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EXPLANATORY FOREWORD

1. Introduction

The Statement of Accounts (the Accounts) report on the Council's financial performance for the year ended 31 March 2005. The Accounts exclude the transactions, balances, assets and liabilities of the Pension Fund, the Common Good Funds and Trust Funds which are disclosed separately on pages 51 to 62.

2. Statement of Accounts (the Accounts)

The Accounts comprise:-

- (i) Accounting Policies - explain the basis of the figures included within the Accounts and the policy followed where there is more than one acceptable basis.
- (ii) Consolidated Revenue Account (CRA) - reports the net cost of the Council's Services and how these costs have been financed.
- (iii) Housing Revenue Account - reports the major elements of housing revenue expenditure and how they are financed. The balance on the Housing Revenue Account is included in the CRA.
- (iv) Non-Domestic Rate Income Account - shows the non-domestic rates collected by the Council and paid into the national pool administered by the Scottish Executive. The Account also shows the sum distributed from the national pool to the Council, representing the Council's share of National Non Domestic Rate (NNDR) income based on population. The Council's share of the NNDR pool is transferred to the CRA.
- (v) Council Tax Income Account - shows the gross tax income levied, adjustments for benefits, discounts, reliefs, deductions and provisions made for bad and doubtful debts. The net income on the Account is transferred to the CRA.
- (vi) Consolidated Balance Sheet - reports the assets, liabilities, funds and reserves of the Council.
- (vii) Statement of the Total Movement in Reserves - considers all gains and losses recognised in the year, not just those reported in the revenue accounts.
- (viii) Cash Flow Statement - summarises the inflows and outflows of cash arising from revenue and capital transactions with third parties.
- (ix) Statement of Responsibilities - sets out the Authority's and the Director of Finance's responsibilities.
- (x) Corporate Governance Assurance Statement - states the Convenor's and Chief Executive's view on the Council's governance arrangements.

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3. Summary of Financial Results

(a) Balances

The movements and balances on the Council's revenue reserves for 2004/05 are summarised below.

	Balance as at 1 April 2004	Surplus/ (Deficit) for the year	Transfers between Funds	Balance as at 31 March 2005
	£m	£m	£m	£m
General Fund (non-earmarked)	14.155	5.362	0.306	19.823
Earmarked:				
Spend to Save	1.513	(0.253)	-	1.260
Central Energy Efficiency	-	0.437	-	0.437
Corporate Priorities	0.004	(0.005)	0.001	-
Joint Ventures	0.747	(0.048)	(0.307)	0.392
Devolved School Management (DSM)	2.206	(0.837)	-	1.369
Fire Board Transitional Funding	-	1.121	-	1.121
	4.470	0.414	(0.306)	4.579
General Fund - Total	18.625	5.776	-	24.402
Housing Revenue Account	10.630	(0.354)	-	10.276

In accordance with CIPFA Guidance "Reserves and Balances in a Local Authority" the Council has determined that General Fund balances should be held for contingencies and for specific initiatives. A sum equivalent to 3% of the revenue budget, approximately £14m, will be retained for contingent purposes while sums in excess of this figure will be earmarked to meet in full, or part, future projects or commitments.

The surplus on the General Fund is £5.776m, of which £5.362m has been added to the General Fund (non earmarked) balance. The main reasons for this surplus are the underspend on Fire Board requisitions and loans charges combined with an increased collection rate of Council Tax. Further details are provided in section 3 (b).

In 2005/06, Highland 2007; energy price increases; decant costs associated with the refurbishment of Social Work care homes; community projects and storm damage repairs are all identified as specific commitments which will bring the General Fund (non earmarked) balance back to £14m as per the Council's strategy.

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(b) General Fund Services

The financial results for the General Fund Services for the year are shown below. This presentation differs from that shown in the CRA which is set out in accordance with the Best Value Accounting Code of Practice's (BVACOP) standard classification of services which allows comparison to be with other Scottish Local Authorities.

The following presentation allows comparison of the 2004/05 results against budget, on the basis of the Council's internal service analysis.

	Budget	Actual	Over/ (Under)	
	£m	£m	£m	Notes
Education, Culture and Sport	178.455	179.661	1.206	1
Other Housing	1.885	2.207	0.322	2
Planning, Development, Europe and Tourism	6.228	6.043	(0.185)	
Transport, Environment and Community	49.242	50.613	1.371	3
Social Work	70.958	70.647	(0.311)	
Chief Executive's Office	14.804	14.318	(0.486)	4
Corporate Services	5.746	5.608	(0.138)	
Finance Services	5.586	5.424	(0.162)	
Council Tax Benefits & NDR Reliefs	0.380	0.274	(0.106)	
Housing Benefits	0.105	0.548	0.443	5
Property and Architectural Services	4.976	5.053	0.077	
Building Maintenance	(0.482)	(0.477)	0.005	
Sub-total	337.883	339.919	2.036	
Joint Ventures	-	0.068	0.068	6
Other write offs and adjustments	-	(0.014)	(0.014)	
Spend to Save and Corporate Priority projects	-	0.326	0.326	7
Joint Board Requisitions:				
Northern Joint Police Board	20.066	20.274	0.208	
Highland & Islands Fire Board	16.804	13.634	(3.170)	8
Highland & Western Isles Valuation Joint Board	1.946	2.090	0.144	
Loans Charges	39.114	37.099	(2.015)	9
Interest on Revenue Balances	-	(0.517)	(0.517)	
Interest and Investment Income	-	(0.020)	(0.020)	
Central Energy Efficiency Fund	-	(0.437)	(0.437)	10
Transfer from Renewal & Repair Fund	(0.290)	(0.290)	-	
Revenue Support Grant	(254.383)	(254.414)	(0.031)	
Non-domestic Rates	(78.069)	(78.087)	(0.018)	
Council Tax	(83.400)	(85.407)	(2.007)	11
Planned Contribution from Balances	(0.160)	-	0.160	
Unallocated pressures/growth	0.489	-	(0.489)	
Total General Fund Surplus	-	(5.776)	(5.776)	

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The Council's General Fund out-turn was a surplus of £5.776m for the year. The main variations from budget during the year were as follows:

1. The budget for Education, Culture & Sport (ECS) at the year end shows an overspend of £1.206m. However £0.837m is attributable DSM balances. There was also an overspend of £0.370m on the other budget headings.
2. The Other Housing budget is overspent by £0.322m relating to increased spending on Homelessness.
3. The Transport, Environmental and Community budget is overspent by £1.371m as a result of approved additional expenditure on storm damage remedial works.
4. The Chief Executive's Service has an underspend of £0.486m which is largely due to the delayed progress of the Modernising Government Fund (MGF) 3 project which will roll forward into 2005/06.
5. The cost of Housing Benefits to the Council has exceeded budget by £0.443m due to an increase in the provision for bad debts and the recovery of part of the Department of Work and Pensions' subsidy received in 2003/04.
6. In 2002/03 the Council created an earmarked balance for Joint Venture Projects, £0.068m of this was spent in 2004/05. These costs relate to professional fees incurred in preparatory work in connection with potential developments at Sandown in Nairn; the Inverness Bus & Freight Park and the Fort William Waterfront project.
7. An earmarked balance exists for Spend to Save projects. In 2004/05 the elements of spend against this balance were: £0.134m on the project to combine the office and depot at Carr's Corner, Fort William; £0.009m on Highlife card extension and £0.177m on the Council's Business Improvement Team. Expenditure of £0.06m was incurred on the ROADEX project from the Corporate Priorities Fund which has now been fully utilised.
8. The underspend on the Highland & Islands Fire Board requisitions of £3.170m is partly due to additional Scottish Executive funding received late in 2004/05. This element of the underspend will be repaid to the Fire Board in 2005/06 through increased requisitions, £1.121m has been earmarked within the General Fund balance for this purpose.
9. The underspend in the budget in respect of Loans Charges results from reduced interest rates due to the continuing downwards trend in long term market rates, the effect of loan debt rescheduling; slippage in the General Fund capital programme.
10. An earmarked balance was created in 2004/05 following the receipt of £0.437m from the Scottish Executive relating to the Central Energy Efficiency Fund.
11. Improved collection levels and the resultant reduction in the provision for bad debts has led to the amount of Council Tax collected being greater than budgeted by £2.007m.

(c) **Housing Revenue Account (HRA)**

The HRA utilisation of balances was only £0.354m against a budget of £2.498m. The reduction is largely due to an underspend on capital funded from current revenue of £2.047m; a saving of £0.373m on loans charges and increased rental income of £0.767m.

The closing balance on the Housing Revenue Account is £10.276m after the reduced use of balances.

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(d) Capital Programmes

The following table shows the actual expenditure and income against budget for the year:

	Expenditure		Income		Over/ (Under) £m	Notes
	Budget	Actual	Budget	Actual		
	£m	£m	£m	£m		
General Fund						
Education, Culture & Sport	12.689	10.552	0.677	1.458	(2.918)	1
Technical, Environmental & Community	26.443	30.463	9.619	14.397	(0.758)	2
Other Housing	5.273	5.281	-	0.022	(0.014)	
Social Work	2.199	0.583	-	-	(1.616)	3
Planning, Development, Europe & Tourism	1.806	1.389	0.622	0.800	(0.595)	4
Property & Architectural Services	4.401	2.830	0.185	0.098	(1.484)	5
Corporate Projects	1.891	0.800	-	-	(1.091)	6
Discretionary Fund	0.500	-	-	-	(0.500)	7
Unallocated	0.631	0.492	-	-	(0.139)	8
Total	55.833	52.390	11.103	16.775	(9.115)	
Housing HRA	12.972	13.457	12.972	15.989	(2.532)	9

Notes

1. Education, Culture & Sport Service underspent by £2.918m mainly due to anticipated land purchases not being settled by 31 March 2005.
2. Technical, Environmental & Community Services programme has an underspend of £0.758m. The main reasons for the net underspend are the receipt of ERDF grant relating to projects undertaken in previous years; the slippage of landfill site projects plus delays in progressing certain bridge strengthening projects due to legal issues. This was partially offset by the advancement of road structural improvement schemes which have been brought forward from the capital programme in future years.
3. The Social Work programme is heavily geared towards refurbishment of the Council's Care Homes. Decisions on the optimum operational arrangements of the Care Homes are on-going which has resulted in slippage of the refurbishment programme creating an underspend of £1.616m.
4. The delayed progress on the Nairn Town Centre project has been the major factor in the underspend of £0.595m in the Planning, Development, Europe & Tourism programme.
5. The Property & Architectural Services capital programme largely comprises strategic asset management projects and works to comply with the Disability Discrimination Act. Delays in progressing these projects have resulted from the transfer of staff and contractor resources to carry out urgent storm damage repairs, in total the underspend was £1.484m.
6. The Corporate projects programme has underspent by £1.091m which is mainly due to slippage on the Thurso Town Hall and Inverness City Vision projects.

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7. The Discretionary Fund budget of £0.500m in 2004/05 will be carried forward to 2005/06 to fund an initial phase of improvements to public conveniences.
8. An amount totalling £0.631m remained unallocated when the General Fund capital programme was originally agreed. However subsequent approval was given for the use of £0.600m to address exceptional expenditure as a result of storm damage of which £0.492m had been incurred by 31 March.
9. The Housing HRA capital programme shows an expenditure overspend of £0.485m which is accommodated by excess capital receipts of £3.017m showing an improved position against the target. £2.532m of surplus receipts will be carried forward to 2005/06.

4. Major Fixed Asset Acquisitions and Disposals

The HRA and General Fund capital programmes are, with the few exceptions noted below, geared towards improving or enhancing the Council's existing assets. Examples of some major projects of enhancement during 2004/05 include: refurbishment of science laboratories at Lochaber High School; and the provision of additional classrooms at Farr High School and Plockton High School. Major expenditure was also incurred on civic amenity sites, road and pier improvements and restoring and extending landfill sites.

The Housing Revenue Account purchased two properties in 2004/05 for a total of £0.090m and houses with a net book value of £9.430m were sold mainly to sitting tenants. In addition land at Bishopsfield, Dornoch with a value of £0.098m was sold during the year.

As part of the strategy for addressing the affordable housing issue, the General Fund capital programme used £0.267m to purchase three properties which will be sold in future years to a Housing Association. Three land transactions were also concluded in respect of sites for new schools which are included in the on-going negotiations for a second Private Public Partnership (PPP2) arrangement.

General Fund assets totalling a net book value of £0.215m were sold during 2004/05, this relates to the former Conon Bridge Primary School to a Housing Association and the sale of vehicles.

5. Introduction of Prudential Code

From 1 April 2004 there has been significant change to legislation following the introduction of The Local Government (Scotland) Act 2003 which abolished the previous controls over capital expenditure (Section 94 consent) and replaced them with 'the Prudential Code for Capital Finance in Local Authorities' (the Prudential Code). This Code is based largely on self regulation and Councils (including the Housing Revenue Account) now have freedom to determine their own capital investment levels and borrowing requirements so long as spending plans are affordable, prudent and sustainable.

The Council welcomed the greater freedom offered by the Prudential Code, and from 2004/05 agreed a three-year capital investment plan for General Fund Services which sought to increase capital investment over the period. The Council agreed to increase its planned borrowing levels from £23m in 2003/04 to: £26m in 2004/05 and 2005/06; with a future increase to £27.5m in 2006/07.

In relation to the Housing Revenue Account capital programme a further major change resulting from the withdrawal of the Section 94 regulations is the removal of the previous requirement to set aside an element of HRA capital receipts to redeem debt. As a result, the Council has greater freedom to utilise receipts to support its capital expenditure plans. The Council decided to maintain the HRA capital programme at a similar level to 2003/04. This decision was made in recognition of the buoyant level of capital receipts available to fund the existing programme, and the limited capacity in the market to undertake further programme works.

EXPLANATORY FOREWORD

6. Summary of Future Capital Investment Plans

The introduction of the Prudential Code has resulted in the Council having greater freedom to set its own levels of capital investment and borrowing. The Council has agreed the borrowing levels for 2005/06 and 2006/07 which will be enhanced by other funding sources including capital receipts, capital grants and contributions, capital from current revenue and use of reserves. The major specific additional investment allocations are:-

	2005/06 £m	2006/07 £m
Social Work Care Home Redevelopment	1.500	1.500
Health and Safety in schools	1.000	1.000
21 st Century school programme and Culture and Sport investment	0.562	-
Highland 2007 Year of Culture	2.205	1.400
Road and bridge infrastructure investment	1.950	4.544
Property asset improvements	0.500	0.500
Accommodation rationalisation	1.550	1.550

7. Approved Methods and Sources of Raising Capital Finance

Finance is only raised in accordance with legislation, and within this the Council has the following approved methods and sources of raising capital finance:

	<u>Fixed</u>	<u>Variable</u>
On Balance Sheet		
Public Works Loans Board	Yes	Yes
European Investment Bank	Yes	Yes
Market Long-term	Yes	Yes
Market temporary	Yes	Yes
Local temporary	Yes	Yes
Local bonds	Yes	Yes
Overdraft	No	Yes
Internal (Capital Receipts and Revenue Balances)	Yes	Yes
Finance Leasing	Yes	Yes
Off Balance Sheet		
Deferred purchase/covenants	Yes	Yes
Other Methods of Financing		
Government and EC Capital Grants		
Public Private Partnerships		
Lottery Monies		

All forms of funding are considered in light of the prevailing economic climate, regulations and local considerations. The Director of Finance has delegated powers to take the most appropriate form of borrowing from approved sources.

8. Debt Rescheduling Exercise

During 2004/05 the Council, in consultation with its treasury advisors, undertook three loan rescheduling exercises to take advantage of lower interest rates. The effect of these is to provide an initial annual saving of £0.315m. Further details of this exercise can be found in Note 2 to the Consolidated Balance Sheet.

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9. Major Changes in Accounting Practice

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. The code is upgraded regularly to take account of any changes in accounting practice.

The main change in the Code of Practice this year is the modification to Group Accounting requirements. As a result of this change the Council has the option to consider all its interests and to prepare a full set of group financial statements where there is a material interest in subsidiaries, associates or joint ventures. The Council's situation in this regard has been reviewed and the extent of any related company interest is deemed to be immaterial. Consequently the revised requirement will not impact on the Council's Statement of Accounts for 2004/05.

The only change introduced in the 2004 Code of Practice which impacts on the Accounts of Highland Council is the renaming of the Fixed Asset Restatement Reserve and Capital Financing Reserve to Fixed Asset Restatement Account and Capital Financing Account respectively. Both these Accounts have been renamed in the Consolidated Balance Sheet and the Statement of Total Movements in Reserves.

10. Financial Reporting Standard 17 "Retirement Benefits" (FRS 17)

FRS 17 ("Retirement Benefits") has been adopted in preparing the Accounts for 2004/05. FRS17 prescribes how employing organisations are to account for pension benefits earned by employees in year and the associated pension assets and liabilities.

Highland Council participates in The Scottish Teachers' Superannuation Scheme which is a national scheme administered by the Scottish Executive. This scheme is exempt from the accounting requirements of FRS 17 as pension assets and liabilities cannot be accurately allocated to each participating authority therefore the Accounts reflect only the cash payments made to the scheme as a participating employer. The exception to this is unfunded pension enhancements for members of the scheme. These payments are made through the Local Government Pension Scheme (LGPS) and are included in the accounting for pensions under FRS 17.

Other Council employees may join the LGPS which locally is the Highland Council Pension Fund administered by Highland Council. In accounting for this scheme the Council is required to fully comply with FRS 17. Note 16 to the Consolidated Revenue Account details the income and expenditure charged under FRS 17, based on estimates by the Fund's Actuary, and Note 11 to the Consolidated Balance Sheet shows that the Council has a net pension liability at 31 March 2005 of £170m based on the Actuary's estimates. The liability is accounted for within the Consolidated Balance Sheet and through the Pension Reserve.

The net pension liability of £170m referred to in Note 11 to the Consolidated Balance Sheet is calculated in accordance with the requirements of FRS 17 and the SORP. Accordingly the discount rate employed for 2004/05 by the actuaries is the yield available on long-dated quality corporate bonds (as measured by the yield on iBoxx Sterling Corporates Index, AA over 15 years) as at 31 March 2004. This is a change in estimation technique from previous years and has been the main reason for the increase in the pension liability of £87m. This liability exceeds current General Fund reserves. The actuarial valuation will consider the appropriate employer's rates and this, together with revenues generated from the investments will be utilised to meet the fund's commitments.

