

Annual Accounts

Cunntasan Bliadhnail

2024/25

Audited

Sgrùdaichte

Contents

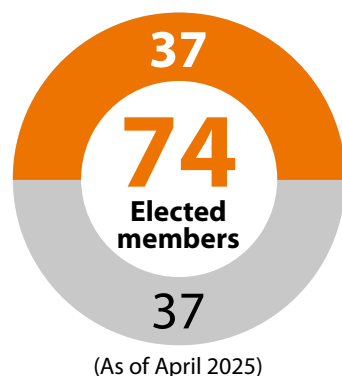
Clàr-innse

Management Commentary	2
Statement of Responsibilities for the Annual Accounts.....	25
Annual Governance Statement	26
Remuneration Report.....	34
Independent Auditor's Report.....	51
Comprehensive Income and Expenditure Statement	55
Movement in Reserves Statement	57
Balance Sheet	59
Cash Flow Statement.....	60
Accounting Policies and Notes to the Accounts	61
Housing Revenue Account Income and Expenditure Statement.....	168
Statement of Movement on the Housing Revenue Account.....	169
Notes to the Housing Revenue Account	170
Council Tax Income Account.....	171
Non-Domestic Rate Account	173
Group Accounts	175
Glossary	189

Management Commentary

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

About The Highland Council



Coalition Administration of Scottish National Party and Highland Independent.

The Opposition is made up of Scottish Liberal Democrats, Scottish Conservative and Unionist, Scottish Green Party, Scottish Labour Party, Highland Alliance, and the Alba Party.



236,330
Population (mid 2023)

Council Priorities

www.highland.gov.uk/our-priorities

The Highland Outcome Improvement Plan 2024-2027

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



www.bit.ly/hoip2024-27

Our Future Highland 2022-2027

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



www.bit.ly/HC-Administration-Programme

Performance Plan 2022-2027

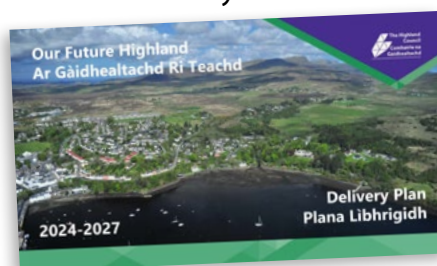
How the Council measures and sets targets for its political, strategic and improvement priorities.



www.bit.ly/HC-Performance-Plan

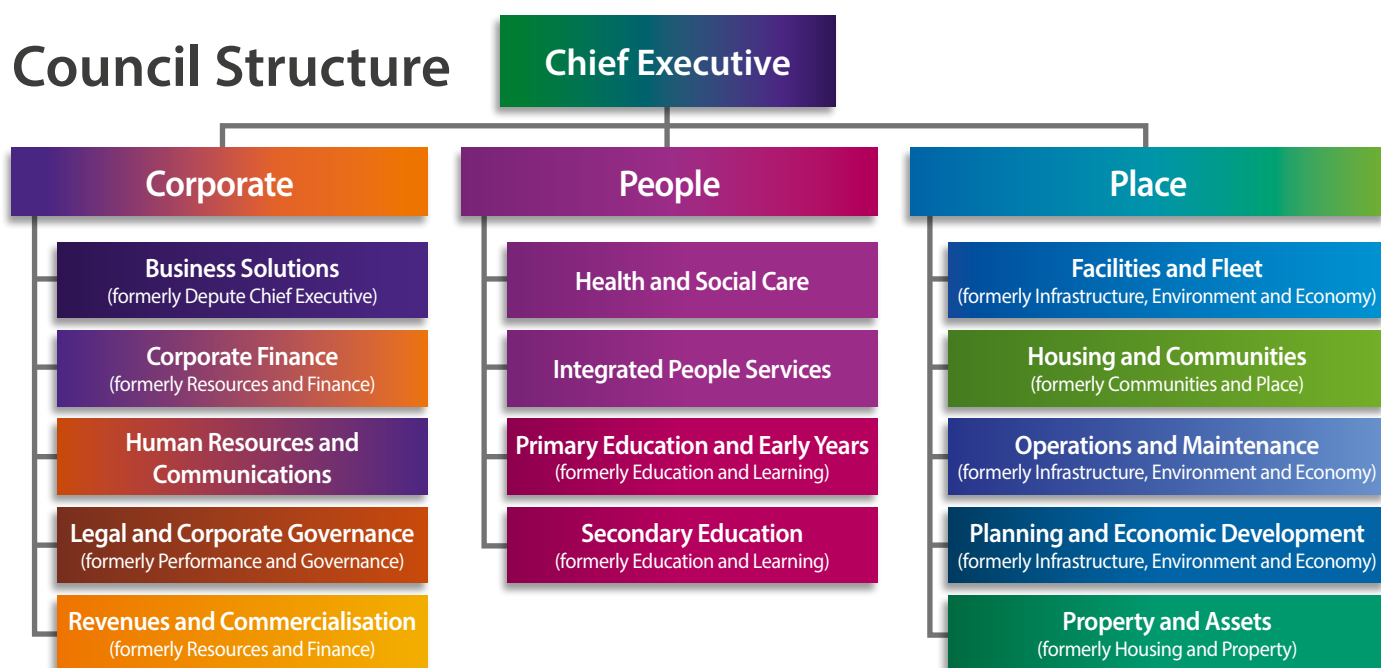
Delivery Plan 2024-2027

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



www.highland.gov.uk/deliveryplan2024-2027

Council Structure



Note: Restructuring moving forward in stages from May 2024-April 2025.

Employment of Disabled Persons

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

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

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

In the 2025 monitoring report (link below), 10% of the total Council workforce identify as having a long-term health problem or being disabled. In comparison, in the 2022 census, 23.8% of the Highland community identified themselves as having a long-term health problem or disability. Based on the data disclosed, this suggests that our workforce largely reflects the wider Highland community.

www.bit.ly/HC-Communities-and-Place-Item5

Effective Employee Voice

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

Our Future Highland Roadshow take place across the Highlands and **all staff are invited to attend**. Each Roadshow is hosted by the Chief Executive and/or one of our Assistant Chief Executives, with support from our Chief Officers. We are encouraging as many staff to attend these events as possible.

www.highland.gov.uk/assistant-chief-executives

2024/25 the year in review

In many respects the year was one of contrasts. At a local Highland level, there were a number of significant and positive economic events and drivers as described below, which are forecast to have the potential for significant positive economic impact for the Highlands. These however sit in the context of wider global economic uncertainty, particularly towards the latter part of the financial year, and inflation, cost of living pressures and interest rates still representing cost pressures and risks on the Council’s service delivery.

