## 1.0 Background

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- 1.1 A formal update relating to the review of the Council's Risk Management Policy and Strategy and Strategic Risk Register was reported to CET and Standards, Audit and Risk Committee on 2 November and 22 November 2022, respectively. Key points communicated via the update reports included the following:
- The Council's Risk Management Policy and Strategy had been updated to include Risk Appetite and a revised RMSG remit. Both would be kept under review by RMSG in line with its formal remit.
  - The risks in the Council's Strategic Risk Register and the internal control frameworks in place to mitigate them would continue to be regularly monitored, reviewed, and assessed going forward.
  - The Corporate RMSG would continue to meet on a quarterly basis and monitor progress towards implementing the RMIP.
  - Risk management update reports, including updates on the Strategic Risk Register and information surrounding further developments to the Council's risk management arrangements, would be compiled, and presented to the Standards, Audit and Risk Committee on a six-monthly basis in line with the Policy and Strategy document.

## 2.0 Risk Management Policy and Strategy Update

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- 2.1 The Risk Management Policy and Strategy document has been updated to include a revised Risk Impact Assessment Matrix. The updated Risk Management Policy and Strategy document is attached as Appendix A. More information surrounding the update has been provided in the paragraphs below.

### ***Risk Impact Assessment Matrix***

- 2.2 The risk matrix is an assessment tool that is used to determine levels of risk by scoring the likelihood of risks occurring along the Y axis and the severity of their impact along the X axis. Grids are 5 x 5, and each axis follows a scale of insignificant to catastrophic. The risks that the Council is exposed to are placed on the risk matrix depending on their assessment of likelihood and impact.
- 2.3 Risk impact has historically been scored in terms of Service Objectives / Delivery, Financial, People, Time, and Reputation; however, this framework did not fully support the systematic identification and / or evaluation of internal controls beyond these 5 categories.
- 2.4 The revised Risk Impact Assessment Matrix helps facilitate the consistent consideration of risk impact over a wider range of categories using the established PESTELO model. In addition to consistency, the new approach will highlight where internal controls require to be developed, assisting management to be more focused and effective in terms of

utilising, often limited, resource for risk mitigation. The PESTELO model assesses risk impact over the following 7 categories:

- Political / Reputation,
- Economic / Financial / Security & Equipment,
- Social Impact / Safety of Staff & Clients,
- Technological / Business or Service Interruption,
- Environmental,
- Legal / Statutory Obligations and
- Organisational / Staffing & Competence.

2.5 A draft PESTELO Risk Impact Assessment Matrix was circulated for consideration and comment to members of the RMSG at its meeting on 23 February 2023. Feedback was received from BTS (Business Technology Solutions), Legal Services, the Finance Service and Enterprise and Environment Directorate, which resulted in some descriptions being updated. RMSG considered and approved the updated matrix for inclusion in the Risk Management Policy and Strategy document at its scheduled meeting on 16 May 2023. The effectiveness of the new matrix will be monitored and reviewed by RMSG. The new Risk Impact Assessment Matrix is set out alongside the existing Likelihood Matrix at Section 7.0 of the Risk Management Policy and Strategy document on page 13 at Appendix A. The new text has been highlighted in yellow to assist.

### ***Roles and Responsibilities of the Risk Management Team and Performance and Improvement Team***

- 2.6 The mapping of existing risk management tasks and updating of roles and responsibilities is included in the RMIP at Action 11, which can be found at Appendix B to this report. As a result of discussions between the Service Manager - Audit and Risk Management Services, management within the Communities Directorate and other key officers, it has been agreed that the Risk Management Team will shortly assume full responsibility for corporate risk management tasks, including those previously delivered by the Council's Performance and Improvement Team.
- 2.7 A resource transfer has been agreed to support this change, which will assist the Risk Management Team to lead on developing and supporting Services to embed consistent risk management arrangements across the Council. Once the resource transfer is concluded, the roles and responsibilities within the Policy and Strategy document will be updated accordingly.

## **3.0 Risk Management Improvement Plan and Roll Out Plan**

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### ***Risk Management Improvement Plan***

- 3.1 Since the formal update reports referred to at para 1.1 above, work has continued to implement the actions included in the RMIP. The most recent updates to the RMIP have been highlighted in yellow at Appendix B.
- 3.2 Actions within the RMIP have been prioritised as High, Medium, and Low for implementation over the coming months. Each action has been assigned to a key officer / group of officers with responsibility for ensuring its implementation in line with the agreed target implementation date. Of the twenty-one high priority actions in the RMIP, seventeen have been fully implemented and three, which are currently partially implemented, are on target for full implementation by 30 June 2023. The final high priority action is a general, ongoing, action relating to the RMSG responsibility of monitoring overall progress towards delivering the RMIP at its quarterly meetings.

## ***Roll Out Plan***

- 3.3 In order to help implement action 18 on the RMIP and “work alongside directorates / services, supporting them to develop and embed effective risk management arrangements locally” a draft Roll Out Plan, containing a proposed engagement schedule was compiled by the Risk Management Team and circulated to RMSG at its meeting on 23 February 2023 for consideration and comment. The Roll Out Plan does not include the Health & Social Care Partnership (H&SCP); however, the Risk Management Co-ordinator will support the 2 recently appointed Compliance Officers within H&SCP to develop their risk registers simultaneously.
- 3.4 After receiving feedback, the Roll Out Plan was updated to avoid service peak periods before it was agreed by the RMSG. A summary of the Roll Out Plan can be found at Appendix C. Finance and Corporate Services is the pilot directorate and consequently is first on the Roll Out Plan. The Finance Service is 95% complete, Assessors has been rescheduled to accommodate a replacement computer system and preliminary work has begun with Revenue and Commercial Services. HR is in the process of being rescheduled to accommodate key staff availability.
- 3.5 Feedback and lessons learned from the services in the pilot directorate will be used to shape and improve delivery of the Roll Out Plan going forward. Progress with the plan will continue to be overseen by and reported to the RMSG at its scheduled quarterly meetings.

## **4.0 Strategic Risk Register and 2023 Strategic Risk Review**

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### ***Strategic Risk Register***

- 4.1 The Council’s Strategic Risk Register, which was developed from the corporate strategic risks survey and results from the virtual workshop facilitated by Zurich, was approved at Standards and Audit Committee on 19 April 2022.
- 4.2 The Strategic Risk Register contains 13 risks relating to ICT, inequalities, health, education, assets and infrastructure, the Fife economy, climate, legislation and regulation, Elected Members’ conduct, the safety and protection of the Fife community, protection of children and adults, finance, and the workforce.
- 4.3 The Council’s Risk Impact and Likelihood Assessment Matrices were used to determine the inherent risk score (uncontrolled), current residual risk score (with mitigating internal controls) and target residual risk score (with all possible internal controls, fully effective) for each of the 13 strategic risks.
- 4.4 At the RMSG meeting on 23 February, it was proposed that, to allow more effective management of two strategic risks, FC010 - Safety and Protection and FC005 - Assets and Infrastructure should be reviewed, with consideration being given to splitting them into discrete areas.
- 4.5 A group of key officers was formed to review risk FC010 - Safety and Protection and consider separating the risk into 2, one focusing on the Counter-terrorism strategy (CONTEST) and the other on Serious and Organised Crime (SOC). The group has defined the CONTEST risk and work is ongoing to identifying suitable internal controls. Once complete, the proposed CONTEST risk will be considered by RMSG for inclusion in the SRR and, thereafter, reported to CET and Standards, Audit and Risk Committee for approval. The SOC risk has not yet been defined. However, the recent appointment of a SOC Single Point of Contact (SPOC) in Communities Directorate and potential formation of a SOC Group should assist with defining this risk in due course. Once compiled, the proposed SOC risk will be considered by RMSG for inclusion in the SRR, before being reported to CET and Standards, Audit and Risk Committee for approval.

- 4.6 Another group was formed to review risk FC005 - Assets and Infrastructure and consider proposals to split the risk into 3 (2 Strategic and one Service-level risk), were presented to RMSG at its meeting on 16 May for consideration. Comments received from members of the RMSG will help inform development of the final risks, which will then be circulated to RMSG for agreement and inclusion in the SRR, before being reported to CET and Standards, Audit and Risk Committee for approval.
- 4.7 The H&SCP had reviewed risk FC011 - Protection of Adults at Risk of Harm and Vulnerable Children and updated the corresponding risk description and residual score. The residual risk score had reduced from 16 to 12 to reflect the effectiveness of internal controls which had not previously been taken into consideration. The changes were agreed by the RMSG at its meeting on 16 May.
- 4.8 Since the last formal update to Standards, Audit and Risk Committee on 22 November 2022, there have been changes made to some of the strategic risks' internal controls and their levels of effectiveness, which resulted in some related residual risk scores changing. The residual risk scores for all the other risks have remained the same. All changes made to the Council's Strategic Risk Register have been highlighted in yellow at Appendix D.
- 4.9 The table below, which provides a high-level summary of the residual risk scores for each of the risks in the Strategic Risk Register on 10 November 22 and 31 May 2023 also highlights the key changes.
- 4.10 Risks FC003, FC008 and FC009 are within their risk appetite ranges. The remaining risks exceed their risk appetite range and work continues to review the appropriateness of existing scoring, internal controls and mitigating actions that are required to reduce the risks faced by the Council. The diagram in Appendix E provides details of the risk appetite range for each strategic risk along with the current residual risk score annotated.
- 4.11 It is not always possible to reduce the level of risk to within the risk appetite range. Provided the control framework in place to mitigate the risk (likelihood and / or impact) is comprehensive and individual controls within it are fully effective (in terms of available resource), then there is a possibility that the risk may require to be tolerated at that level.

	10 November 2022			29 May 2023		
<b>Risk Level (Residual Risk Score)</b>						
<b>Level of Risk</b>	<b>Risk</b>	<b>Residual Risk Score (Impact x Likelihood)</b>	<b>Risk</b>	<b>Residual Risk Score (Impact x Likelihood)</b>		
<b>Insignificant (1 - 3)</b>	-	-	-	-		
<b>Low (4 - 6)</b>	FC007 - Legal FC019 - Political	6 (3x2) 6 (3x2)	FC008 (prev. FC007) - Legal FC009 (prev. FC019) - Political	6 (3x2) 6 (3x2)		
<b>Medium (8 - 12)</b>	CN003 - Community Health FCS001 - Financial EE001 – Assets	12 (3x4) 12 (4x3) 12 (4x3)	FC003 (prev. CN003) - Community Health FC012 (prev. FCS001) - Financial *FC005 (prev. EE001) - Assets	12 (3x4) 12 (4x3) 12 (4x3)		



	BTS0004 - IT	12 (4x3)	FC001 (prev. BTS004) - IT FC011 (prev. FC026) - Vulnerable People	12 (4x3) 12 (4x3)
<b>High (15 - 25)</b>	CN002 - Inequality	16 (4x4)	FC002 (prev. CN002) - Inequality	16 (4x4)
	ECS002 - Education	16 (4x4)	FC004 (prev. ECS002) - Education	16 (4x4)
	EE002 - Economy	16 (4x4)	FC006 (prev. EE002) - Economy	16 (4x4)
	EE003 - Climate	15 (5x3)	FC007 (prev. EE003) - Climate	16 (4x4)
	FC020 - Community Safety	16 (4x4)	*FC010 (prev. FC020) - Community Safety	15 (5x3)
	HR005 - H&S	16 (4x4)	FC013 (prev. HR005) - H&S	16 (4x4)
	FC026 - Vulnerable People	16 (4x4)		

*\* risk under review (paras 4.4 – 4.6 refer)*

*Note: the risk codes have been amended since the last update to Committee in November 2022.*

### **2023 Strategic Risk Register Review**

- 4.12 The Strategic Risk Register is due for review during 2023 to ensure that all risks that may affect the Council achieving objectives, delivering better outcomes, and achieving its collective vision of A Fairer Fife, are identified, and suitably managed.
- 4.13 All existing and any newly identified Strategic Risks will be evaluated using the PESTELO impact matrix as part of the review.
- 4.14 The risk review methodology and schedule for completion are in the process of being prepared to support an Autumn 2023 completion date. Results from the exercise will be presented to CET and Standards, Audit and Risk Committee in November 2023 and December 2023 respectively.