Local government legislation provides that local authorities have an obligation to meet the expenditure of the Joint Boards of which they are constituent members. As a consequence Highland Council has additional liabilities arising from the pension deficits of Highland and Islands Fire Board, Northern Joint Police Board and Highland and Western Isles Valuation Joint Board. Further information regarding these deficits can be found in the Statement of Accounts for the relevant bodies.

Alan Geddes
Director of Finance
30 June 2005

ACCOUNTING POLICIES

1. General

The Statement of Accounts (the Accounts) for the Highland Council, the Common Good Funds and Trust Funds and the Pension Fund have been prepared, as far as is practicable, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2004: A Statement of Recommended Practice (the SORP), and the Best Value Accounting Code of Practice (BVACOP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Accounts have been prepared using the historical cost convention model modified for fixed asset revaluations.

2. Revenue and Capital Transactions

The revenue and capital accounts consist of income and expenditure transactions during the accounting period, with the addition of accruals at the start and end of the year to reflect any amounts owed to or by the Council. Accruals are based on actual costs or reasonable estimates where the actual cost is not known.

3. Fixed Assets

Fixed assets are split in the Consolidated Balance Sheet between Operational and Non-Operational. Operational assets are further classified into: Council Dwellings; Other Land and Buildings; Vehicles, Plant, Furniture and Equipment; Infrastructure Assets; and Community Assets.

Council Dwellings are valued at net realisable value using the House Type Comparative method. Other Land and Buildings are valued at the lower of net current replacement cost or net replacement value in existing use. Vehicles, Plant, Furniture and Equipment, Infrastructure and Community Assets are included at historical cost where identifiable, net of depreciation.

Non Operational assets are included at the lower of net current replacement cost or net realisable value.

A de minimus level of £6k is applied to Vehicles, Plant & Machinery, and £20k to all other assets.

4. Revaluation of Fixed Assets

John Clarke (MRICS), Head of Property, Property and Architectural Services, carried out a number of revaluations falling due within the five year rolling programme, mainly consisting of the school estate. The effective date of the revaluations is the 1 April 2004. In addition, certain Other Land and Buildings assets, where capital projects had been completed during the year, were revalued as at the date of project completion.

Specific details regarding the valuation of all categories of fixed assets are shown in Note 1(d) to the Consolidated Balance Sheet on page 33.

5. Depreciation and Impairment

Land is not depreciated unless it is subject to depletion.

Operational buildings, infrastructure, investment properties and plant & equipment have been depreciated on a straight line basis over the useful life of the asset.

Vehicles have been depreciated using the reducing balance method on the opening written down value.

Council Dwellings have been depreciated on an annuity basis over the life of the asset.

No depreciation is applied in the year of purchase. A full year's depreciation is applied in year of disposal.

The Council has not suffered a reduction in the value of any assets as a result of impairment during 2004/05.

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6. Charges to Revenue and Redemption of Debt

All General Fund Services are subject to a capital charge comprising depreciation, where appropriate, plus a capital financing charge of 3.5% on all assets valued at current cost. Assets valued at historic cost incur a capital financing rate of 4.8%. The capital charge made to the HRA for Council Dwellings and other HRA owned assets equates to the Loans Fund principal, interest and expenses. Capital charges on non-operational assets have been charged to Non Distributed Costs in the CRA.

Loans fund debt is redeemed on an annuity basis.

7. Capital Receipts

The Council's policy on the treatment of Capital Receipts is:

- (i) capital receipts, however generated (with the exception of Housing Revenue Account receipts) will be treated as a corporate resource to be allocated to projects according to agreed corporate criteria; and
- (ii) a capital receipt which formed part of the funding package for a particular project should be so applied, subject to assurance that this represented the most cost effective use of the asset.

Any reasonable requests to earmark particular receipts will be considered on their respective merits and on the basis that, if only a proportion of the receipt is required to meet the cost of the project, any residual amount will be treated as in point (i) above.

8. Valuation of Stock and Investments

Stocks and investments are included in the Consolidated Balance Sheet at the lower of cost or net realisable value, with the exception of TEC Services stock amounting to £2.500m (£2.475m 2003/04), which is included at weighted average value.

Income on investments is credited to revenue in the year in which it is received.

The value of all investments in subsidiary companies is disclosed in the Consolidated Balance Sheet. The Council does not produce Group Accounts as the effect of consolidating accounts for the Council and its related and subsidiary undertakings is not viewed as material.

9. Central Support Services

Central Support Service costs such as the Chief Executive's Office, Corporate Services, Finance Service, Information Systems Service and Property and Architectural Services are allocated to front-line services after the deduction of corporate management, democratic core and non distributable costs in accordance with the BVACOP. Some residual balances remain on Central Support Service Accounts after this allocation, but these are not material and are contained within the Central Services to the Public in the CRA.

The basis of allocation varies for each Service but includes transactions volume, floor area occupied, budgets and staff numbers.

10. Provisions

Provision has been made in respect of doubtful debts on Community Charge, Council Tax, Non-domestic Rates, Sundry Income and Housing Rents.

ACCOUNTING POLICIES

11. Revenue and Capital Grants

Grants which are outstanding at the year end have been accrued. Revenue grants are matched to the expenditure to which they relate. Capital grants are credited to the Capital Grants Deferred Account and the balance is written off over the appropriate asset life.

12. Strategy for Balances

(a) General Fund

In accordance with CIPFA Guidance "Reserves and Balances in a Local Authority" the Council has determined that General Fund balances should be held for contingencies and for specific initiatives. A sum equivalent to 3% of the revenue budget, approximately £14m, will be retained for contingent purposes while sums in excess of this figure will be earmarked to meet in full or part future projects or commitments. In 2005/06, Highland 2007, implementation of job evaluation decisions, energy price increases and storm damage repairs are all identified as specific commitments.

(b) Housing Revenue Account

The Council decides annually the application of HRA balances to housing activities. The overall aim, now largely achieved, is to eliminate the use of balances to cover operational costs and move to using balances for investment purposes only.

13. Reserves

(a) Fixed Asset Restatement Account

This account (previously named Fixed Asset Restatement Reserve) reflects the difference between the net capital expenditure and the asset valuations determined for capital accounting purposes together with the surplus or deficit arising from revaluation and the net book value of asset disposals. This account is not a cash account and is not available for financing capital expenditure.

(b) Capital Financing Account

This account (previously named Capital Financing Reserve) reflects the difference between the repayment of debt and the depreciation charge together with all the capital financing transactions, e.g. capital financed from current revenue (CFCR) and capital receipts applied. This account is not a cash account and is not available for financing capital expenditure.

(c) Usable Capital Receipts Reserve

This reserve represents the capital receipts available to finance capital expenditure in future years.

(d) Renewal and Repair Funds

The Council operates a number of Renewal and Repair Funds for the following purposes:

- to fund Grounds Maintenance work undertaken on private land adopted by the Council;
- to fund winter maintenance works in the event of a severe winter. The Council agreed that the Fund should be maintained at £1.100m. The remaining balance will be reduced to approximately this level, equally over the 3 years from 2003/04 to pay for works on Flood Prevention and Coast Protection; and

ACCOUNTING POLICIES

- other minor Renewal and Repair Funds will be fully utilised over the 3 year period from 2003/04 by transferring £140k each year to fund works on asbestos and fire risk surveys.

Further details of these Funds are contained in Note 7 to the Consolidated Balance Sheet.

(e) Capital Fund

A capital fund operates to allow the financing of capital expenditure without recourse to borrowing. It may also be used to finance repayment of principal to the loans fund. During 2004/05, the Council has started using the Capital Fund in respect of contributions received from developers in accordance with planning gain agreements under Section 75 of the Town and Country Planning (Scotland) Act 1997. The contributions will be utilised in accordance with the conditions of each individual agreement e.g. for the provision of play areas and environmental and road infrastructure improvements.

14. Pensions

(a) Teachers

The Scottish Teachers' Superannuation Scheme (STSS) is an unfunded defined benefit scheme administered by the Scottish Executive. The STSS is exempt from FRS 17 as the assets and liabilities of the scheme cannot be reliably attributed to participating authorities. Therefore the CRA reflects only the cash payments made by the Council to the Scheme during the year. The exception to this are any unfunded pension enhancements made to scheme members throughout the year, these payments are administered by the LGPS and are included in the accounting for FRS 17.

(b) Other Employees

Other employees are eligible to join the Local Government Pension Scheme (LGPS). The accounting for this fund is prescribed by Financial Reporting Standard (FRS) 17 "Retirement Benefits".

(c) Financial Reporting Standard 17 "Retirement Benefits" (FRS 17)

FRS 17 requires that the Accounts reflect a fair value of the assets and liabilities underlying the employer's obligations relating to retirement benefits and that the true cost of these obligations is recognised.

The Highland Council Pension Fund's Actuary was commissioned to undertake an assessment of the cost, income, assets and liabilities of the Fund attributable to Highland Council as at 31 March 2005. The Actuary's assessment of the true cost of retirement benefits earned by employees during the year has been charged against Services in the CRA. The pension assets and liabilities of the Council are reflected in the Consolidated Balance Sheet. Under the Local Government Pension Reserve Fund (Scotland) Regulations 2003, the Council has established a Pensions Reserve to account for its long term net pension liability. The discount rate employed for 2004/05 by the actuaries is the yield available on long-dated quality corporate bonds (as measured by the yield on iBoxx Sterling Corporates Index, AA over 15 years) as at 31 March 2004. This is a change in estimation technique from previous years and has been the main reason for the increase in the pension liability of £87m.

15. Leases

Operating lease payments are charged to revenue in the year to which they relate, no value is carried in the Consolidated Balance Sheet relating to the leased asset. The Council has no Finance leases.

16. Covenants / Deferred Purchase Schemes

Repayments under covenant agreements are financed through the Loans Fund. The Council does not operate any other deferred purchase schemes.

ACCOUNTING POLICIES

17. PFI/PPP Contracts

The Council fully complies with FRS 5 "Reporting the Substance of Transactions" and Treasury Guidance in accounting for both its PFI/PPP contracts, a PFI contract for the supply of information technology (IT) services and a PPP contract for the provision of 4 schools.

The CRA includes the annual unitary charge for these contracts. In relation to the schools PPP the unitary charge comprises an element for the use of the school and an amount relating to the capital value of the asset which will transfer to the Council at the end of the contract. The unitary charge for the IT PFI contract only comprises a charge for the provision of the service; there is no capital element as the contract terms provide for the infrastructure to be returned to the Council at a fair market value.

There are no fixed assets shown on the Consolidated Balance Sheet in relation to PFI/PPP contracts but a long term debtor is included to reflect the fact that the Council will acquire the schools for nil consideration at the end of the 25 year term of the PPP contract. At the commencement of the contract the depreciated net replacement cost of the schools, which will transfer to the Council at the end of the contract, was calculated. In accordance with the arrangements for accounting for PPP this value is recognised in the Consolidated Balance Sheet over the life of the contract by a charge being made to the CRA, matched by an appropriation to the Capital Financing Account. The charge will be added annually to long term debtors over the life of the contract. At the end of the contract the total accumulated value in long term debtors relating to PPP will be transferred to the Council's Fixed Assets.

18. Deferred Charges

Deferred charges represent expenditure on assets which do not result in the creation of a fixed asset for the Council. This expenditure, e.g. on home improvement grants, advances to finance capital investment by other parties and expenditure on assets which are not in a tangible form, is charged to revenue in the year incurred. In 2004/05 deferred charged totaled £6.916m.

19. Foreign Currency Transactions

Income and expenditure arising from transactions in foreign currency are converted to £ sterling at the exchange rate in operation on the date the transaction occurred.

Where a contracted or agreed rate exists, this is used for conversion to £ sterling.

CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

2003/2004 Net £'000		Notes	2004/2005 Gross £'000	2004/05 Income £'000	2004/2005 Net £'000
262	Council Housing (Housing Revenue Account)		40,375	(41,068)	(693)
15,776	Cultural & Related Services		24,458	(6,193)	18,265
177,940	Education Services		227,195	(27,696)	199,499
19,381	Environmental Services		30,222	(5,626)	24,596
5,156	Housing Services		57,323	(49,611)	7,712
4,235	Planning & Development Services		11,201	(9,030)	2,171
41,399	Roads & Transport Services		51,279	(10,560)	40,719
72,929	Social Work Services		101,244	(22,646)	78,598
10,538	Central Services to the Public		55,370	(46,405)	8,965
18,877	Northern Joint Police Board requisitions	2	20,274		20,274
12,453	Highland & Islands Fire Board requisitions	2	13,634		13,634
1,716	Highlands & Western Isles Valuation Jnt Board requisitions	2	2,090		2,090
8,646	Corporate and Democratic Core	3	10,275	(371)	9,904
4,529	Non Distributed Costs	4	8,994	(82)	8,912
393,837	NET COST OF SERVICES		653,934	(219,288)	434,646
(171)	(Surplus) / Deficit on Trading Undertakings	5			(160)
(14,130)	(Surplus) / Deficit on Asset Management Revenue Account	6			(16,451)
(152)	Interest on Revenue Balances				(673)
(45)	Interest and Investment Income				(20)
4,371	Pension interest cost and expected return on pension assets	16			(742)
383,710	NET OPERATING EXPENDITURE				416,600
(283)	Transfer from DLO/DSO reserve at 1 April 2004				-
(1,703)	Transfer to Housing Revenue Account Balances				(354)
(450)	Transfer from Housing Revenue Account Balances				-
14,410	Transfer from Capital Financing Account				2,468
(368)	Transfer from Renewal and Repair Funds				(357)
-	Transfer to Capital Fund				1,980
(5,342)	Contribution from the Pensions Reserve	16			(8,479)
389,974	AMOUNT TO BE MET FROM GOVERNMENT GRANTS & LOCAL TAXPAYERS				411,858
(238,214)	Revenue Support Grant				(254,414)
(74,106)	Distribution from Non-Domestic Rate Pool	7			(77,681)
(81,028)	Council Tax Income	8			(85,539)
(3,374)	(SURPLUS)/DEFICIT FOR THE YEAR				(5,776)
	General Fund Reserve				
(15,251)	Opening Balance				(18,625)
(3,374)	(Surplus)/Deficit				(5,776)
(18,625)	Closing Balance				(24,402)

Included in the above closing balance are sums held specifically for use by schools though powers delegated to them under the scheme of Devolved School Management (DSM). The movements in DSM balances are as follows:-

(713)	Opening Balance	(2,206)
(1,493)	(Increase) / Decrease in balances during the year	837
(2,206)	Closing Balance	(1,369)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. General

The Best Value Accounting Code of Practice (BVACOP), published by the Chartered Institute of Public Finance and Accountancy, sets out the standard classification of Services for the Consolidated Revenue Account. The BVACOP standard classification seeks to ensure consistency of presentation across all Scottish Local Authorities to allow comparisons between authorities to be made.

The Consolidated Revenue Account (CRA) is set out, as far as is practicable, in accordance with the BVACOP Service Expenditure Analysis.

To allow comparison with the Council's internal Service analysis and the Council's budgeted expenditure for the year, the Consolidated Revenue Account has been re-presented in an alternative format within the Explanatory Foreword.

2. Police, Fire and Valuation Joint Boards

The Highland Council is a constituent authority of the Northern Joint Police Board; Highland and Islands Fire Board; and the Highland and Western Isles Valuation Joint Board. The net expenditure shown in the CRA represents the Council's requisition or share of the costs of these Boards. Further information on the Joint Boards can be found in each Board's Statement of Accounts which is available upon request from the Director of Finance, Glenurquhart Road, Inverness, IV3 5NX.

3. Corporate and Democratic Core

Corporate and Democratic Core (CDC) comprises Democratic Representation and Management (DRM) and Corporate Management (CM). DRM relates to corporate policy making and all other elected member based activities. CM relates to those activities and costs of the general running of the authority.

2003/04 Net £'000		2004/05 Expenditure £'000	2004/05 Income £'000	2004/05 Net £'000
7,031	Democratic Representation and Management	8,289	-	8,289
1,615	Corporate Management	1,986	371	1,615
<u>8,646</u>	Total	<u>10,275</u>	<u>371</u>	<u>9,904</u>

In the 2003/04 Accounts, the figure in relation to Democratic Representation and Management was understated by £154K, the above figures for 2003/04 have therefore been restated to allow an accurate comparison with 2004/05. The comparative figures for 'Corporate and Democratic Core' and 'Central Services to the Public' on page 14 have also been amended.

4. Non Distributed Costs

Non-distributed costs are excluded from the accounts of individual Services and comprise:

- "The whole amount of any past service contribution to meet a pension fund deficit, however arising."
- "The whole amount of any reduction in contribution to apply a pension fund surplus."
- "Charges (however calculated) for added years and early retirement."
- "The costs associated with unused shares of IT facilities."
- "The costs of shares of other long-term unused but unrealisable assets."
- "Capital charges for Non-Operational properties."

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

The costs shown as Non Distributed Costs are as follows:-

2003/04 Net £'000		2004/05 Expenditure £'000	2004/05 Income £'000	2004/05 Net £'000
1,952	Charges for added years and early retirement	2,293	82	2,211
1,676	Past service costs and settlements and curtailments on the pension fund	5,873	-	5,873
901	Non-operational capital charges	828	-	828
<u>4,529</u>	Total	<u>8,994</u>	<u>82</u>	<u>8,912</u>

5. Trading Operations

Financial year 2004/05 is the second year in which the Council has been required to maintain statutory trading accounts for 'significant trading operations' in accordance with the Local Government (Scotland) Act 2003 (Section 10). The Council must demonstrate that each of its "significant trading operations" has achieved, at least, a breakeven position by 31 March 2006.

The Council has 7 Trading Operations as described below which operate in a commercial environment and generate income from other parts of the Council and/or other organisations.

(a) Roads and Community Works

An amalgamation of Roads, Refuse Collection, Street Cleaning, Public Conveniences and Grounds Maintenance to enable cross working of the workforce on the various activities. The financial target over three years is to make a small surplus.

(b) Fishery Piers and Harbours

Harbours trade 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 at least to break even after capital charges.

(c) Building Maintenance

Provision of building repairs to Housing Services and other Council Services. Income is generated by a combination of schedule of rates and charging an hourly rate to recover costs. The target is to make the surplus determined by the Council when the Revenue Budget is set, which was £0.482m in 2004/05.

(d) Catering

Provision of catering, predominantly to schools, but also to other Council Services. Income is based on a cost recovery basis, with a target to make a small surplus.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

(e) Building Cleaning

Provision of building cleaning to all Council Services. Income is based on a cost recovery basis with a target to make a small surplus.