The year also marked a number of significant financial achievements, including the implementation of the Operational Delivery Plan (ODP), and progress towards delivery of the associated savings, change and transformation, and the agreement of a new updated medium-term financial plan. As noted within this commentary, there was however a net deficit on the Council’s General Fund services for the year, and a number of overspend and pressure areas, with actions already agreed and being taken to address and mitigate.

The Council continues to focus on steps to further improve its own financial sustainability, as well as supporting wider economic improvements, along with partners, across the Highland region.

Significant Economic Drivers:

There are a number of significant and strategic economic drivers and activities which will impact the Highland area, and which have been a core focus of some of the Council’s actions and decision making over the year which are described further within this management commentary. These drivers include progress with the establishment of a Green Free Port in the area, implications arising from OfGEM’s Accelerated Strategic Transmission Investment (ASTI) framework, and the Council’s own Highland Investment Plan.

Inverness and Cromarty Firth Green Free Port	OfGEM ASTI framework	The Highland Council Highland Investment Plan
Ongoing support and development of the Free Port and its wider impacts in the region, pending Governmental approval of the Final Business Case. The Freeport is estimated to: • Deliver over £6.5bn of investment over the next 25 years; • enable 18,300 long-term jobs for the UK (11,300 of which would be in the Highlands); and • Provide Non-Domestic Rates revenues of £547m for re-investment in the region.	Involves over £10bn to upgrade the electricity transmission network infrastructure across the north of Scotland between now and 2030, as the region is set to play a leading role in delivering energy security and net zero. Significant investment, job and economic impact and driver across the Highland area.	Established in March 2024 and with Phase 1 priorities and partnering arrangements agreed in March 2025. The aim is to tackle the major capital challenges that Highland Council faces: transport and roads; schools and community facilities; depots and offices, as part of work towards a single public estate and integrated community operating model. Potential for £2.1bn of capital investment over 20 years. Specific project priorities and allocations agreed totalling £756m over 5 years 2025/26 onwards.

These drivers of economic impact have in turn been accompanied by a range of Council policies and actions in recognition of the significant economic activity projected, and how the Council, and its wider partners, need to respond to the opportunities (and challenges) presented.

Further information on key financial and transformation activity is described below:

Medium-term Financial Plan – the Council on 6th March 2025 agreed an updated three-year medium term financial plan, key aspects of which included the cessation of use of uncommitted reserves to balance the budget, as part of plans to improve financial sustainability, and the agreement of **£36.7m** of savings plans across the three years, and **£69.1m** of budget additionality, including provision of funding for investment.

Operational Delivery Plan – to support delivery of its medium-term financial plan, and delivery of budget savings, change and transformation agreed across those plans, the Council formally agreed the ODP in May 2024. That plan, consisted of 6 portfolios and a range of underlying projects, formed a core part of Council focus and reporting over the year, with a year-end report concluding that 80% of the Plan's savings target were forecast to be delivered, rising to 95% when Adult Social Care was excluded.

Corporate Management Team Restructure – during the year the Council also undertook a re-structure of its Corporate Management Team, with the result that an estimated **£370k** would be saved from that new structure.

Economic and Financial Context:

Of the Council's total revenue budget of £803.3m, the totals for staff costs are £430.1m, financing costs are £67.7m and other costs are £470.4m with service income at £164.9m. The level of inflation and interest rates has a significant bearing on the costs met from these budgets.

The year saw inflation levels, as measured by the Consumer Price Index (CPI), reduce from prior years, and return closer to the UK Government's 2% target. CPI at March 2025 was 2.6%, albeit trending up beyond that date and sitting at 3.5% as at April 2025.

In relation to interest rates, Bank of England base rates continued to reduce over the course of the year and sitting at 4.5% as at March 2025, with a further reduction to 4.25% in May 2025.

Despite the general trend across 2024/25, of a reduction in inflation and interest rates, the wider global economic picture was an uncertain one, particularly as the financial year ended, and the impacts of US tariff policy and other macro events, impacted on the economic outlook.

The Council's financial out-turn was a net deficit on General Fund Services, mitigated in part by underspends on its loan charges (repayment of capital financing) and improved Council Tax income levels. The deficit was driven by a number of pressure areas many of which were recognised in the budget agreed for 2025/26, which included £69m of budget additions, and within which pressure funding to mitigate some of the issues seen in 2024/25. The Council maintains a healthy level of reserves overall and has clear plans for their use and how they can support change, transformation and investment.

2024/25 Highlights

Operational Delivery Plan

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



Highland Housing Challenge

A challenge declared in June 2024; Recognising the need for an estimated additional 24,000 houses in the Highlands based on forecasts; summit meetings held and an Action Plan developed to address the Challenge.



Highland Outcome Improvement Plan

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

Photos above: Energy Centre at Inverness Castle by Ewen Weatherspoon; and Apprentices learning a trade by Ewen Weatherspoon

Social Values Charter for Renewables Investment

The Charter provides a framework to ensure that renewable energy investments deliver significant socio-economic benefits to Highland communities. The potential scale of opportunity is estimated as £17.5m per year in 2030, with a cumulative value of £158.9m; and £20.7m per year in 2050, with a cumulative value of £549.4m.



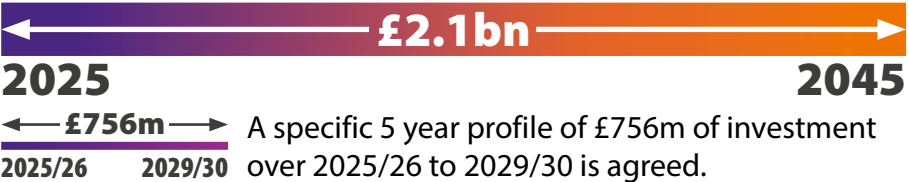
Community Benefits & Community Wealth building Strategy

Strategy agreed September 2024. A people centred approach to economic development and aims to ensure every area and community can participate in, and benefit from, economic activity.



Highland Investment Plan

The HIP was agreed during the year including the initial phase 1 project priorities. The HIP represents a potential £2.1bn investment opportunity over 20 years.



