

Agenda Item	9
Report No	HC/17/24

HIGHLAND COUNCIL

Date: 27 June 2024

Report Title: Annual accounts for the year to 31st March 2024, and Near-final revenue out-turn for the year

Report By: Head of Corporate Finance

1. Purpose/Executive Summary

- 1.1 This report presents the unaudited annual accounts for the year to the 31st March 2024 for the Highland Council, Highland Council Charitable Trust Funds and the Highland Council Pension Fund.
- 1.2 Section 7 of the CIPFA Financial Management Code identifies '*External Financial Reporting*' as one of the key standards in financial management. The annual accounts statements are seen as playing an integral part in the successful attainment of this standard. The reporting to the Council, and the publication of Accounts, allow stakeholders to use the Annual Accounts to understand how public money has been utilised.
- 1.3 All sets of Financial Accounts will be published on the Council website in advance of the meeting, and will be available from the following website links when complete. Members will be notified once the Accounts are complete and the website link is live, week commencing 24 June.

[Council Accounts](#)
[Charitable Trusts Accounts](#)
[Pension fund accounts](#)

- 1.4 This report also provides a near-final revenue out-turn position for 2023/24, as reflected within the Annual Accounts for the year. Detailed reporting on the out-turn position will be to Strategic Committees as is normal practice.

2. Recommendations

2.1 Members are asked to:

- i. Receive and approve for issue the unaudited Annual Accounts for the Highland Council, Highland Council Charitable Trust Funds and the Highland Council

Pension Fund for the year ended 31st March 2024 and note that these will be presented to the appointed auditor by the prescribed date of the 30th June 2024.

- ii. Note the near final out-turn for the 2023/24 financial year, subject to audit, as set out in section 6 of this report.

3. Implications

- 3.1 **Resource (Budget and Staffing)** – the Annual Accounts and the financial information contained therein, represents detailed information relating to the Council's financial position. As noted within this report, the resulting level of overall revenue reserves as at 31st March 2024, for both General Fund and HRA, are broadly in line with forecasts. Detailed reporting on the near-final figures will be considered through Strategic Committees as is normal practice.
- 3.2 **Legal** – the Council is required to complete and publish its draft Annual Accounts by 30th June, and this report and notices of inspection issued, fulfil the Council's obligations in this regard.
- 3.3 **Community (Equality, Poverty, Rural and Island)** – there are no specific implications to highlight.
- 3.4 **Climate Change / Carbon Clever** – there are no specific implications to highlight.
- 3.5 **Risk** – there are no specific implications to highlight. The Council's Annual Accounts are subject to External audit, and the final audit report, when complete, will be considered by the Council's Audit Committee.
- 3.6 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** – no implications to highlight.
- 3.7 **Gaelic** – there are no specific implications to highlight.

4. Annual Accounts 2023/24

- 4.1 The Annual Accounts summarise the transactions and provide the year end position for financial year 2023/24, the year ended 31st March 2024.
- 4.2 The Council is required to prepare annual accounts under the Local Authority Accounts (Scotland) Regulations 2014 and in accordance with proper accounting practices. The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (The Code). The Code is based on International Financial Reporting Standards (IFRS).
- 4.3 The regulations require the unaudited accounts to be submitted to the appointed auditor no later than the 30th June and require elected members to consider the unaudited accounts at a meeting no later than the 31st August.

Once audited, the Highland Council accounts and auditor's report will be taken to the Audit Committee. The Council's external auditor is Audit Scotland.

- 4.4 The audited accounts and auditor's report for the Highland Council Pension Fund, when available, will be presented to the Pensions Committee.

4.5 CIPFA's Financial Management Code identifies two key standards around external financial reporting namely:

- *'The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom';*
- *'The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions'.*

5. Annual Accounts Documents

5.1 Due to their size the accounts documents have not been appended to this report but will instead be made available on the Council's website at the links above in advance of the Council meeting. Members will be advised when the link is live.