(f) Vehicle Maintenance

Provision of repairs and maintenance to the Council's fleet of vehicles. Income is generated through a job card system to recover costs along with a small profit element. The target is to make a small surplus.

(g) Project Design

The unit is largely responsible for the design and management of capital structural work for Transport, Environmental and Community Services. It also provides this service to the Scottish Executive. Income is generated by a time recording system based on recovery costs. The target is to make a small surplus.

Summary of Financial Results

A summary of the financial results of the Trading Operations is detailed below.

Difficulty was encountered by all Trading Operations in meeting their 2004/05 targets because of the significant increase in the current service cost, in relation to FRS17, following a change in the discount rate used. Further details of the discount rates used for FRS17 are included in Note 11 to the Consolidated Balance Sheet.

2003/04 Surplus		Turnover	2004/05 Expenditure	Surplus/ (Deficit)	Cumulative Surplus/ (Deficit)
£'000		£'000	£'000	£'000	£'000
108	Roads and Community Works	38,970	38,750	220	328
161	Fishery Piers and Harbours	13,092	12,946	146	307
55	Building Maintenance	10,085	9,677	408	463
228	Catering	6,764	6,787	(23)	205
111	Building Cleaning	4,543	4,555	(12)	99
79	Vehicle Maintenance	3,971	3,942	29	108
125	Project Design	2,203	2,243	(40)	85
867	Surplus on Trading Operations	79,628	78,900	728	1,595

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

Reconciliation to Consolidated Revenue Account

	2004/05 £'000
(Surplus)/Deficit on Trading Operations	728
Less internal surplus included in respective Services' net expenditure	(517)
Less IORB included on Interest on Revenue Balances line	(51)
(Surplus) / Deficit on Trading Undertakings in CRA	<u>160</u>

More details on the Accounts of the Trading Operations are available from Director of Finance, Glenurquhart Road, Inverness, IV3 5NX. These details also form part of the Council's Public Performance Report displayed on the Council's web site.

6. Transactions on the Asset Management Revenue Account (AMRA)

2003/04 £'000		2004/05 £'000
30,987	External Interest Payable	29,987
2,095	Premiums/discounts	2,068
19,781	Depreciation	23,488
241	Loans Fund Expenses	163
<u>53,104</u>	Total Expenditure	<u>55,706</u>
52,861	Capital Charges	63,167
4,111	Capital Contributions - Deferred Credit	739
10,262	Government Grants - Deferred Credit	8,251
<u>67,234</u>	Total Income	<u>72,157</u>
<u>(14,130)</u>	(Surplus)/Deficit on AMRA	<u>(16,451)</u>

More detail on premiums payable/discounts received as a result of debt rescheduling and restructuring is given in Note 2 to the Consolidated Balance Sheet.

7. Distribution from Non-Domestic Rate Pool (Non Domestic Rate Income)

This represents the income due to be received from the National Non-domestic Rates Pool. Further information can be found in the Non-domestic Rate Income Account and the Notes which accompany it.

8. Council Tax Income

This represents the income from Council Tax and also Community Charge for prior years. Further information can be found in the Council Tax Income Account and the Notes which accompany it.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

9. Publicity

Section 5 of the Local Government Act 1986 requires details of the net expenditure incurred on publicity during 2004/2005 to be disclosed.

2003/04 £'000		2004/05 £'000
507	Recruitment Advertising	735
471	Other Advertising	597
237	Other Publicity	291
<u>1,215</u>	Total Publicity	<u>1,623</u>

10. Fees Payable to Audit Scotland

Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the "Code of Audit Practice" are made up as follows:-

2003/04 £'000		2004/05 £'000
257	Audit Fee	297
94	Fixed Charge	154
<u>351</u>	Total	<u>451</u>

No other fees were payable in respect of any other services provided by Audit Scotland (2003/04 – nil)

11. Operating and Finance Leases

In 2004/05 the Council made the following revenue operating lease payments. There are no finance leases.

Payments 2003/04 £'000		Payments 2004/05 £'000	Outstanding Obligations £'000
291	Photocopier Lease	245	1,384
3,949	Vehicle Lease	4,754	14,048
208	Computer Equipment Lease	272	100
88	Gym & Leisure Equipment Leases	127	212
<u>4,536</u>	Total	<u>5,398</u>	<u>15,744</u>

Due to an oversight the information above relating to 2003/04 on computer equipment and gym and leisure equipment was not disclosed in the 2003/04 Audited Accounts.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

12. Local Authority (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. In 2004/05 the Council provided administration, professional and technical services to the following bodies. In all cases the value of the services provided is considered insignificant in comparison to the Council's net operating expenditure as detailed below.

2003/04			2004/05		
Expenditure £'000	Income £'000		Expenditure £'000	Income £'000	%
258	(258)	Northern Joint Police Board	225	(225)	0.05
175	(175)	Highland and Islands Fire Board	138	(138)	0.03
68	(68)	Highland and Western Isles Joint Valuation Board	76	(76)	0.02
469	(469)	Scottish Water	516	(516)	0.12

13. Employee Remuneration

In 2004/05 the number of employees receiving remuneration above £40,000, including redundancy and retirement pay where appropriate, are as follows:

2003/04 £'000	Remuneration Bandings	2004/05 £'000
122	£40,000 to £49,999	236
21	£50,000 to £59,999	35
1	£60,000 to £69,999	15
7	£70,000 to £79,999	1
1	£80,000 to £89,999	7
0	£90,000 to £99,999	3
0	£100,000 to £109,999	0
1	£110,000 to £119,999	0
0	£120,000 to £129,999	1

14. Manpower Statement

2003/04 FTE*	Service	2004/05 Part-time	2004/05 Full-time	2004/05 FTE*
196.1	Council Housing	37	208	226.2
298.4	Cultural and Leisure Services	265	165	299.7
4,124.5	Education	2,845	2,919	4402.2
198.0	Planning and Development	38	178	199.8
1,709.2	Social Work	1,509	947	1,787.5
383.5	TECS	32	391	407.2
769.5	Other Services	172	723	813.8
1,491.0	Trading Operations	1,311	931	1,476.5
9,170.2	Total	6,209	6,462	9,612.9

* Full Time Equivalent

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

15. Members Allowances and Expenses

The allowances and expenses paid to and on behalf of members in 2004/05 were as follows:-

2003/04		2004/05
£'000		£'000
558	Basic Salary	583
340	Special Responsibility Allowance	374
527	Travel and Accommodation	553
<u>1,425</u>	Total	<u>1,510</u>

The figures above for 2003/04 in relation to Travel and Accommodation have been revised from the Audited Accounts to be comparable with 2004/05 figures and incorporate the expenses paid directly by the Council to suppliers on behalf of members. The change has been made to illustrate the full extent of members expenses rather than the narrower presentation currently required by regulation. The impact on the 2003/04 figures is £89K.

16. Pensions

As part of the terms and conditions of employment of teachers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to disclose the cost of these payments at the time that the employees earn their future entitlement.

Teachers

The pension cost charged to the Accounts is the contribution rate set by the Scottish Executive on the basis of a notional fund. In 2004/05 the Highland Council paid £10.740m (£8.205) to the Scottish Executive in respect of Teachers' pension costs, which represents 12.50% (9.97%) of Teachers' pensionable pay. These costs have increased significantly as Highland Council now meet 100% of Teachers' Pension Contributions. The financial pressure of meeting these costs has been supported by a transfer of funding from the Treasury.

In addition the Highland Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2004/2005 these amounted to £0.93m (£0.44m) representing 1.08% (0.53%) of pensionable pay.

Other Employees

The contribution rate to the Local Government Pension Fund is determined by the Fund's Actuary based on triennial actuarial valuations. In 2004/05 the Highland Council paid an employer's contribution of £14.0m (£12.3m) into the Fund, representing 13.46% (13.22%) of pensionable pay.

In accordance with the SORP guidance on the application of FRS 17, the Consolidated Revenue Account recognises the true economic cost of retirement benefits earned by employees in 2004/05, irrespective of when the benefits will be paid. These costs are based on an assessment by the Fund's Actuary of Highland Council's share of the assets and liabilities at 31 March 2005. The Actuary is unable to provide an analysis of FRS 17 pension costs by individual service, therefore the net pension costs have been apportioned on the basis of the actual cash payments made by each Service in 2004/05

The Council can only make a charge against the council tax based on the actual cash payments, therefore the following transactions have been made in the Consolidated Revenue Account during the year to reverse the impact of the true economic cost of retirement benefits.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

16. Pensions (continued)

2003/04 £'000		2004/05 £'000	2004/05 £'000
13,834	Employers contributions payable to the scheme		16,387
	Less FRS 17 Charges:		
13,129	Current Service Cost		19,735
701	Past Service Cost		5,667
975	Curtailement and Settlements		206
24,948	Pension Interest Cost	24,353	
(20,577)	Expected Return on Assets in the scheme	(25,095)	(742)
<u>(5,342)</u>	Contribution to/(from) Pension Reserve		<u>(8,479)</u>

Further information on FRS 17 can be found in Note 11 to the Consolidated Balance Sheet on page 42.

17. 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.

(a) Central Government

The Scottish Executive 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. Housing Benefits). Details of Government Grants received during the year are set out in a Note to the Cash Flow Statement on page 49.

(b) 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.

During 2004/05, the Pension Fund had a closing deposit with the Council's loans fund of £6.673m (2003/04 £5.348m). The Council paid the Pension Fund interest of £0.198m (2003/04 £0.243m) on the average deposits throughout the year. The Council charged the Pension Fund £0.588m (2003/04 £0.561m) for expenses incurred in administering the Pension Fund.

(c) Subsidiaries and other related Companies

Information on the Council's related companies is provided in Note 3 to the Consolidated Balance Sheet on page 36. This note details the Council's liability, shareholding and funding provided.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

18. Extraordinary Items

The Council has no extraordinary items to disclose for the year to 31 March 2005.

19. Long Term Contracts and PFI Transactions

- (a) The Council signed a PFI contract with International Computers Limited (ICL), now Fujitsu Services Ltd, in July 1998 to provide Information Technology Services for a period of ten years up to June 2008. The basic contract element of the annual service charge in 2004/05 was £6.750m (£6.275m). Council services incurred direct charges totalling £2.668m (£2.431m) for specific enhancements over and above the basic contract. In total the annual service charge amounted to £9.418m (£8.706m) in 2004/05. The total amount payable under the contract from 1 April 2005 until 30 June 2008 is £31.696m at current prices. The Council receives Level Playing Field Support from the Scottish Executive towards these costs. This support is estimated to amount to £4.550m over the remaining years of the contract.
- (b) The Council signed a PFI contract with Community Schools (Highlands) Ltd, a consortium comprised of the M J Gleeson Group plc and Royal Bank Project Investments Limited, on 12 June 2001 to procure four schools for a term of 25 years from August 2002. The annual unitary charge for this contract in 2004/05 was £2.973m (£2.930m). 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. A long term debtor is being built up in the Consolidated Balance Sheet over the period of the contract to reflect the fact that the Council will acquire the schools for nil consideration at the end of the 25 year PPP contract.

The total amount payable under the contract from April 2004 until July 2027 amounts to £67.556m at current prices. The Council receives Level Playing Field Support from the Scottish Executive towards these costs. This support is estimated to amount to £34.6m, at current prices over the remaining term of the contract.

20. Community Care Partnership Schemes

During 2004/05, under the Community Care and Health (Scotland) Act 2002, the Highland Council continued to have in place a signed Extended Local Partnership Agreement, known as The Highland Community Care Partnership Agreement, with NHS Highland as their partner body.

The general objective of the Partnership is the achievement of a better quality of life for the people of the Highlands, including empowerment, social inclusion, and improved health, through ease of access to an increasingly integrated health and social care service.

During 2004/05, the Partnership included services to older people, people suffering a physical disability, people with learning disabilities, and people requiring mental health services.

The Partnership has a budget, covering all the above client groupings that amounted to approximately £100m during 2004/05. The budgets are currently aligned, which means that each Partner organisation holds their own element of the budget and records the expenditure and income that relates to the part of the service for which they are responsible. The Partners are committed to moving towards pooled budgets where appropriate opportunities arise.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

The Highland Council contributed a budget of approximately £61m in respect of the specific services, and this can be analysed as follows:-

Older People	£39.4m
People with Learning Disability	£11.9m
People with Mental Illness	£ 4.0m
People with a Physical Disability	£ 4.9m
People Misusing Drugs/Alcohol	£ 0.6m

These budgets cover a range of services from the assessment of needs and the Council's provision of day and home care to the commissioning and purchase of care home places from private and voluntary sector organisations.

HOUSING REVENUE ACCOUNT

2003/2004 Actual £'000		2004/2005 Budget £'000	2004/2005 Actual £'000
5,158	Supervision and Management	6,124	6,532
13,973	Repairs and Maintenance	14,844	13,259
64	Bad or Doubtful Debts	-	298
18,482	Capital Finance Costs	17,796	17,423
4,155	Other Expenditure	4,268	4,388
176	Pension interest cost and expected return on pension assets	-	(31)
(216)	Transfers to/(from) pension reserve	-	(350)
41,792	Gross Operating Expenditure	43,032	41,519
(37,550)	Gross Dwelling Rents	37,422	38,189
(1,115)	Gross Non-Dwelling Rents	1,333	1,348
(16)	Housing Support Grant	16	9
(1,408)	Other Income	1,763	1,619
(40,089)	Total Income	40,534	41,165
1,703	(Surplus)/ Deficit for the year	2,498	354
Housing Revenue Account Balance			
(12,783)	Opening Balance	(10,630)	(10,630)
1,703	(Surplus)/Deficit for the year	2,498	354
450	Contribution to General Fund Balances	-	-
(10,630)	Closing Balance	(8,132)	(10,276)

The figures stated above in relation to "Bad or Doubtful Debts" and "Other Expenditure" differ from the 2003/04 audited Accounts due to a reclassification of expenditure in relation to "Voids" which is now included within "Other Expenditure". The figures provided in 2003/04 for "Sheltered Housing"; Homelessness and Administration are now also included within "Other Expenditure". This change has been made to fully comply with ACOP.

1. Rent Arrears

Rent arrears were as follows:-

2003/04 £'000		2004/05 £'000
1,246	Current Tenants	1,374
1,017	Former Tenants	1,126
2,263	Total	2,500

HOUSING REVENUE ACCOUNT

2. Provision for Bad and Doubtful Debts

Provision for bad and doubtful debts is specifically made for rent arrears. Provision is also made for sundry debts which is included within the total sundry bad debt provision of £0.907m in Note 4 to the Consolidated Balance on page 37.

	As at 1 April 04 £'000	Movement in Year £'000	As at 31 March 05 £'000
Provision for Rent Arrears	1,601	225	1,826
Provision for Sundry Debts	310	(176)	134
Total Provision	1,911	49	1,960

3. Housing Stock

The Council's housing stock was as follows:-

	As at 1 April 04	Size	As at 31 March 05
	317	1 Apartment	309
	2,972	2 Apartment	2,895
	6,342	3 Apartment	6,177
	5,329	4 Apartment	5,190
	443	5 Apartment	431
	44	6 Apartment	43
	15,447	Total	15,045

4. Reconciliation to Consolidated Revenue Account

The following reconciles the above stated deficit with that stated, in accordance with BVACOP, in the Consolidated Revenue Account.

	2004/05 £'000
(Surplus)/Deficit for year per Housing Revenue Account	354
Interest on Revenue Balances included in the total for CRA	105
FRS 17 current service cost adjustment	223
Capital from Current Revenue included in the cost of Repairs and Maintenance	(453)
Corporate and Democratic Core Costs	(439)
Non distributable costs	(62)
Surplus from Building Maintenance Trading Operation	(421)
To Consolidated Revenue Account: Council Housing (Housing Revenue Account)	(693)

NON DOMESTIC RATE INCOME ACCOUNT

2003/2004		2004/2005
£'000		£'000
82,774	Gross Rates Levied and Contributions in lieu	87,207
(12,910)	Less Reliefs & Other Deductions	(13,293)
(113)	Payment of Interest	(120)
(2,796)	Rates written off and provision for write offs	(1,197)
66,955		72,597
	<u>Prior Year Adjustments</u>	
(1,473)	Pool Years	1,113
51	Pre Pool Years	12
65,533	Net Non-domestic Rate Income	73,722
	<u>Allocated to:</u>	
65,867	Contribution to National Non-domestic Rate Pool	74,117
51	Adjustment for pre-pool years	12
(385)	Discretionary relief costs payable by Council	(407)
65,533	Net Non-domestic Rate Income	73,722
74,440	NDRI Distributable Amount	78,076
(385)	Less discretionary relief costs payable by Council	(407)
51	Less adjustments for prior years	12
74,106	To Consolidated Revenue Account	77,681

National Non Domestic Rates (NNDR) is regulated by central government. The Scottish Executive specifies an amount for the rate poundages as shown below, and subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area, but pays the proceeds into the NNDR pool administered by the Scottish Executive. The Scottish Executive redistributes the sums payable back to local authorities on the basis of a fixed amount per head of the population.

The non-domestic rate poundages were as follows:

2003/04	Per £ of Rateable Value	2004/05
47.8p	Rateable Value under £25,000	48.8p
48.4p	Rateable Value over £25,000	49.1p

NON DOMESTIC RATE INCOME ACCOUNT

Analysis of Rateable Values as at 1 April 2004

	Number of Units	Rateable Values £'000
Shops	2,583	41,849
Public Houses/ Hotels	871	14,099
Offices	1,515	16,666
Industrial Subjects	2,730	27,798
Leisure, Entertainment, Caravans and Holiday Sites	2,983	10,680
Garages and Petrol Stations	409	3,526
Cultural/Sporting Subjects/Education and Training	1,000	11,828
Public Service Subjects	1,772	8,637
Miscellaneous	2,166	43,324
Total	16,029	178,407
Total as at 1 April 2003	16,224	174,452

COUNCIL TAX INCOME ACCOUNT

2003/2004		2004/2005
£'000		£'000
96,598	Gross Council Tax Levied and Contributions in lieu	103,282
(550)	Council Tax Benefits (net of Government Grants)	132
(14,595)	Other Discounts and Reductions	(15,687)
(3,264)	Provision for Bad and Doubtful Debts	(3,475)
2,839	Prior Year Adjustments	1,287
81,028	Net Income Collected on Behalf of the Council	85,539
81,028	To Consolidated Revenue Account	85,539

1. Background Information

Council Tax income derives from charges raised according to the value of residential properties which have been classified into eight valuation bands. Charges are calculated by taking the amount of income required for Highland Council for the forthcoming year and dividing this by the council tax base. The council tax base is the total number of properties in each band adjusted by a proportion to convert to a band D equivalent and adjusted for discounts. There were 79,961 band D equivalents in 2004/05.