## **5.0 Conclusions**

- 5.1 The Council's Risk Management Policy and Strategy has been updated to include a new Risk Impact Assessment Matrix, which will be kept under review by RMSG in line with its formal remit.
- 5.2 The RMSG will continue to meet on a quarterly basis and progress actions included in the RMIP and supplementary Roll Out Plan.
- 5.3 The risks in the Council's Strategic Risk Register and the internal control frameworks in place to mitigate them will continue to be regularly monitored, reviewed, and assessed going forward.
- 5.4 The review of the Council's Strategic Risk Register will be undertaken during 2023 and results presented to CET and Standards, Audit and Risk Committee in November 2023 and December 2023 respectively.
- 5.5 Risk management reports, including updates on the Strategic Risk Register and information surrounding further developments to the Council's risk management arrangements, will be compiled, and presented to the CET and Standards and Audit Committee on a six-monthly basis in line with the Policy and Strategy document.

## List of Appendices

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- A. Risk Management Policy and Strategy
- B. Risk Management Improvement Plan
- C. Roll Out Plan
- D. Strategic Risk Register
- E. Risk Appetite

### Report Contacts:

Pamela Redpath  
Service Manager, Audit and Risk  
Management Services  
Email - [Pamela.Redpath@fife.gov.uk](mailto:Pamela.Redpath@fife.gov.uk)

Clare Whyte  
Risk Management Team Leader  
Email - [Clare.Whyte@fife.gov.uk](mailto:Clare.Whyte@fife.gov.uk)



# Risk Management Policy & Strategy

## **VERSION 3 - DRAFT**

<b>Version Control</b>						
Version No.	Reviewed On	Reason for Review	Effective From	Lead Reviewer	Agreed CET	Approved SA&RC
1.0	25/03/22	Full review.	19/04/22	P. Redpath	08/04/22	19/04/22
2.0	20/10/22	Risk Appetite and RMSG Remit	28/11/22	C. Whyte	07/11/22	28/11/22
3.0	16/05/23	Risk Impact Assessment Matrix		C. Whyte	07/06/23	

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## 1.0 Background and Introduction

- 1.1 All organisations exist for a purpose, such as delivery of a service or to achieve a particular outcome. Fife Council, like other local authorities, exists to deliver a range of vital services for individuals and businesses within a defined area. As part of the Fife Partnership, Fife Council is working towards achieving a shared vision of A Fairer Fife. Within this shared vision, priority themes have been identified to help steer the focus of work of the Fife Partnership and its partners. Through the implementation of agreed actions set out in the Plan for Fife (Local Outcome Improvement Plan) and other associated plans and strategies, the Fife Partnership, strives towards achieving its objectives, delivering better outcomes for the Fife community, and ultimately achieving its collective vision. The level of this achievement depends upon the risks that Fife Council, and its partners, is exposed to and how well they are monitored, managed and mitigated.
- 1.2 Risk can be defined as the combination of the likelihood of an event occurring (adverse or otherwise) and the level of impact on the Council's ability to successfully achieve its objectives and outcomes if it does. The impact can be positive, as well as negative.
- 1.3 Risk management is a proactive, continuous, and systematic process that helps organisations to anticipate, identify, evaluate, and prioritise risks as well as co-ordinate the efficient application of, often very limited, resources to monitor and mitigate (through the existence of a robust internal control environment) the likelihood of adverse events occurring and / or their impact if they do (or maximise the realisation of opportunities). When risk management is working effectively, it also provides organisations with a foundation on which sound decision-making can be based, often helping to enable innovation and avoid disasters.
- 1.4 To achieve good governance, Fife Council is required to demonstrate that it complies with the principles of good governance, detailed in both *The International Framework: Good Governance in the Public Sector (2014)* and CiPFA publication *Delivering Good Governance in Local Government Framework (2016 Edition)*. One of the core principles of good governance detailed in these frameworks is "Managing risks and performance through robust internal control and strong public financial management". The Council is required to develop and maintain a local code of corporate governance that adequately reflects these principles. Having effective risk management arrangements in place is also an integral part of the Council being able to demonstrate its compliance with Best Value.
- 1.5 The sections below outline Fife Council's Risk Management Policy and Strategy, the purpose of which is to provide direction surrounding the management of risk and ultimately support the achievement of objectives and delivery of outcomes, protect staff, assets and the local community, as well as help ensure financial sustainability. Compliance with the Policy and Strategy will help ensure that effective risk management arrangements are progressively and continuously embedded within the Council.

## 2.0 Vision Statement

- 2.1 Fife Council recognises the importance of having robust risk management arrangements in place and seeks to ensure that they continue to form part of its local code of corporate governance.
- 2.2 The Council's risk management objectives are:
  - To establish a co-ordinated, methodical and rigorous approach to risk management throughout the organisation.

- To ensure risk management is embedded into the culture of the organisation, through effective policy, procedures and communication.
- To clearly define risk management roles and responsibilities.
- To ensure that the risk management process supports accountability, performance management and reward.
- To achieve level 4 on the Council's Risk Management Maturity Model.

2.3 Risk management will be subject to:

- Regular monitoring, review and impact assessment by officers and Elected Members.
- The provision of adequate and appropriate training and development opportunities for employees and Elected Members.
- Integration with the Council's planning process.
- Consideration in community planning and all other forms of partnership working.

### **3.0 Review Arrangements**

- 3.1 As a minimum, the Council's Risk Management Policy and Strategy will be subject to at least one formal comprehensive review during each administrative term, at intervals not exceeding five years.
- 3.2 Any material amendments made to the Risk Management Policy and Strategy will be presented to the Council's Standards, Audit and Risk Committee for approval, following agreement, as appropriate, by the Corporate RMSG, Executive Director of Finance and Corporate Services and Council Executive Team (CET).
- 3.3 The Risk Management Team Leader, in conjunction with the Corporate RMSG, is responsible for ensuring the Council's Risk Management Policy and Strategy are reviewed in accordance with the above, and more frequently if necessary to reflect changes in Council policy, legislation, regulation and best practice.

### **4.0 Ownership – Roles and Responsibilities**

- 4.1 Whilst risk management is the responsibility of all Elected Members and Council officers, the principal roles and responsibilities for risk management are set out below.

#### **Elected Members**

The Council's Elected Members are responsible for directing risk management policy and understanding the strategic risks faced by the Council and how these are managed / mitigated. Elected Members are also responsible for:

- Carrying out the risk management remit through the Standards, Audit and Risk Committee and, as appropriate, other Council committees.
- Approving the Council's Risk Management Policy and Strategy.
- Having due consideration of risk when making Council decisions.

## **Chief Executive / Head of Paid Service**

As the most senior appointed officer within the Council, the Chief Executive is ultimately responsible for ensuring risks, to which the Council is exposed, are effectively managed through a scheme of delegation.

The Chief Executive is also responsible for nominating a Senior Responsible Officer (SRO) for risk management, who will chair the Corporate RMSG.

## **Council Executive Team (CET)**

The CET is responsible for:

- Recommending the Risk Management Policy and Strategy to Elected Members.
- Making decisions on the risk management process as it affects all directorates / services.
- Receiving reports from the Corporate RMSG on the development and effectiveness of the Council's risk management arrangements and the management of the Council's strategic risks.
- Ensuring risk implications are highlighted in relevant Committee reports.

## **Executive Director, Finance and Corporate Services (Section 95 Officer)**

At a corporate level, the Executive Director of Finance and Corporate Services is the Council's SRO for risk management, and is responsible for:

- Promoting the operation of effective risk management arrangements across the Council.
- Ensuring adequate resource is available to enable the efficient and effective identification, evaluation and control of risks faced by the Council.
- Maintaining a watching brief over the risk management policy and strategy review process and approving minor amendments made to these.
- Chairing the Corporate RMSG.
- Ensuring significant risk issues requiring intervention are brought to CET's attention.

## **Executive Directors / Director of H&SC**

Each Executive Director is responsible for strategic and operational risk management in their own Directorate and will nominate one or more senior officer from within their Directorate to lead on, oversee and promote risk management locally. Executive Directors are also responsible for:

- Overseeing the development and maintenance of the Council's Strategic Risk Register.
- Ensuring Directorate / Service-level risk register(s) are established and maintained in line with the Council's Risk Management Maturity Model.
- Promoting integration of risk management principles into the culture of the Council and its partners via all Heads of Service.
- Ensuring risk management is a regular item on Directorate Leadership Team meeting agendas.
- Promoting the use of Pentana as the central repository for recording and updating risk registers and related information.
- Ensuring risk management is integrated into service planning and performance management arrangements.
- Promoting the sharing of relevant partnership risk management information.

## **Heads of Service**

Heads of Service are responsible for promoting risk management within their Service and ensuring that the Council's risk management framework is implemented consistently. Heads of Service are also responsible for:

- Ensuring the ongoing identification of emerging risks, monitoring and maintenance of their service-level risk registers and ensuring Pentana is kept up to date.
- Ensuring all portfolios, programmes and projects under their control are effectively risk managed.
- Ensuring all partnerships their Service is involved in are effectively risk managed. This includes the requirement for all partnership agreements to set out responsibility for risk management.
- Highlighting risks to the Service Manager, Audit & Risk Management Services for potential inclusion in the Council's Internal Audit Plan.

## **Risk Management Leads**

Risk Management Leads are responsible for communicating the benefits of effective risk management and for overseeing the risk management arrangements operating within their Directorate / Service. They will attend the Corporate RMSG meetings, act as the key point of contact for risk management related matters, and be responsible for:

- Promoting and influencing risk management throughout their Directorate / Service.
- Ensuring risk registers are maintained in Pentana, including co-ordinating regular reviews within timescales proportionate to the level of risks and that risk information is ready for reporting to Committee.
- Liaising with Heads of Service (as appropriate) and other managers to ensure actions are implemented and risks mitigated.
- Identifying and, where appropriate, escalating deteriorating risks, evolving risks, weak or ineffective controls and overdue actions.
- Ensuring key members of staff undertake risk management training as and when required.
- Supporting colleagues to report risks and concerns.

## **Service Manager - Audit and Risk Management Services**

Responsible for:

- Managing the Council's Audit and Risk Management Service.
- Providing assurance to Elected Members and senior management on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- Overseeing the Council's Risk Management activities.
- Deputising for the Executive Director of Finance and Corporate Services in connection with risk management matters as and when required.
- Providing support and guidance to Elected Members and senior managers in relation to risk management matters.

