



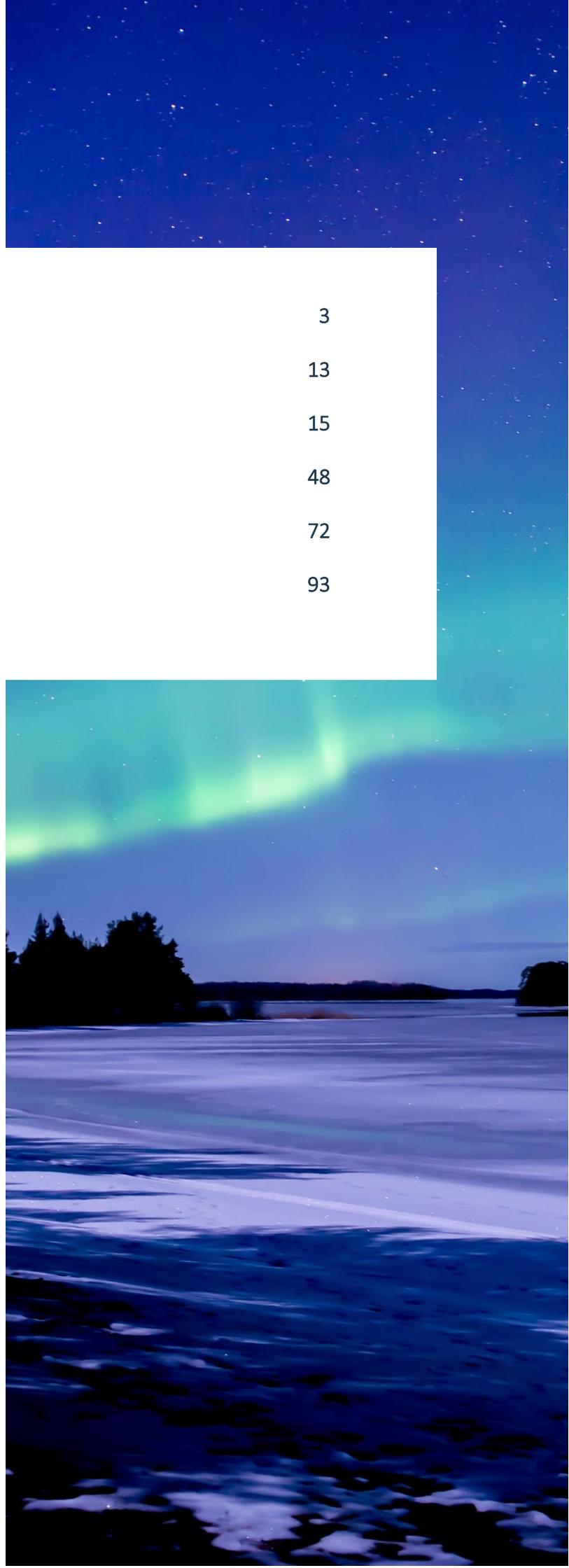
Fife Council

2024/25 Annual Audit Report to the Council and the
Controller of Audit

March 2026

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Key messages

Financial statements audit

This report concludes our audit of Fife Council and its Group (“the Council”) for the year ended 31 March 2025. This section summarises the key findings and conclusions from our audit.

Under International Standards on Auditing (UK) and the Code of Audit Practice on Local Authority Accounting in the United Kingdom 2024/25, we are required to report whether, in our opinion:

- The financial statements give a true and fair view of the Council’s financial position and income and expenditure for the period
- The Council’s financial statements have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2024/25 (the 2024/25 Code), the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003
- The audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014
- The information given in the Management Commentary is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003
- The information given in the Annual Governance Statement is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

We are also required to report on whether the other information included in the Annual Accounts (including the Management Commentary and Annual Governance Statement) is materially consistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

<p>Audit opinion</p>	<p>Our independent auditor’s report is unqualified in all regards.</p>
<p>Audit approach</p>	<p>Our audit approach has been based on gaining an understanding of the Council’s control environment and has been risk based. This included:</p> <ul style="list-style-type: none"> • An evaluation of internal control environment, including the IT systems and controls; and • Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to our significant audit risks. <p>We have not altered our audit plan following receipt of the draft financial statements.</p>
<p>Key audit findings</p>	<p>The Council had reasonable administrative processes in place to prepare the financial statements and the supporting working papers.</p> <p>We obtained sufficient, appropriate evidence in relation to the significant audit risks identified in our audit plan.</p> <p>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.</p>
<p>Audit adjustments</p>	<p>The Council updated the financial statements for all material potential audit adjustments identified during the audit process.</p> <p>Four adjustments were made to the 2024/25 financial statements. The net impact of those adjustments was to reduce the group net asset position by £0.79million.</p> <p>Adjustments to the common good financial statements reduced the net asset position by £0.34million.</p>

	<p>We also identified some disclosure and presentational adjustments during our audit, which have been reflected in the final set of financial statements.</p> <p>No misstatements were identified as part of our audit which remained unadjusted in the financial statements.</p> <p>Our work identified some non-material uncertainties, caused by differences in estimation techniques between the Council and us as auditors. As these are not formal misstatements, these have not been adjusted for by the Council. If adjusted for, these uncertainties would reduce the Council's net assets by £26.992million.</p> <p>Details of audit differences identified during the audit are included at Appendix 2.</p>
<p>Internal controls</p>	<p>The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.</p> <p>Our audit is, therefore, not designed to identify all control weaknesses.</p> <p>No material weaknesses or significant deficiencies were noted.</p>

Wider scope of public audit

<p>Financial Management</p> <p>Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>Auditor judgement</p> <p>Risks exist to the achievement of operational objectives</p>	
	<p>The Council has appropriate arrangements in place for financial management.</p>	
	<p>The Council reported a surplus outturn position of £3.153million in 2024/25, despite a net overspend being reported on services. The outturn position was primarily driven by underspends and obligations/contingencies.</p>	
	<p>The General Fund balance decreased during the year from £157.282million to £115.111million. This was primarily due to budgets transferred from balances brought forward and used by services in year, reducing the Council’s level of committed reserves. The level of uncommitted balances was £23.479million or 2.08% as at 31 March 2025, which is in line with the Council’s policy to retain a minimum of 2% of annual turnover over a rolling three-year period.</p>	
	<p>Health and Social Care services reported a significant net overspend of £13.470million. The level of financial challenge is increasing within the Fife health and social care system due to an increasing demand for services. This is also being observed on a national basis.</p>	
	<p>The Council, working alongside Fife IJB and NHS Fife has demonstrated good collaboration and partnership working through taking a whole system approach to address these challenges. It is crucial that this continues as difficult decisions will continue to be needed across health and social care to sustain vital services over the medium to longer term.</p>	
	<p>The financial position for Housing Revenue Account (HRA) for the year was a balanced position. As a result of net underspends across the HRA, the level of Capital Financed from Current Revenue (CFCR) was increased by £0.989million.</p>	

	The Council reported slippage of approximately 21% on its capital programme, after incurring c.£258million of capital spend.
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<p>Financial Sustainability</p> <p>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.</p>	<p>Auditor judgement</p> <p>Significant risks affect the achievement of corporate objectives</p>	
	<p>In February 2025 the Council set a balanced revenue budget for 2025/26 which included planned recurring budget savings of £7.137million. This represents the first year since 2022/23 that significant savings proposals from services have been required, due to the more challenging financial position going forward for the Council.</p>	
	<p>Service change plans were produced in April 2025 and were used to inform the 2025/26 budget setting process. The service change plans were developed to progress improvements in outcomes and performance and also help address the financial challenge and to support the Council’s financial sustainability in future years.</p>	
	<p>The Council currently forecasts an underspend of £1.560million, however must commit to carry forward £4.460million of service underspends to ensure certain conditions of funding for the next year are met. These amounts have been committed which reduces balances available in future years and brings the forecast level of uncommitted balances to £20.854million (1.78%) which is slightly below the policy minimum to maintain 2% balances over a rolling three year period. This position will be closely monitored over the year and at this stage the Council has no plans to restore balances.</p> <p>The Council set a balanced HRA budget for 2025/26 however, continues to be under considerable financial pressure with increased costs due to high inflation, staff salary increases,</p>	

	<p>increasing stock figures, and ambitious investment plans and faces a high level of financial risk.</p> <p>Initial work has begun to review the Council’s Capital Strategy to ensure that the strategy is in line with the refreshed Plan for Fife. This is due to be presented to the Council in February 2026 alongside the budget.</p> <p>The current economic conditions bring significant financial uncertainty and there is significant pressure on projects and resources contained within the Capital Investment Plan. Significant work was undertaken by the Council to review its Capital Investment Plan and reassess available funding, resources and any changes to priorities.</p>
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<p>Vision, Leadership and Governance</p> <p>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.</p>	<p>Auditor judgement</p> <p>Effective and appropriate arrangements are in place</p>	
	<p>Fife Council sets out its vision and ambitions in its ten-year local outcome improvement plan (LOIP), ‘Plan for Fife’.</p>	
	<p>The Council are undergoing preparations for the development of the next iteration of the Plan for Fife. The agreed strategic intent will act on the social determinants of health and the system wide focus on prevention that is required to be achieved through a reformed community planning partnership approach.</p> <p>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.</p>	

<p>Use of Resources to Improve Outcomes</p> <p>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.</p>	<p>Auditor judgement</p> <p>Risks exist to the achievement of operational objectives</p> <hr/> <p>The Council is progressing a range of transformational work to ensure it can deliver high quality sustainable services. This work is aligned to the Council’s reform ambition.</p> <p>The Council has an established performance framework which it continually reviews and develops. Looking forward, the Council intends to develop its framework to create an integrated planning and performance management practice and a culture of continuous improvement.</p> <p>The Council evaluates the success of these changes on an annual basis following the full cycle of service annual reporting.</p>	
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Best Value



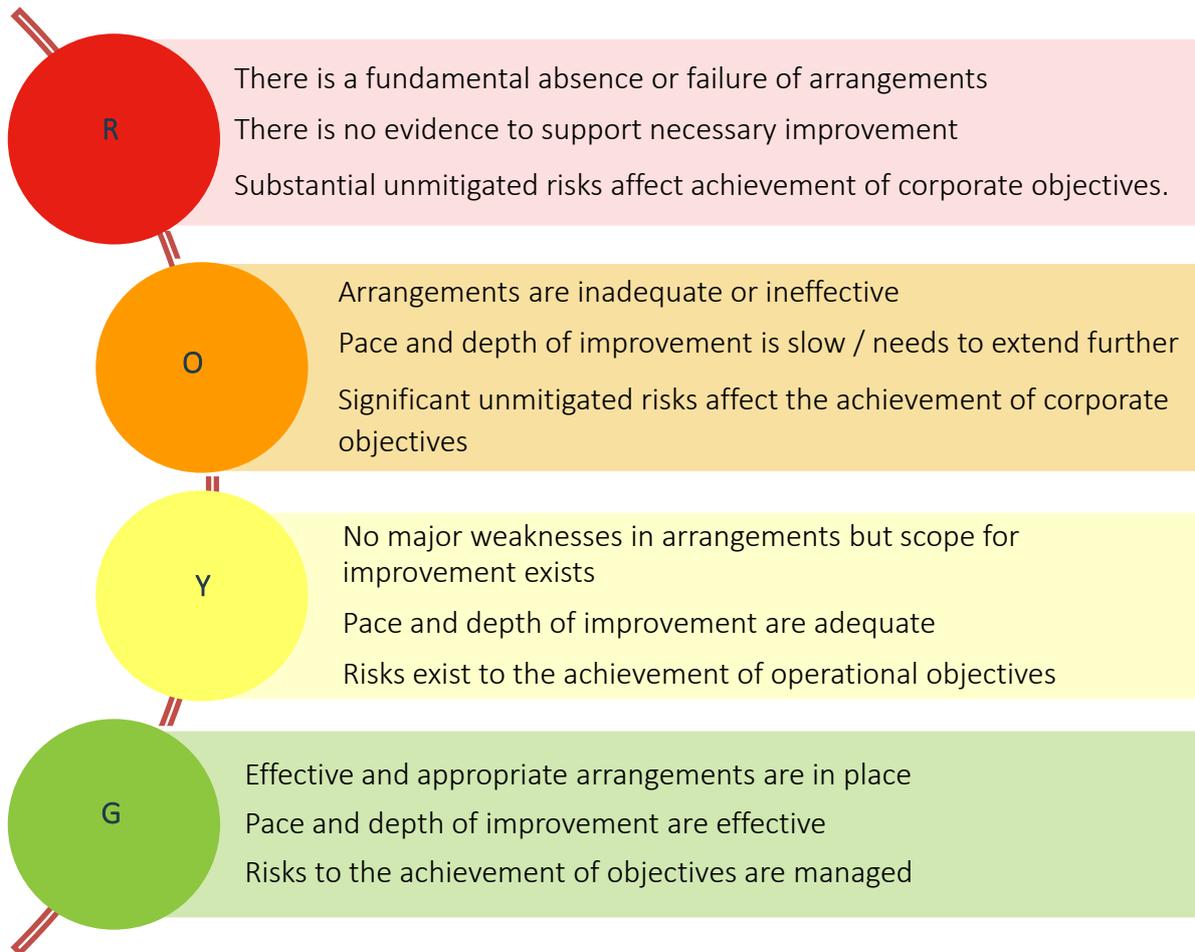
The pace and depth of improvement in the performance of the Council in meeting its best value duties is adequate.