Capital investment delivered during the year included:

£175m Gross General Fund capital expenditure in the year and £61m Gross Housing Revenue Account (HRA) capital spend for the year.

£175m
Gross
General
Fund
(capital
expenditure)

**Gross
Housing
Revenue
Account**
£61m

Commentary on financial performance 2024/25

An overall net deficit of £3.4m was recorded against the revenue budget for the General Fund.

This deficit, when added to movements to and from reserves, resulted in a final closing balance of £27.0m on non-earmarked General Fund reserves. This sum sits in line with the Council's agreed strategy of retaining a minimum target of reserves equivalent to 3% of its revenue budget.

Closing earmarked reserves were £93.7m at financial year end, after drawdown and use of earmarked reserves. Earmarked reserves are held for a variety of specific purposes including local investment, redesign and transformation programmes, funds held to meet Government legislative priorities, or funds held for other specific purposes.

The decrease in reserves over the year is in line with agreed policy and intent, with the General Fund non-earmarked reserve being held at the 3% level, and earmarked reserves reducing as used for their intended purposes. The combined General Fund Reserves remain at a healthy level, and earmarked reserves are expected to reduce over the coming years as further sums are drawn down and used for agreed purposes.

In relation to the Housing Revenue Account (HRA) a surplus of £0.4m was achieved in the year, and resulting in a closing £5.1m HRA revenue reserve.

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



Service Financial Performance

There was a combined overspend on Service activity of £16.1m in the year, driven by a number of pressures areas. Significant aspects of those pressures were recognised as part of budget planning for 2025/26, and with £20.4m of recurring pressure funding agreed, to mitigate or address many of those pressures areas.

It is important the Council does take steps to address that level of over-spend, given some of the mitigating factors which reduced that overspend to a net £3.4m deficit for the year, are not expected to be recurring. In particular the underspend on loan charges is expected to be a short to medium-term factor, with capital spending on the Highland Investment Plan increasing and in due course associated borrowing costs increasing in line with forecasts.

Contributory factors to the Service overspend position included increased costs in excess of budget on fleet amounting to £2.9m, an overspend on Looked After Children services of £3.9m, unbudgeted maintenance and repair costs associated with the Corran Ferry service and overspend on Council harbour activities together being a £3.9m overspend, increased expenditure on property repairs and other property costs, and some slippage in relation to savings delivery across different functions and services.

There was an underspend on capital financing costs (loans charges) of £5.6m, a net underspend on unallocated and other miscellaneous budgets of £3.0m, and government grant, school PPP flexibility and council tax income was ahead of budget by £0.4m, £2.3m and £1.4m respectively.

Taken together these resulting in a net deficit of £3.4m for the year.

Note: more detailed reporting and analysis of the 2024/25 out-turn position were reported to the Council's Strategic Committees in August and September of 2025.



Photo of old Corran Ferry, photo by The Highland Council

Savings Delivery

2024/25 was the first year of the Council's Operational Delivery Plan, and as reported to Council in May 2025:

www.bit.ly/DeliveryPlanReport-May2025

The review of that first year concluded that the Council was forecast to deliver 80% of the forecast saving target (£22.1m versus a £27.6m target), with that figure increasing to 95% if the saving target associated with Adult Social Care, sitting with NHS Highland under the Lead Agency Model, was excluded. In the budget agreed for 2025/26, the Council recognised slippage and challenge with delivery of some aspects of its ambitious saving programme and re-based around £5.9m (net) of savings over a three-year period as a result.

General Fund Revenue Outturn 2024/25

The General Fund sets out the cost of running services (excluding Council housing) over the financial year from 1st April 2024 to 31st March 2025.

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

General fund service spend

Budget		Actual spend		Total
£803.3m	–	£810.8m	=	£7.5m
Net spend on services more than planned.				

Council funding

Budget		Actual funding		Total
£769.3m	–	£773.4m	=	£4.1m
More income received than budgeted.				

Overall deficit

Expenditure deficit		Income surplus		Net deficit
£7.5m	–	£4.1m	=	£3.4m

Actual spend and income compared to budget.

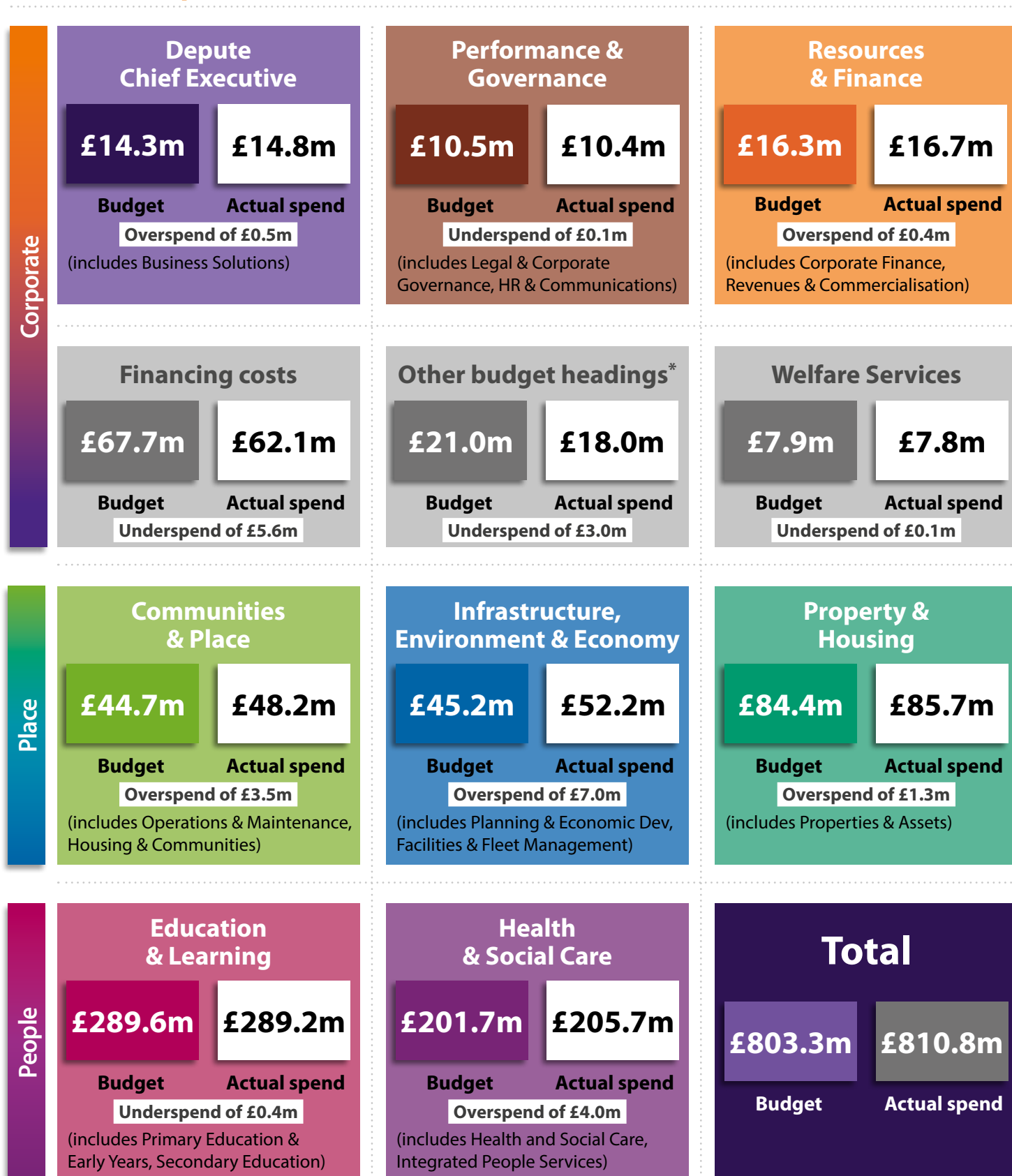
Final budget included an estimated use of reserves of £34.0m, as actual use was £37.4m as noted below this gives a deficit of £3.4m.

