

Annual Accounts

Cunntasan Bliadhnail

2023/24



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Management Commentary

The management commentary is intended to assist users in understanding the objectives and strategy of the Council, and provide a review of its business and financial performance in the year. In addition it provides information on the principal risks and uncertainties which are likely to affect the future development and performance of the Council.



238,060
Population (mid 2021)

About The Highland Council



Coalition Administration of
Scottish National Party and
Highland Independent.

Council Priorities

www.highland.gov.uk/our-priorities

Our Future Highland 2022-2027

This is what the Council's Administration wishes to achieve, its political commitments and priorities.

www.bit.ly/HC-Administration-Programme

Performance Plan 2022-2027

How the Council measures and sets targets for its political, strategic and improvement priorities.

www.bit.ly/HC-Performance-Plan

The Highland Outcome Improvement Plan 2017-2027

The Highland Community Planning Partnership's shared priorities are set out here.

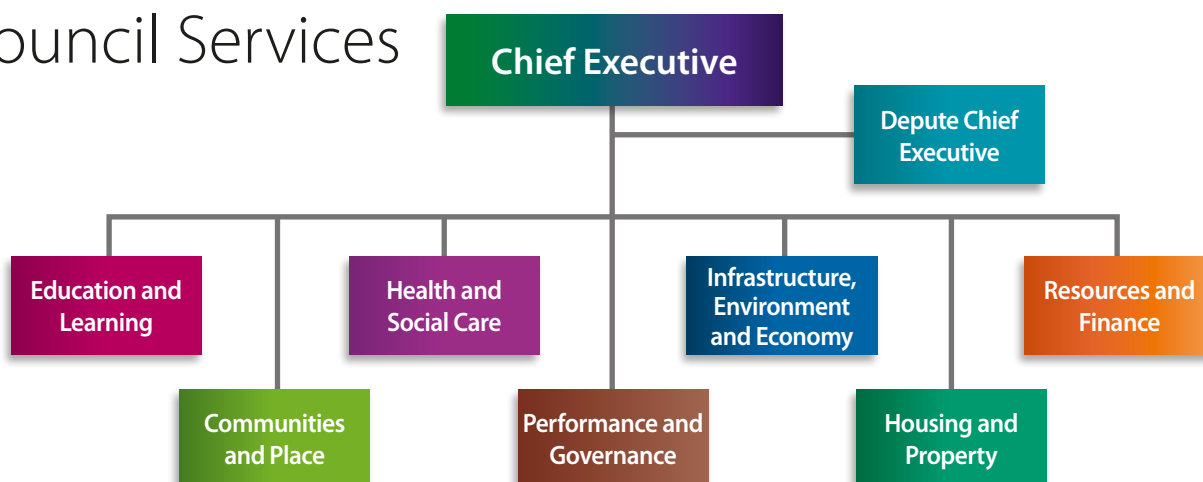
www.bit.ly/Highland-Outcome-Improvement-Plan

Delivery Plan 2024-2027

To support delivery of budget savings and outcomes considered by the Council.

www.bit.ly/HC-Delivery-Plan

Council Services



Note: Structure correct during 2023/24, new structure in place from May 2024

Employment of Disabled Persons

We are a Disability Confident Leader. We understand that all disabilities are not visible, and we want our Council to be accessible for all. We aim to remove barriers within the workplace that disabled people and those with long-term health conditions may face. We want our employees to have everything they need to perform their best and fulfil their potential.

We have a commitment to employ and retain disabled people and those with long-term health conditions and offer a guaranteed interview to applicants who consider themselves to be disabled and who meet the essential criteria for the job.

We value our employees and want to ensure that no one is excluded or held back because of a disability. We support our disabled people in the workplace and can make reasonable adjustments to ensure that the work environment suits individual needs. We introduced the Reasonable Adjustment Disability Passport Scheme in 2022 to enable our employees to share information about their disability and any particular requirements and workplace adjustments they have. The Passport can be used to prevent the employee having to re-explain to a new line manager if they change job roles or their line manager changes.

Disability		
Yes	350	7%
No	4394	88%
Prefer not to say	258	5%

Highland Council Employee Engagement Survey 2022 was completed by 47% of staff of which 7% identified as having a disability. This should be viewed as an indicator only as the survey represented just under half the workforce.

In the 2023 monitoring report, data regarding disability is held for 29% of the workforce, with 2.7% identifying as being disabled.

www.bit.ly/HC-Corporate-ResourcesCommittee

Effective Employee Voice

The Council engage with staff through a range of mechanisms one being our Staff Partnership process and we encourage employees to join one of the trade unions recognised by the council to enable their effective representation in negotiations and partnership issues. The views of staff are encouraged through involvement in the Redesign Board, staff surveys, service trade union meetings (covering both health and safety and staffing matters), Staff Connections which provides an interactive communication platform for staff to express views and hear about corporate initiatives, key messages or staff engagements sessions with the Chief Executive.

2023/24 the year in review

The Council in common with wider society, was faced with cost of living pressures, high inflation and challenging economic and financial circumstances at the start and into the financial year.

The Council's financial plans for the year had been set in an environment of high inflation (CPI was 10.1% in March 2023 when the Council's budget for the year was agreed), and with the Council's revenue budget for the year based on a significant budget gap of £54.2m, and the agreed mechanisms to close that gap including £22.2m of budget savings, £5.4m from council tax income, and £26.6m from non-recurring sources including £23.3m from reserves.

As the year progressed, there was some easing of the inflationary challenges, with the Consumer Prices Index (CPI), falling from 8.7% at April 2023 to 3.2% by March 2024.

The Council was able to navigate through the year and deliver strong financial performance, make a number of key financial and strategic decisions to support financial sustainability, while continuing to deliver vital services to the Highland community, and work for the Highlands to deliver improved outcomes going forward.

In September 2023, Derek Brown commenced in his role as the Council's newly appointed Chief Executive.

The Council reviewed its 5 year capital investment programme in September 2023, addressing a number of affordability challenges in doing so.

The Council in February 2024 agreed a new medium-term financial plan and a package of budget decisions over three financial years which set out how the Council will address a £113.0m budget gap over those three years, as well as setting out a range of investment measures within the plan. Importantly, that financial plan saw a shift away from use of reserves to balance the budget, towards use of reserves to support change and transformation. The Council's financial plan was supported by a significant budget engagement process, gathering views from Highland residents and businesses. The Council in March also considered a draft delivery plan, to support delivery of budget savings and Council Programme and Community Planning Partnership outcomes.

In June 2023 the Council agreed its Net Zero Strategy through which it has adopted the Scottish Government's Net Zero by 2045 target, aiming to achieve this sooner. The Council has also set key interim targets to reduce emissions by at least 75% by 2030 and at least 90% by 2040.



The Council agreed a new draft Community Wealth Building Strategy in March 2024, with the vision to “Retain greater wealth and maximise spending within and for the communities of the Highlands.” With the draft plan being consulted upon during 2024.

In March 2024 the Council considered a draft Highland Outcome Improvement Plan. This partnership plan had been reviewed and updated by the Community Planning Partnership. It sets out strategic priorities and how public bodies will work together to improve outcomes for communities.

The year saw a number of key developments, which will play a significant role in shaping the Council’s future plans.

These developments included the submission of the Outline Business Case for the Inverness and Cromarty Firth Green Freeport in October 2023, and the passing of a Parliamentary Statutory Instrument in March 2024 designating tax sites within the Freeport. The Freeport is estimated to deliver over £6.5bn of investment over the next 25 years, enable 18,300 long-term jobs for the UK (11,300 of which would be in the Highlands) and provide Non-Domestic Rates revenues of £547m for re-investment in the region.

The year also saw the commencement of the Visitor Levy (Scotland) Bill through the Scottish Parliament, with the Council having been a strong lobbying voice for the provision of powers to Local Authorities for additional income raising powers.

In relation to financial performance, despite the very significant financial challenges referred to, the Council finished the year in a surplus position, and through a range of actions, including the implementation of an accounting flexibility related to the accounting for private financed schools projects, saw an overall increase in reserves. With, as referred to earlier, reserves playing a key role in supporting change and transformation, and delivery of the Council’s medium-term financial plan and other outcomes.

2023/24 Highlights

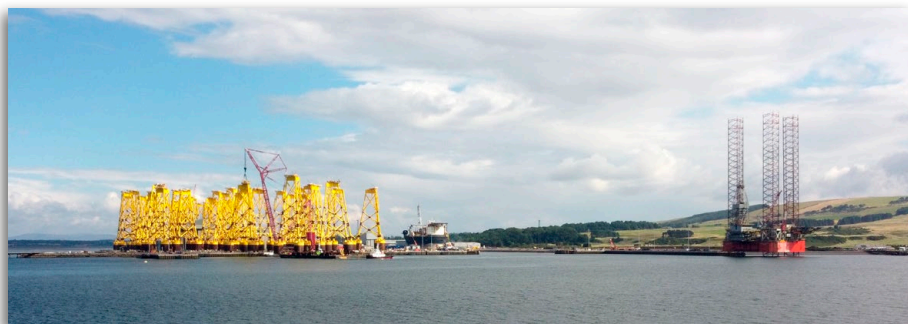
Delivery Plan

A new draft Delivery Plan to support delivery of budget savings, Council Programme and Highland Outcome Improvement Plan outcomes considered by the Council.



Green Freeport

Agreement of the Outline Business Case for the Green Freeport and the designation by Parliament of the tax sites within the Freeport area.



Nigg Bay by The Highland Council

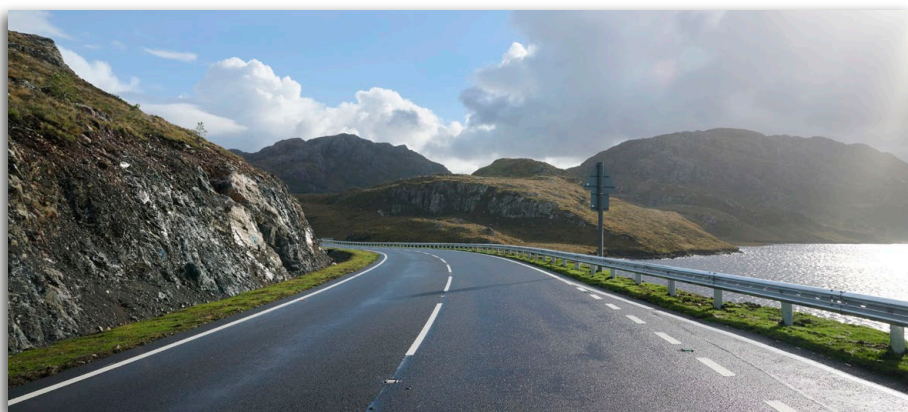
Net Zero Strategy

A Net Zero Strategy setting out priority actions and outcomes to deliver the Net Zero by 2045 target.



Roads

An additional £40m capital over three financial years 2024/25 – 2026/27, which when added to existing roads capital investment, will provide a total sum for capital works of over £63m over the three years.



A832 Road Opening by Ewen Weatherspoon

Highland Outcome Improvement Plan

An updated Community Planning Partnership Plan which sets out strategic priorities and how public bodies will work together to improve outcomes for communities.

Capital Investment

Work commenced on:

- £6.5m project to deliver changes to Waste and Recycling collections across Highland (for rollout April 2024 onwards);
- Naver Bridge replacement – design complete and contract award expected summer 2024; and
- Nairn Academy – planning application submitted and to be considered June 2024.

Work completed on:

- New Longman (Inverness) Waste transfer station (became fully operational April 2023).

Other works in the year:

- £23.9m of roads and bridges capital investment spent across the Highlands in the year; and
- Ongoing construction work on new Tain 3-18 Campus which is due to complete December 2024.

Commentary on financial performance 2023/24

Despite a significant budget gap prior to the commencement of the year, as a result of the cost of living crisis, rising costs and interest rates, the Council continued to show strong financial management and performance during 2023/24.

An overall surplus of £1.1m was recorded against the revenue budget for the General Fund.

This surplus, when added to movements to and from reserves, resulted in a final closing balance of £47.3m on non-earmarked General Fund reserves. This sum sits above the Council's agreed strategy of retaining a minimum target of reserves equivalent to 3% of its revenue budget (equating to £23.3m) and leaves sufficient reserves to meet the Council's budget commitments which will see £24.0m of reserves supporting the revenue budget over three financial years on a reducing profile.

Closing earmarked reserves were £110.8m at financial year end, after drawdown and agreed re-purposing (transfers) back to non-earmarked reserves. Earmarked reserves are held for a variety of specific purposes including local investment, redesign and transformation programmes, funds held to meet Government legislative priorities, or funds held for other specific purposes. A significant factor in the increase in Council reserves, and sums earmarked in the year, was the decision by the Council to implement the Scottish Government's service concession accounting flexibility related to private financed school contracts during 2023/24. This flexibility, which represented a non-cash accounting adjustment, added £55.1m to the Council's reserves during the year.

Details of the Council's earmarked reserves can be found in note 8 to the accounts.



Service Financial Performance

In recognition of the financial pressures being faced, the Council in agreeing its budget for the year provided additional budget for expected cost pressures in relation to pay awards and costs of goods and services. The level of pay awards ultimately agreed for the year exceeded the initial budget provision made, but were funded through a combination of council budget provision supplemented by in-year Scottish Government additional funding and financial flexibilities.

The combined net position for Council Services was a net overspend of £5.7m against budget. A significant contributory factor to this position was exceptional and unbudgeted costs associated with the Corran Ferry service which did not operate for a significant portion of the financial year due to the Vessel being out of service for repair. This resulted in additional costs related to vessel repair and the putting in place of mitigation services, and loss of fare income during non-operation. The Council's Harbour and Ferry operations were £2.8m overspent at year end as a result. The ferry service returned to operation during the year and this cost impact is therefore considered to be a non-recurrent cost pressure.

Cost price pressures relating to fleet costs, and cost of bus transport contracts in excess of budget were further factors in the net overspend position. With overspends partly mitigated by savings from staff vacancies and some over achievement of income from fees and charges. The Council's in-house bus operations are one example of how the Council has sought to mitigate rising costs on external transport contracts.

There was an underspend on capital financing costs (loans charges) of £3.7m, a net underspend on unallocated budgets of £2.5m, and council tax income was ahead of budget by £0.6m.

Taken together these resulting in a net surplus of £1.1m for the year.

While the financial performance in year was positive overall, and the decisions taken and actions implemented have led to a significant increase in General Fund reserves, this needs to be seen in the context of ongoing pressure on Council finances, and public sector finances overall. The Council's medium-term financial plan agreed in February 2024 utilises reserves in a planned way to support change and transformation, the delivery of budget savings and outcomes.

Note: More detailed reporting and analysis of the 2023/24 out-turn position will be to the Council's Strategic Committees in August and September of 2024.

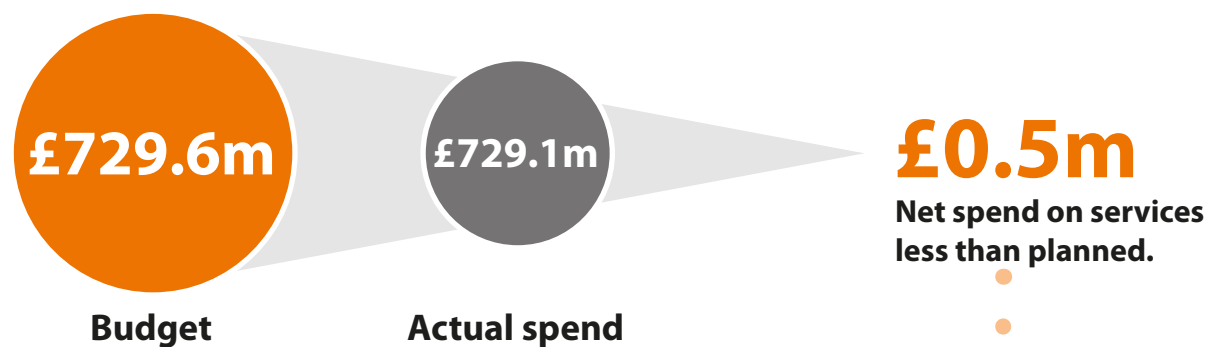


General Fund Revenue Outturn 2023/24

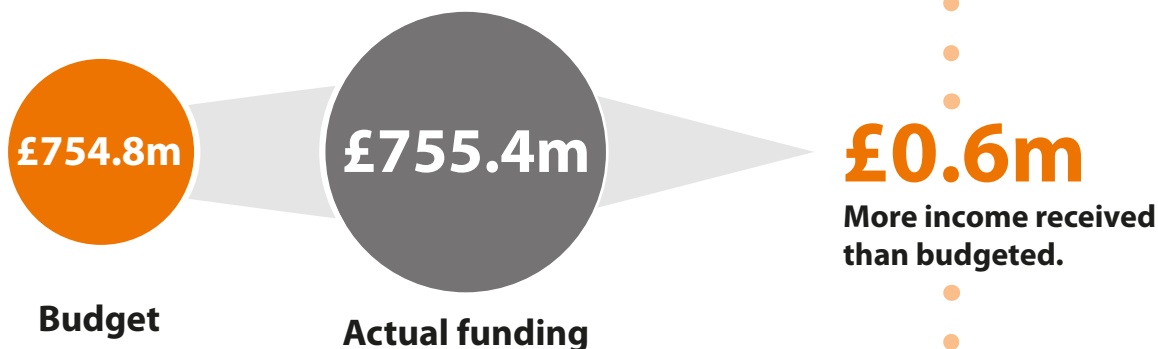
The General Fund sets out the cost of running services (excluding Council housing) over the financial year from 1st April 2023 to 31st March 2024.

It shows where the money came from to finance these costs and the surplus or deficit at the end of the period. The expenditure and funding analysis statement in the accounts reconciles this position to the comprehensive income and expenditure statement.

General fund service spend



Council funding



Overall surplus

Actual spend and income compared to budget.

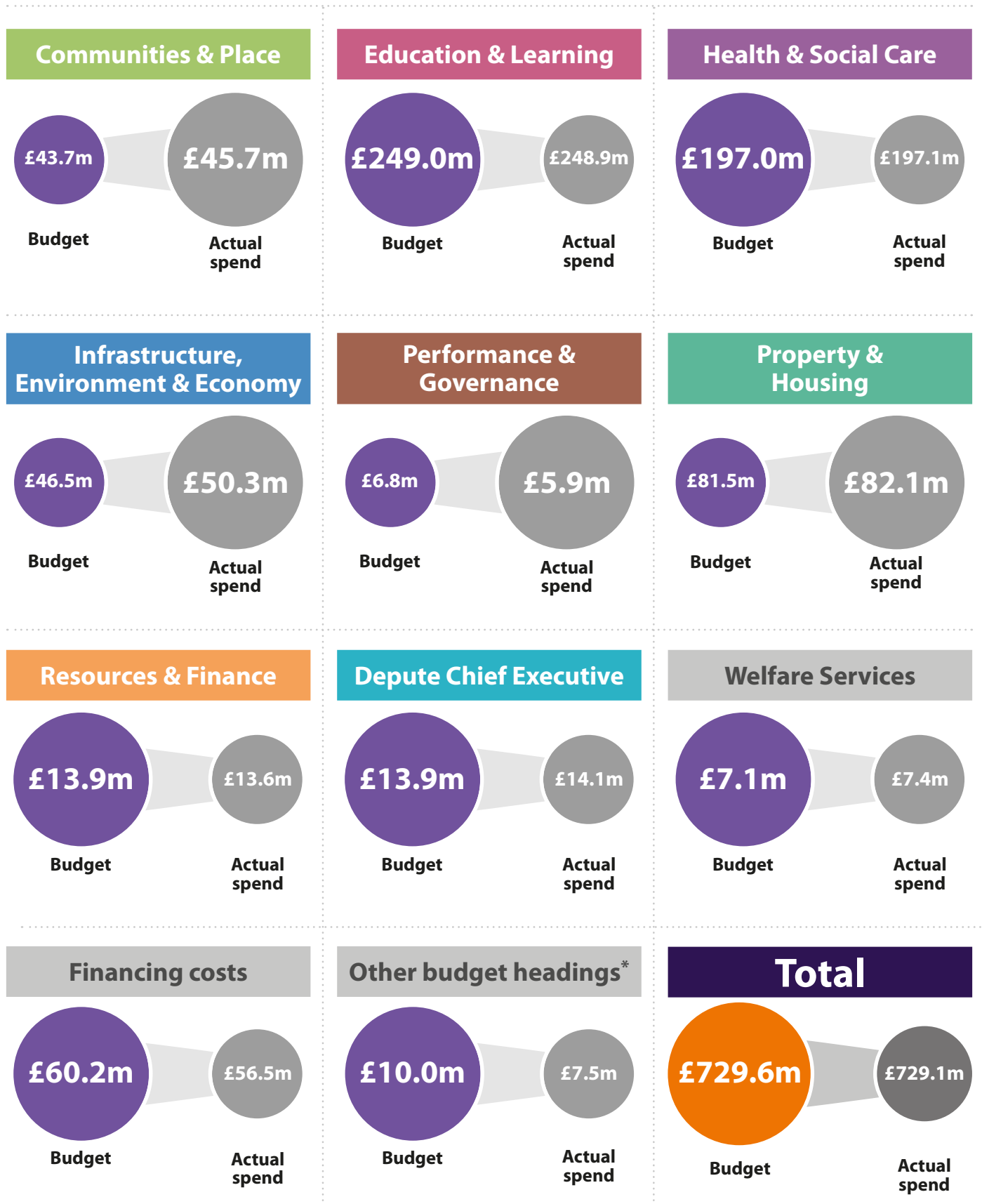
£1.1m

Overall increase in reserves

£26.3m

The difference between actual spend and funding in 2023/24 paid back into the Council's General Fund Earmarked and Non-Earmarked Reserves.

Year end position



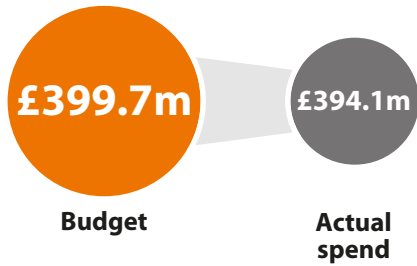
*includes NDR reliefs, Joint Board requisitions, Green Freeport, unallocated budget and transfers to reserves.

These outturns are contained within the net expenditure chargeable to the General Fund and HRA Balances column of the Expenditure and Funding Analysis (note 1) with some adjustments to presentation.

Analysis of spend

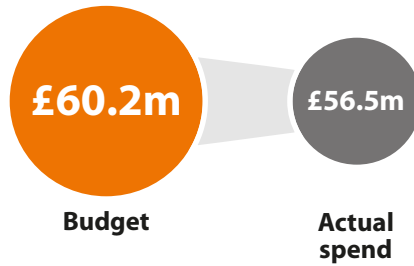
Staff costs

The cost of the Council's employees.



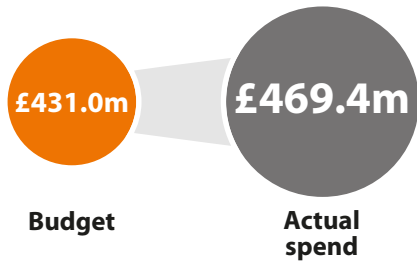
Financing costs

The cost of borrowing to finance capital investment.



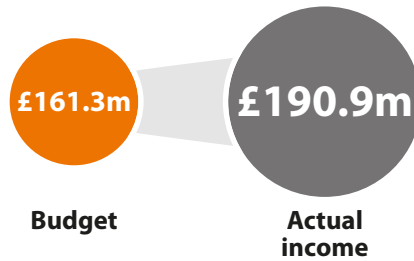
Other costs

The cost of all other types of spend (excluding financing costs).

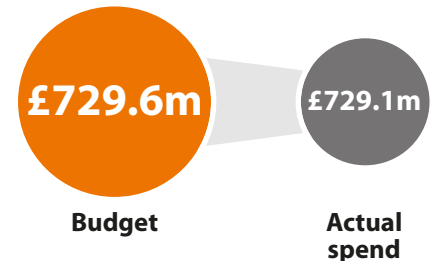


Service income

Funds raised by the Council from selling services, government grants, investment income.

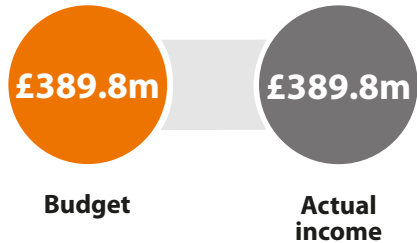


Total Spend

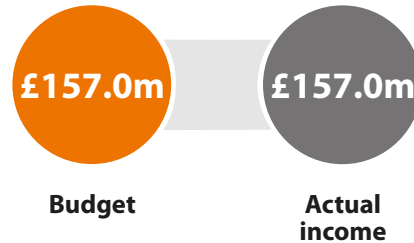


Council funding

Revenue Support Grant

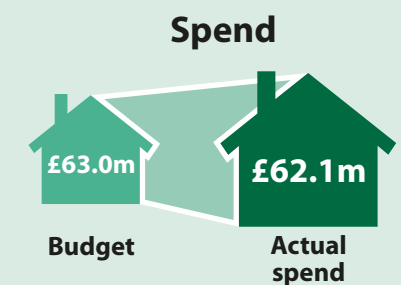


Non-Domestic Rates

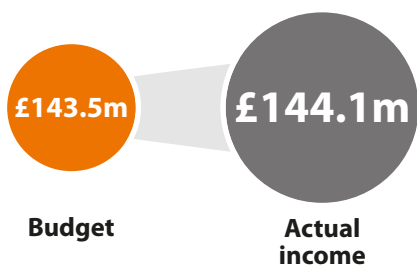


Housing revenue account

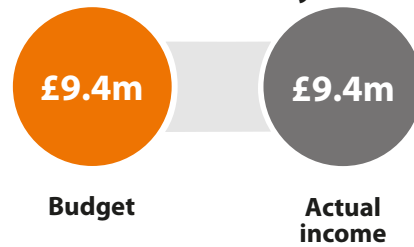
The Council owns 15,001 houses for which it charges rent. All expenditure associated with these houses must be funded from the rental income generated.



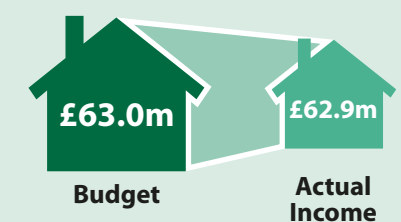
Council Tax



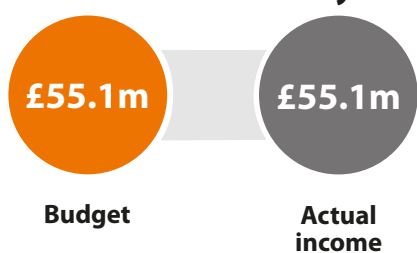
General Capital Grant Revenue Flexibility



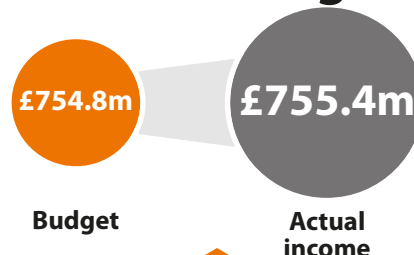
Income



School PPP Flexibility



Total Funding



Council Reserves

The Council holds funds in a number of usable reserves:

General Fund Earmarked Reserve

£110.8m

(2022/23 £61.3m)

Funds held for specific purposes, including for investment, change and transformation. More details at note 8.

Capital Fund

£18.1m

(2022/23 £18.5m)

To buy land for affordable housing provision (£16.7m, 2022/23 £17.1m). Capital receipts available to finance future capital investment (£1.4m, 2022/23 £1.4m)

Capital Grants Unapplied

£13.4m

(2022/23 £14.4m)

Funds to support and accelerate the delivery of housing in the Highland area.

General Fund Non-Earmarked Reserve

£47.3m

(2022/23 £70.5m)

Funds held as a general contingency and to support budget decisions.

HRA Reserve

£4.7m

(2022/23 £3.9m)

For spending on the Council's housing stock.

Renewal and Repair Fund

£2.2m

(2022/23 £2.2m)

For specific types of repair and maintenance work.

Insurance Fund

£5.3m

(2022/23 £3.9m)

Insurance for items not covered by external insurance policies.

See notes 7, 8, and 12 in the accounts for more details on these reserves.

6.5%

The general fund non-earmarked reserve as a percentage of the Council's revenue budget.

Total Usable Reserves

£201.8m

(2022/23 £174.7m)

The Council's policy is to retain as a minimum, a level of Non-Earmarked General Reserves equivalent to:

3% of the annual revenue budget (approximately £23m).

At 31st March 2024 the level of reserves held exceeded this target, and also provided reserves to support budget decisions by the Council relating to use of non-earmarked reserves over 2024/25 to 2026/27. The level of reserves is kept under regular review and a formal consideration given as part of the annual budget setting process.

Increase in General Fund Reserves during the year

-£24.3m

Use of non-earmarked reserves, including £23.3m agreed use of reserves when the 2023/24 budget was agreed.

+£1.1m

Net surplus for 2023/24 added into the general fund non-earmarked reserve.

-£25.9m

Use of earmarked balances for their specified purposes.

+£75.4m

Earmarking of reserves to reflect budget decisions made on 29th February 2024 and taking account of final PPP accounting flexibility.

Net increase in General Fund reserves

+£26.3m

Capital Outturn 2023/24

Capital expenditure represents money spent by the Council for buying, upgrading, or significantly enhancing assets, such as schools, other buildings, roads and IT equipment.

The difference between capital and revenue expenditure is that the Council receives the benefits from capital expenditure over a period exceeding one year.

£154.1m Gross capital spend in 2023/24.

£100.0m Net capital spend in 2023/24.

£54.1m Project specific capital income in 2023/24.

£22.2m Underspend due to spend not meeting the profile assumed in the capital programme.