<p>Response to the Best Value Controller of Audit (CoA) Report and Accounts Commission findings</p>	<p>The Council considered its response to the Best Value Controller of Audit (CoA) Report and Accounts Commission findings in May 2025. An action plan has been developed and agreed which will be monitored and reported to committee as part of its annual best value and performance review cycle.</p>
<p>Follow up</p>	<p>The Council has made good progress in implementing previous improvement actions.</p>
<p>Effectiveness of performance reporting</p>	<p>The Council has an established performance framework in place and reports on performance through a series of reports including Plan4Fife: Annual Review of Priorities and Ambitions, Fife Strategic Assessment, Annual Service Review Reports, Local Government Benchmarking Framework (LGBF) and Best Value Corporate self-assessment.</p> <p>A good level of work has been undertaken by the Council in 2024/25 and to date to improve the effectiveness of its performance management reporting in addressing areas of underperformance and identifying scope for performance improvement. There is now a better link between advance performance indicator data published in advance of Scrutiny Committee meetings and improvement plans within the Annual Service Review Reports.</p> <p>The Council evaluates the success of these changes on an annual basis following the full cycle of service annual reporting.</p> <p>Looking forward, the Council intends to further develop its integrated approach to strategic planning and performance. A key focus is the linking change and financial planning with service performance reporting through Annual Service Review Reports.</p>

	<p>Fife Council has improved its performance over time on 63% of the Local Government Benchmarking Framework (LGBF) indicators. It has however only improved on 43% of indicators relative to its family group and 42% compared to Scotland. These results are consistent with 2023/24.</p> <p>In 2024/25, the Council has improved on 12 of the 16 performance indicators used to monitor best value which represents an improvement in performance compared to the previous year.</p> <p>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 started preparations to support the implementation of the new Direction (effective from 2025/26).</p>
<p>Thematic review: Transformation: how councils are redesigning and delivering more efficient services to achieve planned outcomes</p>	<p>The Council’s transformation ambitions and activity is now integrated into overall service delivery. Transformation activity is outcome based. The Council’s approach to change is structured around key themes including service redesign, digital innovation and productivity to ensure that there is a focus on improved outcomes.</p> <p>The Council reports progress on transformation to the senior leadership team and elected members through reporting to Cabinet Committee and the Reform Board.</p> <p>The Council actively engages with local partners and communities to develop and deliver transformation plans.</p> <p>The Council has a process in place to report on the impact on transformation but is further developing measures to assess the success of their transformation activity.</p>

Definitions

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.



Introduction

Scope of audit

The annual external audit comprises the audit of the financial statements, the wider-scope audit and Best Value audit responsibilities set out in Audit Scotland's Code of Audit Practice. [Code of Audit Practice 2021 | Audit Scotland](#)

We outlined the scope of our audit in our External Audit Plan, which we presented to the Standards, Audit & Risk Committee at the outset of our audit.

Responsibilities

The Council is responsible for preparing its annual accounts, including financial statements, which show a true and fair view of the results for the year and position at the year end, 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 to Audit Scotland.

Openness and transparency

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

Financial statements audit

Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	<p>We conduct our audit in accordance with applicable law and International Standards on Auditing.</p> <p>Our findings / conclusions to inform our opinion are set out in this section of our annual audit report.</p>	<p>The annual accounts were considered by the Standards, Audit & Risk Committee on 30 September 2025 in accordance with the timetable set out in the regulations. The annual accounts were approved for signature subject to satisfactory conclusion of the audit process. The audit process has concluded with no substantive changes to the annual accounts which were considered by Committee.</p> <p>Our independent auditor's report is unqualified in all regards.</p>
Going concern basis of accounting	<p>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.</p> <p>We assess whether there are plans to discontinue or privatise the Council's functions.</p> <p>Our wider scope audit work considers the financial sustainability of the Council.</p>	<p>We reviewed the financial forecasts for 2025/26. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the Council will have continued provision of service for at least 12 months from the signing date. Our audit opinion is therefore unqualified in this respect.</p>

Opinion	Basis for opinion	Conclusions
<p>Opinions prescribed by the Accounts Commission:</p> <ul style="list-style-type: none"> • Audited parts of the Remuneration Report • Management Commentary • Annual Governance Statement 	<p>We plan and perform audit procedures to gain assurance that the audited parts of the Remuneration Report, Management Commentary and Annual Governance Statement and are prepared in accordance with relevant legislation and guidance.</p>	<p>We have concluded that:</p> <ul style="list-style-type: none"> • the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014. • the information given in the Management Commentary is consistent with the financial statements and has been properly prepared in accordance with relevant statutory guidance. • the information given in the Annual Governance Statement is consistent with the financial statements, has been prepared in accordance with the Delivering Good Governance in Local Government Framework (2016) and is consistent with our understanding of the organisation gained through our audit.

Opinion	Basis for opinion	Conclusions
Matters reported by exception	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> • adequate accounting records have not been kept; or • the financial statements and the audited parts of the Remuneration Report 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 & Risk Committee in April 2025. 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.

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’s 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	<p>We received the unaudited annual accounts of a good standard in line with our audit timetable.</p> <p>The Council in publishing its unaudited annual accounts, disclosed that due to data not yet being available from its adviser, it had partially implemented IFRS 16 Leases within the financial statements. This data was subsequently provided and the audited financial statements reflect compliance with IFRS 16 leases.</p>
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.
Access to finance team and other key personnel	Mature	We received full access to the finance team and other key personnel. All audit queries and requests were responded to in a timely manner.

Metric	Grading (Mature / developing / significant improvement required)	Commentary
<p>Quality and timeliness of the:</p> <ul style="list-style-type: none"> • audited parts of the Remuneration Report • Management Commentary • Annual Governance Statement <p>As well as the quality and timeliness of supporting working papers for those statements.</p>	<p>Mature</p>	<p>We did not identify any issues with quality and timeliness of the audited part of the Remuneration Report, Management Commentary and Annual Governance Statement.</p>
<p>Volume and magnitude of identified errors</p>	<p>Mature</p>	<p>We identified:</p> <ul style="list-style-type: none"> • Four audit adjustments (Fife Council and Group financial statements) The net impact of those adjustments was to reduce the group net asset position by £0.79million. • Adjustments to the common good financial statements reduced the net asset position by £0.34million. • We also identified some disclosure and presentational adjustments during our audit, which have been reflected in the final set of financial statements. • No misstatements were identified as part of our audit which remained unadjusted in the financial statements.

Metric	Grading (Mature / developing / significant improvement required)	Commentary
		<ul style="list-style-type: none"> Our work identified some non-material uncertainties, caused by differences in estimation techniques between the Council and us as auditors. As these are not formal misstatements, these have not been adjusted for by the Council. If adjusted for, these uncertainties would reduce the Council’s net assets by £26.992million.

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 are designed to mitigate these risks.

As required by the Code of Audit Practice and the planning guidance issued by Audit Scotland, we considered 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	Financial statement / Assertion level risk	Fraud risk	Planned approach to controls	Risk of material misstatement	Outcome of work
Management override of controls	Financial statement	Yes	Assess design & implementation	Very High	No indication of management override of controls.
Fraud in revenue recognition	Assertion level	Yes	Assess design & implementation	Grants and Contributions: High	No indication of fraud in revenue recognition.
Fraud in expenditure recognition	Assertion level	Yes	Assess design & implementation	Non-pay expenditure / accruals: High	No indication of fraud in expenditure recognition.
Valuation of council dwellings and other land and buildings	Assertion Level	No	Assess design & implementation	High	Sufficient assurance gained over the valuation of council dwelling and other land and buildings.
Pension asset/liability	Assertion Level	No	Assess design & implementation	High	Sufficient assurance gained over valuation of the net pension liability.
Implementation of IFRS 16- leases, service concession arrangements and Common Good long term debtor	Assertion Level	No	Assess design & implementation	High	Sufficient assurance gained over the completeness and valuation of leases, service concession arrangements and the common

Risk area	Financial statement / Assertion level risk	Fraud risk	Planned approach to controls	Risk of material misstatement	Outcome of work
					good long-term debtor.

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	<p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk will vary from entity to entity, this risk is nevertheless present in all entities.</p> <p>Specific areas of potential risk include manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business.</p> <p>This was considered to be a significant risk and Key Audit Matter for the audit.</p> <p>Risk of material misstatement: Very High</p>

Risk area	Management override of controls
<p>How the scope of our audit responded to the significant risk</p>	<p>Key judgement</p> <p>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.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Documented our understanding of the journals posting process and evaluated the design effectiveness of management controls over journals. • Analysed the journals listing and determined the criteria for selecting high risk and/or unusual journals. • Tested high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the Council’s journals policy. • Gained an understanding of the key accounting estimates and critical judgements made by management. We have challenged key assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud. • Evaluated the rationale for any changes made to accounting policies, estimates or significant unusual transactions.
<p>Key observations</p>	<p>We have not identified any indication of management override of controls in the year. We did not identify any areas of bias in key judgements made by management and key judgements were consistent with prior years.</p>

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

Key risk area	Fraud in revenue recognition
<p>Significant risk description</p>	<p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA (UK) 240.</p> <p>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.</p> <p>We consider that the risk of fraud in relation to revenue recognition is however only present the Grants and Contributions revenue stream, where there is an increased opportunity and incentive to maximise revenue recognised in year. As such we consider that there is an inherent fraud risk associated with the over recognition of revenue in year, leading to a potential for material misstatement in the reported financial position.</p> <p>In respect of all other revenue streams, we do not consider the revenue recognition risk to be significant due to a lack of incentive and opportunity to manipulate these revenue streams.</p> <p>This was considered to be a significant risk and Key Audit Matter for the audit.</p> <p>Inherent risk of material misstatement:</p> <p>Grants and Contributions Revenue (occurrence): High</p>

Key risk area	Fraud in revenue recognition
<p>How the scope of our audit responded to the significant risk</p>	<p>Key judgements</p> <p>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.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Documented our understanding of the Council’s systems for income to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements. • Evaluated the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems. • Evaluated the Council’s accounting policies for recognition of income and compliance with the Code of Practice on Local Authority Accounting in the UK. • Carried out substantive testing using analytical procedures and sample testing of transactions recognised for the year.
<p>Key observations</p>	<p>We identified no significant issues in testing grants and contributions. We have gained sufficient assurance over the occurrence of income related to grants and contributions recorded in the financial statements and are satisfied that income is fairly stated. We have identified no indication of fraud in revenue recognition.</p>

Key risk area	Fraud in non-pay expenditure recognition
<p>Significant risk description</p>	<p>Practice Note 10 The Audit of Public Sector Financial Statements notes that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure at the Council.</p> <p>We are satisfied that this is not a significant risk with regard to Pay Expenditure, as there is limited opportunity or incentive to manipulate this type of expenditure.</p>

Key risk area	Fraud in non-pay expenditure recognition
	<p>For all other expenditure, given the financial pressures facing the public sector as a whole, we consider that there is an inherent fraud risk associated with the under recording of expenditure around the year end leading to a potential material misstatement in the reported financial position.</p> <p>This was considered to be a significant risk and Key Audit Matter for the audit.</p> <p>Inherent risk of material misstatement:</p> <p>Non-pay expenditure (completeness): High</p> <p>Accruals (completeness): High</p>
How the scope of our audit responded to the significant risk	<p>Key judgements</p> <p>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.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Documented our understanding of the Council’s systems for expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements. • Evaluated the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems. • Evaluated the Council’s accounting policies for recognition of expenditure and compliance with the Code of Practice on Local Authority Accounting in the UK. • Substantively tested a sample of open invoices from the Accounts Payable ledger at 31 March 2025, to ensure these are recorded in the appropriate year’s financial statements. • Reviewed accruals and other payables held at the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.
Key observations	<p>Based on the audit work performed, we have gained sufficient assurance on the completeness of expenditure and are satisfied</p>

Key risk area	Fraud in non-pay expenditure recognition
	that expenditure is fairly stated in the financial statements. We have identified no indication of fraud in expenditure recognition.

Key risk area	Valuation of council dwellings and other land and buildings (key accounting estimate)
Significant risk description	<p>The Council carries out a rolling programme of valuations to ensure that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.</p> <p>Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2025.</p> <p>The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates.</p> <p>These valuations represent a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurements and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of council dwellings and other land and buildings as a significant risk.</p> <p>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.</p> <p>This was considered to be a significant risk and Key Audit Matter for the audit.</p> <p>Inherent risk of material misstatement:</p> <p>Council dwellings and other land and buildings and investment property (valuation): High</p>

<p>Key risk area</p>	<p>Valuation of council dwellings and other land and buildings (key accounting estimate)</p>
<p>How the scope of our audit responded to the significant risk</p>	<p>Key judgements</p> <p>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.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • 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. • Evaluated the reasonableness of the valuation movements for assets revalued during the year, with reference to market data. • 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.
<p>Key observations</p>	<p>Valuers</p> <p>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 financial statements is in line with the valuation reports.</p> <p>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</p>

Key risk area	Valuation of council dwellings and other land and buildings (key accounting estimate)
	<p>equipment required to be carried at fair value has been appropriately revalued as part of the five-year rolling programme.</p> <p>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.</p> <p>Other Land and Buildings: Internal valuers valued a proportion of all other asset classifications held at fair value (approximately 20% on a rolling basis) 31 March 2025, with an uplift or updated build cost being applied to all depreciated replacement cost (DRC) properties to reflect market movements as at 31 March 2025.</p> <p>Council Dwellings: External valuers valued the Council’s full portfolio of council dwellings as at 31 March 2023. For the year ended 31 March 2025 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.</p> <p>Review of assumptions</p> <p>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.</p> <p>Through our review of the inputs used in the DRC calculations, we noted that the Council continue to not hold formal floor plans that document the Gross Internal Area (GIA) for all assets. These are instead, in many cases (in particular in relation to older stock), based on information recorded in the Council’s systems. We continue encourage the Council to formally document the GIA for all assets through formal floor plans (Refer to prior year recommendation 2 at appendix 4).</p> <p>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.</p>