Overall decrease in reserves

Actual spend		Actual funding		Use of Reserves
£810.8m	–	£773.4m	=	£37.4m

The difference between actual spend and funding in 2024/25 paid from the Council's General Fund Earmarked and Non-Earmarked Reserves.

Year end position



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

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

Analysis of spend

Staff costs

The cost of the Council's employees.

£430.1m

Budget

£419.8m

Actual spend

Financing costs

The cost of borrowing to finance capital investment.

£67.7m

Budget

£62.1m

Actual spend

Other costs

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

£470.4m

Budget

£501.8m

Actual spend

Service income

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

£164.9m

Budget

£172.9m

Actual income

Total Spend

£803.3m

Budget

£810.8m

Actual spend

Council funding

Revenue Support Grant

£443.9m

Budget

£443.9m

Actual

Non-Domestic Rates

£160.3m

Budget

£160.7m

Actual

Council Tax

£151.8m

Budget

£153.2m

Actual

General Capital Grant Revenue Flexibility

£3.0m

Budget

£3.0m

Actual

School PPP Flexibility

£6.0m

Budget

£8.3m

Actual

Use of Insurance Fund

£4.3m

Budget

£4.3m

Actual

Total Funding

£769.3m

Budget

£773.4m

Actual

Council Reserves

The Council holds funds in a number of usable reserves:

General Fund Earmarked Reserve

£93.7m

(2023/24 £110.8m)

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

Capital Fund

£15.4m

(2023/24 £18.1m)

To buy land for affordable housing provision (£14.0m, 2023/24 £16.7m).
Capital receipts available to finance future capital investment (£1.4m, 2023/24 £1.4m).

Capital Grants Unapplied

£11.1m

(2023/24 £13.4m)

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

General Fund Non-Earmarked Reserve

£27.0m

(2023/24 £47.3m)

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

HRA Reserve

£5.1m

(2023/24 £4.7m)

For spending on the Council's housing stock.

Renewal and Repair Fund

£2.2m

(2023/24 £2.2m)

For specific types of repair and maintenance work.

Insurance Fund

£3.0m

(2023/24 £5.3m)

Insurance for items not covered by external insurance policies.

See notes 8, 9, and 13 in the accounts for more details on these reserves.

3.4%

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

Total Usable Reserves

£157.5m

(2023/24 £201.8m)

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

3% of the annual revenue budget (approximately £24.6m).

At 31st March 2025 the level of reserves held met this policy target. The level of reserves is kept under regular review and a formal consideration given as part of the annual budget setting process.

Decrease in General Fund Reserves during the year

Final budgeted use of non-earmarked reserves, including £9.9m agreed use of reserves when the initial 2024/25 budget was agreed.



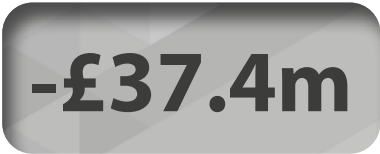
Net deficit for 2024/25 met from general fund non-earmarked reserves.



Use of earmarked balances for their specified purposes.



Net decrease in General Fund reserves



Earmarking of reserves to reflect budget decisions and for specified funding streams received including developer contributions and crown estate income.



Housing revenue account



The Council owns **15,226** houses for which it charges rent. All expenditure associated with these houses must be funded from the rental income generated.

Spend



Budget



Actual spend

Income



Budget



Actual income

Capital Outturn 2024/25

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

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

Gross capital spend in 2024/25 across General Fund and HRA Services.

£235.5m

Net capital spend in 2024/25 across General Fund and HRA.

£164.0m

Project specific capital income in 2024/25.

£71.5m

Underspend/ slippage in capital relative to budget.

£41.8m

The main factors relating to the underspend on capital were the significant planned increase in capital spend for the year, the challenging market conditions, in particular rising prices and a limited availability of contractors, consultants and materials due to a high volume of work across the construction industry. Reporting of the capital out-turn, with Service and Major project variance analysis, is available from the relevant Strategic Committee agenda reports over August and September 2025.