## **Risk Management Team**

Responsible for establishing and maintaining, in line with good practice, the Council's corporate and service level risk management framework, including:

- The Council's Risk Management Policy and Strategy and supporting corporate procedures / manual.
- Raising awareness and promoting a risk management culture throughout the organisation.



- Providing support to directorates / services as required surrounding the incorporation of risk management arrangements into service delivery.
- Assisting with the ongoing development and maintenance of the Council's strategic and service-level risk registers.
- Keeping abreast of strategic risk events and providing advice and guidance as appropriate to senior management.
- In conjunction with Risk Management Leads and the Corporate RMSG, undertaking horizon scanning on an ongoing basis.
- Attending ALARM (Association of Local Authority Risk Managers) events and disseminating key information to individuals throughout the Council.
- Highlighting risks for escalation and supporting management to do that.
- Developing training and awareness programmes in conjunction with Workforce Development and leading on their delivery throughout the organisation.
- Providing ongoing support to Elected Members and senior management on risk management related matters.
- Regularly engaging with insurers and brokers to ensure that, where possible, risks are financially protected.

### **Performance and Improvement Team**

- Liaising with directorates / services surrounding the ongoing requirements to regularly assess risks and corresponding internal control frameworks within Pentana.
- Promoting the requirement to use Pentana and providing training on the system as required.
- Providing support to directorates / services as required surrounding the incorporation of risk management into service delivery.
- Co-ordinating the ongoing development and maintenance of the Council's strategic and service-level risk registers.
- Promoting the requirement to use Pentana and providing training on the system as required.
- Liaising with the software supplier for Pentana to ensure continued utilisation of the system and its alignment to the Council's risk management arrangements.
- Extracting risk registers and related reports from Pentana as and when required.

### **All Employees**

- Maintain awareness of risks and contribute to the control process where appropriate.

4.2 In addition to the roles and responsibilities noted above, the Corporate RMSG has an important role to play surrounding the setting and review of the Strategy as well as monitoring its implementation. The formal high-level remit of the group can be found at Appendix 2 along with membership and meeting schedule details.

## 5.0 Risk Management Policy

- 5.1 Fife Council does not generally have an appetite for exposure to very high risk, which could result in catastrophic levels of adverse impact. However, risk is inherent in every area of service provision, and it is recognised that risk management is not risk aversion. Fife Council is committed to promoting a culture and environment that is risk aware; embedding risk management into its working practices and procedures and ensuring that its officers and Elected Members are able to readily identify and understand the risks (and opportunities) to which the Council is exposed, in turn, enabling them to effectively mitigate risks and make informed decisions rather than avoiding risk altogether.
- 5.2 The Council will develop and maintain systems and procedures that help identify, evaluate and economically deal with existing and anticipated risks (and opportunities), which may impact on its ability to achieve its objectives and deliver better outcomes for the individuals and businesses in the community it serves. With that in mind, the management of risk in the Council is undertaken within a control framework comprising the following. The Council's risk appetite, once defined, will be incorporated into the framework as appropriate.
- Governance processes, largely set out in the Council's Standing Orders.
  - Risk Management Policy and Strategy.
  - Identification, evaluation and management of key risks.
  - Systems of internal control / control environment.
- 5.3 Assessment of risk and the ability to manage it will be an integral part of strategic and operational level decision making.
- 5.4 The Council's Committee reporting process includes a requirement for completion of Impact Assessments (e.g. EqIA, DPIA & EnvIA) for relevant reports. Where completion of Impact Assessments is required, this will include a risk assessment to provide outline information to Committee on the risks associated with the proposal being presented, and the specific control measures required to mitigate those risks.
- 5.5 Adopting this Policy enables the Council to be innovative and preserve / enhance service delivery, whilst at the same time:
- Protect its internal and external stakeholders.
  - Protect the different types of properties in its portfolio.
  - Ensure compliance with statutory and regulatory obligations.
  - Maintain the efficient and effective stewardship of public funds.
  - Safeguard its reputation and promote a positive corporate image.
- 5.6 By effectively managing risk, the Council will be enabled to implement the Plan for Fife, and other associated plans and strategies (including the Local Development Plan, FIFEplan and 7 Area Community Plans), manage project risk and deliver its key strategic priorities.
- 5.7 In relation to Strategic Risk Management, the Corporate RMSG will co-ordinate the management of strategic risks that could impact on the Council's objectives. Individual Heads of Service will retain ownership of the risks that fall within their Service area.
- 5.8 Operational risk management is integral to the role of managers across the Council, requiring them to actively manage the risks they encounter whilst performing their duties on a day-to-day basis. All Council officers are expected to assist with risk management utilising Pentana and are actively encouraged to participate in the identification, assessment, review and mitigation of risks that could affect the achievement of objectives.

- 5.9 The Council will provide training and awareness to enable officers to discharge this responsibility and, more specifically:
- identify and understand the risks they may be exposed to in the performance of their duties;
  - evaluate and mitigate the risks to which they are exposed; and
  - understand their risk management responsibilities.
- 5.10 This Risk Management Policy has the full support of the Council and its CET. The co-operation and commitment of all employees is required to ensure that the best use of Council resources is made through the effective management of risk(s).

## **6.0 Risk Appetite**

- 6.1 Risk appetite is a concept that will help Fife Council articulate the optimal level and type of risk it is seeking, when striving towards achieving its objectives, delivering better outcomes for the communities it serves and ultimately achieving its collective vision of A Fairer Fife.
- 6.2 Defining and communicating the Council's risk appetite:
- assists with informed decision making, by ensuring the boundaries of risk taking have been set and understood across the Council. By communicating these desired boundaries, it enables and supports consistent decentralised decision making and work with partner organisations.
  - helps to determine what is most important to report to Directorates, Council Executive Team and Standards, Audit and Risk Committee.
  - reduces uncertainty by aligning consistent risk taking with the capacity of the organisation to manage anticipated threats and opportunities.
  - helps the prioritisation and allocation of resources / spending.
- 6.3 The Council will take effective action to minimise exposure to risks that impact adversely on reputation, compliance (particularly legal compliance), fraud, financial mismanagement and the health and safety of staff and members of the public.
- 6.4 The Council is prepared to accept risk where there may be an opportunity to improve service delivery and facilitate innovation or change for the better. However, risks must be taken in a controlled manner, reducing the Council's risk exposure to a level aligned to the Council's Risk Appetite.
- 6.5 The risk appetite for each of the Council's strategic risks, including the optimal risk zone (the level of risk within which the Council aims to operate), is set out in the table below at Figure 1. The risk appetite categories and zones utilised at Figure 1 are defined within Figures 2 and 3 respectively.
- 6.6 It is recognised that risk management and the analysis of risk is subjective and that it is possible that a risk's score may move into the Warning Zone. Provided the control framework in place to mitigate the risk (likelihood and / or impact) is comprehensive and individual controls within it are fully effective (in terms of available resource), then there is a possibility that the risk may be tolerated at that level. This may also apply where the Council is obligated to take risks beyond its appetite e.g. to comply with regulation / legislation. Where a risk falls within the Opportunity Zone, there may be scope to remove internal controls, in turn increasing the risk so that it is more in line with the optimal risk zone, freeing up resource that can be used elsewhere.




Figure 1

Strategic Risk	RISK APPETITE					
	Category	Range	Risk Level (Score*)			
			* Refer to Fife Council's 5x5 Risk Matrix			
			Insignificant	Low	Medium	High
			(1 – 3)	(4 – 6)	(8 – 12)	(15 - 25)
1 FC001 - ICT Failure	Minimal	4 - 9	Green	Yellow	Orange	Red
2 FC002 - Inequality & Social Division	Mindful	8 - 12	Green	Yellow	Orange	Red
3 FC003 - Health Improvement (Community)	Mindful	8 - 12	Green	Yellow	Orange	Red
4 FC004 - Educational Inequality	Mindful	8 - 12	Green	Yellow	Orange	Red
5 FC005 - Assets & Infrastructure	Cautious	8 - 10	Green	Yellow	Orange	Red
6 FC006 - Fife Economy	Mindful	8 - 12	Green	Yellow	Orange	Red
7 FC007 - Climate Change	Mindful	9 - 12	Green	Yellow	Orange	Red
8 FC008 - Legal & Regulatory Compliance	Opposed	4 - 6	Green	Yellow	Orange	Red
9 FC009 - Political	Minimal	4 - 6	Green	Yellow	Orange	Red
10 FC010 - Safety & Protection (Community)	Minimal	4 - 6	Green	Yellow	Orange	Red
11 FC011 - Protection of Adults at Risk of Harm & Vulnerable Children	Minimal	4 - 6	Green	Yellow	Orange	Red
12 FC012 - Financial Sustainability	Cautious	8 - 9	Green	Yellow	Orange	Red
13 FC013 - Health, Safety & Wellbeing (Workforce)	Minimal	4 - 6	Green	Yellow	Orange	Red

Figure 2

Risk Appetite Categories and Definitions	
<b>Opposed</b>	Avoidance of risk and uncertainty is the key objective.
<b>Minimal</b>	Preference is for safe options that have a low degree of inherent risk.
<b>Cautious</b>	Preference is for safe options that have a low degree of residual risk.
<b>Mindful</b>	Willing to consider all options and choose one that is most likely to result in successful delivery.
<b>Enterprise</b>	Eager to be innovative and choose options that suspend previous held assumptions and accept greater uncertainty.

Figure 3

Risk Appetite Zones	
	<b>Opportunity Zone</b> – the risk range within which opportunities to take additional risk may arise (e.g. by potentially removing a control and re-directing the resource).
	<b>Warning Zone</b> – the risk range is higher than the Council is aiming to operate in and therefore consideration should be given to enhancing existing internal control frameworks. It may also be appropriate to consider transferring some / all of the risk or terminating completely.
	<b>Target / Optimal Zone</b> – the risk range within which the Council aims to operate. (Note: There may be opportunities within the green end of the zone and action required within the red end of the zone as described above.)

## 7.0 Risk Management Strategy

7.1 The Council's Risk Management Strategy has been developed to enable effective delivery of objectives in accordance with the Council's Risk Management Policy Statement.

7.2 The Council operates a 'three lines of defence' model to provide structure around its risk management arrangements and help clarify some of the key roles and responsibilities:

- 1<sup>st</sup> Line of Defence – officers on the front line (the doers) – these individuals manage risk on a day-to-day basis, observe the Council's policies and procedures to ensure compliance with legislation, regulation, government guidance and best practice and carry out the Council's defined risk management processes.
- 2<sup>nd</sup> Line of Defence – management (the superintendents / overseers) – these individuals are responsible for the oversight of officers on the front line, helping through active supervision and management to ensure compliance and identify, evaluate, monitor and mitigate risks. These individuals also help develop risk management policies, processes and procedures.
- 3<sup>rd</sup> Line of Defence – internal and external assurance providers (the investigators) – independently assessing and reporting on the work of the other two lines of defence with the view to providing assurance and helping to drive improvement.

7.3 The risk management process is a continuous one that incorporates identifying the

risks, assessing them (using the matrices), treating / managing them in a way that is proportionate to the level of risk (through internal controls) and monitoring, reviewing and reporting on them. There may be instances where it is considered more appropriate to tolerate a risk as it presents itself or to terminate (or stop) an activity because the corresponding risk(s) far exceed the risk appetite of the organisation. The process is relevant when managing risk at all levels in the organisation e.g. strategic / corporate, operational / service and project level.