Key risk area	Valuation of council dwellings and other land and buildings (key accounting estimate)
	<p>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.</p> <p>During 2024/25, the Council revised its valuation methodology for schools. Schools continue to be valued on a DRC basis, however Scottish Futures Trust (SFT) build costs are now applied rather than Building Cost Information Service (BCIS) build costs, which were used previously. The Council made the decision to use SFT metrics as this reflects the capital rate that is currently available from the Scottish Government to build a school which is more reflective of the type of schools built today. We have reviewed the appropriateness of the method and have concluded that it is appropriate for the Council to use SFT metrics as the basis of the build costs used within the valuation for schools.</p> <p>For schools that have not been valued in the year, the build costs were updated to reflect the metrics provided by SFT, which have been uplifted to align with current 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.</p> <p>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.</p> <p>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 which was not material hence, we concluded that the carrying value of the assets is not materially misstated.</p>

Key risk area	Valuation of council dwellings and other land and buildings (key accounting estimate)
	<p>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.</p> <p>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.</p> <p>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 2024/25 the external valuer advised that the value of the HRA stock is likely to have decreased in the region of 4.5%.</p> <p>As part of our audit work, we challenged the appropriateness of the uplift factor. The decrease applied by the Council is in the region of 4.5% 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.</p> <p>Impairment</p> <p>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:</p>

Key risk area	Valuation of council dwellings and other land and buildings (key accounting estimate)
	<ul style="list-style-type: none"> • 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. <p>No indication of material impairment was identified, which is consistent with our audit work.</p> <p>Our audit work however identified, for the second consecutive year, a number of instances that 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 2025 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 no longer exist or to be in use by services. (Refer to prior year recommendation 4 at appendix 4).</p> <p>Disclosure of Estimation Uncertainty</p> <p>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.</p> <p>The Council has identified the valuation of property, plant and equipment as a major source of estimation uncertainty. We requested that management include further disclosures within the financial statements on the methodology used in 2024/25 to note the change of valuation of methodology of schools to use SFT rates</p>

Key risk area	Valuation of council dwellings and other land and buildings (key accounting estimate)
	and a change to the approach to Nurseries that are not revalued in the year to update valuations for the most up to date build costs.
Key risk area	Pension asset/liability (key accounting estimate)
Significant risk description	<p>An actuarial estimate of the net defined pension liability/asset is calculated on an annual basis under IAS 19 ‘Employee Benefits’, and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the Code of Practice on Local Authority Accounting in the UK.</p> <p>The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the values involves, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk.</p> <p>Inherent risk of material misstatement:</p> <p>Pension (valuation): High</p>
How the scope of our audit responded to the significant risk	<p>Key judgements</p> <p>Pension valuations are highly subjective and based upon actuarial estimation. Given the scale of these assets and liabilities, these can</p>

Key risk area	Pension asset/liability (key accounting estimate)
	<p>be sensitive to small changes in the assumptions informing the calculations, which increases risk of potential material error.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Evaluated management’s process for the calculation of the estimate, the instructions issued to management’s expert (the actuary) and the scope of their work. • Evaluated the competence, capabilities and objectivity of the actuary. • Assessed the controls in place to ensure that data provided to the actuary by the Council and their pension fund was accurate and complete. • Evaluated whether any asset ceiling was appropriately considered when determining the value of any pension asset included in the financial statements. • Ensured pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.
<p>Key observations</p>	<p>The IAS 19 actuarial report for the Council identifies a pension surplus (or pension asset) of £911.716million. 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.</p> <p>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 nil, resulting in disclosure of net pension liability of £85.892million, which represents the unfunded liabilities of the fund.</p> <p>We are satisfied that we have obtained reasonable assurance over the disclosures in the financial statements relating to the reported financial position.</p> <p>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</p>

Key risk area	Pension asset/liability (key accounting estimate)
	<p>reviewed the information in the actuarial report for completeness and accuracy against the published pension fund data.</p> <p>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.</p>

Key risk area	Implementation of IFRS 16- leases, service concession arrangements and Common Good long term debtor (key accounting estimate)
Significant risk description	<p>IFRS 16 was adopted and implemented by local government bodies under the Code of Audit Practice from 1 April 2024. Under IFRS 16 a lessee is required to recognise a right of use asset and associated lease liability in its Balance Sheet. This resulted in significant changes to the accounting for leased assets and the associated disclosures within the financial statements for the year ended 31 March 2025.</p> <p>The 2024/25 Code of Practice on Local Authority Accounting in the UK also changed the accounting treatment for indexation linked payments in liabilities for service concession arrangements. Local authorities must remeasure if there is a change in future lease payments resulting from a change in an index / rate used to determine those payments and ensure that the financial statements accurately reflect the impact of the revised IFRS 16 accounting arrangements.</p> <p>The implementation of this new accounting standard also represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement upon recognition of the right of use asset and associated lease liability. We have therefore identified the implementation of IFRS 16 as a significant risk.</p> <p>Inherent risk of material misstatement: Implementation of IFRS 16 (valuation and completeness): High</p>

<p>Key risk area</p>	<p>Implementation of IFRS 16- leases, service concession arrangements and Common Good long term debtor (key accounting estimate)</p>
<p>How the scope of our audit responded to the significant risk</p>	<p>Key judgements</p> <p>The implementation of this new accounting standard also represents a key accounting estimate made by management within the financial statements due to the values involved, the subjectivity of the measurement upon recognition of the right of use asset and associated lease liability.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Performed a walkthrough of the Council’s systems and processes to capture the data required to account for right of use lease assets and associated liabilities in accordance with IFRS 16. • Reviewed the Council’s accounting policies for the year ended 31 March 2025 to reflect the requirements of the new accounting standard. • Assessed the existence, valuation, accuracy and completeness of the right of use assets and associated lease liabilities, and the related disclosures within the financial statements. • Evaluated whether right of use assets and lease liabilities have been appropriately remeasured in line with the requirements of IFRS 16 as set out in the Code of Practice on Local Authority Accounting in the UK. • Assessed the adequacy of disclosures regarding service concession arrangements.
<p>Key observations</p>	<p>IFRS 16 become effective for local government bodies from 1 April 2024, resulting in accounting adjustments for how the Council accounts for leases, bringing assets and associated liabilities onto the Balance Sheet. To support implementation of this, management engaged a management expert to provide calculations of valuations for disclosure. The provision of work by management’s expert however was subject to significant delays, which meant that the unaudited annual accounts were</p>

<p>Key risk area</p>	<p>Implementation of IFRS 16- leases, service concession arrangements and Common Good long term debtor (key accounting estimate)</p>
	<p>incomplete and missing the recognition of some right of use assets.</p> <p>Leases</p> <p>Management has recognised £11.877million of Right of Use assets in relation to existing leases as at 1 April 2024 through the application of IFRS 16. The Council made an adjustment to the Right of Use asset figure originally included in the unaudited accounts to arrive at this figure.</p> <p>We have reviewed management processes for ensuring the completeness of leases captured under IFRS 16 and are content that the assessment made is complete. We have also reviewed calculation of Right of Use assets and associated liabilities recorded on the Balance Sheet and have obtained assurance that these are materially accurate.</p> <p>Service Concession Arrangements (Public Private Partnerships (PPP) and Non-Profit Distribution (NPD) contracts</p> <p>The Council engaged a management expert, MUFG (previously Link), to calculate the impact of IFRS 16 implementation on its service concession arrangements. The Council received this information after the publication of the unaudited annual accounts and as such, adjustments have been made to the audited annual accounts to reflect the impact of IFRS 16 implementation on its service concession arrangements.</p> <p>MUFG was provided with the Council’s existing models to support its work. For the Levenmouth NPD contract, MUFG identified that the calculation of the opening liability at the time the contract commenced was incorrect. This resulted in an adjustment of £5.2million being made to the opening liability.</p> <p>Under IFRS 16, the lease liability is required to be remeasured where indexation or changes in a rate affect future payments. Instead of expensing the additional (or reduced) payment, the</p>

<p>Key risk area</p>	<p>Implementation of IFRS 16- leases, service concession arrangements and Common Good long term debtor (key accounting estimate)</p>
	<p>net present value of future payments that comprise the liability is recalculated based on the revised level of payments. 2024/25 was the initial year of IFRS 16 application for service concession arrangements which meant that the opening liability at 1 April 2024 and the closing liability at 31 March 2025 were required to be adjusted to reflect the remeasurement of the lease liability. These adjustments prepared by the Council’s management expert, MUFG. We tested the calculations to ensure that they were based on information provided from Council’s models. We are satisfied from review of the audited financial statements that these transactions are appropriately reflected.</p> <p>The Council applied a financial flexibility in 2022/23 to allow the capital debt repayments on its PPP and NPD contracts to be reprofiled. The remeasurement of the liability from the introduction of IFRS 16 and the adjustment to the opening liability on the Levenmouth NPD contract resulted in an adjustment to this reprofiling. This impact however was not material to the financial statements.</p> <p>The Council’s unitary charge payments are uplifted each year by the Retail Prices Index (RPI) where the uplifted figures are used to inform the service concession arrangements closing liabilities. As part of our audit work, we tested the uplifted figures to ensure that these were in line with published third party indices. For PPP2 we identified that the RPI figures used by the Council did not match the published index in line with the contractual terms. From discussions with the Council, we understood that this is due to the service concession agreement provider uplifting the base amount of the unitary charge to reflect the ongoing service costs of variations that had been carried out, as well as being uplifted by RPI. We obtained details and amounts of the historic uplifts from the provider which allowed us to agree that the PPP2 unitary charge for the year included both uplifts for the historic variations and uplifts for the correct RPI</p>

<p>Key risk area</p>	<p>Implementation of IFRS 16- leases, service concession arrangements and Common Good long term debtor (key accounting estimate)</p>
	<p>figures. We were able to agree that the variation uplifts sent by the provider were all reflected in the 2024-25 unitary charge amount disclosed. We recommend that the Council reviews its unitary charge processes to ensure that the uplifts to unitary charges are agreed to underlying Council documents on the variations and that there is clear documentation of this.</p> <p>Recommendation 2</p> <p>The disclosure notes on PPP and NPD contracts were updated to reflect the above.</p> <p>In accordance with ISA (UK) 500 - Audit Evidence we have considered the competence, capability and objectivity of MUFG and did not identify any areas which gave us cause for concern over their suitability.</p> <p>Common Good</p> <p>The Council previously applied IFRIC 4 in accounting for Common Good assets used by Fife Council. We assessed whether these assets met the definition of being accounted for under IFRS 16 and concluded they did not on the basis that there is not a contract in place between the Council and Common Good Fund, which is a requirement of IFRS 16. In addition, we concluded that the implementation of IFRS 16 overrode the requirements of IFRIC 4 which meant that the Council’s previous treatment for these assets was no longer applicable under IFRS 16. This resulted in management adjusting the Common Good account to reclassify the long-term debtor into property, plant and equipment (PPE). We audited the adjustment made and concluded that this was appropriate.</p>

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 2024/25 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 2025 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. In line with our prior year recommendation, we continue to recommend that 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 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 £34.175million and the Council’s financial statements was £33.657million. On receipt of the 2024/25 unaudited financial statements, we reassessed materiality and have increased the level of materiality based on a significant increase in gross expenditure against our planning assumptions. We consider that our updated assessment has remained appropriate throughout our audit.

	Group £million	Council £million
Overall materiality for the financial statements	39.472	38.926
Performance materiality (75% of materiality)	29.604	29.194
Trivial threshold	1.973	1.946

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 financial statements when assessing financial performance.

Our assessment of materiality equates to approximately 2% of gross expenditure as disclosed in the 2024/25 unaudited financial statements.

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 we consider any errors which result in a movement between the relevant bandings on the disclosure table to be material.

For Related Party transactions, in line with the standards, we consider the significance of the transaction with regard to both the 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 (£13million) and the Non-Domestic Rate Income Account (£4.365million).

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

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.

For periods commencing on/after 15 December 2023 the auditing standard for group engagements has been revised. The key changes that are reflected in the audit findings have been outlined below:

- Revisions to the definitions of a group and component extend the scope of the ISA to encompass a wider range of group scenarios. This means that a single legal entity could fall under the scope of the group's ISA based on its internal structure, while multiple legal entities may sometimes be defined as a single component
- There is increased leadership responsibilities and involvement requirements for the group engagement leader, particularly when component auditors are utilised
- In the UK, there is a specific requirement for all component auditors to confirm their ability and willingness to comply with the FRC's Ethical Standard, regardless of their local jurisdiction
- The analytical/desktop review designation has been removed from the scope of procedures performed over a component in response to risk

For Fife Council, one body, Sustainability Fife Limited, has not been consolidated on the grounds of materiality. We have reviewed managements consideration of this decision and confirm that it is appropriate.

Group audit findings

The following table sets out the components within the group and our audit findings in respect of each component.

Component	Scope	Planned audit approach	Audit findings
Fife Council	Full Scope	Full scope statutory audit as set out in this annual audit report.	As set out in this annual audit report
Fife Integration Joint Board (IJB)	None	No procedures planned	None
Fife Coast & Countryside Trust	None	No procedures planned	None
Fife Cultural Trust	None	No procedures planned	None
Fife Golf Trust	None	No procedures planned	None
Fife Sports & Leisure Trust	None	No procedures planned	None
Fife Resource Solutions LLP	None	No procedures planned	None
Cireco (Scotland) LLP	None	No procedures planned	None
Business Gateway Fife	None	No procedures planned	None
Fife Council Charitable Trusts	None	No procedures planned	None
Fife Council Other Trusts	None	No procedures planned	None
Common Good	Specific Scope	Specific scope procedures on asset valuations and the implementation of IFRS16	Adjustments made to asset classification and valuation as set out in Appendix 2.

Full Scope: Design and perform further audit procedures on the entire financial information of the component.

Specific Scope: Design and perform further audit procedures on one or more classes of transactions, account balances or disclosures.

None: No further audit procedures required.

Risks at the component-level

The risks identified at the Council are set out in this report. There are no other risks identified in any of the other components above in respect of the Group audit.