Projects with the largest capital spend in 2024/25

Investment in school buildings

£59m (gross)



Investment in harbours & ferries

£14.5m (gross)



Investment in economic development and regeneration

£33.3m (gross)



Investment in roads and bridges

£27.9m (gross)



Investment in other property assets

£11.5m (gross)



Housing Revenue Account

£60.8m gross

investment in housing stock in 2024/25



Funding of the Capital Programme

£137.9m of the 2024/25 capital spend was funded by borrowing. More information on borrowing, treasury management and loans fund liabilities can be found in the Council's annual treasury report and strategy statement:

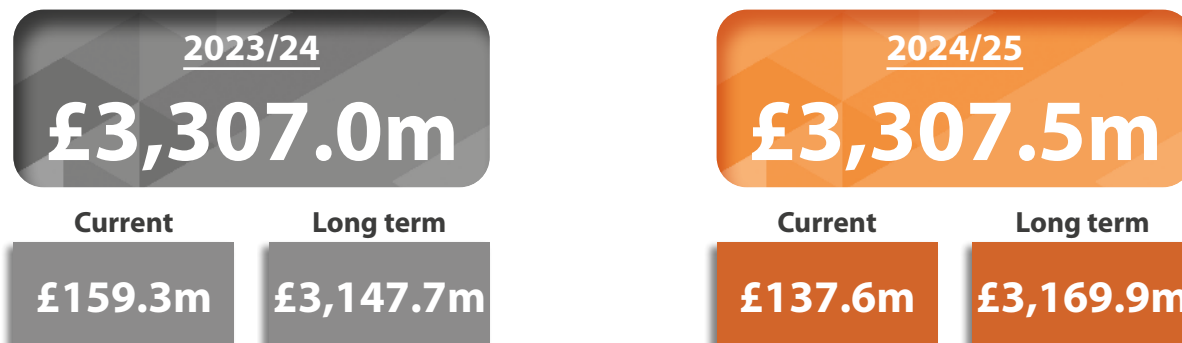
www.highland.gov.uk/treasury

Assets and Liabilities

The Council's Balance Sheet brings together the assets, liabilities and reserves recognised by the Council. Net assets for the Council (assets less liabilities) are matched by reserves held.

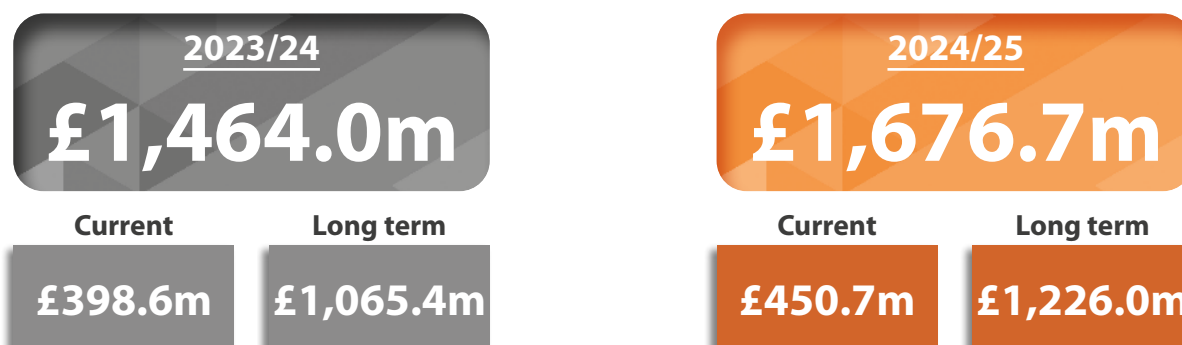
More information on its component parts can be seen in the notes to the accounts.

Total Assets



(Increase in long term assets due to revaluations, introduction of right of use assets for IFRS16 and movement of pension asset to pension liability and decrease in current assets due to a decrease in short term debtors).

Total Liabilities



(Increase in long term liabilities due to increase in long term borrowing, movement of pension asset to pension liability and introduction of long term lease liability for IFRS16. Increase in current liabilities due to an increase in short term borrowing and introduction of long term lease liability for IFRS16).

Total Reserves



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

Details of Assets and Liabilities 2024/25

Assets

Council houses

£571.7m



Other land and buildings

£1,600.8m



Infrastructure assets

£525.4m



Short term debtors

£85.5m



Other assets

£469.5m



Vehicles, plant and equipment

£54.6m



Liabilities

Borrowing

-£1,308.7m



Short term creditors
(excluding leases)

-£146.5m



Leases

-£165.6m



The outstanding borrowing for PPP and Hub/SFT funded schools and lease liabilities held under IFRS 16.

Pension liability

-£34.2m



Other liabilities

-£21.7m



7.66%

Financing costs (annual interest and principal repayment costs associated with the Council's borrowing) as a percentage of our annual net spend (2023/24 7.75%).

Group Accounts

The Council has interests in other organisations which, under accounting regulations, have to be incorporated into the group accounts. These can be seen from page 175 and show the combined figures for all the following entities:



Key Group Financial Information

Total Comprehensive (Income) and expenditure

(£323.4m)	£213.3m
2023/24	2024/25

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

Net Assets and Total Reserves

£1,887.5m	£1,677.7m
2023/24	2024/25

Group assets less group liabilities. Due to purchase of D&E coaches Ltd in 2024/25 net assets and total reserves increased by £3.5m upon incorporation into the group accounts.

Pension Asset/ (Liability)

£268.0m	(£34.2m)
2023/24	2024/25

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

Performance Management

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

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

www.highland.gov.uk/performance

Council Performance

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



www.highland.gov.uk/programme2022-27-english

www.highland.gov.uk/performance-plan-2022-27

On 14th March 2024 a draft Delivery Plan 2024-2027 was presented to Council with the final version approved on 9th May 2024. The Delivery Plan underpins the implementation of the Council's Programme, Performance Plan (previously the Corporate Plan) and the Council's Budget Strategy.

The Delivery Plan was previously developed and aligned with the three-year Budget Strategy as approved in February 2024. The Budget for 2025/26 -2027/28 was approved on 6th March 2025 and the delivery plan will remain aligned with Budget Strategy. As such, the Delivery Plan, will now cover the period 2025/26 – 2027/28 with the intention of it being a rolling plan aligned with future programme commitments and budget strategies. It will also support delivery of the Highland Outcome Improvement Plan.

www.bit.ly/hoip2024-27

Taken together, all three plans are a seamless transformation programme, incorporating the key elements of:

- **What we want to do and why**
- **How we will make change happen**
- **What we are trying to improve**

The Delivery Plan is the **how** element of this.

Delivery Plan progress will be reported annually to Council, with the inaugural Delivery Plan Annual Report having been reported to Council on 15th May 2025 with projects and workstreams also reported to the appropriate Strategic Committees and Boards.

There were three main performance reports to Council during 2024/25 as set out below. The annual performance report is normally reported to Council in March each year, and this provides the information relating to the previous financial year. This means that in March 2025, the 2023/24 performance was reported.

- 1) The Annual Performance Report for 2023/24 was scrutinised by Council on 19th September 2024. This report provided performance information on the delivery of the Corporate Plan.
- 2) On 27th March 2025 the SPI Annual Report 2023/24 provided information on the Council’s Statutory Performance Indicators (SPIs). The reported summary of performance for the SPIs is set out in the table here.