The main factors relating to the underspend on capital were challenging market conditions, in particular rising prices and a limited availability of contractors, consultants and materials due to a high volume of work across the construction industry. Reporting of the capital out-turn, with Service and Major project variance analysis, is available from Corporate Resources Committee agenda reports: www.bit.ly/HC-Corporate-ResourcesCommittee

Projects with the largest capital spend in 2023/24:

Investment in school buildings

£31.7m (gross)



Investment in ferries & harbours

£27.5m (gross)



Investment in roads and bridges

£29.1m (gross)



Housing Revenue Account

£66.8m gross investment in housing stock in 2023/24



Funding of the Capital Programme

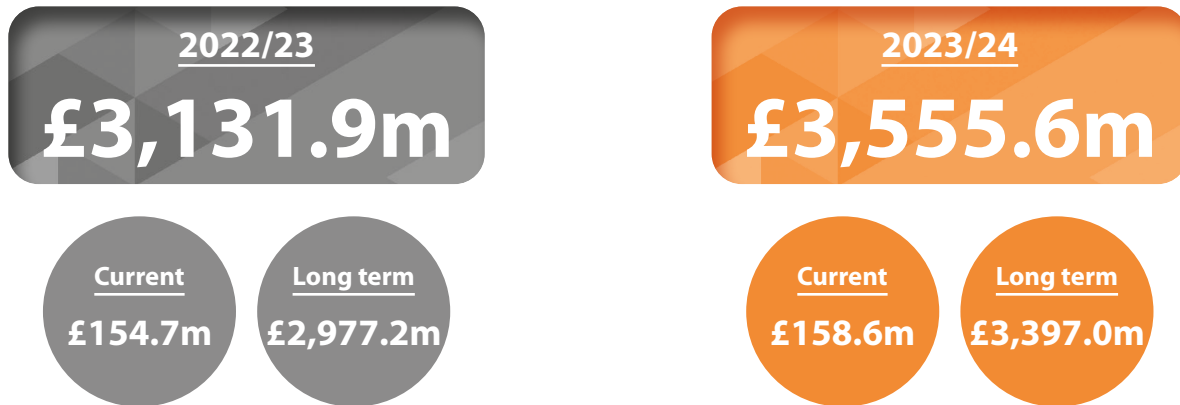
£75.2m of the 2023/24 capital spend was funded by borrowing. More information on borrowing, treasury management and loans fund liabilities can be found in the Council's annual treasury report and strategy statement:

www.highland.gov.uk/treasury

Assets and Liabilities

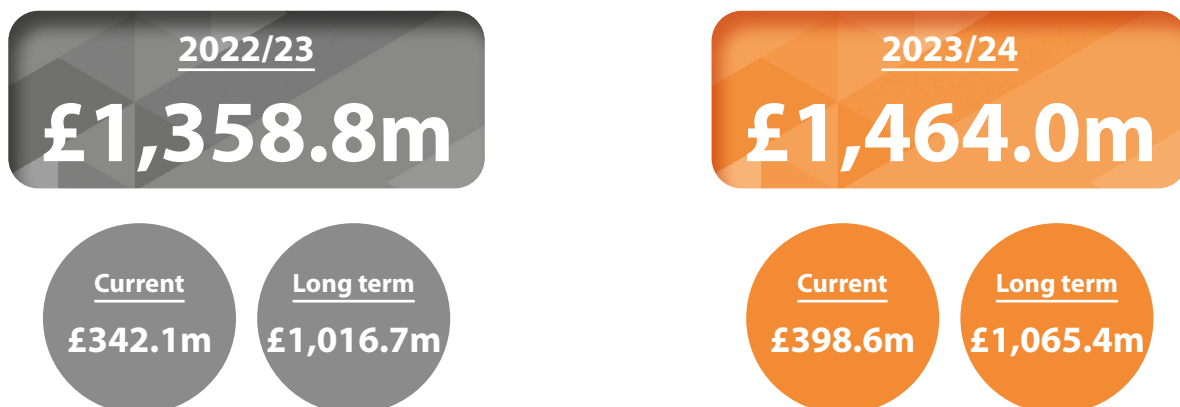
The Council's Balance Sheet brings together the assets, liabilities and reserves recognised by the Council. Net assets for the Council (assets less liabilities) are matched by reserves held. More information on its component parts can be seen in the notes to the accounts.

Total Assets



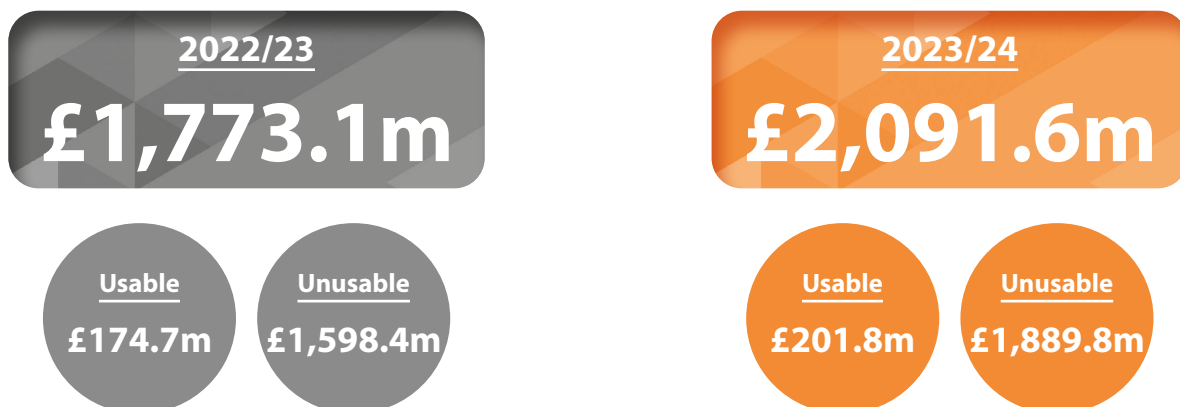
(Increase in long term assets due to revaluations and pensions asset and increase in current assets due to an increase in short term debtors).

Total Liabilities



(Increase in long term liabilities due to increase in long term borrowing. Increase in current liabilities due to an increase in short term borrowing and capital grants receipts in advance).

Total Reserves



Unusable reserves relate to revaluation gains or to hold adjustments to reconcile accounting and statutory requirements. These reserves are not available to fund the day to day running expenses of the Council.

Details of Assets and Liabilities 2023/24

Assets

Council houses

£571.6m



Short term debtors

£94.2m



Other land and buildings

£1,700.9m



Other assets

£360.7m



Infrastructure assets

£504.7m



Vehicles, plant and equipment

£55.5m



Pension Asset

£268.0m



Liabilities

Borrowing

-£1,168.5m



Short term creditors
(excluding finance leases)

-£146.9m



Finance leases

-£126.9m



The outstanding borrowing for PPP and Hub/SFT funded schools.

Other liabilities

-£21.7m



7.75%

Financing costs (annual interest and principal repayment costs associated with the Council's borrowing) as a percentage of our annual net spend (2022/23 4.55%).

Note: Financing costs were reduced in 2022/23 due to the effect of the loans fund principal repayment 'holiday' taken.

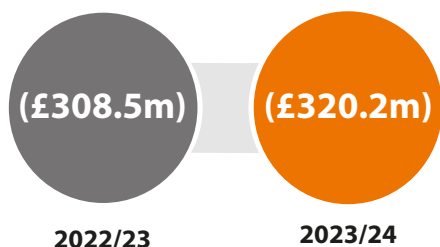
Group Accounts

The Council has interests in other organisations which, under accounting regulations, have to be incorporated into the group accounts. These show the combined figures for all the following entities:



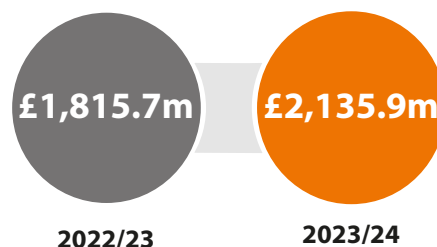
Key Group Financial Information

Total Comprehensive (Income) and Expenditure



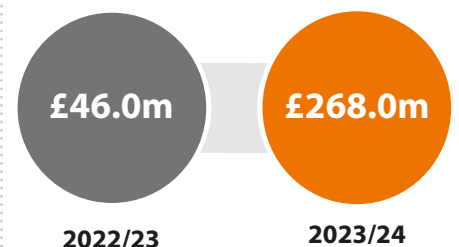
The overall change in total Group reserves calculated on an accounting basis.

Net Assets and Total Reserves



Group assets less group liabilities.

Pension Asset



The estimated amount that projected pension investment assets are greater than future projected pension liabilities (asset position)

Performance Management

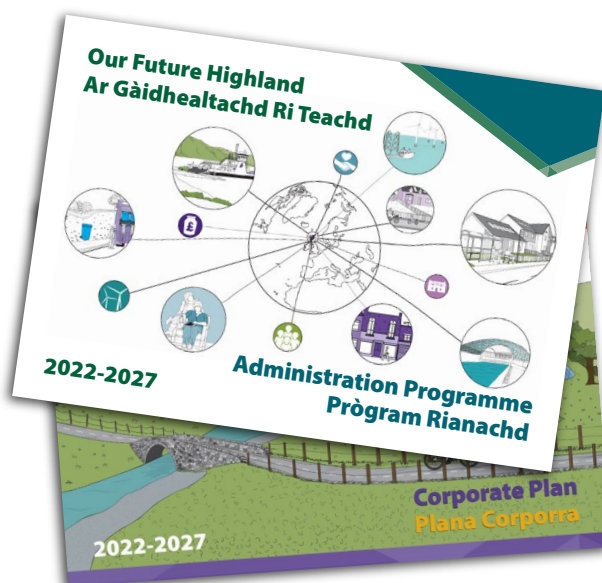
Reporting on performance is a key part of the Council's governance arrangements and is set out in the Corporate Performance Framework. Performance reports are available to the public through reporting to Council and Strategic Committees.

The Council has a range of performance indicators used to evidence its statutory duty on public performance reporting and these include local and national benchmarked indicators. Information can be found at:

www.highland.gov.uk/performance

Council Performance

The Council's Programme for 2022-27 "Our Future Highland" was approved by Council on 8th December 2022. The Programme is focussed on delivering positive change for the Highlands across five strategic outcomes and under the pillars of people, place, and economy. The Corporate Plan provides the framework to deliver and monitor the Council's Programme and was approved by the Council on 9th March 2023. This is then supported by individual by Service Plans which focus on improvement. Quarterly performance reports detailing the progress with Service Plans and reporting on the Corporate Indicators and those Indicators where the Service contributes to the Corporate Plan is reported to the relevant Strategic Committee.



There were two main performance reports to Council during 2023/24 as set out below. The annual performance report is normally reported to Council in March each year, and this provides the information relating to the previous financial year. This means that in March 2024, the 2022/23 performance was reported.

- 1) The Annual Corporate Performance report for 2022/23 was scrutinised by Council on 14th September 2023. This report provided performance information on the delivery of the Corporate Plan.
- 2) On 14th March 2024 the Annual Report 2022/23 provided information on the Council's Statutory Performance Indicators (SPIs). The reported summary of performance for the SPIs is set out in the table above.

Performance against target		Number of SPIs
G	Performance is "On Target"	41
A	Performance is "Some Slippage"	12
R	Performance is "No Significant Progress"	16
	The indicator is awaited/ no data available	11
Total		80

34 of these SPIs are considered to be Key Performance Indicators (KPIs) which provide a high-level overview of the Council's performance. The KPIs for 2022/23 can be accessed on the Council's website. This information provides details of the Council's performance against the target together with comparisons against all other Scottish Councils. This may also show the "Family Group" i.e. those Councils who are similar to the Highland Council.

A snapshot of the Council's KPI's for 2022/23, including comparisons where available, is provided below:

Children's Services

- **The average number of children and young people accommodated by the Council out with Highland** in 2022/23 was 20. Our target for this was 19 children accommodated. Whilst this target was not met, progress with this local KPI is being achieved with a steady decrease in numbers over the last three years (28 to 20).

- **Achievement of Curriculum for Excellence Levels P1, P4 and P7:**

- (i) **Literacy** the Council's performance was 64.8% against the target of 67%. By way of comparison, the Scottish average was 72.7% and the family group 70.4%.

- (ii) **Numeracy** the Council's performance was 72.2% against the target of 75%. By way of comparison, the Scottish average was 79.6% and the family group of 77.0%.

Whilst the Council was ranked 31st for both KPIs and the targets not met, performance has shown a steady improvement over the past three years but not at the pace required.

Adult Services

- **% of people aged 65+ with long-term care needs receiving personal care at home.** The Council's performance was 52.9% compared to a target of 61.7%. This is also lower than the Scottish average of 61.5% and Family Group of 60%.

Highland was ranked 31st in Scotland compared to a target of 16th.

There have been challenges in Highland due to difficulties in recruiting directly and in commissioning with some care delivery contracts handed back by the providers. As a result, it is known that there are reported levels of unmet need for home care.

Cultural and Leisure Services

- **Cost per Library visit** was £1.31 against the target of £2.14. The Scottish average was £2.81 and family group £3.24.
- Highland was ranked in 2nd in Scotland.

Environmental Services

- **Street Cleanliness score** – Highland was 96.1% against a target of 95%. This was also higher than the Scottish average of 90.6% and family group of 92.5%.
- Highland was ranked 5th in Scotland.

Business and Development Services

- Proportion of properties receiving superfast broadband. The Council achieved its target of 86% for 2022/23 and was ranked 27th. By way of comparison, the Scottish average was 96% and the family group average 84%.

Corporate Services

- **Council Tax received.** 96.7% of the Council Tax owed in 2022/23 was collected. The target (Scottish Average) was 96.2% and the family group was 96.8%. Highland is ranked 16th in Scotland.
- **% of Procurement Spend on Local Enterprises** was 49.1% with Highland ranked 1st in Scotland.
- **Average days to process Housing Benefit and Council Tax Reduction claims.**
 - (i) New Claims – 11.0 days compared to a target of 20.9 days.
 - (ii) Changes of Circumstances – 1.9 days compared to a target of 4.4 days.

On 14th March 2024 draft Delivery Plan 2024-2027 was presented to Council with the final version approved on 9th May 2024. The new Delivery Plan underpins the implementation of the Council's Programme, Performance Plan (previously the Corporate Plan) and the Budget Strategy for 2024-2027. It will also support delivery of the Highland Outcome Improvement Plan.

The Delivery Plan progress will be reported annually to Council, with projects and workstreams reported to the appropriate Strategic Committees and Boards.

www.bit.ly/HC-Annual-Performance

Risks, Uncertainties and Future Developments

There are a number of risks, uncertainties and future developments which may impact the Council over the short, medium or longer term. The most significant of which are summarised in the table below.

The Council provides a quarterly update on its Corporate Risk Register to the Audit Committee, with agendas and papers for meetings of this Committee available from the following link:

www.bit.ly/HC-Audit-Committee

The latest local government overview report from Audit Scotland provides key contextual information on the Scottish local government sector more generally.

www.audit-scotland.gov.uk/publications/local-government-in-scotland-overview-2023

Public Sector Finances

There remain significant pressures on public sector finances. While the Scottish Government budget for the 2024/25 financial year, passed by Parliament in 2024, reflects an increase in funding for local government in both cash and real terms against the initial 2023/24 budget, large elements of the increase in funding relates to transfers of previously ring-fenced funding into the local government block grant, and is therefore not new or additional funding. Significant elements of funding are also associated with new policy commitments or expectations, and therefore come with additional spending commitments. While there are ongoing discussions between Scottish Government and Local Government relating to a new 'Fiscal Framework' it is clear that the Scottish Government budget is under significant pressure with the Government acknowledging significant cuts would be required going forward.

Around 80% of the Council's General Fund revenue funding is represented by funding from Scottish Government, and the level of that funding is a key factor in Councils financial planning.

It is therefore likely that there will be an ongoing period of pressure on Local Government funding settlements. The extent to which Scottish Government attaches conditions or expectations to funding, could also place added pressure on Council budgets.

Inflation

Inflation has eased over the course of the 2023/24 financial year and is now close to the stated UK Government target of 2%. There do however remain underlying inflationary challenges relating to particular goods and services, including fuel prices. Some commodity prices and supply chains continue to be impacted by global events and therefore lag behind the reduction in headline inflation levels. Wage expectations and settlements continue to sit higher than the inflation indices and as such the risk is they continue to drive a higher level of prices for goods and services until inflation and pay settlements normalise.

Pay Awards

Pay awards settled during 2023/24 were at a level not seen in recent times, as a result of staff expectations and the cost of living impact. The Council was only able to fund pay awards during 2023/24 as a result of additional grant funding from Scottish Government, and a number of financial and funding flexibilities introduced by Scottish Government to aid Councils in meeting pay award costs. Looking ahead to 2024/25 and subsequent years, it is clear that staff pay

expectations continue to sit higher than UK inflation indices and the funding provided by the Council to date. If pay awards settle beyond what the Council has budgeted and is funded for, there is the risk that additional savings and reductions will be necessary in year to accommodate costs. Trade Unions have rejected proposed pay offers for 2024/25 at the time of preparing these financial statements. Staff pay costs account for around half of the Council's revenue expenditures and therefore pay award costs have a very material impact on Council budgets.

Interest Rates

Bank of England base rates have risen significantly since March 2022 increasing from 0.5% at that time, to the current 5.25% as at August 2023 and continuing since that time. The easing of inflation has seen indications that the Bank may see scope to reduce interest rates with some economic forecasts suggesting September of 2024 may be the timescale for when rates may start to ease. Interest costs are reflected within the Loan Charge costs the Council provides for in its revenue budget to meet the costs of capital investment.

Workforce Planning

The Council workforce is the core of its service delivery, with staff costs accounting for near half of all expenditure. Workforce planning is vital to ensure we have the correct actions in place so we have the right people, with the right skills, in the right place and at the right time. The pressure on public sector finances also means we are in an environment of needing to reduce our overall staff headcount, but with the aim to do so in a planned and measured way which manages the process in terms of implications for service delivery, and our people. The Council faces workforce challenges, with some job roles, and some localities proving particularly difficult to retain staff or recruit into. During the course of 2023/24 the Council ensured for each Service area, Workforce Plans were considered by the respective Strategic Committees.

Adult Social Care and Care Home Sustainability

Across Scotland there are significant ongoing challenges in relation to the provision of Adult Social Care, and the sustainability of Independent Sector Adult Care Home provision. In Highland, the Council provides funding to NHS Highland to provide Adult Social Care through lead-agency arrangements. A range of risks and challenges are being faced, including staff retention and recruitment challenges, driven by market forces and relatively more attractive pay offers in the private sector. Increased reliance on Agency staffing across the sector, at substantially higher cost, continues to have very significant financial implications. Even with the use of agency staff, there are job roles and localities where service provision is being impacted due to lack of staffing. NHS Highland is faced with an increasing number of Independent Adult Care Home providers withdrawing from the sector, or seeking additional financial support to sustain their services. In some localities NHS Highland and the Council have had to work to secure the future of Independent Sector care homes through, in some localities, considering acquiring/operating homes where the provider is ceasing operations. The impact of which is putting considerable pressure in public sector budgets.

National discussions regarding a National Care Service will also be a particular consideration going forward for any change or impact in provision of services.

Climate Change

The Council must adapt and build resilience in itself and its communities to address vulnerabilities to the potential effects of climate change and deliver its commitment to Net Zero. This will have financial implications, as the cost of interventions may require difficult decisions around the prioritisation of spend

unless such investments are self-financing. The Council agreed its Net Zero Strategy during the year and the development of a costed action plan is a key next step.

Population and Demographic Change

The Council needs to ensure that its service delivery, and its planning for future service delivery, takes account of population change and responds to both challenges and opportunities that result. There are parts of the Highland which are seeing a significant decline in population numbers, contrasted with other parts of the Highland which are growing. This scenario gives rise to financial as well as service delivery challenges, with the need to often expand services in growing population areas, alongside the challenge and expectations around sustaining services in areas of declining population. The opportunity represented by the Inverness and Cromarty Firth Green Freeport, and a potential 11,300 new jobs in Highland, is considered a vital economic lever for the Highlands and a means to address population decline.

Health and Safety including Road, Property and Asset condition

The Council has a vast range of assets, including roads, bridges and other infrastructure; and properties ranging from schools, depots, offices and leisure facilities amongst others. There are significant risks related to the Council's ability to ensure sufficient maintenance expenditure, and capital investment, for the purposes of Health and Safety, Condition and Compliance matters. In the event that the Council cannot reduce its asset numbers sufficiently, and/or increase the funding allocated to these risks, there is the potential that some assets may need taken out of service if they cannot be maintained in a safe and useable condition. The risk associated with RAAC and HAAC built facilities, which has emerged in recent times, represents a further significant risk area. With the Council having incurred some unplanned immediate expenditure in Highland schools to address immediate works, and future capital investment plans having to take account of significant rebuild or remedial work to address these issues on a long-term basis. The Council has sought to mitigate risks in this area by provision of additional revenue and capital to address property and infrastructure requirements, and a prioritisation approach which recognises Health and Safety as a key consideration.

Best Value

Against the backdrop of the risks as outlined above, the Council must still ensure it delivers Best Value and is on a journey of continuous improvement. This will be assessed by our External Auditors who report upon the Council's performance in meeting its Best Value duties as part of their annual work. Annual thematic reviews are also undertaken and the 2023/24 review of workforce innovation will be reported to the Audit Committee in September 2024. At least once every five years, the Controller of Audit will report to the Accounts Commission on the Council's performance in meeting its Best Value duties. This is due to be undertaken during 2023/24 with the expectation that this report will be published and presented to the Accounts Commission in March 2025.

Looking Ahead

The Council delivered strong financial performance in 2023/24, with its General Fund revenue reserves position increasing by £26.3m during the year.

These reserves will be used to support investment, savings delivery and change and transformation as agreed in the Council's medium-term financial plan for 2024/25 to 2026/27. The Reserves will also ensure the Council meets its agreed policy position of having a minimum level of reserves equivalent to 3% of the revenue budget (circa £23m) as well as to support the budget plans agreed by the Council in February 2024.

There was also a £0.8m increase in Housing Revenue Account reserves during the year.

Looking beyond 2023/24, there a number of key initiatives and developments that will have a significant bearing on Council activity, its financial position, and outcomes for the Highland community.

The Council, in May 2024, agreed a new Highland Investment Plan, taking a new longer-term strategic approach to capital investment, and using the potential for council tax and revenue growth to act as the basis of supporting its priorities in capital investment, including roads, schools and the property estate. This Plan was underpinned by a key policy decision to cap the cost of borrowing repayment to 10% of the revenue budget, to ensure the Council's investment plans are affordable, prudent and sustainable. A number of follow-up reports and decisions will take place over the coming year(s) to agree funding, allocate funding and then progress specific phases of project development and delivery.

The Delivery Plan now agreed by the Council provides the basis of the Council ensuring it has robust delivery, monitoring and governance arrangements in place relating to its package of budget savings totalling £54.6m over three-financial years, and to support delivery of Council programme outcomes. Ensuring delivery of agreed budget savings is vital to the Council's budget position and financial sustainability.

The Council expects that in the latter half of 2024, the Inverness and Cromarty Firth Green Freeport Final Business Case will be approved by Government. This will then see the release of seed capital investment and retained non-domestic rate income, and other benefits, which will in turn lead to the release of the significant investment and job growth forecast

across the Highlands. The Council will have a key role in holding and releasing the £25m seed capital funding from Government, and the retained NDR income estimated at over £500m over 25 years, to support Freeport outcomes. The Council will also have the role of Accountable Body, in being responsible to Government for the use of these public funds.

The outlook for public sector finances remains challenging, with Scottish Government stating that there will be a need for ongoing reductions in services, given pressures on the Scottish Government budget. The Council will therefore have to continue to ensure it has robust financial management, a real focus on cost control and savings delivery, and an ongoing process of change and transformation to ensure it can align the services it delivers, and how it delivers them, to the funding available to it. The Council has had a positive financial track record in recent years, and the prospect of a further easing of interest rates in 2024, and the potential for interest rate reductions later in 2024, can assist the Council's financial outlook.

In conclusion, despite there being continued pressure on public sector finances, the Council's financial performance, and decisions it has made over the past year, alongside a number of developments and opportunities, leave the Council in a positive position going forward and with a focus on delivering services and support to its communities.

Derek Brown

Chief Executive

Raymond Bremner

Leader of the Council

Brian Porter CPFA

Interim Head of
Corporate Finance

Ambitious

Sustainable

Connected

Statement of Responsibilities for the Annual Accounts
Aithris Dhleastanasan airson nan Cunntasan Bliadhnail

The Council's Responsibilities

The Council is required to:

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

I confirm that these Unaudited Annual Accounts were approved for issue by Highland Council at its meeting on 27 June 2024.

Signed on behalf of Highland Council

Raymond Bremner
Leader of the Council

The Head of Corporate Finance's Responsibilities

The Head of Corporate Finance 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 2023/24 (the Code).

In preparing the Annual Accounts, the Head of Corporate Finance has:-

- (i) selected suitable accounting policies and then applied them consistently,
- (ii) made judgements and estimates that were reasonable and prudent,
- (iii) complied with legislation and
- (iv) complied with the Code (in so far as is compatible with legislation).

The Head of Corporate Finance has also:-

- (i) kept adequate accounting records which were up to date, and
- (ii) taken reasonable steps for the prevention and detection of fraud and other irregularities

I certify that the Annual Accounts give a true and fair view of the financial position of the Council and its Group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2024.

Brian Porter CPFA
Interim Head of Corporate Finance

Annual Governance Statement **Aithris Riaghlachais Bhliadhna**

Scope of responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council has a statutory duty to make arrangements to secure Best Value under the Local Government in Scotland Act 2003.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions. This includes arrangements for the management of risk.

The Council has approved and adopted a [Local Code of Corporate Governance](#), which is consistent with the principles of the CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'. The Code is available on our website.

The Local Code of Corporate Governance evidences the Council's commitment to achieving good governance and demonstrates how it complies with the governance standards recommended by CIPFA. The document is regularly reviewed and updated annually.

The purpose of the governance framework

The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled, and the activities used to engage with and lead the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services. The Council's financial and management arrangements conform with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in local government.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level, and provide reasonable, but not absolute, assurance that policies, aims and objectives can be delivered. The system of internal control is based on an ongoing process designed to identify and prioritise the risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place for the year ended 31 March 2024 and up to the date of approval of the Annual Accounts.

The governance framework

The Local Code of Corporate Governance was approved by the Audit Committee on 28/09/23. The basis of the 2023/24 Local Code is the Framework and Guidance issued by CIPFA and SOLACE which identifies seven core principles, each with a number of sub-principles. The core principles are:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining outcomes in terms of sustainable economic, social and environmental benefits.
4. Determining the interventions necessary to optimise the achievement of the intended outcomes
5. Developing the authority's capacity including the capability of its leadership and the individuals within it.
6. Managing risks and performance through robust internal control and strong public financial management.
7. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The progress in delivering the actions set out in the Code is monitored quarterly through the Council's Performance Risk Management System. The 2023/24 Code contained a total of 75 actions which were shown as complete or on target except for 1 action where this is slippage. This action relates to the periodic review of the Council's Financial Regulations which was planned for Autumn 2023. This review has been delayed due to the current organisational restructure being undertaken which will require significant changes to the Regulations. In the meantime, updates have been made to the supporting Financial Instructions when required. A revised completion date of March 2025 for update of the Financial Regulations has been set.

The Council's corporate governance arrangements are subject to annual review by Internal Audit. The slippage noted above is not considered to have any significant impact upon the effectiveness of the Council's governance arrangements.

Review of effectiveness

The Highland Council has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is adequate and effective in practice. The Head of Legal and Governance acts as the Council's Monitoring Officer. This is a statutory appointment in terms of section 5 of the Local Government and Housing Act 1989 and he has the responsibility of ensuring the Council acts within its statutory powers and does not act in a manner that may amount to maladministration. He has primary responsibility for the Council's corporate governance including the proper conduct of all Council meetings, compliance with the Scheme of Delegation and Standing Orders (including annual review of both documents) and an ancillary role and various responsibilities within the ethical standards framework which include compliance with the Councillors' Code of Conduct. It is the responsibility of the Head of Legal and Governance to:

- oversee the implementation of the Local Code of Corporate Governance and monitor its operation.
- review the operation of the Local Code of Corporate Governance in practice.
- report annually to the Council on compliance with the Local Code and recommend any changes required to maintain it and ensure its effectiveness.

In fulfilling these duties, the Head of Legal and Governance has taken into account the results of reviews of internal control that have been carried out by Internal Audit. There are no current governance issues that require to be identified.

All Executive Chief Officers have reviewed the arrangements in their services and reported on their assessment of the effectiveness of the control arrangements in place.

Formal meetings of the Council and its strategic committees have operated on a hybrid model since March 2022 and the practice is now well established. The Council ensures openness and transparency in decision making by ensuring all strategic meetings are open to the public and continue to be webcast. Recordings of all local Committees are uploaded to the Council's YouTube channel. Following a Council decision all Council and committee agendas and reports are now circulated electronically to Members rather than on paper as well as being available on the Council website.

A wide ranging member training and development programme focussing on induction of new members but available to all members was put in place in May 2022 and has continued. In May 2023 following distribution and consideration of a survey of all Councillors it was agreed that a short life Members' Learning and Development Group be established. The recommendations from this Group were used to inform a report to Council in October 2023 setting out a future Members' Learning and Development Framework and Programme. A mid-year review of the Members' Learning and Development Framework and Programme with Working Group input will be reported to Council in September 2024.

Separately and influenced to an extent by the recommendations from an Internal Audit report on Review of Local Democracy which was considered in September 2022 the Council agreed to re-establish a Governance Review Working Group made up of a number of senior Members. The Group is undertaking a review of the Council's existing governance arrangements and, has made

recommendations on matters such as changes to Standing Orders and the Scheme of Delegation. Going forward the Steering Group will continue to meet, review governance arrangements and, where appropriate, make recommendations for further revisions into 2024/25.

The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (the Standards). Section 2450 of the Standards states that the Chief Audit Executive “Must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.”

The Chief Audit Executive’s (Strategic Lead (Corporate Audit & Performance)) responsibilities in this regard was discharged through the presentation of the Internal Audit Annual Report 2023/24 to the Audit Committee on 13/06/24. This report is also used to inform the Annual Governance Statement. The annual report states that during 2023/24, a total of 84 audit recommendations were made. 15 of these were classified as high grade within 6 audit reports and these are listed below.

- There was an issue identified where long-term absence information had not been submitted by Managers which meant that was not received by the Payroll Team. To address this, it was agreed that urgent training and guidance would be provided for Managers. This action has been completed.
- There were 2 high grade recommendations in the commissioned children’s services audit. These related to the concern that number of commissions had not been reprocured for a significant period of years and instead continued to be extended. In addition, some of the contract extensions awarded were not compliant with the requirements of the Council’s Contract Standing Orders. Both these actions were due to be completed on 31/07/23 but revised target dates have been agreed with the latest being 30/04/24. Progress will continue to be monitored through the new monthly action tracking process.
- There were 5 high grade recommendations in the Climate Change Plans and Implementation audit. These were:
 - (i) The need to link the Net Zero Strategy with Service Plans which has a target date of 30/06/24 and so is not yet due.
 - (ii) 4 measures in the Corporate (now Performance) Plan required further development and targets to be set. This action has been completed.

The next 3 recommendations have revised action target dates. The reasons for the revisions were provided as part of the action tracking report to the Committee on 13/06/24.

- The absence of a costed action plan to support the Net Zero Strategy
- No timescale for the development of a Council adaptation strategy.
- The need for an effective system to capture and record emissions data.
- An audit of a secondary School contained 3 high grade recommendations. 1 has been completed in respect of ensuring that the school maintains an inventory. The other 2 recommendations which required changes in the authorised signatory for the school fund and training of the other office staff in the key financial processes have revised target dates. This acknowledges that there has been changes in the school’s senior management arrangements.
- There was also 1 high grade recommendation in the review of Financial Procedures in Schools due to the fact that the report’s findings were the same issues previously identified in 3 previous audits and so had not been addressed. There were a number of actions agreed to address this recommendation which are due to be completed by 30/06/24.
- The audit review of the Corporate Landlord had 3 high grade recommendations relating to the:
 - (i) Need to ensure that the Concerto system contains all necessary property asset information.
 - (ii) Risk associated with potential maintenance and repairs required compared to the available maintenance budget.
 - (iii) Lack of evidence to demonstrate there is a system approach to property inspections.

The agreed management actions in response to the audit recommendations are not yet due but will be action tracked once this date has passed.

An updated version of the 2022/23 Internal Audit Annual Report was provided to the Audit Committee on 24/01/24. This related to the concern that former employees had continued to be paid after they had left the Council's employment. During this year, this concern has been addressed by the Internal Audit Team as follows:

A review was undertaken of the payroll control environment. The final report was not ready by the year end but has now been issued and presented for scrutiny by the Audit Committee on 13/06/24. This report contains 10 high grade recommendations and has the opinion of "Limited Assurance". Progress in implementing the management agreed actions will be monitored during the year.

