Fife Council

2023/24 Annual Audit Report to the Council and the Controller of Audit

September 2024

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Key messages

Financial statements audit

Audit opinion	Our independent auditor's report is unqualified in all regards.
Key audit findings	The Council had appropriate administrative processes in place to prepare the annual accounts and the supporting working papers. We have obtained adequate evidence in relation to the key audit risks identified in our audit plan. The accounting policies used to prepare the financial statements are considered appropriate. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements. All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
Audit adjustments	The Council updated the financial statements for all material potential audit adjustments identified during the audit process. One prior year adjustment was made in recognition of the present value of unfunded liabilities separate to the asset surplus (which was capped at nil). The impact of this adjustment was to reduce the opening net asset position by £102.468million. Five adjustments were made to the 2023/24 financial statements. The net impact of those adjustments was to decrease the group net asset position by £2.776million. Adjustments to the common good financial statements increased the net asset position by £1.458million. We identified some disclosure and presentational adjustments during our audit, which have been reflected in the final set of financial statements. Our work also identified some non-material, potential audit adjustments and disclosure changes which were not adjusted for by the Council. If corrected these adjustments would reduce the Council's net assets by a further £7.539million Details of all adjusted mistatements, unadjusted misstatements and disclosure changes are set out in Appendix 2.

Accounting systems and internal controls	We have applied a risk-based methodology to the audit. This approach requires us to document, evaluate and assess the Council's processes and internal controls relating to the financial reporting process. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we include these in this report. No material weaknesses or significant deficiencies in accounting and internal control systems during our audit.

Wider Scope

Financial Management Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.	**Auditor judgement** Risks exist to the achievement of operational objectives
	The Council has appropriate arrangements in place for financial management and the use of resources. The Council reported a surplus outturn position of £7.033million in 2023/24, despite a net overspend being reported on services. The outturn position was primarily driven by underspends on loans charges and corporate budgets. The General Fund balance decreased during the year from £216.054million to £157.282million. With all existing commitments taken into consideration the level of uncommitted balances beyond 2025/26 was £13.628million or 1.32% which is in line with the Council's policy to retain a minimum of 2% of annual turnover over a rolling three year period. The financial position for Housing Revenue Account (HRA)for the year was a deficit of £2.065million due to a planned contribution from balance. As a result of increased costs, the level of Capital Financed from Current Revenue (CFCR) was reduced by £2.831million. If this situation continues over the coming years, this will have an impact on the affordability of the HRA capital programme. The Council reported slippage of approximately 27% on its capital programme, after incurring c.£242million of capital spend.

	Auditor judgement Risks exist to the achievement of operational objectives
Financial Sustainability Financial sustainability looks forward to the medium and longer term to consider whether the Council is planning effectively to continue to deliver its services and the way in which they should be delivered.	In recent years, the Council has managed its budget without needing to make significant cuts to service but the financial outlook continues to be extremely challenging. The scale of financial pressures linked with considerable cost pressures and service overspends going forward remain substantial and uncertain. Significant change and difficult decisions will need to be made to safeguard the financial sustainability of the Council. The Council recognises there is an opportunity to bring forward change proposals that can be delivered in a staged way to help address the financial challenge. The most recent revenue monitoring report for 2024/25 (presented in September 2024) noted that the current forecast presents an overspend of £16.672million. This is a combined result of service overspends (£18.605million) and underspends in contingencies. Executive Directors have been tasked to plan and implement corrective / mitigating actions to bring costs down to a more sustainable level. This forecast is detrimental to the balances position, bringing the forecast level of balances to an over committed position unless corrective action is taken. A proposal to de-commit balances was presented to Cabinet in September 2024. Allowing for this proposal, the uncommitted level of balances is estimated at £0.782million in future years which is below the policy minimum. This will be closely monitored over the year and a critical review of committed and earmarked balances will be undertaken to ensure the Council operates within the agreed policy. The Council has recognised that the HRA budget continues to be under considerable financial pressure with increased costs due to high inflation, staff salary increases, increasing stock figures, and other pressures and faces a high level of financial risk. Initial work has commenced to review the Council's Capital Strategy, which will inform the capital investment plan. This plan will be assessed for affordability as part of the review process where the Council has recognised that challenges may arise in future years given reduced funding and the challenge of affordability beyond the level of investment proposed.

	Auditor judgement Effective and appropriate arrangements are in place
Vision, Leadership and Governance Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.	Fife Council sets out its vision and ambitions in its ten-year local outcomes improvement plan (LOIP), 'Plan4Fife'. A three-year update, 'Plan4Fife Recovery and Renewal', was agreed in August 2021. Following three-year review work in 2023/24, the recovery and renewal priorities remain the focus for action during 2024-2027, with particular attention on the strategic change and reform required to support the design and development of future services and the changes required to respond to Fife priorities, national shifts, and social and financial pressures. Governance arrangements throughout the year were found to be satisfactory and appropriate. We are satisfied that the Council and Committees continued to receive sufficient and appropriate information throughout the period to support effective and timely scrutiny and challenge.

	Auditor judgement Risks exist to the achievement of operational objectives
Use of Resources to Improve Outcomes Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.	Appropriate arrangements are in place to oversee the delivery of the Plan4Fife. Internal audit has committed to undertake a review of the governance arrangements in place to support the development of the new Plan4Fife from 2027, including performance management and reporting arrangements Change activity has progressed throughout 2023/24 with a focus on a 3 year planning horizon. In addition, a Corporate Change programme is being developed that will cover three themes, namely, No Wrong Door, Place and Digital. The Council is aiming to have agreed and settled change plans in place by the end of March 2025. The Council has an already established performance framework and is now working on developing improvements to allow for a better connection between people, plans and outcomes. A significant amount of activity has been undertaken by the Council in 2023/24 and to date to develop its planning, performance and reporting framework. However, further work is required to implement and monitor the effectiveness of the identified developments.

Best Value

The pace and depth of improvement in the performance of the Council in meeting its best value duties is adequate.

Follow up	The Council has made good progress in implementing previous improvement actions.
Effectiveness of performance reporting	Significant work has been undertaken by the Council in 2023/24 and to date to improve and strengthen its performance reporting. Improvements have been made to the presentation of performance information, including use of trends, along with the availability of performance information for both internal management purposes and the availability and timeliness of public performance information. The Council recognises however that the success of these changes cannot be fully evaluated until a full cycle of service annual reporting has been completed. Looking forward, the Council intends to further develop the performance information made available online with a focus on improving the way plans, performance, project delivery, evidence of impact and community news are linked. The Fife Strategic Assessment shows that Fife continues to face key challenges. Based on evidence, the Council and Fife Partnership will retain focus on existing priorities for the 2024 to 2027 period. Fife Council has improved its performance over time on 59% of the Local Government Benchmarking Framework (LGBF) indicators. It has however only improved on 41% of indicators relative to its family group and 42% compared to Scotland. Overall, we are satisfied that the Council has made proper arrangements for preparing and publishing Statutory Performance Information (SPI) in accordance with the 2021 Direction. The Council has developed an annual corporate self-assessment of delivery against best value themes, which includes a set of best value performance indicators. In 2023/24, Fife has improved on 9 of the 16 indicators which it will use to monitor best value.

Thematic review – Workforce Innovation – how Councils are responding to workforce challenges	The Council has appropriate arrangements in place for building future capacity and has developed a range of innovative schemes and initiatives used across services to produce a resilient workforce. Appropriate arrangements are in place to enable the delivery of the Council's digital strategy. However, work is still required in developing the leadership and culture of the organisation which will drive digital change and progress. A key challenge for the Council is the creation of capacity within its workforce to enable the review, exploration and development of digital opportunities. Resource and capacity challenges are also limiting progress being made for a number of flexible working initiatives including exploration of flexible working opportunities for front line working groups and development of productivity measures for each of the Council's workstyles.

Definition

We use the following gradings to provide an overall assessment of the arrangements in place as they relate to the wider scope areas and reporting our findings on Best Value. The text provides a guide to the key criteria we use in the assessment, although not all of the criteria may exist in every case.

There is a fundamental absence or failure of arrangements

There is no evidence to support necessary improvement

Substantial unmitigated risks affect achievement of corporate objectives.

Arrangements are inadequate or ineffective

Pace and depth of improvement is slow / needs to extend further

Significant unmitigated risks affect the achievement of corporate objectives

No major weaknesses in arrangements but scope for improvement exists

Pace and depth of improvement are adequate

Risks exist to the achievement of operational objectives

Effective and appropriate arrangements are in place

Pace and depth of improvement are effective

Risks to the achievement of objectives are managed

Introduction

The annual audit comprises the audit of the annual accounts, and the wider-scope and Best Value audit responsibilities set out in the Code of Audit Practice.

We outlined the scope of our audit in our External Audit Plan, which we presented to the Standards, Audit and Risk Committee at the outset of our audit. We have not made any subsequent changes to the risks outlined in that plan.

Responsibilities

The Council is responsible for preparing its annual accounts, including financial statements which show a true and fair view, and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on, the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to thank all management and staff for their co-operation and assistance during our audit.

Auditor independence

International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we remained independent, and our objectivity has not been compromised in any way.

We set out in Appendix 1 our assessment and confirmation of independence.

Adding value

All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. We add value by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to promote improved standards of governance, better management and decision making and more effective use of public money.

Any comments you may have on the service we provide would be greatly appreciated. Comments can be reported directly to any member of your audit team or Audit Scotland.

Openness and transparency

This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Annual accounts audit

Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	We conduct our audit in accordance with applicable law and International Standards on Auditing. Our findings / conclusions to inform our opinion are set out in this section of our annual report.	The annual accounts were considered and approved by the Standards, Audit and Risk Committee on 30 September 2024. Our independent auditor's report is unqualified in all regards.
Going concern basis of accounting	When assessing whether the going concern basis of accounting is appropriate, the anticipated provision of services is more relevant to the assessment than the continued existence of a particular public body. We assess whether there are plans to discontinue or privatise the Council's functions. Our wider scope audit work considers the financial sustainability of the Council.	We reviewed the financial forecasts for 2024/25. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the Council will continue to operate for at least 12 months from the signing date. Our audit opinion is unqualified in this respect.
Opinions prescribed by the Accounts Commission: • Management Commentary	We plan and perform audit procedures to gain assurance that the Management Commentary, Corporate Governance Statement and the audited part of the remuneration report are prepared in accordance	We have concluded that: • the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with relevant statutory guidance.

Opinion	Basis for opinion	Conclusions
• Corporate Governance Statement • Remuneration Report	with the relevant legislation and guidance.	• the information given in the Corporate Governance Statement is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework. • the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.
Matters reported by exception	We are required to report on whether: • adequate accounting records have not been kept; or • the financial statements are not in agreement with the accounting records; or • we have not received all the information and explanations we require for our audit.	We have no matters to report.

An overview of the scope of our audit

The scope of our audit was detailed in our External Audit Plan, which was presented to the Standards, Audit and Risk Committee in March 2024. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Council. This ensures that our audit focuses on the areas of highest risk (the significant risk areas). Planning is a continuous process, and our audit plan is subject to review during the course of the audit to take account of developments that arise.

Our risk assessment remained unchanged during the course of our audit however we refined our approach to testing the following significant risk areas:

- Fraud in revenue recognition risk was narrowed to the occurrence of grants and other contributions
- Risk of fraud in non-pay expenditure and accruals was narrowed to the completeness of expenditure.

During the course of our audit we discussed this with management.

In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. This includes:

- An evaluation of the Council internal control environment, including the IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including procedures outlined in this report in relation to our key audit risks.

Quality indicators

We have applied a suite of quality indicators to assess the reliability of the Council's financial reporting and response to the audit.

Metric	**Grading (Mature / developing / significant improvement required)**	**Commentary**
Quality and timeliness of draft financial statements	Mature	We received the unaudited annual accounts of a good standard in line with our audit timetable.
Quality of working papers provided and adherence to timetable	Mature	We received the supporting working papers of a good standard in line with our audit timetable. Further information was provided promptly where required.
Timing and quality of key accounting judgements	Mature	We did not identify any issues with the timing and quality of key accounting judgements.

<table>
<tr><th>Metric</th><th>Grading (Mature / developing / significant improvement required)</th><th>Commentary</th></tr>
<tr><td>Access to finance team and other key personnel</td><td>Mature</td><td>We received full access to the finance team and other key personnel. All audit queries and requests were responded to in a timely manner.</td></tr>
<tr><td>Quality and timeliness of the
Management Commentary
Corporate Governance Statement
Remuneration Report
As well as the quality and timeliness of supporting working papers for those statements.</td><td>Mature</td><td>We did not identify any issues with the timing and quality of these areas.</td></tr>
<tr><td>Volume and magnitude of identified errors</td><td>Mature</td><td>We identified:
One prior year audit adjustment
Five current year audit adjustments (Fife Council and Group annual accounts)
Two current year audit adjustments to Common Good
Nine unadjusted misstatements (four in respect of the Council and five in respect of Common Good).</td></tr>
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Significant risk areas and key audit matters

Significant risks are defined by auditing standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. Audit procedures were designed to mitigate these risks.

As required by the Code of Audit Practice and the planning guidance issued by Audit Scotland, we consider the significant risks for the audit that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team (the 'Key Audit Matters'), as detailed in the tables below.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures.

Our opinion on the financial statements is not modified with respect to any of the risks described below.

The table below summarises each significant risk. Detail behind each risk and the work undertaken is set out on the following pages.

Risk area	Fraud risk	Planned approach to controls	Level of judgement / estimation uncertainty	Outcome of work
Management override of controls	Yes	Assess design & implementation	Low	From our work we found no evidence of material fraud or error through management override of controls
Fraud in revenue recognition	Yes	Assess design & implementation	Low	From our work we found no indication of fraud through revenue recognition
Fraud in non-pay expenditure recognition	Yes	Assess design & implementation	Low	From our work we found no indication of fraud through expenditure recognition

Risk area	Fraud risk	Planned approach to controls	Level of judgement / estimation uncertainty	Outcome of work
Valuation of land and buildings	No	Assess design & implementation	High	From our work we have obtained assurance that the valuation of land and buildings is free of material misstatement.
Pension asset/liability	No	Assess design & implementation	High	From our work we have obtained assurance that the Pension assets and liabilities disclosed in the account are free of material misstatement.

Significant risks at the financial statement level

These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Risk area	Management override of controls
Significant risk description	Management of any entity is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk will vary from entity to entity, this risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk on all audits. This was considered to be a significant risk and Key Audit Matter for the audit.

Risk area	Management override of controls
	Inherent risk of material misstatement: Very High
How the scope of our audit responded to the significant risk	**Key judgement** There is the potential for management to use their judgement to influence the financial statements as well as the potential to override controls for specific transactions. **Audit procedures** • Documented our understanding of the journals posting process and evaluated the design effectiveness of management controls over journals. • Analysed the journals listing and determined criteria for selecting high risk and / or unusual journals. • Tested high risk and / or unusual journals posted during the year and after the unaudited annual accounts stage back to supporting documentation for appropriateness, corroboration and ensured approval has been undertaken in line with the Council's journals policy. • Gained an understanding of the accounting estimates and critical judgements made by management. We challenged key assumptions and considered the reasonableness and indicators of management bias which could result in material misstatement due to fraud. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Key observations	We did not identify any indication of management override of controls from our audit work. We did not identify any areas of bias in key judgements made by management from our audit work. Key judgements were consistent with prior years.