Performance against target		Number of SPIs
G	Performance is “On Target”	43
A	Performance is “Some Slippage”	12
R	Performance is “No Significant Progress”	15
	The indicator is awaited/ no data available	11
Total		81

34 of these SPIs are considered to be Key Performance Indicators (KPIs) which provide a high-level overview of the Council’s performance and any KPIs are included in the Council’s Annual Performance Report for 2023/24. The snapshot below of a selection of 23/24 KPIs provides details of the Council’s performance against the target together with comparisons against all other Scottish Councils of which there are 32 in total. This may also show the “Family Group” i.e. those Councils who are similar to The Highland Council.
- 3) The inaugural Operational Delivery Plan Annual Progress Report 2024/25 was scrutinised by Council on 15th May 2025 and provided an update to Members on progress of the 57 live projects and programmes within the six Portfolios. It was also agreed that the Portfolio previously named Workforce for the Future has been renamed to My Highland Future.

- These are:
- **Person Centred Solutions (PCS)** – sponsor: ACE – People
 - **My Highland Future** – sponsor: ACE - People
 - **Reconfiguring Our Asset Base (ROAB)** – sponsor: ACE - Place
 - **Net Zero Energy & Investment (NZEI&I)** – sponsor: ACE - Place
 - **Corporate Solutions (CS)** – sponsor: ACE- Corporate
 - **Income Generation (IG)** – sponsor: ACE – Corporate

The number of projects in the Delivery Plan will fluctuate as future work is developed, current projects close or work is restructured in order to improve an approach for successful delivery. Progress updates on projects and programmes in the Delivery Plan are also reported to the appropriate Strategic Committees and Boards as per the reporting schedule that was approved by Members on 15th May.

www.highland.gov.uk/deliveryplan2024-2027

A snapshot of the Council's KPIs for 2023/24, including comparisons where available, is provided below:

Children's Services

- **The average number of children and young people accommodated by the Council out with Highland** in 2023/24 was 13. This compares favourably against our target of 18 children.
- **Achievement of Curriculum for Excellence Levels P1, P4 and P7**

(i) Literacy the Council's performance was 68.7% against the target of 67%. By way of comparison, the Scottish average was 74.0% and the family group 72.8%.

(ii) Numeracy the Council's performance was 74.4% against the target of 75%. By way of comparison, the Scottish average was 80.3% and the family group of 78.9%.

Whilst the Council was ranked 30th for Literacy and 32nd for Numeracy, the target for Literacy was met and performance for both areas has shown a steady improvement over the past three years.

Adult Services

- **% of people aged 65+ with long-term care needs receiving personal care at home.**
The Council's performance was 55.4% compared to a target of 62.8%. This is also lower than the Scottish average of 61.5% and Family Group of 60%.

Highland was ranked 28th in Scotland compared to a target of being in the second quartile.

There have been challenges in Highland due to difficulties in recruiting directly and in commissioning with some care delivery contracts handed back by the providers. As a result, it is known that there are reported levels of unmet need for home care. The Adult Services Strategic Plan has as its vision the role of communities and the aspiration that as many adults as possible, both under and over 65, with a long-term care need are able to receive personal care at home and this is a key aim of the Strategic Plan.

Cultural and Leisure Services

- **Cost per Library visit** was £1.07 against the target of £1.87. The Scottish average was £2.38 and family group £2.72.

Highland was ranked in 4th in Scotland which compares favourably against the target of being in the top quartile (ranked between 1-8).

Environmental Services

- **Street Cleanliness score** – Highland was 96.4% against a target of 95%. This was also higher than the Scottish average of 92.1% and family group of 93.3%.

Highland was ranked 5th in Scotland which was within the target of being in the top quartile (ranked between 1-8).

Business and Development Services

- **Average Time Planning Applications** - All Majors - Average Time (in weeks) to process Major Planning Applications. The Council exceeded its target of 52 weeks for 23/24, achieving 38.6 weeks.
- Proportion of properties receiving superfast broadband. The Council achieved its target of 87% for 2023/24 and was ranked 28th. By way of comparison, the Scottish average was 96% and the family group average 86%.

Corporate Services

- **Council Tax received** – 95.9% of the Council Tax owed in 2023/24 was collected. The target (Scottish Average) was 95.5% and the family group was 96.2%. Highland is ranked 18th in Scotland.
- **% of Procurement Spend on Local Enterprises** was 51.8%, Scottish average was 30.7% and the family group average 36.4% with Highland, ranked 1st in Scotland.
- **Average days to process Housing Benefit and Council Tax Reduction claims.**
 - (i) New Claims – 10.0 days compared to a target of 10.0 days.
 - (ii) Changes of Circumstances – 1.6 days compared to a target of 2.0 days.

Housing Services

- **Homelessness - case duration for all applications (weeks)** – The Council exceeded its target of 48 weeks for 2023/24, achieving 35 weeks.

Risks, Uncertainties and Future Developments

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

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

www.highland.gov.uk/audit-committee

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

www.audit-scot/topics/local-government

Public Sector Finances and Financial Sustainability

There remain significant pressures on public sector finances. While inflation had reduced over the course of 2024/25, it remains above the UK Government's 2% inflation target. A further key risk and impact is the extent to which pay award settlements and expectations, across the economy, remain above inflation levels. Directly, this puts significant pressure on Local Authority budgets, given around half of the Council's expenditure is staffing related. Pay costs across the economy are also driving increase in the cost of goods and services generally. The increase in Employer National Insurance Contributions from April 2025 is also a very significant cost pressure, both directly on the Council's paybill and across the supply chain.

Interest rates are also higher than had been expected at the start of the year. While Bank of England base rates have reduced, and are forecast to continue to do so, the pace of reduction is slower than had been expected. The costs of Council borrowing, is also driven by factors other than base rate, with wider global economic events impacting bond yields and market interest rates.

Around 80% of the Council's General Fund revenue is represented by funding from Scottish Government, and the level of that funding is a key factor in Councils financial planning, with risk and uncertainty regarding future public sector grant settlements.

The Council has sought to mitigate risks through its medium-term financial plan, reserves strategy, and plans and actions to transform service delivery, achieve savings and efficiency improvements and increase income generation.