Where an overpayment to a leaver has been identified and they fail to engage with the Payroll Team then it has been agreed that these will be referred to the Corporate Fraud Team. Further details of this work is provided within the Fraud and Whistleblowing Annual Report 2023/24 which will be considered by the Audit Committee on 13/06/24.

There are no particular trends identified with regard to the above and these are not considered sufficiently material to impact upon the audit opinion provided.

A self-assessment exercise has been undertaken to assess the extent of the compliance with the CIPFA Code on Managing the Risk of Fraud and Corruption. One area for improvement was identified which resulted in a revision of the Anti-fraud and Anti-corruption Policy, which has also been renamed as the Counter Fraud Policy. Once the updated Policy has been approved by the Audit Committee on 13/06/24 then the Council's arrangements will fully comply with the CIPFA Code.

Commentary on group bodies significant governance issues

Inverness and Nairn Common Good Funds

- No significant governance issues were identified.

Highland and Western Isles Valuation Joint Board

- No significant governance issues were identified.

Highland and Islands Transport Partnership

- No significant governance issues were identified.

High Life Highland

- No significant governance issues were identified.

Conclusion

Our annual governance statement summarises the Council's governance arrangements and affirms our commitment that they are reviewed regularly and remain appropriate for the activities and delivery of services by the Council and its Group. Subject to the above assurances, the development and implementation of the audit recommendations and, based on the evidence contained in this statement, we are satisfied that the arrangements continue to provide assurance, are adequate and are operating effectively.

Raymond Bremner
Leader of the Council

Derek Brown
Chief Executive

Remuneration Report Aithisg Tuarastail

Highland Council Remuneration Report

The Remuneration Report provides information on Senior Councillors of the Highland Council and Senior Employees of the Highland Council and its subsidiary company High Life Highland.

Tables 1 to 7 in sections 1 and 3 of the Remuneration Report will be audited by Audit Scotland. The other parts of sections 1 and 3 and section 2 will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

1. Remuneration

i) Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The regulations provide for the grading of councillors, for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head, Senior Councillors or Councillors. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure and receives a higher salary.

The framework for councillor pay arose from the work of the Scottish Local Authorities Remuneration Committee (SLARC) which was established under the Local Governance (Scotland) Act 2004 to advise Scottish Ministers on the payment by local authorities of councillor remuneration, pensions and expenses.

The salary that is to be paid to the Leader of the Council is set out in the regulations. For 2023/24 the remuneration for the Leader of Highland Council is £46,902. The regulations permit the Council to remunerate a Civic Head – this role is the Convener in Highland Council - and set out the maximum salary that can be paid to the Civic Head as £35,179, equivalent to 75% of the Leader's salary.

The regulations also set out the total remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have, excluding the Leader and the Civic Head. The total amount payable by the Council for remuneration of all of its Senior Councillors (excluding the Leader and Civic Head) cannot exceed £525,117 for 2023/24 and the total number of Senior Councillors permitted is 19. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The Council complied with these requirements in 2023/24.

The current Senior Councillor structure and Scheme of Remuneration was agreed by a meeting of Council on 9 June 2022. The report is available at the following link:
[https://www.highland.gov.uk/meetings/meeting/4626/highland_council_\(item_3b\)](https://www.highland.gov.uk/meetings/meeting/4626/highland_council_(item_3b)).

The remuneration in 2023/24 for all councillors was £1,613,121 (2022/23: £1,564,032). The regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

In addition to the Senior Councillors of the Council, the regulations also set out the remuneration payable to councillors with the responsibility of Convener or Vice Convener of a Joint Board. The regulations require the remuneration to be paid by the Council of which the Convener or Vice Convener is a member. The council is also required to pay any pension contributions arising from the Convener or Vice Convener being a member of the Local Government Pension Scheme. The Council is reimbursed by the Joint Board for any additional remuneration paid from being a Convener or Vice Convener of a Joint Board. For 2023/24 the remuneration for the Convener of the Valuation Joint Board is £25,128.

Table 1: Remuneration of Senior Councillors and Conveners and Vice-Conveners of Joint Boards for 2023/24

The table below includes all Councillors who held a Senior Councillor role or the post of Convener or Vice Convener of the Highland & Western Isles Valuation Joint Board at any point during 2023/24.

The salary amount is the total salary paid to the Councillor in the year and includes basic pay for any period during which no Senior Councillor role was held. Where more than one Senior Councillor role is held at the same time, the salary in respect of the highest remunerated role is payable.

Councillors are listed in alphabetical order.

2022/23	Senior Councillor/ Joint Board Convener	Responsibility	Start Date	End Date	2023/24		
Total £					Salary, Fees & Allowances £	Taxable Expenses £	Total £
42,697	Raymond Bremner	Leader of the Council	26/05/22		46,902	-	46,902
23,990	Ian Brown	Leader of Inverness and Area	08/06/22		25,675	-	25,675
26,408	Glynis Campbell-Sinclair	Chair of Housing and Property Committee	09/06/22		28,756	-	28,756
29,851	Alasdair Christie	Leader of the Opposition	26/05/22		30,810	-	30,810
21,389	Muriel Cockburn	Vice Chair of Health, Social Care and Wellbeing Committee	09/06/22		22,081	276	22,357
29,074	John Finlayson	Chair of Education Committee	09/06/22		30,810	239	31,049
26,776	David Fraser	Chair of Health, Social Care and Wellbeing Committee	09/06/22		28,756	377	29,133

2022/23	Senior Councillor/ Joint Board Convener	Responsibility	Start Date	End Date	2023/24		
Total £					Salary, Fees & Allowances £	Taxable Expenses £	Total £
24,419	Laurie Fraser	Convener of Highland & Western Isles Valuation Joint Board (Note 1)	20/06/22		25,128	-	25,128
		Vice Chair of Housing and Property Committee (Note 2)	09/06/22				
28,213	Ken Gowans	Chair of Economy and Infrastructure Committee	09/06/22		30,810	228	31,038
19,242	Michael Green	Vice Chair of Economy and Infrastructure Committee	09/06/22		22,081	63	22,144
33,884	Bill Lobban	Convener of the Council	26/05/22		35,179	484	35,663
26,408	Derek Loudon	Chair of Corporate Resources Committee	09/06/22		28,756	-	28,756
27,760	Graham MacKenzie	Chair of Communities and Place Committee	09/06/22		28,756	356	29,112
19,242	Drew Millar	Vice Chair of Education Committee	09/06/22		22,081	-	22,081
21,136	Hugh Morrison	Vice Chair of Communities and Place Committee	09/06/22		22,081	138	22,219
21,238	Calum Munro	Vice Chair of Corporate Resources Committee	09/06/22		22,081	92	22,173

2022/23		2023/24					
Total £	Senior Councillor/ Joint Board Convener	Responsibility	Start Date	End Date	Salary, Fees & Allowances £	Taxable Expenses £	Total £
24,931	Patricia Robertson	Chair of Audit Committee (previously known as Audit & Scrutiny Committee)	09/06/22		25,675	-	25,675
39,039	2022/23 remuneration for former Senior Councillors				n/a	n/a	n/a
485,697	Total				476,418	2,253	478,671

Notes:

1. £3,047 was recharged to Highland and Western Isles Valuation Joint Board in 2023/24 (2022/23: £2,317). This recharge represents the difference between the Convener salary and the Vice Chair of Housing & Property Committee salary.
2. Cllr Fraser held the Senior Councillor post of Vice Chair of Housing & Property Committee and the post of Convener of Highland & Western Isles Valuation Joint Board throughout 2023/24. He was remunerated at the rate applicable to the Convener post.
3. Four Highland councillors also sit on the Board of High Life Highland. These are non-remunerated positions.

Table 2: Members' Allowances and Expenses

The Council paid the following amounts to members of the council during the year:

2022/23 £000		2023/24 £000
1,564	Remuneration	1,613
104	Travel and subsistence	117
16	All other expenses	15
1,684	Total	1,745

ii) Senior Employees

The salary of the Chief Executive is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) of Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular IR/11-23b sets the amount of salary for the Chief Executive of Highland Council for the year 2023/24. Salaries of Highland Council Executive Chief Officers and the Depute Chief Executive are also based on Circular IR/11-23b.

A revised senior management structure was agreed by Highland Council on 14 March 2024. The restructure will be implemented over the period April to December 2024 and reflected in the 2024/25 remuneration report.

The salary of the Chief Executive of High Life Highland is based on national terms and conditions and agreed by the Board of High Life Highland following full evaluation of the post and comparison with similar organisations.

Table 3: Remuneration of Senior Employees for 2023/24

The tables below include details of the remuneration of the Senior Employees of Highland Council and of its subsidiary company High Life Highland Ltd. Only the remuneration which relates to the period during which a Senior Employee post was held is disclosed. Where a Senior Employee post was not held throughout the whole of the year, the full year equivalent salary is shown in brackets.

Employees are listed in alphabetical order.

Table 3a: Highland Council Senior Employees

2022/23		Senior Employee Position	2023/24	
Total Remuneration £	Name		Salary, Fees & Allowances £	Total Remuneration (Note 5) £
n/a	Derek Brown	Chief Executive (from 04/09/23) (2023/24 FYE: £177,606)	102,123	102,123
17,960	Liz Denovan	Executive Chief Officer – Resources and Finance (to 05/06/22) (2022/23 FYE: £99,469)	n/a	n/a
99,469	Fiona Duncan	Executive Chief Officer – Health and Social Care	105,487	105,487
67,275	Ed Foster	Head of Corporate Finance and Interim Section 95 Officer (from 06/06/22 to 08/03/23) (2022/23 FYE: £88,798) (Note 1)	n/a	n/a
99,469	Nicky Grant	Executive Chief Officer - Education and Learning	105,487	105,487
99,469	Allan Gunn	Executive Chief Officer - Communities and Place	105,487	105,487

2022/23			2023/24	
Total Remuneration £	Name	Senior Employee Position	Salary, Fees & Allowances £	Total Remuneration (Note 5) £
119,136	Kate Lackie	Executive Chief Officer – Performance and Governance and Depute Chief Executive (to 31/01/23) (2022/23 FYE: £109,469)	154,628	154,628
		Interim Chief Executive (from 01/02/23 to 03/09/23) (2022/23 FYE: £167,474, 2023/24 FYE: £177,606)		
		Interim Depute Chief Executive (from 04/09/23) (2023/24 FYE: £137,645)		
104,523	Malcolm MacLeod	Executive Chief Officer – Infrastructure, Environment and Economy (to 31/01/23 and from 04/09/23) (2022/23 FYE: £99,469, 2023/24 FYE: £105,487)	119,154	119,154
		Interim Depute Chief Executive (from 01/02/23 to 03/09/23) (2022/23 FYE: £129,793, 2023/24 FYE: £137,645)		
150,803	Donna Manson	Chief Executive (to 15/02/23) (2022/23 FYE: £167,474) (Note 3)	n/a	n/a
5,080	Paul Nevin	Interim Executive Chief Officer - Performance and Governance (from 13/03/23) (2022/23 FYE: £99,469)	105,487	105,487
5,490	Brian Porter	Head of Corporate Finance and Interim Section 95 Officer (from 09/03/23) (2022/23 FYE: £88,798, 2023/24 FYE: £100,959) (Notes 1 & 2)	101,492	101,492
99,469	Mark Rodgers	Executive Chief Officer – Property and Housing	105,487	105,487
10,052	Ruth Rountree Provan	Corporate Communications and Resilience Manager (from 01/02/23) (2022/23 FYE: £60,315) (Notes 1 & 4)	63,973	63,973

2022/23	Name	Senior Employee Position	2023/24	
Total Remuneration £			Salary, Fees & Allowances £	Total Remuneration (Note 5) £
6,417	Tracey Urry	Interim Executive Chief Officer - Infrastructure, Environment and Economy (from 08/03/23 to 03/09/23) (2022/23 FYE: £99,469, 2023/24 FYE: £105,487)	44,832	44,832
884,612	Total		1,113,637	1,113,637

Table 3b: High Life Highland Ltd Senior Employees

98,324	Steve Walsh	Chief Executive, High Life Highland	104,268	104,268
98,324	Total		104,268	104,268

Notes to tables 3a & 3b:

1. Included as Senior Employee as post is politically restricted by reason of section 2(1) (a) (b) or (c) of the Local Government & Housing Act 1989.
2. 2023/24 remuneration includes acting-up allowance payable in respect of S95 Officer responsibilities, backdated to March 2023. The allowance is calculated at 60% of the difference between the Head of Service salary and the Executive Chief Officer salary.
3. 2022/23 remuneration includes £3,765 paid to the former Chief Executive in her role as Returning Officer for the Scottish Parliamentary Election in May 2021.
4. As a result of a senior management restructure, the Corporate Communications and Resilience Manager has reported directly to the Chief Executive from 1 February 2023 and is therefore included as a Senior Employee from that date.
5. No payments of taxable expenses or compensation for loss of office payments were made to Senior Employees in 2023/24 (2022/23: Nil).

Table 4: General Disclosure by Pay Band

The number of Highland Council employees who received remuneration of £50,000 or more during the year are shown in the table below in bands of £5,000. The 2023/24 numbers reflect the payment of the backdated 2022/23 teachers' pay award during 2023/24.

Number of Employees 2022/23	Remuneration Bands £	Number of Employees 2023/24
389	50,000 - 54,999	890
139	55,000 - 59,999	307
127	60,000 - 64,999	224
76	65,000 - 69,999	113
19	70,000 - 74,999	105
12	75,000 - 79,999	74
6	80,000 - 84,999	28
16	85,000 - 89,999	11
3	90,000 - 94,999	6
4	95,000 - 99,999	18
1	100,000 - 104,999	4
-	105,000 - 109,999	6
1	115,000 - 119,999	1
1	145,000 - 149,999	-
-	150,000 - 155,999	1

Table 5: Exit Disclosure

The following table shows the number of exit packages agreed at each cost band and the total actuarial cost for each band. There were 3 compulsory redundancies in 2023/24 (2023/23 – nil).

2022/23		Cost Band	2023/24	
Number of Employees	Total Cost £		Number of Employees	Total Cost £
6	84,717	£0 - £20,000	5	48,557
		£20,001 - £40,000		
-	-	£40,001 - £60,000	2	91,000
6	84,717	Total	7	139,557

2. Appointments

i) Councillors

Following the local government election and the formation of the new council in May 2022, the positions of Leader of the Council, Convener of the Council and Leader of the Opposition were appointed by Council on 26 May 2022. A revised Senior Councillor structure was agreed by Council on 9 June 2022, when most of the remaining Senior Councillors were appointed. The Leader of Inverness and Area Committee was appointed at the Inverness and Area Committee meeting of 8 June 2022.

The Highland Council Senior Councillor posts during 2023/24 were:

Leader of the Council
Convener of the Council
Leader of the Opposition
Chair of Audit Committee (renamed from Audit & Scrutiny Committee on 28 September 2023)
Chair of Communities and Place Committee
Chair of Corporate Resources Committee
Chair of Education Committee
Chair of Economy and Infrastructure Committee
Chair of Health, Social Care and Wellbeing Committee
Chair of Housing and Property Committee
Leader of Inverness and Area
Vice Chair of Communities and Place Committee
Vice Chair of Corporate Resources Committee
Vice Chair of Education Committee
Vice Chair of Economy and Infrastructure Committee
Vice Chair of Health, Social Care and Wellbeing Committee
Vice Chair of Housing and Property Committee

ii) Senior Employees

The panel for the appointment of Executive Chief Officer level and above for permanent vacancies during 2023/24 comprised the Convener, Leader, two Senior Strategic Committee Chairs, Leader of the Opposition, Leader of the Scottish Conservative & Unionist Group and one additional member of the Opposition.

3. Pension Benefits – Councillors and Senior Employees

Pension benefits for councillors and senior employees are provided through the Local Government Pension Scheme (LGPS). There is one Senior Employee whose pension benefits include benefits provided through the Scottish Teachers' Superannuation Scheme. Further details of this scheme are available at the link <https://pensions.gov.scot/teachers/about-teachers-pensions/scottish-teachers-superannuation-scheme>.

The Local Government Pension Scheme (LGPS) is a funded pension scheme consisting of payments from members of the scheme as well as the employer.

From 1 April 2015 pension benefits for both Councillors and local government employees are based on career average pay. The pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living. The total of the revalued pay is then divided by the period of membership to calculate the career average pay, and is the value used to calculate the pension benefits. Benefits built up to 31 March 2015 are protected and based on final pay.

The scheme's normal retirement age for Councillors and employees is linked to the State Pension Age.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership.

The 2023/24 contribution tiers and rates are as follows:

Pensionable pay	Contribution rate 2023/24
On earnings up to and including £25,300	5.50%
On earnings above £25,300 and up to £31,000	7.25%
On earnings above £31,000 and up to £42,500	8.50%
On earnings above £42,500 and up to £56,600	9.50%
On earnings above £56,600	12.00%

2022/23 contribution tiers and rates:

Pensionable pay	Contribution rate 2022/23
On earnings up to and including £23,000	5.50%
On earnings above £23,000 and up to £28,100	7.25%
On earnings above £28,100 and up to £38,600	8.50%
On earnings above £38,600 and up to £51,400	9.50%
On earnings above £51,400	12.00%

From 1 April 2015, the contribution rate for scheme members who work part-time is based on their actual pay, rather than the equivalent whole-time pay rate.

The 2023/24 employer's contribution rate is 19% of pensionable pay (2022/23: 19%).

For service from 1 April 2009, there is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/49th of career average pay and years of pensionable service for service from 1 April 2015 and 1/60th of final pensionable pay and years of pensionable service for service from 1 April 2009 to 31 March 2015. For service to 31 March 2009, the accrual rate guarantees a pension based on 1/80th and a lump sum based on 3/80th of final pensionable pay and years of pensionable service.

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

Where pension benefits have been transferred, the pension figures shown in the following tables relate to the benefits that the person has accrued as a consequence of their total local government service and not just their current appointment.

Table 6: Senior Councillor Pension Benefits

The accrued pension benefits as at 31 March 2024 for those Senior Councillors who were active members of the Local Government Pension Scheme during 2023/24 are shown in the table below, together with the contributions made by Highland Council to each Senior Councillor's pension during the year.

For responsibilities of each Senior Councillor, refer to the table on pages 30-32.

Councillors are listed in alphabetical order.

Pension Contributions 2022/23 £	Senior Councillor/ Joint Board Convener	Pension Contributions 2023/24 £	Accrued Pension Benefits			
			As at 31/03/24		Difference from 31/03/23	
			Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
7,833	Raymond Bremner	8,892	4	-	1	-
4,457	Ian Brown	4,868	7	2	-	-
4,869	Glynis Campbell-Sinclair	5,452	5	-	1	-
5,712	Alasdair Christie	5,841	9	-	1	-
3,970	Muriel Cockburn	4,186	3	-	1	-
5,454	John Finlayson	5,841	4	-	1	-
4,869	David Fraser	5,452	2	-	1	-
5,041	Laurie Fraser	4,764	9	6	1	-
5,123	Ken Gowans	5,841	6	-	1	-
3,316	Michael Green	4,186	1	-	1	-
6,332	Bill Lobban	6,669	7	-	-	-
4,869	Derek Loudon	5,452	3	-	-	-
5,199	Graham MacKenzie	5,452	6	-	-	-
3,316	Drew Millar	4,186	1	-	1	-

Pension Contributions 2022/23 £	Senior Councillor/ Joint Board Convener	Pension Contributions 2023/24 £	Accrued Pension Benefits			
			As at 31/03/24		Difference from 31/03/23	
			Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
3,970	Hugh Morrison	4,186	5	-	-	-
3,970	Calum Munro	4,186	2	-	1	-
4,784	Patricia Robertson	4,868	4	-	-	-
8,634	2022/23 pension contributions for former Senior Councillors	n/a	n/a	n/a	n/a	n/a
91,718	Total	90,322	78	8	11	-

Table 7: Senior Employee Pension Benefits

The pension entitlements for the year to 31 March 2024 for those Senior Employees who were active members of the Local Government Pension Scheme during 2023/24 are shown in the tables below, together with the contributions made by Highland Council or High Life Highland Ltd to each Senior Employee's pension during the year.

For the position(s) held by each Senior Employee, refer to the tables on pages 34-36.

Employees are listed in alphabetical order.

Table 7a: Highland Council Senior Employees

Pension Contributions 2022/23 £	Senior Employee	Pension Contributions 2023/24 £	Accrued Pension Benefits			
			As at 31/03/24		Difference from 31/03/23	
			Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
n/a	Derek Brown	19,403	2	-	2	-
3,412	Liz Denovan	n/a	n/a	n/a	n/a	n/a
18,899	Fiona Duncan	20,043	41	45	3	3
15,582	Ed Foster	n/a	n/a	n/a	n/a	n/a
18,899	Nicky Grant (Note 1)	20,043	27	64	3	3
18,899	Allan Gunn	20,043	52	70	4	4
22,636	Kate Lackie	29,379	42	31	9	7
19,859	Malcolm MacLeod	22,639	49	57	6	7
27,937	Donna Manson	n/a	n/a	n/a	n/a	n/a
11,833	Paul Nevin	20,049	8	-	2	-
16,609	Brian Porter	19,546	41	44	3	2
18,899	Mark Rodgers	20,043	9	-	2	-

Pension Contributions 2022/23 £	Senior Employee	Pension Contributions 2023/24 £	Accrued Pension Benefits			
			As at 31/03/24		Difference from 31/03/23	
			Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
11,453	Ruth Rountree Provan	12,162	13	-	2	-
16,757	Tracey Urry	19,052	56	87	6	8
221,674		222,402	340	398	42	34

Table 7b: High Life Highland Ltd Senior Employees

18,331	Steve Walsh	20,161	16	-	2	-
18,331	Total	20,161	16	-	2	-

Notes to Tables 7a & 7b:

1. Pension benefits include LGPS benefits from 1 August 2021 plus deferred benefits due from active membership of the Scottish Teachers' Superannuation Scheme to 31 July 2021.

4. Trade Union Facility Time Disclosures

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require public sector employers to publish the following information for financial year 2023/24.

a) Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full time equivalent employee number
55	8,407

Note: the headcount figure for relevant union officials includes all stewards and school based reps who are elected by their peers to provide first line support for members.

b) Percentage of time spent on facility time

Percentage of time	Number of employees
0%	30
1% - 50%	23
51% - 99%	-
100%	2

c) Percentage of pay bill spent on facility time

Total cost of facility time	£377,208
The total pay bill	£411,296,955
Percentage of the total pay bill spent on facility time	0.092%

d) Paid Trade Union Activities

Time spent on paid trade union activities as percentage total paid facility time	14.09%
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Raymond Bremner
Leader of the Council

Derek Brown
Chief Executive

Independent Auditor's Report
Aithisg Neach-sgrùdaidh Neo-eisimeilich

Comprehensive Income and Expenditure Statement (CIES)
Aithris Teachd-a-steach agus Caiteachais Ioma-chuimseach

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulation; which may differ from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis on page 53/54 and in the Movements in Reserves Statement on page 48/49.

2022/23				2023/24			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	
125,809	(58,467)	67,342	Council Housing – Housing Revenue Account	58,629	(63,235)	(4,606)	
64,626	(15,381)	49,245	Communities & Place	62,996	(15,752)	47,244	
299,421	(40,378)	259,043	Education & Learning	284,904	(36,277)	248,627	
207,686	(17,888)	189,798	Health & Social Care	218,053	(19,478)	198,575	
120,362	(46,462)	73,900	Infrastructure, Environment & Economy	121,466	(42,986)	78,480	
13,866	(5,678)	8,188	Performance & Governance	8,647	(2,530)	6,117	
108,548	(17,956)	90,592	Property & Housing	110,546	(16,465)	94,081	
23,630	(2,600)	21,030	Resources & Finance	23,631	(2,849)	20,782	
14,822	(33)	14,789	Depute Chief Executive	18,548	(4,197)	14,351	
46,841	(33,476)	13,365	Welfare Services	40,238	(32,908)	7,330	
-	-	-	Green Freeport	214	-	214	
			Joint board requisitions				
2,942	-	2,942	Highland and Western Isles Valuation Joint Board	2,929	-	2,929	
91	-	91	Highland and Islands Transport Partnership	91	-	91	
1,028,644	(238,319)	790,325	Cost of Services Carried Forward	950,892	(236,677)	714,215	

Comprehensive Income and Expenditure Statement (continued)

2022/23				2023/24			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,028,644	(238,319)	790,325	Cost of services brought forward		950,892	(236,677)	714,215
		4,828	Losses on the disposal of non-current assets				8,792
		53,754	Financing and investment income and expenditure	9			39,417
		(770,819)	Taxation and non-specific grant Income	10			(793,977)
		78,088	Deficit/(Surplus) on provision of services				(31,553)
		(32,064)	Deficit/(Surplus) on revaluation of non-current assets				(106,562)
		4,714	Impairment losses on non-current assets charged to the revaluation reserve				33,776
		(331,880)	Remeasurements of the net defined benefit liability				(214,176)
		(359,230)	Other comprehensive (income) and expenditure				(286,962)
		(281,142)	Total comprehensive (income) and expenditure				(318,515)

Movement in Reserves Statement 2023/24

Aithris Gluasad ann an Cùl-stòran 2023/24

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council tax and dwelling rents for the year. The Increase/(decrease) line shows the movement in the year for the various reserves and funds following those adjustments.

	General Fund £000	Housing Revenue Account £000	Renewal and Repair Fund £000	Insurance Fund £000	Capital Fund £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2023	131,822	3,909	2,208	3,883	18,493	14,361	174,676	1,598,374	1,773,050
Movement in reserves during 2023/24									
Total comprehensive income and expenditure	30,008	1,545	-	-	-	-	31,553	286,962	318,515
Adjustments to usable reserves permitted by accounting standards	11,164	229	-	-	-	-	11,393	(11,393)	-
Adjustments between accounting basis and funding basis under regulations (Note 7)	(79,503)	(1,002)	-	-	5,691	-	(74,814)	74,814	-
Net increase/(decrease) before transfers to and other statutory reserves	(38,331)	772	-	-	5,691	-	(31,868)	350,383	318,515
Transfers to/from other statutory reserves	64,643	-	19	1,416	(6,067)	(971)	59,040	(59,040)	-
Increase/(decrease) in 2023/24	26,312	772	19	1,416	(376)	(971)	27,172	291,343	318,515
Balance at 31 March 2024	158,134	4,681	2,227	5,299	18,117	13,390	201,848	1,889,717	2,091,565

Movement in Reserves Statement 2022/23

Aithris Gluasad ann an Cùl-stòran 2022/23

	General Fund £000	Housing Revenue Account £000	Renewal and Repair Fund £000	Insurance Fund £000	Capital Fund £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2022	118,805	7,874	2,189	3,152	13,845	9,970	155,835	1,336,073	1,491,908
Movement in reserves during 2022/23									
Total comprehensive income and expenditure	(2,278)	(75,810)	-	-	-	-	(78,088)	359,230	281,142
Adjustments to usable reserves permitted by accounting standards	10,351	228	-	-	-	-	10,579	(10,579)	-
Adjustments between accounting basis and funding basis under regulations (Note 7)	(2,861)	71,617	-	-	12,190	-	80,946	(80,946)	-
Net increase/(decrease) before transfers to and other statutory reserves	5,212	(3,965)	-	-	12,190	-	13,437	267,705	281,142
Transfers to/from other statutory reserves	7,805	-	19	731	(7,542)	4,391	5,404	(5,404)	-
Increase/(decrease) in 2022/23	13,017	(3,965)	19	731	4,648	4,391	18,841	262,301	281,142
Balance at 31 March 2023	131,822	3,909	2,208	3,883	18,493	14,361	174,676	1,598,374	1,773,050

Balance Sheet

Duilleag Chothromachaidh

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Fund that may only be used to fund capital expenditure or repay debt). The second category of reserves is unusable reserves i.e. those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services when the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31/03/23 £000		Note	31/03/24 £000
2,873,561	Property, plant and equipment	28	3,064,116
7,006	Heritage assets	34	8,536
-	Intangible Assets	29	25
50,572	Long term debtors (net of impairment)	35	56,385
45,998	Pension Asset	24	267,967
<u>2,977,137</u>	Long term assets		<u>3,397,029</u>
5,874	Inventories		7,595
84,258	Short term debtors	36/37	94,168
63,149	Cash and cash equivalents	18	54,546
1,451	Assets held for sale		2,251
<u>154,732</u>	Current assets		<u>158,560</u>
(167,957)	Short term borrowing	43	(224,426)
(160,312)	Short term creditors	38	(154,629)
(334)	Cash and cash equivalents – bank overdraft	18	(599)
(448)	Provisions	39	(445)
(13,021)	Capital Grant Receipts in Advance	42	(18,463)
<u>(342,072)</u>	Current liabilities		<u>(398,562)</u>
(889,904)	Long term borrowing	43	(944,097)
(126,843)	Other long term liabilities	40	(121,365)
<u>(1,016,747)</u>	Long term liabilities		<u>(1,065,462)</u>
<u>1,773,050</u>	Net assets		<u>2,091,565</u>
174,676	Usable reserves	12	201,848
1,598,374	Unusable reserves	13	1,889,717
<u>1,773,050</u>	Total reserves		<u>2,091,565</u>

The unaudited annual accounts were issued on 27 June 2024

Brian Porter CPFA

Interim Head of Corporate Finance

Cash Flow Statement**Aithris Sruth-airgid**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the year. This statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2022/23 £000		Note	2023/24 £000
(78,088)	Net surplus/(deficit) on the provision of services		31,553
258,783	Adjust net surplus on the provision of services for non-cash movements	14	87,167
(105,184)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	14	(94,992)
<u>75,511</u>	Net cash inflow from operating activities		<u>23,728</u>
(223,882)	Investing activities	16	(215,688)
115,792	Financing activities	17	183,092
<u>(32,579)</u>	Net increase or (decrease) in cash and cash equivalents		<u>(8,868)</u>
95,394	Cash and cash equivalents at 1 April 2023		62,815
<u>62,815</u>	Cash and cash equivalents at 31 March 2024	18	<u>53,947</u>

Accounting Policies and Notes to the Accounts
 Poileasaidhean Cunntasachd agus Notaichean air na Cunntasan

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1. Expenditure and Funding Analysis

This statement shows for the Council, how annual expenditure is used and funded from resources (government grants, rents, Council tax and business rates); in comparison with those resources consumed or earned, in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2022/23				2023/24		
Net Expenditure chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000		Net Expenditure chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
(18,507)	85,849	67,342	Council Housing – Housing Revenue Account	(24,628)	20,022	(4,606)
41,686	7,559	49,245	Communities & Place	45,696	1,548	47,244
232,486	26,557	259,043	Education & Learning	248,907	(280)	248,627
184,019	5,779	189,798	Health & Social Care	197,090	1,485	198,575
39,862	34,038	73,900	Infrastructure, Environment & Economy	50,253	28,227	78,480
6,473	1,715	8,188	Performance & Governance	5,898	219	6,117
85,229	5,363	90,592	Property & Housing	93,340	741	94,081
12,702	8,328	21,030	Resources & Finance	16,420	4,362	20,782
13,530	1,259	14,789	Depute Chief Executive	14,106	245	14,351
13,410	(45)	13,365	Welfare Services	7,378	(48)	7,330
-	-	-	Green Freeport	214	-	214
3,033	-	3,033	Joint board requisitions	3,020	-	3,020
613,923	176,402	790,325	Cost of services carried forward	657,694	56,521	714,215

Expenditure and Funding Analysis (continued)

2022/23				2023/24		
Net Expenditure chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000	Note	Net Expenditure chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
613,923	176,402	790,325	Cost of services brought forward	657,694	56,521	714,215
(615,170)	(97,067)	(712,237)	Other Income and Expenditure	(620,135)	(125,633)	(745,768)
<hr/>				<hr/>		
(1,247)	79,335	78,088	Deficit/(Surplus)	2	37,559	(69,112)
		(126,679)	Opening General Fund and HRA Balance			(135,731)
		(1,247)	Deficit/(surplus) on General Fund or HRA Balance in year			37,559
		(7,805)	Transfers (from)/to reserves			(64,643)
		<hr/>	Closing General Fund and HRA Balance at 31 March 2024*		<hr/>	(162,815)
		(135,731)				

*For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement on page 48/49.