7.4 A key element of the Council's Risk Management Strategy for managing the above process is the development and maintenance of comprehensive risk registers, which will be actively managed and maintained within Pentana. Risk registers to be maintained include:

- The Strategic Risk Register, which incorporates the Council's high level, strategic risks that may impact on overall delivery of Council objectives and achieving better outcomes for Fife.
- Directorate / Service-level Risk Registers, which reflect risks at a service level, where the impacts are predominantly operational e.g. interruptions to service delivery, finance, staffing etc.
- Project Risk Registers, which set out risks specific to a project and take account of consequential impacts on other Council services.

7.5 In order to ensure consistency of assessment, each risk will be considered for both impact and likelihood using the assessment matrices at Appendix 1. A standard framework will be used for effective monitoring of ongoing risk mitigation, which will be based on assessing the following risk scores:

- Inherent (or uncontrolled) Risk (assessed as if no internal controls were in place to mitigate it)
- Current Residual Risk (assessed now, giving due consideration to the existing internal control framework and how effective it is at mitigating the likelihood of the risk coming to fruition and / or its impact if it does)
- Target Residual Risk (assessed with the view that all internal controls that could be put in place, are in place and fully effective)

7.6 Internal controls will be established to manage risk at a level aligned to the Council's risk appetite and with the ultimate aim of arriving at the target residual risk level. These controls will be recorded in Pentana against each risk. In addition, actions will be identified and agreed on an ongoing basis, via a number of mechanisms (including via management, internal / external audit and external scrutiny bodies) which, once complete, will help to strengthen the internal control framework and reduce the gap between the current and target residual risk scores.

- 7.7 In order to maintain effective control of the Council's risks and monitor risk mitigation measures, the risk registers at all levels will be subject to regular review and reporting.
- 7.8 Maintenance of the Strategic Risk Register will be facilitated by the Performance and Improvement Team, in conjunction with the Risk Management Team, and reported:
- Quarterly to the Corporate RMSG
  - Six monthly to CET and Standards, Audit and Risk Committee, or earlier in the event of meaningful adverse movement
- 7.9 Consideration will also be given to the potential impact on the Council of partner risks, both strategically and operationally e.g., the Fife Integration Joint Board, Fife Sports and Leisure Trust etc. Where feasible / appropriate, partner risk registers will be maintained in conjunction with the Council, using Pentana. Otherwise, ongoing access to partner risk registers will be sought in order to enable effective ongoing monitoring and escalation. Where appropriate, the Council will also share relevant risk management information with its partners.
- 7.10 Risk based internal and external audits / other forms of scrutiny will be undertaken, which will determine whether internal controls are operating as effectively as they should be. Where an audit / inspection results in recommendations for improvement being made, progress towards implementation of recommendations will be monitored in line with standard working practices e.g. for internal audits, the implementation of recommendations will be monitored via the Post Audit Review process and / or delivery of a formal follow-up.
- 7.11 The RMSG is responsible for setting and reviewing the Strategy as well as monitoring its implementation by Directorates and Services. In addition to the RMSG, the CET, other relevant strategic groups (such as the Corporate Health and Safety Strategy Group), Directorates, Services and Committees actively promote the Strategy and support its delivery.

**Risk Matrix:**

	<b>Impact</b>				
<b>Likelihood</b>	None (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost certain (5)	Yellow	Orange	Red	Red	Red
Likely (4)	Yellow	Orange	Orange	Red	Red
Possible (3)	Green	Yellow	Orange	Orange	Red
Unlikely (2)	Green	Yellow	Yellow	Orange	Orange
Remote (1)	Green	Green	Green	Yellow	Yellow

**Key:**

Insignificant	Low	Medium	High
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## Risk Impact Assessment Matrix:

		Description				
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
Domain	Impact					
<b>Political / Reputation</b>		No / low media coverage. No / low impact on staff morale.	Local media short term. Minor impact on staff morale and / or reputation.	Local media longer term. Clear impact on staff morale and / or reputation.	National media short term. Public confidence undermined/service usage affected. Major impact on staff morale and / or reputation	National media longer term. MP / MSP / parliamentary concern. Extensive impact on staff morale and / or reputation
<b>Economic / Financial * / Security &amp; Equipment</b>		Loss, theft damage <0.01% of budget.	Loss, theft damage >=0.01% to <0.05% of budget.	Loss, theft damage >=0.05% to <0.5% of budget.	Loss, theft damage >=0.5% to <1.5% of budget.	Loss, theft damage >=1.5% of budget.
<b>Social Impact / Safety of Staff &amp; Clients</b>		No / low community impact. Minor injury not requiring first aid.	Highly localised community impact. Minor injury, first aid required. No staff absence necessary.	Community impact in a number of localities. Restricted repercussions for Council. Injury requiring medical treatment and / or counselling. Potential staff absence.	Community impact in a number of areas. Serious repercussions for Council. Major injury / long term incapacity / loss of limb requiring medical treatment and / or counselling. Staff absence.	Widespread community impact, serious repercussions for Council, Death / major injury leading to permanent incapacity. Loss of staff.
<b>Technological / Business or Service Interruption</b>		No / low interruption.	Minor interruption.	Noticeable interruption and client inconvenience.	Sustained service interruption and serious client impact – contingency plans invoked.	Permanent loss of core service / facility, significant 'knock-on' effect / inability to achieve key objectives.
<b>Environmental</b>		No / low environmental impact. No / low Council involvement.	Minor environmental impact. Some Council involvement, Minimal cost.	Noticeable environmental impact. Council implicated and largely responsible for clean-up, moderate cost to Council.	Major environmental impact. Council implicated and responsible for clean-up, major cost to Council.	Catastrophic environmental impact. Council solely / heavily implicated and responsible for clean-up, Catastrophic cost to Council.
<b>Legal / Statutory Obligations</b>		No breach of legal or statutory obligations.	Non-compliance with good practice or non-statutory guidance. Activity may incur criticism but no financial or regulatory penalty	Breach of statutory obligations. Requires report to regulatory authority. Breach is for a period of less than 2 weeks or relates to 5 or more instances Regulatory action against the Council is likely	Continuing breach of statutory obligations. Likely to be unable to defend civil proceedings. Risk of successful claims for damages against the Council. Regulatory action inevitable Operational impact	Commission of a criminal offence. Prosecution and criminal penalty. Public statement and apology.
<b>Organisational / Staffing &amp; Competence</b>		No / low impact on service objectives. No or low reduction in project scope / quality / schedule. Short term low staffing / no disruption.	Minor impact on service objectives. Minor reduction in project scope / quality / schedule. Ongoing low staffing. Minor service impact. Potential for minor training related errors.	Noticeable impact on service objectives. Noticeable reduction in project scope / quality / objectives / schedule. Ongoing staffing level problems. Moderate training related errors.	Major impact on service objectives. Major reduction in ability to meet project objectives / schedule. Lack of staff. Major training related errors.	Unable to meet service objectives. Extended loss of service. Inability to meet project objectives. Serious reputational damage. Critical training related errors.

\* Economic / Financial impact – It is important to consider the financial context when assessing the impact score.

**Risk Likelihood Assessment Matrix:**

<b>Likelihood</b>	<b>Score</b>	<b>Description</b>
Almost certain	5	Will undoubtedly happen, possibly frequently.
Likely	4	Will probably happen, but not a persistent issue.
Possible	3	May happen occasionally.
Unlikely	2	Not expected to happen but is possible.
Remote	1	Very unlikely this will ever happen.

## **RISK MANAGEMENT STRATEGY GROUP MEMBERSHIP, MEETING SCHEDULE & REMIT**

### **Membership**

The Corporate Risk Management Strategy Group (RMSG) will comprise:

- The Executive Director of Finance and Corporate Services, or appropriate depute i.e., Head of Finance.
- Service Manager, Audit & Risk Management Services
- The Risk Management Team Leader and Risk Management Co-ordinator.
- Representation from all Directorates at Head of Service level.

In the event of a nominated representative no longer being available to fulfil their role on the group, the RMSG will seek nomination of a replacement member.

The RMSG will be Chaired by the Executive Director of Finance and Corporate Services. In the event of the absence of the Executive Director of Finance and Corporate Services, the Head of Finance will act as Chair.

### **Meeting Schedule**

- Formal meetings of the Corporate RMSG will be held on a quarterly basis.
- In the event of meeting having to be postponed, an alternative suitable date will be arranged.

### **Remit (High-Level)**

- Provide oversight on the Council's risk management arrangements.
- Review the Risk Management Policy and Strategy in accordance with documented requirements.
- Establish, and keep under review, the Council's risk appetite.
- Receive and consider Strategic Risk Register reports from the Performance and Improvement Team and co-ordinate the management of strategic risks.
- Monitor and report on the completeness of the Council's risk registers, including the Council's Strategic Risk Register and the integrity of the data within it.
- Report on key risk management activities being undertaken across the Council.
- Identify, on an ongoing basis, and highlight at group meetings the following:
  - evolving risks / risks on the horizon
  - deteriorating risks
  - overdue actions
  - weak or ineffective controls
  - other risk related matters as appropriate
- Identify, share and promote good practice in risk management throughout the organisation.
- Help identify and scope risk management related learning and development needs and direct corresponding communications appropriately.
- Discharge governance responsibilities to ensure that compliance with mandatory learning (including target completion rates) across the Council is being actively monitored by a suitable strategic Group or Board.

## GLOSSARY OF TERMS

### Risk Management

Internal Control	Measure put in place to mitigate the likelihood of a risk coming to fruition and / or its impact if it does.
Inherent Risk	The level of uncontrolled risk, assessed as if no internal controls are in place to mitigate it.
Residual Risk	The level of controlled risk, assessed at the current stage of implementation of internal controls. It gives due consideration to the existing internal controls and how effective they are.
Target Risk	The level of controlled risk assessed with the view that all internal controls that could be put in place, are in place and fully effective.
Risk Treatment	Selection and implementation of appropriate options for dealing with risk.
Action	An Action is any task or activity that can be allocated to an individual and that has a deadline date for completion. Actions are identified via a number of mechanisms (including management, internal / external audit, and external scrutiny bodies), which, once complete, help to strengthen the internal control framework and reduce the gap between the current and target residual risks.
Risk Universe	Refers to all of the Council's risks.
Risk Register	An information repository that an organisation creates to document the risks it faces and the responses it is taking to address them. Risk registers exist at different levels in the Council, including strategic / corporate, operational / service and project levels.
Pentana	The Council's preferred software solution for risk management, used by management to manage, monitor and maintain the Council's risk registers. Also used by the Council for performance management.

### Risk Type

Strategic Risk	Risks that may impact on overall delivery of Council objectives and achieving better outcomes for Fife.
Operational Risk	Risks that may impact on the day-to-day delivery of Council.
Project Risks	Risks that can impact directly on the successful delivery of individual projects.