Workforce Planning

The Council workforce is the core of its service delivery, with staff costs accounting for near half of all expenditure. Workforce planning is vital to ensure we have the correct actions in place so we have the right people, with the right skills, in the right place and at the right time. There remain some challenges in relation to the recruitment and retention to some posts, and in some localities, and the Council has recognised that the demographics of its workforce highlight the need to ensure workforce planning is supporting the planning for staff leaving the organisation through retirement and the bringing in of new staff members.

The Council's Operational Delivery Plan includes a number of key projects to support the Council's workforce planning, and the Council is also progressing Investors In People accreditation.

Adult Social Care and Care Home Sustainability

Across Scotland there are significant ongoing challenges in relation to the provision of Adult Social Care, and the sustainability of Independent Sector Adult Care Home provision. In Highland, the Council provides funding to NHS Highland to provide Adult Social Care through lead-agency arrangements. A range of risks and challenges are being faced, including staff retention and recruitment challenges, driven by market forces and relatively more attractive pay offers in the private sector. Increased reliance on Agency staffing across the sector, at substantially higher cost, continues to have very significant financial implications. Even with the use of agency staff, there are job roles and localities where service provision is being impacted due to lack of staffing. NHS Highland is faced with an increasing number of Independent Adult Care Home providers withdrawing from the sector, or seeking additional financial support to sustain their services. In some localities NHS Highland and the Council have had to work to secure the future of Independent Sector care homes through, in some localities, considering acquiring/operating homes where the provider is ceasing operations. The impact of which is putting considerable pressure in public sector budgets. The Council, in its revenue budget for 2024/25, set aside £20m of earmarked reserve funding to support the Adult Social Care budget on a multi-year basis, and the process of change and transformation. Around £8m of that funding was drawdown to support Adult Social Care during the financial year.

The Council in December 2024 agreed to reconsider the model of its Scheme of Integration (the lead agency model) and to undertake work, with NHS Highland, to identify the optimal model of integration, including consideration of moving from a Lead Agency Model to a body corporate model. That work is progressing over the course of 2025.

Climate Change and Net Zero

The Council must adapt and build resilience in itself and its communities to address vulnerabilities to the potential effects of climate change and deliver its commitment to Net Zero. A revised approach for the future delivery of the Net Zero Strategy was approved by the Climate Change Committee in May 2024. This included the Net Zero Strategy Group being tasked with developing five projects for consideration at each meeting of the Climate Change Committee. There is risk that if financial support and prioritisation are insufficient, due to competing financial demands, economic pressures and the continued approach being business as usual will hinder progress toward achieving the council's Net Zero ambitions and meeting approved corporate targets.

Population and Demographic Change

The Council needs to ensure that its service delivery, and its planning for future service delivery, takes account of population change and responds to both challenges and opportunities that result from this. There are parts of the Highlands which are seeing a significant decline in population numbers, contrasted with other parts of the Highlands which are growing. This scenario gives rise to financial as well as service delivery challenges, with the need to often expand services in growing population areas, alongside the challenge and expectations around sustaining services in areas of declining population. As highlighted earlier in this commentary, there are a number of current economic drivers which have the potential for positive economic impacts, and provide opportunities for job creation and addressing some of the issues of localised population decline. The Council is positively contributing to action to support this economic activity, and in turn respond to the resulting needs that arise in relation to housing and other public services.

Risk to the provision of safe and effective property

The Council has a vast range of assets. The Council's corporate risk register recognises the following risks associated. There is a risk that our properties will become unsafe and/or unsuitable for the delivery of the Council services for which they are intended. This may be caused by: a lack of maintenance, building fabric deterioration, changes in building regulations and other statutory requirements, changing business needs/ Council policy, impacts of climate change. The Council has sought to mitigate such risks through a number of approaches, including targeted projects and workstreams within the Operational Delivery Plan to rationalise the assets owned by the Council, and through its budget plans and Highland Investment Plan, spend and invest in its retained assets to improve condition. There remains the risk that the pace of rationalisation is not sufficient, and that the need for investment remains at a level beyond what can be funded and afforded by the Council. The Council has also faced some costs and risks associated with RAAC and HAAC built facilities, which has emerged in recent times, albeit with some mitigation through plans in place, or subsequently agreed to replace buildings, particularly in the school estate.

Civil Contingencies

The Council's Corporate Risk Register recognises a number of civil contingency risks, including threats of cyber attack, power outage, flood and severe weather, and pandemics, and includes mitigations, actions and controls related to those risks.

Best Value

Against the backdrop of the risks as outlined above, the Council must still ensure it delivers Best Value and is on a journey of continuous improvement. This will be assessed by our External Auditors who report upon the Council's performance in meeting its Best Value duties as part of their annual work. Annual thematic reviews are also undertaken. The Council's latest Best Value Report was issued in April 2025 by the Accounts Commission and was considered by the Council in June 2025. That Best Value report welcomes good progress since the previous 2020 report, and commends the embedded culture of transformation. There are no recommendations in the report, and the report concludes that appropriate and effective financial management arrangements are in place.

Looking Ahead

Through financial and other plans already agreed, the Council will continue to focus on change and transformation through its Operational Delivery Plan, and delivery of budget savings over the course of 2025/26 and beyond.

The Council has already taken positive steps in relation to financial sustainability, including ceasing to use reserves to balance its budget for the year for 2025/26, and there will be a particular focus on budget monitoring and control for 2025/26 to avoid the level of unbudgeted overspend as occurred in 2024/25. The Council has already commenced various actions and improvements in that regard.

With the Highland Investment Plan now established, and phase 1 priorities agreed, 2025/26 and beyond will also see those priorities progress and the associated capital investment start to be released.

The Council continues to explore opportunities to lower its borrowing costs, or to consider new or alternative funding strategies that may support its investment plans and help address the Highland Housing Challenge. In doing so there will of course be a focus on ensuring all capital and investment plans are affordable, prudent and sustainable.

Based on some of the economic drivers set out within this commentary, the Council also expects in due course, to see some of the positive implications arising, including the potential jobs and housing growth, and potential for that to in turn translate to additional tax and other revenue streams. With those economic drivers will also come additional service needs and infrastructure investment, which the Council recognises the need to forward plan for.

The Council continues to operate on annual grant settlements from Scottish Government, and therefore despite the medium to longer-term planning approach being undertaken, there remains a degree of risk and uncertainty regarding future grant funding levels, and with the expectation that year on year the Council will continue to need deliver savings and reductions to balance its budget within available resource.