2. Note to Expenditure and Funding Analysis

Adjustments between Funding & Accounting Basis 2023/24

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Differences	Total Statutory Adjustments	Other (non statutory) Adjustments	Total Adjustments
	£000	£000	£000	£000	£000	£000
Council Housing – Housing Revenue Account	20,944	175	-	21,119	(1,097)	20,022
Communities & Place	1,619	341	(306)	1,654	(106)	1,548
Education & Learning	20,659	750	(2,206)	19,203	(19,483)	(280)
Health & Social Care	1,067	202	292	1,561	(76)	1,485
Infrastructure, Environment & Economy	23,340	385	247	23,972	4,255	28,227
Performance & Governance	-	112	108	220	(1)	219
Property & Housing	632	402	43	1,077	(336)	741
Resources & Finance	4,030	334	19	4,383	(21)	4,362
Depute Chief Executive	63	108	75	246	(1)	245
Welfare Services	-	-	-	-	(48)	(48)
Net Cost of Services	72,354	2,809	(1,728)	73,435	(16,914)	56,521
Other Income from the Expenditure and Funding Analysis	(125,170)	(10,602)	(6,775)	(142,547)	16,914	(125,633)
Total Adjustments	(52,816)	(7,793)	(8,503)	(69,112)	-	(69,112)

Other (non statutory) Adjustments are items which are included in service outturns but are reported under Financing and Investment Income and Expenditure in the CIES. These comprise: PPP Unitary Charge - (£19.541m), Harbours Trading Income and Expenditure - £4.106m, Expected Credit Losses on Financial Assets – (£1.479m).

Adjustments between Funding & Accounting Basis 2022/23

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Differences	Total Statutory Adjustments	Other (non statutory) Adjustments	Total Adjustments
	£000	£000	£000	£000	£000	£000
Council Housing – Housing Revenue Account	84,827	2,562	-	87,389	(1,540)	85,849
Communities & Place	3,019	5,061	(472)	7,608	(49)	7,559
Education & Learning	33,530	10,986	750	45,266	(18,709)	26,557
Health & Social Care	870	5,336	(506)	5,700	79	5,779
Infrastructure, Environment & Economy	23,975	5,552	111	29,638	4,400	34,038
Performance & Governance	-	1,780	(65)	1,715	-	1,715
Property & Housing	(416)	6,222	(6)	5,800	(437)	5,363
Resources & Finance	5,172	3,188	8	8,368	(40)	8,328
Depute Chief Executive	(162)	1,433	(12)	1,259	-	1,259
Welfare Services	-	-	-	-	(45)	(45)
Net Cost of Services	150,815	42,120	(192)	192,743	(16,341)	176,402
Other Income from the Expenditure and Funding Analysis	(113,550)	7,113	(6,971)	(113,408)	16,341	(97,067)
Total Adjustments	37,265	49,233	(7,163)	79,335	-	79,335

Other (non statutory) Adjustments are items which are included in service outturns but are reported under Financing and Investment Income and Expenditure in the CIES. These comprise: PPP Unitary Charge - (£18.703m), Harbours Trading Income and Expenditure - £4.371m, Expected Credit Losses on Financial Assets – (£2.010m).

Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. statutory repayment of loans fund debt and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.
- Note 24 provides further explanations of IAS 19 entries.

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For financing and investment income and expenditure, the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under taxation and non specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

3. Accounting policies

Explanations are provided for the basis of the figures included within the Accounts and the policies adopted particularly where there is more than one acceptable basis. Notes are included to provide details of certain aspects contained within the financial statements.

Basis of Preparation

The Council's Statement of Accounts for 2023/24 has been prepared on a going concern basis. The concept of a going concern assumes that the Council's functions and services will continue in operational existence for the foreseeable future. The provisions in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. In accordance with the CIPFA Code of Local Government Accounting (2023/24), the Council is required to prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity. The Interim Head of Corporate Finance has determined it to be appropriate therefore to prepare the accounts on the assumption that the Council will continue in operational existence for the foreseeable future.

General principles and materiality

The Annual Accounts summarise the transactions of the Council for the financial year 2023/24 and its financial position at 31 March 2024. The Council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires that they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (The Code) supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Council will disclose all material accounting policy information. Information is considered to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. Information may be material because of its nature, even if the related amounts are immaterial. Any immaterial policy information that is disclosed will not obscure material accounting policy information.

Accruals of income and expenditure

The accounts have been prepared on an accruals basis in accordance with the Code of Practice.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Expenses in relation to services received (including those rendered by officers of the Council) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instruments rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is

evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- Where the Council is acting as an agent for another party (e.g. in the collection of National Non-Domestic Rates) income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

Prior period adjustments and changes in accounting policies and estimates and errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts which are repayable on demand and form an integral part of the Council's cash management.

Charges to revenue for non-current assets

Council Services are debited with the following amounts to record the cost of holding non current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Council is not required to raise Council Tax to cover depreciation, revaluation or impairment losses. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to loans fund principal charges. Depreciation, revaluation and impairment losses are therefore replaced by loans fund principal charges in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Employee benefits

Short term employee benefits such as wages, salaries and paid annual leave for current employees, are recognised as an expense in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year and is required under statute to be reversed out of the General Fund balance by a credit to the Employee Statutory Adjustment Account.

Termination benefits are amounts payable either as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or following an employee's decision to accept voluntary redundancy. These benefits are charged to the Comprehensive Income and Expenditure Statement on an accruals basis when the Council is demonstrably committed to terminating the employment of an employee.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner during the year and not the amount calculated according to the relevant accounting standards. Appropriations are made in the Movements in Reserves Statement to and from the Pension Reserve to remove the notional charges for pension enhancement termination benefits and replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Retirement benefits

Teachers are admitted to the Teachers Superannuation Scheme, which is administered by the Scottish Government. Former NHS Highland employees who transferred to the Council as part of the Planning for Integration programme remain members of the NHS Superannuation Scheme (Scotland), administered by The Scottish Government. The arrangements for both the Teachers' and NHS Schemes mean that assets and liabilities cannot be attributed specifically to the Council.

Both schemes are therefore accounted for as if they were defined contribution schemes – no liability for future payments of benefits is recognised in the Balance Sheet and the Education & Learning and Health & Social Care Services line in the Comprehensive Income and Expenditure Statement is charged with employer's contributions payable to Teachers and NHS pensions in the year.

Employees of the Council are admitted to the Highland Council Pension Fund which administers the Local Government Pension Scheme. This is a defined benefit Career Average Revalued Earnings (CARE) scheme. In addition, the Council has liabilities for discretionary pension payments outside the main scheme.

Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The assets of the Highland Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value as per the table below.

Description of Asset	Basis of valuation
Market quoted investments	Published bid market price ruling on the final day of the accounting period.
Quoted bonds	Quoted market value based on current yields.
Exchange traded pooled investments	Closing bid value on published exchanges.
Pooled investments – overseas unit trusts, property funds and alternative risk premia, unitised insurance policies (equities and bonds)	Closing bid price where bid and offer prices are published. Closing single price where single price published
Pooled investments – unlisted property funds	Financial statements or other market indicators.
Unquoted equity/ private debt	Comparable valuation of similar companies.
Unquoted commercial real estate debt	Valued by Fund Manager using accounting estimates and judgements from the fund's financial statement.

- The liabilities of the Highland Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, which assesses the present value of the future payments that will be made in relation to retirement benefits earned to date, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings of current employees.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service accrued in the year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Resources expenditure.
- Net interest on the defined benefit liability, i.e. net interest expense for the authority – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the net defined benefit obligation at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements of the net defined benefit liability (asset) comprising:

- The return on plan assets – excluding amounts included in net interest on the net pensions liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Highland Council Pension Fund

- Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers and former NHS employees) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Annual Accounts are adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Annual Accounts are not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument.

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL) - not applicable to the Council for 2023/24; and
- fair value through other comprehensive income (FVOCI) - not applicable to the Council for 2023/24.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of the financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and that interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council recognises expected credit losses on all of its financial assets held at amortised cost on a lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

Soft Loans

The Council has made loans to organisations mainly to provide for affordable housing (soft loans). When these are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal.

Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Capital Grants in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Any unused grants are earmarked within the General Fund to finance the expenditure when it arises.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement.

Interests in companies and other entities

Where the Council has a material interest in subsidiaries, associates or joint ventures the Council will prepare Group Accounts in compliance with the Code. An interest is where the Council has either ownership of share capital or has rights to benefit from the capital of the entity. An interest also covers situations where the Council has the right to benefit from surpluses, a liability to contribute to losses, or an obligation to contribute to debts or expenses in the winding up of an entity. In assessing whether the interest is material or not an assessment will be made as to the influence and control which the Council exerts over the entity, not solely the financial interest or ownership.

The Council has no financial investment in any of its group subsidiaries or associates.

Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Operating Leases

The Council as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, generally meaning that rentals are charged when they become payable.

The Council as Lessor

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease.

Property, plant and equipment

Assets that have physical substance and are held for use in the supply of services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

Classification as a non-current asset is subject to a de minimus level of £0.006m for vehicles, plant and machinery and £0.020m for all other assets.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

- Infrastructure, community assets and assets under construction – historical cost
- Council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Operational leased assets – market value

- All other assets – current value, determined the amount that would be paid for the asset in its existing use (existing use value - EUV)
- Corporate surplus assets and assets held for sale - fair value as determined by IFRS 13

Where there is no market based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

Assets included in the Balance Sheet at current value are revalued as at 31 March sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, and as a minimum at least once every five years. These revaluations are carried out by in-house valuers and are overseen by Kenny Forbes (MRICS), Property Manager, Infrastructure, Environment and Economy Service.

Council dwellings valuations are carried out externally using the District Valuers (DVS). The work was carried out by Ruby Ashworth (MRICS), Senior Surveyor, DVS.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains, unless the increase is reversing a previous impairment loss or previous revaluation decrease charged to the Surplus or Deficit on the Provision of Services on the same asset.

Where decreases in value are identified, the revaluation loss is accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Statutory Overrides – Infrastructure Assets

In response to concerns raised by audit bodies on the way local authorities in the UK account for their infrastructure assets and following an urgent consultation on the matter by CIPFA/LASAAC, the Scottish Government have produced a set of temporary statutory overrides that can be applied up to financial year 2023/24 until the matter can be resolved.

There are two optional statutory overrides available to local authorities below and the Council are applying both in the annual accounts.

- Override 1 For accounting periods commencing from 1 April 2021 until 31 March 2024, a local authority is not required to report the gross carrying amount and accumulated depreciation for infrastructure assets.
- Override 2 For the accounting periods from 1 April 2010 to 31 March 2024, the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be accounted for as a nil amount, and no subsequent adjustment can be made to the carrying amount of the asset with respect to that part.

Componentisation

- Components of an asset will be separated where their value is significant in relation to the total value of the asset and where those components have different useful lives to the remainder of the asset for depreciation purposes.
- A component may be an individual item or similar items with similar useful lives grouped together.

- Only assets with a gross book value of £3.0m and over will be considered for componentisation.
- Of those assets, for the purpose of determining a “significant” component of an asset, components with a value of 20% in relation to the overall value of the asset or over £0.5m will be considered and then only if the component has a different useful life for depreciation purposes so as to result in depreciation charges that differ materially from the depreciation charges had the asset not been componentised.
- On componentisation any Revaluation Reserve balances will remain with the structure of the building. Any future revaluation gains and losses will be applied across components as appropriate.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale. Where assets no longer meet the criteria to be classified as held for sale they will be revalued at existing use value and reclassified to Property, Plant and Equipment. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Fund, and can then only be used for new capital investment.

Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against Council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction and assets held for sale).

Depreciation is calculated on the following bases:

- Council dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer, ranging from 20 years to 60 years.
- Vehicles, plant and equipment – straight line allocation over the useful life of the asset as advised by a suitably qualified officer, ranging from 3 years to 40 years.
- Infrastructure – straight-line allocation over 30 years for roads and 60 years for all other assets.

Depreciation is charged in the year of acquisition but no depreciation is charged in the year of disposal.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the General Fund and HRA.

Balances held for impairment losses are also similarly depreciated with the balance being adjusted each year with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historic cost. This is to ensure that the balance is reflecting the maximum permissible reversal allowable to the Comprehensive Income and Expenditure Statement in future years in the event of a revaluation gain.

Heritage assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets include various works of art, civic regalia and museum collections.

The Council's heritage assets consist of:

- Museum collections which include various collections held at a number of museums such as Inverness Museum and Art Gallery and the Highland Folk Museum.
- Works of Art & Civic Regalia including works of art held at various locations across the Highlands as well as various pieces of Highland Provost's Regalia.
- The values for these heritage assets are based on valuations for insurance purposes. This is carried out internally; with most valuations reflecting valuation work undertaken by Sotheby's in 2013 which continues to be considered the most relevant valuation for these assets.

- The Highland Council also has a number of special collections of rare books with the Charles Fraser-Mackintosh collection and the Kirk Session Library being the largest of these collections. Due to relaxations in the Code in relation to the measurement of heritage assets, these are not recognised on the balance sheet as there is no information on the cost or value of these collections and the cost of obtaining this would outweigh the benefits to the users of the financial statements.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairments.

The proceeds of any disposals are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Heritage assets are deemed to have indeterminate lives and a high residual value; hence it is not considered appropriate to charge depreciation.

Intangible assets

Expenditure on identifiable non-monetary assets that do not have physical substance but are identifiable and controlled by the Council as a result of past events (for example computer software) is capitalised when it will bring benefits to the Council for more than one financial year.

The balance is amortised to the Comprehensive Income and Expenditure Statement over its useful life. The amortisation basis is reviewed on an annual basis to ensure any impairment is identified. Intangible assets under development are not amortised until they are complete.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure that may be capitalised under statutory provisions that does not result in the creation of assets for the Council has been charged to the 'cost of services' in the Comprehensive Income and Expenditure Statement. These costs are a reconciling item in the Movement in Reserves Statement for the General Fund by way of an adjusting transaction with the capital adjustment account.

Private Finance Initiative (PFI) and Similar Contracts

Highland Council has three PFI and similar contracts which are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non current PFI assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Provisions and Contingent Liabilities

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in Note 41 to the accounts.

Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to be included in against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then reduced by a transfer into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the Council – these reserves are explained in Note 13.

Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

4. Accounting Standards issued but not yet adopted

The following accounting standards will be adopted within the 2024/25 Code effective from 1 April 2024. There is therefore no impact on the 2023/24 financial statements.

The only standard below expected to have a significant impact on the 2024/25 financial statements is the implementation of IFRS 16 Leases.

- IFRS 16 Leases. Implementation of IFRS 16 Leases which replaces IAS 17 Leases will be mandatory from 2024/25.

The Council will therefore be adopting this standard in 2024/25 which removes the operating classification for leases where the Council acts as lessee. This eliminates the ability for organisations to keep operating leases off balance sheet which means that for lease arrangements previously accounted for as operating leases a right-of-use (ROU) asset and a lease liability will be brought onto the balance sheet as at 1 April 2024 with exemptions available for low value (under £0.006m) and short term leases (less than 12 months remaining on lease).

IFRS 16 will be applied retrospectively, but with a cumulative effect being recognised as at 1 April 2024. Therefore, the ROU asset and lease liabilities will be calculated as if IFRS 16 had previously been applied but will only be recognised in 2024/25 with no prior year adjustments required.

It is anticipated that the adoption of the Code's adaptation of IFRS 16 will result in the following additions to the balance sheet:

- £26.962m Property, Plant and Equipment - land and buildings (right-of-use assets)
 - £2.096m Property, Plant and Equipment - vehicles (right-of-use assets)
 - £2.682m Property, Plant and Equipment – plant and equipment (right-of-use assets)
 - £31.740m Lease Liabilities
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020. The amendments:
 - specify that an entity's right to defer settlement must exist at the end of the reporting period
 - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
 - clarify how lending conditions affect classification, and
 - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
 - Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
 - Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.
 - International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
 - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
 - targeted disclosure requirements for affected entities.
 - Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier

finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:

- assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
- understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

5. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 3, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events (see Note 6). The critical judgements made in the Annual Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council is deemed to control the services provided under the Public Private Partnership arrangements that it has for the PPP1, PPP2 and Wick Campus Projects, and also to control the residual value of the schools at the end of the agreement. The accounting policies for PPP schemes and similar contracts have been applied to the arrangement and the schools (net value £319.815m) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

6. Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Valuations	<p>In making judgements on the measurements of assets at 31 March 2024, the Council place reliance on valuation information received from internal valuers as well as the District Valuer.</p> <p>A large proportion of assets are of a specialised nature reflecting an underlying DRC basis of valuation which is influenced by property build rates. An appropriate Buildings indexation factor is calculated as a desktop exercise and applied to these DRC assets on an annual basis between formal valuation years to reflect annual changes in build rates.</p> <p>The current carrying value for the councils plant, property and equipment is £3,064m.</p>	<p>Any significant change in property market conditions may require certain assets (in particular Other Land and Building and Surplus Property) to be revalued and would therefore impact on the asset valuations on the Council balance Sheet.</p> <p>The risk of movement is uncertain and an upwards or downwards revaluation in future years is possible. It is estimated a change in value of 10% in the Other Land and Building asset category would adjust the total value of plant, property and equipment by £170.093m.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in mortality rates and expected returns on pension fund assets.</p> <p>The current carrying value for pensions is an asset of £267.967m.</p>	<p>The impact of changes in the assumptions used to the pension liability has been assessed by the actuaries as described in Note 24.</p>
Fair Value Measurements	<p>When the fair values of assets and liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. Changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.</p>	<p>The Council uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets).</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for investment properties and financial assets.</p>

7. Movement in Reserves Statement – adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2023/24

	General Fund £000	Housing Revenue Account £000	Capital Fund £000	Capital Grants Unapplied Account £000	Total usable reserves £000	Movement in unusable reserves £000	Total reserves £000
Adjustments involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation and impairment of non-current assets	45,292	20,715	-	-	66,007	(66,007)	-
Capital grants and contributions that have been credited to the Comprehensive Income and Expenditure Statement	(83,797)	(22,130)	-	-	(105,927)	105,927	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal; to the Comprehensive Income and Expenditure Statement	4,078	11,770	-	-	15,848	(15,848)	-
Revenue expenditure funded by capital	12,300	-	-	-	12,300	(12,300)	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision for repayment of debt	(32,607)	(8,730)	-	-	(41,337)	41,337	-
Repayment of Finance Lease Creditors	(4,813)	-	-	-	(4,813)	4,813	-
Capital expenditure charged against the General Fund and HRA balances	(4,044)	-	-	-	(4,044)	4,044	-
Adjustments involving the Capital Grants Unapplied Account							
Capital grants and contributions that have been credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-

2023/24	General Fund £000	Housing Revenue Account £000	Capital Fund £000	Capital Grants Unapplied Account £000	Total usable reserves £000	Movement in unusable reserves £000	Total reserves £000
Adjustments involving the Capital Fund							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,548)	(1,508)	7,056	-	-	-	-
Use of the capital fund to finance new capital expenditure	-	-	(1,365)	-	(1,365)	1,365	-
Adjustments involving the Financial Instruments Adjustment Account							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,354)	(608)	-	-	(1,962)	1,962	-
Adjustments involving the Pensions Reserve							
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	26,121	1,796	-	-	27,917	(27,917)	-
Employers' pension contributions and direct payments to pensioners payable in the year	(33,403)	(2,307)	-	-	(35,710)	35,710	-
Adjustments involving the Employee Statutory Adjustment Account							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,728)	-	-	-	(1,728)	1,728	-
Total adjustments 2023/24	(79,503)	(1,002)	5,691	-	(74,814)	74,814	-

2022/23

	General Fund £000	Housing Revenue Account £000	Capital Fund £000	Capital Grants Unapplied Account £000	Total usable reserves £000	Movement in unusable reserves £000	Total reserves £000
Adjustments involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation and impairment of non-current assets	61,831	84,599	-	-	146,430	(146,430)	-
Capital grants and contributions that have been credited to the Comprehensive Income and Expenditure Statement	(100,753)	(15,412)	-	-	(116,165)	116,165	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal; to the Comprehensive Income and Expenditure Statement	7,433	11,260	-	-	18,693	(18,693)	-
Revenue expenditure funded by capital	12,655	-	-	-	12,655	(12,655)	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision for repayment of debt	(5,669)	(10,294)	-	-	(15,963)	15,963	-
Repayment of Finance Lease Creditors	(5,011)	-	-	-	(5,011)	5,011	-
Capital expenditure charged against the General Fund and HRA balances	(5,097)	-	-	-	(5,097)	5,097	-
Adjustments involving the Capital Grants Unapplied Account							
Capital grants and contributions that have been credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-

2022/23

	General Fund £000	Housing Revenue Account £000	Capital Fund £000	Capital Grants Unapplied Account £000	Total usable reserves £000	Movement in unusable reserves £000	Total reserves £000
Adjustments involving the Capital Fund							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(12,945)	(920)	13,865	-	-	-	-
Use of the capital fund to finance new capital expenditure	-	-	(1,675)	-	(1,675)	1,675	-
Adjustments involving the Financial Instruments Adjustment Account							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,361)	(600)	-	-	(1,961)	1,961	-
Adjustments involving the Pensions Reserve							
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	77,380	4,992	-	-	82,372	(82,372)	-
Employers' pension contributions and direct payments to pensioners payable in the year	(31,132)	(2,008)	-	-	(33,140)	33,140	-
Adjustments involving the Employee Statutory Adjustment Account							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(192)	-	-	-	(192)	192	-
Total adjustments 2022/23	(2,861)	71,617	12,190	-	80,946	(80,946)	-

8. Movement in Reserve Statement – transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves. The increase in General Fund of £26.312m (2022/23-£13.017m increase) comprises an increase in earmarked balances of £49.470m (2022/23 - £38.239m decrease) and a decrease in non-earmarked balances of £23.158m (2022/23 - £51.256m increase).

	Balance at 31/03/22	Transfers out	Transfers in	Interest on balances	Balance at 31/03/23	Transfers out	Transfers in	Interest on balances	Balance at 31/03/24
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Badaguish Outdoor Centre	460	-	-	-	460	-	-	-	460
Budget 2024/25 - Pressures	-	-	-	-	-	-	16,960	-	16,960
Budget 2024/25 – Savings & Transformation	-	-	-	-	-	-	32,300	-	32,300
Change Fund	3,244	(1,460)	1,606	-	3,390	(1,231)	250	-	2,409
Commercial Investment Fund	74	(74)	-	-	-	-	-	-	-
Community Led Capacity Building	-	-	-	-	-	-	1,200	-	1,200
COVID-19	12,442	(11,583)	-	-	859	(211)	-	-	648
Developers' Contributions	8,794	(3,001)	2,833	223	8,849	(2,630)	3,893	600	10,712
Developing the Young Workforce	35	(35)	-	-	-	-	-	-	-
Devolved School Management	4,576	(2,366)	941	-	3,151	(1,032)	1,095	-	3,214
Education Transitional Funding	-	-	1,706	-	1,706	(500)	-	-	1,206
Elections	840	(595)	85	-	330	-	85	-	415
Funding for 2022/23 Non-recurring Budget Pressures	5,662	(5,662)	-	-	-	-	-	-	-
Future Capacity Investment Fund	-	-	-	-	-	-	9,639	-	9,639
Grants and Match Funding	5,801	(4,038)	2,418	-	4,181	(461)	1,470	-	5,190
Green Freeport	-	-	300	-	300	(214)	300	-	386
High Life Highland	1,000	(608)	400	-	792	(792)	-	-	-
IT Investment Fund	1,078	-	170	-	1,248	-	42	-	1,290
Lease Premium Windfall	265	(265)	-	-	-	-	-	-	-
Local Car Parking Income	-	-	248	-	248	(192)	240	-	296
NHS Highland - COVID Response Fund & Investment Fund	16,396	(5,601)	-	-	10,795	(9,873)	-	-	922
Phase 1 Investment Fund	7,423	(3,535)	125	-	4,013	(1,887)	-	-	2,126
Phase 2 Investment Fund	5,766	(4,532)	-	-	1,234	(1,100)	-	-	134
Phase 3 Investment Fund	5,300	(3,791)	-	-	1,509	(259)	-	-	1,250

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	Balance at 31/03/22	Transfers out	Transfers in	Interest on balances	Balance at 31/03/23	Transfers out	Transfers in	Interest on balances	Balance at 31/03/24
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Phase 4 Investment Fund	8,000	(3,907)	44	-	4,137	(1,042)	-	-	3,095
Property (Health & Safety Issues etc)	2,400	(690)	-	-	1,710	(1,710)	-	-	-
Recycling Improvement Fund	-	-	273	-	273	(20)	-	-	253
Repayment of Second Homes Council Tax Flexibility	-	-	-	-	-	-	3,693	-	3,693
Salix Recycling Fund	300	(490)	1,850	-	1,660	(291)	663	-	2,032
Scottish Crown Estate	5,413	(905)	2,887	-	7,395	(2,380)	2,893	-	7,908
Skye Airstrip	187	(187)	-	-	-	-	-	-	-
Staffing Conditions and Development Fund	3,403	(751)	-	-	2,652	-	-	-	2,652
Walks to Water	76	-	-	-	76	(25)	-	-	51
Welfare Issues	613	(320)	48	-	341	(3)	-	-	338
Total	99,548	(54,396)	15,934	223	61,309	(25,853)	74,723	600	110,779

9. Comprehensive Income and Expenditure Statement – Financing and investment income and expenditure

2022/23 £000		Note	2023/24 £000
(3,116)	Gains on trading operations	20	(3,094)
51,409	Interest payable and similar charges		62,240
6,952	Pensions net interest expense		(10,613)
(3,501)	Interest and investment income		(10,595)
2,010	Expected credit losses on financial assets		1,479
<u>53,754</u>			<u>39,417</u>

10. Comprehensive Income and Expenditure Statement – Taxation and non specific grant income

2022/23 £000		2023/24 £000
(383,618)	Revenue support grant	(389,787)
(136,667)	Council tax income	(144,159)
(141,565)	Non-Domestic rates	(156,979)
(103,510)	Capital grants and contributions	(93,627)
(5,459)	General capital grant revenue flexibility	(9,425)
<u>(770,819)</u>		<u>(793,977)</u>

11. Comprehensive Income and Expenditure Statement – Material items of income and expense

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement (CIES) or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

In 2023/24 the Council took the option to apply additional flexibility to the accounting treatment of its service concession arrangements for Privately Financed (PPP) school contracts, as detailed in the Local Government finance circular 10/2022, to reprofile charges to the general fund for principal repayments. The Council has three such arrangements – Community Schools (Highlands) Ltd, Alpha Schools (Highland) Ltd and Hub North Scotland (Wick) Limited, details of which can be seen in note 32.

This flexibility allows the accounting treatment of the debt profile to be amended to spread them over the useful lives of the asset rather than the contract lives. The contract lives were 25, 30 and 25 years respectively. These have been recalculated using the annuity method over the 45 years useful life. A total credit of £55.075m was released to the general fund earmarked reserves from unusable reserves. This comprised a £49.607m pre 2023/24 retrospective credit, and £5.468m credit for 2023/24.

12. Balance Sheet – usable reserves

31/03/23 £000		31/03/24 £000
2,208	Renewal and Repair Fund (a)	2,227
18,493	Capital Fund (b)	18,117
3,883	Insurance Fund (c)	5,299
14,361	Capital Grants Unapplied (d)	13,390
131,822	General Fund (e)	158,134
3,909	Housing Revenue Account (e)	4,681
<u>174,676</u>		<u>201,848</u>

(a) The Council operates a Renewal and Repair fund for the following purposes:

- to fund ground maintenance work undertaken on private land adopted by the Council
- to fund repairs at leisure facilities
- to fund repairs at Inverness Campus North Bridge
- to fund unbudgeted maintenance and repairs of traffic lights and solar panels

(b) The Council operates a Capital fund to hold capital receipts available to finance capital expenditure in future years and for a Landbanking initiative relating to the provision of affordable social housing throughout the Highlands.

The movements in the Capital Fund are detailed below.

	Landbanking Initiative £000	Capital Receipts £000	Total £000
Balance at 31 March 2023	17,086	1,407	18,493
Transferred to General Fund	(4,340)	(5,691)	(10,031)
Transferred to Capital Adjustment account	3,964	5,691	9,655
Balance at 31 March 2024	16,710	1,407	18,117

(c) Using powers in Schedule 3 of the Local Government Scotland Act 1975 the Council has established an Insurance Fund to meet uninsured losses or surpluses. This fund enables the Council to self insure General Fund properties against a number of risks.

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(d) The Council operates an Evergreen Housing Infrastructure Fund to support and accelerate the delivery of housing in the Highland Council area. The balance of this fund is held in the Capital Grants Unapplied account.

The movements in the Capital Grants Unapplied account are detailed below.

	Total £000
Balance at 31 March 2023	14,361
Transferred from/(to) General Fund	(971)
Transferred from/(to) Capital Adjustment account	-
Balance at 31 March 2024	<u>13,390</u>

(e) Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 7 and 8.

13. Balance Sheet – unusable reserves

31/03/23 £000		31/03/24 £000
600,744	Revaluation Reserve (a)	661,116
978,459	Capital Adjustment Account (b)	983,770
(13,396)	Financial Instruments Adjustment Account (c)	(11,433)
45,998	Pensions Reserves (d)	267,967
(13,431)	Employee Statutory Adjustment Account (e)	(11,703)
<u>1,598,374</u>		<u>1,889,717</u>

(a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains revaluation gains which have accumulated since the creation of the reserve on 1 April 2007. Accumulated gains arising up to 31 March 2007 were consolidated into the balance on the Capital Adjustment Account.

2022/23 £000		£000	2023/24 £000
584,947	Balance at 1 April 2023		600,744
65,430	Upward revaluation of assets	108,864	
(33,366)	Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of services	(2,302)	
(4,714)	Impairment losses not charged to the Surplus/Deficit on the Provision of services	(33,776)	
	Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of services		72,786
(10,579)	Difference between fair value depreciation and historical cost depreciation		(11,393)
(947)	Accumulated gains on assets sold or scrapped	(1,021)	
(27)	Amount written off revaluation reserve	-	
(974)	Amount written off to the Capital Adjustment Account		(1,021)
<u>600,744</u>	Balance at 31 March 2024		<u>661,116</u>

(b) Capital Adjustment Account

The Capital Adjustment Account absorbs timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Account (with reconciling postings from the Revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses on investment properties and also revaluation gains accumulated on property, plant and equipment prior to the creation of the account on 1 April 2007.

Note 7 provides details of the source of all the transactions posted to the account, apart from any involving other reserves.