The charge for a band D property (£1,039 in 2004/2005) is multiplied by the proportion specified for the particular band to give the individual amount due.

Certain categories of dwelling qualify for exemptions. Discount is also available for single occupation and empty properties. A Council Tax Benefit Scheme operates for taxpayers on low income.

2. Statutory Background

The Local Government Finance Act 1992 introduced the council tax with effect from 1 April 1993. From that date Council expenditure, after deducting income from fees and charges, grants and non domestic rates, is met from this council tax.

Council tax is payable on any dwelling which is not an exempt dwelling (prescribed by an order made by the Secretary of State). The amount of council tax payable depends on the valuation of the band of dwelling.

3. Provisions for Bad and Doubtful Debts

Provision has been made for bad and doubtful debts on Council Tax and Community Charge debt outstanding. At 31 March 2005 the total provision is £30.669m (£29.022m). Note 4 to the Consolidated Balance Sheet provides details of all bad debt provisions on page 37.

THE COUNCIL TAX INCOME ACCOUNT

4 Calculation of Council Tax Base

Chargeable dwellings per valuation band adjusted for discounts etc:

2003/04											2004/05
Total	Bands:	A	A	B	C	D	E	F	G	H	Total
	(dbr)*										
102,089 Properties	-	20,244	22,680	20,352	15,605	14,988	6,568	3,065	313	103,815	
(3,712) Exemptions	-	(1,606)	(1,113)	(875)	(574)	(428)	(151)	(67)	(19)	(4,833)	
(599) Disabled Relief	-	(49)	(117)	(137)	(114)	(144)	(58)	(26)		(645)	
599 Disabled Relief- Reduced Band	49	117	137	114	144	58	26			645	
(8,595) Discounts 25%	(4)	(2,533)	(2,446)	(1,773)	(1,017)	(758)	(245)	(100)	(9)	(8,885)	
(3,402) Discounts 50%	-	(623)	(623)	(742)	(552)	(476)	(203)	(150)	(53)	(3,422)	
86,380 Effective Properties	45	15,550	18,518	16,939	13,492	13,240	5,937	2,722	232	86,675	
Ratio:	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9		
82,470 Band D equivalents	25	10,367	14,403	15,057	13,492	16,182	8,576	4,537	464	83,103	
168 Contributions in Lieu											190
82,638 TOTAL											83,293
(3,306) Bad Debt Provision (4% of total chargeable)											(3,332)
79,332 Council Tax Base											79,961

*Note A (dbr) = Band A properties with disabled band reduction (dbr)

5 Number of Effective Properties per Band

2003/04											2004/05
Total	Bands:	A	B	C	D	E	F	G	H	Total	
6,586 Badenoch & Strathspey	383	1,388	1,555	873	1,362	640	443	41	6,685		
12,318 Caithness	6,657	1,944	1,506	1,642	592	89	18	7	12,455		
31,129 Inverness	4,281	8,202	5,452	5,204	5,127	2,421	1,082	105	31,874		
9,286 Lochaber	547	1,659	3,878	1,025	1,450	601	215	36	9,411		
5,271 Nairn	442	1,190	1,138	931	928	496	253	35	5,413		
23,416 Ross & Cromarty	4,649	5,260	4,118	3,411	3,651	1,730	847	60	23,726		
6,674 Skye & Lochalsh	836	1,336	1,544	1,557	1,126	282	91	11	6,783		
7,409 Sutherland	2,449	1,701	1,161	962	752	309	116	18	7,468		
102,089 Total Properties	20,244	22,680	20,352	15,605	14,988	6,568	3,065	313	103,815		
Charge 2004/05 £	692.67	808.11	923.56	1,039.00	1,269.89	1,500.78	1,731.67	2,078.00			
Charge 2003/04 £	659.33	769.22	879.11	989.00	1,208.78	1,428.56	1,648.33	1,978.00			

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2005

31 March 2004 £'000		Notes	£'000	31 March 2005 £'000	£'000
FIXED ASSETS					
Operational Assets					
239,781	Council Dwellings	1	222,902		
394,704	Other Land and Buildings	1	586,369		
7,332	Vehicles, Plant, Furniture and Equipment	1	7,996		
172,617	Infrastructure Assets	1	186,742		
886	Community Assets	1	1,033		
815,320	Total Operational Assets			1,005,042	
24,874	Non-Operational Assets	1		24,777	
840,194	Total Fixed Assets				1,029,819
49,162	Deferred Revenue Cost	2		48,222	
1,215	Investments in a Subsidiary Company	3		1,215	
23	Long-term Investments			21	
45,266	Long-term Debtors			44,213	93,671
935,860	Total Long Term Assets				1,123,490
Current Assets					
3,092	Stock and Work in Progress			3,101	
78,696	Sundry Debtors		82,356		
(39,538)	Less Provisions	4	(39,746)	42,610	
3	Temporary Investments (for less than 1 year)			9,340	
88	Cash			97	
				55,148	
Less: Current Liabilities					
41,964	Borrowing Repayable in less than one year	5		30,884	
46,819	Sundry Creditors			51,598	
13,965	Bank Overdraft			18,986	(46,320)
875,453	Total Assets less Current Liabilities				1,077,170
Less:					
545,817	Borrowing Repayable in more than 1 year	5		550,938	
11,619	Capital Contributions Deferred			16,388	
19,189	Government Grants Deferred			26,803	
82,640	Defined Benefit Pension Scheme Liability	11		170,000	764,129
216,188	TOTAL ASSETS LESS LIABILITIES				313,041
FINANCED BY:-					
145,266	Fixed Asset Restatement Account				303,590
118,772	Capital Financing Account				134,875
324	Usable Capital Receipts Reserve				2,773
(82,640)	Pensions Reserve	11			(170,000)
Other Reserves					
3,105	Renewal & Repair Fund	7		2,892	
2,106	Capital Funds			4,233	7,125
Revenue Account Balances					
18,625	General Fund	8		24,402	
10,630	Housing Revenue Account	8		10,276	34,678
216,188	TOTAL NET WORTH				313,041

Alan Geddes, Director of Finance
30 June 2005

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Fixed Assets

(a) Movements in fixed assets during the year were:-

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure £'000	Community Assets £'000	Non Operational Assets £'000	Total £'000
Gross Book Value ⁽¹⁾							
at 1 April 2004	267,048	411,306	12,137	191,569	886	25,354	908,300
Restatement ⁽²⁾	-	1,406	674	-	-	39	2,119
<u>Movements in 2004/05</u>							
Additions	13,775	16,034	3,674	19,396	220	1,689	54,788
Disposals	(9,430)	-	(934)	-	-	(188)	(10,552)
Revaluations	(13,813)	172,229	(1,602)	-	(73)	(1,714)	155,027
Reclassifications	81	(117)	-	-	-	36	-
Impairments	-	-	-	-	-	-	-
Gross Book Value at 31 March 2005	257,661	600,858	13,949	210,965	1,033	25,216	1,109,682
<u>Depreciation</u>							
Total at 1 April 2004	27,267	16,602	4,805	18,952	-	480	68,106
Restatement ⁽²⁾	-	1,406	674	-	-	39	2,119
For 2004/05	7,492	9,207	1,384	5,271	-	133	23,487
On Revalued Assets	-	(12,726)	(6)	-	-	(210)	(12,942)
On Disposals	-	-	(904)	-	-	(3)	(907)
Total at 31 March 2005	34,759	14,489	5,953	24,223	-	439	79,863
Net Book Value ⁽³⁾ at 31 March 2005	222,902	586,369	7,996	186,742	1,033	24,777	1,029,819
Net Book Value at 1 April 2004	239,781	394,704	7,332	172,617	886	24,874	840,194

(1) **Gross Book Value** represents the valuation of assets at the last valuation date reduced by disposals since the revaluation.

(2) **Restatement** represents a revision between the opening Gross Book Value and the opening Cumulative Depreciation

(3) **Net Book Value** represents the closing value of assets as shown in the Consolidated Balance Sheet, i.e. the value after depreciation, impairment, additions, disposals, revaluations and reclassifications.

NOTES TO THE CONSOLIDATED BALANCE SHEET

(b) Deferred Charges and Non Enhancement Expenditure

The Note below shows the total capital expenditure in the year and analyses the "additions" figure in Note 1(a) between enhancing and non enhancing expenditure.

2003/04 Additions		2004/05 Additions/ Enhancement Expenditure £'000	2004/05 Non Enhancement Expenditure £'000	2004/05 Total Capital Expenditure £'000
£'000				
45,419	Capital Expenditure	24,985	29,803	54,788
6,528	Deferred Charges	-	6,916	6,916
<u>51,947</u>		<u>24,985</u>	<u>36,719</u>	<u>61,704</u>

(c) Sources of finance for capital expenditure were as follows:-

2003/04 £'000		2004/05 £'000
6,765	Government Grants	15,865
6,550	Sale of Assets - Applied	13,613
10,283	Sale of Assets – Set Aside	-
3,254	EEC & Lottery Grants	1,857
2,861	Public & Private Sector Contributions	3,465
288	Miscellaneous Income	185
3,823	Capital from current revenue	1,257
18,123	Borrowing	25,461
<u>51,947</u>		<u>61,704</u>

(d) Valuation bases of fixed assets

Generally, assets are re-valued on a five-yearly rolling programme by Head of Property, Property and Architectural Services, Highland Council. More specific details relating to the valuation of assets are:

Council Dwellings: valued at net realisable value using the House Type Comparative method. These assets are depreciated at a rate equal to the annuity rate on the outstanding debt. This group of assets was last revalued at 1 April 2000.

Other Land and Buildings: valued at lower of net current replacement cost or net replacement value in existing use.

	Most Recent Revaluation date	Depreciation Rate (years)
Schools	1 April 2004	60
Residential Homes	1 April 2001	30-60
Office Depots	1 April 2000	60
Sports Facilities	1 April 2001	60
Public Conveniences	1 April 2001	40-60

NOTES TO THE CONSOLIDATED BALANCE SHEET

Vehicles Plant and Equipment: valued at historic cost, net of depreciation. IT equipment is depreciated over 5 to 10 years; Vessels are depreciated over 40 years and Vehicles are depreciated over 5 to 15 years.

Non-operational assets: lower of net current replacement cost or net replacement value in existing use. The most recent valuation date of industrial units held for investment purposes was 1 April 2002.

Infrastructure Assets and Community Assets: valued at historic cost net of depreciation. Coast Protection and Flood Prevention schemes, piers and harbours are all depreciated over 60 years. Roads are depreciated over 30 years. Community Assets are made up of areas of land and as they are not subject to depletion they have not been depreciated.

The historic cost shown for community assets is the known historic cost. Due to the nature, age and history of community assets it is not possible to identify a historic cost for all community assets owned by the Council.

The Council is not aware of any material changes in the value of assets included in the balance sheet at current value which are not reflected.

(e) Analysis of Assets Held

No. of Assets Held 2003/2004		No. of Assets Held 2004/2005
15,447	Council Dwellings	15,045
156	Nursery Schools/Units	156
184	Primary Schools	184
29	Secondary Schools	29
21	Residential Homes (elderly)	21
8	Residential Homes (children)	8
295	Industrial and Commercial Units	295
45,230	Street Lighting Units	43,170
577	Parks and Open Spaces	577
236	Cemeteries and Crematorium	236
17	Landfill Sites	17
2,415km	Non Principal Roads	2,415km
2,846km	Unclassified Roads	2,858km

(f) Commitments under Capital Contracts

As at 31 March 2005, the total value of legal commitments on capital contracts was £53.664m, (£27.711m 2003/04).

2. Loan Rescheduling and Deferred Revenue Costs

During 2004/05 the Council, in consultation with its treasury advisors, undertook three loan rescheduling exercises to take advantage of lower interest rates.

(a) In August 2004, 9 Public Works Loans Board (PWLB) loans totalling £11.9m were prematurely repaid. The average life of these loans was 4.63 years and the average rate was 4.7%. These loans were replaced by one "Lender's Option/Borrower's Option" (LOBO) market loan.

The main part of the repayment was a £10m loan costing 3.8% with 3.2 years left to maturity. LOBO funding was secured at a rate of 3.75% for an initial period of four years thereby extending the benefit of low interest rates over a longer period than the loan being replaced. The rate moves to 5.05% for a period of forty six years thereafter.

NOTES TO THE CONSOLIDATED BALANCE SHEET

2. Loan Rescheduling and Deferred Revenue Costs (continued)

The remainder of this rescheduling involved the repayment of loans totalling £1.9m with an average interest rate of 9%.

The rescheduling exercise generated a net discount of £18,000 which, together with interest rate reductions, provides the Council with net savings of £112,000 p.a. for the initial four years of the new loan.

- (b) During October 2004 the Council prematurely repaid 16 PWLB loans totalling £4.9m. The loans had an average rate of 10.178% and an average maturity period of 11.78 years. The loans were replaced with one PWLB maturity for 30 years at a fixed rate of 4.75%.

The repayment created a premium of £1.283m which, when netted against the interest rate reductions, provides the Council with net savings of £159,000 p.a. for the average maturity period of the loans repaid.

- (c) Also during October 2004 2 PWLB loans totalling £8.8m were prematurely repaid. The loans had an average rate of 4.875% and an average maturity period of 12 years.

They were replaced by one LOBO market loan. This loan is at a fixed rate of 4.34% for 10 years and continues for a further 40 years at the same rate but on a variable basis. The Council has the option to repay the loan during the variable period if an interest rate increase is requested by the lender.

The repayment created a total premium cost of £19,985 which, when netted off against the interest rate reductions provides the Council with net savings of £44,000 p.a. for the initial ten years of the LOBO loan.

Summary of Outstanding Deferred Revenue Costs

	Outstanding 31 March 2004 £'000	Incurred 2004/05 £'000	Written off 2004/05 £'000	Outstanding 31 March 2005 £'000
Premiums	50,739	1,303	(2,363)	49,679
Discounts	(1,577)	(18)	138	(1,457)
	49,162	1,285	(2,225)	48,222

NOTES TO THE CONSOLIDATED BALANCE SHEET

3. Investment in Related Companies

Highland Council has three subsidiary companies as detailed below:

- (a) **Loch Ness and Highland Horizons Limited (LNHH)** are the owners of the Aquadome, Inverness which is leased to Caledonia Community Leisure Limited. LNHH is a wholly owned subsidiary of Highland Council with a share-holding of £1.215m. A copy of the Accounts can be obtained from the Town House, Inverness, IV1 1JJ. A summary of the latest (audited) results of LNHH is provided below:

Financial Year End	Net Assets £'000	Profit/(loss) before taxation £'000	Profit/(loss) after taxation £'000
31 March 2003	962	(41)	(41)
31 March 2004	905	(58)	(58)

- (b) **Highland Prospect Limited (HPL)** provides financial assistance to businesses to protect and expand employment. HPL is a company limited by guarantee with the Council's liability limited to £100. A copy of the Accounts can be obtained from the Company Secretary, c/o Highland Council, Glenurquhart Road, Inverness, IV3 5NX, a summary of the latest available (audited) results of the Company is provided below:

Financial Year End	Net Assets £'000	Profit/(loss) before taxation £'000	Profit/(loss) after taxation £'000
31 March 2003	3,027	(27)	(32)
31 March 2004	2,715	(318)	(312)

- (c) **Highland Opportunity Limited (HOL)** provides financial assistance to businesses to protect and expand employment. HPL is a company limited by guarantee with the Council's liability limited to £100. A copy of the Accounts can be obtained from the Company Secretary, c/o Highland Council, Glenurquhart Road, Inverness, IV3 5NX, a summary of the latest available (audited) results of the Company is provided below:

Financial Year End	Net Assets £'000	Profit/(loss) before taxation £'000	Profit/(loss) after taxation £'000
31 March 2003 (restated)	1,240	(135)	(129)
31 March 2004	1,342	(103)	(102)

HOL amended the treatment of income totalling £150,000 received in relation to the "Highland Social Investment Fund" which resulted in a restatement of the Accounts to 31 March 2003.

All of the final Accounts referred to above have received unqualified audit opinions.

There has been no adjustment to the value of the above investments by the Highland Council during 2004/2005. No dividends were received from any of the Companies in the periods shown above.

NOTES TO THE CONSOLIDATED BALANCE SHEET

(d) Following a review of the relationship between The Highland Council and the following companies (with regard to the Council's ability to control and receive economic benefit from these companies), it has been concluded that the arrangements in place do not constitute relationships defined as either subsidiaries, partnerships, associates or joint ventures. The arrangements only relate to Council Members also being Board Members (where appropriate) and/or the provision of financial and/or non-financial support.

- Averon Leisure Management Limited
- Governors of Eden Court
- Caledonia Community Leisure Limited
- Linnhe Leisure

(e) As in previous years, the Council has made financial contributions to leisure and cultural companies as follows:

Averon Leisure Management Ltd – £0.220m (£0.215m) towards sports and leisure facilities in Alness.

Governors of Eden Court - £0.545m (£0.535m) towards the funding of Eden Court Theatre

Caledonia Community Leisure Limited – annual management fee of £0.900m (£0.900m) towards the running of the Aquadome providing sports and leisure facilities to the Highland community.