Significant risks at the assertion level for classes of transaction, account balances and disclosures

Key risk area	**Fraud in revenue recognition**
Significant risk description	Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed, inherent risk on every audit unless it can be rebutted. The presumption is that the Council could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position. In respect of council tax income, non-domestic rates, housing rents and non-ring fenced government grants, however, we do not consider the revenue recognition risk to be significant due to a lack of incentive and opportunity to manipulate these revenue streams. The risk of fraud in relation to revenue recognition is however present in all other revenue streams. This was considered to be a significant risk and Key Audit Matter for the audit. **Revisions made to our risk assessment during the audit:** Our initial risk assessment set out that we considered the risk of fraud in revenue recognition to be both through the occurrence and completeness of income in the financial statements. During the course of our audit we considered the risk is in relation to occurrence of income and in particular in respect of grants and other contributions. **Inherent risk of material misstatement:** Revenue (occurrence): High

Key risk area	Fraud in revenue recognition
How the scope of our audit responded to the significant risk	**Key judgements** Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end. **Audit procedures** • Evaluated the significant income streams and reviewed the controls in place over accounting for revenue. • Considered key areas of income and obtained evidence that income is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.
Key observations	Based on the audit work performed, we have gained reasonable assurance on the occurrence of income related to grants and other contributions and we are satisfied that this income is fairly stated in the financial statements.

Key risk area	Fraud in non-pay expenditure recognition
Significant risk description	As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements. This was considered to be a significant risk and Key Audit Matter for the audit. **Revisions made to our risk assessment during the audit:** Our initial risk assessment set out that we considered the risk of fraud in expenditure recognition to be both through the occurrence and completeness of non-pay expenditure and accruals in the financial statements. During the course of our audit we considered the risk is in relation to completeness of expenditure. **Inherent risk of material misstatement:** Non-pay expenditure (completeness): High Accruals (completeness): High

Key risk area	Fraud in non-pay expenditure recognition
How the scope of our audit responded to the significant risk	**Key judgements** Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of accruals and expenditure around the year end. **Audit procedures** • Evaluated the significant non-pay expenditure streams and reviewed the controls in place over accounting for expenditure. • Considered the Council's key areas of expenditure and obtained evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year. • Tested accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.
Key observations	Based on the audit work performed, we have gained reasonable assurance on the completeness of expenditure and we are satisfied that expenditure is fairly stated in the financial statements.

Key risk area	Valuation of land and buildings (key accounting estimate)
Significant risk description	The Council carries out a rolling programme of revaluations to ensure all property, plant and equipment required to be measured at fair value is revalued at least every five years. The Council held council dwellings with a net book value of £1,109million and other land and buildings with a net book value of £2,149million at 31 March 2023. Council dwellings are valued by the District Valuer using the beacon method which aggregates the vacant possession value of each unit of housing stock based on the value of a beacon or sample property. A full revaluation exercise is completed every five years. In interim years the values of beacon properties are updated to reflect key factors including changes in rental prices. Other land and buildings are held at fair value and revalued as part of the five-year rolling programme. In addition, indices are applied to all assets held at Depreciated Replacement Cost (DRC) to reflect market changes within the year. Assets valued on an existing use value (EUV) and fair value (FV) basis are also revalued on a five year rolling programme unless there are significant changes made to the asset. There is a risk that these assets may be materially misstated if markets have moved significantly in a five year period. There is a significant degree of subjectivity in the measurement and valuation of property, plant and equipment. This subjectivity and the material nature of the Council's asset base represents an increased risk of misstatement in the annual accounts. We further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements falls outside of our expectations. **Inherent risk of material misstatement:** Land & Buildings (valuation): Very High

Key risk area	Valuation of land and buildings (key accounting estimate)
How the scope of our audit responded to the significant risk	**Key judgements** Councils are required to revalue property, plant and equipment with sufficient regularity to ensure that the carrying amount does not differ materially from the current value at 31 March. **Audit procedures** • Evaluated management processes and assumptions for the calculation of the estimates, the instructions issued to the valuation experts and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert. • Considered the basis on which the valuation is carried out and challenged the key assumptions applied. • Tested the information and inputs used by the valuer to ensure it is complete and consistent with our understanding. If there had been any specific changes to the assets in the year, we ensured these had been communicated to the valuer. • For unusual or unexpected valuation movements, tested the information used by the valuer to ensure it is complete and consistent with our understanding. • Ensured revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct. • Evaluated the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.

Key risk area	Valuation of land and buildings (key accounting estimate)
Key observations	**Valuers** Valuations are carried out by internal and external valuers and formally communicated to the Council through valuation reports. We have gained assurance that the carrying value of assets in the audited annual accounts is in line with the valuation reports. Through our testing we noted that no formal Revaluation Report had been provided from the internal valuer on commencement of our audit work. This provides information over how the valuer has carried out the valuations. We recommend that the formal valuation report is provided in a more timely manner going forward (**Refer to recommendation 1 at appendix 3**). We have considered the instructions and information provided to the valuer and performed procedures to confirm the accuracy and completeness of the information. All property, plant and equipment required to be carried at fair value has been appropriately revalued as part of the five-year rolling programme. In accordance with ISA (UK) 500 - Audit Evidence we have considered the competence, capability and objectivity of the professional valuers and did not identify any areas which gave us cause for concern over the suitability of those valuers. **Other Land and Buildings:** Internal valuers valued a proportion of all other asset classifications held at fair value (approximately 20% on a rolling basis) as at 1 April 2023 and 31 March 2024, with an uplift being applied to all depreciated replacement cost (DRC) properties to reflect market movements as at 31 March 2024. **Council Dwellings:** External valuers valued the Council’s full portfolio of council dwellings as at 31 March 2023. For the year ended 31 March 2024 the external valuers have undertaken an annual review to advise whether there has been a change in the value of housing stock since the last full revaluation.

Key risk area	Valuation of land and buildings (key accounting estimate)
	Review of assumptions **Other Land and Buildings:** Assets valued on a DRC basis are revalued on a five year rolling programme, with an uplift applied yearly at 31 March to reflect market movements. Through our review of the inputs used in the DRC calculations, we noted that the Council do not hold formal floor plans that document the Gross Internal Area (GIA) for all assets. These are instead based on information recorded in the Council's systems. We encourage the Council to formally document the GIA for all assets through formal floor plans (**Refer to recommendation 2 at appendix 3**). As part of this work, we also identified a number of assets where the historic building enhancement uplift was applied incorrectly and inconsistently with the valuer's methodology. We were able to identify the full population of assets where a historic building enhancement uplift had been applied and conclude that the impact on these assets of the valuers using the incorrect uplift factor was not material. For all DRC assets that had an uplift applied, we reviewed the percentage increase to ensure it had been applied correctly to the asset cost. Through this work we noted an error in the calculation of this increase which resulted in an audit adjustment to correct the error in the annual accounts. We also ensured that the percentages used were in line with market data. This work highlighted that the valuers were not using the most recent indices in their calculation of the uplift. We created an auditor point estimate to determine the impact of the valuer not using the most up to date indices and concluded that the impact is not material. Assets valued on an existing use value (EUV) and fair value (FV) basis are revalued on a five year rolling programme unless there are significant changes made to the asset. As the assets are valued at 1 April, there is the

Key risk area	Valuation of land and buildings (key accounting estimate)
	risk that the value of these assets could have materially changed at the year end. The valuers provide an assurance report to the finance team at the year-end detailing any significant movements and changes to these assets which require reflecting in the year end asset values. This is then used by management to gain assurance that the value is appropriate at the year end. For EUV and FV assets that had not been revalued in the year we used available market data to assess the market movements that have taken place from the last revaluation date to assess the risk of material misstatement. We identified a total variance from expected market movements of £15.240million for Council assets and £0.083million for Common Good assets. As this is below our performance materiality level, we concluded that the carrying value of these assets is not materially misstated. From this work we also identified a number of surplus assets which should have be reclassified as Other Land and Buildings. We requested that management create their own estimate of what the impact would be on the valuation of these assets. We concluded that management's estimate was reasonable and presented an impact which was not material. The Council applies component accounting to land and buildings. The Council's accounting policies reflect that the building component of an asset is separated into further components primarily to those with a carrying value of over £10million. This methodology is deemed to be reasonable. **Council Dwellings:** Council dwellings are valued using the beacon method which aggregates the vacant possession value of each unit of housing stock based on the value of a beacon or sample property. An adjustment factor is applied to the asset's unrestricted value to reflect the lower rent yield from social housing compared to market rates. A full revaluation exercise is completed every five years, with the last exercise undertaken in 2022/23. Annual reviews are undertaken in between the full revaluation exercises to establish whether the value of the housing stock has changed since the last full revaluation. For 2023/24 the

Key risk area	Valuation of land and buildings (key accounting estimate)
	external valuer advised that the value of the HRA stock is likely to have increased in the region of 1%. As part of our audit work, we challenged the appropriateness of the uplift factor. The increase applied by the Council is in the region of 1% which we deem to be reasonable based on the market evidence available and through discussions with the valuer. We have also confirmed that the Council has applied this uplift appropriately. Through our audit work however we noted that there is little challenge by management on the uplift provided by the valuer and how this should be applied. We recommend that there is more challenge of the outputs provided by the valuer including the Council Dwellings uplift and improved procedures to check the reasonableness of the information provided are built into management's year end procedures (**Refer to recommendation 3 at appendix 3**). **Impairment** The Council has developed appropriate procedures for assessing whether there has been an impairment which takes cognisance of a range of sources of information. This includes: • Any changes in condition per the condition surveys performed as part of the five year rolling programme. • Confirmation from finance business partners, through template working papers, of asset ownership, existence and whether there is any indication of impairment. No indication of material impairment was identified, which is consistent with our audit work. Our audit work however identified a number of instances indicated assets were either disposed, no longer in use, scrapped, written off or stolen. However, these assets remained on the fixed asset register at 31 March 2024 with positive net book values. We are satisfied that the total net book value of these assets is below our reporting threshold but encourage the finance team to further investigate assets on the returned impairment assessment template working papers, specifically those assets which appear to

Key risk area	Valuation of land and buildings (key accounting estimate)
	no longer exist or to be in use by services. (**Refer to recommendation 4 at appendix3**). **Disclosure of Estimation Uncertainty** IAS 1 'Presentation of Financial Statements' requires entities to disclose assumptions made about the future and other major sources of estimation uncertainty, specifically those that present a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year. Disclosures should include the nature of the assumption or estimation uncertainty and the sensitivity of the carrying amounts to the methods, assumptions and estimates underlying their calculation. The Council has identified the valuation of property, plant and equipment as a major source of estimation uncertainty. At our request, management have included further disclosures within the annual accounts on the methodology used in 2023/24 when determining the valuation of all assets held at fair value.

Key risk area	Pension asset / liability (key accounting estimate)
Significant risk description	An actuarial estimate of the pension fund asset/liability is calculated on an annual basis under IAS 19 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership data held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities. A significant level of estimation is required in order to determine the valuation of pension assets/liabilities. Small changes in the key assumptions (including discount rates, inflation, and mortality rates) can have a material impact on the pension asset/liability. There is a risk that the assumptions used are not appropriate. **Inherent risk of material misstatement:** Pensions (valuation): High
How the scope of our audit responded to the significant risk	**Key judgements** A significant level of estimation is required in order to determine the valuation of pension assets/liabilities. Small changes in the key assumptions (including discount rates, inflation and mortality rates) can have a material impact on the pension asset/liability. **Audit procedures** • Reviewed the controls in place to ensure that the data provided from the pension fund to the actuary is complete and accurate. • Reviewed the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data. • Agreed the disclosures in the financial statements to information provided by the actuary.

Key risk area	Pension asset / liability (key accounting estimate)
	• Considered the competence, capability and objectiveness of the management expert in line with ISA (UK) 500 Audit Evidence.
Key observations	The IAS 19 actuarial report for the Council identifies a pension surplus (or pension asset) of £49.218million. Actuaries calculate the year end position based on a number of assumptions and, in recent years, increases in the discount rate assumption is the main factor in the pension asset calculation outcome following many years where a pension liability outcome was expected. Accounting standards require the Council to review the pension surplus and only recognise the lower of the surplus or an 'asset ceiling'. The pension asset ceiling for this year limited the asset value to £148.555million. An adjustment has been made in the prior year to identify the unfunded pension liability which should have been separated from the funded position in the recognition of the surplus in the financial statements. The unfunded pension liability for the prior year was £102.468million. We are satisfied that we have obtained reasonable assurance over the disclosures in the financial statements relating to the reported financial position. We reviewed the reasonableness of those assumptions used in the calculation against other local government pension fund actuaries and other observable data, with no issues identified. In addition, we reviewed the information in the actuarial report for completeness and accuracy against the published pension fund data. We have considered the competence, capability and objectivity of the actuary in line with the requirements of ISA (UK) 500 - *Audit Evidence*. From this review we did not identify any items which gave us cause for concern over the suitability of the actuary.

Common Good

Local Authorities are required to administer common good funds under section 15 of the Local Government (Scotland) Act 1994. The purpose of common good funds is to provide benefit to the population of the area either through the disbursement of funds, securing assets for on-going use for the population or contributing to specific local projects/initiatives.

The Common Good Fund stands separately from the Council's annual accounts and has been described as "the ancient patrimony of the community".

During our 2023/24 audit of the Common Good fund annual accounts, we noted the following:

Common Good Asset Registers

Local Authorities have a statutory responsibility, per Part 8 of the Community Empowerment (Scotland) Act 2015, to establish, maintain and publish a register of all property held by them for the common good. The Council has met all statutory deadlines set by this act in the establishment, consultation and publication of a common good register.

The Council's common good register was published for consultation in July 2019 and members of the public were able to provide feedback on the register until September 2019.

The guidance required the Council to publish a first draft of the register within 6 months of the consultation period closing. The first post-consultation draft of the register was published on the Council's Common Good Webpage in March 2020.

The common good register at 31 March 2024 is publicly available on the Council's website.

We reviewed the requirements of the Community Empowerment (Scotland) Act 2015 along with related Scottish Ministerial guidance. As part of this work, we identified a number of art and artefact assets which were included in the published common good register but not the fixed asset register used to populate the accounts. We recommend that going forward, the Council regularly reconciles the published common good asset register to the fixed asset register used to populate the accounts to ensure the published register remains up to date. This should include consideration of art and artefacts assets.

Materiality

Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the Council and the needs of users. We review our assessment of materiality throughout the audit.

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to the Council and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Our initial assessment of materiality for the group financial statements was £35.3million and the Council's financial statements was £34.6 million. On receipt of the 2023/24 unaudited financial statements, we reassessed materiality and updated as set out in the table below based on the reduced gross expenditure incurred in year. This change is the result of the Councils results for the year, rather than a change in our judgements around the materiality threshold as this remains set as 2% gross expenditure.

We have undertaken procedures to confirm this reduction in materiality, when applied retrospectively to our planning risk assessment, did not identify any new material risks which, under the old materiality, would have not been material.