Audit differences

Audit differences identified during the audit, 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 financial statements.	We have not identified any other 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	No prior year adjustments were identified.
<p>Concerns identified in the following:</p> <ul style="list-style-type: none"> • 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 with the exception of those in relation to leased assets following the introduction of IFRS 16 for the 2024-25 financial year.

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

The accounting policies, which are disclosed in the financial statements, are in line with the CIPFA LASAAC Code Practice on Local Authority Accounting in the UK 2024/25 (the 'CIPFA Code') and are considered appropriate.

Presentation and disclosures

There are no significant financial statements disclosures that we consider should be brought to the attention of those charged with governance. 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, depreciation and amortisation rates, provisions for legal obligations and doubtful debts, Completeness and valuation of Right of Use Assets and Liabilities following the adoption of IFRS 16, valuation of pension assets and liabilities and accruals. Other than asset valuations, completeness and valuation of Right of Use Assets and Liabilities, Service Concession Arrangements and Common Good Long Term Debtor and the valuation of pension assets/liabilities and 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 have concluded that those key accounting estimates were balanced and appropriate.

Fraud and suspected fraud

We have previously discussed the risk of fraud with management and the Standards, Audit & Risk Committee. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of 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 10¹ as they relate to the annual accounts.

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

Written representations

We received a signed letter of representation from the Executive Director Finance and Corporate Services at the same time as the financial statements were signed.

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 of public audit

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 of Audit Practice broadens the audit of the accounts to include consideration of 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 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

Y

Financial performance

The 2024/25 Comprehensive Income and Expenditure Statement shows that the Council spent a total of over £1.2billion on the provision of public services and recorded an accounting deficit on the provision of services of £148.593million. 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 £42.171million to £115.111million. In total, cash backed (useable) reserves held by the Council decreased by £46.263million in the year to £135.051million.

Movement in the Council's useable reserves per the Annual Accounts 2024/25

	2024/25 £million	2023/24 £million	Movement £million
General Fund	115.111	157.282	(42.171)
Housing Revenue Account (HRA)	2.593	5.315	(2.722)
Insurance Fund	17.234	17.583	(0.349)
Capital Fund	0	0	0
Capital Grants and Receipts Unapplied	0.113	1.134	(1.021)
Total useable reserves	135.051	181.314	(46.263)

Source: Fife Council Annual Accounts 2024-25

The decrease in general fund balance comprises:

- An overall surplus of £3.153million against the 2024/25 budget (this comprises an overspend of £0.711million against budget within Service Expenditure, an overspend of £0.199million on loan charges, an underspend on obligation/contingencies of £4.695million, Non-Domestic Rates income being £0.956million higher than expected and Council tax being £1.588million under recovered).
- Less transfers from other statutory reserves of £3.661million.
- Less £41.663million of budgets transferred from balances brought forward and used in year

The uncommitted General Fund balance was £23.479million as at 31 March 2025, an increase of £9.851million from the previous year. This equates to 2.08% of budgeted net revenue expenditure (2023/24: 1.3%) which is within the Council's policy minimum to maintain a level of 2% balances over a rolling three-year period.

The remaining balance of £91.632million is either earmarked or committed for specific purposes including:

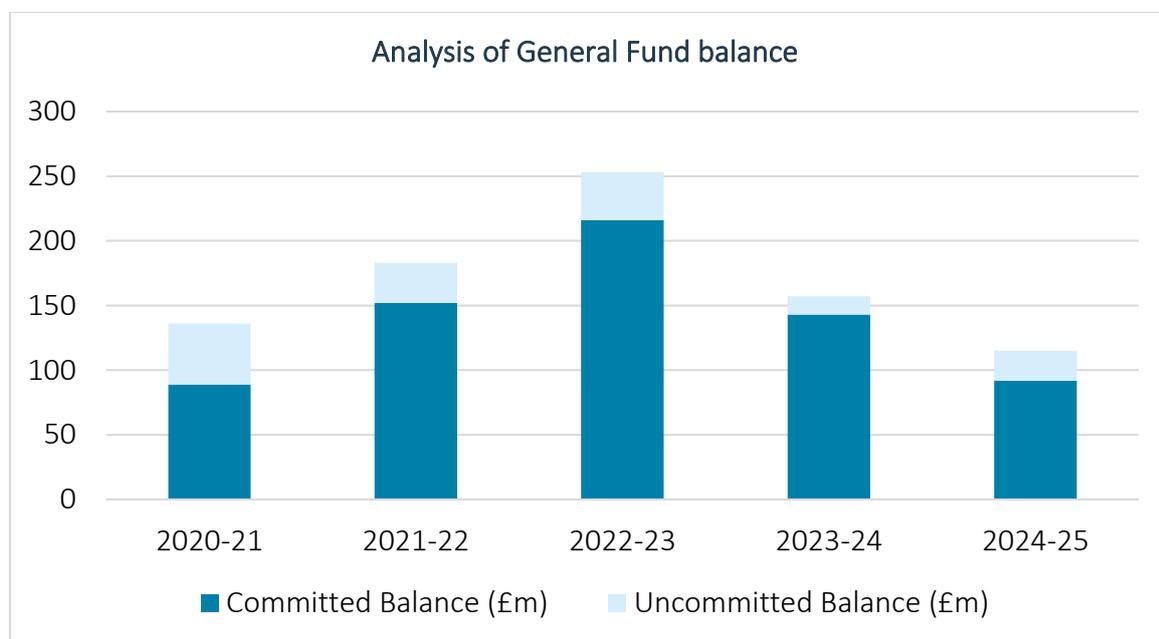
- Earmarked balances (£65.549million): includes significant commitments which underpin the investment in the capital plan (£39.649million) and council tax- second homes (£8.503million).

- Commitments (£26.083million): includes change programmes (£9.694million) and demographics (£9.126million).

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

In recent years, general fund balances have been relatively high, as illustrated in the exhibit below. This is primarily due to:

- 2021/22- an increase in balances due to grant funding received and not used in year.
- 2022/23- an increase in balances due to the benefits arising from the Council’s application of the service concessions financial flexibility.
- 2023/24- a decrease in balances due to planned use of earmarked and committed balances.



Source: Annual Accounts 2020/21-2024/25

The decreasing level of reserves compared to previous years and the increasing financial pressures which the Council is currently facing both contribute to a challenging position which the Council will face in the medium to longer term if these trends continue.

Revenue performance against budget

The final outturn position on the General Fund for 2024/25 shows an underspend of £3.153million compared to the balanced budget set at the outset. This underspend has been set aside in reserves.

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

1. Services overspends (£0.711million)

Service expenditure overspent as a result of reduced costs in the majority of areas of service provision, offset by a significant overspend of £18.190million in Health and Social Care services. A transfer of £4.728 million was required from the NHS Fife to meet the remaining overspend per the risk share agreement, which reduced the net overspend position on Health and Social Care services to £13.470million. The Council continues to recognise Health and Social Care services as a significant risk, primarily due to the ongoing increase in service demand.

2. Loan charges overspend (£0.199million)

The Loan Charges overspend relates to the remeasurement of the Levenmouth Non-Profit Distribution (NPD) model.

3. Obligations/Contingencies underspend (£4.695million)

The underspend position reflects funding received either not yet allocated or no longer required including:

- Funding related to Children's Social Care Pay Uplift which was already built into the service budget.
- Funding for Kinship Care where spend for 2024/25 was lower than anticipated.

Fife Health and Social Care System

The outturn position as at 31 March 2025 for the services delegated to Fife Integration Joint Board (IJB) was £34.017million. The main drivers of this overspend position being Prescribing Costs, Care Packages and Mental Health Services. Due to the IJB having no useable reserves in 2024/25, and as outlined in the Integration Scheme, the overspend had to be funded through additional allocations from both partner bodies, NHS Fife and Fife Council, in the form of a risk share agreement. This resulted in Fife Council being responsible for 39%, in line with the risk share agreement, which equates to £13.198million.

This is a worsened position compared to 2023/24, however is consistent with the Audit Scotland report on [Integration Joint Boards: Finance bulletin 2023/24](#), which highlighted that the weakening financial health of IJBs is a challenge nationally. As also outlined in Audit Scotland's report, the increasing demand for services is one of the key financial pressures impacting on the health and social care sector, which Fife IJB has identified is primarily due to a significantly ageing population.

The Fife health and social care system, which consists of Fife Council, Fife IJB and NHS Fife, are working collaboratively to tackle the financial and demand driven challenges through developing and implementing new initiatives, including:

- Introduction of the new system Liquidlogic which provides better quality management information to allow weekly monitoring of the position of cost pressures, alongside supporting with management decisions.
- Scrutiny panels over assigning care packages which allows greater scrutiny and control over ensuring that the most appropriate care packages are provided.
- Increased public communications and other early intervention tools in relation to areas including Medicines.
- Increased tripartite communication between NHS Fife, Fife IJB and Fife Council, where the Directors of Finance meet with the CFO of the IJB monthly.

Fife Council, working alongside Fife IJB and NHS Fife have demonstrated good collaboration and partnership working through taking a whole system approach to these challenges. It is crucial that this continues as difficult decisions will continue to be needed across health and social care to sustain vital services over the medium to longer term.

Housing revenue account (HRA)

During the year, the Council achieved a balanced position on its HRA. As a result of net underspends across the HRA, planned revenue contribution to the HRA capital plan was increased by £0.989million to £24.398million (reduced by £2.831million in 2023/24).

The most significant area of underspend on the HRA was repairs and maintenance costs which was primarily due to a larger than anticipated year end refund from Building Services for work billed during the year.

After taking into account the planned use of commitments in the year of £2.722million, to support the delivery of the Transitional Affordable Housing Programme, the level of uncommitted HRA Fund balances was £2.593million (1.92% of Net Rental Income). 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 2024/25 was £258.096million, a variance of £67.850million (21%) against budget. This represents an increase in capital investment compared to previous financial years (2023/24: £242.073million, 2022/23: £189.362million and 2021/22: £163.805million).

The slippage related to a variety of themes where the most significant slippage is being experienced in relation to projects within the Opportunities for All and Thriving Places capital themes. Project slippage 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 2025-28 was approved by the Cabinet Committee in May 2025.

The 2023/24 Treasury Annual Report and 2024/25 mid-year report were presented to the Cabinet Committee in November 2024. Performance against the approved 2023/24 Prudential and Treasury Indicators was within agreed limits for the financial year. The 2024/25 Annual Report is due to be presented to the Cabinet Committee in November 2025.

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.

The Controller of Audit's Section 102 Report on Aberdeen City Council was presented to the Standards, Audit and Risk Committee in June 2025. The Council's response to this was that an internal audit was performed on the Council's Council Tax refund process in order to:

- review key internal controls surrounding Council Tax refunds; and

- assess whether there is appropriate oversight and scrutiny to ensure the effective operation of these controls.

The Internal Audit Report was also presented to the Standards, Audit and Risk Committee in June 2025, where the service agreed actions to address and implement all recommendations raised by October 2025.

In addition, the Council produced a general good practice guide surrounding refunds which has been issued to relevant service areas and going forward, internal audits planned for specific service areas that process refunds will incorporate an additional objective related to refunds.

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 2024, with matches received for investigation in early 2025.

The Council engages well with the NFI exercise and we have concluded that its arrangements with respect to NFI are satisfactory. The Council uploaded all relevant data for the 2024 NFI exercise by the timescale of 31 October 2024 and a good level of activity is being carried out in relation to reviewing and investigating matches. A report on NFI activity in the Council was presented to Standards, Audit and Risk Committee in June 2024 and a copy of Audit Scotland's national report (the NFI in Scotland 2024) was presented alongside the NFI Self-Appraisal Checklist at the September 2024 meeting of the same committee.

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.

Auditor judgement

Significant risks affect the achievement of corporate objectives



Significant audit risk

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

Financial sustainability (extract from 2024/25 External Audit Plan)

The Council's financial planning is underpinned by its Medium-Term Financial Strategy (MTFS). The General Fund Revenue Budget report presented to the Council in February 2025, projects provisional cumulative budget gaps, after provision of pressures and investment, of £23.638million for 2025/26, rising to £43.803million for 2026/27 and £69.782million for 2027/28.

The Council has identified several initiatives to close the general fund revenue budget gap and present a balanced budget for 2025/26. These include:

- Identified budget savings of £7.137million.
- Increase in Council Tax of 8.2% (anticipated gap reduction £15.908million)
- Increase in Fees & Charges of 5% (anticipated gap reduction £0.593million).

After revising the financial planning assumptions to incorporate the same assumptions as for 2025/26, alongside Council Tax of 5%, the Council continues to forecast funding gaps of £5.116million and £16.233million respectively for 2026/27 and 2027/28. Work has commenced on developing transformation projects that are expected to generate further efficiency savings and help mitigate budget gaps in the medium to longer term.

The Council continues to acknowledge that reserves cannot be utilised as a sustainable solution to close the medium term budget gap. Following approval to decommission £5.260million of balances held for investment, the Council's level of uncommitted reserves is forecast to be £23.034million at 31 March 2025, which is just above the policy minimum.

Financial sustainability (extract from 2024/25 External Audit Plan)

The Council plans to keep the level of uncommitted balances under close review, but with no plans to restore balances at this time.

The Council has recognised that the HRA budget is also under considerable financial pressure and continues to face a high level of financial risk. The 2025/26 funding gap on the HRA budget was £8.560million which is to be mitigated by a 6% rental increase approved by the Council in February 2025. Close monitoring of the key pressures facing the HRA including inflationary pressures and the cost of financing capital investment will be essential to ensure the HRA remains affordable and sustainable.

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 2024-25 saw a further underspend position of around £3.153million. However, the value of underspend has been steadily reducing and whilst the position for 2025-26 looks favourable, some specific items of unspent funding provided in 2024-25 were made available and commitments were made in balances for these. Taking account of this, the underlying position was an overspend of £6.917million. Health & Social Care reported a significant overspend of £13.470million. This continues to be a risk for the Council going forward. Other General Fund Services also have savings to achieve in 2025-26 and beyond, which will be monitored, and progress will be reported throughout the year. As finances are becoming tighter, going forward the Council will have to take hard decisions in the future in order to balance the budget.