2022/23 £000		2023/24 £000
1,016,756	Balance at 1 April 2023	978,459
(12,655)	Revenue Expenditure funded from capital under statute	(12,300)
(76,428)	Charges for depreciation on non-current assets	(75,589)
(70,003)	Revaluation gains/(losses) on Property, Plant and Equipment	9,580
(18,693)	Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(15,848)
<u>(177,779)</u>		<u>(94,157)</u>
974	Adjusting amounts written out of the Revaluation Reserve	1,021
974	Net written out amount of the cost of non-current assets consumed in the year	1,021
	Capital Financing applied in the year	
5,011	Repayment of PPP creditors	4,813
-	School PPP Accounting Flexibility	(55,075)
1,675	Use of the Capital Fund to finance new capital expenditure	1,365
116,165	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	105,927
737	Use of the Capital Fund	(3,964)
(6,140)	Use of Capital Grants Unapplied Account	-
15,963	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances*	41,337
5,097	Capital expenditure charged against the General Fund and HRA balances	4,044
<u>138,508</u>		<u>98,447</u>
<u>978,459</u>	Balance at 31 March 2024	<u>983,770</u>

*Reduction in 2022/23 is due to the effects of the loans fund principal 'holiday' taken, this financial flexibility allowed for the option to defer the statutory repayment of debt in 2022/23.

(c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2022/23 £000		2023/24 £000
(15,357)	Balance at 1 April 2023	(13,396)
1,955	Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund and HRA balances in accordance with statutory requirements	1,956
6	Proportion of equivalent interest rate calculation on lender option/borrower option loans (LOBOs)	7
<u>(13,396)</u>	Balance at 31 March 2024	<u>(11,433)</u>

(d) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pensions funds or eventually pays any pensions for which it is directly responsible. This has resulted in a credit balance on the Pensions Reserve showing a surplus in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. Therefore, the asset ceiling adjustment has been considered as per IFRIC 14. See Note 24 for further details.

2022/23 £000		2023/24 £000	£000
(236,650)	Balance at 1 April 2023		45,998
692,835	Actuarial gains/ (losses) arising on changes in financial and demographic assumptions	68,265	
(90,122)	Return on plan assets	94,547	
(92,461)	Other experience adjustments	(127,008)	
(178,372)	IFRIC 14 Asset Ceiling Adjustment	178,372	
331,880	Total remeasurements of the net defined liability		214,176
(82,372)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(27,917)	
33,140	Employer's pension contributions and direct payments to pensioners payable in the year	35,710	
<u>(49,232)</u>			7,793
<u>45,998</u>	Balance at 31 March 2024		<u>267,967</u>

(e) Employee Statutory Adjustment Account

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

2022/23 £000		2023/24 £000
(13,623)	Balance at 1 April 2023	(13,431)
13,623	Settlement or cancellation of accrual made at the end of the preceding year	13,431
(13,431)	Amounts accrued at the end of the current year	(11,703)
(13,431)	Balance at 31 March 2024	(11,703)

14. Cash flow statement – Adjustments to surplus/deficit on the provision of services

2022/23 £000		2023/24 £000
	Non-cash items	
87,006	Depreciation	86,981
70,003	Impairments	(9,580)
18,693	Net book value of assets sold	15,848
49,232	IAS 19 transactions	(7,793)
(85)	Financial instruments adjustments	690
	Items on accruals basis	
582	Decrease/(increase) in inventories	(1,719)
10,569	Decrease/(increase) in debtors	(7,843)
25,341	(Decrease)/increase in creditors	10,585
(2,558)	(Decrease)/increase in provisions	(2)
258,783		87,167
£000		£000
	Items in investing & financing activities	
(103,509)	Capital grants credited to surplus/deficit on provision of services	(93,627)
(1,675)	Proceeds from sale of assets	(1,365)
(105,184)		(94,992)

15. Cash flow statement – operating activities

The net cash inflow from operating activities includes the following items:

2022/23		2023/24
£000		£000
(3,267)	Interest received	(10,620)
49,959	Interest paid	45,850

16. Cash flow statement – investing activities

2022/23		2023/24
£000		£000
(217,812)	Purchase of property, plant and equipment	(213,329)
-	Purchase of intangible assets	(25)
-	Held for Sale Asset Additions	(20)
(11,705)	Other (payments)/receipts for investing activities	(3,776)
1,675	Proceeds from the sale of property, plant and equipment	1,365
3,960	Other (payments)/receipts from investing activities	97
(223,882)	Net cash flows from investing activities	(215,688)

17. Cash flow statement – financing activities

2022/23		2023/24
£000		£000
173,000	Cash receipts of short and long term borrowing	293,000
103,509	Other receipts from financing activities	93,627
(5,011)	Cash payments for the reduction of outstanding liabilities relating to PFI contracts	(4,813)
(153,754)	Repayments of short and long term borrowing	(198,401)
(1,952)	Advance to/(from) group bodies	(321)
115,792	Net cash flows from financing activities	183,092

18. Cash flow statement – cash and cash equivalents

	At 1 April 2023 £000	Cash flow £000	At 31 March 2024 £000
Temporary investments	63,084	(8,605)	54,479
Cash in hand	65	2	67
Cash and cash equivalents current assets	63,149	(8,603)	54,546
Cash at bank (overdraft current liability)	(334)	(265)	(599)
Total cash and cash equivalents	62,815	(8,868)	53,947

19. Expenditure & Income Analysed by Segment and Nature

The Council's expenditure and income is analysed as follows. These figures include statutory adjustments as per the analysis in Note 2 to the accounts.

2023/24

	Communities & Place £000	Education & Learning £000	Health & Social Care £000	Infrastructure, Environment & Economy £000	Performance & Governance £000	Property & Housing £000	Resources & Finance £000	Depute Chief Executive £000	Welfare Services £000	HRA £000	Costs not included in a Service £000	Total £000
Fees, charges and other service income	(13,862)	1,490	(522)	(22,046)	(2,388)	(6,979)	(1,998)	(822)	(126)	(63,235)	(20,505)	(130,993)
Interest and investment income	(30)	-	(4)	-	-	(1)	-	-	-	-	(10,630)	(10,665)
Income from Council Tax	-	-	-	-	-	-	-	-	-	-	(144,159)	(144,159)
Government grants and contributions	(1,860)	(37,767)	(18,952)	(20,940)	(142)	(9,485)	(851)	(3,375)	(32,782)	-	(649,818)	(775,972)
Total income	(15,752)	(36,277)	(19,478)	(42,986)	(2,530)	(16,465)	(2,849)	(4,197)	(32,908)	(63,235)	(825,112)	(1,061,789)
Employee expenses	30,712	231,429	41,069	31,424	8,096	27,563	15,461	8,944	52	14,283	970	410,003
Other service expenses	28,846	32,804	175,841	55,647	551	79,245	4,140	9,264	40,186	23,402	9,575	459,501
Depreciation, amortisation and impairment	3,438	20,671	1,143	34,395	-	3,738	4,030	340	-	20,944	1,001	89,700
Interest payments	-	-	-	-	-	-	-	-	-	-	62,240	62,240
Loss on disposal of non-current assets	-	-	-	-	-	-	-	-	-	-	8,792	8,792
Total expenditure	62,996	284,904	218,053	121,466	8,647	110,546	23,631	18,548	40,238	58,629	82,578	1,030,236
(Surplus) or deficit on the provision of services	47,244	248,627	198,575	78,480	6,117	94,081	20,782	14,351	7,330	(4,606)	(742,534)	(31,553)

Expenditure & Income Analysed by Segment and Nature (continued)

2022/23

	Communities & Place £000	Education & Learning £000	Health & Social Care £000	Infrastructure, Environment & Economy £000	Performance & Governance £000	Property & Housing £000	Resources & Finance £000	Depute Chief Executive £000	Welfare Services £000	HRA £000	Costs not included in a Service £000	Total £000
Fees, charges and other service income	(14,210)	(2,178)	(31)	(22,473)	(2,041)	(6,944)	(1,820)	-	(126)	(58,467)	(24,150)	(132,440)
Interest and investment income	(30)	-	(2)	-	-	-	-	-	-	-	(3,546)	(3,578)
Income from Council Tax	-	-	-	-	-	-	-	-	-	-	(136,667)	(136,667)
Government grants and contributions	(1,141)	(38,200)	(17,855)	(23,989)	(3,637)	(11,012)	(780)	(33)	(33,350)	-	(634,152)	(764,149)
Total income	(15,381)	(40,378)	(17,888)	(46,462)	(5,678)	(17,956)	(2,600)	(33)	(33,476)	(58,467)	(798,515)	(1,036,834)
Employee expenses	34,806	232,421	43,779	36,993	10,579	33,734	16,577	8,573	-	15,650	1,034	434,146
Other service expenses	26,397	30,970	162,698	48,154	3,287	72,163	1,871	6,216	46,841	25,332	30,945	454,874
Depreciation, amortisation and impairment	3,423	36,030	1,209	35,215	-	2,651	5,182	33	-	84,827	1,095	169,665
Interest payments	-	-	-	-	-	-	-	-	-	-	51,409	51,409
Loss on disposal of non- current assets	-	-	-	-	-	-	-	-	-	-	4,828	4,828
Total expenditure	64,626	299,421	207,686	120,362	13,866	108,548	23,630	14,822	46,841	125,809	89,311	1,114,922
(Surplus) or deficit on the provision of services	49,245	259,043	189,798	73,900	8,188	90,592	21,030	14,789	13,365	67,342	(709,204)	78,088

20. Trading operation

The Council has one trading operation which operates in a commercial environment. In accordance with the Local Government (Scotland) Act 2003, the significant trading operation (STO) is required to break even over a rolling three year period.

Details of significant trading operation

Fishery, Piers and Harbours

The Harbour organisation trades commercially with vessels from the home and foreign fishing fleet. Transport piers are used by commercial ferry operators who pay dues for the use of the facilities. The target is to break even after depreciation.

Summary of Financial Results

A summary of the financial results of the trading operation for 2023/24 is as follows:

Fishery, Piers and Harbours	£000
Turnover	20,539
Expenditure	<u>(17,405)</u>
Surplus	3,134
Less internal surplus included in service net expenditure	(6)
Less interest on revenue balances	(34)
Surplus on trading organisation as reported in Comprehensive Income and Expenditure Statement (Note 9)	<u><u>3,094</u></u>
Three year surplus	
Financial Year	£000
2021/22	2,598
2022/23	3,116
2023/24	<u>3,094</u>
	<u><u>8,808</u></u>

The table above is presented exclusively to demonstrate that the STO has met the target of breaking even over a rolling three year period.

21. Agency Services

The Council bills and collects non-domestic rates on behalf of the Scottish Government. During 2023/24 the Council collected £165.584m and received £156.979m contribution from the non-domestic rates pool (2022/23 collected £146.281m and received £141.565m).

The Council also bills and collects domestic water and sewerage charges on behalf of Scottish Water with its own Council Tax. During 2023/24 the Council paid over £42.084m and received £0.890m for providing this service. During 2022/23 the Council paid over £40.214m and received £0.765m for providing this service.

Payments totalling £0.164m were made to Renfrewshire Council on behalf of Scotland Excel for procurement services (2022/23- £0.158m).

The Council issued energy support payments on behalf of the UK Government during 2023/24 £0.073m (2022/23 - £0.084m) for Energy Bills Support Scheme Alternative Funding and £0.208m (2022/23 - £0.010m) for Energy Bills Support Scheme Alternative Fuel.

Payments totalling £300 were issued on behalf of the Scottish Government during 2023/24 in respect of the 2022/23 Cost of Living Support Scheme (2022/23 - £12.039m).

There were no payments issued on behalf of the Scottish Government during 2023/24 of COVID-19 related grants (2022/23 - £0.172m) or Scottish Child Payments Bridging Payments (2022/23 - £2.195m).

22. External audit costs

The Council has incurred the following costs in relation to the audit of the Annual Accounts

2022/23 £000		2023/24 £000
496	Fees payable to Audit Scotland with regard to external audit services	523

No fees were payable to Audit Scotland, in respect of any other services in either year.

23. Pension schemes accounted for as defined contribution schemes

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

Former NHS Highland employees who transferred to the Council as part of the Planning for Integration programme remain members of the NHS Superannuation Scheme (Scotland), administered by The Scottish Government. The Scheme provides eligible employees with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Teachers' and NHS Schemes are technically defined benefit schemes. However, the Schemes are unfunded and The Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Schemes with sufficient reliability for accounting purposes. For the purposes of these Annual Accounts, they are therefore accounted for on the same basis as a defined contribution scheme.

In 2023/24 the Council paid £30.395m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 23.0% of pensionable pay. The figures for 2022/23 were £25.748m and 23.0%. There were no contributions remaining payable at the year-end.

In 2023/24 the Council paid £1.547m to the Scottish Public Pensions Agency in respect of NHS retirement benefits, representing 20.9% of pensionable pay. The figures for 2022/23 were £1.456m and 20.9%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' and NHS schemes. These costs are accounted for on a defined benefit basis and are included in the information presented in Note 24.

24. Defined benefit pension schemes

Participation in pension schemes

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

The authority has two post employment arrangements:

- The Local Government Pension Scheme, administered locally by the Highland Council Pension Fund – this is a funded defined benefit career average earnings scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit final arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.
- The Highland Council Pension Fund scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of Highland Council. Policy is determined in accordance with the Pensions Fund Board Regulations. The investment managers of the fund are appointed by the Investment Committee.
- The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Transactions relating to post employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2022/23 £000	2023/24 £000	2022/23 £000	2023/24 £000
Comprehensive Income and Expenditure Statement				
Cost of services				
Current service cost	75,420	38,415	-	-
Past service cost (including curtailments)	-	115	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	75,420	38,530	-	-
Financing and investment (income) and expenditure	5,668	(12,456)	1,284	1,843
	<hr/>	<hr/>	<hr/>	<hr/>
Total post employment benefits charged to the surplus or deficit on the provision of services	81,088	26,074	1,284	1,843

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2022/23 £000	2023/24 £000	2022/23 £000	2023/24 £000
Other post employment benefits charged to the comprehensive income and expenditure statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets excluding the amount included in the net interest expense	90,122	(94,547)	-	-
Actuarial (gains)/losses arising on changes in financial assumptions	(669,814)	(48,588)	(9,623)	(658)
Actuarial (gains)/losses arising on changes in demographic assumptions	(12,847)	(18,869)	(551)	(150)
Experience adjustments	89,462	127,011	2,999	(3)
IFRIC 14 Asset Ceiling Adjustment	178,372	(178,372)	-	-
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	(324,705)	(213,365)	(7,175)	(811)

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2022/23 £000	2023/24 £000	2022/23 £000	2023/24 £000
Movement in reserves statement				
Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits in accordance with the code	(81,088)	(26,074)	(1,284)	(1,843)
Actual amount charged against the General Fund balance for pensions in the year				
Employers contributions payable to the scheme	30,316	32,601	2,824	3,109

Pension assets and liabilities recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	31/03/23 £000	31/03/24 £000	31/03/23 £000	31/03/24 £000
Present value of the defined benefit obligation	(1,285,254)	(1,364,757)	(40,257)	(38,180)
Fair value of pension fund assets	1,549,881	1,670,904	-	-
IFRIC 14 Asset Ceiling Adjustment	(178,372)	-	-	-
Net (liability)/asset arising from defined benefit obligation	86,255	306,147	(40,257)	(38,180)

The liabilities show the underlying commitments that the Council has in the long term to pay post-employment (retirement) benefits. The net asset to the Council in 2023/24 of £267.967m (Council LGPS net asset £306.147m less discretionary benefits arrangement net liability £38.180m) (2022/23 £45.998m (Council LGPS net asset £86.255m less discretionary benefits arrangement net liability £40.257m)) has a substantial impact on the net worth of the Council as recorded in the balance sheet.

IAS19 limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of reductions in future contributions to the plan. As there is no unconditional right to a refund, the actuaries have calculated whether there are economic benefits in the form of reductions in future contributions, in accordance with IFRIC14.

In 2022/23 the economic benefit reductions were calculated as £178.372m. Therefore, an adjustment to the defined benefit plan asset has been required in accordance with IAS19 and IFRIC14.

In 2023/24 the calculation identified that there were no economic benefit reductions to be applied as the surplus in the defined benefit plan was lower than the calculated asset ceiling. Therefore, no adjustment to the defined benefit plan asset has been required.

Information about the defined benefit obligation

	Liability split 31/03/23		Liability split 31/03/24	
	£000	(%)	£000	(%)
Active members	584,664	45.5%	552,405	40.48%
Deferred members	184,244	14.3%	208,116	15.25%
Pensioner members	516,346	40.2%	604,236	44.27%
Total	1,285,254	100.0%	1,364,757	100.0%

The durations are weighted averages as at the last formal valuation date 31 March 2023.

Reconciliation of the movements in the fair value of scheme assets

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	31/03/23 £000	31/03/24 £000	31/03/23 £000	31/03/24 £000
Opening fair value of scheme assets	1,602,989	1,371,509	-	-
Interest income	43,168	72,947	-	-
Return on plan assets	(90,122)	94,547	-	-
Contributions by employer	30,316	32,601	2,824	3,109
Contributions by Scheme participants	9,445	10,086	-	-
Experience adjustments	-	(11,318)	-	-
Estimated benefits paid (net of transfers in)	(45,915)	(77,840)	(2,824)	(3,109)
Closing fair value of scheme assets	1,549,881	1,492,532	-	-
IFRIC 14 Asset Ceiling Adjustment	(178,372)	178,372	-	-
Adjusted closing fair value of scheme assets	1,371,509	1,670,904	-	-

Reconciliation of present value of scheme liabilities (defined benefit obligation)

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	31/03/23 £000	31/03/24 £000	31/03/23 £000	31/03/24 £000
Opening defined benefit obligation	(1,790,667)	(1,285,254)	(48,972)	(40,257)
Current service cost	(75,420)	(38,415)	-	-
Past service cost	-	(115)	-	-
Interest cost	(48,836)	(60,491)	(1,284)	(1,843)
Contributions by scheme participants	(9,445)	(10,086)	-	-
Actuarial gains/(losses) from changes in financial assumptions	669,814	48,588	9,623	658
Actuarial gains/(losses) from changes in demographic assumptions	12,847	18,869	551	150
Experience adjustments	(89,462)	(115,693)	(2,999)	3
Estimated benefits paid (net of transfers in)	45,915	77,840	2,824	3,109
Closing value	(1,285,254)	(1,364,757)	(40,257)	(38,180)

Analysis of Pension Fund's Assets

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

2022/23		2023/24
4%	Cash and cash equivalents	6%
	Equity Securities:	
	By industry type	
10%	Consumer	10%
4%	Manufacturing	6%
0%	Energy and utilities	0%
6%	Financial institutions	5%
5%	Health and care	4%
3%	Information technology	4%
1%	Other	0%
	Debt Securities:	
	By sector	
5%	Other	6%
7%	Corporate Bonds	6%
2%	UK Government	2%
8%	Private Equity	7%
	Property:	
10%	UK	9%
	Other Investment Funds:	
21%	Equity (pooled funds and unitised insurance policies)	22%
2%	Bonds	1%
0%	Hedge Funds	0%
0%	Commodities	0%
6%	Infrastructure	6%
6%	Other	6%
<u>100%</u>	Total	<u>100%</u>

Note: The risks relating to assets in the scheme are analysed below:

31 March 2023 £000	Fair value of pension fund assets	31 March 2024 £000
1,250,578	Equity Instruments	
299,303	Quoted in an active market	1,259,574
(178,372)	Not quoted in an active market	411,330
<u>1,371,509</u>	IFRIC 14 Asset Ceiling Adjustment	-
	Total equity instruments	<u>1,670,904</u>

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Highland Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2020.

The significant assumptions used by the actuary have been:

	2022/23	2023/24
Mortality Assumptions:		
Longevity at 65 for current pensioners (years)		
• Men	20.4	20.7
• Women	23.1	23.5
Longevity at 65 for future pensioners (years)		
• Men	21.6	21.4
• Women	25.0	25.1
Rate of inflation	2.95%	2.80%
Rate of increase in salaries	3.75%	3.60%
Rate of increase in pensions	2.95%	2.80%
Rate for discounting fund liabilities	4.75%	4.80%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption changes while all the other assumptions remain constant. The methods and types of assumption used in preparing the sensitivity analysis below did not change from that used in the previous period.

	Impact on the Defined Benefit Obligation in the Fund	
	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	24,239
1 year increase in member life expectancy	4%	56,117
0.1% increase in the Salary Increase Rate	0%	1,484
0.1% increase in the Pension Increase Rate (CPI)	2%	23,165

Asset and Liability Matching Strategy

The Highland Council Pension fund has an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The funding policy is directed to ensuring that in normal market conditions, all accrued benefits are fully covered by the actuarial value of the Fund's assets and that the appropriate level of contributions is agreed by the administering authority to meet the costs of future benefits accruing.

The overall investment portfolio for the Fund is weighted to the equity market, both UK and Overseas and some Private Equity. However, the portfolio has also invested in Index-Linked Gilts, Property, Property Debt, UK Bonds, Overseas Bonds, Private Equity and Cash.

This diverse range of investments is employed to minimise the effect of risk and enhance overall performance of the Fund for its Members.

With approximately 80% of the Fund's investments in active management and 20% in index tracking (passive), it is intended that an efficient balance is met between risk and return in light of liability profile and the funding level.

Impact on the Authority's Cash Flow

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The triennial valuation was conducted at 31 March 2023 and will provide employer contribution rates from April 2024 to March 2027.

The actuaries have estimated that employer contributions for the year to 31 March 2025 will be approximately £30.012m.

The weighted average duration of the defined benefit obligation for scheme members is 16.0 years 2023/24 (19.0 years 2022/23).

25. Local Government Pension Scheme

Highland Council is the administering authority for the Highland Council Pension Fund which provides pensions for those employees of the Highland Council, Comhairle Nan Eilean Siar and of other scheduled and admitted bodies which are eligible to join it.

The following scheduled and admitted bodies are members of the Highland Council Pension Fund:

Scheduled Bodies

- | | |
|---|---------------------------------|
| 1. The Highland Council | 5. HITRANS |
| 2. Comhairle nan Eilean Siar | 6. Inverness College |
| 3. Highland and Western Isles Valuation Joint Board | 7. Scottish Police Authority |
| 4. Scottish Fire & Rescue Service | 8. UHI North, West and Hebrides |

Admitted Bodies (have applied and been accepted to participate in an LGPS fund under the terms of an 'Admission Agreement')

- | | |
|--|---|
| 1. Bòrd na Gàidhlig | 11. Inverness Harbour Trust |
| 2. An Comunn Gàidhealach | 12. Morrison FM |
| 3. Cromarty Firth Port Authority | 13. NHS Highland |
| 4. Eden Court Theatre | 14. Skills Development Scotland |
| 5. Wipro Holdings (UK) Limited | 15. Stornoway Port Authority |
| 6. Forth & Oban Limited | 16. University of the Highlands & Islands |
| 7. Hebridean Housing Partnership | 17. Sight Action (ceased 31/03/24) |
| 8. Highland Blindcraft | |
| 9. Highland & Islands Enterprise (HIE) | |
| 10. High Life Highland | |

The following table shows the number of contributors, pensioners and deferred pensioners:

2023/24	Contributors	Pensioners	Deferred Pensioners
Highland Council	8,234	8,541	6,067
Scheduled Bodies	3,383	2,636	2,449
Admitted Bodies	2,073	1,519	1,341
Total	13,690	12,696	9,857
2022/23			
Highland Council	8,394	8,203	6,014
Scheduled Bodies	3,093	2,494	2,375
Admitted Bodies	2,344	1,374	1,260
Total	13,831	12,071	9,649

The Fund is constituted under legislation governing the Local Government Superannuation Scheme, the primary Act of Governance being the Superannuation Act 1972. Detailed regulations for the Scheme are contained in the Local Government Pension Scheme Amendment (Scotland) Regulations 2010.

The Fund is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008, the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) (Scotland) Regulations 2008. It is contracted out of the State Second Pension. From 1 April 2015 pension benefits for both Councillors and local government employees are based on career average pay.

The actuaries have advised that there are risks and uncertainties associated with the use of assumptions. IAS 19 requires the discount rate to be set with reference to the yields on high quality corporate bonds irrespective of the actual investment strategy of the Fund. As a result, the figures illustrated above are unlikely to reflect either the actual eventual cost of providing the benefits or the likely level of contributions to fund the Council's obligations to the Fund. Also, the balance sheet position may change significantly due to relative changes in the equity and bond markets at the reporting date.

The main risk to the employer is that it determines assumptions that are more prudent (for example a lower net discount rate, higher longevity) than its peers, leading to a relatively poorer reported financial position. The Council has considered the requirement for a best estimate set of assumptions and a commercial need not to overstate the pension liabilities.

As the administering authority, Highland Council is required to publish a pension fund annual report including a fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices. The pension fund annual report is available at <http://www.highlandpensionfund.org/>.

26. Related parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

The Scottish Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits).

An analysis of significant government grants received during the year is set out in Note 42.

Members

Elected Members have influence on the financial and operating policies of the Council through membership of Committees or Sub – Committees, subject to the declaration of interests provisions within the Councillors Code of Conduct.

The [register of interest](#) for each elected member can be found on their page on the Council's website

The total of members' allowances paid in 2023/24 is shown in the remuneration report.

The Council had transactions in the year exceeding £10k with the following organisations in which elected members hold or held official positions as noted below.

Elected Member	Position	Organisation	Transactions with Council in year
Derek Louden	Director and Company Secretary	Tain Heritage Trust	Grant funding totalling £39k
Maureen Ross	Director/Trustee	Seaboard Memorial Hall Ltd	Community Regeneration Fund payments totalling £37k

There were no other related party transactions exceeding £10k with any other organisations associated with elected members in 2023/24.

Executive Chief Officers

Executive Chief Officers have influence and control on the financial and operating policies of the Council. The total remuneration paid to senior officers is shown in the Remuneration Report.

There were no related party transactions exceeding £10k with any other organisations associated with Executive Chief Officers in 2023/24.

Valuation Joint Board and Highland and Islands Transport Partnership

Highland Council is a constituent authority of the Highland and Western Isles Valuation Joint Board and the Highlands and Islands Transport Partnership. The net expenditure shown in the Comprehensive Income and Expenditure Statement represents the Council's requisition or proportion of the costs of these organisations, page 46.

The Joint Board and Transport Partnership are deemed to be associates of the Highland Council and are included on this basis in the Group Accounts. Results of these associates can be seen on page 173.

Further information on the Joint Board and the Transport Partnership can be found in each body's Annual Accounts available upon request from the Head of Corporate Finance, Highland Council, Glenurquhart Road, Inverness, IV3 5NX and the Highland Council website.

Pension Fund

The Highland Council is the administering authority for the Pension Fund which provides pensions for those employees of the Council, Comhairle Nan Eilean Siar and other scheduled and admitted bodies which are eligible to join.

The Council charged the Pension Fund £1.303m (2022/23 £1.557m) for expenses incurred in administering the Pension Fund in the year.

NHS Highland

From 1 April 2012 the Highland Council and NHS Highland implemented integrated health and social care services. Under the partnership agreement effective from that date, Highland Council is the lead agency for the delivery of integrated children's services and NHS Highland lead agency for integrated adult services. In 2023/24 Highland Council paid NHS Highland £147.574m (2022/23 £139.013m) for the provision of integrated adult services and NHS Highland made payment of £11.537m (2022/23 £11.299m) to Highland Council in respect of integrated children's services

There was a short term debtor to the Council of £6.209m (2022/23 £11.843m) and a short term creditor to the Council of £27.314m (2022/23 £20.898m) from NHS bodies at year end.

Entities controlled or significantly influenced by the Council

During the year Highland Council had two subsidiary companies as detailed below. Copies of the Accounts can be obtained from the Company Secretary, c/o Highland Council, Glenurquhart Road, Inverness, IV3 5NX.

High Life Highland

High Life Highland (HLH) is a charitable company limited by guarantee which was incorporated along with its wholly owned subsidiary High Life Highland (Trading) CIC on 1 October 2011 to deliver community learning and leisure services on behalf of the Highland Council. The Highland Council is the sole member of the company.

The Highland Council paid a total of £21.339m (2022/23 £19.945m) in management fees to High Life Highland in the year.

The results of High Life Highland have been consolidated in the group accounts.

The following related companies have not been consolidated in the Group Accounts as they are considered immaterial:

Highland Opportunity Limited (HOL)

Highland Opportunity Limited (HOL) provides financial assistance and advice to businesses to protect and expand employment. It is a company limited by guarantee with the liability of the Council limited to £100.

The Highland Council has a short term creditor of £1.344m (2022/23 £1.172m) for the balance of their loan funding.

The last available audited results of the Company are as follows:

Financial Year End	Net Assets £000	Profit/(loss) before taxation £000	Profit/(loss) after taxation £000
31 March 2023	(30)	(40)	(40)
31 March 2022	10	(5)	(5)

HOL held 100% of the issued ordinary share capital in the following companies.

Company	Nature of business
Highland Opportunity (Investments) Limited	Investment

The latest available audited results of these companies are as follows:

	Net assets (Liabilities) £000	Profit/(loss) before taxation £000	Profit/(loss) after taxation £000
Year ended 31 March 2023			
Highland Opportunity (Investments) Limited	1,876	(141)	(141)
Year ended 31 March 2022			
Highland Opportunity (Investments) Limited	2,017	24	24

Pathfinder North and Swan

The provision of Wide Area Network (WAN) service to the Highland Council has been through partnership arrangements with other Local Authorities. The Highland Council is the lead partner in the Local Authority partnership arrangements acting on behalf of Argyll & Bute Council, Orkney Islands Council, Moray Council, Angus Council and Comhairle nan Eilean Siar.

These partnership arrangements cover the SWAN contractual arrangements with Capita Business Services Ltd, the WAN service provider, as these have now fully replaced the original Pathfinder North contract.

The Highland Council has a short term creditor of £0.222m (2022/23 £0.179m) for Pathfinder North balances.

Hub North Scotland Ltd

As a participant in hub North Scotland Ltd, the Highland Council has a nominal shareholding in that company holding 3 Ordinary B shares at £1.00 each.

27. Operating Leases

Highland Council as Lessor

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services
- for economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

31/03/23 £000		31/03/24 £000
3,856	Not later than one year	3,913
11,001	Later than one year and not later than five years	11,090
<u>100,418</u>	Later than five years	<u>106,125</u>
<u>115,275</u>		<u>121,128</u>

Highland Council as Lessee

The future minimum lease payments due under non-cancellable leases in future years are:

31/03/23 £000		31/03/24 £000
1,631	Not later than one year	2,335
2,829	Later than one year and not later than five years	4,793
<u>98</u>	Later than five years	<u>57</u>
<u>4,558</u>		<u>7,185</u>

The total future minimum sublease payments expected to be received under non-cancellable subleases at the Balance Sheet date is £0.001m.

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £2.267m (2022/23 £1.681m).