	Group £million	**Council £million**
Overall materiality for the financial statements	33.5	33.03
Performance materiality	25.13	24.77
Trivial threshold	1.675	1.65

Materiality	Our assessment is made with reference to the group and Council's gross expenditure. We consider this to be the principal consideration for users of the annual accounts when assessing financial performance of the Council and its group. Our assessment of materiality equates to approximately 2% of gross expenditure as disclosed in the 2023/24 unaudited annual accounts. In performing our audit, we apply a lower level of materiality to the audit of the Remuneration Report and Related Parties disclosures.

	For the Remuneration Report our materiality is set at £5,000. For Related Party transactions, in line with the standards, we consider the significance of the transaction with regard to both Fife Council and the Counter party, the smaller of which drives materiality considerations on a transaction by transaction basis. We apply separate materiality levels to Common Good (£11.96million) and the Non-Domestic Rate Income Account (£4.31million).
Performance materiality	Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement. Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.
Trivial misstatements	Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Group audit

The Council has group arrangements which requires consolidation of a range of subsidiaries, associates and joint ventures. The group structure is detailed within the Council's annual accounts.

The Council prepares group financial statements in addition to its own financial statements, as required by the CIPFA Code, as there are material differences between the Council and group figures.

As group auditors under ISA (UK) 600 we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and regarding the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The table below sets out the components within the group.

As set out in our External Audit Plan we did not identify any components to be significant in the context of the group audit: We revisited our assessment, following receipt of the unaudited financial statements and our assessment remained the same.

Component	Significant	Level of response required
Fife Integration Joint Board	No	Analytical
Fife Coast & Countryside Trust	No	Analytical
Fife Cultural Trust	No	Analytical
Fife Golf Trust	No	Analytical
Fife Sports & Leisure Trust	No	Analytical
Cireco (Scotland) LLP	No	Analytical
Fife Resource Solutions LLP	No	Analytical
Business Gateway Fife	No	Analytical
Fife Council Charitable Trusts	No	Analytical
Fife Council Other Trusts	No	Analytical
Common Good	No	Analytical

Analytical - the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level.

As part of our audit, we reviewed the consolidation entries made within the group accounts, confirmed those entries back to the financial statements of the group bodies and evaluated any significant adjustments made to align the accounting policies. No issues were noted from this work.

Audit differences

Audit differences, both adjusted and unadjusted, identified during the audit are detailed in Appendix 2.

We also identified disclosure and presentational adjustments during the audit, which have been reflected in the final set of financial statements and are disclosed in Appendix 2.

Internal controls

As part of our work, we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these at Appendix 3. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

Follow up of prior year recommendations

We followed up on progress in implementing actions raised in the prior year as they relate to the audit of the financial statements. Full details of our findings are included in Appendix 4.

Other communications

Other areas of focus

Area of focus	Audit findings and conclusion
Significant matters on which there was disagreement with management	There were no significant matters on which there was disagreement with management.
Significant management judgements which required additional audit work and / or where there was disagreement over the judgement and / or where the judgement is significant enough that we are required to report it to those charged with governance before they consider their approval of the accounts	We have not identified any significant management judgements which required additional audit work, where there was disagreement over the judgement or where the judgement is significant enough that requires reporting, in addition to those reflected in this report.
Prior year adjustments identified	An adjustment has been made in the prior year to identify the unfunded pension liability which should have been separated from the funded position in the recognition of the surplus in the financial statements. The unfunded pension liability for the prior year was £102.468million.

Area of focus	Audit findings and conclusion
Concerns identified in the following: • Consultation by management with other accountants on accounting or auditing matters • Matters significant to the oversight of the financial reporting process • Adjustments / transactions identified as having been made to meet an agreed system position / target	No concerns were identified in relation to these areas.

Accounting policies

The accounting policies used in preparing the financial statements are unchanged from the previous year.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by the Council.

The accounting policies, which are disclosed in the financial statements, are considered appropriate.

There are no significant financial statements disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.

Key judgements and estimates

As part of the planning stages of the audit we identified all accounting estimates made by management and determined which of those are key to the overall financial statements.

Consideration was given to asset valuations, impairment and depreciation rates, pension valuations, provisions for legal obligations and doubtful debts. Other than asset and pensions valuations, we have not determined the accounting estimates to be significant. See the section above on “Significant risks at the assertion level for classes of transaction, account balances and disclosures” for detailed findings in relation to key accounting estimates.

We reviewed the key estimates and judgements that management made in respect to the identified key accounting estimates for indication of bias and assessed whether the judgements used by management are reasonable. Overall, we concluded that for those key accounting estimates they were balanced and appropriate.

Fraud and suspected fraud

We have previously discussed the risk of fraud with management and the Standards, Audit and Risk Committee. We have not been made aware of any incidents in the period nor have any incidents come to our attention from our audit testing.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

As part of our standard audit testing, we have reviewed the laws and regulations impacting the Council. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations.

The Local Authority Accounts (Scotland) Regulations 2014

As part of our audit we reviewed the Council's compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with respect to regulations 8 to 10[1] as they relate to the annual accounts.

Overall, we concluded that appropriate arrangements were in place to comply with these Regulations.

Written representations

We issued the letter of representation to the Executive Director of Finance and Corporate Services to sign at the same time as the annual accounts were approved.

Related parties

We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties

All requested third party confirmations have been received.

[1] Regulations 8 to 10 relate to the preparation and publication of unaudited accounts, notice of public right to inspect and object to the accounts and consideration and signing of the audited accounts.

Wider Scope

	Auditor judgement Risks exist to the achievement of operational objectives
Financial Management Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.	The Council has appropriate arrangements in place for financial management and the use of resources. The Council reported a surplus outturn position of £7.033million in 2023/24, despite a net overspend being reported on services. The outturn position was primarily driven by underspends on loans charges and corporate budgets. The General Fund balance decreased during the year from £216.054million to £157.282million. With all existing commitments taken into consideration the level of uncommitted balances beyond 2025/26 was £13.628million or 1.32% which is in line with the Council's policy to retain a minimum of 2% of annual turnover over a rolling three year period. The financial position for Housing Revenue Account (HRA) for the year was a deficit of £2.065million due to a planned contribution from balance. As a result of increased costs, the level of Capital Financed from Current Revenue (CFCR) was reduced by £2.831million. If this situation continues over the coming years, this will have an impact on the affordability of the HRA capital programme. The Council reported slippage of approximately 27% on its capital programme, after incurring c.£242million of capital spend.

	Auditor judgement Risks exist to the achievement of operational objectives
Financial Sustainability Financial sustainability looks forward to the medium and longer term to consider whether the Council is planning effectively to continue to deliver its services and the way in which they should be delivered.	In recent years, the Council has managed its budget without needing to make significant cuts to service but the financial outlook continues to be extremely challenging. The scale of financial pressures linked with considerable cost pressures and service overspends going forward remain substantial and uncertain. Significant change and difficult decisions will need to be made to safeguard the financial sustainability of the Council. The Council recognises there is an opportunity to bring forward change proposals that can be delivered in a staged way to help address the financial challenge. The most recent revenue monitoring report for 2024/25 (presented in September 2024) noted that the current forecast presents an overspend of £16.672million. This is a combined result of service overspends (£18.605million) and underspends in contingencies. Executive Directors have been tasked to plan and implement corrective / mitigating actions to bring costs down to a more sustainable level. This forecast is detrimental to the balances position, bringing the forecast level of balances to an over committed position unless corrective action is taken. A proposal to de-commit balances was presented to Cabinet in September 2024. Allowing for this proposal, the uncommitted level of balances is estimated at £0.782million in future years which is below the policy minimum. This will be closely monitored over the year and a critical review of committed and earmarked balances will be undertaken to ensure the Council operates within the agreed policy. The Council has recognised that the HRA budget continues to be under considerable financial pressure with increased costs due to high inflation, staff salary increases, increasing stock figures, and other pressures and faces a high level of financial risk. Initial work has commenced to review the Council's Capital Strategy, which will inform the capital investment plan. This plan will be assessed for affordability as part of the review process where the Council has recognised that challenges may arise in future years given reduced funding and the challenge of affordability beyond the level of investment proposed.

	Auditor judgement Effective and appropriate arrangements are in place
Vision, Leadership and Governance Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.	Fife Council sets out its vision and ambitions in its ten-year local outcomes improvement plan (LOIP), 'Plan4Fife'. A three-year update, 'Plan4Fife Recovery and Renewal', was agreed in August 2021. Following three-year review work in 2023/24, the recovery and renewal priorities remain the focus for action during 2024-2027, with particular attention on the strategic change and reform required to support the design and development of future services and the changes required to respond to Fife priorities, national shifts, and social and financial pressures. Governance arrangements throughout the year were found to be satisfactory and appropriate. We are satisfied that the Council and Committees continued to receive sufficient and appropriate information throughout the period to support effective and timely scrutiny and challenge.

Use of Resources to Improve Outcomes Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.	**Auditor judgement** Risks exist to the achievement of operational objectives	
	Appropriate arrangements are in place to oversee the delivery of the Plan4Fife. Internal audit has committed to undertake a review of the governance arrangements in place to support the development of the new Plan4Fife from 2027, including performance management and reporting arrangements Change activity has progressed throughout 2023/24 with a focus on a 3 year planning horizon. In addition, a Corporate Change programme is being developed that will cover three themes, namely, No Wrong Door, Place and Digital. The Council is aiming to have agreed and settled change plans in place by the end of March 2025. The Council has an already established performance framework and is now working on developing improvements to allow for a better connection between people, plans and outcomes. A significant amount of activity has been undertaken by the Council in 2023/24 and to date to develop its planning, performance and reporting framework. However, further work is required to implement and monitor the effectiveness of the identified developments.	

Financial management

Financial performance

The 2023/24 Comprehensive Income and Expenditure Statement shows that the Council spent a total of over £1billion on the provision of public services and recorded an accounting deficit on the provision of services of £1.685million. The accounting deficit is partly technical as it includes elements of income and expenditure that need to be accounted for to comply with the Code of Practice on Local Authority Accounting (the Code), and which are subsequently adjusted to show their impact on statutory Council reserves.

The key measure of performance in the year is the movement in the Council's general fund balance. Following the required adjustments, the net impact on the general fund is a decrease of £58.772million to £157.282million. In total, cash backed (useable) reserves held by the Council decreased by £57.402million in the year to £181.314million.

Movement in the Council's useable reserves per the Annual Accounts 2023/24

	2023/24 £million	2022/23 £million	Movement £million
General Fund	157.282	216.054	(58.772)
Housing Revenue Account (HRA)	5.315	7.380	(2.065)
Insurance Fund	17.583	14.423	3.160
Capital Fund	0	0	0
Capital Grants and Receipts Unapplied	1.134	0.859	0.275
Total useable reserves	**181.314**	**238.716**	**(57.402)**

Source: Fife Council Annual Accounts 2023-24

The decrease in general fund balance comprises:

- An overall surplus of £7.033million against the 2023/24 budget (this comprises an overspend of £6.211million against budget within Service Expenditure, an underspend of £1.934million on loan charges, an underspend on obligation/contingencies of £13.279million and Council tax being £1.968million under recovered).
- Less transfers from other statutory reserves of £3.181million.

- Less £62.624million of budgets transferred from balances brought forward and used in year

The unallocated General Fund was £13.628million as at 31 March 2024, a decrease of £23.379million from the previous year. This equates to 1.3% of budgeted net revenue expenditure (2022/23: 3.7%). The Council's policy minimum is to maintain a level of 2% balances over a rolling three year period which means that the level can dip below 2% level provided it returns to 2% within three years. This presents a risk going forward of the Council breaching its reserves policy minimum which we have considered further in the financial sustainability section of our report.

The remaining balance of £143.654million is either earmarked or committed for specific purposes including:

- Earmarked balances (£108.577million): includes significant commitments which underpin the investment in the capital plan (£66.780million), financial consequences of COVID-19 (£18.930million) and council tax- second homes (£8.926million).
- Commitments (£35.077million): includes £13.330million for changing demographics, £9.906million for Change Programmes and £6.123million for workforce change.

Details of the make-up of these balances are shown in note 6 to the annual accounts.

Revenue performance against budget

The final outturn position on the General Fund for 2023/24 shows a surplus of £7.033million compared to the balanced budget set at the outset. This surplus has been set aside in reserves.

The main contributory factors to the year end outturn position are:

1. Services overspends (£6.211million)

The revenue budget for 2023/24 was set using a different approach from previous years. As prior years' outturn positions had been favourable, a short-term strategy was considered and the budget gap reduced by realigning budgets with recurring underspends, substituting some funding streams for core funding and the approach to budgeting for vacancy management was changed to take account of the actual vacancy level being experienced over recent years. In doing so, no savings proposals from services were required but this has contributed to the overspend position across services (excluding Health & Social Care) during 2023/24.

The service experiencing the most significant level of overspend was Health and Social Care, presenting an overspend of £14.717million. This position primarily related to a £10.880million shortfall in income as a result of income not being received from NHS Fife in line with IJB directions. The remaining overspend is mainly due to an increase in care placements and packages commissioned above budget. Reserves of £12.173million were drawn down leaving an overspend of £2.480million in the Council. However, the overall IJB overspend was £5.578million with Fife Council being responsible for 38%, in line with the risk share agreement, which equates to £2.120million. A transfer of £0.360million was therefore required from the NHS Fife to meet the remaining overspend per the risk share agreement.

Due to the significance of the year end outturn movement, the IJB conducted a lessons learned exercise. The lessons learned exercise involved examining the key areas contributing to the significant movement in the year end forecast position, reviewing controls currently in place and developing an associated action plan. A report outlining corrective actions identified was presented to the IJB's Finance, Performance and Scrutiny Committee in July 2024.

The Council has recognised within its Annual Governance Statement that a partnership approach is required to mitigate the level of financial risk emerging within the health and social care partnership. Monthly meetings with senior finance staff across the partnership have been implemented to allow for greater scrutiny of financial controls, financial management and significant movements in budget.

Other services which experienced overspend positions are Education and Children's Services (£1.843million), Place (£2.198million) and Communities (£2.525million).

2. Loan charges underspend (£1.934million)

The Loan Charges underspend results from lower borrowing from the loans fund in previous financial years due to the level of cash held by the Council.

The Council are expecting that there will likely be an increase in the cost of borrowing in future given the significant level of planned capital costs over the lifetime of the capital investment plan, and interest rates being higher than anticipated.

3. Obligations/Contingencies underspend (£13.279million)

The underspend position reflects that the funding provision for all pay awards was higher than the costs of the pay settlement by £9.562million. This results in a one-off underspend in the current year which has been used to reduce the budget gap position in 2024/25.

Housing revenue account (HRA)

During the year, the Council underspent on its CFCR by £2.831m as a result of overspends across the HRA. Overall, there was a planned use of HRA balances of £2.064million which is being used to cover the planned expenditure.

As a result of significant pressures across the HRA, planned revenue contribution to the HRA capital plan was reduced by £2.831million to £24.497million (reduced by

£8.067million in 2022/23). If this situation continues over the coming years, there is a risk that this will have an impact on the affordability of the HRA capital programme.

The most significant area of overspend on the HRA was repairs and maintenance costs which continue to be impacted by high inflation on materials and employee costs, alongside an increase in the volume of Change of Tenancies. A recent Temporary Accommodation Court Judgement awarded a number of Homelessness tenants a secure tenancy which resulted in an increase in Change of Tenancies.