The level of funding that the Council will receive from the Scottish Government for its core activities is very uncertain given the commitments that are in place and the financial challenge that exists nationally. The legacy of higher inflation continues to exacerbate the challenge as any increase in costs may need to be managed internally within the Council. There is the scope to increase council tax, and fees and charges in order to close the future budget gap but it is likely that further change across Council Services will be required. The Council has developed service change plans to progress improvements in outcomes and performance and also help address the financial challenge and these will likely need to go further in future years in order for the Council to remain financially sustainable. The medium-term financial strategy and the budget assumptions used in February 2025 have been updated for planning purposes, and based on all known intelligence an updated budget gap was reported to Cabinet Committee in June 2025. The level of future budget gap will be an influencing factor in terms of the level of future change required.

An update on change planning was also reported to Cabinet Committee in June 2025 with a holistic approach being undertaken, considering transformation programmes alongside service change plans. Significant work on change was advanced throughout 2024-25 and this will continue through 2025 and beyond.

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 constraints on funding from the UK and Scottish Governments could increase the scale of the financial challenge the Council has to deal with. 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 and additional financial controls will be essential.

Consideration is also being given to other pressures the Council is facing, for example, equal pay claims, achieving savings, and the impact of strategic growth. The recurring 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 and the Council has managed to avoid placing reliance on using these for recurring expenditure, rather, only making commitments for one off or temporary costs and investments.

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

Source: Fife Council 2024/25 Annual Accounts, Management Commentary

2025/26 revenue budget

In February 2025 the Council set a balanced revenue budget for 2025/26 based on the following:

- Council's provisional grant funding allocation
- 8.2% increase in Council Tax rates
- 5% increase in fees and charges; and
- Recurring budget savings of £7.137million

The value of approved savings in recent years have been less significant as the budget gap has been bridged without the need for significant service savings. This represents the first year since 2022/23 that significant savings proposals from services have been required, due to the more challenging financial position for the Council. The table below details the 2025/26 savings target required to be achieved by each directorate.

Directorate	Savings Target £m
Place	1.252
Communities	1.483
Finance & Corporate Services	0.402
Council-Wide	4.000
Total	7.137

Source: Budget 2026-29; Full Council – February 2025

Many of the approved savings as part of the 2025/26 budget represent a transformative and change based focus and form part of the corporate Service Change Planning process.

Service Change Plans

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

The Council’s approach to change was approved by the Cabinet Committee in June 2023. This approach comprises advancement of the No Wrong Door programme, proposals to improve decentralisation and development of three-year service change plans aligned to the Council’s policy and reform ambitions and medium-term budget assumptions.

Service change plans were produced in April 2025 and were used to inform the 2025/26 budget setting process. The plans set out how the Council aims to deliver the next phase of public service reform and progress of delivery will be monitored regularly through the Reform Board.

The Council has committed to update change plans annually to reflect data and feedback gathered throughout the year. Impact and progress against priorities within the plans are due to reported on annually through Annual Service Review Reports taken to Scrutiny Committees.

The Council recognises that further savings will be required over the medium to longer term due to the level of financial challenge that the Council is facing. The service change plans are in place to support agreed savings and enable further savings to be identified.

2025/26 revenue budget forecast outturn

The most recent revenue monitoring report for 2025/26 (September 2025) noted that the current forecast presents an underspend of £1.560million, which is an improved position compared to the equivalent period in the previous years. The Council is forecasting to achieve 93% of its 2025/26 budget savings target by 31 March 2026 and any underachievement of this target will be required to be met through services mitigating overspends and managing within overall service budgets.

The Council committed to carry forward £4.460million of service underspends to ensure certain conditions of funding for the next year are met. These amounts have been committed which reduces balances available in future years and brings the forecast level of uncommitted balances to £20.854million (1.78%) which is slightly below the policy minimum to maintain 2% balances over a rolling three year period. This position will be closely monitored over the year and at this stage the Council has no plans to restore balances.

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 2025, the Council reported an indicative budget gap of £5.116million for 2026/27, rising to £16.233million for 2027/28 and using the same assumptions the budget gap would rise further to £35.697million for 2028/29. The assumptions and baseline figures were reviewed with consideration to the Scottish Fiscal Commission's Fiscal Sustainability Report, [the Accounts Commission's Local Government Budgets 2025/26 report](#) and the Public Sector Pay Policy 2025-26.

The Council reported to the Cabinet Committee in June 2025 that there were no changes to planning assumptions required from those used in setting the budget in February 2025. The exception to this was a temporary change in the council tax assumptions, where the council tax increase is expected to revert to 3% for 2028/29.

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

1. Most 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.

	2026/27	2027/28	2028/29
	£m	£m	£m
Central scenario – assumes flat cash government grant	15.833	38.483	65.169
5%/5%/3% Council Tax Increases	(10.579)	(21.761)	(28.852)
Revised budget gap	5.254²	16.722	36.317
Indicative budget gap following approval of budget in February 2025	5.116	16.233	35.697

Source: Budget 2026-29 Update; Cabinet Committee – June 2025

This represents a period of significant financial challenge for the Council where the Council has recognised that Financial Sustainability is one of its highest risks. This is reflected within the Council’s Strategic Risk Register which includes a risk ‘Financial Instability’. The risk is reviewed regularly by the Council including consideration of whether internal controls in place to mitigate the risk remain appropriate.

The Council is currently considering ways to further enhance its financial planning processes through introducing the use of budget consultations. A [March 2025 blog from the Accounts Commission](#) outlined the expectation on Councils to engage with communities in responding to the challenging financial environment. Due to the increasing level of financial pressure that the Council is currently facing, it is crucial that budget consultation is incorporated into the 2026-29 budget process to increase residents understanding of the financial environment and the options available to the Council to manage these challenges.

Capital plans

The Council has developed a Capital Strategy and a 10-year rolling capital programme that is reviewed every two years. The most recent Capital Investment Plan 2025-35 was approved by the Council in February 2025.

Initial work has begun to review the Council’s Capital Strategy to ensure that the strategy is in line with the refreshed Plan for Fife. This is due to be presented to the Council in February 2026 alongside the budget.

The Council recognises that the current economic conditions bring significant financial uncertainty and there is significant pressure on projects and resources contained within the Capital Investment Plan.

² This represents a decrease in the 2026/27 budget gap compared to the position presented within the September 2024 2025-28 budget update. This is primarily due to the inclusion of identified savings and an increase in the Council Tax rate assumption from 3% to 5%.

Significant work was undertaken by the Council in 2024/25 to revise its Capital Investment Plan and reassess overall affordability and sustainability as well as available funding, resources and any changes to priorities. In assessing the Capital Investment Plan, the Council critically reviewed the capital projects approved within the previous plan in terms of anticipated delivery dates and the impact of inflation.

We reviewed the Council’s process for developing its Capital Investment Plan 2025-35 and have detailed key parts of the process in the exhibit below including areas where the Council has demonstrated good practice.

Process	Good Practice
<p>The Council met with members to present different options to reduce the budget gap.</p>	<p>The Council held discussions with members to gain an understanding of the type of projects that they were looking to include. Involvement from officers enabled informed project proposals to be presented to help enable members to make informed decisions.</p>
<p>Capital plans were categorised into critical through to desirable. Officers informed members of projects that were critical for inclusion in the Capital Plan, such as those in the rolling capital programme.</p>	<p>This enabled members to be able to prioritise the options and base decisions on the priorities for the Council.</p>
<p>The Council linked the Capital Plan to the Revenue Budget through loan charges and tested the affordability of the capital plans.</p>	<p>The Council was able to assess the implications of the Capital Plan on the Revenue Budget which gave further context and a new perspective on the affordability of the Capital Plan. Due to the revenue budget impacting on the revenue budget gap, the Council continuously reviewed and reassessed how much they would need to increase the revenue budget for loan charges. This enabled members to consider the additional implications the Capital Plan would have on the population of Fife.</p>

Housing Revenue Account

The Council recognises that the HRA budget is under considerable financial pressure and faces a high level of financial risk. This is primarily due to pay inflation, increasing stock figures, increasing cost of borrowing and other inflationary 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 2025/26 budget, the HRA faced a £8.560million budget gap which was met through a 6% rental income increase.

In line with previous years, it was agreed to consult with tenants on rental increases of between 5% and 7% for 2025/26. The feedback provided was that a 5% increase was the preferred rent 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 increase that was most desirable to tenants.

The level of rental income impacts on the capacity of the HRA to borrow to fund investment for 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. As outlined in the HRA budget, a rental increase of 6.5% or above was required to keep the baseline plan in a position of medium risk and support future policy decisions. This position was achieved through a 6% rental increase and a national insurance funding contribution from the General Fund of £0.449million.

In February 2025 the Council reported an HRA budget gap for the next two years as follows:

	2026/27 £million	2027/28 £million	Cumulative impact £million
Budget gap	9.736	8.362	18.098

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

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.

Auditor judgement

Effective and appropriate arrangements are in place



Vision

Fife Council sets out its vision and ambitions in its ten-year local outcomes improvement plan (LOIP), Plan for Fife, which was first published in November 2017. The Plan for Fife 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 Plan for Fife and partners were involved in agreeing outcomes, actions and performance measures.

The Plan was reviewed and a three-year update, Plan for Fife Recovery and Renewal, was agreed in August 2021. As well as being the three-year update of Plan for Fife, 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.

A review exercise was undertaken in 2024 to reset plan priorities for 2024-2027, to improve co-ordination and delivery arrangements and inform preparations for a new plan in 2027. The Fife Strategic Assessment 2024 was a key input to the Plan for Fife review, highlighting that there are complex and persistent issues affecting Fife's communities, which can only be addressed through collaborative action across partners. This informed Fife Partnership Board decision in May 2024 to maintain focus and action against the existing Recovery & Renewal Priorities for 2024-2027.

The Council are undergoing preparations for the development of the next iteration of the Plan for Fife.

The Fife Partnership Board considered a report at its May 2025 meeting which set out the strategic intent of the next Plan for Fife 2027 and the approach for developing new strategies and related delivery arrangements. The agreed strategic intent will act on the social determinants of health and the system wide focus on prevention that is required to be achieved through a reformed community planning partnership approach.

Leadership

The Council's senior leadership team (CLT) is a team of 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 CET also forms the Reform Board which provides strategic direction, approves key initiatives, and monitors overall against recovery and renewal priorities.

Nicky Connor, the Director of Health and Social Care left the IJB in July 2024. Lynne Garvey, the previous Head of Community Care Services was appointed as the Director of Health and Social Care from November 2024, after Fiona McKay, previous Head of Strategic Performance, Planning and Commissioning, filled this role in the interim period.

The Council has committed to further develop the leadership skills and capacity of officers during 2025/26 to ensure there is effective leadership to respond successfully to changing demands and risks.

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.

During 2024/25, the working group revised the mandatory training requirements to recommended, with the exception of the Licensing Board training which is a legal requirement. In May 2025, the group also approved a number of revisions to the training metrics including:

- The creation of an annual calendar of core conferences that members can attend
- Sharing completed eLearning reports from Oracle with group leaders to allow them to review the training records for their group members.

From review of the member development process, 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, Heads of Service 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 22 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 and 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 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 2024/25, the Council and Committee meetings have continued to adopt a blended approach, meetings are live streamed and available to the public in the archive. The Council maintains a 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 throughout the financial period.

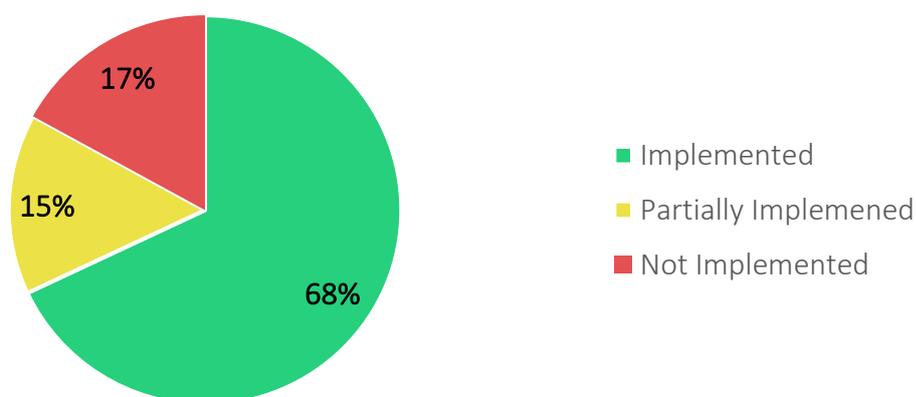
Risk management

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 regularly during 2024/25 to provide oversight of the Council's risk management arrangements. Activities undertaken by the RMSG in 2024/25 to further strengthen the Council's risk management arrangements have included implementation of a Roll Out Plan to ensure all services across the Council have risk registers and assessing and agreeing Risk Appetite for the Council's strategic risks.

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 was presented to the August 2025 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, 68% of recommendations were fully implemented, 15% partially implemented and 17% were not implemented.

Progress against Risk Management Improvement Plan



Source: Risk Management Update – August 2025

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 2025 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 Council has several ALEOs delivering a range of functions which 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.

A report was presented to the Cabinet Committee in December 2024 which set out how the Council operates its six ALEOs. This considered delivery of functions on behalf of the Council, the associated contractual agreements, representation on each Board and the financial records of each ALEO being incorporated into the Council's accounts.

The Committee requested that officers review and report back on how the governance arrangements of the council's ALEOs could be strengthened to ensure fuller alignment with the Council's policy.