Action	Priority	Responsible Group / Team(s) / Officer(s)	Target Implementation Date	Status Update / Notes <b>16 May 23</b>
2(e).	Keep formal Risk Management Strategy Group (RMSG) remit under review to ensure ongoing relevance. The second review is scheduled end Oct 23.	Medium	RMSG	31 Oct 2023 <b>Not Implemented</b> - Future date, scheduled in Service Mgr. - A&RMS calendar.
6.	Ensure continuous monitoring of the Council's Strategic Risk Register - utilise trigger functionality within Pentana, including tailored email narrative, to assist with this.	High	RMSG Risk Mgt Team Perf & Imp Team	Original - 31 Aug 2022 Revised - 31 August 2023 <b>Partially Implemented</b> – Strategic Risk Register is continually monitored. Trigger functionality within Pentana is being used to assist with this. Email narrative has been added, however procedures still to be attached once finalised.
8.	Following Scottish local elections in May 22, provide training to Elected Members on Risk Management.	High	Service Mgr - A&RMS	Original - 31 Aug 2022 Revised - 30 Jun 2023 <b>Partially Implemented</b> – presentations on Risk Management were delivered to Elected Members on 13 June and 30 August 2022. Further sessions to be offered to Elected Members who did not attend. Slide deck to be shared.
10(d).	Decide how best to manage key person dependency risk (Risk Management Co-ordinator post). E.g., train other members of the team and / or potentially a modern apprentice opportunity.	High	Service Mgr - A&RMS Risk Mgt Team Leader	Original - 31 Mar 2023 Revised - 31 August 2023 <b>Partially Implemented</b> – future date. The additional resource referred to at action 11 will mitigate key person dependency.
11.	Map existing risk management tasks to corresponding officers for consideration and, if appropriate, update roles and responsibilities within the revised Policy & Strategy document.	Medium	Risk Mgt Team	Original - 30 Sep 2022 Revised - 31 August 2023 <b>Partially Implemented</b> – Discussions have been ongoing since August 22 with the former Communities, Research Manager, surrounding Risk Management roles and responsibilities (and others). A review of the Performance and Improvement (P&I) Team's roles and

					responsibilities was undertaken by the former Research Manager. The Service Manager, A&RMS is actively discussing with management in Communities, and it has been agreed that, following a resource transfer, the Risk Management Team will assume full responsibility for RM tasks previously undertaken by P&I Team.
12.	<p>Develop and implement risk management procedures to support delivery of the revised Risk Management Policy &amp; Strategy. The following to be considered as part of this exercise:</p> <ul style="list-style-type: none"> <li>• Risk Management Manual</li> <li>• Risk Management Maturity Model</li> <li>• Pentana procedures</li> <li>• Escalation procedures</li> </ul>	Medium	Risk Mgt Team	<p>Original - 31 Dec 2022</p> <p>Revised - 31 August 2023</p>	<b>Partially Implemented</b> – Comprehensive procedures have been drafted and are awaiting review. These procedures incorporate both Pentana and escalation procedures and will replace the existing Risk Management Manual. The Risk Management Maturity Model will be reviewed once the procedures have been
13(a).	Consider options and decide on a new standard approach re communicating potential risks to CET, DLTs and Elected Members in reports where decisions are required. E.g., incorporate into an Integrated Impact Assessment process utilising the PESTELO model.	Medium	Head of Legal & Democratic Services Service Mgr - A&RMS	<p>Original - 31 Oct 2022</p> <p>Revised - 31 Dec 2023</p>	<b>Not Implemented</b> – future date.
13(b).	Take steps to ensure that the process agreed at 13(a) is implemented and consistently applied. Guidance should be developed to assist with this.	Medium	Head of Legal & Democratic Services	<p>Original - 31 Mar 2023</p> <p>Revised - 31 Dec 2023</p>	<b>Not Implemented</b> – future date.
14(b).	Check to ensure integrity of system parameters and data within Pentana. E.g., scoring matrices.	Medium	Risk Mgt Team P&IT	<p>Original - 31 Dec 2022</p> <p>Revised - 30 September 2023</p>	<b>Partially Implemented</b> – some changes have been made to provide additional permissions to users in relation to internal control access. This should help facilitate risk updates. Guidance on scoring will be implemented following RMSG agreement of revised PESTELO Matrix at 16 May RMSG.

14(c).	Develop, in conjunction with key	Low	Risk Mgt Team	Original - 31 Mar 2023 Revised – 31	– future date. addressed as part of the Roll Out Plan – items
14(d).	Develop, in conjunction with key stakeholders, the format of reports to be used when extracting data from Pentana and presenting to different audiences, including committee. How best to report risks alongside performance should be considered as part of this action.	Low	Risk Mgt Team P&IT	Original - 31 Mar 2023 Revised – 30 October 2024	Not Implemented – future date. Being addressed as part of the Roll Out Plan – items 15(a) and 18
15(a).	Develop a comprehensive and targeted training and awareness programme for Council officers and, as appropriate, Elected Members to include: <ul style="list-style-type: none"> <li>• Training on the use of Pentana (Risk module) should be provided to officers throughout the Council.</li> <li>• Staff induction process.</li> <li>• An e-learning module on risk management.</li> <li>• Refresher training.</li> <li>• Intranet pages / newsletters / videos.</li> <li>• Existing Gallagher Bassett course.</li> </ul>	Low	Risk Mgt Team P&IT Head of HR	Original - 31 Mar 2023 Revised - 31 October 2024	Partially Implemented – Some training has now been delivered. Future training will be delivered as part of the rollout programme and plans to introduce an eLearning package are progressing.
15(b).	Consider whether any risk management training should be mandatory for all staff / certain groups of staff and how to monitor completion rates e.g., via Oracle.	Low	RMSG	Original – 31 Mar 2023 Revised - 31 December 2023	Not Implemented – future date. Consideration at RMSG then recommendations to CET for final decision.
16.	To complement existing project management processes and procedures, develop and approve a project management tool to help ensure consistency of approach regarding the	Low	RMSG Risk Mgt Team	Original - 31 Mar 2023 Revised - 31 Dec 2024	Not Implemented – future date.

	requirement to develop and utilise risk registers for projects.				
17.	In line with the revised Policy & Strategy, ensure Risk Management is a regular item on directorate / service management team meetings.	Medium	RMSG Risk Mgt Team Perf & Imp Team	Original - 31 Dec 2022 Revised – 30 Jun 2023	Partially Implemented – Finance & Corporate Services, Enterprise & Environment, Communities Directorates and Health & Social Care Partnership have indicated in their update papers for the 16 May RMSG meeting that Risk Management is a regular item.
18.	Work alongside directorates / services, supporting them to develop and embed effective risk management arrangements locally.  This will involve facilitating the development and continuous monitoring and maintenance of directorate / service-level risk registers, which will ultimately inform the Council's risk universe.  Pilot approach within a couple of services initially, linking in with training and awareness programme at 15(a) when appropriate.	Medium	Risk Mgt Team	Original - 31 Mar 2023 Revised -31 October 2024	Partially Implemented – future date. Being addressed as part of the Roll Out Plan.
19.	Develop Assurance Mapping arrangements and link to risk universe to formally articulate levels of assurance obtained for each risk.	Low	Risk Mgt Team	30 Jun 2023	Not Implemented – future date. This process will help identify where there are assurance gaps and where there is too much assurance for a risk / group of risks (in which case, it may be possible to re-direct resource to help bridge the gaps).
20.	Monitor implementation of this Improvement Plan, providing regular updates to RMSG and when / where appropriate, to CET and Standards, Audit and Risk Committee.	High	RMSG Risk Mgt Team	Ongoing.	Progress is overseen by and reported to RMSG at scheduled quarterly meetings.



## Section B – Fully Implemented Actions

Action	Priority	Responsible Group / Team(s) / Officer(s)	Target Implementation Date	Status Update / Notes 16 May 23
1.	High			<b>Fully Implemented</b> – SRO, Executive Director of Finance and Corporate Services.
2(a).	High	SRO	30 Sept 2021	<b>Fully Implemented</b> – inaugural meeting of the new RMSG took place on 13 Sept 2021.
2(b).	High	SRO	30 Jun 2021	<b>Fully Implemented</b> – senior Council officers from the Council Leadership Team identified July 2021.
2(c).	High	SRO	31 Mar 2022	<b>Fully Implemented</b> – RMSG to meet on a quarterly basis, as detailed in the Risk Management Policy & Strategy document.
2(d).	High	Service Mgr - A&RMS	31 Mar 2022	<b>Fully Implemented</b> – Service Manager (A&RMS) / Risk Management Team Leader compiled formal remit for RMSG consideration and agreement. Agreed remit included in Policy
2(e).	Medium	<b>RMSG</b>	31 Oct 2022	<b>Fully Implemented</b> – RMSG remit reviewed and updated to include responsibilities for mandatory learning.
3.	High	Service Mgr - A&RMS	31 Mar 2022	<b>Fully Implemented</b> – Service Manager (A&RMS) / Risk Management Team Leader compiled roles and responsibilities for RMSG consideration and agreement. Once agreed, these were included in Policy & Strategy
4(a).	High	Service Mgr - A&RMS	28 Feb 2022	<b>Fully Implemented</b> – Service Manager (A&RMS) / Risk Management Team Leader revised the Policy & Strategy on 25 March 22,

					which was then circulated for comment to SRO / Head of Finance / CET & RMSG. CET approved the revised Policy & Strategy on 8 April 2022.
4(b).	Ensure revised Risk Management Policy & Strategy is approved by a relevant Council committee.	High	SRO	31 Mar 2022	<b>Fully Implemented</b> – SRO submitted revised Risk Management Policy & Strategy to the Council’s Standards and Audit Committee on 19 April 2022 for approval. Approval given.
4(c).	Detail formal review programme for the Risk Management Policy & Strategy document.	High	Service Mgr - A&RMS	31 Mar 2022	<b>Fully Implemented</b> – formal review programme set out in the Risk Management Policy & Strategy document. At least one comprehensive formal review during each administrative term, at intervals not exceeding five years.
5(a).	Carry out a comprehensive review of the Council’s Strategic Risk Register.	High	CET	31 Mar 2022	<b>Fully Implemented</b> – following an initial survey facilitated by Zurich on strategic risks across all directorates and a virtual workshop with the Council Leadership Team to agree, score and prioritise strategic risks and confirm ‘risk owners’, a revised Strategic Risk Register was created.
5(b).	Ensure the Council’s revised Strategic Risk Register is approved by a relevant Council committee.	High	SRO	30 Apr 2022	<b>Fully Implemented</b> – SRO submitted revised Risk Management Policy & Strategy to the Council’s Standards and Audit Committee on 19 April 2022 for approval. Approval given.
7.	Define the Council’s risk appetite and incorporate into the Council’s revised Risk Management Policy & Strategy document.	High	RMSG	30 Sep 2022	<b>Fully Implemented</b> – Risk Appetite survey issued and workshop to discuss results held with the RMSG on 26 Sept 22 to define Council’s risk appetite. RMSG agreed risk management output on 5 Oct 22. Considered and agreed at CET on 2 Nov 22 and then approved by Standards, Audit & Risk Committee on 28 Nov 22. This has now been incorporated into Policy & Strategy document. Risk Appetite field has been added to Pentana.