28. Property, plant and equipment

a) Property, plant and equipment

	Council dwellings £000	Other land and buildings £000	Vehicles, plant and equipment £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total Property, plant and equipment £000	PFI Assets included in Property, plant and equipment £000
Cost or valuation									
As At 1 April 2023	558,233	1,635,438	202,901	-	8,690	6,665	128,095	2,540,022	319,815
Additions	27,195	23,960	12,674	-	624	23	107,402	171,878	139
Revaluation increases recognised in the surplus/deficit of services	2,343	9,506	-	-	-	11	-	11,860	18
Revaluation decreases recognised in the surplus/deficit of services	(22,903)	(6,222)	-	-	-	(31)	-	(29,156)	(8)
Revaluation increases recognised in the Revaluation Reserve	-	83,952	-	-	-	32	-	83,984	20,228
Revaluation decreases recognised in the Revaluation Reserve	-	(38,222)	-	-	-	(168)	-	(38,390)	(1,387)
Derecognition – disposals	(11,744)	(1,689)	(44,078)	-	-	(8)	(1,681)	(59,200)	-
Derecognition – other	-	-	-	-	-	-	-	-	-
Reclassifications Assets reclassified (to)/from Held for Sale	18,507	(217)	-	-	-	217	(18,507)	-	-
	-	(3,214)	-	-	-	-	-	(3,214)	-
At 31 March 2024	571,631	1,703,292	171,497	-	9,314	6,741	215,309	2,677,784	338,805

	Council dwellings £000	Other land and buildings £000	Vehicles, plant and equipment £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total Property, plant and equipment £000	PFI Assets included in Property, plant and equipment £000
Accumulated depreciation and impairment									
As at 1 April 2023	-	1,931	146,654	-	-	-	28	148,613	-
Depreciation charge	23,843	31,259	13,011	-	-	10	-	68,123	5,532
Revaluation increases recognised in the surplus/deficit of services	(23,843)	(3,627)	-	-	-	(5)	-	(27,475)	-
Revaluation increases recognised in the Revaluation Reserve	-	(27,146)	-	-	-	(14)	-	(27,160)	(5,532)
Derecognition – disposals	-	(47)	(43,639)	-	-	-	-	(43,686)	-
Derecognition – other	-	-	-	-	-	-	-	-	-
Reclassifications	-	(9)	-	-	-	9	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-
At 31 March 2024	-	2,361	116,026	-	-	-	28	118,415	-
Net book value									
At 31 March 2024	571,631	1,700,931	55,471	504,747	9,314	6,741	215,281	3,064,116	338,805
At 31 March 2023	558,233	1,633,507	56,247	482,152	8,690	6,665	128,067	2,873,561	319,815

Temporary statutory overrides 1 and 2 as per the policy on page 65 have been applied in respect to Infrastructure Assets so that only net book value (NBV) is shown. Please see Note 28b for reconciliations of movements within NBV to match total PPE total of £3,064,116 as shown on the balance sheet above.

Comparative Movements in 2022/23

	Council dwellings £000	Other land and buildings £000	Vehicles, plant and equipment £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total Property, plant and equipment £000	PFI Assets included in Property, plant and equipment £000
Cost or valuation									
As At 1 April 2022	573,429	1,592,981	195,145	-	8,162	8,691	104,469	2,482,877	322,374
Additions	30,271	29,115	9,862	-	528	9	105,096	174,881	455
Revaluation increases recognised in the surplus/deficit of services	-	4,228	-	-	-	9	-	4,237	-
Revaluation decreases recognised in the surplus/deficit of services	(84,399)	(16,002)	-	-	-	(29)	-	(100,430)	(10)
Revaluation increases recognised in the Revaluation Reserve	-	46,125	-	-	-	395	-	46,520	9,140
Revaluation decreases recognised in the Revaluation Reserve	-	(43,421)	-	-	-	(125)	-	(43,546)	(12,144)
Derecognition - disposals	(11,293)	(107)	(2,106)	-	-	(46)	(5,918)	(19,470)	-
Derecognition – other	-	-	-	-	-	-	-	-	-
Reclassifications	50,225	27,606	-	-	-	(2,279)	(75,552)	-	-
Assets reclassified (to)/from Held for Sale	-	(5,087)	-	-	-	40	-	(5,047)	-
At 31 March 2023	558,233	1,635,438	202,901	-	8,690	6,665	128,095	2,540,022	319,815

	Council dwellings £000	Other land and buildings £000	Vehicles, plant and equipment £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total Property, plant and equipment £000	PFI Assets included in Property, plant and equipment £000
Accumulated depreciation and impairment									
As at 1 April 2022	-	2,048	135,518	-	-	-	28	137,594	-
Depreciation charge	24,404	29,416	12,990	-	-	9	-	66,819	5,555
Revaluation increases recognised in the surplus/deficit of services	(24,399)	(3,305)	-	-	-	(5)	-	(27,709)	-
Revaluation increases recognised in the Revaluation Reserve	-	(26,221)	-	-	-	(4)	-	(26,225)	(5,555)
Derecognition – disposals	(5)	(1)	(1,854)	-	-	-	-	(1,860)	-
Derecognition – other	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	(6)	-	-	-	-	-	(6)	-
At 31 March 2023	-	1,931	146,654	-	-	-	28	148,613	-
Net book value									
At 31 March 2023	558,233	1,633,507	56,247	482,152	8,690	6,665	128,067	2,873,561	319,815
At 31 March 2022	573,429	1,590,933	59,627	459,408	8,162	8,691	104,441	2,804,691	322,374

b) Property, plant and equipment movement in net book value

2022/23				2023/24		
Infrastructure assets	Other Property, plant and equipment	Total Property, plant and equipment		Infrastructure assets	Other Property, plant and equipment	Total Property, plant and equipment
£000	£000	£000		£000	£000	£000
459,408	2,345,283	2,804,691	Net book value at 1 April 2023	482,152	2,391,409	2,873,561
42,931	174,881	217,812	Additions	41,451	171,878	213,329
-	(68,484)	(68,484)	Revaluations recognised in surplus/deficit of services	-	10,179	10,179
-	29,199	29,199	Revaluations recognised in revaluation reserve	-	72,754	72,754
-	-	-	Reclassifications	-	-	-
-	(5,041)	(5,041)	Reclassifications (to)/from held for sale	-	(3,214)	(3,214)
-	(17,610)	(17,610)	Derecognition - disposals	-	(15,514)	(15,514)
-	-	-	Derecognition - other	-	-	-
(20,187)	(66,819)	(87,006)	Depreciation	(18,856)	(68,123)	(86,979)
482,152	2,391,409	2,873,561	Net book value at 31 March 2024	504,747	2,559,369	3,064,116

c) Property, plant and equipment revaluations

The following table outlines the progress of the Council's 5 year rolling programme of valuations. The Council carries out a desktop exercise as part of the valuation process to adjust the values of assets valued under the DRC method by yearly changes in build rates and is satisfied that the carrying value not subject to revaluation would not be materially different than what would be their value if revalued in the year.

	Council dwellings £000	Other land and buildings £000	Vehicles, plant and equipment £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total Property, plant and equipment £000
Carried at historical cost	-	83	55,471	504,747	9,314	-	215,281	784,896
Asset Last Revalued								
FY 2023/24	-	313,698	-	-	-	6,741	-	320,439
FY 2022/23	-	479,832	-	-	-	-	-	479,832
FY 2021/22	-	470,246	-	-	-	-	-	470,246
FY 2020/21	571,631	231,213	-	-	-	-	-	802,844
FY 2019/20	-	205,859	-	-	-	-	-	205,859
Total cost or valuation	571,631	1,700,931	55,471	504,747	9,314	6,741	215,281	3,064,116

29. Intangible assets

New system under development in 2023/24 for the replacement for the Care First Management Information System to support children and adult care services.

	Systems under development £000	Total Intangible Assets £000
Cost		
As at 1 April 2023	-	-
Additions	25	25
	<hr/>	<hr/>
As at 31 st March 2024	25	25
	<hr/>	<hr/>
Amortisation		
As at 1 April 2023	-	-
Charge for the year	-	-
	<hr/>	<hr/>
As at 31 st March 2024	-	-
	<hr/>	<hr/>
Net Book Value		
At 31 March 2024	<u>25</u>	<u>25</u>
At 31 March 2023	<u>-</u>	<u>-</u>

30. Capital commitments

The total value of legal commitments on capital contracts as at 31 March 2024, for the acquisition of property, plant and equipment, was £132.977m (31 March 2023 £159.829m). Details of the major commitments by contract or project are as follows:

Contract or Project	2023/24 £m
HRA Housing - Council House New Builds	40.403
Tain 3-18 New School Campus	38.225
Inverness Castle Redevelopment	22.876
Refurbishment of Bught Stadium & New Home of Shinty	7.427
Uig Harbour Redevelopment	6.765
Refurbishment of Northern Meeting Park, Inverness	4.668
New Uig Ferry Passenger Terminal Building	3.426
Fleet Capital Commitments	3.381
New Energy Centre, Castle Street, Inverness	2.174
Riverside Way Active Travel Route	0.552
BSGLA Extension Phase 2	0.528
Miscellaneous projects with an individual commitment less than £0.5m	2.552
	<hr/>
	<u>132.977</u>

31. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement in the CFR is analysed in the second part of this note.

2022/23 £000		2023/24 £000
1,218,092	Opening capital financing requirement	1,303,909
-	Opening balance adjustment	
	Capital investment	
217,812	Property, Plant and Equipment	213,329
-	- Held for Sale Assets	20
-	- Intangible Assets	25
12,655	Revenue Expenditure funded from capital under statute	12,300
	Sources of finance	
(1,675)	Capital receipts	(1,365)
(737)	Capital Fund	3,964
-	- Evergreen Infrastructure Fund	-
(116,165)	Government grants and other contributions Sums set aside from revenue	(105,927)
(5,097)	- direct revenue contributions	(4,044)
(15,963)	- loans fund principal	(41,337)
-	- Evergreen Infrastructure Fund Loans	-
(2)	House loans	-
(5,011)	Reduction in Finance Lease Creditors (PPP)	(4,813)
-	PPP Flexibility	55,075
<u>1,303,909</u>	Closing capital financing requirement	<u>1,431,136</u>
	Explanation of movements in the year	
85,819	Increase in underlying need to borrow (supported by government financial assistance)	127,227
(2)	Decrease in underlying need to borrow (unsupported by government financial assistance)	-
<u>85,817</u>	Increase/(decrease) in capital financing requirement	<u>127,227</u>

Finance will only be raised in accordance with the Local Government in Scotland Act 2003 and within this limit the Council has a number of approved methods and sources of raising capital finance.

32. Private finance initiatives and similar contracts

Community Schools (Highlands) Ltd

The Council signed a PFI Project Agreement with Community Schools (Highlands) Ltd on 12 June 2001 to procure four schools for a term of 25 years from August 2002. The annual unitary charge for this project in 2023/24 was £4.639m. (2022/23 £4.250m). This charge covers the cost of the use of the school plus an amount relating to the transfer of the asset to the Council at the end of the contract.

The total amount payable under the contract from April 2024 until July 2027 amounts to £11.202m at current prices. The Council receives Level Playing Field Support from the Scottish Government towards these costs. This support is estimated to amount to £3.617m over the remaining term of the contract.

Alpha Schools (Highland) Ltd

The Council signed a 30 year Project Agreement with Alpha Schools (Highland) Ltd on the 30 March 2006 for the provision of 11 schools. After a phased introduction, all the school buildings are now available to the Council.

The annual unitary charge for this project in 2023/24 was £24.064m. (2022/23 £22.690m). This charge covers the cost of the use of the schools plus an amount relating to the transfer of the assets to the Council at the end of the contract.

The total amount of unitary charge payable by the Council over the remaining term of the contract term is estimated to be £318.586m. at current prices. The Council receives Revenue Support of £7.160m pa from the Scottish Government towards these costs. This support is estimated to amount to £93.080m over the remaining term of the contract.

Hub North Scotland (Wick) Limited

The Council signed a 25 year Design, Build, Finance and Maintain (DBFM) Project Agreement with Hub North Scotland (Wick) Limited on the 19th December 2014 for the provision of a Wick Community Campus comprising Primary School, High School, Public Library and Swimming Pool.

Under the DBFM Project Agreement Hub North Scotland (Wick) Limited construct the facility and carry out certain maintenance obligations during the operational phase using their own funding. Hub North Scotland (Wick) Limited will recover their costs through an indexed Annual Service Charge (ASC) payable by the Council over the 25 years.

In 2023/24 the Annual Service Charge amounted to £4.906m. (2022/23 £4.765m). The total amount of Annual Service Charge payable by the Council over the remaining term of the contract is estimated to be £86.611m at current prices.

During the 25 year term of the Project Agreement the Council will receive financial support of £4.068m pa from the Scottish Government towards the funding of the Annual Service Charge. This support is estimated to amount to £71.106m over the remaining contract term.

Property, plant and equipment

The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 28.

Liabilities arising from PFI and similar contracts

2022/23 £000		2023/24 £000
(136,725)	As at 1 April 2023	(131,714)
5,011	Repaid in year	4,813
<u>(131,714)</u>	As at 31 March 2024	<u>(126,901)</u>

Payments

Payments remaining to be made under PFI contracts at 31 March 2024 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Payments due	Repayment of liability £000	Interest £000	Service Charges £000	Total £000
within one year	7,763	9,092	16,901	33,756
within 2 to 5 years	32,543	29,912	67,914	130,369
within 6 to 10 years	42,348	24,078	89,444	155,870
within 11 to 15 years	37,443	7,326	62,273	107,042
within 16 to 20 years	6,804	641	4,524	11,969
	<u>126,901</u>	<u>71,049</u>	<u>241,056</u>	<u>439,006</u>

33. IFRS 13 Fair Value Measurement

Details of the Council's Corporate Surplus Assets and Assets Held for Sale and information about the fair value hierarchy as at 31 March 2024 are as follows:

	Other significant observable inputs (level 2) £000	Fair Value at 31/3/24 £000
Buildings – Corporate Surplus	417	417
Buildings – Held for Sale	1,245	1,245
Land – Corporate Surplus	6,324	6,324
Land – Held for Sale	1,006	1,006
	<u>8,992</u>	<u>8,992</u>

The fair value for the properties has been based on the comparable method of valuation, which is a market approach using current market conditions and recent transactions and other relevant information for similar assets in the Highland Council area. The inputs are derived through market transactions of other properties actively exchanged through sales and leasing. The level of observable inputs are tangible transactions, leading to the properties being categorised at Level 2 in the fair value hierarchy. Page 128 explains the valuation techniques used in estimating fair value.

In estimating the value of the properties, that stated value does represent their highest and best use value in their current use.

The fair value of the Council's Corporate Surplus Assets and Assets Held for Sale is measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the Chief Financial Officer on a regular basis regarding all valuation matters.

Details of the Common Good Funds' Investment properties held at fair value are shown in the Common Good accounts (Note 47d).

34. Heritage assets

	Museum Collections £000	Works of Art & Civic Regalia £000	Total £000
Balance at 1 April 2022	6,290	716	7,006
Revaluations	-	-	-
Balance at 31 March 2023	<u>6,290</u>	<u>716</u>	<u>7,006</u>
Balance at 1 April 2023	6,290	716	7,006
Revaluations	-	1,530	1,530
Balance at 31 March 2024	<u>6,290</u>	<u>2,246</u>	<u>8,536</u>

35. Long term debtors

31/03/23 £000		31/03/24 £000
11,215	Scottish Police Authority	10,710
4,063	Scottish Fire and Rescue Service	3,716
34,120	Landbanking fund advances	40,786
100	Evergreen Infrastructure fund advances	100
1,074	Other loans	1,073
<u>50,572</u>	Long term debtors (net of impairment)	<u>56,385</u>

36. Short term debtors

31/03/23 £000		Note	31/03/24 £000
37,648	Central government bodies		34,282
544	Other local authorities		264
11,843	NHS bodies		6,209
40	Public corporations		50
29,784	Other entities and individuals		42,132
79,859			
(5,812)	Impairment Allowance	45	(5,111)
<u>74,047</u>	Total (net of impairment)		<u>77,826</u>
(7,828)	Prepayments included in debtors		(7,695)
<u>66,219</u>	Total Financial Assets Current Debtors	43	<u>70,131</u>

The impairment charge relates to other entities and individuals (sundry and rent debtors see Note 43).

37. Debtors for local taxation

31/03/23				31/03/24		
Council Tax £000	NDR £000	Total £000		Council Tax £000	NDR £000	Total £000
4,815	3,379	8,194	Less than one year	6,408	10,502	16,910
7,081	1,260	8,341	One to two years	6,717	1,992	8,709
7,608	1,529	9,137	Three to five years	8,227	1,185	9,412
21,889	820	22,709	More than five years	23,163	1,092	24,255
41,393	6,988	48,381		44,515	14,771	59,286
(33,663)	(4,507)	(38,170)	Impairment Allowance	(37,490)	(5,454)	(42,944)
7,730	2,481	10,211	Total (net of impairment)	7,025	9,317	16,342

38. Short term creditors

31/03/23 £000		Note	31/03/24 £000
21,144	Central government bodies		11,345
372	Other local authorities		557
20,898	NHS bodies		27,314
-	Public Corporations		3
7,123	Finance lease (PFI) creditors		7,763
110,775	Other entities and individuals		107,647
160,312	Total		154,629
(7,687)	Tax and social security creditors included above		(8,681)
(11,762)	Receipts in advance included above		(19,689)
140,863	Total Financial Liabilities Current Creditors	43	126,259

39. Provisions

Short term	Note	At 1/4/23	Increase /	Use of	Unused	At 31/3/24
		£000	(Decrease) in provision £000	provision £000	amounts reversed during the year £000	£000
Equal Pay	1	215	-	(3)	-	212
Building Dilapidations	2	233	-	-	-	233
		448	-	(3)	-	445

- (1) Provision made to meet anticipated costs of outstanding equal pay and single status claims, appeals against job evaluation outcomes and other related liabilities. The timing and amount of these settlements remains uncertain.
- (2) Provision made for repairs on leased buildings where dilapidations may have occurred. The timing and amount of these settlements remains uncertain.

40. Long Term Liabilities

31/03/23 £000		31/03/24 £000
124,592	Finance lease (PFI) creditors	119,139
<u>2,251</u>	Other long term creditors	<u>2,226</u>
<u>126,843</u>		<u>121,365</u>

41. Contingent liabilities

Building dilapidations

The Council leases a number of buildings which will require to be returned to their original leased condition at the end of the lease. Every attempt is made to maintain leased buildings in reasonable order as stipulated in the lease. However the Council has a potential liability to incur re-instatement costs where the condition has deteriorated below that of the original state. A provision of £0.233m has been made for these costs, but other buildings exist for which the cost of repairs could not be reliably estimated.

Highland Council Pension Fund

The Council acts as Guarantor for the following Admitted bodies in the Highland Council Pension Fund:

Cromarty Firth Port Authority
 Highland Opportunity Ltd
 High Life Highland
 Highlands and Western Isles Joint Valuation Board
 HITRANS
 Highland Blindcraft
 Sight Action
 Eden Court
 UHI

Any liability would only materialise should the organisations cease to become members of the Fund and be unable to meet any termination value calculated by the Fund Actuaries. Sight Action went into liquidation on 31 March 2024. The final cessation value will be calculated in due course.

McCloud Judgement

The decisions of the Court of Appeal in the Sargeant/McCloud cases (now generally known as McCloud for Local Government Pension Schemes) have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. Going forward remedies relating to the McCloud judgement will need to be made in relation to all public sector pension schemes including the LGPS.

The Council's pension asset/liability and pension costs from financial years 2019/20, to 2023/24 includes the actuary's estimate of the impact of the McCloud remedy, however the exact timing and costs to the Council are unknown at this time.

42. Grant income

The Comprehensive Income and Expenditure Statement in 2023/24 includes the following grants, contributions and donations:

2022/23 £000		2023/24 £000
	Credited to Taxation and non-specific grant income	
383,618	Revenue support grant	389,787
5,459	General capital grant revenue flexibility	9,425
141,565	Non-Domestic rates	156,979
103,510	Capital grants and contributions*	93,627
634,152		649,818
	Credited to services	
33,311	Housing Benefits	33,012
23,906	Early Learn/Childcare	23,418
12,655	Capital grants and contributions	12,300
4,908	Pupil Equity Funding	4,589
4,110	Scottish Futures Trust - Wick Schools	4,108
3,707	Criminal Justice Grant	3,855
2,136	Energy Efficiency Scotland	3,159
2,887	Crown Estates	2,893
337	UK Shared Prosperity Fund	2,553
2,833	Developers Contributions	2,447
1,438	Teacher Pay Award	1,200
624	Strategic Equity Fund	1,167
2,238	Ukrainian Refugees	1,104
1,012	Sport Scotland	1,096
1,030	Wick Airport	1,055
643	Community Led Local Development	981
1,086	Rural Tourism Infrastructure	971
265	Unaccompanied Asylum Seeking Children	918
910	Gaelic	905
1,802	COVID-19 Related Grants	831
1,205	Community Mental Health & Wellbeing	680
525	Milk & Healthy Snack Scheme	545
480	Family Nurse Partnership	522
434	SAC - Education for LAC	488
897	Ferries	446
420	EMA Co-ordination	416
385	European Grants and Contributions	391
460	Adult Employ Service	251
214	CJS Caledonian System	244
222	Paths for All	205
258	Parental Employability Support	194
206	Vehicles Insurance Claim	156
58	Syrian Refugees	92
1,250	Salix Financing	-
1,093	Challenge Fund	-
238	Long Term Unemployment	-
216	Community Renewal	-

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2022/23 £000		2023/24 £000
42	Attainment Challenge	-
663	Sustrans	-
<u>745,256</u>	Total	<u>757,010</u>

Not included within the breakdown above but included within government grants and contributions in Note 19 is £12.194m from NHS for commissioned child health (2022/23 £12.239m) and £6.768m in other non-material grants and contributions (2022/23 £6.654m). In 2022/23 Revenue Support Grant excludes Scottish Government funding of £1.438m for the teachers pay award which was paid as a direct payment and credited to service income.

***Capital Grants and contributions**

2022/23 £000	Capital Grants and contributions	2023/24 £000
33,758	Scottish Government – Housing Grants	31,726
39,114	Scottish Government – General Capital Grant	24,215
20,178	Transport Scotland	18,508
13,437	UK Government – City Region Deal	8,509
746	UK Government – Levelling Up Fund	3,674
787	Sustrans	2,633
-	Zero Waste Scotland – Recycling Improvement Fund	2,065
208	Scottish Government – Longman Park Travelling People Site	2,035
2,281	Scottish Forestry	1,420
644	Scottish Government – Place Based Investment Programme	1,173
1,097	Scottish Government – Regeneration Capital Grant Fund	1,131
-	Highlands & Islands Enterprise	1,050
146	Scottish Government – Low Carbon Travel & Transport	814
86	Scottish Government – Island Infrastructure Fund	663
-	Scottish Government – Road Safety Improvement Fund	583
-	Insurance Recoveries	559
3,683	Capital grants and contributions less than £0.5m	5,169
(12,655)	Capital grants used to fund Revenue Expenditure under statute	(12,300)
<u>103,510</u>	Total	<u>93,627</u>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year end are as follows:

2022/23 £000		2023/24 £000
	Grants Received in Advance (Capital Grants)	
4,000	Gaelic Grant c/f	3,750
217	Zero Carbon Cultural Regeneration	3,283
780	Regeneration Capital Grant Fund	2,830
-	- Place Based Investment Programme 23/24	1,187
1,704	Place Based Investment Programme 22/23	728
1,086	Place Based Investment Programme 21/22	767
936	Highlands & Islands Infrastructure Fund	398
800	Tain Campus Gaelic Unit	800
-	- Portree Demonstrator Project	800
-	- BSGLA Gaelic Unit	646
599	Broadford Primary School Gaelic Unit	599
556	VDLF	556
-	- Caithness Demonstrator Project	415
177	UK Shared Prosperity Fund	371
498	Town Centre Fund	367
390	Rural Tourism Infrastructure Fund	150
259	Play Parks Community Group Contributions	145
<u>1,019</u>	Amounts less than £0.250m in both the current and prior year	<u>671</u>
<u>13,021</u>	Total	<u>18,463</u>

43. Financial instrument balances

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets

Non-Current		Current		Total		Non-Current		Current		Total
Investments	Debtors	Investments	Debtors			Investments	Debtors	Investments	Debtors	
31 March	31 March	31 March	31 March	31 March		31 March	31 March	31 March	31 March	31 March
2023	2023	2023	2023	2023		2024	2024	2024	2024	2024
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
-	50,572	63,084	66,219	179,875	Amortised cost	-	56,385	54,479	70,131	180,995
<hr/>					Total Financial Assets	<hr/>				
-	50,572	63,084	66,219	179,875		-	56,385	54,479	70,131	180,995
<hr/>					Non-financial assets	<hr/>				
45,998	-	65	18,039	64,102		267,967	-	67	24,037	292,071
45,998	50,572	63,149	84,258	243,977	Total	267,967	56,385	54,546	94,168	473,066

Non-financial assets held under non-current investments consist of the pension asset shown on the balance sheet. Non-financial assets held under current investments consist of cash in hand and at the bank as shown in Note 18. Non-financial assets held under current debtors consist of prepayments and debtors for local taxation as shown in Notes 36/37.

Financial Liabilities										
Non-Current		Current		Total		Non-Current		Current		Total
Borrowings	Creditors	Borrowings	Creditors			Borrowings	Creditors	Borrowings	Creditors	
31 March	31 March	31 March	31 March	31 March		31 March	31 March	31 March	31 March	31 March
2023	2023	2023	2023	2023		2024	2024	2024	2024	2024
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
889,904	126,742	167,957	140,863	1,325,466	Amortised cost	944,097	121,289	224,426	126,259	1,416,071
889,904					Total	944,097				
126,742					Financial	121,289				
167,957					Liabilities	224,426				
140,863						126,259				
1,325,466						1,416,071				
					Non-financial					
-	101	334	19,449	19,884	liabilities	-	76	599	28,370	29,045
889,904	126,843	168,291	160,312	1,345,350	Total	944,097	121,365	225,025	154,629	1,445,116

Non-financial liabilities held under non-current creditors consist of a prepayment. Non-financial liabilities held under current creditors consist of receipts in advance and tax and social security creditors as shown in Note 38. Non-financial liabilities held under current borrowings consist of cash held at bank as shown in Note 18.

Material soft loans made by the Council
Landbank fund loans

The Council operates a fund to account for transactions relating to the Affordable Social Housing (Landbanking) initiative. Interest free loans are made from the fund to various housing associations and bodies and these are deemed to be material soft loans. These are included within long term debtors.

2022/23 £000		2023/24 £000
6,222	Balance at 1 April 2023	6,303
12,108	Nominal value of new loans made in the year	8,675
(394)	Loans repaid in the year	(1,311)
78	Fair value adjustment re interest uncharged in year	(698)
(11,711)	Other movements – transfer to interest bearing loans	(4,802)
<u>6,303</u>	Balance at 31 March 2024	<u>8,167</u>

The fair value of these soft loans is calculated based on the average loans fund rate in the initial year of the loan. For new loans provided in 2023/24 this was 4.21%.

Loans to Inverness Airport Business Park Limited

The loan to Inverness Airport Business Park Limited was to develop a mixed use business park.

2022/23 £000		2023/24 £000
1,175	Balance at 1 April 2023	1,175
-	Fair value adjustment re interest uncharged in year	-
<u>1,175</u>	Balance at 31 March 2024	<u>1,175</u>
(1,175)	Impairment Loss Allowance	(1,175)
<u>-</u>	Balance net of impairment at 31 March 2024	<u>-</u>

Following the 2020/21 annual review of Inverness Airport Business Park Limited's capacity to make repayment of the Loan Stock to the Council, it became apparent that the previously provided profile for repayment of the outstanding Loan Stock (that it will be repaid in two equal amounts, the first of which will not be made until at least 2025 with the second payment being made at least 5 years after the first payment) is unlikely to be achieved and that repayment will now not be made until future later dates. Consequently it was decided to create an impairment loss allowance to reflect the credit risk in this investment and reduce its value to zero in the accounts.

Valuation assumptions

The interest rate at which the fair value of the soft loan had been calculated in prior years was 4.52%.

44. Financial instrument gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2022/23 Surplus or Deficit on the Provision of Services £000		2023/24 Surplus or Deficit on the Provision of Services £000
2,010	Net (gains)/losses on: Financial assets measured at amortised cost	1,479
	Total (gains)/losses	
(3,501)	Interest revenue: Financial assets measured at amortised cost	(10,596)
	Total interest revenue	
51,409	Interest expense	62,240

Fair values of assets and liabilities carried at amortised cost

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost (in long term assets or liabilities with accrued interest in current assets or liabilities) is disclosed below.

Fair Value Levels

As per IFRS 13 Fair Value is calculated using the appropriate level in the fair value hierarchy below:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices. Where this is not possible, level 2 inputs are considered.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments. Where this is not possible, level 3 inputs are considered.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

Methods and assumptions in valuation techniques

The fair value of an instrument is determined by calculating the net present value (NPV) of future cash flows to provide an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation which ignores any motivation other than securing a fair price.

The rates quoted in this valuation were obtained by the Council's treasury management consultants from the market on 31 March 2024 using bid prices where applicable.

The calculations are made using the follow assumptions:

- For Public Works Loan Board (PWLB) debt, the discount rate used is the rate for new borrowing.
- For PFI, other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender.
- Where the exact maturity was not available interpolation techniques have been used.
- No early repayment or impairment is recognised.
- Fair values have been calculated for all instruments in the portfolio and are shown below
- The fair value of trade and other receivables is deemed to be the invoiced or billed amount.

The fair values are as follows:

Fair value of liabilities carried at amortised cost

31/03/23			31/03/24	
Carrying Amount £000	Fair Value £000		Carrying amount £000	Fair value £000
779,712	648,407	PWLB debt	904,561	700,156
131,438	134,604	Market loan	121,408	110,414
139,498	139,498	Temporary loans	135,662	141,614
		Loans Fund advances to group		
7,213	7,213	bodies	6,892	6,892
124,592	151,329	PFI	119,139	139,088
2,150	2,150	Long Term Creditors	2,150	2,150
140,863	140,863	Short Term Creditors	126,259	126,259
<u>1,325,466</u>	<u>1,224,064</u>	Financial liabilities	<u>1,416,071</u>	<u>1,226,573</u>

Fair value exceeds the carrying amount because the Council's loan portfolio includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This reflects the likely interest premium to be paid by the Council in the event of premature repayment of these loans.

Fair value of assets carried at amortised cost

31/03/23			31/03/24	
Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000
63,084	63,084	Call accounts	54,479	54,479
-	-	Fixed term deposits	-	-
50,572	50,572	Long term debtors	56,385	56,385
66,219	66,219	Short term debtors	70,131	70,131
<u>179,875</u>	<u>179,875</u>	Financial assets	<u>180,995</u>	<u>180,995</u>

45. Nature and extent of risks arising from financial instruments

The activities of the Council expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Audit and Scrutiny Committee. The Council provides written principles for overall risk management as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they are rated independently by Fitch with a minimum score of F1,A,B,3. The authority has a policy of not lending more than £20m of its surplus balances to one institution for a maximum period of 364 days.