After taking into account the planned use of commitments in the year of £2.064million and further current commitments totalling £5.316million the level of uncommitted HRA Fund balances is £2.594million. This is in line with the Council's policy to maintain uncommitted balances at around 2% of Net Rental Income.

Capital expenditure

Capital Expenditure for 2023/24 was £242.073million, a variance of £89.099million (26.9%) against budget. This represents an increase in capital investment compared to previous financial years (2022/23: £189.362million).

The slippage related to a variety of themes including HRA, which represents 48% of the Council's total slippage for 2023/24 (£43million). Slippage is being experienced particularly in relation to Affordable Housing Programmes, due to inflation and cost increases, resulting in delays in project start dates. The remaining slippage is across all themes and relates to a variety of factors including decisions on the allocation of additional investment, delays in supply chains, as well as delays in tenders, funding packages, contracts and acquisitions.

Full detail of material capital expenditure variances continues to be regularly reported to the Cabinet Committee and the relevant Scrutiny Committees.

Treasury management

Treasury management is undertaken with regard to the CIPFA Code of Practice for Treasury Management in the Public Services and CIPFA's Prudential Code.

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. The revised treasury management strategy 2024-27 was approved by the Cabinet Committee in April 2024.

The 2022/23 Treasury Annual Report and 2023/24 mid-year report were presented to the Cabinet Committee in November 2023. Performance against the approved 2022/23 Prudential and Treasury Indicators was within agreed limits for the financial year. The 2023/24 Annual Report is due to be presented to the Cabinet Committee in November 2024.

During the last quarter on 2023/24, debt rescheduling was undertaken in relation to some of the Council's Lender Option Borrower Option (LOBO) loans which resulted in discounts and interest rate savings. This has resulted in lower than anticipated loan charges in the current and future financial years.

Systems of internal control

We have evaluated the Council's key financial systems and internal financial controls to ensure internal controls are operating effectively to safeguard public assets.

We did not identify any significant weaknesses in the Council's accounting and internal control systems during our audit.

Prevention and detection of fraud and irregularity

The Council is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption.

We have reviewed the arrangements and concluded that there are appropriate arrangements for the prevention and detection of fraud, error and irregularities.

National fraud initiative

The National Fraud Initiative (NFI) is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies to identify fraud and error. The most recent NFI exercise commenced in 2022, with matches received for investigation from January 2023. Most matches required to be investigated by 30 September 2023 and the results recorded on the NFI system.

Fife Council engaged well with the NFI exercise and we have concluded that its arrangements with respect to NFI follow up activity are satisfactory. There was a good level of timely follow up activity, meaning that matches were appropriately closed down. In addition, Fife Council has strong governance arrangements in relation to communication and transparency of NFI including presenting the results of the self-appraisal checklist and regular NFI progress updates and outcomes to the Standards, Audit and Risk Committee.

Financial sustainability

Significant audit risk

Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities:

Extract from External Audit Plan - Financial sustainability
The Council's financial planning is underpinned by its Medium-Term Financial Strategy (MTFS). The latest MTFS, to be reported in February 2024, is projecting provisional cumulative budget gaps of £8.212million, £24.370million, and £42.522million for 2024/25, 2025/26, and 2026/27 respectively. The Council has identified several initiatives to close the remaining general fund revenue budget gap and present a balanced budget for 2024/25. These include: • Proposal to allow services to raise discretionary fees and charges for council services by up to 5% (anticipated gap reduction of £0.755million). • Fife Council's indicative funding allocation to freeze Council Tax (anticipated gap reduction of £9.337million). Management has acknowledged that this is a political decision but they are currently proposing to agree to the freeze due to no financial benefit above the value of the additional funding being received unless council tax was raised by at least 4.9%. Implementing these initiatives would result in a small general fund revenue surplus of £1.880million for 2024/25. In order to achieve a balanced budget, the Council are anticipating using this balance to support investment in educational psychologists, mid Fife subsidised bus contracts and street cleaning and grounds maintenance. After revising the medium term financial plan to incorporate the same assumptions as for 2024/25, the Council continue to forecast funding gaps of £16.158million and £34.310million respectively for 2025/26 and 2026/27. The Council continues to hold a significant reserves balance (£26million uncommitted balance at January 2024) but has acknowledged that these cannot be utilised as a sustainable solution to close the medium term budget gap. The Council recognises that bridging gaps of this magnitude will require major changes to services and how they are delivered and have committed to focus on a longer-term change planning process to address the financial challenge from 2025/26 onwards. The Council has recognised that the HRA budget is also under considerable financial pressure and faces a high level of financial risk. The estimated 2024/25 funding gap on the HRA budget is £7.020million. Rent increase options of 5%, 6%

Extract from External Audit Plan - Financial sustainability
and 7% have been presented to tenants and the results from the consultations will be presented to the Council in February 2024 alongside the HRA budget proposals for 2024/25. The Council has acknowledged that increasing rent during the current cost of living crisis presents a challenge due to the risk of unaffordability to tenants.
Our detailed findings on the Council's financial framework for achieving long term financial sustainability are set out below.

Financial landscape

Over the last few years the Council has significantly underspent on its general fund revenue budget and 2023/24 sees a further underspend position of around £7.033m. Whilst this looks favourable, it is mainly due to the budget for pay costs being set higher than was needed. In addition, general fund services are overspending and this may present a financial challenge in 2024/25 and beyond. The Council's Budget Strategy adopted for 2024/25 used the overprovision for pay, building it onto the planning assumptions for the budget gap going forward. As finances are becoming tighter, 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 continues to exacerbate 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 2024 have been updated based on all known intelligence and an updated budget gap was reported to Cabinet Committee in September 2024.

The Council recognises there is an opportunity to bring forward change proposals that can be delivered in a staged way to address the financial challenge. Significant work on change has continued to be advanced through 2023/24 and this will continue with proposals being considered by members in the latter half of 2024. These are likely to be around people, place, digital and productivity and will likely include some policy options.

There is still a level of uncertainty as a consequence of the economic circumstances over the last few years. 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. In addition to this, pressures are beginning to emerge from previous budget realignment used to balance the budget and service overspends starting to emerge. Whilst the Council has strong financial management with a Medium-Term Financial Strategy and a financial Risk Register in place to support future budget decisions, the largest financial risk is likely to be the financial position of the IJB where strong financial management will be essential.

Consideration is also being given to other pressures the Council is facing, for example, equal pay claims, 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 risk of over reliance being placed on using these for recurring expenditure, so exit strategies will need to be clear at the time of any commitments.

The Council is considering 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 and digital.

Source: Fife Council 2023/24 Annual Accounts, Management Commentary

2024/25 revenue budget

In February 2024 the Council set a balanced revenue budget for 2024/25 based on the following:

- Council's provisional grant funding allocation
- 5% increase in all discretionary fees and charges; and
- Indicative Council Tax Freeze Funding

This represents the second year where no savings proposals from services were required to set a balanced revenue budget.

In October 2023, the First Minister announced a Council Tax freeze for 2024/25 which provided £147million additional funding within the Scottish Government budget to fund the freeze. Fife Council's indicative share of £9.3million equates approximately to a 4.9% increase which compares favourably to the 3% assumed in the Medium-Term Financial Strategy. The Council Tax freeze was approved as part of the Council's budget in February 2024.

As part of the process for setting the 2024/25 revenue budget, a full review of the commitments made against balances was carried out. Funds remain earmarked as Capital Funding from Current Revenue (CFCR) contributions agreed during Capital Plan Review, recovery from the COVID-19 pandemic and provision for inflationary pressures.

2024/25 revenue budget forecast outturn

The most recent revenue monitoring report for 2024/25 (September 2024) noted that the current forecast presents an overspend of £16.672million. This is a combined result of service overspends (£18.605million) and underspends in contingencies where over half of the forecast service overspends is attributable to Health and Social Care. Executive Directors have been tasked to plan and implement corrective / mitigating actions to bring costs down to a more sustainable level.

This forecast is detrimental to the balances position, bringing the level of balances to an over committed position unless corrective action is taken. A proposal to de-commit balances was presented to Cabinet in September 2024. Allowing for this proposal, the uncommitted level of balances is estimated at £0.782million in future years which is below the policy minimum. This will be closely monitored over the year and a critical review of committed and earmarked balances will be undertaken.

Medium term financial outlook

The Council has a Medium-Term Financial Strategy (MTFS) which is regularly reviewed and is relied upon when planning for the future.

Since the approval of the budget in February 2024, the Council reported an indicative budget gap of £16.158million for 2025/26, rising to £34.310million for 2026/27 and using the same assumption the budget gap would rise further to £51.278million for 2027/28. The assumptions and baseline figures were reviewed with consideration to the Scottish Government's Resource Spending Review, Medium Term Financial Strategy and the Public Sector Pay Policy 2024-25.

The Council reported to the Cabinet Committee in September 2024 that there are no changes to planning assumptions required from those used in setting the budget in February 2024.

Recognising the difficulty in accurately forecasting the future, the Council presented three scenarios to Cabinet Committee:

1. Positive scenario – 1% increase in government grant
2. Central scenario – assumes flat cash
3. Least positive scenario – 1% decrease in government grant

For planning purposes, the Council presented the impact based on the central scenario, and in line with the MTFS, plan for a 3% council tax increase.

	2025/26 £m	**2026/27 £m**	**2027/28 £m**
Central scenario – assumes flat cash government grant	22.6	42.5	64.6
Annual 3% council tax increase	(5.8)	(11.9)	(18.1)
Revised budget gap	**16.8**	**30.6**	**46.5**
Indicative budget gap following approval of budget in February 2024	**16.2**	**34.3**	**51.3**

Source: Budget 2025-28 Update; Cabinet Committee – September 2024

Change planning

In recent years, the Council has managed its budget without needing to make significant cuts to service expenditure but the position going forward is now much more challenging. The Council has recognised that it is crucial that its approach to change planning and bridging budget gaps has a medium term focus to be able to deal with those future challenges.

The financial outlook continues to be extremely challenging, and the Council has recognised that significant change and difficult decisions will need to be made to safeguard the financial sustainability of the Council.

Capital plans

The Council has developed a Capital Strategy and a 10-year rolling capital programme that is reviewed every two years. The Capital Investment Plan 2023-33 was approved by the Council in June 2023.

Initial work has begun to review the Council's Capital Strategy to ensure that the strategy is in line with the refreshed Plan4Fife. The strategy will inform the Capital Investment Plan. Members will have an opportunity to contribute to the development of the strategy which is due to be presented to the Council in February 2025 alongside the budget.

The capital investment plan will be assessed for affordability as part of the review process where the Council has recognised that challenges may arise in future years given reduced funding and the challenge of affordability beyond the level of investment proposed.

Housing Revenue Account

The Council has recognised that the HRA budget is also under considerable financial pressure and faces a high level of financial risk. This is primarily due to high inflation, staff salary increases, increasing stock figures, and other pressures. To meet these rising costs and achieve a balanced HRA budget, the Council is required to either generate income from increased rents or generate recurring savings (or a combination of both) annually.

In setting the 2024/25 budget; the HRA faced a £7.020million budget gap which was represented by the following pressures:

- £3.154million from increased operational costs which are a result of high levels of inflation, increasing materials and supplies costs and increasing stock numbers.
- £2.989million from general inflationary increases which includes increasing salary costs and Central Support Services Charges as a result of both settled and anticipated pay rises and increments.

- £0.877million increase in funding for Capital Investment to maintain an investment level consistent with prior years.

To allow the Council to set a balanced HRA budget, with the forecast budget gap of £7.020million, the approved budget proposed a 5% rental increase, reduction in tenant support funding and the use of HRA reserve balances.

In line with previous years, it was agreed to consult with tenants on rental increases of between 5% and 7% for 2024/25. The feedback provided was that a 5% increase was the only affordable option presented to tenants. Due to the considerable financial risk around the HRA budget, this meant it was not possible to close the budget gap based on the rental increases which had been consulted on.

The level of rental income impacts on the capacity of the HRA to borrow to fund investment into future policy decisions, maintain the ability to continue to build new council houses as part of the Affordable Housing Programme and improve houses to the current energy efficiency standard in future years. As outlined in the HRA budget, a rental increase of 6% or above was required in 2024/25 to keep the baseline plan in a position of medium risk and support future policy decisions. The approved 5% rental increase therefore increases the Council's exposure to risk and impacts the affordability of the HRA baseline business plan.

In February 2024 the Council reported an HRA budget gap for the next two years as follows:

	2025/26	2026/27	Cumulative impact
	£m	£m	£m
Budget gap	6.806	7.588	14.394

The Council will need to make difficult decisions over the medium-term to balance the financial sustainability of the HRA and the affordability of future rental increases for tenants.

Vision, leadership and governance

Vision

Fife Council sets out its vision and ambitions in its ten-year local outcomes improvement plan (LOIP), 'Plan4Fife', which was first published in November 2017. The Plan4Fife 2017 - 2027 was developed through the Fife Partnership and is its first combined partnership and council plan. A LOIP Development Group was established to oversee the development of the Plan4Fife and partners were involved in agreeing outcomes, actions and performance measures.

The Plan was reviewed and a three-year update, 'Plan4Fife Recovery and Renewal', was agreed in August 2021. As well as being the three-year update of the Plan4Fife, the updated Plan is also Fife's recovery and renewal plan following the COVID-19 pandemic.

As part of an overall community wealth building approach, the Plan sets out three recovery and renewal priorities:

1. tackling poverty and preventing crisis;
2. leading economic recovery, and
3. addressing the climate emergency.

Following three-year review work in 2023/24, the recovery and renewal priorities remain the focus for action during 2024-2027, with particular attention on the strategic change and reform required to support the design and development of future services and the changes required to respond to Fife priorities, national shifts, and social and financial pressures.

Leadership

The Council's senior leadership team (CLT) is a mature team comprising officers with many years' experience, who are skilled leaders and professionals. Each Council Directorate is headed by an Executive Director who, together with the Chief Executive and the Director of Health and Social Care, collectively form the Council Executive Team (CET). The CET is supported by the CLT.

The Council has committed within its Annual Governance Statement to further develop the leadership skills and capacity of officers during 2024/25 to ensure there is effective leadership to respond successfully to changing demands and risks.

The Council's No Wrong Door approach focuses on all partner services working together to make sure that processes and systems are better joined up, so that no matter where or how people reach out, they receive the services they need. In November 2023, the Cabinet Committee agreed organisational changes to the leadership model in the Education and Children's Services and Communities directorates to support the Council's No Wrong Door approach. The organisational changes included:

- To alter the role and remit of the post of the Executive Director (Education and Children's Services and Communities)
- To relocate the post of Head of Service (Children and Families and Criminal Justice)

In our 2022/23 Annual Audit Report, we reported that work was ongoing for the Council to identify and expand on mandatory areas of training to provide to elected members. In November 2023, as part of the Cross-Party Leader's Group (CPLG) a revised approach to member development, including mandatory training was agreed. This focused on extending requirements to complete relevant training before sitting on relevant Board/Committees and the scope of training areas designated as mandatory.

An elected member working group on training and development has been established to support elected members in their roles and to meet collective and individual development needs.