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



Organisational change

The Council is progressing a range of transformational work to ensure it can deliver high quality sustainable services. This work is aligned to the Council's reform ambition where the change agenda consists of:

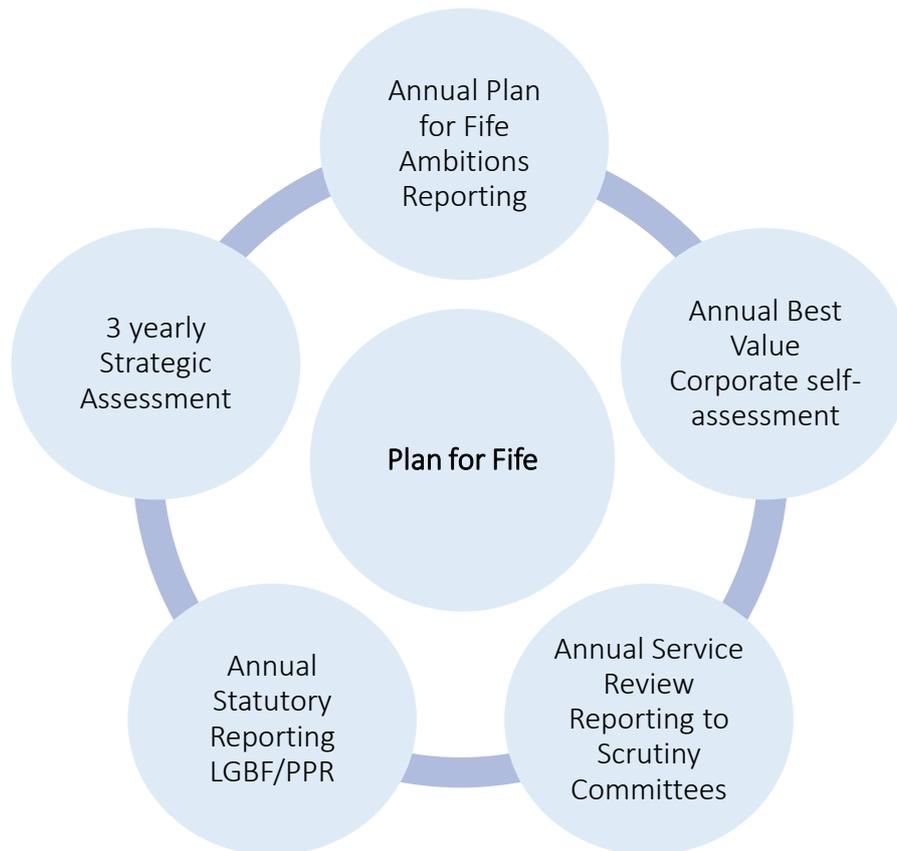
- shifting focus to prevent crisis, act earlier and invest in local, personal support for people and families.
- joining things up to work as one team around the needs of communities and the places where people live, work and play.
- simplifying things, making it easier for customers and staff to get things done, increasing efficiency and effectiveness.

The Council has acknowledged that looking forward, it will need to consider all options to reconfigure services and potentially change operating models to provide services in a different, more cost-effective way to ensure best value to the Council. This is currently being integrated into the strategic change work that is being undertaken around service change planning and people, place and digital.

Performance Management Arrangements

The Council has an established performance framework and is working on developing improvements to allow for an integrated approach to planning and reporting.

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



Both Fife Council and Plan for Fife 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.

2024/25 Performance Framework Developments

The Council's 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 involves alignment of the Plan for Fife strategy, change planning and service plans alongside improved policy based and service driven performance analysis linked to operational management plans in key areas such as risk management, finance, workforce and digital development.

The Council recognises that the extent of the change required will take a few years to shape. A fuller programme to accelerate and integrate planning and performance strategically was agreed by the Council Executive Team (CET) in May 2024 and the priorities for the next stage of this programme were presented to CET in May 2025.

Performance development activities which the Council carried out in 2024/25 include:

- Remodelled Service Annual Review Reports (ASRR) for scrutiny which integrated change and improvement actions.
- New approaches to performance and improvement monitoring were developed and dashboards are being trialed with directorates.
- More current service performance data and Local Government Benchmarking Framework information has been published on the Council's website.
- 3-year service change plans are in place to support a consistent approach to change and transformation.
- A CET Tracker portal created to provide a dashboard view of key performance indicators as part of the development of a 3-part model for CET performance tracking.
- Strengthening area reporting and placed based assessment including the regularity of key reports to Committees.

A significant amount of activity has been undertaken by the Council in 2024/25 and to date to develop its performance management framework. The Council evaluates the success of these changes on an annual basis following the full cycle of service annual reporting.

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 2024/25 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 and 2023/24 Best Value thematic reports
- Consideration of the Council's response to the Best Value Controller of Audit (CoA) Report and Accounts Commission findings.
- Performing a risk-based approach to Best Value Themes where our areas of focus in 2024/25 are: insert
- The Council's approach to setting the 2025/26 budgets (revenue, HRA and capital) including integration of service change plans into this process, reflecting the financial challenges the Council is facing
- The impact of health and social care financial challenges on the Council and consideration of reporting a whole system view.
- The effectiveness of the Council's revised performance arrangements in supporting scrutiny of performance, identifying action plans for areas of poor performance and providing good quality performance information to inform decision making
- The Council's compliance with the Accounts Commission's direction on public performance reporting and preparations for implementation of the new direction (effective from 2025/26).

We have reported on our findings in these areas within the Wider Scope section.

- Assessing the effectiveness of the Council's performance reporting.
- A thematic review on transformation.

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.

The Council’s response to the Best Value Controller of Audit (CoA) Report and Accounts Commission findings



The Council considered its response to the Best Value Controller of Audit (CoA) Report and Accounts Commission findings in May 2025. An action plan has been developed and agreed which will be monitored and reported to committee as part of its annual best value and performance review cycle.

Controller of Audit’s report on Best Value in Fife Council

In February 2025, the Controller of Audit reported to the Accounts Commission on the Council’s performance in meeting its Best Value duties. The Commission’s findings were presented to the May full Council meeting alongside the Council’s actions to address the findings.

Progress of delivery of the Council’s actions to address the Commission’s findings will be monitored by the Council’s Executive Team (CET) and reported to the Cabinet and Scrutiny Committees as part of its best value and performance review cycle.

Commission’s finding	Council’s Response in Action Plan
<p><i>Inequality gaps are widening in Fife and performance improvement has slowed in areas such as children’s services and adult social care.</i></p> <p>Timing: Ongoing, with regular monthly and annual reviews</p>	<p>Action on the social determinants of health requires a partnership approach. The Plan for Fife 2027 design group will look at how partners can work more effectively together to address inequalities as part of a whole systems approach.</p> <p>The Health and Social Care Partnership Strategic Plan for Fife, supported with its annual delivery plans, provides a framework for the planned programme of work and outlines the expected improvement outcomes.</p> <p>The monitoring of children’s services performance reporting is conducted on a regular basis, with detailed reports presented to committee for review. These reports provide valuable insights into service effectiveness, key performance indicators, areas for improvement, and overall impact on children and families.</p>

Commission's finding	Council's Response in Action Plan
<p><i>Large overspends in Fife's Integration Joint Board (IJB) in 2023/24 also projected for 2024/25 due to demand - driven spend</i></p> <p>Timing: Monthly reviews and ongoing scrutiny</p>	<p>Regular tripartite meetings at Director of Finance Chair and CEO level have been held 4-weekly over the year. The frequency increased given the financial position. During these meetings a focus on the savings and their deliverability has been a priority. An escalation tool has been developed showing 'what the budget buys' versus current commitments, these volatile budgets are subject to further scrutiny.</p>
<p><i>The Housing Revenue Account is under pressure - plans are required, in consultation with tenants, to meet financial gaps and enable future investment in affordable housing</i></p> <p>Timing: October 2025, annual Rent Conference in November 2025</p>	<p>Housing and Finance complete an annual HRA 30-year Business Plan review.</p> <p>Annual business efficiency reviews are undertaken by the Housing Service Managers to reduce costs and increase the HRA CFCR capacity.</p> <p>Tenant Participation on annual rent increase to increase the capacity in the HRA to continue to deliver services and borrow to invest in new and existing housing stock.</p> <p>Exercise strong financial management and financial control.</p>
<p><i>Significant levels of reserves were used in 2023/24, and uncommitted general fund balances dipped below the council's rolling three- year target of two per cent</i></p> <p>Timing: Ongoing with regular reporting</p>	<p>Planned use of reserves with a value of £62.6million included commitments in relation to COVID-19, planned Capital Investment, draw down of specific grant funding, devolved school management.</p> <p>Decommitment of balances during 2024-25 to increase level of uncommitted balances.</p> <p>A report to Cabinet Committee in March 2025 reported estimate uncommitted balances of £23million, which is above the policy minimum.</p>

Commission’s finding	Council’s Response in Action Plan
<p><i>The council’s Medium-Term Financial Strategy must set out how the council will respond to ongoing issues</i></p> <p>Timing: Normally two reports to Cabinet Committee per year, unless circumstances or events dictate additional reports</p>	<p>Reports outlining future budget gaps are routinely presented to the Cabinet Committee. These reports set out some scenarios and outline the approach to balancing the budget.</p>
<p><i>Three-year service change plans (due by end March 2025) are important to evidence that the transformation and change required can be delivered at accelerated pace.</i></p>	<p>Service Change Plans complete as at end of March 2025.</p>
<p><i>The council’s Medium-Term Financial Strategy should be updated to take into account the impact of three-year service change plans, and provide transparency about future intended use of reserves</i></p> <p>Timing: March 2025, ongoing</p>	<p>The Medium-Term Financial Strategy is a set of guiding principles for financial planning and does not need updated to reflect services change plans. Transparency about intended use of reserves is delivered through quarterly reporting to the Cabinet Committee with the estimates and forecasts being updated regularly.</p>

Commission’s finding	Council’s Response in Action Plan
<p><i>The next key step in performance improvement is robust evidence of how the council is using its improved performance reporting framework to drive continuous improvement.</i></p> <p><i>The council should evidence that its new change plans are having a positive impact on services performance and outcomes for communities.</i></p> <p>Timing: Annually</p>	<p>Further development of an integrated planning and performance framework in 2025/26. Embed the framework within the Service Annual Review Reports.</p> <p>Performance monitoring and reporting will continue to evolve online, internally and to elected members and the public.</p>
<p><i>Further work is needed to encourage and support groups to manage assets in the most deprived areas.</i></p> <p><i>The council will need to ensure engagement structures support meaningful conversations between elected members and communities on the challenging fiscal reality, ensuring that they are equipped and able to take the tough decisions that lie ahead and implement the necessary service changes that have been delayed up until now.</i></p> <p>Timing: Ongoing, with regular reviews</p>	<p>Proactive Community Asset Transfer (CAT), leases, and Common Good dialogue with communities and elected members.</p> <p>Further development of community engagement strategy and the online engagement tool, Citizen Space.</p>

Commission's finding	Council's Response in Action Plan
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Evidence of regular reporting on the council's workforce strategy should be prioritised to measure the impact of initiatives and maintain a focus on continuous improvement

A report is delivered annually to both the Council Executive Team (CET, senior council officers) via the Reform Board in May and to the Cabinet Committee (including elected members) in June.

Timing: Annually

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 two improvement actions which were outstanding in 2023/24, one has been fully implemented and one remains 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, service improvement planning and performance reporting to relevant scrutiny committees.

Action	Audit observation
<p><i>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.</i></p> <p>Status: Ongoing</p>	<p>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.</p> <p>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.</p> <p>The 2024/25 financial position for the health and social care partnership continued to be challenging where the overspend had to be funded through additional allocations from both partner bodies, NHS Fife and Fife Council, in the form of a risk share agreement, as outlined in the Integration Scheme.</p>

Action	Audit observation
<p><i>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</i></p> <p>Status: Complete</p>	<p>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.</p> <p>Three-year service change plans were produced in April 2025 and were used to inform the 2025/26 budget setting process. The plans set out how the Council aims to deliver the next phase of public service reform and progress of delivery will be monitored regular through the Reform Board.</p> <p>The Council has committed to update change plans annually to reflect data and feedback gathered throughout the year. Impact and progress against priorities within the plans are due to be reported on annually through Annual Service Review Reports taken to Scrutiny Committees.</p>

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, where the one outstanding development reported in 2023/24 has now been fully implemented.

Action	Audit observation
<p><i>Development of 3 year change plans which support the wider ambitions outlined in the Plan4Fife.</i></p> <p>Timeline: April 2024</p> <p>Status: Complete</p>	<p>Three-year service change plans were produced in April 2025 and were used to inform the 2025/26 budget setting process. The plans set out how the Council aims to deliver the next phase of public service reform and progress of delivery will be monitored regular through the Reform Board.</p> <p>The Council has committed to update change plans annually to reflect data and feedback gathered throughout the year. Impact and progress against priorities within the plans are due to reported on annually through Annual Service Review Reports taken to Scrutiny Committees.</p>

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

A thematic work on workforce innovation and how councils are responding to the current workforce challenge through building capacity, increasing productivity and innovation was undertaken in 2023/24. We raised one improvement action point in our report in relation to the timeliness of performance reporting against the Council’s workforce strategy where we have reviewed the Council’s progress in implementing this improvement action point. This action has now been implemented.

Action	Audit observation
<p><i>Timeliness of performance reporting against the OPM</i></p> <p>Timeline: September 2024</p> <p>Status: Complete</p>	<p>The 2023/24 annual report on the OPM was presented to the Cabinet Committee in September 2024 and the 2024/25 report was presented to the Cabinet Committee in June 2025.</p>

Effectiveness of performance reporting

The Council has an established performance framework in place and reports on performance through a series of reports including Plan4Fife: Annual Review of Priorities and Ambitions, Fife Strategic Assessment, Annual Service Review Reports, Local Government Benchmarking Framework (LGBF) and Best Value Corporate self-assessment.