The changes in the loss allowance for financial assets held at amortised cost during the year are as follows:

2022/23				Asset Class: Financial Assets Held at Amortised Cost	2023/24			
Lifetime Expected Credit Losses – simplified approach Customers £000	Lifetime Expected Credit Losses – simplified approach Rent £000	Lifetime Expected Credit Losses – not credit impaired IABP £000	Total £000		Lifetime Expected Credit Losses – simplified approach Customers £000	Lifetime Expected Credit Losses – simplified approach Rent £000	Lifetime Expected Credit Losses – not credit impaired IABP £000	Total £000
3,180	2,705	1,175	7,060	Opening balance as at 1 April 2023	2,436	3,376	1,175	6,987
Transfers:								
(1,391)	(692)	-	(2,083)	Amounts written off	(1,382)	(798)	-	(2,180)
647	1,363	-	2,010	Other changes	426	1,053	-	1,479
<u>2,436</u>	<u>3,376</u>	<u>1,175</u>	<u>6,987</u>	As at 31 March 2024	<u>1,480</u>	<u>3,631</u>	<u>1,175</u>	<u>6,286</u>

The Council has the following exposure to credit risk as at 31 March 2024:

	Credit risk rating	Gross carrying amount
	%	£000s
Significant increase in credit risk since initial recognition		
Inverness Airport Business Park Limited Soft Loan	100.00	1,175
Simplified Approach		
Customers	11.09	13,350
Rent	64.47	5,632
Landbank Fund Soft Loans	0.00	8,167
Deposits with Banks	0.00	54,479
Total		82,803

The landbank fund soft loans are not covered by an impairment loss allowance as the Council holds securities over the land in the case of non-payment.

Deposits with banks are not covered by an impairment loss allowance as the allowance calculated was immaterial.

The Council does not offer credit terms to customers.

All trade and other payables are due to be paid on the invoice date.

Debtors

The Council does not generally have negotiable credit terms for customers as any overdue amount is payable immediately. Customer balances considered to be past due can be analysed by age as follows:

31/03/23		31/03/24
£000		£000
5,140	Less than three months	4,740
240	Three to six months	6,168
372	Six to twelve months	587
<u>2,950</u>	More than twelve months	<u>1,855</u>
<u>8,702</u>	Total	<u>13,350</u>

Market risk

Interest rate risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid or received on variable rate instruments and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the Council is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Comprehensive Income and Expenditure Statement.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not affect the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would be reflected in the Comprehensive Income and Expenditure Statement.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not affect the Balance Sheet for the majority of liabilities held at amortised cost but will have an impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. The policy is to set upper limits for fixed and variable rate borrowings based on the Council's annual financing requirements. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates of the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the annual budget setting process and allows for any adverse changes to be accommodated. The strategy is based on the officers' views on interest rates supplemented with leading market forecasts provided by the Council's treasury adviser and covers capital expenditure and associated borrowing, prudential indicators, the current portfolio position, prospects for interest rates, economic background, borrowing strategy, debt rescheduling and investment strategy. The analysis will also consider whether new borrowing taken out is at fixed or variable rates.

According to the assessment strategy, at 31 March 2024, if interest rates had been 1% higher with all other variables held constant, the financial effect would be as follows:

	£000
Increase in interest payable on variable rate borrowings	327
Increase in interest receivable on variable rate investments	<u>(545)</u>
Impact on Income and Expenditure Account	<u>(218)</u>
 Decrease in fair value of fixed rate borrowing liabilities (no impact on CI&ES or MIRS)	 <u>8,418</u>

The impact of a 1% fall in interest rates would be as above but with the movements reversed.

Price risk

The Council does not invest in equity shares.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates.

The maturity structure of financial liabilities is as follows:

31/03/2023		Liquidity risk	31/03/2024	
Amortised cost £000	Nominal value £000		Amortised cost £000	Nominal value £000
Financial Liabilities				
		Public Works Loans Board		
779,712	779,599		904,561	889,198
131,438	129,806	Market Loans	121,408	119,806
139,498	138,000	Temporary Loans	135,662	133,000
		Internal Loans Fund		
7,213	7,213	Advances	6,892	6,892
124,592	124,592	PFI and similar contracts	119,139	119,139
2,150	2,150	Long term creditor	2,150	2,150
140,863	140,863	Short term creditor	126,259	126,259
<u>1,325,466</u>	<u>1,322,223</u>		<u>1,416,071</u>	<u>1,396,444</u>
Maturity				
308,820	306,037	Less than 1 year	350,684	331,511
13,453	13,453	Between 1 and 2 years	48,154	48,154
129,268	129,267	Between 2 and 5 years	124,389	124,389
116,132	116,132	Between 5 and 10 years	137,784	137,784
757,793	757,334	More than 10 years	755,060	754,606
<u>1,325,466</u>	<u>1,322,223</u>		<u>1,416,071</u>	<u>1,396,444</u>

46. Statutory Repayment of Debt Deferral

The Highland Council has applied the flexibility allowed by the Scottish Government in 22/23 to defer a portion of the General Fund's statutory debt repayment.

The amount that had been deferred totalled £29.279m and will be repaid over a 20 year term as follows:

2022/23 £000	Statutory Debt Repayment	2023/24 £000
4,896	Less than 1 year	3,694
3,694	Between 1 and 2 years	2,782
7,140	Between 2 and 5 years	6,169
7,342	Between 5 and 10 years	6,642
6,207	More than 10 years	5,096
<u>29,279</u>		<u>24,383</u>

47. Common Good Funds Accounts

Highland Council administers the Common Good Funds of the former Burgh Councils of Inverness, Nairn, Ross and Cromarty, and Badenoch and Strathspey as well as the towns of Wick and Thurso. The smallest Common Good Fund, Kingussie, is included in the following statements, but due to the size of the fund, not listed separately. Further details are, however, available on request.

All funds are held for the benefit of the residents of those former burghs and must be used in the first instance to maintain the assets of the Common Good. Thereafter, funds can be used for purposes which are in the interests of the community for which the Common Good Fund was established.

Accounting Policies

The Common Good accounts are prepared in accordance with the accounting policies adopted by Highland Council as detailed in Note 3 to the financial statements. In addition, the Common Good Fund has investment properties which are those used solely to earn rentals and for capital appreciation.

Investment property values are determined by applying IFRS 13 – Fair Value Measurement. Disclosures regarding the valuation of investment properties are detailed in Note 47d) to the accounts. Investment properties are not depreciated but are revalued annually. Gains and losses on revaluation are recorded in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment applies to gains and losses on disposal.

The Community Empowerment (Scotland) Act 2015 places new obligations on Councils with regards to the recording and use of Common Good assets. The Council is required to prepare and publish a register of all Common Good properties and make it publicly available. Public consultation on the proposed register closed on 5 June 2019. The Act also requires local authorities to publish any proposals and consult with community bodies before disposing of or changing the use of Common Good assets.

Comprehensive Income and Expenditure Statement

2022/23				2023/24		
Gross Expenditure £000	Gross Income £000	Net Expenditure/ (Income) £000		Gross Expenditure £000	Gross Income £000	Net Expenditure/ (Income) £000
2,529	(117)	2,412	Inverness	2,510	(518)	1,992
91	(42)	49	Nairn	110	(29)	81
24	(5)	19	Tain	2	-	2
24	(6)	18	Dornoch	131	(3)	128
12	-	12	Dingwall	58	-	58
2	-	2	Fortrose	1	-	1
1	-	1	Cromarty	1	-	1
4	-	4	Invergordon	6	-	6
2	(13)	(11)	Wick	9	(9)	-
2,689	(183)	2,506	Cost of services	2,828	(559)	2,269
		(2,386)	Financing and investment income and expenditure (Note 47b)			(3,349)
		120	(Surplus)/deficit on provision of services			(1,080)
		-	(Surplus) on revaluation of heritage assets			(1,100)
		-	Other comprehensive income and expenditure			(1,100)
		120	Total comprehensive (income) and expenditure			(2,180)

Movement in Reserves Statement 2023/24

	Revenue Reserves	Capital Fund	Revaluation Reserve	Capital Adjustment Account	Total Reserves £000
	£000	£000	£000	£000	
Balance at 31 March 2023	7,212	120	3,751	35,616	46,699
Movement in reserves during 2023/24					
Total Comprehensive Income and Expenditure	1,080	-	1,100	-	2,180
Adjustments between accounting and funding basis (Note 47a)	(868)	71	-	797	-
Net increase/(decrease) before transfers to other statutory reserves	212	71	1,100	797	2,180
Transfers between statutory reserves	-	-	-	-	-
Net increase/(decrease)	212	71	1,100	797	2,180
Balance at 31 March 2024	7,424	191	4,851	36,413	48,879

Movement in Reserves Statement 2022/23

	Revenue Reserves	Capital Fund	Revaluation Reserve	Capital Adjustment Account	Total Reserves £000
	£000	£000	£000	£000	
Balance at 31 March 2022	7,718	120	3,751	35,230	46,819
Movement in reserves during 2022/23					
Total Comprehensive Income and Expenditure	(120)	-	-	-	(120)
Adjustments between accounting and funding basis (Note 47a)	(386)	-	-	386	-
Net increase/(decrease) before transfers to other statutory reserves	(506)	-	-	386	(120)
Transfers between statutory reserves	-	-	-	-	-
Net increase/(decrease)	(506)	-	-	386	(120)
Balance at 31 March 2023	7,212	120	3,751	35,616	46,699

**Common Good Funds
Balance Sheet as at 31 March 2024**

31/03/23		Notes	31/03/24
£000			£000
257	Property, Plant and Equipment	47d)	227
4,043	Heritage Assets	47d), 47f)	5,143
35,060	Investment Properties	47d), 47g)	35,889
7	Intangible Assets	47h)	6
5,505	Investments	47i)	5,636
44,872	Long Term Assets		46,901
1,928	Cash and cash equivalents	47j)	1,624
165	Sundry debtors		459
2,093	Current Assets		2,083
(266)	Sundry creditors		(105)
(266)	Current Liabilities		(105)
1,827	Net current assets		1,978
46,699	Net assets		48,879
7,332	Usable Reserves	47k)	7,615
39,367	Unusable Reserves	47l)&47m)	41,264
46,699	Total Reserves		48,879

Cash Flow Statement

31/03/23 £000		Notes	31/03/24 £000
(120)	Net surplus/(deficit) on the provision of services		1,080
280	Adjust net surplus/(deficit) on the provision of services for non-cash movements	47p)	(1,322)
-	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	47p)	1
<u>160</u>	Net cash inflow/(outflow) from operating activities		<u>(241)</u>
(138)	Investing activities	47q)	(63)
<u>22</u>	Net increase/(decrease) in cash and cash equivalents		<u>(304)</u>
1,906	Cash and cash equivalents at 1 April 2023		1,928
<u>1,928</u>	Cash and cash equivalents at 31 March 2024	47j)	<u>1,624</u>

Notes to the Common Good Funds Accounts

47a) Movement in Reserves Statement – Adjustment between accounting and funding basis

2023/24	Capital Fund £000	Capital Adjustment Account £000	Total 2023/24 £000
Revaluation of investment properties	-	516	516
Proceeds from disposal of investment property	71	(71)	-
Capital expenditure funded from revenue	-	384	384
Loss on disposal of investment property	-	(1)	(1)
Depreciation and amortisation	-	(31)	(31)
	<u>71</u>	<u>797</u>	<u>868</u>

2022/23	Capital Fund £000	Capital Adjustment Account £000	Total 2022/23 £000
Revaluation of investment properties	-	(251)	(251)
Capital expenditure funded from revenue	-	668	668
Depreciation and amortisation	-	(31)	(31)
	<u>-</u>	<u>386</u>	<u>386</u>

47b) Comprehensive income and expenditure statement – Financing and investment income and expenditure

2022/23 £000		2023/24 £000
(321)	Interest and investment income and expenditure	(258)
(3,040)	Rental income	(2,665)
284	Property costs	333
251	(Surplus)/deficit on revaluation of investment properties	(517)
-	Loss on disposal of investment property	1
289	(Gains)/losses on valuation of financial assets	(276)
151	(Gains)/losses on derecognition of financial assets	33
<u>(2,386)</u>		<u>(3,349)</u>

47c) Operating leases

Common Good Fund as lessor

The Common Good Fund leases out property under operating leases to generate rental income.

2022/23 £000		2023/24 £000
<u>2,699</u>	Lease income received in year	<u>2,456</u>

The future minimum lease payments receivable under non-cancellable leases in future years are as follows:

31/03/23 £000		31/03/24 £000
2,410	Within one year	2,639
8,481	Later than one year and not later than five years	9,070
97,467	Later than five years	99,897
<u>108,358</u>		<u>111,606</u>

47d) Non-current assets

Details of the Common Good Funds non-current assets are as follows:

Movements in 2023/24

	Investment Properties £000	Heritage Assets £000	Plant and Equipment £000	Total £000
Gross book value				
As at 1 April 2023	35,060	4,043	320	39,423
Additions	384	-	-	384
Disposals	(72)	-	-	(72)
Revaluations	517	1,100	-	1,617
As at 31 March 2024	<u>35,889</u>	<u>5,143</u>	<u>320</u>	<u>41,352</u>
Accumulated depreciation				
As at 1 April 2023	-	-	63	63
Depreciation charge	-	-	30	30
As at 31 March 2024	<u>-</u>	<u>-</u>	<u>93</u>	<u>93</u>
Net book value				
As at 31 March 2024	<u>35,889</u>	<u>5,143</u>	<u>227</u>	<u>41,259</u>
As at 31 March 2023	<u>35,060</u>	<u>4,043</u>	<u>257</u>	<u>39,360</u>

Investment Properties – Fair Value Measurement

Valuation Techniques used to Determine Fair Values for Investment Properties

- All Common Good Fund Investment Properties have been valued in accordance with IFRS 13 – Fair Value Measurement and have been categorised at Level 2 within the Fair Value Hierarchy. These revaluations are carried out by in-house valuers and are overseen by Kenny Forbes (MRICS), Property Manager, Infrastructure, Environment and Economy Service, Highland Council.
- Significant Observable Inputs – Level 2
The fair value for the investment properties has been based on the comparable method of valuation, which is a market approach using current market conditions, recent transactions and other relevant information for similar assets in the Highland Council area. The inputs are derived through market transactions of other properties actively exchanged through sales and leasing. The levels of observable inputs are tangible transactions, leading to the properties being categorised at Level 2 in the fair value hierarchy.
- Highest and Best Use of Investment Properties

In estimating the value of the Common Good Fund Investment Properties, the stated value represents their highest and best use in their current use.

- No changes in valuation methods for any of the properties have occurred.

Heritage Assets

Heritage assets relate to works of art and other movables and are included at insurance values.

47e) Related Parties

During the period the Council incurred £0.120m (2022/23 £0.122m) in relation to the administration of the Common Good Funds and was subsequently reimbursed for these expenses.

Common Good properties are used for service delivery by the Council. The Council paid the Common Good Fund £0.108m (2022/23 £0.319m) in rental income.

Rent of £0.008m (2022/23 £0.008m) per annum is received into Wick Common Good Fund from the Highland and Western Isles Valuation Joint Board, which is an associate of Highland Council.

47f) Heritage assets

31/03/23 £000	Heritage assets at insurance value	31/03/24 £000
	Common Good Fund	
1,785	Inverness	1,785
60	Nairn	60
386	Tain	386
22	Dornoch	22
253	Fortrose	253
1,485	Invergordon	2,585
52	Wick	52
<u>4,043</u>		<u>5,143</u>

Included in the heritage assets for the Invergordon Common Good Fund is a bust of Sir John Gordon by Edmé Bouchardon, which has an insurance value of £2.400m. The sale of this asset has been the subject of a public consultation and it was agreed at the [Black Isle and Easter Ross Area Committee meeting on 13 May 2024](#) that it be recommended to full Council that the proposal to dispose of the bust of by sale should go ahead.

47g) Investment property

The Common Good Funds own a number of properties which are held to generate rental income and for capital appreciation. These are accounted for as investment property and are held at fair value in accordance with the Code. The fair value reflects market conditions at the balance sheet date and is reviewed annually. Gains or losses arising from changes in the fair value are recognised in the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement. The consumption of economic benefits in each asset over time is reflected in the fair value of the property and therefore investment properties are not depreciated. Investment properties are leased out to third parties under operating leases. At the balance sheet date the fair value of investment properties held by each fund was as follows:

31/03/23 £000	Investment Property at Fair Value	31/03/24 £000
	Common Good Fund	
24,371	Inverness	24,540
8,300	Nairn	8,360
362	Tain	362
1,088	Dornoch	1,088
275	Dingwall	430
171	Fortrose	219
58	Cromarty	55
425	Wick	425
-	Thurso	400
10	Grantown-on-Spey	10
<u>35,060</u>		<u>35,889</u>

47h) Intangible assets

2022/23 £000	Fishing Licence – Tain	2023/24 £000
8	As at 1 April 2023	7
(1)	Amortisation	(1)
<u>7</u>	As at 31 March 2024	<u>6</u>

47i) Long Term Investments

31/03/23			31/03/24	
Cost £000	Valuation £000		Cost £000	Valuation £000
3,393	4,947	Inverness – Managed portfolio	3,273	5,022
514	558	Nairn – Managed portfolio	522	614
<u>3,907</u>	<u>5,505</u>		<u>3,795</u>	<u>5,636</u>

The Inverness Common Good Fund has holdings, managed by a fund manager, in various types of investments as detailed below:-

31/03/23			31/03/24	
Cost £000	Valuation £000	Units Held	Cost £000	Valuation £000
1,780	3,447	Equities	1,684	3,463
1,275	1,203	Bonds	1,429	1,399
35	35	Cash	107	107
303	262	Alternative	53	53
<u>3,393</u>	<u>4,947</u>	Total	<u>3,273</u>	<u>5,022</u>

The Nairn Common Good Fund has holdings, managed by a fund manager, in various types of investments as detailed below:-

31/03/23 Units Held			31/03/24 Units Held	
Cost £000	Valuation £000		Cost £000	Valuation £000
365	422	Equities	373	471
71	62	Bonds	105	102
42	42	Cash	13	13
36	32	Alternative	31	28
<u>514</u>	<u>558</u>	Total	<u>522</u>	<u>614</u>

47j) Cash and cash equivalents

31/03/23 £000		31/03/24 £000
<u>1,928</u>	Balance with Highland Council Loans Fund	<u>1,624</u>
<u>1,928</u>	Total	<u>1,624</u>

47k) Usable Reserves

Common Good Funds

Revenue Funds	Balance at 1/04/23 £000	Movement 2023/24 £000	Balance at 31/03/24 £000
Inverness	5,264	116	5,380
Nairn	793	104	897
Tain	220	20	240
Dornoch	286	(51)	235
Dingwall	301	(18)	283
Fortrose	185	28	213
Cromarty	52	4	56
Invergordon	83	-	83
Wick	28	9	37
Total	<u>7,212</u>	<u>213</u>	<u>7,424</u>

Included within the above totals are the unrealised gains related to the Investment portfolios as required by IFRS 9: Financial Instruments which are not available for use. These totals are:

	Balance at 1/04/23 £000	Movement 2023/24 £000	Balance at 31/03/24 £000
Inverness	1,554	195	1,749
Nairn	45	47	92
Total	<u>1,599</u>	<u>242</u>	<u>1,841</u>

Capital Fund	Balance at 01/04/2023 £000	Proceeds of Sale of Non- Current Assets £000	Balance at 31/03/2024 £000
Nairn	-	71	71
Tain	120	-	120
	<u>120</u>	<u>71</u>	<u>191</u>

47l) Unusable Reserves

Revaluation Reserve Fund	Balance at 1/04/23 £000	Movement 2023/24 £000	Balance at 31/03/24 £000
Inverness	1,784	-	1,784
Nairn	60	-	60
Tain	94	-	94
Dornoch	22	-	22
Fortrose	254	-	254
Invergordon	1,485	1,100	2,585
Wick	52	-	52
Total	<u>3,751</u>	<u>1,100</u>	<u>4,851</u>

47m) Capital Adjustment Account

Fund	Balance at 31/03/23 £000	Revaluations 2023/24 £000	Sale of Non- Current Assets £000	Capital Funded from Revenue £000	Depreciation and amortisation £000	Balance at 31/03/24 £000
Inverness	24,452	(215)	-	384	(15)	24,606
Nairn	8,477	131	(72)	-	(15)	8,521
Tain	661	-	-	-	(1)	660
Dornoch	1,088	-	-	-	-	1,088
Dingwall	275	155	-	-	-	430
Fortrose	170	48	-	-	-	218
Cromarty	58	(3)	-	-	-	55
Wick	425	-	-	-	-	425
Thurso	-	400	-	-	-	400
Grantown-on-Spey	10	-	-	-	-	10
Total	<u>35,616</u>	<u>516</u>	<u>(72)</u>	<u>384</u>	<u>(31)</u>	<u>36,413</u>

47n) Financial Instrument balances

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

Financial Assets						Financial Assets				
Non-Current		Current		Total		Non-Current		Current		Total
Investments	Debtors	Investments	Debtors			Investments	Debtors	Investments	Debtors	
31 March	31 March	31 March	31 March	31 March		31 March	31 March	31 March	31 March	31 March
2023	2023	2023	2023	2023		2024	2024	2024	2024	2024
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
5,505	-	-	-	5,505	Fair value through profit or loss	5,636	-	-	-	5,636
-	-	1,928	165	2,093	Amortised cost	-	-	1,624	459	2,083
5,505	-	1,928	165	7,598	Total Financial Assets	5,636	-	1,624	459	7,719
Financial Liabilities						Financial Liabilities				
Non-Current		Current		Total		Non-Current		Current		Total
Borrowings	Creditors	Borrowings	Creditors			Borrowings	Creditors	Borrowings	Creditors	
31 March	31 March	31 March	31 March	31 March		31 March	31 March	31 March	31 March	31 March
2023	2023	2023	2023	2023		2024	2024	2024	2024	2024
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
-	-	-	266	266	Amortised cost	-	-	-	105	105
-	-	-	266	266	Total Financial Liabilities	-	-	-	105	105

47o) Financial Instruments Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2022/23		2023/24
Surplus or Deficit on the Provision of Services £000		Surplus or Deficit on the Provision of Services £000
441	Net (gains)/losses on: Financial assets measured at fair value through profit or loss	(244)
441	Total (gains)/losses	(244)
(321)	Interest revenue: Financial assets measured at amortised cost	(258)
(321)	Total interest revenue	(258)

Fair Values of Financial Assets

Some of the Common Good's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31/03/23	31/03/24
Fair Value through Profit and Loss			£000	£000
Investment portfolios held with Adam and Co	Level 1	Unadjusted quoted prices in active markets for identical investments	5,505	5,636
Total			<u>5,505</u>	<u>5,636</u>

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels 1 and 2 during the year.

Changes in the Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments.

Credit Risk

The investment portfolios are not covered by the impairment loss allowance requirements. Their maximum exposure to credit risk is their carrying amount and any changes in the fair value of the portfolios are attributable to changes in the credit risk.

47p) Cashflow statement – Adjustments for non-cash movements

2022/23		2023/24
£000		£000
	Non-cash items	
31	Depreciation and impairments	31
251	Revaluation of investment properties	(517)
188	Revaluation of investments	(382)
	Items on accruals basis	
(67)	(Increase)/decrease in debtors	(293)
(123)	Increase/(decrease) in creditors	(161)
280		(1,322)
	Items in investing & financing activities	
-	Loss on disposal of investment property	1
-		1

47q) Cashflow statement – investing activities

2022/23		2023/24
£000		£000
530	Proceeds from long term investments	250
-	Proceeds from disposal of investment property	71
(79)	Purchase of property, plant and equipment	-
(589)	Purchase of investment properties	(384)
(138)		(63)

The prior year comparatives have been restated to separately show the purchase of property, plant and equipment, which had been included in the value for the purchase of investment properties.

48. Charitable, Educational and Other Trust Funds Accounts

ACCOUNTING POLICIES

The Trust Fund accounts are prepared in accordance with the accounting policies adopted by Highland Council as detailed in Note 3 to the financial statements. However, the following statements include the accounts of Highland Council Charitable Trusts and Highland Charities Trust, which have been prepared on a Receipts and Payments basis in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). The results of these accounts can be seen in the Charitable Trusts column below.

Income and Expenditure Account for the year ended 31 March 2024

2022/23				2023/24		
Charitable Trusts £000	Educational Trusts £000	Other Trusts £000		Charitable Trusts £000	Educational Trusts £000	Other Trusts £000
62	23	415	Incoming resources	129	51	139
(54)	(3)	(225)	Expenditure resources	(51)	(2)	(105)
<hr/>	<hr/>	<hr/>	Net incoming / (outgoing) resources before other recognised gains & losses	<hr/>	<hr/>	<hr/>
8	20	190		78	49	34
<hr/>	<hr/>	<hr/>	Net Movement in Funds	<hr/>	<hr/>	<hr/>
8	20	190		78	49	34
<hr/>	<hr/>	<hr/>	Reconciliation of Funds	<hr/>	<hr/>	<hr/>
2,473	932	2,061	Total Funds brought forward at 1 April	2,481	952	2,251
2,481	952	2,251	Total Funds carried forward at 31 March	2,559	1,001	2,285

Balance Sheet as at 31 March

31 March 2023			31 March 2024		
Charitable Trusts £000	Educational Trusts £000	Other Trusts (restated) £000	Charitable Trusts £000	Educational Trusts £000	Other Trusts £000
67	5	1,436	67	5	1,469
<u>67</u>	<u>5</u>	<u>1,436</u>	<u>67</u>	<u>5</u>	<u>1,469</u>
2,414	947	815	2,492	996	816
<u>2,414</u>	<u>947</u>	<u>815</u>	<u>2,492</u>	<u>996</u>	<u>816</u>
<u>2,481</u>	<u>952</u>	<u>2,251</u>	<u>2,559</u>	<u>1,001</u>	<u>2,285</u>
2,292	681	1,298	2,347	712	1,331
189	271	953	212	289	954
<u>2,481</u>	<u>952</u>	<u>2,251</u>	<u>2,559</u>	<u>1,001</u>	<u>2,285</u>

Non current assets

Investments

Current assets

Debtor – Highland Council Loans Fund

Net assets

Capital funds

Revenue funds

Total funds

restated

restated

In addition to the assets noted above, one of the Other Trusts also holds an investment property (nil cost). The value of the property at 31 March 2024 was £0.058m.

The capital and revenue fund balances have both been restated to reflect £0.100m of capital funds in the Urray Churchyard Bequest which had previously been carried as revenue funds. Capital funds have therefore been increased and revenue funds decreased each by £0.100m.

Notes to the Charitable, Educational and Other Trust Fund Accounts

Charitable Trusts

Highland Council administers two registered Scottish Charities which are for the benefit of various specific causes. Annual accounts have been prepared for each of the two charities under the Office of the Scottish Charities Regulator Regulations.

At 31 March 2024 the balances and investments held are as follows:

31 March 2023					31 March 2024		
Fund Balance £000	Investments at cost £000	Investments at valuation £000	Charity	Scottish Charity Number	Fund Balance £000	Investments at cost £000	Investments at valuation £000
136	1	2	Highland Charities Trust	SC044714	138	1	2
<u>2,345</u>	<u>66</u>	<u>1,787</u>	Highland Council Charitable Trusts	SC025079	<u>2,421</u>	<u>66</u>	<u>2,014</u>
<u>2,481</u>	<u>67</u>	<u>1,789</u>	Total Charitable Trusts		<u>2,559</u>	<u>67</u>	<u>2,016</u>

Educational Trust Funds

Highland Council administers 41 Educational Trust Funds which are for the benefit of the pupils educated within specific schools or areas. At 31 March 2024 the balances and investments held are as follows:

31 March 2023				31 March 2024		
Fund Balance £000	Investments at cost £000	Investments at valuation £000		Fund Balance £000	Investments at cost £000	Investments at valuation £000
546	5	340	Inverness Royal Academy Educational Trust	577	5	372
129	-	24	Manson Bequest – Nairn and Ardclach	134	-	23
100	-	32	Manson Bequest – Keiss	104	-	30
65	-	-	Other Educational Trusts	68	-	-
48	-	-	META MacBean - Kingussie HS	50	-	-
30	-	-	Howard Doris fund – Plockton High School	32	-	-
23	-	-	George Kerr Bequest	24	-	-
11	-	-	Miss B G Angus Executory	12	-	-
952	5	396	Total Educational Trusts	1,001	5	425

Other Trust Funds

Highland Council administers other trust funds which are for the benefit of various specific causes and are administered in accordance with the terms of the individual bequests. The balances and investments held are as follows:

31 March 2023				31 March 2024			
Fund Balance £000	Investments at cost £000	Investments at valuation £000		Fund Balance £000	Investments at cost £000	Investments at valuation £000	
832	819	1,362	Inverness Burial Grounds Fund	856	842	1,476	
733	617	951	Inverness Benevolent Funds	716	627	1,040	
161	-	-	Inverness – Other Trust Funds	167	-	-	
145	-	-	Ross and Cromarty Trust Funds	152	-	-	
140	-	-	Caithness Trust Funds	146	-	-	
94	-	-	Nairn Trust Funds	91	-	-	
62	-	-	Lochaber Trust Funds	68	-	-	
52	-	-	Social Work Amenity Funds	56	-	-	
23	-	-	Sutherland Trust Funds	23	-	-	
7	-	-	Badenoch and Strathspey Trust Funds	8	-	-	
2	-	-	Skye and Lochalsh Trust Funds	2	-	-	
2,251	1,436	2,313	Total other trust funds	2,285	1,469	2,516	

49. Events after Reporting Period

The unaudited annual accounts were issued by the Head of Corporate Finance on 27 June 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2024 the financial statements have been adjusted in all material respects.

Housing Revenue Account (HRA) Income and Expenditure Statement
Aithris Teachd-a-steach agus Caiteachais Cunntas Teachd-a-steach an Taigheadais

The major elements of expenditure on the Council housing stock and how that expenditure has been financed are included in the HRA. The totals on the HRA are included in the Comprehensive Income and Expenditure Statement.

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Council charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Statement of Movement on the HRA.

2022/23 £000		2023/24 £000	£000
	Income		
(57,002)	Dwelling rents (gross)	(60,330)	
(776)	Non-dwelling rents (gross)	(812)	
(689)	Other income	(2,093)	
<u>(58,467)</u>			(63,235)
	Expenditure		
25,033	Repairs and maintenance	22,748	
13,484	Supervision and management	12,946	
84,827	Depreciation and impairment of non-current assets	20,944	
<u>2,465</u>	Other expenditure	<u>1,991</u>	
125,809			58,629
67,342	Net (income)/expenditure from HRA services as included in Council Comprehensive Income and Expenditure Statement		(4,606)
67,342	Net (income)/expenditure from HRA services		(4,606)
10,340	Loss on disposal of non-current assets	10,262	
12,357	Interest payable and similar charges	15,577	
(600)	Amortisation of premiums and discounts	(608)	
(178)	Interest and investment income	(451)	
421	Pension net interest	(686)	
(15,412)	Capital Grants and contributions	(22,130)	
<u>1,540</u>	Impairment of debtors	<u>1,097</u>	
8,468			3,061
75,810	(Surplus)/Deficit on HRA services		(1,545)

Statement of Movement on the Housing Revenue Account
Aithris air Gluasad air Cunntas Teachd-a-steach an Taigheadais

2022/23 £000		2023/24 £000	£000
(7,874)	Balance on HRA at 1 April 2023		(3,909)
75,810	(Surplus)/Deficit for the year on HRA Income and Expenditure Statement		(1,545)
	Adjustments to usable reserves permitted by accounting standards		
(228)	Historic depreciation element		(229)
	Adjustments between accounting basis and funding basis under statute		
(10,340)	Loss on sale of HRA non-current assets	(10,262)	
-	Capital expenditure funded by the HRA	-	
(10,340)			(10,262)
	Transfer to the Capital Adjustment Account		
(84,599)	- Depreciation and impairment	(20,715)	
10,294	- repayment of debt	8,730	
15,412	- Capital grants and contributions	22,130	
(58,893)			10,145
(2,984)	HRA share of contributions to the Pensions Reserve		511
600	HRA share of transfer from the Financial Instruments Adjustment Account		608
(3,909)	Balance on HRA at 31 March 2024		(4,681)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Rent arrears

Rent arrears were as follows

31/03/23 £000		31/03/24 £000
3,604	Current tenants	3,685
<u>785</u>	Former tenants	<u>983</u>
<u><u>4,389</u></u>	Total	<u><u>4,668</u></u>

2. Uncollectable rent voids

Uncollectable rent voids of £1.215m (2022/23 £1.087m) have been netted off against rental income.