From review of the changes to the member development process, including to mandatory training, we have concluded that it provides elected members with the information and platform to continue to discharge their responsibilities effectively.

Effective working relationships continue to exist between senior officers and elected members with positions of responsibility. The Chief Executive meets regularly with the Leader of the Council and the leaders of other political parties. The Chief Executive, Executive Directors and service managers also meet regularly with Cabinet spokespeople about their portfolios.

Various structures promote collaborative working between elected members and officers. These include the formal area committee work programme, ward meetings (including mega ward meetings in City of Dunfermline and Kirkcaldy Areas), elected member workshops, development of Local Community Plans and directing spend of decentralised budgets on priorities such as community recovery fund, anti-poverty, roads and transportation.

Outside of formal committee meetings, elected members are regularly briefed on major projects, developments or issues that arise. Services run workshops to raise awareness of important pieces of work or to engage local members at the early stages of a project, for example on decentralisation work.

Governance arrangements

The Council's system of governance is based on a Cabinet structure. The Cabinet Committee is responsible for strategic policy decisions and membership of the Cabinet comprises the Leader of the Council (Chair), six strategic spokespersons and ordinary members up to a total of 21 members. To drive forward the strategic direction of the Council, ensuring the governance framework is operating as intended, the governance structure is also supported by the Standards, Audit & Risk Committee and four Council service area themed scrutiny committees:

- Education Scrutiny;
- Environment, Transportation & Climate Change Scrutiny;
- Finance, Economy & Corporate Services Scrutiny; and
- People & Communities Scrutiny.

The Council also operates a decentralised structure based around seven Area Committees. This type of governance structure allows the Area Committees to focus on specific local area issues and opportunities and have delegated responsibility for some revenue and capital budgets.

The Cabinet Committee meeting in November 2023 agreed a set of actions for improving area-based working and decentralisation. This involves organisational arrangements for greenspace management, development of a different operating model for asset and facilities management, removal where possible of internal charging barriers, identifying process improvements and responsibility, and creating a stronger place focus and leadership for local community plans.

The Council has recognised that these improvements will support the effectiveness of place working and the role and influence of Area Committees.

Cabinet and Committee meetings

During 2023/24, the Council and Committee meetings have continued to adopt a blended approach and meetings have continued to be live streamed and available to the public in the archive. The Council has been able to maintain its regular schedule of Council and Committee meetings.

Through our review of committee papers we are satisfied that there continues to be effective scrutiny, challenge and informed decision making through the financial period.

Risk management

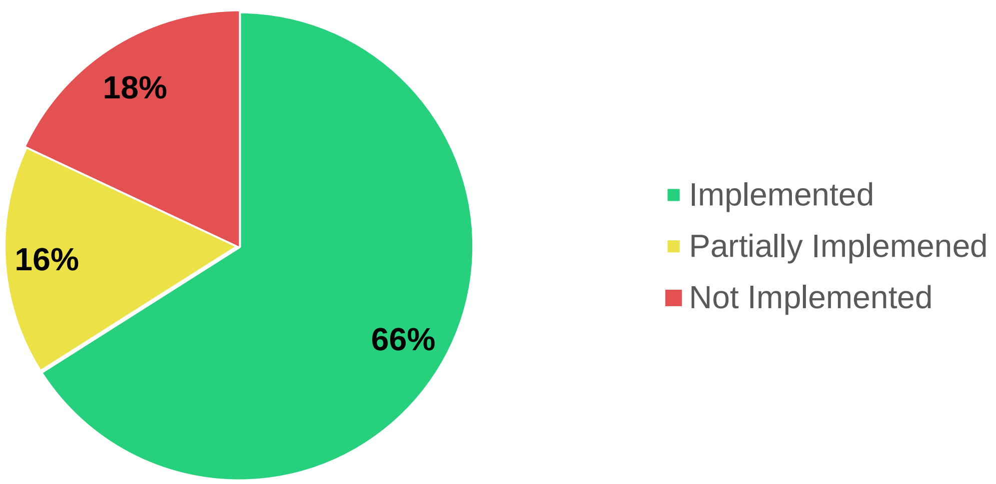
Well-developed risk management arrangements help councils to make effective decisions and secure better use of resources. The Council's Standards, Audit and Risk Committee is responsible for monitoring the effectiveness of the risk management arrangements in place with updates on the Strategic Risk Register and information surrounding further developments to the Council's risk management arrangements being presented on a six-monthly basis.

The Standards, Audit and Risk Committee in this role is supported by the Risk Management Strategy Group (RMSG) which continued to meet quarterly during

2023/24 to provide oversight of the Council's risk management arrangements. Activities undertaken by the RMSG in 2023/24 to further strengthen the Council's risk management arrangements have included involvement in the development of a new Strategic Risk Register and defining risk appetite levels for each risk.

A Risk Management Improvement Plan (RMIP) continues to be managed and monitored by the RMSG, CET and Standards, Audit and Risk Committee. The most recent progress report, which is due to be presented to the September 2024 Standards, Audit and Risk Committee meeting, highlights that good progress is being made in addressing the improvement plan recommendations. As detailed in the exhibit below, 66% of recommendations were fully implemented, 16% partially implemented and 18% were not implemented.

Progress against Risk Management Improvement Plan



Source: Risk Management Update – September 2024

Action 18 on the RMIP requires the Risk Management Team to work alongside directorates and services to support development and embed effective risk management arrangements locally. To support implementation of this action, a Roll Out Plan, containing an engagement schedule was compiled by the Risk Management Team and agreed by RMSG. The plan was piloted by Finance and Corporate Services where feedback and lessons learned from the services in the pilot were used to shape and improve delivery of the Roll Out Plan going forward. The Roll Out Plan is due be completed by 31 March 2025.

The Council has acknowledged that significant improvements have been made to risk management arrangements over the last two years. However, further developments to risk management activity are planned for 2024/25 to allow for a focus on continuous approvement, these include:

- Development and implementation of risk management methodology to be utilised in strategic decision making;
- Full implementation of the Roll Out Plan;
- Review and revise the Risk Management Maturity Model;
- Provision of risk management advice and guidance to Council ALEOs; and
- Finalisation and launch of a formal training and awareness programme, including e-learning solutions.

Internal audit

The Council's internal audit service is an independent assurance function that provides an opinion on the Council's framework of governance, risk management and control. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. To avoid duplication of effort and to ensure an efficient audit process we have taken cognisance of the work of internal audit.

The Chief Internal Auditor's Annual Opinion for the year ended 31 March 2024 stated that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control.

Following the Public Pound

The Council uses a number of arm's-length external organisations (ALEOs) to provide services on its behalf. While the ALEOs are responsible for the delivery of services, the Council remains responsible for the public money it provides to the ALEOs and the quality of services the ALEOs provide. The Council needs to hold ALEOs to account for their use of public funds and should have sufficient governance arrangements in place to do so.

The ALEOs have regular performance sessions on Service Level Agreement delivery. During the year, work has been carried out to modify annual reporting and further changes are being made for coming years to allow more time for scrutiny.

The Council has several ALEOs delivering a range of functions. These have been in operation for several years. The Council has recognised that there is a risk that the operating arrangements may no longer reflect how the relationship between the Council and the ALEO has developed over time. Work is ongoing to review the operating agreements with the ALEOs to ensure that they continue to reflect current arrangements.

Use of resources to improve outcomes

Plan4Fife refresh

The Fife Partnership Board met in August 2024 and agreed the approach for the Plan4Fife 2024-27 collaborative work programme and a range of governance improvements to help simplify and focus activity. Further work will be undertaken in the next couple of months to create a coordinators forum for shared improvement and to develop the metrics and performance management around the Plan4Fife 2024-27.

The Council has acknowledged that the current focus sharpens on priorities and delivery over the next three years, which supports the required work to commence on shaping the next plan.

We are satisfied that appropriate arrangements are in place to oversee the delivery of the Plan4Fife and plan ahead for future iterations of the plan. Internal audit has committed to undertake a review of the governance arrangements in place to support the development of the new Plan4Fife for 2027, including performance management and reporting arrangements. This is now included in their 2024/25 internal audit plan.

Organisational change

The Council is progressing organisational change and reform to support a whole system change and the Plan4Fife points through four strategic change priorities; ‘no wrong door’ for people and family support services, building community wealth, health and wellbeing and working for place. In addition the Council continues to consider its approach to digital opportunities and the need to continue to make progress on efficiencies.

Change activity has progressed throughout 2023/24 with a focus on a 3 year planning horizon. Directorate and Service visions have been developed with a future "to be" state defined referenced against the current "as is" position. Change required to achieve the shift continues to be identified and developed where this process runs alongside workforce and financial planning.

The Council are aiming to have agreed and settled change plans in place by the end of March 2025.

Community Asset Transfers

The Community Empowerment (Scotland) Act enables requests to the local authority from community organisations and groups to acquire, lease or take over management of a publicly owned building or land. This request is known under the Act as a Community Asset Transfer (CAT).

The Council has a robust and well-established policy framework in place where 12 assets to date have been transferred. In addition, the Council has developed processes to support organisations that are not successful through the CAT process including community managers working closely with the organisations to look at alternative solutions including, for example, more suitable assets or rooms within an asset.

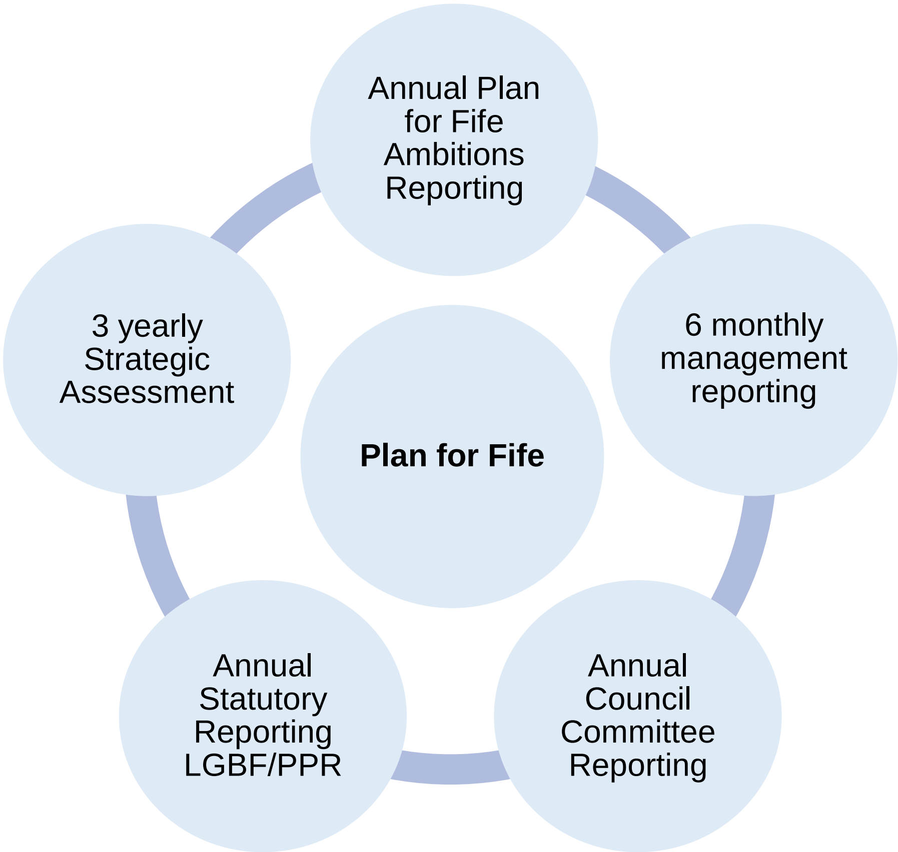
The Council has published annual reports on CATs on the Community Asset Transfer section of its website to meet its requirements under the Community Empowerment (Scotland). The 2023/24 annual report showed that two community asset transfers were successful which is an increase from the previous two years where no community asset transfers were successful.

The Council has recognised that further work is required to encourage and support community groups to manage and own assets through CATs. The Council are currently developing a revised approach to community engagement where integrating CATs into this process will be crucial to allow communities to become more empowered.

Performance Management Arrangements

The Council has an already established performance framework and is now working on developing improvements to allow for a better connection between people, plans and outcomes.

The Council's performance framework is used to support delivery of 'Plan4Fife'. The key components of the performance framework are outlined below:



Both Fife Council and Plan4Fife planning and performance frameworks have been brought together as one where the key components of the framework above are also reported at a partnership level to the Fife Partnership Board.

2023/24 Performance Framework Developments

The Council's current priority in developing its performance framework is to create solid foundations for integrated planning and performance management practice and a culture of continuous improvement. This includes consideration of policy-led approaches, quality measures, in-year reporting, data and digital development and the remodelling of reports to support scrutiny and public engagement.

The period from September to December 2023 represented a development phase for the Council's performance framework improvements which included initial discussions with leadership around the scope of change activity required.

The Council has recognised that the extent of the change required will take a few years to shape. A comprehensive timetable has been developed which supports the planned performance framework improvements up to May 2025.

Performance development activities which the Council has undertaken in 2023/24 include:

- Remodelled Annual Review Reports for scrutiny which integrate change themes, finance and workforce data.
- New Annual Corporate Best Value Self-assessment.
- Introduction of quarterly Performance and Improvement Tracker to CET which has been agreed in principle and further development work is underway.
- Local Government Benchmarking Framework (LGBF) integrated into wider framework with in-year review via CET tracker.
- Development of locally focused thematic/service reports to Area Committees.
- Introduction of performance indicators being published in advance of scrutiny Committees.

A significant amount of activity has been undertaken by the Council in 2023/24 and to date to develop its performance management framework. However, further work is required to implement and monitor the effectiveness of the identified developments.

Best Value

The pace and depth of improvement in the performance of the Council in meeting its best value duties is adequate.

Follow up	The Council has made good progress in implementing previous improvement actions.
Effectiveness of performance reporting	Significant work has been undertaken by the Council in 2023/24 and to date to improve and strengthen its performance reporting. Improvements have been made to the presentation of performance information, including use of trends, along with the availability of performance information for both internal management purposes and the availability and timeliness of public performance information. The Council recognises however that the success of these changes cannot be fully evaluated until a full cycle of service annual reporting has been completed. Looking forward, the Council intends to further develop the performance information made available online with a focus on improving the way plans, performance, project delivery, evidence of impact and community news are linked. The Fife Strategic Assessment shows that Fife continues to face key challenges. Based on evidence, the Council and Fife Partnership will retain focus on existing priorities for the 2024 to 2027 period. Fife Council has improved its performance over time on 59% of the Local Government Benchmarking Framework (LGBF) indicators. It has however only improved on 41% of indicators relative to its family group and 42% compared to Scotland. Overall, we are satisfied that the Council has made proper arrangements for preparing and publishing Statutory Performance Information (SPI) in accordance with the 2021 Direction. The Council has developed an annual corporate self-assessment of delivery against best value themes, which includes a set of best

	value performance indicators. In 2023/24, Fife has improved on 9 of the 16 indicators which it will use to monitor best value.
Thematic review – Workforce Innovation – how Councils are responding to workforce challenges	The Council has appropriate arrangements in place for building future capacity and has developed a range of innovative schemes and initiatives used across services to produce a resilient workforce. Appropriate arrangements are in place to enable the delivery of the Council's digital strategy. However, work is still required in developing the leadership and culture of the organisation which will drive digital change and progress. A key challenge for the Council is the creation of capacity within its workforce to enable the review, exploration and development of digital opportunities. Resource and capacity challenges are also limiting progress being made for a number of flexible working initiatives including exploration of flexible working opportunities for front line working groups and development of productivity measures for each of the Council's workstyles.