A good level of work has been undertaken by the Council in 2024/25 and to date to improve the effectiveness of its performance management reporting in addressing areas of underperformance and identifying scope for performance improvement. There is now a better link between advance performance indicator data published in advance of Scrutiny Committee meetings and improvement plans within the Annual Service Review Reports.

The Council evaluates the success of these changes on an annual basis following the full cycle of service annual reporting.



Looking forward, the Council intends to further develop its integrated approach to strategic planning and performance. A key focus is the linking change and financial planning with service performance reporting through Annual Service Review Reports.

Fife Council has improved its performance over time on 63% of the Local Government Benchmarking Framework (LGBF) indicators. It has however only improved on 43% of indicators relative to its family group and 42% compared to Scotland. These results are consistent with 2023/24.

In 2024/25, the Council has improved on 12 of the 16 performance indicators used to monitor best value which represents an improvement in performance compared to the previous year.

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 started preparations to support the implementation of the new Direction (effective from 2025/26).

The Council has an established performance framework in place. The focus of performance management improvements for 2025/26 and onwards is the development of a more integrated approach to strategic planning, finance and performance

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 2024/25 and to date
Plan4Fife: Annual Review of Priorities and Ambitions	<p>The 2024/25 annual report was published in August 2025. This year, the report has been supplemented with partner case studies showcasing Plan for Fife progress (Plan for Fife Progress Our Fife - Creating a successful, confident and fairer Fife) and a Video summarising partnership achievements in 2024/25.</p> <p>https://www.youtube.com/watch?v=mC27kcYJpU</p>
Fife Strategic Assessment	<p>The Council committed to producing a Fife Strategic Assessment every three years, to support the ongoing development of the Plan4Fife.</p> <p>The most recent report, presented to the Fife Partnership Board in August 2024, showed that Fife continues to face key challenges. This fed into the decision for the recovery and renewal priorities to remain the focus during 2024-2027.</p> <p>The next Fife Strategic Assessment is due to be completed in 2027.</p>
Annual Service Review Reports	<p>All Services report annually to scrutiny committees on their performance. During 2024/25, the Council further revised the content of its Annual Service Review Reports to include reporting on progress against improvement priorities in the service change plans.</p> <p>The first annual review reports for 2024/25 became publicly available in September 2025.</p>
Local Government Benchmarking Framework (LGBF)	<p>Reporting corporately on LGBF was reintroduced by Council’s Executive Team in 2023. The latest report was published in May 2025 which highlighted mixed performance in Fife’s performance over time, compared to its family group and Scotland.</p>

Performance Information	Detail of performance information reported during 2024/25 and to date
	<p>During 2024/25, LGBF data was released monthly by the Improvement Service which has allowed for more timely reporting with the focus, going forward, on further promoting the use of LGBF to drive transformation and service improvements.</p>
<p>Best Value Corporate self-assessment</p>	<p>During 2023/24 the Council developed its first annual corporate self-assessment report which was published in September 2024. The report considers how the Council 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 enables the Council to assess on an annual basis how it is doing in delivering best value to its communities.</p> <p>The next annual self-assessment is due to be presented to the Standards, Audit and Risk Committee in September 2025, and subsequently published.</p>

The Council’s improvement project to update and improve performance management practice was initiated in 2022, with a focus on improving data quality, collection and monitoring. In 2025, CET approved the next stage of this project which will focus on the system change needed to support the integration of strategic planning and performance.

Performance development activities for 2025/26 that are planned to support the Council’s integrated approach to strategic planning and performance include:

- Developing the integrated planning and performance model further into a whole-system approach to support scrutiny of objectives and progress, understanding of conditions and influencing factors and effective decision-making.
- Improving performance analysis, assessment and reporting to support strategic decision-making and best value.
- Simplifying and bringing existing processes together to better align corporate, service, place, and thematic planning and timetabling.
- Further improving report formats to integrate planning and performance monitoring with change projects and key business processes from budget and workforce through to risk management.
- Extending engagement with elected members and encouraging involvement in the design of the emerging new performance systems.

- Developing tools including dashboards to inform live, strategic performance management and facilitate cross-cutting analysis on a thematic, service and issue basis.

A good level of work was undertaken by the Council in 2024/25 to improve the effectiveness of its performance management reporting in addressing areas of underperformance and identifying scope for performance improvement

We concluded within our 2023/24 Annual Audit Report that the Council would not be able to fully evaluate the success of its performance framework improvements until a full cycle of service annual reporting had been completed.

In March 2025, we conducted a review of the Council's published Annual Service Review Reports, focusing on the effectiveness of these in supporting scrutiny of performance, identifying action plans for areas of poor performance and providing good quality performance information to inform decision making.

Our main finding, which we fed back to the Council, was that performance indicator data and outcomes published for each service in advance of Committee meetings did not align to the performance information and findings that were subsequently published within the Annual Service Review Reports. Areas of poor performance identified in the performance indicator data were not reflected or incorporated into service improvement plans within Annual Service Review Reports.

Since our work earlier in 2025, and from review of the 2024/25 Annual Service Review Reports available to date, significant work has been undertaken by the Council to improve and further develop its performance reporting. There is now a better link between the performance indicator data published in advance of Committee meetings and the performance information and improvement plans within the Annual Service Review Reports.

The Council evaluates the success of these changes on an annual basis following the full cycle of service annual reporting.

How well is the Council is performing?

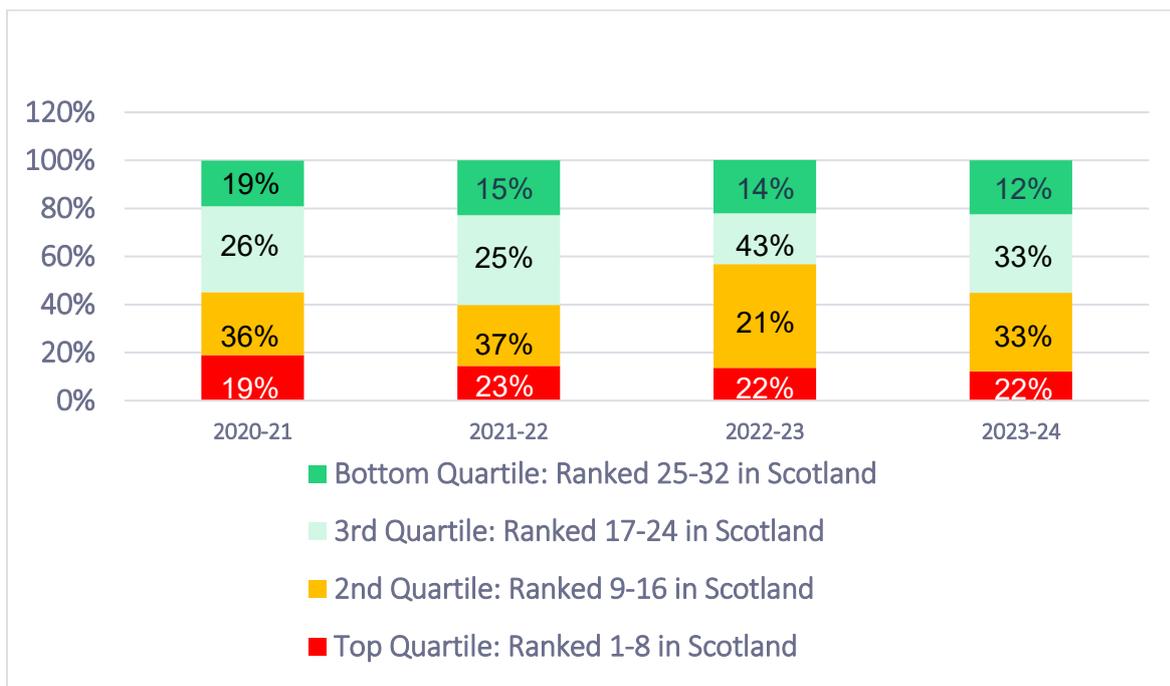
The latest Local Government Benchmarking Framework (LGBF) report, published in May 2025, highlighted that Fife Council has improved its performance over time on 63% of the LGBF indicators. It has however only improved on 43% of indicators relative to its family group and 42% compared to Scotland.

Performance	Better	Worse	Unchanged
Fife over time	63%	36%	1%
Fife vs Family Group	43%	56%	1%
Fife vs Scotland	42%	56%	2%

Source: Local Government Benchmarking (LGBF) Report 2025: 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 2023/24 shows 44.9% of indicators in the top two quartiles which represents a decrease in performance compared to 2022/23.

Fife LGBF Data Comparison over time by Quartiles



Source: Local Government Benchmarking (LGBF) Report 2025: Council Executive

The Council has identified signs of slowing improvement in aspects of financial sustainability, children’s services and adult social care but that these are in line with national trends and increased pressure / demand. If this trend continues, the improvements and progress that has been achieved to date, could potentially be lost and the Council’s service performance may start to decline over the longer-term.

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

The latest Best Value Corporate self-assessment, due to be presented to the Standards, Audit and Risk Committee in September 2025 highlights that Fife has improved on 12 of the 16 indicators used to monitor best value. This position represents an improvement in performance compared to the previous year.

Best Value theme	Performance Indicator	Value	Target	RAG	Trend
Workforce / Staff	Education (Teachers) – Average Working Days Lost per FTE	8.42	9.2		Improving
	Fife Council – Average Working Days Lost per FTE	14.75	14.8		Improving
Asset Management	Proportion of operational buildings that are suitable for current use (%)	83.8%	85.5%		Improving
	Percentage of internal floor area of operational buildings in satisfactory condition	91.1%	89.8%		Improving
Financial Management and Planning	Percentage of income due from Council Tax received by the end of the year	95.2%	95.5%		Improving
	Invoices sampled that were paid within 30 days (%)	97.1%	95.2%		Improving
	Actual Outturn as a % of budgeted expenditure	99.1%	99.6%		Improving
	Uncommitted General Fund Balance as a % of annual budgeted net revenue	1.3%	2.3%		Declining
	Support services as a % of total gross expenditure	3.9%	4.1%		Improving
Fairness & Equalities	Gender Pay Gap	0.16%	1.74%		Improving

Best Value theme	Performance Indicator	Value	Target	RAG	Trend
	Proportion of highest paid 5% employees who are women	61.7%	59.8%		Improving
Customer responsiveness	Stage 1 Complaints actioned < 5 days	83%	90%		Declining
	Stage 2 Complaints actioned < 20 days	75%	85%		Declining
	Call Volume - % of Contacts Answered – Contact Centre	92.3%	90%		Improving
Digital / information	% Freedom of Information requests completed on time	86.7%	90%		Declining
Sustainability / Climate	Total Fife Council Carbon Footprint – tCO2e	52,197	73,573		Improving

Source: Delivering Best Value 2024/25 (draft report September 2025)

Statutory Performance Information

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)

The Council's annual Best Value corporate self-assessment is its response to meeting the requirements of SPI2.

The Council has started to prepare for the implementation of the new Direction (effective from 2025/26)

During 2024/25, and to date, the Council's has started to prepare for implementation of the new Direction. A working group has been established to self-assess the Council's performance framework against the new Direction. A number of areas have been identified where the Council requires further consideration on how its performance management arrangements will meet the requirements of the new Direction. These areas include community planning and reporting and financial sustainability.

Thematic review: Transformation: how councils are redesigning and delivering more efficient services to achieve planned outcomes

The thematic work for 2024/25 was on transformation and how councils are redesigning and delivering more efficient services to achieve planned outcomes. We reported our conclusions in a separate report and the key findings are detailed below.

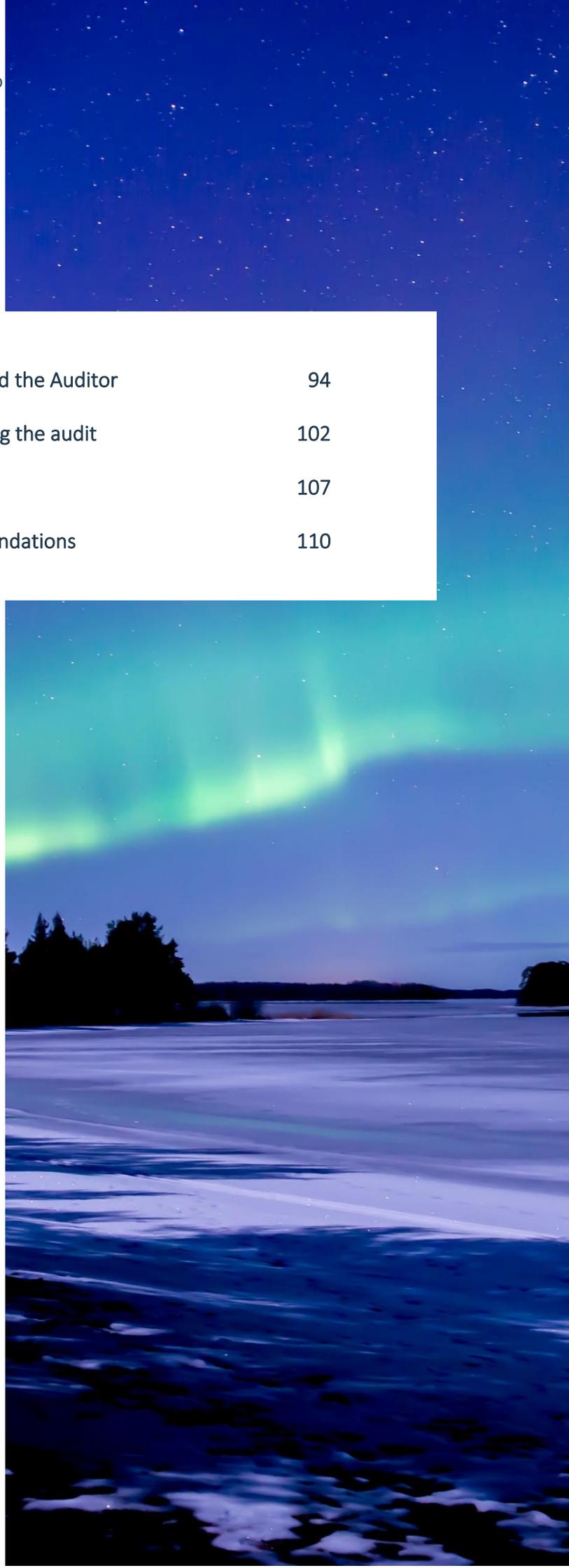
<p>To what extent does the council have clear plans for transformation that link to its priorities and support long-term financial sustainability?</p>	<p>Auditor judgement</p> <p>Risks exist to the achievement of operational objectives</p>	
	<p>The Council’s transformation ambitions and activity is now integrated into overall service delivery.</p> <p>The Council has developed its approach to transformational change since 2008, balancing corporate led and service led transformation initiatives. This balance has evolved over time in response to strategic priorities, financial pressures, and operational opportunities.</p> <p>Since the pandemic, the Council’s focus has been on accelerating service led transformation. Work continues to enhance service change planning which is aligned to a three year planning horizon.</p> <p>Transformation activity is outcome based. The Council’s approach to change is structured around key themes including service redesign, digital innovation and productivity to ensure that there is a focus on improved outcomes.</p> <p>The Council has set out a transformation portfolio that reflects the scale of ambition necessary to address both current and projected budget gaps. Change is structured in a way that enables a strategic and sustainable approach to the forward financial challenge.</p>	