Linnhe Leisure Limited – £0.160m (£0.042m) towards the provision of sports and leisure facilities in Fort William

4. Provisions

The movement in bad debt provisions during the year was :-

31 March 2004 £'000		31 March 2005 £'000	Movement £'000
19,246	Council Tax	20,948	1,702
9,776	Community Charge	9,721	(55)
8,078	Non-domestic Rate	6,344	(1,734)
837	Sundry Debtor	907	70
1,601	Housing Rents (HRA)	1,826	225
<u>39,538</u>	Total	<u>39,746</u>	<u>208</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

5. Analysis of Borrowing

(a) Analysis by loan type

As at 31 March 2004 £'000		As at 31 March 2005 £'000
	Borrowing repayable in less than 1 year	
1,327	Public Works Loans Board	307
1,004	Market Long-term	5
45	Covenants and Parallel Loans	89
23,478	Market short-term	7,337
	Internal debt	
5,348	Pension Fund	6,673
3,812	Trust, Endowment and Other Funds	4,398
5,114	Police Joint Board	5,656
1,588	Fire Joint Board	6,361
248	Valuation joint Board	58
41,964	Total Short-term	30,884
	Borrowing repayable in more than 1 year :-	
462,657	Public Works Loans Board	447,226
83,071	Market Long-term	103,712
89	Covenants and Parallel Loans	0
545,817	Total Long-term	550,938
587,781	Total Borrowing	581,822

(b) Analysis by maturity

As at 31 March 2004 £'000		As at 31 March 2005 £'000
41,964	Maturing within 1 year	30,884
957	Between 1 and 2 years	1,752
13,732	Between 2 and 5 years	238
2,762	Between 5 and 10 years	1,040
528,366	In more than 10 years	547,908
587,781	Total Borrowing	581,822

NOTES TO THE CONSOLIDATED BALANCE SHEET

5. Analysis of Borrowing (continued)

(c) Analysis of fixed and variable

As at 31 March 2004 £'000		As at 31 March 2005 £'000
487,459	Fixed	454,290
100,322	Variable	125,936
<u>587,781</u>	Total Borrowing	<u>580,226</u>

(d) Loans Fund Interest and Expenses Rates

As at 31 March 2004 %		As at 31 March 2005 %
5.89	Loans Fund Interest Rate	5.73
0.04	Loans Fund Expenses Rate	0.03
<u>5.93</u>	Total	<u>5.76</u>

6. Net Asset Analysis

	As at 31 March 2005 £'000
General Fund	81,172
Housing Revenue Account	227,516
Trading Operations	4,246
Total	<u>312,934</u>

Comparative figures are not available for 2003/04.

7. Renewal and Repair Funds

The Council operates renewal and repair funds for winter maintenance works in the case of severe weather, ground maintenance of private land adopted by the Council, and other renewal and repair works.

During 2004/05, the Council created a Renewal & Repair Fund in respect of various contributions received from developers in accordance with planning gain agreements under Section 75 of the Town and Country Planning (Scotland) Act 1997. The contributions will be utilised in accordance with the conditions of each individual agreement e.g. for the provision of play areas and environmental and road infrastructure improvements. A separate fund was also created to accommodate the Central Energy Efficiency programme.

NOTES TO THE CONSOLIDATED BALANCE SHEET

7. Renewal and Repair Funds (continued)

As at 1 April 2004 £'000		As at 31 March 2005 £'000
1,533	Winter Maintenance	1,455
1,250	Ground Maintenance (Adopted Land)	1,249
322	Other	188
<u>3,105</u>	Total	<u>2,892</u>

The split between the 'Winter Maintenance' and the 'Other' Repairs and Renewals Fund was incorrectly stated in the 2003/04 Accounts.

8. Revenue Balances

As at 1 April 2004 £'000		As at 31 March 2005 £'000
14,155	General Fund (non-earmarked)	19,823
	Earmarked:	
1,513	Spend to Save	1,260
-	Central Energy Efficiency	437
4	Corporate Priorities	-
747	Joint Ventures	392
2,206	Devolved School Management (DSM)	1,369
-	Fire Board Transitional Funding *	1,121
<u>4,470</u>	Total Earmarked	<u>4,579</u>
<u>18,625</u>	General Fund - Total	<u>24,402</u>
10,630	Housing Revenue Account	10,276

* - Additional Scottish Executive funding relating to the Fire Service was received late in 2004/05. Due to the late timing of this additional funding, Fire Board Requisition was underspent in 2004/05. The funding will be made available to the Fire Board in 2005/06 through increased requisitions.

9. Contingent Liabilities

9.1 Fortrose Industrial Units

The Council has guaranteed a minimum rental income of £0.008m per annum until January 2015 for six industrial units at Watergate, Fortrose.

NOTES TO THE CONSOLIDATED BALANCE SHEET

9.2 Scrabster Harbour Trust

The Council has guaranteed three loans from the Public Works Loan Board (PWLB) to Scrabster Harbour Trust. The Harbour Trust's current loan obligations to the PWLB comprise half yearly repayments of principal and interest. As at 31 March 2005, the first loan (expiry December 2018) had a balance of £1.333m (total annual repayment £0.154m), the second loan (expiry March 2021) had a balance of £0.461m (total annual repayment £0.053m). A third loan for £3.1m is still, as at 31 March 2005, to be secured by the Trust from the PWLB for a 15 year period. The Council has guaranteed a bank loan until the Trustees take up the PWLB loan.

In the event of default by the Trustees in making any repayment, the PWLB would be entitled to demand payment of those instalments by the Council.

The Council has taken security over the Trust's land and buildings.

9.3 Mallaig Harbour Authority

The Council has guaranteed a 25 year loan from the PWLB to Mallaig Harbour Authority. The Harbour Authority's current loan obligations to the PWLB comprise half yearly repayments of principal and interest totalling £0.034m. The balance of that loan as at 31 March 2005 is £0.426m.

In the event of default by the Harbour Authority in making any repayment, the PWLB would be entitled to demand payment of those instalments by the Council.

The Council in acting as loans guarantor is doing so under the powers, inter alia, of Section 171A of the Local Government (Scotland) Act 1973. The Council holds security over the Authority's land and buildings.

9.4 Aonach Mor Development

The ground used for the ski development is leased by the Highland Council from the owners, and sub-let to the Nevis Range Development Company. The Council is obliged to remove all buildings, machinery and other items at the expiry or earlier termination of the leases, and to restore the let subjects to their original condition. Restoration may not be required if operation of the resort can be continued. The cost of restoration cannot be readily quantified, but would be considerable. The leases expire in 2048.

9.5 Ferry Terminal contract in dispute

A contract to design and build Ferry Terminals on the islands of Muck and Rum was let in December 1999 to the Construction Centre Group Ltd (now in receivership). The tender was for £5m. The company has submitted a claim for a substantial amount over this sum, which is disputed by the Council. This matter is now due to be heard by the Court of Session.

9.6 Lochinver Harbour Bonded Warehouse

The Council operates a bonded warehouse at Lochinver Harbour. HM Customs & Excise now require an independent guarantee from a financial institution so that any loss of monies from unpaid duty can be collected. The Clydesdale Bank, as bankers for the Council, have provided a guarantee, but require the Council to indemnify them against any claims and costs incurred. The guarantee is for the sum of £20,000.

NOTES TO THE CONSOLIDATED BALANCE SHEET

9.7 Edderton Parish Church

The Council leases the Edderton Parish Church to the Edderton Old Parish Church Preservation Trust. The Trust are renovating the building and secured grant funding from the Heritage Lottery and Historic Scotland. The Trust also secured a short-term loan to cover cash shortfalls between paying contractors and receipt of grants from the Architectural Heritage Fund conditional on the loan being guaranteed. The Council agreed to act as guarantor to a value of £50,000 until December 2004 and subsequently agreed to an extension of the guarantee period on a reduced debt of £15,000 until 12th June 2005.

9.8 Equal Pay Claims

The Council recognises that there is a potential contingent liability in respect of possible backdated equal pay claims under the Equal Pay Act 1970. The act provides for equal pay between men and women in the same employment. The extent of any potential liability cannot be quantified at present.

10. Self Insurance

The Council self insures general and education properties for the risks of flood, storm, burst pipes and malicious damage. Properties self insured for these risks are currently valued at £275m and £435m for general and education properties respectively.

11. Pension Assets and Liabilities

In accordance with FRS 17, the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in Note 14 of the Accounting Policies the Council participates in the Local Government Pension Scheme, via the Highland Council Pension Fund. In addition, the Council has liabilities for discretionary pension payments outside the main schemes.

The Council and employees pay into a fund and contributions are calculated at a level estimated to balance the pension liabilities with investment assets.

The accounting requirements of the Teachers Superannuation Scheme are exempt from FRS 17 as the assets and liabilities of the scheme cannot be reliably attributed to participating authorities.

As at 31 March 2005, the Highland Council Pension Fund's assets and liabilities attributable to Highland Council amounted to:

As at 31 March 2004 £'000		As at 31 March 2005 £'000
353,325	Estimated assets in the scheme	405,000
(414,610)	Estimated liabilities in the scheme	(545,000)
(21,355)	Estimated liabilities for Discretionary pensions	(30,000)
<u>(82,640)</u>	Net pension Asset/ (Liability)	<u>(170,000)</u>

The liabilities show the underlying commitments that the Council has to pay retirement benefits. The net pension liability of £170m exceeds the current General Fund reserve of £24.402m by £145.598m. The actuarial valuation will consider the appropriate employer's contribution rates. Revenue generated from employer's and employee's contributions and from investments, are utilised to meet the fund's commitments.

NOTES TO THE CONSOLIDATED BALANCE SHEET

11. Pension Assets and Liabilities (continued)

The net movement on the Net Pension Asset/(Liability) is comprised as follows:-

As at 31 March 2004 £'000		As at 31 March 2005 £'000
(122,906)	Opening Pension Asset/(Liability)	(82,640)
(13,129)	Current Service Cost	(19,735)
(701)	Past Service Cost	(5,667)
(975)	Settlements and Curtailments	(206)
(24,948)	Interest Cost	(24,353)
20,577	Return on Assets	25,095
13,834	Employers Contributions	16,387
45,608	Actuarial Gains/ (Losses)	(78,881)
(82,640)	Net Pensions Asset / (Liability)	(170,000)

The liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the scheme discounted to their present value. The valuations are based on a valuation, as at 31 March 2005 by Hymans Robertson, the independent actuaries to the Council. The main assumptions used in the calculation are:-

As at 31 March 2004 %		As at 31 March 2005 %
2.9	Price increases	2.9
4.4	Salary increases	4.4
2.9	Pension increases	2.9
6.5	Discount Rate	5.4

The discount rate employed for the 2004/05 financial year is the yield available on long-dated, high quality corporate bonds (as measured by the yield on iboxx Sterling Corporates Index, AA over 15years) at 31 March 2004 as required by the SORP. This has resulted in a lower discount rate being applied in 2004/05 compared to 2003/04, which has the affect of significantly increasing the projected value of the Fund's liabilities.

Assets are valued at fair value, principally market value for investments, and consist of:-

As at 31 March 2004			As at 31 March 2005	
Market Value £'000	Assumed rate of return %		Market Value £'000	Assumed rate of return %
260,730	7.7	Equity Investments	286,983	7.7
69,228	5.1	Bonds	74,368	4.8
15,776	6.5	Property	35,056	5.7
7,591	4.0	Cash	8,593	4.8
353,325	7.1	Total	405,000	6.9

NOTES TO THE CONSOLIDATED BALANCE SHEET

12. Financial Reporting and the Euro

The following Statement complies with the Accounting Standards Board Urgent Issues Task Force (UITF) Abstract 21 consensus on Financial Reporting and the Euro.

- (a) There are no commitments as at the 31 March 2005 in respect of costs to be incurred.
- (b) The Council's Financial Information Service uses a system which is euro compliant. The cost of being euro compliant is included within the overall cost of the service and it is therefore not possible to separately identify this cost. At this time, no further expenditure is anticipated.
- (c) No expenditure regarded as exceptional in accordance with FRS3 was incurred in the year.

13. Gross Assets Recognised Under PFI Arrangements

There are no assets procured under PFI arrangements that are recognised as being the Council's assets.

14. Leases - Outstanding Obligations

The outstanding obligations in respect of the operating leases are as follows. There are no finance leases.

	Payments due in < 1 year £'000	Payments due in > 1 year but within 5 years £'000	Payments due in > 5 years £'000
Photocopier Lease	60	220	5,316
Vehicle Lease	3,891	9,006	1,151
Computer Equipment Lease	100	-	-
Gym & Leisure Equipment Leases	122	90	-
Total	4,173	9,316	6,467

STATEMENT OF TOTAL MOVEMENT IN RESERVES

	As at 1 April 04 £'000	Net (surplus)/ deficit £'000	Transfers between reserves £'000	Unrealised (gain)/loss from revaluation £'000	Cost/ value of disposals £'000	Proceeds of disposals £'000	Financing of fixed assets £'000	As at 31 March 05 £'000
Capital Accounting Reserves								
Fixed Asset Restatement Account	(145,266)			(167,969)	9,645			(303,590)
Capital Financing Account	(118,772)	8,099	(1,256)				(22,946)	(134,875)
Usable Capital Receipts Reserve	(324)					(16,062)	13,613	(2,773)
Other Reserves								
Pension Reserve	82,640		8,479	78,881				170,000
Renewal and Repair Fund	(3,105)	(144)	357					(2,892)
Capital Fund	(2,106)	(146)	(1,981)					(4,233)
Revenue Account Balances								
General Fund	(18,625)	276	(6,053)					(24,402)
Housing Revenue Account	(10,630)	(99)	453					(10,276)
Total	(216,188)	7,986	-	(89,088)	9,645	(16,062)	(9,333)	(313,041)

Effect of disposal of fixed assets

Usable Reserves

Usable Capital Receipts Reserve represents capital receipts available to finance capital expenditure.

Renewal and Repair Funds are used to support revenue expenditure e.g. on Winter Maintenance and the Maintenance of Adopted Land. Further details are included in Note 7 to the Consolidated Balance Sheet.

Capital Funds can be used to finance capital expenditure without recourse to borrowing. It can also be used to finance repayment of external debt. This Fund includes various contributions received from developers in accordance with planning gain agreements under Section 75 of the Town and Country Planning (Scotland) Act 1997.

Balances are held on both the Housing Revenue Account and the General Fund. These balances can be used to meet expenditure or support tax and rent levels.

Included within General Fund balances are earmarked balances for specific purposes; the Education Devolved Schools Management (DSM) scheme, Spend to Save projects, Joint Venture projects, Central Energy Efficiency and Corporate Priority projects. Note 8 to the Consolidated Balance Sheet provides details on these earmarked balances.

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

1. Analysis of (Gains) and Losses on the fixed asset restatement account

2003/2004 £'000		2004/2005 £'000
14,908	Housing Revenue Account (HRA)	13,813
11,969	General Fund	(181,782)
<u>26,877</u>	Total (Gain)/Loss	<u>(167,969)</u>

2. Capital Financing Account

The movement in the Account was as follows:-

£'000		£'000	£'000
	Appropriation from General Fund		
(2,196)	Reconciling amount for provision of loans	1,183	
6,528	Deferred Charges Amortised	<u>6,916</u>	8,099
(1,705)	General Fund Capital from Current Revenue (CFCR)	(803)	
(2,118)	Housing Revenue Account CFCR	<u>(453)</u>	(1,256)
(570)	PPP Residual Value Adjustment	(343)	
22	PPP Rental Adjustment	22	
(14,373)	Deferred Credits	<u>(8,990)</u>	(9,311)
(14,412)	Total Appropriation from General Fund		(2,468)
(22)	PPP Rental Adjustment	(22)	
(10,282)	Housing Revenue Account set aside receipts	-	
(7,183)	Applied Capital Income	<u>(13,613)</u>	(13,635)
<u>(31,899)</u>			(16,103)
(86,873)	Balance as at 1 April 2004		(118,772)
<u>(118,772)</u>	Closing Balance as at 31 March 2005		<u>(134,875)</u>

3. Pension Reserve

The actuarial gain/(loss) on the pension reserve is analysed into the following categories, measured as actual amounts and as a percentage of pension fund assets or liabilities at the year end.

	2004/2005		2003/2004		2002/2003	
	£'000	%	£'000	%	£'000	%
Actual Return Less Expected Return on Pension Scheme Assets	22,193	5.5%	45,378	12.8%	(106,624)	(37.6)%
Experience Gains and (Losses) arising on the Scheme Liabilities	(975)	(0.2)%	230	0.1%	(24,385)	(6.3)%
Changes in the Financial Assumptions underlying the Present value of the scheme liabilities	(100,099)	(58.88)%	-	-	-	-
	<u>(78,881)</u>		<u>45,608</u>		<u>(131,009)</u>	

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

2003/2004 £'000		Notes	2004/2005 £'000	£'000
REVENUE ACTIVITIES				
Cash Outflows				
240,372	Cash Paid to and on behalf of employees		259,972	
219,647	Other operating cash payments		292,389	
66,198	National non-domestic rates payments to national pool		69,275	
12,234	Housing Benefit paid out		11,776	
538,451	Total Outflows		633,412	
Cash Inflows				
(16,283)	Rents (after rebates)		(17,437)	
(70,619)	Council tax receipts		(72,878)	
(60,178)	Non-domestic rates receipts		(72,059)	
(74,106)	National non-domestic rates receipts from the national pool		(78,069)	
(238,214)	Revenue support grant		(254,414)	
(10,199)	DWP grants for benefits		(11,672)	
(39,935)	Other government grants	1	(43,631)	
(62,549)	Cash received for good and services		(95,081)	
(26,386)	Other operating cash receipts		(57,703)	
(598,469)	Total Inflows		(702,944)	
(60,018)	Net Cash Outflow / (Inflow) from Revenue Activities	2		(69,532)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Cash Outflows				
44,761	Interest Paid		33,268	
44,761	Total Outflows		33,268	
Cash Inflows				
(977)	Interest Received		(2,458)	
(977)	Total Inflows		(2,458)	
43,784	Net Cash Outflow / (Inflow) from Return on Investments and Servicing of Finance			30,810
CAPITAL ACTIVITIES				
Cash Outflows				
49,664	Purchase of Fixed Assets		61,221	
49,664	Total Outflows		61,221	
Cash Inflows				
(17,466)	Sale of Fixed Assets		(13,435)	
(5,864)	Capital Grants Received		(15,866)	
(5,630)	Other Capital Cash Receipts		(3,482)	
(28,960)	Total Inflows		(32,783)	
20,704	Net Cash Outflow / (Inflow) on Capital Activities			28,438
4,470	Net Cash Outflow / (Inflow) before Financing			(10,284)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

2003/2004 £'000	Notes	2004/2005 £'000 £'000	
4,470			(10,284)
Net Cash Outflow / (Inflow) before Financing			
MANAGEMENT OF LIQUID RESOURCES			
3	3		9,337
Net Increase / (decrease) in short term deposits			
FINANCING			
Cash Outflows			
538,592		395,311	
Repayments of amounts borrowed			
538,592		395,311	
Total Outflows			
Cash Inflows			
(176,709)		30,768	
New loans raised			
(367,930)		358,548	
New short term loans raised			
(544,639)		382,316	
Total Inflows			
(6,047)			5,959
Net Cash Outflow / (Inflow) from Financing			
(1,574)			5,012
Net (Increase)/ Decrease in cash			