Best Value

Overall based on the work performed we have concluded that pace and depth of improvement in the performance of the Council in meeting its best value duties is adequate.

We are required to evaluate and report on the performance of the Council in meeting its Best Value duties.

Our work in 2023/24 included the following:

- A follow up on previous improvement actions; including outstanding improvement actions reported in the Council's Best Value Assurance Report (2018), our 2022/23 Annual Audit Report as they relate to performance reporting and the 2022/23 Best Value thematic report.
- Assessing the effectiveness of the Council's performance reporting.
- A thematic review on workforce innovation.

As set out in the Code of Audit Practice 2021, Best Value audit is integrated with other wider-scope annual audit work. Therefore, in addition to the work set out in the remainder of this section, Best Value work has informed the content and conclusions set out in respect of our wider scope responsibilities.

Follow up on previous improvement actions

The Council has made good progress in implementing previous improvement actions.

Best Value Assurance Report

A Best Value review was undertaken on Fife Council in 2018. The Best Value Assurance Report (BVAR) included recommendations to help the Council address the improvement areas identified during the audit. We have considered progress made by the Council in implementing the recommendations made in the BVAR. Of the three improvement actions which were outstanding in 2022/23, one has been fully implemented and two remain ongoing. The findings are detailed in the table below.

The Council consider those recommendations to still be relevant to delivering its overall strategic priorities and as such these have been integrated into "business as usual" monitoring through the Recovery and Renewal Leadership Board, Change Boards, service improvement planning and performance reporting to relevant scrutiny committees.

Action	Audit observation
The Council should develop a range of delivery plans to support the identified actions and wider ambitions outlined in the Plan4Fife. These actions should be measurable with clear deadlines **Status: Complete**	Four strategic boards oversee the progress against the ambitions: Leading Economic Recovery, Tackling Poverty and Preventing Crisis, Addressing Climate Emergency and Community Wealth Building. Delivery Board plans are in place covering all of the Plan4Fife recovery and renewal priorities and ambitions. Delivery plan actions are being progressed and monitored by the Plan4Fife Delivery Boards and the relevant strategic partnerships. Delivery Boards report to the Fife Partnership Board and Recovery and Reform Leadership Group. Progress reports on delivery priorities on climate, poverty, economy and community wealth building have been considered by Cabinet over the course of 2023/24. The Plan4Fife Governance review approved by the Fife Partnership Board in August 2024 including a new proposal to reset the Economic Recovery Board and Community Wealth Building Group to better integrate and align strategy and delivery across priorities.

Action	Audit observation
The Council should work with Fife Health and Social Care Partnership and NHS Fife to accelerate the redesign of adult health and social care services and mitigate medium-term financial pressures. **Status: Ongoing**	All Fife partner agencies have an important role in redesigning the health and social care partnership services, including internal services such as Business Technology Solutions, Housing Services and external partners in the third and independent sector. The Partnership's Medium Term Financial Strategy and Workforce strategy provides a framework for delivery of the Strategic Plan, which will be challenging and will rely on support from Fife Council and NHS Fife. The 2023/24 financial position for the health and social care partnership was challenging. The Council has acknowledged that a partnership approach is required to mitigate the level of financial risk emerging within the health and social care partnership. Monthly meetings with senior finance staff across the partnership have been implemented to allow for greater scrutiny of financial controls and significant movements in budget.
The Council's new programme board should ensure alignment between the aims of the Plan4Fife and service change plans. It should develop a focus on outcomes rather than being led by budget-changes **Status: Ongoing**	The development and implementation of Fife Council's change plans were re-introduced during 2022/23 with a shift of focus to a three-year planning horizon. Fife Council has acknowledged that the change in approach is to ensure change programme initiatives move away from 'salami slicing' and focus on service redesign and transformation in line with the Plan4Fife priorities, the Medium-Term Financial Strategy and workforce plans. Change planning activity has progressed throughout 2023/24. Directorate and Service visions have been developed with a future "to be" state defined referenced against the current "as is" position. Change required to achieve the shift continues to be identified and developed. The Council are aiming to have agreed and settled change plans in place by the end of March 2025.

Effectiveness of performance reporting

In our 2022/23 Annual Report on the Audit, we noted that improvement work underway by the Council needed to extend further to fully demonstrate compliance with the Accounts Commission Statutory Performance Information Direction, in particular, the timeliness in public performance reporting and demonstrating best value.

We recognise that a significant amount of work has been undertaken by the Council to address our prior year recommendations in this area. All three recommendations have been actioned.

Action	Audit observation
Balanced Scorecard Templates *We would encourage the Council to further develop the structure of its Balanced Scorecard templates to include 'RAG' ratings for each performance indicator to clarify trends in performance compared to previous periods.* **Status: Complete**	RAG monitoring was introduced to all Annual Scrutiny Performance Reports from September 2023. Information online has been improved to include RAG reports for services. A new planning and performance area has been developed online to provide clearer, more accessible information that can be added to regularly as new performance / data becomes available.
Statutory Performance Indicator 1: Improving local services and local outcomes *The Council should consider the timing of public performance information and ensure timely reporting as close to the period under review as possible.* **Status: Complete**	A new approach to annual service performance reporting for the scrutiny committee cycle was agreed by Council Executive Team in June 2024. The first report become publicly available in August 2024 as part of the best value planning and performance improvement plan.

Action	Audit observation
Statistical Performance Indicator 2: Demonstrating Best Value *The Council should consider the following and further develop its response to compliance with SPI2: Demonstrating Best Value.* *Publication of information on how the Council has responded to audit assessment and assessment from other scrutiny and inspection bodies of its performance against its Best Value Duty* *Publication of an assessment of the Council's performance against Best Value responsibilities. Performance should be aligned to the 7 Best Value themes.* **Status: Complete**	The Council has developed an annual report which provides a corporate self-assessment of delivery against the best value themes. The first annual report on best value was presented to Council Executive Team in August 2024 and is due to be presented to the Standards, Audit and Risk Committee for approval in September 2024.

Thematic review: Leadership of the development of new local strategic priorities

A thematic review on leadership of the development of new local strategic priorities was undertaken in 2022/23. At the time, we acknowledged the Council was undergoing development of several key arrangements to demonstrate best value and we were unable to conclude on our judgements in relation to the effectiveness of the pace and depth of improvement. We have reviewed the Council's progress in implementing those key developments during 2023/24.

Overall the Council has made good progress in implementing those key developments it had identified, with all but one being completed.

Key development	Audit observation
Review of the Council's organisational structure to ensure it is fit for purpose to deliver the key priorities and ambitions as set out in the Plan4Fife ***Timeline:*** *April 2024* **Status: Complete**	A report focused on the Council's approach to change planning and organisational design was presented to the Cabinet Committee in November 2023. The case for change for a No Wrong door approach to service development as set out in the Outline Business Case was agreed at this meeting. At the same meeting in November 2023, the Cabinet Committee agreed immediate implementation of organisational changes to the leadership model in the Education and Children's Services and Communities directorates to support the Council's No Wrong Door approach. The changes included: • To alter the role and remit of the post of the Executive Director (Education and Children's Services). • To relocate the post of Head of Service (Children and Families and Criminal Justice).
Plan4Fife refresh 2024 ***Timeline:*** *August 2024* **Status: Complete**	Following three-year review work in 2023/24, it was agreed that the 2024-27 Plan4Fife focus would remain on the existing recovery and renewal priorities. This is to reflect that the Council continues to be going through a period of recovery. The Fife Partnership Board met in August 2024 and agreed the approach for the Plan4Fife 2024-27 including a new collaborative work programme and a range of governance improvements to help simplify and focus activity. Further work will be undertaken in the next couple of months to create a coordinators forum for shared improvement and to develop the metrics and approach to performance management around the Plan4Fife 2024-27.

Key development	Audit observation
Development of 3 year change plans which support the wider ambitions outlined in the Plan4Fife. ***Timeline:*** *April 2024* **Status: Ongoing**	Change activity has progressed throughout 2023/24 with a focus on a 3 year planning horizon. Directorate and Service visions have been developed with a future "to be" state defined referenced against the current "as is" position. Change required to achieve the shift continues to be identified and developed and the process runs concurrently with workforce and financial planning. The Council are aiming to have agreed and settled change plans in place by the end of March 2025.
Review of areas where the Council's decentralised structure could be expanded ***Timeline:*** *December 2023* **Status: Complete**	A review of decentralisation and the role of Area Committees focussed on physical place-making services such as green space, street, property, housing, and town centre development. The Cabinet Committee meeting in November 2023 agreed a set of actions for improving area-based working and decentralisation. This involves organisational arrangements for greenspace management, development of a different operating model for asset and facilities management, removal where possible of internal charging barriers, identifying process improvements and responsibility, and creating a stronger place focus and leadership for local community plans. These improvements will support the effectiveness of place working and the role and influence of Area Committees.

Key development	Audit observation
Development of a revised approach to elected members on-going professional development and training. This includes consideration of the identification and expansion of mandatory areas of training. ***Timeline:*** *December 2023* **Status: Complete**	In November 2023, a paper was presented to the Cross Party Leader's Group (CPLG) which set out a revised approach to member development and consideration of how the approach is to be achieved, including mandatory training. CPLG agreed to extend the requirement to complete relevant training before being eligible to sit on relevant Board/Committee from Licensing Board to now also include: • Regulation & Licensing Committee • Pensions Committee • Fife Pension Board • North East and West and Central Planning Committees. It was also recommended that the following induction training activities were made mandatory for all elected members: • Equalities and Diversity Awareness • Code of Conduct training • Declaration of Interests and Register of Interests • How to claim expenses • Role-specific training prior to commencing certain roles. An elected member working group on training and development has been established to support elected members in their roles and to meet collective and individual development needs.

Effectiveness of performance reporting

Significant work has been undertaken by the Council in 2023/24 and to date to improve and strengthen its performance reporting.

Improvements have been made to the presentation of performance information, including use of trends, along with the availability of performance information for both internal management purposes and the availability and timeliness of public performance information.

The Council recognises however that the success of these changes cannot be fully evaluated until a full cycle of service annual reporting has been completed.

Looking forward, the Council intends to further develop the performance information made available online with a focus on improving the way plans, performance, project delivery, evidence of impact and community news are linked.

The Fife Strategic Assessment shows that Fife continues to face key challenges. Based on evidence, the Council and Fife Partnership will retain focus on existing priorities for the 2024 to 2027 period. Fife Council has improved its performance over time on 59% of the Local Government Benchmarking Framework (LGBF) indicators. It has however only improved on 41% of indicators relative to its family group and 42% compared to Scotland.

Overall, we are satisfied that the Council has made proper arrangements for preparing and publishing Statutory Performance Information (SPI) in accordance with the 2021 Direction.

The Council has developed an annual corporate self-assessment of delivery against best value themes, which includes a set of best value performance indicators. In 2023/24, Fife has improved on 9 of the 16 indicators which it will use to monitor best value.

Significant audit risk

Our audit plan identified a significant risk in relation to performance reporting under our wider scope responsibilities:

Extract from External Audit Plan – Use of resources to improve outcomes
The Council's revised performance framework and approach to performance reporting was published in December 2022, following a reset post-pandemic. The focus of the revised framework was to reinstate and improve the accessibility, regularity and comparability of performance information available to the public. As part of our review of the Council's revised performance framework in 2022/23, we noted that while the framework provides an improved approach to performance reporting, more time is needed for that to be fully implemented. In addition, improvement work underway needs to extend further to fully demonstrate compliance with the Accounts Commission Statutory Performance Information Direction; in particular, the timeliness in public performance reporting and demonstrating best value.

Significant work has been undertaken by the Council in 2023/24 and to date to improve and strengthen its processes for the reporting and scrutiny of performance.

Over the course of 2023/24 a number of improvements have been made to the Council's performance reporting including:

- Revised presentation of performance information (use of trends) in service scrutiny reports
- The availability of performance information for both internal management purposes (through the development of Service portals in the Council's performance and risk management system) and in the availability and timeliness of public performance information (through improvements to the Council's Performance Page)
- Publication of performance indicator data and outcomes for each service in advance to support scrutiny preparation. This has enabled more timely information to be available online and for elected members to review in advance of the formal service reporting cycle. Work is currently ongoing to develop a training programme for elected members to support them in scrutinising performance information.
- As part of the Council's decentralisation work, improvements have been made to how information is reported to Area Committees including introducing a common format for reporting of anti-poverty activity. From September 2024, Area

Committees will start to receive Housing Reports in a new format to enable better local scrutiny and dialogue and a basis for informing policy and strategy more generally.

The Council has recognised that the success of these changes cannot be fully evaluated until the full cycle of service annual reporting has been completed.

Looking forward, the Council intends to further develop the performance information made available online with a focus on improving the way plans, performance, project delivery, evidence of impact and community news are linked.

The Council reports on performance information in line with its performance framework including Plan4Fife Ambitions Reporting and annual service performance reports. The most recent performance information published is detailed in the following table:

Performance Information	**Detail of performance information reported during 2023/24 and to date**
Plan4Fife: Annual Review of Priorities and Ambitions	The 2023 annual public performance report was published in November 2023. The report highlighted mixed performance in the delivery of the Plan4Fife ambitions with progress being made which is being offset against the significant challenges which Fife faces, particularly around economic recovery. The 2024 annual report is due to be published in November 2024. The Council intends to further develop this report into a more robust public performance report.
Fife Strategic Assessment	The Council committed to producing a Fife Strategic Assessment every three years, to support the ongoing development of the Plan4Fife. The most recent report, presented to the Fife Partnership Board in August 2024,shows that Fife continues to face key challenges. Based on evidence, the Council and Fife Partnership will retain focus on existing priorities for the 2024 to 2027 period.

Performance Information	Detail of performance information reported during 2023/24 and to date
Service annual review reports	All Services report annually to scrutiny committees on their performance. During 2023/24, the Council remodelled its annual service performance reports for scrutiny into a new-style annual service review. The new reports focus on what the service set out to do, what was achieved, how it knows and evidences that, and what is ahead. It confirms the 3-year direction of travel, change and improvement themes and priorities for the following year. It is intended that those priorities inform service planning and provide a baseline for the next year's annual review. The first annual review reports became publicly available from August 2024.
Local Government Benchmarking Framework (LGBF)	Reporting corporately on LGBF was reintroduced by Council's Executive Team in 2023. The first report focused on the detail of the LGBF process and results at a national and Fife level. In 2024, the approach has been developed to consider LGBF findings in the wider context of the 2024 Strategic Assessment. Going forward, in addition to a more Fife-focused annual report, key LGBF indicators will be considered more routinely throughout the year as part of a new quarterly Council Executive Team Tracker.

How well is the Council is performing?

The Fife Strategic Assessment shows that Fife continues to face key challenges. The Council committed to producing a Fife Strategic Assessment, every three years, to support the Plan4Fife and whether the plan is having the desired strategic impact it aims to achieve. The most recent assessment was presented to the Fife Partnership Board in August 2024.