5.2 The management commentary section of the Council's accounts provides a high level overview of the Council's performance in the year. 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. Section 6 of this report below, provides an overview of the financial performance of the year.

5.3 The Council's key financial statements, including the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Expenditure and Funding Analysis, Balance Sheet, Cash Flow Statement, Remuneration Report and Annual Governance Statement, along with supporting notes, can be seen in the full accounts document via the above web links.

5.4 A briefing session for Members on understanding the accounts will be scheduled to take place prior to the audited accounts being presented to Audit Committee later this year.

6. Financial Performance and 2023/24 Near Final Out-turn

6.1 In relation to the General Fund, the near-final out-turn reflects a £1.122m net underspend for the year. Which contrasts with a forecast overspend as at Quarter 3 of £3.709m. Exceptional and unbudgeted costs associated with the Corran Ferry unoperational period represent a significant factor in relation to Service variances in the year. An improvement in the overspend against Service budgets, and an underspend on loan charges, are the main factors in improvement relative to the Quarter 3 forecast. As noted below, there are a number of other adjustments which are reflected within the Annual Accounts and lead to a reserves position as described below.

6.2 The near-final position, which will be subject to external audit, is summarised as follows:

General Fund:

	£m	£m
Opening General Fund Reserves 1/4/23		131.822
Agreed use of reserves 23/24 budget - <i>note 1</i>	-23.270	
Use of non-earmarked reserves - <i>note 2</i>	-1.010	
Use of earmarked reserves – <i>note 3</i>	-25.853	-50.133

23/24 Near Final out-turn – <i>note 4</i>		1.122
Increased in earmarked reserves – <i>note 5</i>		75.323
Net Increase in General Fund Reserves		26.312
Closing General Fund Reserves 31/3/24		158.134

- Note 1 – reflecting the agreed use of balances when the 23/24 budget was agreed in March 2023.
- Note 2 – increase in reserves from interest received, and net use of non-earmarked reserves.
- Note 3 – Drawdown from earmarked reserves during the year, including use of crown estate funding, drawdown of reserves held on behalf of NHS Highland for adult social care, use of developer contributions, and use of various other earmarked reserves for intended purpose.
- Note 4 – Net surplus for the year based on near-final out-turn.
- Note 5 – Earmarking of reserves to reflect budget decisions made on 29 February 2024 and taking account of final PPP Service concession accounting flexibility.

Housing Revenue Account:

	£m
Opening Housing Revenue Account Reserves 1/4/23	3.909
Near Final out-turn for the year	0.772
Closing Housing Revenue Account Reserves 31/3/24	4.681

The table below contrasts the near-final position with the forecast position based on Quarter 3 and forecasts reflected in the 29 February 2024 budget report.

	Forecast £m	Near Final as Above £m	Net Movement £m
General Fund	160.133	158.134	-1.999
Housing Revenue Account	2.904	4.681	1.777

6.3 The Accounts reflect the implementation of the School PPP Service Concessions accounting flexibility as agreed by the Council on 29 February 2024. Members will recall this was a non-cash and purely accounting adjustment which changed the time period over which the Council accounted for liabilities related to the contracts. Through retrospective application of the accounting flexibility, this has increased the overall level of Council reserves by £55.075m in the year, and forms part of the reserve totals set out in the tables above. This figure takes account of final adjustments and reconciliations undertaken as part of the Annual Accounts closure process and to comply with relevant accounting standards and guidance, with this resulting in an amended profile of accounting adjustment. The retrospective adjustment of £55.075m contrasts with the estimate of £67.951m. While the retrospective credit is lower, the result is also that the debit or charge in future years is also now lower. Over the multiple years of the accounting adjustments, the impact is neutral, and non-cash in nature. There will also be a lower financing cost for the Council given there was an inherent cost associated with using the non-cash retrospective credit. The reduction in retrospective credit has been partly mitigated by other in year out-turn improvements and year-end adjustments totalling £5.024m. With the balance representing a change in earmarking from earlier estimates. The result is that the “Future Investment Capacity Fund” earmarking at year end is £9.639m rather than £17.491m as estimated. £3.466m of this total is committed

at this time based on Council decisions, therefore leaving £6.173m uncommitted at this time. Further review of earmarked balances will take place, post year-end, to consider any further adjustments to earmarking assumptions. As noted in the table above, the overall level of reserves at year end is broadly in line with forecast.