NOTES TO THE CASH FLOW STATEMENT

1. Analysis of Government Grants

2003/2004 £'000		2004/2005 £'000	2004/2005 £'000
(16)	Housing Support Grant		(9)
(31,982)	Housing Benefit		(33,893)
	<u>Specific Grants:</u>		
(725)	Gaelic	(713)	
(289)	In-service training and school security	-	
(5,665)	Education National Priorities Action Fund	(7,626)	
-	Council Tax/Housing Benefit Administration		
(596)	Mental Illness	(598)	
(103)	Social Work Training	(459)	
(559)	Supported Employment	(333)	(9,729)
(39,935)	TOTAL		(43,631)

2. Reconciliation between the net surplus or deficit on the Consolidated Revenue Account to the Net Cash Inflow from Revenue Activities per the Cash Flow Statement

2003/2004 £'000		2004/2005 £'000	2004/2005 £'000
	2.1 Consolidated Revenue Account (Surplus) / Deficit		
(3,374)	General Rate Fund	(5,776)	
2,153	Housing Revenue Account	354	(5,422)
	2.2 Non Cash Items		
(54,901)	Loans Fund Principal and Interest Payments	(55,706)	
-	Other Non Cash Adjustments	(2,698)	
(203)	(Increase) / Decrease in Bad Debt Provisions	(208)	
-	(Increase) / Decrease in PPP Residual Debtor	(343)	
652	Transfer (to) / from reserves/accounts	(1,624)	(60,579)
	2.3 Items on Accruals Basis		
(222)	(Increase) / Decrease in Stocks	9	
(1,009)	(Increase) / Decrease in Debtors	1,726	
(3,114)	Increase / (Decrease) in Creditors	(5,266)	(3,531)
(60,018)	NET CASH FLOW FROM REVENUE ACTIVITIES		(69,532)

NOTES TO THE CASH FLOW STATEMENT

3. Reconciliation of relevant movements within the financing and management of liquid resources

2003/2004 Movement £'000		Balance at 31 March 2004 £'000	Balance at 31 March 2005 £'000	2004/2005 Movement £'000
	Management of Liquid Resources			
(3)	Short Term Investments	(3)	(9,340)	(9,337)
	Management of Financing			
(14,731)	Temporary Loans	23,478	7,337	(16,141)
(26,471)	PWLB Loans	463,984	447,533	(16,451)
49,243	Money Market Loans	84,075	103,717	19,642
(1,445)	Other Authorities	16,110	23,145	7,035
(549)	Covenants and Parallel Loans	134	89	(45)
(6,047)	Net Financing - per Cash Flow Statement			(12,995)

4. Reconciliation of the movement in cash to the movement in net debt

2003/2004 Movement £'000		2004/2005 Movement £'000
(1,574)	Increase / (Decrease) in Cash in the period	5,012
9,608	Increase / (Decrease) in Debt	(5,959)
-	(Increase) / Decrease in Liquid Resources	(9,335)
8,034	Movement in Net Debt in the period	(10,282)
592,386	Net Debt at the beginning of the year	600,417
600,420	Net Debt at the end of the year	590,135

Analysis of Net Debt	1 April 2004 £'000	Cashflow £'000	31 March 2005 £'000
Cash in hand	(88)	(9)	(97)
Overdrafts	13,965	5,021	18,986
Sub-total (A)	13,877	5,012	18,889
Debt due within one year	41,964	(11,080)	30,884
Debt due after one year	545,817	5,121	550,938
Sub-total (B)	587,781	(5,959)	581,822
Long Term Investments	(1,238)	(2)	(1,236)
Current Asset Investments	(3)	9,337	(9,340)
Sub-total (C)	(1,241)	(9,335)	(10,576)
Total (A)+(B)+(C)	600,417	10,282	590,135

COMMON GOOD FUNDS

AND

TRUST FUNDS ACCOUNTS

COMMON GOOD FUNDS AND TRUST FUNDS ACCOUNTS

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

Common Good Funds	2003/04 Educational Trust Funds	Other Funds		Common Good Funds	2004/05 Educational Trust Funds	Other Funds
£'000	£'000	£'000		£'000	£'000	£'000
2,025	106	56	Income	1,903	131	144
2,388	75	23	Expenditure	1,760	69	40
(363)	31	33	Surplus/(deficit)	143	62	104

BALANCE SHEET AS AT 31 MARCH 2005

Common Good Funds	2003/04 Educational Trust Funds	Other Funds		Common Good Funds	2004/05 Educational Trust Funds	Other Funds
£'000	£'000	£'000		£'000	£'000	£'000
741	-	-	Fixed Assets	741	-	-
2,511	-	-	Heritable Property	2,511	-	-
3,733	172	995	Investments at Cost	3,883	172	994
6,985	172	995		7,135	172	994
			Current Assets			
1,170	1,707	935	Loans Fund Deposit	1,421	1,975	1,014
75	6	-	Sundry Debtors	86	-	23
1,245	1,713	935		1,507	1,975	1,037
			Less Current Liabilities			
107	-	9	Sundry Creditors	52	-	6
13	-	-	Loans	8	-	-
120	-	9		60	-	6
1,125	1,713	926	Net Current Assets	1,447	1,975	1,031
8,110	1,885	1,921	Net Assets	8,582	2,147	2,025
			Financed by:			
1,379	1,651	611	Capital Balances	1,699	1,851	605
6,731	234	1,310	Revenue Balances	6,883	296	1,420
8,110	1,885	1,921		8,582	2,147	2,025

COMMON GOOD FUNDS AND TRUST FUNDS ACCOUNTS

NOTES TO THE COMMON GOOD FUNDS AND TRUST FUNDS ACCOUNTS

1 Common Good Funds

- (a) The Council administers 8 Common Good Funds which are for the benefit of the residents of the specific former burghs.
- (b) As at the 31 March 2005 the balances held, the cost and value of investments and current cost of fixed assets for each Common Good are as follows. The current cost valuations are as at the 31 March 2002, the latest valuation undertaken. The value of the fixed assets disclosed in the Balance Sheet are at historic cost.

As at 31 March 2004				As at 31 March 2005			
Balances Held	Investments Cost	Investments Value	Fixed Assets	Balances Held	Investments Cost	Investments Value	Fixed Assets
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
6,585	3,727	4,352	15,232	6,894	3,877	4,934	15,232
692	-	-	-	744	-	-	-
338	6	6	-	431	6	6	-
158	-	-	-	161	-	-	-
149	-	-	-	151	-	-	-
119	-	-	-	120	-	-	-
21	-	-	-	32	-	-	-
48	-	-	-	49	-	-	-
8,110	3,733	4,358	15,232	8,582	3,883	4,940	15,232

(c) Inverness Common Good - Investments

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

As at 31 March 2004				As at 31 March 2005		
No.	Units Held	Cost	Value	No.	Units Held	Value
		£'000	£'000			£'000
590,000	591	614	United Kingdom Fixed Interest	512,000	509	530
45,000	107	107	United Kingdom Index Linked	45,000	107	111
676,945	1,778	2,212	United Kingdom Equities	553,062	1,650	2,308
26,024	292	308	North America Equities	25,943	292	339
71,000	242	256	Continental Europe Equities	71,000	244	302
58,200	81	82	Japan Equities	89,200	130	144
226,418	147	260	Far East Equities	226,418	149	345
51,696	56	76	Emerging Markets Equities	55,632	76	118
-	-	-	United Kingdom Alternative	122,000	121	146
4,936	120	124	Other International Equities	1,000	100	92
	313	313	United Kingdom Cash		499	499
1,750,219	3,727	4,352	Total	1,701,255	3,877	4,934

COMMON GOOD FUNDS AND TRUST FUNDS ACCOUNTS

(d) Investment in Related Company

Tain Common Good Fund has an interest in Highland Fresh Mussels Ltd, a Company Limited by Guarantee which operates and manages the Tain mussel Fishery. The liability of the Common Good Fund is limited to £1. The latest available audited results of the company were as follows:

	2003	2004
	£76,951	£162,970
	Net assets as at 31 March	
	£25,411	£105,329
	Profit before tax – Year ended 31 March	
	£21,009	£86,019
	Profit after tax – year ended 31 March	

Company accounts are available on request from the Company Secretary, c/o Highland Council, Glenurquhart Road, Inverness, IV3 5NX

2. Educational Trust Funds

- (a) The Council administers 47 Educational Trust funds which are for the benefit of the pupils educated within the various schools or specific areas.
- (b) As at the 31 March 2005 the balances held, the cost and value of investments are as follows.

As at 31 March 2004			As at 31 March 2005				
Balances	Investments		Balances	Investments			
Held	Cost	Value	Held	Cost	Value		
£'000	£'000	£'000	£'000	£'000	£'000		
360	38	427	Ross & Cromarty Educational Trust	383	38	407	
236	45	217	Inverness Royal Academy Educational Trust	228	46	235	
195	52	294	Inverness-shire Educational Trust	193	52	230	
532	-	-	Duncraig Endowment	760	-	-	
100	29	25	Caithness Educational Trust	106	29	25	
99	-	12	Sutherland Educational Trust	103	-	8	
104	-	-	Manson Bequest – Keiss	110	-	-	
102	-	-	Manson Bequest – Nairn and Ardclach	107	-	-	
20	1	1	George Kerr Bequest	21	-	1	
36	-	-	Howard Doris Fund (Gairloch High School)	33	-	-	
30	-	-	Howard Doris Fund (Plockton High School)	30	-	-	
14	-	-	Miss B G Angus Executory	15	-	-	
57	7	7	Other Educational Trusts	58	7	7	
1,885			Total	2,147		172	913

COMMON GOOD FUNDS AND TRUST FUNDS ACCOUNTS

3. Other Trust Funds

- (a) The Council administers 379 Other Trust Funds which are for the benefit of various specific causes and are administered in accordance with the individual bequests.
- (b) As at the 31 March 2005 the balances held, the cost and value of investments are as follows:-

As at 31 March 2004				As at 31 March 2005		
Balances	Investments			Balances	Investments	
Held	Cost	Value		Held	Cost	Value
£'000	£'000	£'000		£'000	£'000	£'000
671	648	778	Inverness Burial Grounds Fund	673	649	861
260	254	296	Inverness Benevolent Fund	267	252	326
237	-	-	Social Work Amenity/Client Fund	301	-	-
72	4	4	Lochaber Trust Funds	80	4	4
142	-	-	Caithness Services Trust	149	-	-
102	-	-	Inverness - Sundry Charities	106	-	-
59	20	15	Caithness Benefit of the Poor	61	20	15
34	32	36	Inverness 2 nd Benevolent Fund	31	32	39
52	12	9	Ross and Cromarty Trust Funds	153	12	9
22	-	-	Lachlan Campbell Bequest	24	-	-
19	7	5	Caithness - Sundry Trusts	20	7	5
21	-	-	Inverness Environmental Projects Fund	22	-	-
14	-	-	Highland Heart Fund	15	-	-
8	-	-	MacDonald Fund	9	-	-
208	18	63	Other Trusts	114	18	63
1,921			Total	2,025		
995	1,206			994	1,322	

PENSION FUND ACCOUNTS

PENSION FUND

1. Explanatory Foreword

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

The Fund is constituted under legislation governing the Local Government Superannuation Scheme, the primary Act of governance is the Superannuation Act 1972. Detailed regulations for the Scheme are contained in the Local Government Pension Scheme (Scotland) Regulations 1998.

The Fund is a separate entity from the Highland Council and its Accounts are not included in the Council's Consolidated Balance Sheet. The Fund is built up by contributions from both employees and employing bodies, together with interest and dividends from investments, out of which defined pensions and other benefits are paid. The Fund's assets are managed by appointed Investment Fund Managers. Once the cost of current benefits are met all surplus cash income is invested to meet future liabilities to employees within the Fund and deferred pension benefits.

Employees' contributions to the Fund are fixed by statute and contributions payable by employing bodies are fixed every three years following a report by an independent actuary who determines the level of contribution necessary to ensure that the Fund will be able to meet future benefits. An employer's contribution rate of 230% of employees' contributions was set by the Actuary for the period 1 April 2004 to 31 March 2005.

2. Actuarial Position

Employees' contributions are fixed by Statute, from 1 April 1998 the contribution rate for all new employees is 6% of pensionable salary. Manual workers in employment as at 31 March 1998 retain their right to a 5% contribution rate. Employers' contributions are assessed every three years by an independent actuary and expressed as a percentage of employees' contribution rates.

The latest actuarial valuation was carried out as at 31 March 2002, in accordance with Regulation 76 of the Local Government Pension Scheme Regulations (Scotland) 1998 ("The Regulations"). An employers' contribution rate of 230% for 2004/05 was set using the "Projected Unit Method" by the Fund's Actuaries during the Valuation Process as at 31 March 2002. The main assumptions are demographic and financial as detailed below. The next triennial valuation of the Fund is due at 31 March 2005.

Demographic assumptions are used to estimate the likelihood of benefits and contributions being paid, the revised life expectancy for members retiring at age 60 and current pensioners are:

	Years		Difference
	1999	2002	%
<u>Non Pensioners</u>			
Male	19.5	23.5	21%
Females	24.2	26.5	10%
<u>Pensioners</u>			
Male	19.5	21.7	11%
Female	24.2	24.6	2%

PENSION FUND

Financial assumptions are used to estimate the amount of benefits and contributions payable and to place a current value on these benefits and contributions, the key financial assumptions are:

	Nominal	Real
	p.a.	p.a.
Investment Return/Discount Rate	6.2%	3.6%
Pay Increase	4.1%	1.5%
Price Inflation/Pension Increase	2.6%	0.0%

The Market Value of the scheme's assets as at 31 March 2002 was £505.9m. This actuarial value represented 105% of the Funds' accrued liabilities, allowing for future pay increases.

PENSION FUND

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

2003/2004 £'000		Notes	2004/2005 £'000
CONTRIBUTIONS AND BENEFITS			
Contributions Receivable			
18,421	From employers		20,797
<u>8,272</u>	From employees or members		<u>8,849</u>
26,693		1	<u>29,646</u>
<u>4,778</u>	Transfers (In)		<u>3,818</u>
<u>31,471</u>			<u>33,464</u>
Benefits Payable			
(15,829)	Pensions		(16,606)
<u>(2,934)</u>	Lump Sums (incl. retirement & death grants)		<u>(3,003)</u>
<u>(18,763)</u>		1	<u>(19,609)</u>
Payments to and on account of leavers			
(151)	Refunds of Contributions		(180)
<u>(2,512)</u>	Transfers (Out)	12	<u>(2,836)</u>
<u>(2,663)</u>			<u>(3,016)</u>
<u>(573)</u>	Administrative and Other expenses borne by the scheme	3	<u>(603)</u>
<u>9,472</u>	Net Additions (Withdrawals) from dealings with members		<u>10,236</u>
Returns on Investments			
9,851	Investment Income		12,596
84,599	Change in Market Value of Investments (Realised and unrealised)		53,484
<u>(941)</u>	Investment Management Expenses	3	<u>(1,346)</u>
<u>93,509</u>	Net Returns/(Loss) on Investments		<u>64,734</u>
102,981	Net Increase (Decrease) in fund during the year		74,970
402,857	Opening Net Assets of Scheme		505,838
<u>505,838</u>	Closing Net Assets of the Scheme		<u>580,808</u>

PENSION FUND

NET ASSETS STATEMENT AS AT 31 MARCH 2005

As at 31/03/04 £'000		Note	As at 31/03/05 £'000
	Investment Assets	4	
387	Fixed Interest (Other)		345
253,283	Equities		285,180
123,367	Managed funds (Other)		118,200
26,702	Unit Trusts – (Property)		58,036
87,185	Unit Trusts – (Other)		104,350
8	Other Investments		-
490,932			566,111
	Current Assets		
3,526	Sundry Debtors		4,163
8,676	Bank Account		5,752
5,348	Deposits with Council's Loans Fund		6,673
17,550			16,588
	Less Current Liabilities		
(2,644)	Sundry Creditors		(1,891)
14,906	Net Current Assets		14,697
505,838	NET ASSETS		580,808

NOTES TO THE PENSION FUND ACCOUNTS

Accounting Standard

The Pension Fund Accounts have been prepared, as far as is practicable, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2004: A Statement of Recommended Practice (the SORP). The Accounts have been prepared on an accruals basis and do not take account of liabilities to pay pensions and other benefits after the year end. However, the actuarial position does account for such obligations. This is disclosed in the Accounts and should be read in conjunction with the actuary's report.

1. Contributions Receivable and Benefits Payable

2003/2004			2004/2005	
Contributions Receivable £'000	Benefits Payable £'000		Contributions Receivable £'000	Benefits Payable £'000
18,478	14,649	Highland Council	20,657	15,627
6,640	3,413	Scheduled Bodies	7,325	3,362
1,575	701	Admitted Bodies	1,664	620
26,693	18,763	Total	29,646	19,609

PENSION FUND

2. Number of Contributors and Pensioners

2003/04				2004/05		
Contributors	Pensioners	Deferred Pensioners		Contributors	Pensioners	Deferred Pensioners
8,949	3,728	2,916	Highland Council	9,086	3,853	3,486
2,405	929	808	Scheduled Bodies	2,460	958	881
453	124	203	Admitted Bodies	441	130	219
11,807	4,781	3,927	Total	11,987	4,941	4,586

3. Administration Costs

2003/2004 £'000		2004/2005 £'000
	<u>Investment Management Services</u>	
77	Actuarial Fees	39
10	Performance Measurement	13
72	Custodial Fees	70
782	Manager Fees	1,222
-	General Fees	2
<u>941</u>		<u>1,346</u>
	<u>Internal Administration</u>	
561	Highland Council Recharge	588
12	Other Administration	15
<u>573</u>		<u>603</u>
<u>1,514</u>	Total	<u>1,949</u>

4. Valuation of Investments

The Fund's investments which are listed on recognised Stock Exchanges are valued on the basis of market convention which is either last traded or middle market price. Where representative prices are unavailable, investments are valued on the most appropriate basis in the opinion of the Custodian.

Assets and liabilities in foreign currency are translated into sterling at the closing rates of exchange on the last working day of the financial year.

PENSION FUND

4. Valuation of Investments (continued)

Classifications	Market Value at 1 April 04 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Market Value at 31 March 05 £'000
Fixed Interest (Other)	387	-	-	(42)	345
Equities*	244,628	68,645	(52,927)	24,834	285,180
Managed Funds (Other)	123,367	1,601	(21,867)	15,099	118,200
Unit Trusts (Property)	26,702	25,877	-	5,457	58,036
Unit Trusts (Other)*	95,840	13,668	(9,883)	4,725	104,350
Other Investments	8	-	(8)	-	-
Total	490,932	109,791	(84,685)	50,073	566,111
Net Purchases		25,106			

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

* In 2004/05 the Fund's Custodian re-classified an investment, with a market value of £8,655, held by Alliance Bernstein from 'Equities' to 'Unit Trust (Other)'. The opening market value in Note 4 reflects this revised classification.