Nine State of Fife indicators are tracked based on the following criteria: strategic importance, availability of data, availability of benchmarking and availability of trend information (forwards and backwards). The indicators are intended to provoke discussion on whether the Council is doing the right things, approaching them in the right way and achieving the right level of impact.

Latest data, trends and the gap between most and least deprived areas, reveal a worsening picture for almost all outcomes. There are significant inequalities in outcomes between most and least deprived communities. The gap is widening over time in relation to key outcomes such as life expectancy and school attainment.

The assessment is designed to inform the next phase of strategic planning and prioritisation of resources across Fife Partnership. Based on evidence, the Council and Fife Partnership will retain focus on existing priorities for the 2024 to 2027 period, including the development of a collaborative programme for Fife Partnership Board.

Assessment of progress with State of Fife Indicators for most and least deprived areas, Fife and Scotland

			Most deprived	Least deprived	Fife	Fife Trend	Scotland
1	Life expectancy in years	Females	76.9	85.1	80.9	↓	80.7
		Males	71.5	82.4	76.6	↓	76.5
2	Healthy life expectancy in years	Females	not	available	54.5	↓	61.1
		Males	not	available	58.6	↑	60.4
3	Early child development concerns		27.1%	15.2%	19.1%	↓	17.9%
4	School attainment (One or more Higher at S5)		27.4%	70.1%	47.8%	↓	55.3%
5	Employment rate		not	available	75.2%	↑	74.9%
6	Income deprivation		26.4%	2.2%	11.9%	N/A	12.1%
7	Influence over decisions		18%	19%	24%	N/A	18%
8	Mental health (prescriptions for anxiety and depression)		27.1%	15.3%	21.3%	↓	20.1%

			Most deprived	Least deprived	Fife	Fife Trend	Scotland
9	Mental wellbeing (WEMWBS)		46.5	51.2	48.8		48.9

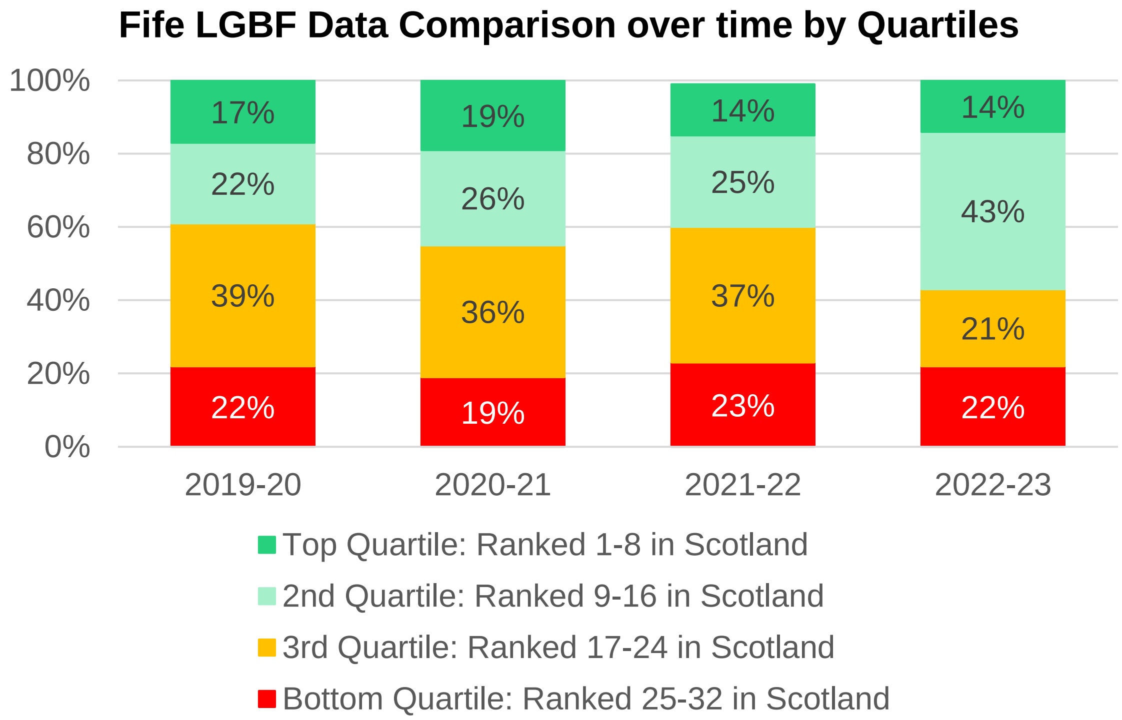
Source: Fife Strategic Assessment 2024, Final Report, July 2024

Fife Council has improved its performance over time on 59% of the Local Government Benchmarking Framework (LGBF) indicators. It has however only improved on 41% of indicators relative to its family group and 42% compared to Scotland.

Performance	Better	Worse	Unchanged
Fife over time	59%	40%	1%
Fife vs Family Group	41%	59%	0%
Fife vs Scotland	42%	58%	0%

Source: Local Government Benchmarking (LBGF) Report 2024: Council Executive Team

An overall comparison of LGBF performance across all 32 councils across Scotland shows year to year fluctuation in the number of indicators where Fife features in the top two quartiles. The current position for 2022/23 shows 57% of indicators in the top two quartiles.



Source: Local Government Benchmarking (LBGF) Report 2024: Council Executive Team (Data as at 1 May 2024. At that time data was still to be published for 13 of 108 LGBF indicators)

The Council has identified signs of slowing improvement in aspects of finance, children's services and adult social care but that these are in line with national trends and increased pressure / demand. Other declines in relation to child poverty, education, business start-ups and recycling, for example are being explored further alongside other data / assessments.

In terms of alignment of performance to policy priorities, the Council has identified aspects of financial sustainability, economic development, procurement, housing management, climate change have improved and / or are performing better than elsewhere in Scotland.

Statutory Performance Information

Overall, we are satisfied that the Council has made proper arrangements for preparing and publishing Statutory Performance Information (SPI) in accordance with the 2021 Direction.

The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. This responsibility links with the Commission's best value audit responsibilities. In turn, councils have their own responsibilities, under their best value duty, to report performance to the public. The Accounts Commission issued a Statutory Performance Information Direction ('2021 Direction') in December 2021 which applies for the three years from 2022/23. It requires a council to report its:

1. performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes (SPI1)
2. own assessment and audit, scrutiny and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI2).

The information reported on the Council's performance page of its website, and in line with its performance framework, is the Council's response to meeting the requirements of SPI1. This includes links to:

- Strategic documents and plans
- Plan4Fife performance reports
- Service annual review reports
- Links to the LGBF on the Improvement Service website, Audit and Inspection reports, Best Value reports (as they relate to Fife Council and the wider sector)

During the year, the Council's developed its first corporate self-assessment report. The report considers how it is measuring up against the Best Value themes and is presented as a prompt and discussion piece to inform service discussions on best value more locally. It incorporates a set of Best Value Performance Indicators which will enable the Council to assess on an annual basis how it is doing in delivering best value to its communities.

In 2023/24, Fife has improved on 9 of the 16 indicators which it intends to use to monitor best value

Best Value theme	Performance Indicator	Value	Target	RAG	Trend
Workforce / Staff	Education (Teachers) – Average Working Days Lost per FTE	9.28	8.7		Declining
	Fife Council – Average Working Days Lost per FTE	14.94	14.6		Declining
Asset Management	Proportion of operational buildings that are suitable for current use (%)	83.8%	86.1%		Improving
	Percentage of internal floor area of operational buildings in satisfactory condition	91.1%	89.7%		Improving
Financial Management and Planning	Percentage of income due from Council Tax received by the end of the year	95.8%	95.7%		Improving
	Invoices sampled that were paid within 30 days (%)	96.4%	95.2%		Improving
	Actual Outturn as a % of budgeted expenditure	92.49%	98.3%		Declining
	Uncommitted General Fund Balance as a % of annual budgeted net revenue	3.8%	3.5%		Improving
	Support services as a % of total gross expenditure	3.91%	4.1%		Improving
Fairness & Equalities	Gender Pay Gap	1.13%	3.5%		Improving
	Proportion of highest paid 5% employees who are women	61%	59%		Improving
Customer responsiveness	Stage 1 Complaints actioned < 5 days	86%	90%		Declining
	Stage 2 Complaints actioned < 20 days	75%	85%		Declining
	Call Volume - % of Contacts Answered – Contact Centre	91%	90%		Improving
Digital / information	% Freedom of Information requests completed on time	88%	95%		Improving
Sustainability / Climate	Total Fife Council Carbon Footprint – tCO2e	49106	75848		Improving

Source: Delivering Best Value 2023/24 (draft report July 2024)

Thematic review: Workforce Innovation – how councils are responding to workforce challenges

The thematic work for 2023/24 was on workforce innovation and how councils are responding to the current workforce challenge through building capacity, increasing productivity and innovation. We reported our conclusions in a separate report and the key findings are detailed below. We raised one improvement action point in our report in relation to the timeliness of performance reporting against the Council's workforce strategy which management has accepted.

How effectively are the council's workforce plans integrated with its strategic plans and priorities?	**Auditor judgement** Effective and appropriate arrangements are in place Fife Council has a clear and comprehensive workforce strategy, Our People Matter (OPM), which is integrated with the Reform Agenda and the Digital Strategy, to deliver the Plan for Fife. There has been positive uptake and engagement with the current iteration of the OPM throughout the Council and with trade union representatives. The Council is looking ahead towards preparations for development of the OPM 2025-2028. The refreshed OPM will include development of a Corporate People Plan to clearly set out the actions that are required to be taken at a corporate level to address the current and future gaps in workforce capacity and capability. Planned engagement and consultation on the refreshed OPM 2025-2028 is due to begin in Autumn 2024.

How effectively has digital technology been used to support workforce productivity and improve service quality and outcomes?	**Auditor judgement** Risks exist to the achievement of operational objectives
	Appropriate arrangements are in place to enable the delivery of the Council's digital strategy. However, work is still required in developing the leadership and culture of the organisation which will drive digital change and progress. A key challenge for the Council is the creation of capacity within its workforce to enable the review, exploration and development of digital opportunities. The Council continues to develop and implement its use of digital technologies. Specific actions have been taken to address digital exclusion including, for example, use your own device policies and the roll out of digital champions.

How effectively is the council using hybrid and remote working and other innovative working practice such as a four-day week to achieve service and staff benefits?	**Auditor judgement** Risks exist to the achievement of operational objectives Fife Council has a well-established blended working approach which 94% of eligible employees have chosen to opt into. However, the Council has recognised that only 13% of the workforce are eligible to opt in for their blended working approach and that the majority of services operate through front line workers. Resource and capacity challenges are limiting progress of developing flexible working initiatives including exploration of flexible working opportunities for front line working groups and development of productivity measures for each of the Council's workstyles. The Council has recognised the challenges which a blended working approach can have on the wellbeing of its employees and has produced an appropriate range of guidance and tools to support the health and wellbeing of its employees. A strong culture and focus on support for employee wellbeing exists within services which has encouraged development of their own initiatives to meet the specific health and wellbeing needs of their teams. Maintaining a sense of team culture under the blended working approach is a challenge that does not impact solely on Fife Council. Services have implemented well established methods to mitigate the risk of this challenge including through requesting that all team members are working in the office on the same days to increase collaborative working alongside maintaining weekly virtual team huddles and weekly team emails.

What innovative practice is the council using to develop its future workforce capacity and skills needs and manage staff reductions in line with its priorities?	**Auditor judgement** Risks exist to the achievement of operational objectives	
	The Council has appropriate arrangements in place for building future capacity and has developed a range of innovative schemes and initiatives used across services to produce a resilient workforce. The Revenue Budget 2024-27 approved by the Council in February 2024, however, reflects a much more challenging financial landscape over the next three years than in previous years. It is essential that the Council is well prepared for the impact of future budget challenges on the workforce.	
What progress has the council made with sharing roles or functions across its services and/or with other councils and partners?	**Auditor judgement** Effective and appropriate arrangements are in place	
	The Council works collaboratively with its partners and continues to explore opportunities. Through collaborative working, the Council shares knowledge and learns from partners, leading to enhanced service delivery and outcomes.	

How effectively is the council measuring the impact of its workforce planning approach?	**Auditor judgement** Risks exist to the achievement of operational objectives The Council has received positive uptake and feedback on the two workforce planning data tools that they have offered to services, HR and OD practitioners. We are satisfied that performance information and workforce data is being used effectively by services to populate Service People Plans and to identify and respond to workforce challenges. Annual reports on the OPM are presented to the Reform Board and the Cabinet Committee. The December 2023 report to the Cabinet Committee however was delayed meaning that performance against the OPM has not been presented or scrutinised at a Committee level in nearly two years. We recommend that the Council reviews the timeliness of workforce performance reporting to ensure it allows for effective challenge and scrutiny of workforce planning at a Committee level.

Appendices

Appendix 1: Responsibilities of the Council and the Auditor

Responsibilities of the Council

The Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. The Executive Director Finance and Corporate Services has been designated as that officer. The Executive Director Finance and Corporate Services is responsible for the preparation of the Council's annual accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Area	The Council's responsibilities
Corporate governance	The Council is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.
Financial statements and related reports	The Council has responsibility for: • preparing financial statements which give a true and fair view of the financial position of the Council and its group and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support the balances and transactions in its financial statements and related disclosures; • preparing and publishing, along with the financial statements, an annual governance statement, governance compliance statement, management commentary (or equivalent) and a remuneration report that is consistent with the disclosures made in the financial statements and prepared in accordance with prescribed requirements. The management commentary should be fair, balanced and understandable and address the longer-term financial sustainability of the Council. Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the Council and its financial performance, including providing

Area	The Council's responsibilities
	adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely. The Council is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. The Council is also responsible for establishing effective and appropriate internal audit and risk-management functions.
Standards of conduct for prevention and detection of fraud and error	The Council is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct.
Financial position	The Council is responsible for putting in place proper arrangements to ensure its financial position is soundly based having regard to: • Such financial monitoring and reporting arrangements as may be specified; • Compliance with statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • Plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
Best value	The Council has a specific responsibility to make arrangements to secure Best Value. Best Value is defined as continuous improvement in the performance of the body's functions. In securing Best Value, the local government body is required to maintain an appropriate balance among:

Area	The Council's responsibilities
	• The quality of its performance of its functions • The cost to the body of that performance • The cost to persons of any service provided by it for them on a wholly or partly rechargeable basis. In maintaining that balance, the Council shall have regard to: • Efficiency • Effectiveness • Economy • The need to meet the equal opportunity requirements. The Council should discharge its duties in a way which contributes to the achievement of sustainable development. In measuring the improvement of the performance of a local government body's functions for the purposes of this section, regard shall be had to the extent to which the outcomes of that performance have improved. The Scottish Government's Statutory Guidance on Best Value (2020) requires bodies to demonstrate that they are delivering Best Value in respect of seven themes: 1. Vision and leadership 2. Governance and accountability 3. Effective use of resources 4. Partnerships and collaborative working 5. Working with communities 6. Sustainability 7. Fairness and equality. The Community Empowerment (Scotland) Act 2015 is designed to help empower community bodies through the ownership or control of land and buildings, and by strengthening their voices in decisions about public services.