9.		High			Fully Implemented – Terms of Reference for compiled and presented to full Council on 9
10(a).	Obtain approval to create a new Risk Management officer position within the Audit & Risk Management Services establishment.	High	SRO Head of Finance	31 May 2021	Fully Implemented – new Risk Management Co-ordinator post established.
10(b).	Following approval being obtained, compile and arrange evaluation of the new job role.	High	Service Mgr - A&RMS Risk Mgt Team Leader	31 Dec 2021	Fully Implemented – new job role compiled and evaluated. Signed off 16 May 2022 at Grade 8. Change of Establishment subsequently processed.
10(c).	Recruit full time Risk Management Co-ordinator.	High	Service Mgr - A&RMS Risk Mgt Team Leader	31 Jul 2022	Fully Implemented – New Risk Management Co-ordinator in post 5 September 2022.
14(a).	Establish system functionality capabilities within Pentana with regards to risk registers as well as displaying and extracting risk information for presenting / reporting purposes. E.g., risk trees, dashboards, report layouts.	Medium	Risk Mgt Team P&IT	31 Dec 2022	Fully Implemented – risk register folders have improve the visibility and accessibility of risk registers for all users. Some work will be required to tidy up a few remaining risks which do not fit into registers. The standard risk report layout has been amended to include the input to replace risk icons. This corrects an error caused by the risk icons. It also ensures the report is consistently aligned with guidance in
14(e).	Ensure the new Risk Management Co-ordinator becomes an expert on Pentana.	High	Risk Mgt Team Leader	31 Dec 2022	Fully Implemented – Individual appointed to the role of Risk Management Co-ordinator has detailed knowledge of Pentana.

Summary Roll Out Plan

Directorate	Service(s)	Scheduled Dates	Completion Status	Completion Rate	Comments
Finance & Corporate Services	Finance	6 – 24 February 2023	In Progress	95%	PESTELO model agreed, feedback over the rollout period, risks now migrated to new model and new register. Triggers still to be added.
	Assessors	12 December 2023 – 5 January 2024	In Progress		Rescheduled from April 2023
	Revenue and Commercial Services	8 – 26 May 2023	In Progress	5%	Some Training given; work commenced.
	Business Technology Services	5 – 23 June 2023	In Progress		
	Human Resources	7 – 25 August 2023	Not Started		
	Legal and Democratic Services	4 – 22 September 2023	Not Started		
Communities	Community and Corporate Development	2 – 20 October 2023	Not Started		
	Housing	30 October – 17 November 2023	Not Started		
	Customer and Online Solutions	20 November – 8 December 2023	Not Started		
Enterprise & Environment	Environment and Building Services	8 – 26 January 2024	Not Started		
	Protective Services	29 January – 16 February 2024	Not Started		
	Facilities Management Services	26 February - 15 March 2024	Not Started		
	Property Services	25 March – 12 April 2024	Not Started		
	Bereavement Services		Not Started		
	Planning Services	22 April – 10 May 2024	Not Started		
	Roads and Transportation	20 May – 7 June 2024	Not Started		
Business and Employability	17 June – 5 July 2024	Not Started			
Education and Childrens Services	Education and Children’s Services	5 August – 4 October 2024	Not Started		

# Strategic Risk Register Report

**Risk Matrix:**















	Impact				
Likelihood	None (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost certain (5)	Yellow	Orange	Red	Red	Red
Likely (4)	Yellow	Orange	Orange	Red	Red
Possible (3)	Green	Yellow	Orange	Orange	Red
Unlikely (2)	Green	Yellow	Yellow	Orange	Orange
Remote (1)	Green	Green	Green	Yellow	Yellow

**Key:**

Insignificant	Low	Medium	High
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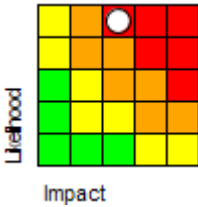
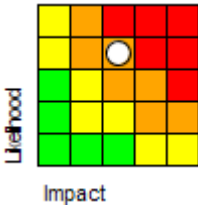
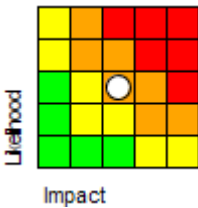

Risk Code & Title	Risk Description	Risk Factors	Inherent Risk Matrix	Inherent Risk Score	
FC001 ICT Failure	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>Misuse, Misappropriation or Mismanagement of IT.</li> <li>Lack of governance/compliance with standards.</li> <li>Lack of alignment to Council Priorities and appropriate ICT investment.</li> <li>Cyber attack or other malicious action.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>A critical failure of Council systems &amp; information will not be available to support service delivery.</li> </ul> <p><b>Which may result in:</b></p> <ul style="list-style-type: none"> <li>Service failure.</li> <li>Impact on service users.</li> <li>Fines &amp; litigation.</li> <li>Loss of reputation / loss of trust.</li> <li>Unplanned costs of recovery.</li> </ul>	<p><b>Risk factors include:</b></p> <ul style="list-style-type: none"> <li>ICT Strategy that could fail to meet the needs of the Council.</li> <li>Failure to meet legal requirements in terms of security and licensing.</li> <li>Failure to provide resources to deliver effective ICT.</li> <li>Failure to develop effective enterprise architecture principles.</li> <li>Failure to understand the Councils ICT needs.</li> <li>Failure to manage ICT processes effectively.</li> </ul>		12	
			<p><b>Impact</b></p>		12
			<p><b>Potential impacts include:</b></p> <ul style="list-style-type: none"> <li>Failure of technology enabled services.</li> <li>Ineffective or inefficient deployment of IT resources.</li> <li>Poor technology investment decisions.</li> <li>Difficulties in meeting compliance and statutory obligations.</li> <li>Failure of the Council to realise benefits from technology solutions.</li> <li>Unplanned costs associated with recovery of ICT systems.</li> </ul>		8
			<p><b>Target Risk Matrix</b></p>	<p><b>Target Risk Score</b></p>	
<b>Managed by</b>	Eileen Rowand	<b>Assigned To</b>	Charlie Anderson		
<b>Last Reviewed</b>	03-May-2023	<b>Next Review Due</b>	28-Jul-2023		
<b>Internal Control Code</b>	<b>Internal Control Title</b>	<b>Effectiveness in relation to this Risk</b>			
BTS008	ICT/Digital Strategy	Fully Effective			

BTS010	System Resilience and Disaster Recovery	Partially Effective	
BTS022	ICT Governance Board	Fully Effective	
BTS024	Contract Management	Partially Effective	
BTS021	IT Service Workforce planning	Partially Effective	
BTS027	Use of Transparent and Standardised IT Process Governance Model (COBIT)	Partially Effective	
BTS029	Solutions Assurance	Fully Effective	
BTS004	Access Rights Management	Partially Effective	
BTS005	Security Incident Management	Fully Effective	
BTS013	Change Approval Boards	Fully Effective	
BTS015	Active Network and Device Monitoring	Partially Effective	
BTS016	Scottish Government Cyber Resilience Strategy	Fully Effective	
BTS033	Corporate Information & Records Management Strategy	Partially Effective	
BTS034	Patch Management Strategy	Fully Effective	
BTS035	Information Governance Working Group	Fully Effective	

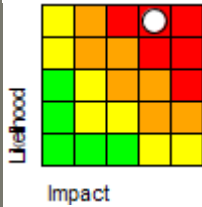
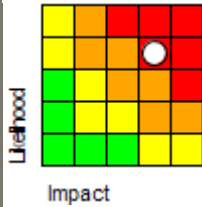
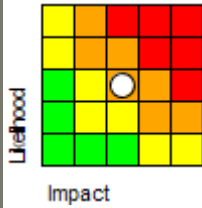

Risk Code & Title	Risk Description	Risk Factors	Inherent Risk Matrix	Inherent Risk Score	
FC002 Inequality and Social Division	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>• Entrenched difficult to address long term issues.</li> <li>• Educational Inequality Risk - FC004.</li> <li>• Impact of national policy changes in welfare policy to individuals or family's income.</li> <li>• Impact of COVID on already vulnerable people &amp; families.</li> <li>• Ending of some UK &amp; Scot Gov interventions.</li> <li>• Failure to break the cycle of poverty.</li> <li>• Failure to plan and resource effective interventions.</li> <li>• Inability to engage with affected communities across Fife.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>• The Fairness / Inequality gap will widen.</li> </ul> <p><b>Which may result in:</b></p> <ul style="list-style-type: none"> <li>• An increase in poverty rates.</li> <li>• Negative impacts for individuals and families.</li> <li>• An increase in demand for some services.</li> <li>• Increased levels of unsustainable debt in the population.</li> <li>• Health inequalities.</li> <li>• Food poverty.</li> <li>• Fracturing of social cohesion within some communities.</li> <li>• Increase in process times for support.</li> </ul>	<p><b>Risk factors include:</b></p> <ul style="list-style-type: none"> <li>• National government policy on Welfare Reform.</li> <li>• Variations in funding within Fife Council.</li> <li>• Impact of restructures in available resources to undertake poverty and fairness related work.</li> <li>• Impact of Covid.</li> </ul>		20	
			<p><b>Residual Risk Matrix</b></p>	16	
			<p><b>Impact</b></p>	<p><b>Target Risk Matrix</b></p>	12
			<p><b>Potential impacts include:</b></p> <ul style="list-style-type: none"> <li>• % of children living in poverty.</li> <li>• % of fuel poor households.</li> <li>• % of people living less than the living wage.</li> <li>• In work poverty.</li> <li>• Attendance at job clubs.</li> <li>• Benefit claimants.</li> <li>• Increase in hate crime.</li> </ul>		
<b>Managed by</b>	Michael Enston	<b>Assigned To</b>	Paul Vaughan		
<b>Last Reviewed</b>	21-Feb-2023	<b>Next Review Due</b>	15-May-2023		
<b>Internal Control Code</b>	<b>Internal Control Title</b>	<b>Effectiveness in relation to this Risk</b>			
CN006	Area Based Anti-Poverty Action Plan	Partially Effective			



CN007	Fuel Poverty Action Plan	Partially Effective	
CN008	Child Poverty Action Plan & Governance	Partially Effective	
CN009	Winter Cost of Living Plan	Partially Effective	
CN010	Community Recovery Fund	Partially Effective	













Risk Code & Title	Risk Description	Risk Factors	Inherent Risk Matrix	Inherent Risk Score	
FC003 Health Improvement	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>• Inequality risk / poverty.</li> <li>• Local Economy risk (FC006).</li> <li>• Entrenched long-term issues, such as obesity, alcohol &amp; drug misuse, &amp; mental ill-health.</li> <li>• Poor housing access &amp; conditions.</li> <li>• Ageing population &amp; increase in complex health needs.</li> <li>• Poor planning across partners.</li> <li>• Ineffective interventions.</li> <li>• Impact on COVID on mental &amp; physical health.</li> <li>• Lack of investment in mental health services.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>• Public health outcomes do not improve.</li> </ul> <p><b>Which may result in:</b></p> <ul style="list-style-type: none"> <li>• Increased demand on intensive &amp; expensive acute partnership services, such as adult social care.</li> <li>• Increased costs to deliver acute services.</li> <li>• People in Fife not living as full a life as possible.</li> <li>• Alcohol &amp; drug related deaths remain at similar levels.</li> <li>• Lower participation in community life &amp; leisure activities.</li> </ul>	<p><b>Risk factors include:</b></p> <ul style="list-style-type: none"> <li>• Lifestyle.</li> <li>• Food poverty.</li> <li>• Substance misuse in some communities is an entrenched, long-standing issue.</li> </ul>		15	
			<p><b>Residual Risk Matrix</b></p> 	12	
			<p><b>Impact</b></p>	<p><b>Target Risk Matrix</b></p> 	9
			<p><b>Potential impacts include:</b></p> <ul style="list-style-type: none"> <li>• Housing – homelessness.</li> <li>• Housing - access to high quality housing.</li> <li>• Local Government Benchmarking Framework.</li> <li>• Physical activity measures.</li> <li>• Public Health - alcohol &amp; drug misuse stats.</li> <li>• Public health - obesity stats.</li> <li>• Public health - Warwick-Edinburgh mental health stats.</li> </ul>		
<b>Managed by</b>	Michael Enston	<b>Assigned To</b>	Paul Vaughan		
<b>Last Reviewed</b>	21-Feb-2023	<b>Next Review Due</b>	15-May-2023		
<b>Internal Control Code</b>	<b>Internal Control Title</b>	<b>Effectiveness in relation to this Risk</b>			
CN011	Community Safety Strategy	Partially Effective			