<p>To what extent do the council’s programme management arrangements facilitate effective oversight of its transformation plans?</p>	<p>Auditor judgement</p> <p>Pace and depth of improvement are adequate</p>	
	<p>The Council has a Programme Management Office (PMO), Reform Board and Cabinet Committee in place to provide strategic direction, ensure alignment with corporate priorities, and monitor delivery of progress of transformational activity</p> <p>The Council reports progress on transformation to the senior leadership team and elected members through reporting to Cabinet Committee and the Reform Board.</p> <p>The Council is in the process of further enhancing their transformation reporting. A centralised change and transformation dashboard is being further developed by mapping service level transformation projects to strategic outcomes.</p>	
<p>To what extent are partners and communities involved in the development and delivery of the council’s plans for transformation?</p>	<p>Auditor judgement</p> <p>Effective and appropriate arrangements are in place</p>	
<p>The Council actively engages with local partners and communities to develop and deliver transformation plans.</p> <p>The Council has had joint funding arrangements in place for their transformation projects with partners.</p> <p>The Council has engaged well with communities on its transformation activity.</p>		

<p>To what extent has the council considered the impact of its transformation activity, including on vulnerable or protected groups?</p>	<p>Auditor judgement</p> <p>No major weaknesses in arrangements but scope for improvement exists</p>	
	<p>The Council has a process in place to report on the impact of transformation but is further developing measures to assess the success of their transformation activity.</p> <p>The Council is in the process of developing a CET Tracker which will define and monitor benefits across financial, performance, and outcomes. These benefits will be tracked and reported as part of the developing approach.</p>	

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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	Council responsibilities
<p>Corporate governance</p>	<p>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.</p>
<p>Financial statements and related reports</p>	<p>The Council has responsibility for:</p> <ul style="list-style-type: none"> • 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. Management commentaries should be fair, balanced and understandable.

Area	Council responsibilities
	<p>Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about Fife Council and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.</p> <p>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.</p>
<p>Standards of conduct for prevention and detection of fraud and error</p>	<p>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.</p>
<p>Financial position</p>	<p>The Council is responsible for putting in place proper arrangements to ensure its financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • 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.
<p>Best value</p>	<p>The Council has a specific responsibility to make arrangements to secure Best Value. Best Value is defined as continuous improvement in the</p>

Area

Council responsibilities

performance of the body's functions. In securing Best Value, the local government body is required to maintain an appropriate balance among:

- 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.

Area	Council responsibilities
	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.

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 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 financial statements 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 2025](#)

Independence and ethics

The Ethical Standards and ISA (UK) 260 require us to report full and fair disclosure of matters relating to our independence. In accordance with our profession's ethical requirements and further to our external audit plan we note the following matter to bring to the Council's attention.

Other threats and safeguards

Other potential threats for which we have applied appropriate safeguards include:

Other threats to objectivity and independence	Safeguard implemented
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 consider an objective, reasonable and informed third party would take the same view.

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: No non-audit services are 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: 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 2025 was three years.

Audit fees

The total fees charged to the Council for the provision of services in 2024/25 were as follows. Prior year fees are also shown for comparative purposes:

	2024/25	2023/24
Auditor remuneration (expected fee level)	£394,520	£378,610
Auditor remuneration (above expected fee level)	£52,950	£37,500
Pooled costs	£9,910	£13,800
Contribution to Performance Audit and Best Value work (PABV) costs	£122,130	£125,160
Sectoral cap adjustment	£136,130	£132,700
Total audit fee	£715,640	£687,770

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. 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.

Current year audit adjustments (Council and Group Accounts)

No	Detail	Comprehensive Income and Expenditure Statement Dr / (Cr) £million	Balance Sheet Dr / (Cr) £million
1.	Leased Assets – IFRS 16 implementation and in year remeasurement	(5.99)	5.99
2.	Group – Update to figures based on final updated accounts.	(0.39)	(0.39)
3.	Service Concession Arrangements – IFRS 16 implementation and in year remeasurement and correction of Levenmouth opening liability	6.39	(6.39)
4.	Service Concession Arrangements – correction of Levenmouth opening liability		5.2 – assets (5.2) – liabilities
	Net impact on reserves – increase / (decrease)		(0.79)
	Total reserves per the unaudited financial statements (Group)		3,232.062
	Revised reserves per the audited financial statements (Group)		3,231.273

Current year audit adjustments (Common Good)

No	Detail	Comprehensive Income and Expenditure Statement Dr / (Cr) £million	Balance Sheet Dr / (Cr) £million
1.	Common Good debtor reclassification to property, plant and equipment	0.34	(0.34)
	Net impact on reserves – increase / (decrease)		(0.34)
	Total reserves per the unaudited financial statements		267.22
	Revised reserves per the audited financial statements		266.88

Unadjusted misstatements and Uncertainties

The table below provides details of uncertainties identified during the audit which have not been made in the final set of financial statements. As these are uncertainties and not misstatements, the revised reserves figures as a result of these have not been included.

Our summary of unadjusted audit differences and uncertainties is presented below. We have discussed these with management and confirmed that all unadjusted differences and uncertainties are collectively and individually under materiality.

Council

No	Detail	Comprehensive Income and Expenditure Statement Dr / (Cr) £'000	Balance Sheet Dr / (Cr) £'000
1.	Auditor Estimate – Uncertainty Council (PPE)- EUV / FV assets not revalued since last formal valuation		(16.408)
2.	Auditor Estimate – Uncertainty Council (PPE) –uplift calculation		(12.976)
3.	Management Estimate - Uncertainty Council (PPE) – Surplus assets which should be reclassified as Other Land and Buildings		2.392
	Net impact on reserves – increase / (decrease)		(26.992)

Common Good

No	Detail	Comprehensive Income and Expenditure Statement Dr / (Cr) £'000	Balance Sheet Dr / (Cr) £'000
1.	Auditor Estimate – Uncertainty PPE- EUV / FV assets not revalued since last formal valuation (auditor estimate)		(0.171)
2.	Auditor Estimate – Uncertainty PPE - uplift calculation (auditor estimate)		(0.152)
3.	Auditor Estimate – Uncertainty Long term debtor- uplift calculation (auditor estimate)		(1.561)
4.	Management Estimate – Uncertainty PPE- – Surplus assets which should be reclassified as Other Land and Buildings (management estimate)		0.429
	Net impact on reserves – increase / (decrease)		(1.455)

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 financial statements, and these have all been amended by management. Details of all disclosure changes amended by management following discussions are as below.

Adjusted

No	Detail
1.	Relocation of Audit Fee disclosure from Related Party transactions.
2.	Common Good CIES - update of wording in the Common Good CIES to reflect the disposal of investments
3.	Non Domestic Rates - correction of intermediate property rate and rateable values
4.	Trade Union Facility Time - update to reflect that this is not subject to audit
5.	Note 16 - update to wording to reflect impact of IFRS 16 on Common Good debtor
6.	Pensions - disclosure of a sensitivity analysis for each significant actuarial assumption
7.	Disclosure of prior year comparatives for subsidiary table
8.	Related parties note - update to note to only reflect transactions with related parties in line with IAS 24 and the Code criteria.
9.	Annual Governance Statement - wording updates to reflect points picked up as part of the audit
10.	Note 4 - further on the methodology used in 2024/25 to note the change of valuation of methodology of schools to use SFT rates and a change to the approach to Nurseries that are not revalued in the year to update valuations for the most up to date build costs.
11.	Note 17 - the Council's disclosure of the contract repayments remaining to be made at 31 March 2025 were updated to disclose the revised service costs, capital repayments and finance costs as a result of the Levenmouth adjustment and IFRS 16.

Unadjusted

No	Detail
1.	PPP and NPD contracts (note 17) - Inclusion of utilities component of the PPP1 and variations components of the PPP2 unitary charge in the 'Contract payments remaining to be made at 31 March 2025 disclosure.

Appendix 3: Action plan

Our action plan details the weaknesses and opportunities for improvement that we have identified during our 2024/25 audit.

The recommendations are categorised into three risk ratings:

Key:

- 1. Significant deficiency**
- 2. Other deficiency**
- 3. Other observation**

1. Related Party Transactions	Other observation
Observation	<p>As part of its Related Parties disclosure note, the Council only discloses transactions with related parties over £0.100million. This is not in line with the Code of Audit Practice which states that materiality of the transactions should be considered from the viewpoint of both the Council and the related party.</p> <p>From our audit testing, we concluded that there were no related party transactions below £0.100million which should have been disclosed within the financial statements.</p>
Implication	<p>There is a risk that Related party transactions that are material to the counter party are not disclosed within the Council's financial statements, resulting in a material misstatement to the Councils accounts.</p>
Recommendation	<p>We recommend that the Council reviews its related party transaction processes to ensure that the materiality of transactions is considered from the viewpoint of both the Council and the related party.</p>
Management response	<p>We will carry out a review of the process as noted</p> <p>Responsible officer: Finance Operations Manager</p> <p>Implementation date: 30 June 2026</p>

2. Calculation of PPP Unitary Charges	Other observation
Observation	<p>From review of the unitary charge amounts for PPP2, we identified that the unitary charge changed several times throughout 2024/25. Our expectation is that the unitary charge would remain consistent throughout each month though uplift of the 2023/24 unitary charge by RPI. Through discussion with the Council, it was unclear if full reconciliations had been undertaken and documented to ensure that the unitary charge uplifts by the provider were agreed to underlying information on variations by the Council.</p>
Implication	<p>There is a risk that the unitary charge payments that the Council makes for the provision of services for the service concession arrangement is incorrect resulting in over or underpayments by the Council.</p>
Recommendation	<p>We recommend that the Council reviews its unitary charge processes to ensure that the uplifts to unitary charges are agreed to underlying Council documents on the variations and that there is clear documentation of this.</p>
Management response	<p>The unitary charge was correctly adjusted to reflect council initiated change requests but concede that a more robust process should be put in place to help reconcile changes to the unitary charge.</p> <p>Responsible officer: Head of Property Services</p> <p>Implementation date: 30 April 2026</p>

Appendix 4: Follow up of prior year recommendations

As part of our audit work we have followed up on control weaknesses and recommendations either raised in last year's Annual Audit Report or carried forward from prior years.

1. Timeliness of receipt of revaluation 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.
Implementation date	31 March 2025
Closed	Formal valuation report was provided in July at the start of the Audit process

2. Documentation of asset floor plans	
Recommendation	We encourage the Council to formally document the GIA for all assets through the use of floor plans.
Implementation date	31 March 2030
Ongoing	Formal floor plans are being updated as assets are revalued in line with the Quinquennial Programme. Given this, the implementation date is 5 years from the year of the recommendation.

3. Challenge of external valuer outputs	
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.
Implementation date	30 June 2025
Closed	Discussions were held with the District Valuer during the 2023-24 audit process to better understand how the uplift is calculated and how this could be reasonably applied to the Council House Dwellings valuations. Working papers were then introduced by management for 2024-25 to check the reasonableness of the Council House Dwelling valuation provided by the valuer.

4. Impairment Review	
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.
Implementation date	30 June 2026
Ongoing	<p>Our 2024/25 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 2025 with positive net book values.</p> <p>We are satisfied that the total net book value of these assets is below our reporting threshold but continue to encourage the finance team to further investigate assets on the returned impairment assessment template</p>

5. Capital Commitment	
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.
Implementation date	30 June 2025
Closed	A new process was introduced for 2024-25 which took account of the above recommendation. Work is still ongoing to allow us to conclude that the process is satisfactory.

6. PPP1 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.
Implementation date	31 March 2026
Ongoing	Work is still ongoing to progress and address this.

7. Asset valuation dates (Raised 2022-23)	
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
Closed	The Council now undertakes its asset valuation exercise at 31 March 2025, in line with Audit Scotland roundtable recommended actions.

8. Common Good Asset Register (Raised 2022-23)	
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 2026
Ongoing	There has been a reclassification between Fife Council Heritage Assets and Common Good Heritage Assets in the year. Work is ongoing to ensure the Register reconciles to the fixed assets register.

9. Transfers and valuation of Assets Under Construction to operational land and buildings (Raised 2022-23)	
Recommendation	Management review of assets under construction and of completed asset transfers should be improved.
Implementation date	30 June 2026
Ongoing	As part of our audit work, we identified one asset which should have been transferred out of assets under construction. This should have been transferred to community assets and valued at historic cost, hence, no impact on the accounts.

10. Bank reconciliations of the main General Fund account (Raised 2022-23)	
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
Closed	This is now promoted to the live system. No further issues related to this were identified in our testing of bank reconciliations.



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