Area	The Council's responsibilities
	Specified audited bodies are required to prepare and publish performance information in accordance with Directions issued by the Accounts Commission.

Auditor responsibilities

Code of Audit Practice

The Code of Audit Practice (the Code) describes the high-level, principles-based purpose and scope of public audit in Scotland.

The Code of Audit Practice outlines the responsibilities of external auditors and it is a condition of our appointment that we follow it.

Our responsibilities

Auditor responsibilities are derived from the Code, statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, and guidance from Audit Scotland.

We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to the Council and others, including Audit Scotland, on the results of our audit work.

Weaknesses or risks, including fraud and other irregularities, identified by auditors, are only those which come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

Wider scope audit work

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector.

The wider scope audit specified by the Code broadens the audit of the accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

Financial management

Financial management means having sound budgetary processes. Audited bodies require to understand the financial environment and whether their internal controls are operating effectively.

Auditor considerations

Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities.

Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Auditor considerations

Auditors consider the extent to which audited bodies show regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so it can continue to deliver services.

Vision, leadership and governance

Audited bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Auditor considerations

Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. Auditors also consider the effectiveness of governance arrangements for delivery, including openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.

Use of resources to improve outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes.

Auditor considerations

Auditors consider the clarity of arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of inequalities, and deliver continuous improvement in priority services.

Best Value

Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value.

Our work in respect of the Council's best value arrangements is integrated into our audit approach, including our work on the wider scope areas as set out in this report.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. These arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an Audit Quality Framework.

The most recent audit quality report can be found at Quality of public audit in Scotland: Annual report 2023/24

Independence

The Ethical Standards and ISA (UK) 260 require us to give the Council full and fair disclosure of matters relating to our independence. In accordance with our profession's ethical guidance and further to our External Audit Annual Plan issued confirming audit arrangements we do not have any matters to not in that regard.

An Azets' employee's father is a senior employee at NHS Fife and has a Non-Executive Director role at Fife Coast & Countryside Trust. We confirm that we have implemented internal safeguards to ensure this employee has no involvement in our audit work and that no members of staff working on the audit discuss any aspects of the audit with them.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

In particular:

Non-audit services: There are no non-audit services provided to the Council.

Contingent fees: No contingent fee arrangements are in place for any services provided.

Gifts and hospitality: We have not identified any gifts or hospitality provided to, or received from, any member of the Council, senior management or staff.

Relationships: Other than the disclosure noted above, we have no other relationships with the Council, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

Our period of total uninterrupted appointment as at the end of 31 March 2024 was two years.

Audit and non-audit services

The total fees charged to the Council for the provision of services in 2022/23 were as follows. Prior year charges for the predecessor auditor are also shown for comparative purposes:

	2023/24	**2022/23**
Auditor remuneration	£416,110	£392,180
Pooled costs	£13,800	-
Contribution to PABV costs	£125,160	£123,150
Audit support costs	£0	£13,540
Sectoral cap adjustment	£132,700	£119,620
Total Council audit fee	**£687,770**	**£648,490**
Audit of the Fife Council Charitable Trusts	£12,720	£12,000
Non-audit services	£0	£5,000
Total fees	**£700,490**	**£665,490**

The FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. In 2022/23, we provided grant certification work to the Council, there has been no additional work completed in 2023/24.

Appendix 2: Audit differences identified during the audit

We are required to inform the Council of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit. Material misstatements which have been adjusted for are summarised in the tables below.

Adjusted misstatements

Details of items corrected following discussions with management are as below.

Prior year audit adjustments

No	Detail	Balance Sheet Dr / (Cr) £million
1.	Council (Pensions) - recognition of the present value of unfunded liabilities separate to asset surplus (which was capped at nil).	(102.468)
	Net impact on reserves - increase / (decrease)	**(102.468)**
	Total reserves per the unaudited annual accounts (Group)	**2,976.178**
	Revised reserves per the audited annual accounts (Group)	**2,873.710**

Current year audit adjustments (Council and Group Accounts)

No	Detail	Comprehensive Income and Expenditure Statement Dr / (Cr) £million	Balance Sheet Dr / (Cr) £million
1.	Council (PPE) – assets under construction adjustment	9.647	(9.647)
2.	Council (PPE) - indexation adjustment	(5.708)	5.708
3.	Group (Common Good) – consolidation adjustments associated with common good assets	(1.457)	1.457
4.	Group (Group bodies) – adjustments to reflect final accounts of group bodies in respect of pensions	0.281	(0.281)
5.	Group bodies (Group bodies) – adjustments to reflect final accounts of group bodies in respect of debtors / creditors.	0.013	(0.013)
	Net impact on reserves- increase / (decrease)		**(2.776)**
	Total reserves per the unaudited annual accounts (Group)		**3,164.169**
	Revised reserves per the audited annual accounts (Group)		**3,161.393**

Current year audit adjustments (Common Good)

No	Detail	Comprehensive Income and Expenditure Statement Dr / (Cr) £000	Balance Sheet Dr / (Cr) £000
1.	Inverkeithing Town Hall adjustment (£279,000) – no impact on balance sheet	-	-
2.	PPE – revised indexation uplift calculation	(1.458)	1.458
	Net impact on reserves- increase / (decrease)		**1.458**
	Total reserves per the unaudited annual accounts		**239.274**
	Revised reserves per the audited annual accounts		**240.732**

Misclassification and disclosure changes

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the Council.

We identified a number of reclassification adjustments and some minor presentational issues in the accounts, and these have all been amended by management. Details of all disclosure changes amended by management following discussions are as in the following table.

No	Detail
1.	Update to disclosures in note 4 “Assumptions made about the Future and Other Major Sources of Estimation Uncertainty”
2.	Update to pensions note (note 24) following adjustments made.
3.	Update to note 29 in respect of “prior period adjustments / restatements”
4.	Remuneration Report – update to disclosures
5.	Corporate Governance Statement – update to disclosures
6.	Housing Revenue Account – Pension interest cost and expected return on asset updated following Council prior year adjustment in respect of recognition of the present value of unfunded liabilities (£982,000).
7.	Non Domestic Rate Income Account – adjustment to reflect transitional relief (£2.865million) with no impact on contribution to the non-domestic rate pool.
8.	Common Good – update to information presented in the Common Good Accounts. Update to presentation of reserves on the balance.
9.	Capital Commitments note- update to reflect actual capital commitments at 31 March 2024.
10.	Accounting standards issued, not yet adopted- narrative updated to reflect expected impact of IFRS 16, in line with the Code.

Unadjusted misstatements

We identified the following exceptions which have remained uncorrected by management as detailed below.

Council

No	Detail	Balance Sheet Dr / (Cr) £million
1.	Council (PPE) – EUV / FV assets not revalued since last formal valuation (auditor estimate)	(15.240)
2.	Council (PPE) – Surplus assets which should be reclassified as Other Land and Buildings (management estimate)	11.301
3.	Council (PPE) – indexation calculation (auditor estimate)	(5.236)
4.	Council (PPE) – historic uplift error in calculation (actual)	1.636
	Net impact on reserves - increase / (decrease)	**(7.539)**
	Total reserves per the unaudited annual accounts	**2,936.100**
	Revised reserves per the audited annual accounts	**2,928.561**

Common Good

No	Detail	Balance Sheet Dr / (Cr) £million
1.	PPE – EUV / FV assets not revalued since last formal valuation (auditor estimate)	0.083
2.	PPE – Surplus assets which should be reclassified as Other Land and Buildings (management estimate)	4.820
3.	PPE – indexation calculation (auditor estimate)	(0.018)
4.	Long term debtor – indexation calculation (auditor estimate)	(0.846)
5.	PPE – historic uplift error in calculation (actual)	2.033
	Net impact on reserves - increase / (decrease)	6.072
	Total reserves per the unaudited annual accounts	239.274
	Revised reserves per the audited annual accounts	245.346

Misclassification and disclosure changes

No	Detail
1.	PPP and NPD contracts (note 17) - Inclusion of utilities component of the PPP1 unitary charge in the 'Contract payments remaining to be made at 31 March 2024 disclosure.
2.	Expenditure and Funding Analysis – Reclassification between adjustment between net expenditure chargeable to balances and adjustments between funding and accounting basis in respect of HRA CFCR balances (£23.752million).

Appendix 3: Action plan

Our action plan details the weaknesses and opportunities for improvement that we have identified during our audit.

The recommendations are categorised into three risk ratings:

Key:

1. Significant deficiency

2. Other deficiency

3. Other observation

1. Timeliness of receipt of revaluation report	Significant deficiency
Observation	Through our audit work we noted that no formal Valuation Report had been provided on commencement of our audit work from the internal valuer.
Implication	There is a risk that the valuation workings provided to management do not agree to the figures in the valuation report. There is also a requirement in the CIPFA Property Asset Valuation Handbook 2016 for valuers to provide a valuation report.
Recommendation	We recommend that the formal valuation report is provided in a timelier manner, ideally at the same time that the of valuer's revaluation workings are provided to management.
Management response	There has been some change in staff due to retirement so responsibilities across the team changed in year. Monthly meetings are held with Estates/Finance Team where discussion included the approach to valuations. The teams discussed that there were unlikely to be notable changes and it was agreed that the report would be provided retrospectively to allow work to focus on the shift from carrying out valuations as at 01/04 to 31/03. The timing of the valuation report will be adjusted in future years. **Responsible officer:** Head of Property Services **Implementation date:** 31 March 2025

2. Documentation of asset floor plans	Other deficiency
Observation	Through our audit testing over the inputs used in the asset valuation calculations, we noted that the Council does not hold formal floor plans that document the Gross Internal Area (GIA) for all assets. These are instead based on information recorded in the Council's systems.
Implication	There is a risk that the GIA information used in the valuations and the values recorded in the systems are not in line with actual floor areas recorded in floor plans.
Recommendation	We encourage the Council to formally document the GIA for all assets through the use of floor plans.
Management response	The Council has a mature and established process for valuing properties using established methods. Valuers have the ability to draw on the extensive information that is held about our assets to include floorplans that have been updated for significant changes such as extensions or the demolition of buildings. Consideration will be given as appropriate to updating valuation filles to include more explicit information on GIAs. **Responsible officer:** Head of Property Services **Implementation date:** 31 March 2025

3. Challenge of external valuer outputs	Other observation
Observation	Through our audit work we noted that there is little challenge by management of the uplift provided by the external valuer and how this should be applied to the Council Dwellings portfolio.
Implication	There is a risk that the information provided by the valuer is not in line with the Council's expectations of the movements in the Council Dwellings asset values in the year and if these are not challenged then the values recorded in the annual accounts could be misstated.
Recommendation	We recommend that there is more challenge of the outputs provided by the external valuer including the Council Dwellings uplift and improved procedures to check the reasonableness of the information provided are built into management's year end procedures.
Management response	Procedures will be improved and processed will be built into the year-end process to ensure that reasonableness checks of the information provided are carried out. **Responsible officer:** Finance Operations Manager **Implementation date:** 30 June 2025

4. Impairment Review	Other observation
Observation	As part of the Council's impairment assessment, the finance team sends round a template working paper to each Business Support Area asking them to confirm ownership, existence and whether there is any indication of impairment. Our audit procedures identified several instances as part of the returned template working papers which indicated assets were either disposed, no longer in use, scrapped, written off or stolen. However, these assets remained on the fixed asset register at 31 March 2024 with positive net book values.
Implication	There is a risk that the net book value contained within the fixed asset register and accounts is overstated through inclusion of assets which no longer exist or are no longer used by services.
Recommendation	We recommend that the finance team further investigate assets on the returned impairment assessment template working papers, specifically those assets which appear to no longer exist or to be in use by services.
Management response	This is a procedural issue that will be reviewed and updated to address this specific point with an enhanced process going forward. **Responsible officer:** Finance Operations Manager **Implementation date:** 30 June 2025

5. Capital Commitments	Other deficiency
Observation	As part of our audit work, we selected a sample of capital commitments to verify the values to supporting documentation. Through this work, it was identified that the amounts for a number of our sample items did not agree back to the supporting documentation provided and the capital commitments figures provided by the services were not in line with the supporting documentation.
Implication	By not challenging or checking the amounts provided by services used to populate the capital commitments note, there is a risk that the amount included in the capital commitments disclosure is materially misstated within the annual accounts.
Recommendation	We recommend that the Council challenges and checks the figures returned from services going forward on receipt of the information used to populate the capital commitments disclosure note.
Management response	Procedures will be enhanced and a checking/review process will be built in to future years. This will include a cross reference to supporting documentation, including contract documentation. **Responsible officer:** Finance Operations Manager **Implementation date:** 30 June 2025

6. PPP1 Unitary Charge	Other deficiency
Observation	Our audit procedures highlighted a difference of £0.720million between the paid unitary charge and unitary charge in the financial model for PPP1. On discussion with the finance team and management, the difference is due to utilities bills which are paid by the provider and included in the unitary charge, being excluded from the financial model.
Implication	There is a risk that the financial model for PPP1, which is used to populate the annual accounts, does not reflect the correct unitary charge.
Recommendation	We recommend that going forward, the utilities payments which form part of the unitary charge for PPP1 are incorporated into the financial model.
Management response	The Council is satisfied that there is a mature approach to the reconciliation of utility costs for PPP1 schools and that the payments made were correct. The Council's financial cashflow model will be updated to provide for an estimate of utility costs going forward. **Responsible officer:** Finance Operations Manager **Implementation date:** 31 March 2025

Appendix 4: Follow up of prior year recommendations

We have followed up on the progress the Council has made in implementing the recommendations raised in previous years

1.	**Asset valuation dates**
Recommendation	We encourage the Council to review their valuation cycle dates, in line with the Audit Scotland roundtable recommended actions, to reduce the risk of the carrying amount of assets in the balance sheet at the year-end differing materially from the current value at that date.
Implementation date	31 March 2028
Ongoing	This process is still in progress. The Council did undertake an asset valuation exercise at 31 March 2024, however, in 2023/24 did they also still undertake an asset valuation at 1 April 2023 for a proportion of their asset base. This is because a rolling programme approach has been undertaken and all assets due for valuation per the rolling programme were valued at 31 March 2024. The process will take time for full implementation as it is a 5 year rolling programme for valuations in line with the Accounting Code of Practice.

2.	**Common Good Asset Register**
Recommendation	We recommend that going forward, the Council regularly reconciles the published common good asset register to the fixed asset register used to populate the accounts to ensure the published register remains up to date.
Implementation date	30 June 2025
Ongoing	As part of our 2023/24 audit work, we identified several art and artefact assets which were included in the published common good register but not the fixed asset register used to populate the accounts. This will be addressed going forward.

3.	Transfers and valuation of Assets Under Construction to operational land and buildings
Recommendation	Management review of assets under construction and of completed asset transfers should be improved.
Implementation date	30 June 2025
Ongoing	As part of our audit work, management identified three assets which should have been transferred out of assets under construction to the other land and buildings asset category. An audit adjustment was made to correct this error.

4.	Bank reconciliations of the main General Fund account
Recommendation	The Council needs to implement a sound system of internal control over the Adelante Smart Pay system and prepare frequent and timely reconciliations.
Implementation date	31 December 2024
Ongoing	The automated bank reconciliation has been tested and is due to be promoted to the live system.

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