HS005	Local Housing Strategy	Fully Effective	
CN012	Physical Activity Strategy	Partially Effective	
CN013	Fife Alcohol and Drug Partnership Strategy	Partially Effective	
HSC021	Mental Health Strategy (HSCP)	Partially Effective	

Risk Code & Title	Risk Description	Risk Factors	Inherent Risk Matrix	Inherent Risk Score
FC004 Educational Inequality	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>Children being absent from school during the pandemic.</li> <li>Lack of access to suitable IT devices &amp; broadband.</li> <li>Not targeting limited resources effectively to address need.</li> <li>Not having the right level of intervention at the right time.</li> <li>Short term funding commitments for long term interventions.</li> <li>Resources allocated based on free school meals – from government to schools to procure / commission services, recruit staff or other interventions.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>Young people won't achieve the educational outcomes they are capable of.</li> </ul> <p><b>Which may result in:</b></p> <ul style="list-style-type: none"> <li>Reduced opportunities for achieving a positive post-school destination.</li> <li>Increase rates in structural unemployment.</li> <li>Reduced life chances.</li> <li>Children more likely to remain in a cycle of poverty.</li> <li>Impact on health &amp; wellbeing for those children.</li> <li>Impact on community health &amp; wellbeing.</li> <li>Less likely to meet 4 capacities as defined by Curriculum for Excellence (CfE).</li> </ul>	<p><b>Risk factors include:</b></p> <ul style="list-style-type: none"> <li>Scottish attainment challenge funding &amp; pupil equity funding is temporary.</li> <li>Benefits system for families – changes are outside Council's control.</li> <li>Workforce Planning – do we have the right people in the right place at the right time?</li> <li>Family / community issues can be long-term and engrained.</li> </ul>		20
			<b>Residual Risk Matrix</b>	<b>Residual Risk Score</b>
				16
			<b>Impact</b>	<b>Target Risk Matrix</b>
		<p><b>Potential impacts include:</b></p> <ul style="list-style-type: none"> <li>Poverty related attainment gap for CfE.</li> <li>Poverty related attainment gap for national qualifications.</li> <li>Poverty related gap in positive destinations post-school.</li> <li>Other protected characteristics related attainment gap for CfE.</li> </ul>		9
<b>Managed by</b>	Carrie Lindsay	<b>Assigned To</b>	Karen Hamilton; Sheila Hastie; Angela Logue; Shelagh McLean	
<b>Last Reviewed</b>	16-May-2023	<b>Next Review Due</b>	15-Aug-2023	
<b>Internal Control Code</b>	<b>Internal Control Title</b>	<b>Effectiveness in relation to this Risk</b>		
ECS003	Fife Children Service Plan	Partially Effective		





ECS004	E&CE Directorate Improvement Plan 2021-23	Partially Effective	
ECS005	National Improvement Framework for Schools	Partially Effective	
ECS006	The Promise	Partially Effective	

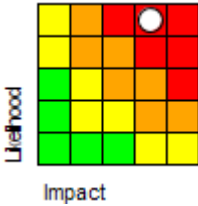
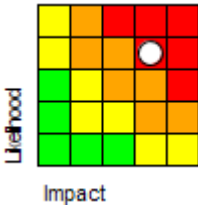
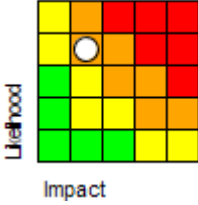
Risk Code & Title	Risk Description	Risk Factors	Inherent Risk Matrix	Inherent Risk Score
FC005 Assets and Infrastructure	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>• Legacy infrastructure.</li> <li>• Deterioration of highways, lighting, bridges, marine, harbour &amp; seawall infrastructure through lack of financial investment.</li> <li>• Failure to influence budget allocation to obtain adequate funding to maintain our assets.</li> <li>• Lack of good quality information sharing about assets.</li> <li>• Preference for investment in new infrastructure over maintaining existing.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>• The deterioration would lead to unsafe infrastructure conditions.</li> <li>• The Council failing in its legislative obligations.</li> </ul> <p><b>Which may result in:</b></p> <ul style="list-style-type: none"> <li>• Injury or harm to individuals.</li> <li>• Increase in public liability claims and uninsurable risks.</li> <li>• Legal Financial penalties.</li> <li>• Impact on tourism if public realm is seen as 'run down'.</li> <li>• Impact on the Fife Economy.</li> <li>• Reputational damage.</li> </ul>	<p><b>Risk factors include:</b></p> <ul style="list-style-type: none"> <li>• Impacts of climate change on assets &amp; infrastructure.</li> <li>• Realistic budget allocation.</li> <li>• Scheduled inspections of asset condition in line with legislation.</li> <li>• Qualified/competent employees to: <ul style="list-style-type: none"> <li>- Maintain asset register.</li> <li>- Assess asset condition.</li> <li>- Deliver necessary corrective action to maintain or improve asset.</li> <li>- Prepare asset condition v financial implication reports.</li> </ul> </li> </ul>		20
			<b>Residual Risk Matrix</b>	<b>Residual Risk Score</b>
				12
			<b>Target Risk Matrix</b>	<b>Target Risk Score</b>
		<b>Impact</b>		9
<b>Managed by</b>	Ken Gourlay	<b>Assigned To</b>	John Mitchell	
<b>Last Reviewed</b>	22-Nov-2022	<b>Next Review Due</b>	15-Feb-2023 <b>HAS NOT BEEN UPDATED AS RISK IS UNDER FORMAL REVIEW</b>	
<b>Internal Control Code</b>	<b>Internal Control Title</b>			<b>Effectiveness in relation to this Risk</b>
RT053	Inspection and maintenance of coastal protection measures			Partially Effective



















RT001	Implementation of Roads Related Maintenance strategies, policies and standards	Partially Effective	
RT002	Annual programme of transportation related maintenance	Partially Effective	
RT003	Capital monitoring procedures	Partially Effective	
RT004	Delivering and maintaining the Roads Asset Management Plan within budget constraints.	Partially Effective	
RT067	'Well-Managed Highway Infrastructure - A Code of Practice' (October 2016) compliance	Partially Effective	
RT068	Monthly review of capital budget for 7 area roads programme	Partially Effective	
FS012	Capital Investment Plan	Partially Effective	
PS022	<del>Asset Register (AMIS)</del> Property Asset Register (TF Cloud)	Partially Effective	
PS023	Property Services Planned Preventative Maintenance	Partially Effective	
PS024	Property Services Premises Regulation and Compliance	Partially Effective	
RT069	Systematic Inspections	Fully Effective	
RT070	Annual Review of Roads Condition Indicators (RCI)	Fully Effective	






Risk Code & Title	Risk Description	Risk Factors		Inherent Risk Matrix	Inherent Risk Score
FC006 Risk to the Fife Economy	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>External factors, e.g., interest rates, inflation.</li> <li>The effects of EU Exit including supply chain, price inflation and labour shortages.</li> <li>Being responsive to changing needs in the market e.g., business &amp; digital delivery.</li> <li>Lack of local or national investment in private sector.</li> <li>Continued town centre decline and lack of corralling partnerships and investment.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>The Fife economy does not grow in an inclusive way, involving community wealth building and green recovery focus.</li> </ul> <p><b>Which may result in:</b></p> <ul style="list-style-type: none"> <li>Impact on local communities, particularly Mid Fife / SIMD Areas.</li> <li>Increase in poor health outcomes over the longer term.</li> <li>Increase in unemployment due to shift in skills requirements and business models.</li> <li>Increase in relative poverty and inequality.</li> <li>Reduction in population if people move for employment.</li> </ul>	<p><b>Risk factors include:</b></p> <ul style="list-style-type: none"> <li>National Policy.</li> <li>Regional approach and partnership.</li> <li>Currency.</li> <li>Council's revenue and capital resource and phasing.</li> <li>Employability support.</li> <li>Revenue funding bids.</li> <li>Uncontrollable factors include - Factors at a national or supra-national level which may affect Fife's economy but fall out with the control of Fife Council and its partners would include: <ul style="list-style-type: none"> <li>- A recession across the UK or internationally.</li> <li>- Interest rate rises as determined by the Bank of England arising from economic change at a national level.</li> <li>- Market, trading, and economic uncertainty arising from the UK exiting the EU.</li> <li>- Democratic change at a national level; and</li> <li>- Natural or civil occurrences such as major weather events or civil unrest at a national level.</li> </ul> </li> </ul>			16
				<b>Residual Risk Matrix</b>	<b>Residual Risk Score</b>
					16
				<b>Target Risk Matrix</b>	<b>Target Risk Score</b>
		<b>Impact</b>			9
<b>Managed by</b>	Ken Gourlay	<b>Assigned To</b>	Gordon Mole		
<b>Last Reviewed</b>	23-May-2023	<b>Next Review Due</b>	15-Aug-2023		
<b>Internal Control Code</b>	<b>Internal Control Title</b>			<b>Effectiveness in relation to this Risk</b>	
BE009	Fife Economic Strategy			Partially Effective	




BE010	Fife Economy Partnership	<del>Partially Effective</del>	
BE008	Provide support to businesses to help locate in Fife, through Fife Council Economic Development activities	Partially Effective	
BE016	Business Gateway Fife supporting Indigenous Growth	Partially Effective	
BE017	City Deal Investment	Partially Effective	

Risk Code & Title	Risk Description	Risk Factors	Inherent Risk Matrix	Inherent Risk Score
FC007 Climate Change	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>• Global carbon emissions.</li> <li>• Global failure to act and adapt to climate change.</li> <li>• Targets on carbon emissions.</li> <li>• Lack of public funding for crucial mitigation or adaptation projects.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>• The Council does not lead effectively in supporting sustainability.</li> <li>• Sustainability across all of Fife, (e.g., complex governance, lack of accountability or responsibility, lack of urgency).</li> <li>• The Council does not embed climate &amp; sustainability in decision making, or service delivery.</li> <li>• The response to the climate crisis across Fife is not implemented at pace / quickly enough.</li> </ul> <p><b>Which may result in:</b></p> <ul style="list-style-type: none"> <li>• Negative impacts on the community.</li> <li>• Asset damage / shorter lifecycle of assets, especially due to flooding.</li> <li>• Health &amp; safety risks, e.g., in heatwaves, snow, ice or floods landslips.</li> <li>• Financial costs.</li> <li>• Legal costs and reputational damage if perceived not to have acted or to have been otherwise liable.</li> <li>• The Council does not meet its targets to reduce carbon emissions.</li> <li>• The Council does not meet its legal obligations to adapt to the impacts of climate change.</li> <li>• The Council and the wider community do not adapt or prepare for increased frequency or severity of severe weather events.</li> <li>• Loss of trust in the Council's ability to deliver its commitments.</li> </ul>	<p><b>Risk factors include:</b></p> <p>Responding to the risks posed by climate change has two dimensions: mitigation and adaptation:</p> <ul style="list-style-type: none"> <li>• <b>Mitigation</b> (cutting emissions): we need to avoid the most unmanageable impacts of a changing climate by making significant cuts to greenhouse gas emissions before we cause a dangerous, irreversible degree of warming.</li> <li>• <b>Adaptation</b> (adapting society to cope with climate impacts): because of time lags in the atmospheric system, we know that up to 2 degrees Centigrade of warming is already inevitable over the coming decades (as a result of historic emissions) therefore we need to manage these unavoidable impacts of climate change by increasing the preparedness of our society and the resilience of our infrastructure and services.</li> </ul>		20
		<p><b>Residual Risk Matrix</b></p> 	16	
		<p><b>Target Risk Matrix</b></p> 	8	