5. Performance of the Fund

In the year to 31 March 2005 the Fund's return on investments was 13.3%, which comfortably exceeded its customised benchmark of 12.5%. The principal drivers of this favourable performance were the returns from UK, Continental Europe and North American equities and from Property investments.

6. Custodial Arrangements

Northern Trust Company is the custodian of all of the Fund's investments. With the exception of Japanese Government Bonds, which are held in the name of The Highland Council Pension Fund, all investments are held in omnibus accounts in the name of Northern Trust Company. However, Northern Trust's internal controls ensure that the Highland Council Pension Fund investments are clearly identifiable at all times.

The Custodians produce an annual report on their internal controls which is examined by KPMG LLP in accordance with the American Institute of Certified Public Accountants Statement on Auditing Standards (No70) SAS70 - Reports on the Processing of Transactions by Service Organisations. KPMG Ltd approved the most recent report on 22 October 2004.

PENSION FUND

7. Tax Status of the Scheme

The Highland Council Pension Fund qualifies as an Inland Revenue 'exempt approved scheme'.

8. Funds under Management

2003/04		Manager Analysis	2004/05	
Market Value £'000	% of Total Fund		Market Value £'000	% of Total Fund
121,576	24.8%	Alliance Bernstein – Global Equity	143,660	25.4%
146,196	29.8%	Baillie Gifford – Global Equity	167,377	29.5%
73,083	14.9%	Fidelity – Bond Fund (see below analysis)	78,838	13.9%
123,368	25.1%	Legal and General – Managed Fund	118,200	20.9%
26,702	5.4%	Schroders – Property Fund	58,036	10.3%
8	-	Northern Trust (Unquoted equity)	-	-
490,933	100.0%	Combined Fund	566,111	100.0%

2003/04			Portfolio Distribution	2004/05		
UK £'000	Foreign £'000	Listed £'000		UK £'000	Foreign £'000	Listed £'000
387	-	387	Fixed Interest (Other)	-	345	345
121,577	131,706	253,283	Equities	141,265	143,915	285,180
123,367	-	123,367	Managed Funds (Other)	118,200	-	118,200
26,703	-	26,703	Unit Trusts (Property)	58,036	-	58,036
87,185	-	87,185	Unit Trusts (Other)	84,058	20,292	104,350
359,227	131,706	490,925	Total	401,559	164,552	566,111

All of the above funds are listed on the appropriate stock exchange.

The following is an analysis of the investments managed by Fidelity which form part of 'Unit Trusts (Other)'.

2003/04 UK £'000	Fidelity Bond	2004/05 UK £'000
6,556	Fixed Interest (Public Sector)	11,909
55,468	Fixed Interest (Other)	55,040
11,059	Index Linked Securities	11,889
73,083	Total	78,838

PENSION FUND

9. Statement of Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Amendment Regulations 1999 places a requirement on the administering authorities of the Local Government Pension Scheme (LGPS) to prepare, maintain and publish a Statement of Investment Principles. The Statement is published and available on the Highland Council's website at: www.highland.gov.uk/fin/borrowing/sip.

10. Liabilities/Post Balance Sheet Events

There are no contingent liabilities or post balance sheet events disclosed in the Accounts.

11. Stock Lending

As at 31 March 2005, no stock was released to a third party under a securities lending agreement.

12. Transfer Payment

During 2004/05 a transfer payment of £966,700 was made into the Tayside Superannuation Fund for 12 employees who transferred to the Scottish Commission for Regulation of Care from 1 April 2002.

13. Scheduled and Admitted Bodies as at 31 March 2005

Administering Authority

Highland Council (also Scheduled Body)

Scheduled Bodies

Comhairle Nan Eilean Siar	Lews Castle College
Highland and Western Isles Valuation Joint Board	Northern Joint Police Board
Highland & Islands Fire Board	The Highland Council
Highlands of Scotland Tourist Board	The North Highland College
Inverness College	Western Isles Tourist Board

Admitted Bodies

Bord Na Gaidhlig	Lochaber Ltd
Caledonia Community Leisure Ltd	Mitie PFI Ltd
Careers Scotland	Moray, Badenoch & Strathspey Enterprise
Cromarty Firth Port Authority	Richard Irvin & Sons
Eden Court Theatre	Ross & Cromarty Enterprise
Golf Highland	Skye & Lochalsh Enterprise
Highland Blindcraft	Stoneyhill Waste Management Ltd
Highland Housing and Community Care Trust	Stornoway Pier & Harbour Commission
Highland Opportunity Ltd	Torvean Golf Club
Highland Sports Development Association	University of the Highlands and Islands
Highlands and Islands Structural Funds Partnership	Visual Impairment Services Highland
Inverness & Nairn Enterprise	Western Isles Enterprise
Inverness Harbour Trust	

STATEMENT OF RESPONSIBILITIES

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- (i) make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In the Highland Council that officer is the Director of Finance;
- (ii) manage its affairs to secure economy, efficiency and effective use of resources and safeguard its assets.

The Chief Finance Officer's Responsibilities

The Director of Finance of the Highland Council is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing this Statement of Accounts, the Director of Finance of the Highland Council has:-

- (i) selected suitable accounting policies and then applied them consistently,
- (ii) made judgements and estimates that were reasonable and prudent, and
- (iii) complied with the SORP.

The Chief Finance Officer has also:-

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

I, Alan Geddes, the Director of Finance of Highland Council, as Chief Financial Officer state that the Accounts for the year ended 31 March 2005 present fairly the financial position of the authority at that date and its income and expenditure for the year then ended 31 March 2005.

Date: 30 June 2005

Alan Geddes, Director of Finance

CORPORATE GOVERNANCE ASSURANCE STATEMENT

The Highland Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, elected members collectively and senior officers individually are responsible for putting in place proper arrangements for the governance of the Highland Council's affairs and the stewardship of the resources at its disposal. To this end, the Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework "Corporate Governance in Local Government: A Keystone for Community Governance".

A copy of the code may be obtained from the Chief Executive, Council HQ, Glenurquhart Road, Inverness .

The Local Code details how the Council will apply the fundamental principles of Corporate Governance for public sector bodies to the following five headings:

1. Community Focus
2. Service Delivery Arrangements
3. Structures and Processes
4. Risk Management and Internal Controls
5. Standards of Conduct

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 Director of Corporate Services has been given responsibility for:

- overseeing the implementation of the Local Code of Corporate Governance and monitoring its operation
- reviewing the operation of the Local Code of Corporate Governance in practice
- reporting annually to the Audit and Standards Committee on compliance with the Local Code and any changes required to maintain it and ensure its effectiveness.

In fulfilling these duties, the Director of Corporate Services has taken into account the results of reviews of internal control that have been carried out within each Council Service.

In addition, The Highland Council's Director of Finance, through the Head of Internal Audit and Risk Management, has been given the responsibility to review independently and report to the Audit and Standards Committee annually on the adequacy and effectiveness of the Local Code and the extent of compliance with it.

We are satisfied that internal audit's responsibilities in this respect have been discharged for the financial year 2004/05.

To ensure proper Council scrutiny, the Audit and Standards Committee considered a report on the 2004/05 Local Code of Corporate Governance on 9th June, 2005 and set objectives for the financial year 2005/06. This report was also approved by the Highland Council on 23rd June, 2005.

On the basis of the reports of the Director of Corporate Services and the Director of Finance (through the Head of Internal Audit and Risk Management), and in the compilation of the

CORPORATE GOVERNANCE ASSURANCE STATEMENT

Best Value Review submission we are satisfied that the Council's governance arrangements are operating effectively. However it is accepted that the Council must strive for continuous improvement in performance and it is proposed over the coming year to continue to take steps to address the following matters to further enhance our corporate governance arrangements:-

- (i) Complete outstanding issues which were identified in the Local Code of Corporate Governance for 2004/05, such as the review of Financial Regulations (currently in draft) and making all relevant Managers and Members aware of the requirement placed upon them and their responsibilities; continuing the programme of elected Member development; taking the review of the system of Health and Safety risk assessment in Social Work and developing this as a framework for all Council services; and ensuring continuing progress in making public caller buildings in the Highland Council area Disability Discrimination Act (DDA) compliant;
- (ii) Take forward as planned those matters arising from the Director of Corporate Services' report, submitted to the Audit and Standards Committee on 9th June, 2005 and to Council on 23rd June, 2005 relating to progress made in implementing the Code during 2004/05 and the suggested themes to be covered in 2005/06.
- (iii) A key theme will be to implement the improvement plan emanating from the Audit Scotland Best Value Review of the Highland Council. This will include continuing to develop the performance management framework and to embed risk management throughout the Council's services.
- (iv) Progress areas for improvement outlined in the Annual Report of the Head of Internal Audit and Risk Management, as presented to the Audit and Standards Committee on 9th June 2005. The key areas from this report relate to the development of Procedure Manuals for new major financial systems, the need to develop stronger links between Corporate and Service Plans and the Budget process, the need to address Business Continuity for all major Central Systems, and regular updating of the Corporate Risk Register.

We are satisfied that these steps will address the need for improvements that have been identified and we will monitor their implementation and operation as part of our next annual review.

Convenor

Chief Executive

On behalf of the members and senior officers of the Highland Council.

Independent Auditor's Report

To the members of The Highland Council and the Accounts Commission for Scotland

I certify that I have audited the abstract of accounts on pages 9 to 62 under the Local Government (Scotland) Act 1973. The abstract of accounts has been prepared in accordance with the accounting policies set out on pages 9 to 13.

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and the Code of Audit Practice approved by the Accounts Commission and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001.

Respective responsibilities of the Director of Finance and Auditor

As described on page 63 the Director of Finance of the Council is responsible for the preparation of the abstract of accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, a Statement of Recommended Practice ('the SORP'). My responsibilities, as independent auditor, are established by statute and the Code of Audit Practice approved by the Accounts Commission, and guided by the auditing profession's ethical guidance.

I report my opinion as to whether the abstract of accounts presents fairly the financial position of the Council at 31 March 2005 and its income and expenditure for the year. I also report if, in my opinion, the Council has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Corporate Governance Assurance Statement on pages 64 and 65 complies with the requirements of the SORP. I report if, in my opinion, the statement does not comply with the requirements or if it is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the Council's corporate governance procedures or risk and control procedures.

I read the other information published with the abstract of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the abstract of accounts.

Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and the Code of Audit Practice, which requires compliance with relevant United Kingdom Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the abstract of accounts. It also includes an assessment of the significant estimates and judgements made by the Director of Finance in the preparation of the abstract of accounts and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the abstract of accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I also evaluated the overall adequacy of the presentation of information in the abstract of accounts.

Opinion

In my opinion the abstract of accounts presents fairly the financial position of the Council as at 31 March 2005 and its income and expenditure for the year then ended.

29 September 2005

Gavin Stevenson CPFA
Director of Local Government
Audit Scotland
Ballantyne House
84 Academy Street
INVERNESS
IV1 1LU



THE HIGHLAND COUNCIL

STATUTORY PERFORMANCE INDICATORS 2004-2005

THE HIGHLAND COUNCIL
Statutory Performance Indicators Year ending 31st March 2005

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THE HIGHLAND COUNCIL
Performance Indicators Year ending 31st March 2005

Each year the Council has a statutory duty to present indicators, which compare our performance over the last 12 months with that of the previous year. This is required by the Local Government in Scotland Act 2003 (Section 13) Publication of Information (Standards of Performance Direction 2001(Amended)). The Council's goals and values commit the organisation to striving for excellence, innovation, quality and efficiency in delivery of its Services. This is to be achieved through regularly reviewing performance and setting targets for continuous improvement. The following demonstrates that in a number of areas of activity our performance is improving.

Note that as the classifications and definitions for several of the indicators have changed from last year, comparative figures for the previous year are only shown where appropriate.

ADULT SOCIAL WORK

COMMUNITY CARE ASSESSMENTS

INDICATOR 1 – Persons assessed or reviewed and services provided

“Transitional Indicator”

	Persons receiving an assessment or review			
	Number		Rate per 1,000 relevant population	
	2004/05	2003/04	2004/05	2003/04
a) Older people aged 65+	10,992	11,733	305.5	332.8
b) Older people aged 65+ with dementia	1,396	1,602	38.8	45.4
c) People aged 18-64 with mental health problems/dementia	1,861	1,273	14.5	10.0
d) People aged 18-64 with physical disabilities	1,634	1,903	12.8	15.0
e) People aged 18-64 with learning disabilities	2,129	1,821	16.6	14.3
f) People aged 18-64 with HIV/AIDS	0	6	0.0	0.0
g) People aged 18-64 with drug/alcohol abuse problems	124	161	1.0	1.3
h) Total	18,136	18,499	110.6	113.8

INDICATOR 1 – Persons assessed or reviewed and services provided (cont)

	Persons receiving a service			
	Number		Rate per 1,000 relevant population	
	2004/05	2003/04	2004/05	2003/04
a) Older people aged 65+	6,361	6,868	176.8	194.8
b) Older people aged 65+ with dementia	1,053	1,106	29.3	31.4
c) People aged 18-64 with mental health problems/dementia	881	788	6.9	6.2
d) People aged 18-64 with physical disabilities	868	1,065	6.8	8.4
e) People aged 18-64 with learning disabilities	766	767	6.0	6.0
f) People aged 18-64 with HIV/AIDS	0	0	0.0	0.0
g) People aged 18-64 with drug/alcohol abuse problems	115	121	0.9	1.0
h) Total	10,044	10,715	61.2	65.9

ADULT SOCIAL WORK (cont)

RESIDENTIAL ACCOMMODATION

INDICATOR 2 – Staff qualifications: The percentage of care staff in local authority residential homes who have appropriate qualifications for the following client groups;

	Percentage of staff with appropriate qualifications	
	2004/05	2003/04
Older people (age 65+)	49.8	37.7
Other adults	48.6	42.9
Overall total	49.7	38.3

INDICATOR 3 – Privacy: The number of single rooms and the number of rooms with en-suite facilities, expressed as a percentage of residential care places used by the Council for each client group.

	Council		Voluntary Sector		Private Sector	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
Single Rooms						
Older people(age 65+)	96.8%	99.1%	92.4%	91.8%	81.9%	78.6%
Other adults	100.0%	90.0%	79.2%	57.7%	81.1%	89.5%
En-suite facilities						
Older people(age 65+)	59.6%	67.8%	62.9%	40.8%	71.4%	62.1%
Other adults	76.9%	85.0%	53.8%	29.5%	57.9%	42.6%

HOME CARE/HOME HELPS

INDICATOR 4 – The level and flexibility of service to home care clients.

	Number of home care hours		As a rate per 1,000 population aged 65+	
	2004/05	2003/04	2004/05	2003/04
Level of Service				
The number of home care hours per 1,000 population age 65+	15,582	13,217	433.1	374.9
	No of homecare clients		Percentage of homecare clients	
Flexibility				
Total receiving personal care	1,595	1,378	65.8	51.9
Total receiving a service during evenings/overnight	446	429	18.4	16.2
Total receiving a service at weekends	966	855	39.9	32.2

ADULT SOCIAL WORK (cont)

RESPITE CARE

INDICATOR 5 - Provision of respite care

	Per 1,000 older people age 65+		Per 1,000 other adults aged 18-64	
	2004/05	2003/04	2004/05	2003/04
Residential respite care- the number of respite care bed- nights.	485.5	473.0	39.9	28.8
Respite care at home- the number of respite care hours	87.9	23.0	3.8	2.6
Other respite care, i)daytime –the number of hours	151.5	113.0	4.9	11.7
Other respite care, ii)overnight-number of nights	3.1	3.4	1.4	1.3

CRIMINAL JUSTICE

INDICATOR 6 - Social enquiry reports

	2004/05	2003/04
a) Number of reports submitted to the courts during the year	1,395	1,549
b) Expressed as a rate per 1,000 adult population	8.2	9.2
c) Proportion of reports requested by the courts, allocated to social work staff within 2 working days of receipt by Social Work Service	83.1%	88.3%
d) Proportion of these reports submitted to courts by the due date	98.4%	97.9%

INDICATOR 7 - Probation

	2004/05	2003/04
a) Number of new Probation Orders issued during the year	276	258
b) Expressed as a rate per 1,000 adult population	1.6	1.5
c) Proportion of new probationers seen by a supervising officer within one week	37.0%	31.5%
d) Proportion of people subject to a probation order who were reported to the court for breach of probation during the year.	12.7%	13.0%

INDICATOR 8 – Community service

	2004/05	2003/04
a) Number of new community service orders issued during the year	355	398
b) The average number of hours per week to complete community orders	3.2	4.0

BENEFITS ADMINISTRATION

BENEFITS ADMINISTRATION

ADMINISTRATION COSTS

Housing Benefit and Council Tax Benefit

INDICATOR 1 - The number of cases for each of the following caseloads and the average gross administration cost per case.

The average weighted caseload	Number of cases		Gross cost per case	
	2004/05	2003/04	2004/05 £	2003/04 £
Rent rebate caseload	9,245	9,019		-
Private rented sector caseload	4,488	4,194		-
Registered social landlord caseload	4,896	4,475		-
Council Tax Benefit caseload	19,720	18,446		-
Gross administration cost per weighted case		-	83.85	84.47

PROCESSING TIME

INDICATOR 2 - The time for processing applications from the date of receipt of the application to the posting of the notification of the outcome *“Simplified Indicator”*

Type of claim	Number of claims		Average time to process(days)	
	2004/05	2003/04	2004/05	2003/04
New claims	16,483	19,830	45.0	49.6
Notifications of change in circumstances	39,136	42,371	5.8	7.6

ACCURACY OF PROCESSING

INDICATOR 3

	% of cases	
	2004/05	2003/04
a) The percentage of cases for which the calculation of the amount of benefit due was correct on the basis of the information available at the determination, for a sample of cases checked post- determination.	98.6	97.4

	2004/05	2003/04
b) The percentage of recoverable overpayments (excluding Council Tax Benefit) that were recovered in the year.	54.3	59.3

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CHILDREN'S SERVICES

PRIMARY SCHOOLS

INDICATOR 1 – Class size

a) The number and percentage of classes which fall within the following categories

	Number of classes		Percentage of classes	
	2004/05	2003/04	2004/05	2003/04
Classes with P1-P3 pupils that have 30 pupils or less	402	409	100.0	99.8
Single year P4-P7 classes with 33 or fewer pupils	413	398	48.0	47.0
Composite P1-P7 classes with 25 or fewer pupils	442	445	51.3	52.6

b) The total number of primary school classes of each type

	2004/05	2003/04
Single Year	414	398
Composite	447	448
P1 to P3 pupils	402	410

INDICATOR 2 - **Occupancy**: the percentage of primary schools where the ratio of pupils to places is

	2004/05	2003/04
	%	%
40% or less	12.6	12.0
41% to 60%	26.8	28.3
61% to 80%	36.1	31.0
81% to 100%	19.1	22.8
101% or more	5.5	6.0

	2004/05	2003/04
b)The total number of primary schools	183	184

CHILDREN'S SERVICES (cont)

SECONDARY SCHOOLS

INDICATOR 3 – **Occupancy**: The percentage of secondary schools where the ratio of pupils to places is

	2004/05	2003/04
	%	%
40% or less	3.4	3.4
41% to 60%	20.7	20.7
61% to 80%	27.6	31.0
81% to 100%	41.4	27.6
101% or more	6.9	17.2

	2004/05	2003/04
b)The total number of secondary schools	29	29

SPECIAL EDUCATIONAL NEEDS

INDICATOR 4 – The average time (in weeks) taken to complete an assessment of special educational needs and the percentage completed in the following time bands.