3. Impairment of debtors

In 2023/24 an impairment has been provided in the Balance Sheet for irrecoverable rents as follows

31/03/23 £000		31/03/24 £000
2,550	Rent arrears	2,779
<u>392</u>	Sundry debts	<u>178</u>
<u><u>2,942</u></u>		<u><u>2,957</u></u>

4. Housing Stock

The Council's housing stock was as follows

31/03/23 Number	Type of House	31/03/24 Number
218	1 apartment	216
3,863	2 apartment	3,903
6,081	3 apartment	6,175
4,234	4 apartment	4,278
393	5 apartment	398
25	6 apartment	28
1	7 apartment	1
2	8 apartment	2
<u>1</u>	10 apartment	<u>-</u>
<u><u>14,818</u></u>		<u><u>15,001</u></u>

Council Tax Income Account

Cunntas Teachd-a-steach Cìs na Comhairle

The Council Tax Income Account shows the gross income raised from Council taxes levied and deductions made under statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the Council.

2022/23 £000		2023/24 £000
173,928	Gross Council Tax levied and contributions in lieu	183,795
(13,326)	Council Tax Reduction Scheme	(13,789)
(19,845)	Other discounts and reductions	(21,046)
(2,680)	Write off of uncollectable debts and allowances for impairment	(2,862)
(1,410)	Adjustments for prior years Council Tax and Community Charge	(1,939)
136,667	Net Council Tax income per the Comprehensive Income and Expenditure Statement	144,159

Notes to the Council Tax Income Account

Calculation of the Council Tax base 2023/24

Band	No of dwellings	No of exemptions	Disabled relief	Discounts 25%	Discounts 50%	Total dwellings	Ratio to Band D	Band D Equivalents
A (dbr)*	-	-	49	(5)	0	44	200/360	25
A	19,485	(1,253)	53	(2,496)	(400)	15,389	240/360	10,259
B	23,504	(1,139)	59	(2,687)	(453)	19,284	280/360	14,998
C	24,766	(841)	1	(2,468)	(600)	20,858	320/360	18,540
D	20,299	(496)	45	(1,559)	(460)	17,829	360/360	17,829
E	19,841	(303)	(93)	(1,177)	(465)	17,803	473/360	23,391
F	9,991	(138)	(59)	(428)	(211)	9,155	585/360	14,877
G	4,694	(67)	(51)	(157)	(146)	4,273	705/360	8,369
H	341	(13)	(4)	(7)	(33)	284	882/360	695
Total	122,921	(4,250)	0	(10,984)	(2,768)	104,919		108,983
								Council Tax Reduction (9,662)
								Contributions in lieu 170
								Provision for non- collection (1.89%) (1,880)
								Council tax base 97,611

A(dbr)* – Band A properties with disabled band reduction

Dwellings fall within a valuation band between A to H which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. The band D charge for 2023/24 was £1,427.19

From 1 April 2017 the Scottish Government changed the basis on which properties are assessed for Council Tax and this increased the charge for Council Tax properties that are banded E to H. The Highland Council had no discretion in this matter and must apply these increases to the Council Tax charges from 1 April 2017. Householders living in properties in Bands A-D are not affected by this increase. Based on the Council Tax base available to Highland Council the Band D charge for 2023/24 was £1,472.19

Properties can be exempt if they are unoccupied or occupied by certain categories of occupier.

A discount of 25% is available for properties occupied by only one liable person aged 18 years or over.

A discount of 50% is available on unoccupied properties which are either purpose built holiday homes, job related dwellings, properties undergoing major repair work to render it habitable or unfurnished for less than 12 months.

A discount of up to 10% can be awarded for a maximum period of 12 months for long term empty properties which are furnished. After this a 200% Council Tax charge will apply.

Exemption can be awarded for up to 6 months for long term empty properties which are unfurnished. A discount of up to 10% can then be applied for a further 6 months. When the discount ends a 200% Council Tax charge will apply.

Highland Council is required to collect any domestic water and waste water charges on behalf of Scottish Water. Charges for Water & Sewerage are the responsibility of Scottish Water.

Highland Council Tax charges for 2023/24

Band A (disabled band reduction)	£792.88
Band A	£951.46
Band B	£1,110.04
Band C	£1,268.61
Band D	£1,427.19
Band E	£1,875.17
Band F	£2,319.18
Band G	£2,794.91
Band H	£3,496.62

Non-Domestic Rate Account
Cunntas Reat Neo-dhachaigheil

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

2022/23		2023/24
£000		£000
196,473	Gross rates levied and contributions in lieu	221,875
(46,327)	Reliefs and other deductions	(46,205)
-	Payment of interest	(8)
(1,184)	Write-off of uncollectible debts and allowance for impairment	(1,740)
148,962	Net Non-Domestic Rate Income (NNDR)	173,922
(2,681)	Adjustment to previous years' national Non-Domestic rates	(8,338)
<u>146,281</u>	Contribution to Non-Domestic Rate Pool	<u>165,584</u>

Notes to the Non-Domestic Rate Account

Non-Domestic Rate Income as reported under taxation and non-specific grant income on the CIES comprises income assigned to the Highland Council by the Scottish Government from the national non-domestic rates pool.

<u>141,565</u>	Non-Domestic Rate Income credited to CIES	<u>156,979</u>
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Net Rateable Value Calculation

The amount paid for NNDR is determined by the rateable value placed on the property by the Assessor multiplied by the rate per pound, which is determined each year by the Scottish Government. The NNDR poundage rate set by the Scottish Government for 2023/24 was 49.8p Rateable Value equal to or less than £51,000, 51.1p Rateable Value between £51,001 and £95,000 and 52.4p Rateable Value greater than £95,000

Highland Council Rateable Values

1 April 2023			1 April 2024	
Number of units	Rateable values £000		Number of units	Rateable values £000
2,659	63,305	Shops	2,664	62,805
963	27,644	Public houses and hotels	943	32,276
1,716	28,180	Offices	1,652	27,526
2,826	47,995	Industrial subjects	2,842	56,896
6,563	30,211	Leisure, entertainment, caravans and holiday sites	6,500	37,337
299	5,515	Garages and petrol stations	295	6,136
2,468	28,910	Cultural, sporting subjects, education and training	2,462	32,722
1,061	15,368	Public service subjects	1,203	18,691
2,128	134,681	Miscellaneous	2,120	152,623
20,683	381,809	Total	20,681	427,012

Group Accounts

Cunntasan Buidhne

Group Comprehensive Income and Expenditure Statement
Aithris Teachd-a-steach agus Caiteachais Ioma-chuimseach Buidhne

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices governed by International Financial Reporting Standards.

2022/23				2023/24			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
125,809	(58,467)	67,342	Council Housing – Housing Revenue Account		58,629	(63,235)	(4,606)
86,606	(30,344)	56,262	Communities & Place		81,049	(33,233)	47,816
299,421	(40,378)	259,043	Education & Learning		284,904	(36,277)	248,627
207,686	(17,888)	189,798	Health & Social Care		218,053	(19,478)	198,575
120,362	(46,462)	73,900	Infrastructure, Environment & Economy		121,466	(42,986)	78,480
16,346	(5,697)	10,649	Performance & Governance		11,134	(2,944)	8,190
108,230	(17,956)	90,274	Property & Housing		110,438	(16,465)	93,973
23,630	(2,600)	21,030	Resources & Finance		23,631	(2,849)	20,782
14,822	(33)	14,789	Depute Chief Executive		18,548	(4,197)	14,351
46,841	(33,476)	13,365	Welfare Services		40,238	(32,908)	7,330
			Green Freeport		214	-	214
			Joint Board Requisitions:				
2,942	-	2,942	Highlands and Western Isles Valuation Joint Board		2,929	-	2,929
91	-	91	Highland and Islands Transport Partnership		91	-	91
1,052,786	(253,301)	799,485	Cost of Services Carried Forward		971,324	(254,572)	716,752

The Highland Council Group Unaudited Annual Accounts 2023/24

1,052,786	(253,301)	799,485	Cost of Services Brought Forward		971,324	(254,572)	716,752
		4,828	Other operating expenditure				8,792
		53,128	Financing and investment income and expenditure	6			36,655
		(770,819)	Taxation and non-specific grant income				(793,977)
		86,622	(Surplus)/Deficit on provision of services				(31,778)
		513	Associates accounted for on an equity basis				(72)
		87,135	Group (Surplus)/Deficit				(31,850)
		(32,064)	(Surplus) or deficit on revaluation of non-current assets				(106,562)
		4,714	Impairment losses on non-current assets charged to the revaluation reserve				33,776
		(363,612)	Remeasurements of the net defined liability				(214,205)
		(4,693)	Share of other comprehensive income and expenditure of associates				(1,374)
		(395,655)	Other comprehensive income and expenditure				(288,365)
		(308,520)	Total Comprehensive Income and Expenditure				(320,215)

Group Movement in Reserves Statement 2023/24
Aithris Gluasad ann an Cùl-stòran Buidhne 2023/24

	General Fund £000	Housing Revenue Account £000	Renewal and Repair Fund £000	Insurance Fund £000	Capital Fund £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2023	131,822	3,909	2,208	3,883	18,493	14,361	174,676	1,598,374	1,773,050
Movement in reserves during 2023/24									
Total comprehensive income and expenditure	51,106	1,545	-	-	-	-	52,651	286,962	339,613
Adjustments to usable reserves permitted by accounting standards	11,164	229	-	-	-	-	11,393	(11,393)	-
Adjustments between accounting basis and funding basis under regulations(Note 7 in Council accounts)	(79,503)	(1,002)	-	-	5,691	-	(74,814)	74,814	-
Adjustments between Group accounts and Council accounts	(21,098)	-	-	-	-	-	(21,098)	-	(21,098)
Net increase/(decrease) before transfers to and other statutory reserves	(38,331)	772	-	-	5,691	-	(31,868)	350,383	318,515
Transfers to/from other statutory reserves	64,643	-	19	1,416	(6,067)	(971)	59,040	(59,040)	-
Increase/(decrease) in 2023/24	26,312	772	19	1,416	(376)	(971)	27,172	291,343	318,515
Balance at 31 March 2024	158,134	4,681	2,227	5,299	18,117	13,390	201,848	1,889,717	2,091,565

Group Movement in Reserves Statement 2023/24
Aithris Gluasad ann an Cùl-stòran Buidhne 2023/24

This statement shows the movement in the year on the reserves held by the Group. The Total Comprehensive Expenditure and Income line shows the true economic cost of providing the group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

GROUP 2023/24	Total Council Reserves £000	Councils share of Subsidiaries Reserves £000	Council's share of Associates Reserves £000	Total Group Reserves £000
Balance at 31 March 2023 brought forward	1,773,050	42,167	531	1,815,748
Movement in reserves during 2023/24				
Total Comprehensive Expenditure and Income	339,613	(20,844)	1,446	320,215
Adjustments between accounting basis and funding basis under regulations	-	-	-	-
Adjustments between Group accounts and Council accounts	(21,098)	21,098	-	-
Net increase/(decrease) before transfers to earmarked and other statutory reserves	318,515	254	1,446	320,215
Increase/(decrease) in 2023/24	318,515	254	1,446	320,215
Balance at 31 March 2024 carried forward	2,091,565	42,421	1,977	2,135,963

Group Movement in Reserves Statement 2022/23
Aithris Gluasad ann an Cùl-stòran Buidhne 2022/23

	General Fund £000	Housing Revenue Account £000	Renewal and Repair Fund £000	Insurance Fund £000	Capital Fund £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2022	118,805	7,874	2,189	3,152	13,845	9,970	155,835	1,336,073	1,491,908
Movement in reserves during 2022/23									
Total comprehensive income and expenditure	17,210	(75,810)	-	-	-	-	(58,600)	359,230	300,630
Adjustments to usable reserves permitted by accounting standards	10,351	228	-	-	-	-	10,579	(10,579)	-
Adjustments between accounting basis and funding basis under regulations(Note 7 in Council accounts)	(2,861)	71,617	-	-	12,190	-	80,946	(80,946)	-
Adjustments between Group accounts and Council accounts	(19,488)	-	-	-	-	-	(19,488)	-	(19,488)
Net increase/(decrease) before transfers to and other statutory reserves	5,212	(3,965)		-	12,190	-	13,437	267,705	281,142
Transfers to/from other statutory reserves	7,805	-	19	731	(7,542)	4,391	5,404	(5,404)	-
Increase/(decrease) in 2022/23	13,017	(3,965)	19	731	4,648	4,391	18,841	262,301	281,142
Balance at 31 March 2023	131,822	3,909	2,208	3,883	18,493	14,361	174,676	1,598,374	1,773,050

Group Movement in Reserves Statement 2022/23
Aithris Gluasad ann an Cùl-stòran Buidhne 2022/23

GROUP 2022/23	Total Council Reserves £000	Councils share of Subsidiaries Reserves £000	Council's share of Associates Reserves £000	Total Group Reserves £000
Balance at 31 March 2022 brought forward	1,491,908	18,969	(3,649)	1,507,228
Movement in reserves during 2022/23				
Total Comprehensive Expenditure and Income	300,630	3,710	4,180	308,520
Adjustments between accounting basis and funding basis under regulations	-	-	-	-
Adjustments between Group accounts and Council accounts	(19,488)	19,488	-	-
Net increase/(decrease) before transfers to earmarked and other statutory reserves	281,142	23,198	4,180	308,520
Increase/(decrease) in 2022/23	281,142	23,198	4,180	308,520
Balance at 31 March 2023 carried forward	1,773,050	42,167	531	1,815,748

Group Balance Sheet
Duilleag Chothromachaidh Buidhne

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the group. The net assets of the group (assets less liabilities) are matched by the reserves held by the group.

31/03/23 £000		Note	31/03/24 £000
2,874,775	Property, plant & equipment		3,065,532
32,671	Investment Properties	7	32,900
8,851	Heritage Assets		10,381
-	Intangible Assets		25
531	Investments in associates		1,977
5,505	Long term investments		5,636
45,998	Pension Asset	8	267,967
50,572	Long term debtors (net of impairment)		56,385
<u>3,018,903</u>	Long term assets		<u>3,440,803</u>
6,001	Inventories		7,713
84,952	Short term debtors		95,357
63,171	Cash and cash equivalents		54,566
1,451	Assets held for sale		2,251
<u>155,575</u>	Current assets		<u>159,887</u>
(167,302)	Short term borrowing		(224,070)
(160,878)	Short term creditors		(155,688)
(334)	Cash and cash equivalents – bank overdraft		(599)
(448)	Provisions		(445)
(13,021)	Capital Grants Receipts in Advance		(18,463)
<u>(341,983)</u>	Current liabilities		<u>(399,265)</u>
(889,904)	Long term borrowing		(944,097)
(126,843)	Other long term liabilities		(121,365)
<u>(1,016,747)</u>	Long term liabilities		<u>(1,065,462)</u>
<u>1,815,748</u>	Net assets		<u>2,135,963</u>
174,676	Usable reserves	9	201,920
1,598,374	Unusable reserves	HC 13	1,889,717
42,698	Share of group and associate reserves		44,326
<u>1,815,748</u>	Total reserves		<u>2,135,963</u>

The unaudited annual accounts were issued on 27 June 2024

Brian Porter CPFA
Interim Head of Corporate Finance

Group Cash Flow Statement
Aithris Sruth-airgid Buidhne

The Cash Flow Statement shows the changes in cash and cash equivalents of the group during the year. This statement shows how the group generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities.

2022/23 £000		2023/24 £000
(86,622)	Net (deficit)/surplus on the provision of services	31,778
267,317	Adjust net (deficit)/surplus on provision of services for non-cash movements	86,940
<u>(105,184)</u>	Adjust for items included in the net deficit or surplus on provision of services that are investing and financing activities	<u>(94,992)</u>
75,511	Net cash inflow from operating activities	23,726
(223,882)	Investing activities	(215,688)
<u>115,792</u>	Financing activities	<u>183,092</u>
(32,579)	Net increase or decrease in cash and cash equivalents	(8,870)
<u>95,416</u>	Cash and cash equivalents at 1 April 2023	<u>62,837</u>
<u>62,837</u>	Cash and cash equivalents at 31 March 2024	<u>53,967</u>

Notes to the Group Accounts
Notaichean air na Cunntasan Buidhne

1. Accounting policies

The Financial Statements in the Group Accounts have been prepared in accordance with the Council's accounting policies set out in pages 58-70 and per the Common Good's policies on page 135 for Investment Property. Detailed notes to the Group Accounts have been provided only where transactions or balances are materially different to the Council's Accounts.

a. Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Group Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Investment property valuations	The UK continues to experience uncertain market condition and relatively high inflation. Nevertheless, at the Valuation date property markets remain relatively stable and are functioning at levels where adequate levels of market evidence exist upon which to base opinions of value.	Any significant change in property market conditions would require Investment Property to be revalued and would therefore impact on the asset valuations on the Group balance Sheet. The risk of movement is uncertain and an upwards or downwards revaluation in future years is possible. It is estimated a change in value of 10% in Investment Property asset category would adjust the total value of plant, property and equipment by £3.290 million.

2. Interest in other entities

Highland Council has adopted the recommendations of Chapter 9 of the Code, which requires local authorities to consider their interests in all types of entity to incorporate into group accounts.

The Council has accounted for its interest in each subsidiary by consolidating on a line by line basis. The Council's interest in each associate has been accounted for using the equity method of accounting. Where applicable, consolidation adjustments have been made to eliminate inter-group transactions.

3. Financial impact of consolidation

By including the share of group entities (details of which are provided in Note 4), the effect on the group balance sheet is an increase in net assets and reserves of £44.398m. This represents Highland Council's share of the net assets in these entities.

The effect on the group balance sheet of including High Life Highland's pensions asset has a nil effect in 2023/24 in long term assets and reserves.

4. Group entities

The Group includes the Highland Council, its subsidiaries and associates as listed below:

Subsidiaries

Highland Council has a 100% interest in the following entities:

- Inverness Common Good Fund
- Nairn Common Good Fund
- High Life Highland– a charitable company limited by guarantee. Highland Council is the sole member with its liability limited to £1. The company delivers a range of community learning and leisure services on behalf of the Highland Council. It has charitable status and has one wholly owned subsidiary High Life Highland (Trading) CIC whose principal aim is to generate funds to be used by the charity in pursuit of its charitable objectives.

Results for the year 2023/24	(Surplus)/deficit on provision of services £000	Net assets/(liabilities) £000
High Life Highland		
Inverness Common Good	(269)	31,771
Nairn Common Good Fund	(221)	9,550
	<u>(490)</u>	<u>41,321</u>

Associates

Highland Council has interests in associates as follows:

- Highland and Western Isles Valuation Joint Board – 80%
- Highlands and Islands Transport Partnership – 37.5%

The joint boards have a wide range of functions to discharge. Members of each board are elected Councillors who are appointed by the Council in proportions specified in legislation.

Under accounting standards guidance, Highland Council can be seen to have significant influence over these statutory bodies, through nominated Council Member involvement in each governing board.

The financial results of the Associates for 2023/24 were as follows:

Results for the year	(Surplus)/Deficit on provision of services £000	Net assets/(liabilities) £000
Highland and Western Isles Joint Valuation Board	(35)	2,271
Highland and Islands Transport Partnership	(121)	429
	<u>(156)</u>	<u>2,700</u>

Group share	%	(Surplus)/Deficit on provision of services £000	Net assets/ (liabilities) £000
Highland and Western Isles Joint Valuation Board	80.0	(27)	1,816
Highland and Islands Transport Partnership	37.5	(45)	161
		<u>(72)</u>	<u>1,977</u>

5. Non material interest in other entities

Highland Council also has an interest in the following entities which have not been consolidated into the Council's group accounts as the amounts are not material.

- Highland Opportunity Limited (HOL)
- Common Good Funds – Tain, Dornoch, Fortrose, Dingwall, Cromarty, Invergordon, Grantown, Kingussie and Wick.
- Eden Court Highlands

6. Comprehensive Income and Expenditure Statement – Financing and investment income and expenditure

2022/23		2023/24
£000		£000
(3,116)	Gains on trading operations	(3,094)
51,409	Interest payable and similar charges	62,240
7,731	Pensions net interest expense	(10,920)
(3,802)	Interest and investment income	(10,798)
(2,601)	Rental income	(2,399)
282	Property costs	306
775	(Surplus)/Deficit on revaluation of investment properties	84
-	(Gain)/Loss on disposal of investment properties	1
2,010	Expected credit losses on financial assets	1,479
289	(Gains)/Losses on valuation of financial assets	(277)
151	(Gains)/Losses on derecognition of financial assets	33
<u>53,128</u>		<u>36,655</u>

7. Investment Property

The Group Investment property is held within Inverness and Nairn Common Good Funds. Details are as follows:

	Inverness	Nairn	Total
	£000	£000	£000
Gross book value			
As at 1 April 2023	24,371	8,300	32,671
Additions	384	-	384
Disposals	-	(72)	(72)
Revaluations	(215)	132	(83)
As at 31 March 2024	<u>24,540</u>	<u>8,360</u>	<u>32,900</u>
Net book value			
As at 31 March 2024	<u>24,540</u>	<u>8,360</u>	<u>32,900</u>
As at 31 March 2023	<u>24,371</u>	<u>8,300</u>	<u>32,671</u>

8. Pension Asset

The Group pension asset is comprised as follows:

	Highland Council £000	Subsidiaries (HLH) £000	Total £000
Pension asset	267,967	-	267,967
As at 31 March 2024	<u>267,967</u>	<u>-</u>	<u>267,967</u>

9. Reserves

Pension reserve

The Group Pension reserve comprises the Council's Pension reserve held as an unusable reserve and the share of group pension reserves held as a usable reserve. Details of the Pension liability is disclosed in Note 24 of the Council Accounts.

	31 March 2023 £000	31 March 2024 £000
Highland Council – Pension Reserve	45,998	267,967
Share of group pension reserve	-	-
As at 31 March 2024	<u>45,998</u>	<u>267,967</u>

Share of group and associate usable reserve

The group and associate share of usable reserves reflects the share of group and reserves excluding unusable reserves (pension reserve).

	31 March 2023 £000	31 March 2024 £000
Share of group and associate reserves (MIRS)	42,698	44,326
Adjust for share of group and associate pension reserve	-	-
Share of group and associate usable reserves	<u>42,698</u>	<u>44,326</u>

Total group usable reserves

	31 March 2023 £000	31 March 2024 £000
Highland Council – usable reserves	174,676	201,848
Share of group capital fund	-	72
Share of group pension reserve	-	-
Group usable reserves	<u>174,676</u>	<u>201,920</u>

10. Events after the Balance Sheet date

The unaudited annual accounts were issued by the Head of Corporate Finance on 27 June 2024. Where events taking place before this date provided information about conditions existing at 31 March 2024 the financial statements have been adjusted in all material respects.

Glossary of Terms

Beag-fhaclair Theirmean

Glossary of Terms

We recognise that financial statements by their nature need to include some technical terms and the purpose of this section is to explain some of the more important ones.

Amortisation: similar to depreciation but applied to intangible assets i.e. the measurement of the value of an asset used during the year.

Budget: the budget sets out what the Council intends to spend and how it will be paid for. Budgets are prepared and approved before the start of a financial year for both revenue and capital expenditure.

Business Rates Incentivisation Scheme (BRIS): a scheme which allow Councils to retain a percentage of Non Domestic Rates (NDR) income, designed to encourage growth of businesses.

Capital Adjustment Account: provides a balancing mechanism between the different rates at which assets are depreciated and financed.

Capital Borrowing: this is the element of the Capital Programme not financed by capital and revenue resources (i.e. capital receipts, capital grants and revenue contributions). The capital expenditure will give rise to a borrowing need; however it is important to note that the need may not result in actual external borrowing, and the decision may be taken to finance borrowing from within the Council.

Capital Expenditure: spending on assets of lasting value, whose useful life exceeds the current year. Capital expenditure is financed principally from borrowing but can also be funded by capital receipts, grants and revenue contributions (CFCR).

Capital From Current Revenue (CFCR): this is expenditure on capital assets that is financed from the revenue account in the current financial year.

Capital Fund: established under the Local Government (Scotland) Act 1975. This fund is credited with the receipts of property sales and can be used to fund capital expenditure for landbanking.

Capital Grants: grants from bodies such as the European Union and Scottish Government can fund capital projects as can contributions from other organisations.

Capital Grants Unapplied: the Capital Grants Unapplied Account holds the grants and contributions received towards capital expenditure for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.

Capital Receipt: a capital receipt arises when the Council sells a surplus asset, e.g. a piece of land or a building and this can be used to finance further capital expenditure or repay existing debt.

Carrying Amount: the value at which an asset or liability is shown on the Balance Sheet.

Common Good Funds: Highland Council administers the Common Good Funds of the former Burgh Councils of Inverness, Nairn, Ross and Cromarty, and Badenoch and Strathspey. The two smallest Common Good Funds, Grantown and Kingussie, are included in the following statements, but due to the size of the funds, are not listed separately. Further details are, however, available on request.

All funds are held for the benefit of the residents of those former burghs and must be used in the first instance to maintain the assets of the Common Good. Thereafter funds can be used for purposes which are in the interests of the community for which the Common Good Fund was established.

Component Accounting: where fixed assets are valued and depreciated on the basis of individual components i.e. roof, heating system etc, opposed to one overall value.

Contingent Liability: a possible future financial obligation which is reported as a specific note to the annual accounts because it cannot be judged as probable enough to warrant a provision.

Council Tax: the major part of locally raised revenue income, based on a property being classified into one of eight bands. In the interests of consistency all Councils determine their Council Tax at the Band D level

and the charges for properties in all other bands are expressed as a proportion of Band D.

Council Tax Reduction Scheme (CTRS): replaced Council Tax Benefit which stopped on 1 April 2013 as part of the welfare reform programme. CTRS is a reduction on your Council tax that you may be entitled to if you are on a low income. Responsibility for assisting those who need help to pay their Council Tax in Scotland now sits with the Scottish Government and Scottish Local Authorities.

Current Assets: assets of a short-term nature, e.g. short term investments, inventories, short term debtors and cash and cash equivalents.

Current Liabilities: liabilities expected to be due within the next year, e.g. short term creditors, short-term borrowing and provisions.

Depreciation: the measure of the value of a fixed asset used during the year.

Equity Method: in the Group Accounts, the equity method of accounting is used to determine the Council's share of the net income generated from associate entities in proportion to the Council's investment in the associate.

Fair Value: is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fees and Charges: charges for specific service; examples include, commercial rents, hall lets and school meals.

Financial Asset: a right to future economic benefits controlled by the authority.

Financial Instrument: contracts that give rise to a financial asset of one entity and a financial liability of another entity.

Financial Instruments Adjustment Account: an account that enables the effects of accounting for financial instruments to be neutral in terms of Council Tax.

Financial Liability: an obligation to transfer economic benefits controlled by the authority.

General Fund: the principal usable reserve of the Council that covers most areas of activity, the main exclusion being the Pension Fund.

Group Accounts: statements that reflect the Council's interest in any subsidiaries, associates and joint ventures.

Heritage Assets: assets preserved in trust for future generations because of their cultural, environmental or historical association. It applies to assets held and maintained by the authority principally for the contribution to knowledge and culture.

IAS19: the International Accounting Standard (IAS) which lays down the disclosure and reporting requirements for Retirement Benefits paid from our Pension Fund.

IFRS: the Council's accounts are governed by International Financial Reporting Standards.

Impairment: an asset is impaired when its carrying amount exceeds its recoverable amount.

Infrastructure: assets of a general and supporting nature, e.g. the roads and bridges network, car parks, pathways, sea defences and water/drainage systems.

Insurance Fund: a fund that meets the costs of premiums for a range of external insurance cover, meets the cost of claims not covered by external insurance, and receives contributions from Council services.

Interest on Revenue Balances: the Council's loans fund acts as an internal banker and pays interest where it has utilised any internal credit balances, e.g. the General Fund Reserves.

Inventories: materials etc. that have been purchased but not yet consumed in the delivery of Council services.

Loan Charges: sometimes called debt charges, these are the annual repayments of principal, interest and expenses in respect of loans taken to finance capital expenditure.

Loans Fund: established as part of the Local Government (Scotland) Act 1975, the Council's Loans Fund acts as an internal banker and makes use of internal funds as well as controlling the Council's external borrowing needs. These balances represent the sums held in the Loans Fund on behalf of various funds.

Long-Term Borrowing: are sums borrowed to finance capital expenditure and not yet repaid, nor due to be repaid within one year. The majority of this is borrowed from the Public Works Loan Board and can be for periods of up to 60 years.

Non-Domestic Rate Income (NDRI): local businesses pay rates based on a rateable value determined by the Assessor and a rate poundage determined by the Scottish Government. The Council pays rates levied into a national pool and receives income from the pool based on a formula.

Pension Fund: under relevant legislation the Council administers a Pension Fund for its employees (other than teachers, who are members of a national scheme) and employees of certain other 'Admitted Bodies'. It is what is known as a 'funded scheme' whereby all monies not immediately required to pay pensions and benefits are invested.

PPP/PFI: New school build contracts operating under Public private partnership/private financing initiative arrangements.

Provision: a liability of uncertain timing or extent for which an estimate must be included in our annual accounts.

Reserves: sometimes referred to as 'Balances' they are the accumulated surpluses/deficits generated by the various funds. They are split between 'usable' and 'unusable' reserves.

Revenue Support Grant (RSG): this is the largest part of Aggregate External Finance (AEF). It is a block grant which helps finance the overall cost of Council services.

Revaluation Reserve: the balance represents the difference between the depreciated revalued amount and the depreciated historic cost of fixed assets at 1 April 2007. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Revenue Expenditure: the day to day recurring costs of providing services. It includes wages and salaries, property costs such as power and light, transport costs and supplies and services. It also includes the annual repayment of loans which have financed capital expenditure. Revenue expenditure is always paid for in full as and when it happens either from Council Tax, rents, fees, charges, grants and Revenue Support Grant (RSG) and distributions from the national Non-Domestic Rates Pool from the Scottish Government.

Significant Trading Operations: services provided in a competitive environment and which are charged for on a basis other than a straightforward recharge of costs, e.g. quoted lump sums, fixed rates etc.

Trust Funds: the Council administers 241 trust funds and bequests, held for the benefit of specific functions or groups or beneficiaries, 36 of which have charitable status and have been reorganised into 2 charities registered with the Office of the Scottish Charity Regulator (OSCR).

Usable Reserves: Capital Fund, Capital Grants Unapplied Account, General Fund Balance, Repair & Renewal Fund and Insurance Fund.

Unusable Reserves: Capital Adjustment Account, Financial Instruments Adjustment Account, Revaluation Reserve, Pension Reserve and STACA Statutory Mitigation Account .

Virement: because circumstances change, budgets need to remain flexible. Virement is the approved transfer of resources from one area of the budget to another, the creation of new budgets to reflect additional income and related expenditure or the transfer of budget from one financial year to the next.