<b>Managed by</b>	Ken Gourlay	<b>Assigned To</b>	Pam Ewen
<b>Last Reviewed</b>	22-May-2023	<b>Next Review Due</b>	15-Aug-2023
<b>Internal Control Code</b>	<b>Internal Control Title</b>	<b>Effectiveness in relation to this Risk</b>	
RT047	10 Year climate change / adaption programme	Partially Effective	
RT052	Planned actions (new budget Climate Change Adaptation) to deliver intervention projects e.g., East Neuk, Tayport, Newburgh and Kincardine	Partially Effective	
RT053	Inspection and maintenance of coastal protection measures	Fully Effective	
RT054	Implement 6 Year Programme of Local Flood Risk Management Plans	Partially Effective	
RT055	Present reports for Flood Risk Management to Policy Advisory Group, Executive Committee and Elected Members.	Fully Effective	
RT056	Dunfermline and Iron Mill Integrated Catchment Study (with SW) Levenmouth Integrated Catchment Study (with SW)	Partially Effective	
RT048	Carry out drainage impact and flood risk assessments for development control advice	Fully Effective	
RT051	Ensure operational plans are adequate and resources are in place to meet the demands of flooding and winter weather arising from climate change.	Fully Effective	
RT057	Complete delivery of Dunfermline Flood Prevention Scheme	Fully Effective	
RT049	Undertake coast protection feasibility studies on a prioritised basis and provide advice to outside bodies or other Council Services.	Fully Effective	
FRS001	PROMASTER	Partially Effective	
FRS002	Flood pods	Partially Effective	
FRS003	Emergency refuges	Partially Effective	
FRS004	COMIS	Partially Effective	
FRS005	Emergency response plans	Partially Effective	
FRS006	Fife Local Resilience Partnership	Partially Effective	
FRS007	The Scottish Flood Forecasting Service	Partially Effective	
FRS008	Schedule 18 activities (assessment and clearance of waterways to reduce flood risk)	Partially Effective	

FRS009	Stitch in Time	Partially Effective	
FRS010	Pre-flood checking	Partially Effective	
FRS011	Geographic separation of Council data centres	Partially Effective	
FRS012	Use of Vaisala meteorological data to inform weather sensitive activities	Partially Effective	
RT071	Systematic Inspections	Fully Effective	



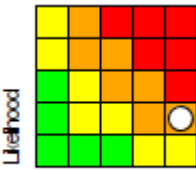
Risk Code & Title	Risk Description	Risk Factors	Inherent Risk Matrix	Inherent Risk Score	
FC008 Legal and Regulatory Compliance	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>Failing to keep up to date with: <ul style="list-style-type: none"> <li>Legislative changes.</li> <li>Government policy changes.</li> <li>Regulatory changes.</li> </ul> </li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>The Council is unaware of changes to the national legislative, policy &amp; regulatory framework.</li> <li>The Council does not plan effectively to meet these changes.</li> </ul> <p><b>Which may result in:</b></p> <ul style="list-style-type: none"> <li>Staff being unaware of legislative and regulatory obligations and a changed policy environment.</li> <li>The Council being non-compliant with applicable legislation or regulation.</li> <li>Negative impact on service delivery and service users.</li> <li>Negative impact on resources.</li> <li>Reputational damage / loss of trust in the Council.</li> <li>Potential for legal action against the Council or other challenges to processes &amp; decisions.</li> </ul>	<p><b>Risk factors include:</b></p> <ul style="list-style-type: none"> <li>Compliance with current legislation.</li> <li>Preparation for compliance with new legislation and regulation.</li> <li>Effective horizon scanning.</li> <li>Communication and training on new legislation.</li> </ul>		12	
			<p><b>Impact</b></p>	<p><b>Residual Risk Matrix</b></p>	6
			<p><b>Potential impacts include:</b></p> <ul style="list-style-type: none"> <li>Increase in number of legal actions against the Council for legislative or regulatory non-compliance.</li> <li>Increase in number of legal actions which the Council cannot defend or is unsuccessful in defending for legislative or regulatory non-compliance.</li> <li>Increase in number of audit actions relating to legislative or regulatory non-compliance.</li> <li>Increase in number of financial penalties imposed on the Council following legislative or regulatory non-compliance.</li> </ul>	<p><b>Target Risk Matrix</b></p>	6
			<p><b>Managed by</b></p>	<p><b>Assigned To</b></p>	<p><b>Next Review Due</b></p>
<p><b>Managed by</b></p>	Eileen Rowand	<p><b>Assigned To</b></p>	Lindsay Thomson		
<p><b>Last Reviewed</b></p>	16-May-2023	<p><b>Next Review Due</b></p>	15-Nov-2023		
<p><b>Internal Control Code</b></p>	<p><b>Internal Control Title</b></p>	<p><b>Effectiveness in relation to this Risk</b></p>			
LD012	COSLA Guidance	<p>Fully Effective </p>			

LD013	Horizon Scanning	Fully Effective	
LD014	Monitoring Committee Agendas	Fully Effective	
LD015	Compulsory Professional Development	Fully Effective	
LD016	Knowledge Management	Partially Effective	

Risk Code & Title	Risk Description	Risk Factors	Inherent Risk Matrix	Inherent Risk Score
FC009 Political	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>Lack of adherence to, or a lack of knowledge or understanding of, the Council's governance arrangements and/or the external regulatory environment.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>There is a failure to adhere to the Council's governance arrangements by Members or a breach of the Councillors Code of Conduct.</li> </ul> <p><b>Which may result in:</b></p> <ul style="list-style-type: none"> <li>Ineffective decision making.</li> <li>Sanctions against individual members (by Standards Commission).</li> <li>Reputational damage (Council &amp; Member).</li> </ul>	<p><b>Risk factors include:</b></p> <ul style="list-style-type: none"> <li>Attendance at training by Councillors.</li> <li>Seeking guidance from Officers.</li> <li>Regular Review of Council Governance documents.</li> </ul>		9
			<p><b>Residual Risk Matrix</b></p>	6
			<p><b>Target Risk Matrix</b></p>	6
			<p><b>Impact</b></p> <p><b>Potential impacts include:</b></p> <ul style="list-style-type: none"> <li>No of complaints regarding Councillor behaviour upheld.</li> <li>No. of judicial reviews based on failures in decision making and no. of successful appeals against regulatory decisions.</li> <li>Negative external scrutiny of Council governance arrangements including by external audit and other organisations.</li> </ul>	
<b>Managed by</b>	Eileen Rowand	<b>Assigned To</b>	Lindsay Thomson	
<b>Last Reviewed</b>	16-May-2023	<b>Next Review Due</b>	15-Nov-2023	
<b>Internal Control Code</b>	<b>Internal Control Title</b>			<b>Effectiveness in relation to this Risk</b>
LD001	Acceptance of Office			Fully Effective
LD006	Registers of Councillors interests			Partially Effective
LD002	Standards, Audit and Risk Committee monitoring arrangements			Fully Effective

LD003	Standards Commission Guidance	Fully Effective	
LD004	Code of Conduct for Members and Officers	Fully Effective	
LD005	Councillor Induction Process	Partially Effective	
LD007	Elected members development focus group & ongoing training programme	Partially Effective	



Risk Code & Title	Risk Description	Risk Factors	Inherent Risk Matrix	Inherent Risk Score
FC010 Safety and Protection	<p><b>As a result of:</b></p> <ul style="list-style-type: none"> <li>• Failure to implement the CONTEST agenda.</li> <li>• Failure to deliver the Prevent Duty Guidance for Scotland.</li> <li>• Failure to strengthen protection against terror attacks considering building security, cyber, security, staff safety.</li> <li>• Failure to mitigate the impact of a terrorist attack when the attack cannot be stopped, through Business Continuity and Resilience.</li> <li>• Failure to engage with the Serious Organised Crime Taskforce, and to implement the Serious Organised Crime Strategy.</li> <li>• Failure to protect vulnerable communities and businesses from becoming involved in extremism and serious organised crime.</li> <li>• Failure to deliver Community Safety Services.</li> <li>• Failure to prepare for a terrorist attack.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>• We are not prepared to take action to minimise or prevent terrorist attacks or Serious Organised Crime.</li> </ul> <p><b>Which may result in:</b></p> <ul style="list-style-type: none"> <li>• There will be a detrimental effect on people's physical and mental wellbeing.</li> <li>• An inadequate response to terrorist attacks.</li> <li>• Failure to have appropriate measures in place to deter Serious Organised Crime, and to divert individuals from engaging in, or using the products from Serious Organised Crime.</li> <li>• Failure to identify potential terrorist activity or Serious Organised Crime.</li> <li>• Staff are not aware of the importance of or how to report potential terrorist activity or Serious Organised Crime.</li> </ul>	<p><b>Risk factors include:</b></p> <ul style="list-style-type: none"> <li>• Lack of collaboration at strategic level.</li> <li>• Lack of understanding around individual parties' role to deliver CJOIP.</li> <li>• Reduction in frontline service budgets.</li> <li>• Profile of community safety is diluted.</li> <li>• Ability to diversify to meet changing priorities.</li> <li>• Alignment to Plan for Fife.</li> <li>• Lack of joined up approach.</li> <li>• Diverse area affected - HR/Trading Standards/CJs/Children &amp; Families/H&amp;SC/BTS etc.</li> <li>• Lack of Staff Training and Awareness – how to report terrorism concern or radicalisation concern, reporting processes, building security, move to critical plan, resilience plans, cyber security, bomb threats and suspicious packages.</li> </ul>	 <p style="text-align: center;">Impact</p>	15
			<p><b>Residual Risk Matrix</b></p>  <p style="text-align: center;">Impact</p>	15
		<p><b>Impact</b></p> <p><b>Potential impacts include:</b> Increase in incidents of:</p> <ul style="list-style-type: none"> <li>• Unintentional harm within the home.</li> <li>• Crime and antisocial behaviour.</li> <li>• Environmental offending.</li> <li>• Road traffic collision/injury/death.</li> <li>• Offending and re-offending.</li> <li>• Violence against women.</li> <li>• Fear of crime.</li> <li>• Drug/human trafficking.</li> <li>• Child sexual exploitation.</li> <li>• High value fraud.</li> <li>• Cyber crime.</li> <li>• Modern slavery.</li> </ul>	<p><b>Target Risk Matrix</b></p>  <p style="text-align: center;">Impact</p>	10



