- 6.4 Members will recall from past reports, including the mid-year budget update considered by Council on 14 September 2023, that in relation to Council Tax on Second Homes and the Landbanking Fund, the Council had sought and received a time limited concession from Scottish Government to retain the income received rather than pay into the Landbanking Fund. This flexibility related to both 2022/23 and 2023/24. Scottish Government however stipulated the need to repay those sums into the Landbanking Fund within 3 years i.e. it was not a permanent flexibility. The September 2023 report highlighted it would be prudent to make provision for repayment and indeed may be appropriate to repay well within the 3 years given reserves were sufficient to do so. A formal decision to repay to the Landbanking Fund will be required and addressed in a future report to Council. Pending that, a sum of £3.693m has been set-aside in earmarked funds in the Annual Accounts. This action, plus existing set-asides, would allow the Council to repay in full into the Landbanking Fund during the current 2024/25 financial year.
- 6.4 **Appendix A** sets out a summarised near final position for both the General Fund and Housing Revenue Account. As is normal practice, out-turn monitoring statements will be reported to Committees following the summer recess. This will provide for further analysis and explanation of the out-turn position for the year.

Designation: Head of Corporate Finance

Date: 24 June 2024

Author: Brian Porter, Head of Corporate Finance

Background Papers:

General Fund Summary			
1 April to 31 March 2024 (Near Final)			
	Annual Budget £000	Near Final Out-turn £000	Year End Variance £000
By Service			
Communities & Place	43,734	45,696	1,962
Depute Chief Executive	13,920	14,106	186
Education & Learning	248,982	248,907	(75)
Health, Wellbeing & Social Care	197,025	197,091	66
Infrastructure & Environment and Economy	46,462	50,253	3,791
Performance & Governance	6,771	5,898	(873)
Property & Housing	81,487	82,148	661
Resources & Finance	13,923	13,586	(337)
Welfare Services	7,131	7,378	247
Service Total	659,435	665,063	5,628
Valuation Joint Board	3,140	2,929	(211)
Hi Trans	91	91	0
Green Freeport	214	214	0
Non Domestic Rates reliefs	2,624	2,833	209
Loan Charges	60,176	56,549	(3,627)
Unallocated Budget	3,605	0	(3,605)
Unallocated Corporate Savings	(1,080)	0	1,080
Total General Fund Budget	728,205	727,679	(526)

Appropriations to Reserves

Contribution to earmarked balances	75,323	75,323	0
Contribution to non-earmarked balances	0	0	0
Affordable housing contribution from 2nd homes council tax	0	0	0
Contribution to Other reserves	1,435	1,435	0
Total Contributions to Balances	76,758	76,758	0

Financed By

Aggregate External Finance as notified	529,105	529,105	0
Additional resources	17,661	17,661	0
Additional resources - GCG - Pay award	9,425	9,425	0
Council Tax	143,563	144,159	596
Use of Reserves and net surplus for year	50,134	49,012	(1,122)
Use of PPP Flexibility	55,075	55,075	0
Total Funding	804,963	804,437	(526)

Housing Revenue Account Summary			
1 April to 31 March 2024 (Near Final)			
	Annual Budget £000	Near Final Out-turn £000	Year End Variance £000
Staff Costs	15,004	14,165	(839)
Other Costs	21,694	23,677	1,983
Loan charges and interest	26,291	24,307	(1,984)
Gross Expenditure	62,989	62,149	(840)
House Rents	(59,333)	(59,425)	(92)
Other rents	(3,235)	(2,931)	304
Other income	(359)	(114)	245
Interest on Revenue Balances	(62)	(451)	(389)
Gross Income	(62,989)	(62,921)	68
Total HRA	0	(772)	(772)