Time Band	% of total assessments completed	
	2004/05	2003/04
Up to 18 weeks	50.9	45.0
19-26 weeks	25.5	26.0
27-39 weeks	16.4	19.0
40-52 weeks	5.5	5.0
More than one year	1.8	5.0
Average time for completion of all assessments(weeks)	21	22

TEACHING STAFF EQUAL OPPORTUNITIES

INDICATOR 5 – The number and percentage of head and deputy head teachers who are women, compared with the percentage of all teachers that are women.

	Head and Deputy Head women teachers				All women teachers			
	Number		%		Number		% of all teachers	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
Secondary schools	28	25	29.5	25.8	829	780	57.5	56.6
Primary schools	188	192	83.6	83.1	1,307	1,514	92.5	91.6
Special schools	3	3	42.9	60.0	41	40	78.8	87.0
Total	219	220	67.0	66.1	2,177	2,334	74.9	75.9

CHILDREN'S SERVICES (cont)

CHILD PROTECTION

INDICATOR 6 – *“Transitional Indicator”*

	2004/05	2003/04
a) The number of children referred over the 12 months to 31 March	467	384
b) The % of children entered on the register in the year who had previously been on the register	22.4	13.1
c) The number of children on the child protection register at 31 March	118	102
d) The number of children on the child protection register at 31 March per 1,000 population aged under 16 years	3.0	2.5
e) The % of children on the register at 31 March who had been on the register for		
i) less than 6 months	45.8	66.7
ii) 6 months but under one year	39.8	16.7
iii) one year but under 2 years	7.6	13.7
iv) two years or more	6.8	2.9

LOOKED AFTER CHILDREN

INDICATOR 7 – Children being looked after – academic attainment *“Changed Indicator”*

	Number of children		% of children discharged from care	
	2004/05	2003/04	2004/05	2003/04
Number ceasing to be looked after	12	-	-	-
Attaining at least one Scottish Credit and Qualification(SCQF) Level 3 in any subject	8	-	66.7	-
Attaining at least Scottish Credit and Qualification(SCQF) Level 3 in English and Maths	7	-	58.3	-

INDICATOR 8 - The number and percentage of children being looked after by the Council in the following types of placement:

	(i) Number of children		(ii) (i) as a % of the total number being looked after		(iii) As a rate per 1,000 population aged 0-17	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
a) at home	161	152	40.5	40.5	3.6	3.3
b)in other community placements	178	158	44.7	42.1	3.9	3.5
c) in residential accommodation	59	65	14.8	17.3	1.3	1.4
d) total number being looked after, excluding respite	398	375	100.0	100.0	8.8	8.2
e) children aged under 12 in residential accommodation	0	4	n/a	n/a	0.0	2.3
f)total children aged under 12 looked after, excluding respite	187	172	n/a	n/a	n/a	n/a
g) children receiving respite excluded from a) to f)	101	83	n/a	n/a	2.2	1.8
h) total looked after including respite	499	458	n/a	n/a	11.1	10.0

CHILDREN'S SERVICES (cont)

INDICATOR 9 – Staff qualifications: The percentage of care staff in local authority residential children's homes who have appropriate care qualifications.

	Percentage of staff with appropriate qualifications	
	2004/05	2003/04
Children	47.8	43.0

INDICATOR 10 – Privacy: The number of single rooms and the number of rooms with en-suite facilities, expressed as a percentage of all residential care places for children, used by the Council.

	The number of rooms expressed as a % of all residential care places	
	2004/05	2003/04
Children - single rooms	100.0	100.0
Children – rooms with en suite	20.5	20.5

RESPITE CARE

INDICATOR 11 – Provision of respite services

- a) For children with disabilities receiving respite care away from home, the number of respite care bed-nights per 1,000 children aged 0-17
- b) For children with disabilities receiving respite care at home, the number of respite care hours per 1,000 children aged 0-17

	Volume of respite care		Number per 1,000 children aged 0-17	
	2004/05	2003/04	2004/05	2003/04
Residential respite care- the number of respite care bed nights.	2,836	2,090	62.9	45.8
Respite care at home- the number of respite care hours	8,896	7,907	197.3	173.3
Other respite care, day services –the number of hours	9,514	7,262	211.0	159.2
Overnight services-number of nights	1,629	1,524	36.1	33.4

CHILDREN'S PANEL LIAISON

INDICATOR 12 – Social background reports

	2004/05	2003/04
a)The number of reports submitted to the Reporter during the year	615	567
b) The proportion of reports requested by the Reporter which were submitted within 20 days	39.3%	39.9%

INDICATOR 13 – Supervision

	2004/05	2003/04
a)The number of new supervision requirements made during the year	97	78
b) The proportion of children seen by a supervising officer within 15 days.	77.3%	91.0%

CORPORATE MANAGEMENT

SICKNESS ABSENCE

INDICATOR 1 - The number of days lost through sickness absence expressed as a percentage of the total working days available, for the following groups of staff: *“Changed Indicator”*

	Percentage of days lost	
	2004/05	2003/04
Staff Groupings	%	%
Chief officers and local government employees	4.9	-
Craft employees	6.2	5.5%
Teachers	3.4	2.9%

CLAIMS

INDICATOR 2 - The number and value of civil liability claims incurred by the Council in the year

	2004/05	2003/04
a) Number of claims per 10,000 population	11.6	8.9
b) Claims value as a percentage of revenue budget	0.1%	0.1%

EQUAL OPPORTUNITIES POLICY

INDICATOR 3 - The number and percentage of the highest paid 2% and 5% earners among Council employees, that are women.

	Number of women		% of posts	
	2004/05	2003/04	2004/05	2003/04
In top 2% of all employees	47	35	25.5	18.7
In top 5% of all employees	183	141	34.7	29.7

PUBLIC ACCESS

INDICATOR 4 *“New Indicator”*

	2004/05	2003/04
Number of buildings from which the Council provides services to the public	325	-
Percentage of these in which all public areas are suitable and accessible to disabled people	3.4	-

COUNCIL TAX COLLECTION

INDICATOR 5 – Collection costs: the cost of collecting Council Tax per dwelling. *“Changed Definition”*

	2004/05	2003/04
	£	£
The cost of collecting Council Tax per dwelling	17.68	-

CORPORATE MANAGEMENT (cont)

INDICATOR 6 – Income

	2004/05	2003/04
	£,000	£,000
a) the income due from Council Tax for the year, excluding reliefs and rebates	76,152	71,516

	2004/05	2003/04
	%	%
b) the percentage of (a) that was received during the year	94.1	93.5

NON DOMESTIC RATES

INDICATOR 7 - Income

	2004/05	2003/04
	£,000	£,000
a) the income due from Non Domestic Rates for the year, excluding reliefs	73,914	67,994

	2004/05	2003/04
	%	%
b) the percentage of (a) that was received during the year	96.0	96.9

PAYMENT OF INVOICES

INDICATOR 8 -

	2004/05	2003/04
	%	%
The number of invoices paid within 30 calendar days of receipt as a percentage of all invoices paid.	90.0	89.0

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CULTURAL AND COMMUNITY SERVICES

SPORT AND LEISURE MANAGEMENT

INDICATOR 1 -

	2004/05	2003/04
a) The number of attendances per 1,000 population for pools	4,963	4,687

INDICATOR 2 –

	2004/05	2003/04
a) The number of attendances per 1,000 population for other indoor sports and leisure facilities, excluding pools in a combined complex	2,751	2,104

CULTURAL AND COMMUNITY SERVICES (cont)

MUSEUMS

INDICATOR 3 –

	2004/05	2003/04
a) The number of museums operated or financially supported by the Council	20	20
b) The percentage of these which are registered under the Museum and Galleries Commission registration scheme	100.0%	100.0%

LIBRARIES

INDICATOR 4 -

	2004/05	2003/04
	days	days
The average time taken to satisfy book requests	25	25

INDICATOR 5 - Changes in library stock

	Adult lending stock		Children's and teenage lending stock	
	2004/05	2003/04	2004/05	2003/04
Recommended national target for annual number of additions per 1,000 population	280	280	100	100
Actual number of additions per 1,000 population	219	269	78	75
Stock at year end per 1,000 population	1,108	1,155	534	575

INDICATOR 6 - Use of libraries

	2004/05	2003/04
a) Borrowers as a percentage of the resident population	23.2	23.6
b) The average number of issues per borrower	30.6	31.8

INDICATOR 7 – Lifelong Learning
Learning Centre and Learning Access Point Users

	2004/05	2003/04
a) The number of users as a percentage of the resident population	9.3%	9.0%
b) The number of times the terminals are used per 1,000 population	625	600

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HOUSING

RESPONSE REPAIRS

INDICATOR 1 – Response Repairs *“Transitional Indicator”*

- a) The target time for each priority category set by the Council
- b) The number of repairs carried out in each category
- c) The percentage of repairs completed within the target response time for each priority category
- d) The percentage of repairs due to be completed within 24 hours that were completed within target

a) Priority category set by the Council	b) number		c) %		d) %	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
Emergency – 24 hours	12,594	12,030	97.5	97.2	97.5	97.2
Urgent – 3 days	11,966	12,339	93.1	92.3		
Routine – 20 days	15,646	13,852	88.7	88.1		

MANAGING TENANCY CHANGES

INDICATOR 2 –

	2004/05	2003/04
	%	%
The total annual rent loss due to voids, expressed as a percentage of the total amount of rent due in the year.	1.8	2.1

INDICATOR 3 – The time taken by the Council to re-let houses, analysed by the following bands

Void Period	i) Number of houses re-let		ii) as a % of total for (i)	
	2004/05	2003/04	2004/05	2003/04
Less than 2 weeks	103	125	8.7	9.5
2-4 weeks	316	297	26.8	22.7
More than 4 weeks	760	888	64.5	67.8
Total	1,179	1,310	100.0	100.0
			Days	Days
Average time taken to re-let			67	72

RENT ARREARS

INDICATOR 4 –

	2004/05	2003/04
a) Current tenants arrears as a percentage of the net amount of rent due in the year	7.1	6.9
b) The percentage of current tenants owing more than 13 weeks rent at year end, excluding those owing less than £250.	5.1	5.7

HOUSING(cont)

COUNCIL HOUSE SALES

INDICATOR 5 –

	2004/05	2003/04
a) The percentage of house sales completed within 26 weeks	53.3	45.8
b) The average time for council house sales	28 weeks	30 weeks

HOMELESSNESS

INDICATOR 6 –

	2004/05	2003/04
a) The number of households assessed as homeless or potentially homeless during the year	1,723	1,613
b) The average time between presentation and completion of duty by the Council, for those cases assessed as homeless or potentially homeless.	12.7 weeks	11 weeks
c) The number of cases reassessed as homeless or potentially homeless within 12 months of previous case being completed, as a proportion of all cases assessed as homeless or potentially homeless during the year	14.5%	8.7%

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PROTECTIVE SERVICES

FOOD SAFETY: HYGIENE INSPECTIONS

INDICATOR 1 – The number of establishments in each of the following three categories requiring inspection during the year, and the percentage of the inspections that were undertaken within the prescribed period

Minimum inspection frequency	Number to be inspected in the year		% of inspections undertaken within time	
	2004/05	2003/04	2004/05	2003/04
6 months	48	35	95.8	82.9
12 months	266	323	100.0	98.5
More than 12 months	2,586	2,429	30.6	36.9

WORKPLACE SAFETY INSPECTIONS

INDICATOR 2 – “*Transitional Indicator*”

	2004/05	2003/04
	%	%
a) The percentage of premises liable to workplace safety inspection that are within the system	100.0	100.0

b) Information on the level of achievement against the Council’s own inspection targets

(i)The Council’s target inspection frequency	(ii) number of premises in this category		(iii)target number of premises to be inspected in the year		(iv) % of inspections carried out within time	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
12 months	29	30	29	30	96.6	80.0
24 months	124	128	66	73	84.8	56.2
36 months	259	263	107	111	70.1	52.3
48 months	512	521	198	249	49.5	38.6
60 months	1,014	1,029	414	574	50.2	53.7

NOISE COMPLAINTS

INDICATOR 3 – Noise Complaints completed during the year

	2004/05	2003/04
a)(i) The number of complaints settled on first contact with the complainant	19	50
a)(ii) The number of complaints where following initial enquiry, the Council recognises its responsibility to take further action in relation to the problem	117	116
b)the percentage of complaints settled on first contact with the complainant, dealt with on the day of receipt of complaint	100.0%	92.0%
c) The percentage of complaints requiring further action, completed within 14 (calendar) days of the receipt of the complaint.	61.5%	67.2%

PROTECTIVE SERVICES (cont)

PEST CONTROL

INDICATOR 4 – Pest control response time

	Percentage of responses within the specified time	
	2004/05	2003/04
High priority (2 working days)	94.9	91.1
Low priority (5 working days)	98.1	95.2

TRADING STANDARDS ENQUIRIES, COMPLAINTS AND ADVICE

INDICATOR 5 - The number of enquiries, complaints and advice requests received, and the proportion completed in the following time bands.

	Number received		% dealt with	
	2004/05	2003/04	2004/05	2003/04
Consumer enquiries completed on day of receipt	150	354	84.7	93.2
Consumer complaints dealt with within 14 days of receipt	1,980	3,792	76.0	89.7
Business advice requests dealt with within 14 days of receipt	228	323	96.1	97.5

INDICATOR 6 – Trading Standards inspection and standards compliance
“Changed Indicator”

Level of risk		i) locally agreed determined target visit frequency	ii) number of premises in risk category	iii) target total number of visits	iv) % of (iii) actually achieved
High	2004/05	every 12 months	224	224	27.7
	2003/04	every 12 months	-	-	-
Medium	2004/05	every 2 years	2,516	1,340	78.7
	2003/04	every 2 years	-	-	-
Low	2004/05	every 5 years	4,487	958	87.9
	2003/04	every 5 years	-	-	-

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ROADS AND LIGHTING

CARRIAGEWAY CONDITION

INDICATOR 1 – The percentage of the road network that should be considered for maintenance treatment.

Road classes	Percentage of road network	
	2004/05	2003/04
A class	25.6	27.8
B class	30.6	45.9
C class	21.6	28.4
Unclassified roads	37.2	47.3
Overall	30.5	38.9

ROADS AND LIGHTING (cont)

REPAIRS RESPONSE

INDICATOR 2 - Traffic light failure: the percentage of repairs completed within 48 hours.

	2004/05	2003/04
a) number of repairs to be completed	74	90
b) % of repairs completed within 48 hours	97.3	97.8

INDICATOR 3 – Street light failure: the percentage of repairs completed within 7 days.

	2004/05	2003/04
a) number of repairs to be completed	7,283	7,201
b) % of repairs completed within 7 days	96.4	97.4

INDICATOR 4 – *“Changed Indicator”*

	2004/05	2003/04
The proportion of street lighting columns that are over 30 years old	20.3%	-

INDICATOR 5 - Bridges - Road Network Restrictions

“New Indicator”

As a percentage of the whole number of assessed bridges, the number of council and private bridges that

	2004/05	2003/04
a) fail to meet the European standard of 40 tonnes	32.6%	-
b) have the weight or width restriction placed on them	1.1%	-

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WASTE MANAGEMENT

REFUSE COLLECTION

INDICATOR 1 – The net cost of

“Changed Indicator”

	2004/05 £	2003/04 £
a) collection (combined domestic, commercial and domestic bulky uplift)per premise	56.91	-
b) disposal per premise	101.05	-

SPECIAL UPLIFTS

INDICATOR 2 – the percentage of special uplifts for bulky domestic refuse completed within five working days.

a) Council’s target response time(days)		b)% of uplifts completed within the Council’s target response time		c)% of uplifts completed within 5 working days(national target)	
2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
5	5	81.3	80.2	81.3	80.2

WASTE MANAGEMENT (cont)

REFUSE COLLECTION COMPLAINTS

INDICATOR 3 – the number of complaints per 1,000 households regarding the household waste collection service.

	2004/05	2003/04
Number of complaints per 1,000 households	8.1	6.5

REFUSE RECYCLING

INDICATOR 4 – the amount of waste collected by the Council during the year that was disposed of by the following methods:

Method	Tonnes per household		%	
	2004/05	2003/04	2004/05	2003/04
Used for recovery of heat, power and other energy sources	0	0	0.0	0.0
Composted by the authority	0.039	0.027	3.4	2.6
Other recycling methods	0.097	0.052	8.5	5.0
Landfill	1.005	0.959	88.1	92.4
Other disposal methods	0	0	0.0	0.0
Total	1.141	1.038	100.0	100.0
	Domestic			
Total tonnage collected	114,507	106,421		

Method	Tonnes per commercial and industrial premises		%	
	2004/05	2003/04	2004/05	2003/04
Used for recovery of heat, power and other energy sources	0	0	0.0	0.0
Composted by the authority	0	0	0.0	0.0
Other recycling methods	0.131	0.112	1.4	0.0
Landfill	9.416	9.318	98.6	0.0
Other disposal methods	0	0	0.0	0.0
Total	9.547	9.430	100.0	100.0
	Commercial and industrial premises			
Total tonnage collected	43,831	42,632		

CLEANLINESS

INDICATOR 5 – The cleanliness index achieved following inspection of a sample of streets and other relevant land. *“New Indicator”*

	2004/05	2003/04
Overall Cleanliness Index	70	-

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