Derek Brown

Chief Executive

Raymond Bremner

Leader of the Council

Brian Porter CPFA

Chief Officer
Corporate Finance

Ambitious

Sustainable

Connected

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

The Council's Responsibilities

The Council is required to:

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

I confirm that these Annual Accounts were approved for issue by the Audit Committee at its meeting on 12 November 2025.

Signed on behalf of Highland Council

Raymond Bremner
Leader of the Council

The Chief Officer Corporate Finance's Responsibilities

The Chief Officer Corporate Finance is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code).

In preparing the Annual Accounts, the Chief Officer Corporate Finance has:-

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

The Chief Officer Corporate Finance has also:-

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

I certify that the Annual Accounts give a true and fair view of the financial position of the Council and its Group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2025.

Brian Porter CPFA
Chief Officer Corporate Finance

Annual Governance Statement

Aithris Riaghlachais Bhliadhnail

The Draft Annual Governance Statement was considered by the Council's Audit Committee on 28 May 2025 in line with CIPFA guidance.

Scope of responsibility

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

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

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

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

The purpose of the governance framework

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

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

The governance framework has been in place for the year ended 31 March 2025 and up to the date of approval of the Annual Accounts.

The governance framework

The Local Code of Corporate Governance was approved by the Audit Committee on 28 November 2024. The basis of the 2024/25 Local Code is the Framework and Guidance issued by CIPFA and SOLACE which identifies seven core principles, each with a number of sub-principles. The core principles are:

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

7. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The progress in delivering the actions set out in the Code is monitored quarterly through the Council's Performance Recording and Management System (PRMS). The 2024/25 Code contained a total of eight-two actions, seventy-six of which are shown as complete or on target. The remaining actions which have been identified as having some slippage relates to:

- **Financial Regulations and Contract Standing Orders support the Council's ethical values and are reviewed regularly:** Contract Standing Orders were updated in March 2024 for the forthcoming year. Some changes have been made to the Financial Regulations including revising Instruction Notes, however, further revisions are required to reflect the new Council structure and changes in officer responsibilities, and changes due to implementation of the new Corporate Financial System.
- **Scheme of Delegation sets out delegated authority, reviewed annually:** A full review had been planned for March 2025, but this was limited to amendments which would facilitate timeous responses to energy consent applications. A revised target of October 2025 has been set for this action.
- **Service Risk managed and reported to Strategic Committees:** Resources have been directed to the Operational Delivery Plan but key risks for each project and workstream have been identified, assessed and reported to the Strategic Committees.
- **Partnerships delivery efficiencies & service improvements:** The savings and efficiencies to be delivered in partnership with NHS Highland for Adult Social Care are not progressing as quickly as required.
- **PSN Accreditation providing assurance about network and infrastructure security:** There was a delay in PSN accreditation for 2025 due to data centre transformation. The target is now for the end of the calendar year.

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

Review of effectiveness

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

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

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

All Assistant Chief Executives have reviewed the arrangements in their cluster of services and reported on their assessment of the effectiveness of the control arrangements in place.

Formal meetings of the Council and its strategic committees have operated on a hybrid model since March 2022 and the practice is now well established. The Council ensures openness and transparency

in decision making by ensuring all strategic meetings are open to the public and continue to be webcast. Recordings of all local Committees are uploaded to the Council's YouTube channel. Following a Council decision all Council and committee agendas and reports are now circulated electronically to Members rather than on paper as well as being available to the public on the Council website.

A wide-ranging member training and development programme focussing on induction of new members but available to all members was put in place in May 2022 and has continued. In May 2023 following distribution and consideration of a survey of all Councillors it was agreed that a short life Members' Learning and Development Group be established. The recommendations from this Group were used to inform a report to Council in October 2023 setting out a future Members' Learning and Development Framework and Programme. A review of the Members' Learning and Development Framework and Programme input was reported to Council in December 2024. A refreshed Members' Learning and Development Framework and Members' Learning and Development Programme for 2025 were agreed.

The Council has re-established a Governance Review Working Group made up of a number of senior Members. The Group is undertaking a rolling programme of review of the Council's existing governance arrangements and, has made recommendations on matters such as changes to Standing Orders and the Scheme of Delegation. The Council has introduced and supported the implementation of an integrated impact assessment process for all reports and motions being considered at meetings of its Committees. Going forward the Steering Group will continue to meet, review governance arrangements and, where appropriate, make recommendations for further revisions into 2025/26 as well as supporting delivery of the Learning and Development Programme.

In December 2024 Council agreed to establish a Working Group to review the governance and funding arrangements of its Area Committees so that they may better serve the needs of their local communities.

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

The PSIAS were replaced by the Global Internal Audit Standards (GIAS) which came into effect in January 2025. CIPFA subsequently issued "The Application Note: Global Internal Audit Standards in the UK Public Sector" which changed this date to 01/04/25. In accordance with the application note, the Chief Audit Executive (Strategic Lead (Corporate Audit)) has prepared the final annual report under the PSIAS. The Internal Audit Annual Report 2024/25 has been presented to the Audit Committee on 28/05/25. This report is also used to inform the Annual Governance Statement.

The PSIAS requires that there is periodic self-assessment against its requirements. This is undertaken annually and reported within the annual report. There is a change compared to previous years in that full compliance against the standards is not reported for this year. The reason for this is that no external assessment was undertaken resulting in the element relating to the quality assurance and improvement programme moving from full to partial compliance. Following previous reported delays to this assessment, it was decided by the Strategic Lead that resources would be better directed to implementing the new GIAS and moving forward given the fact that this is the last year of the PSIAS.

During 2024/25, a total of 104 audit recommendations were made. This includes 27 high grade recommendations which had a number of agreed management actions arising from 10 audit reports. The status reported as at 31/03/25 showed that good progress had been made with implementing the audit recommendations as:

- 14 had been fully completed
- 8 were not yet due
- 5 had revised target dates.

Further details are provided in the table below:

Report Name	No. High	Action Status			Current Status
		Complete	Not yet due	Revised	
In-house bus operation income systems	2	1	0	1	A clear strategy (business and financial) for the in-house bus service should be developed to ensure it can benchmark the cost avoidance model and deliver the intended performance and outcomes. This requirement is acknowledged as being essential to inform the new operating model when the project transitions from its pilot status. Discussions at a senior strategic level to develop this are already taking place and a report is to be brought back to E&I Committee. (Target date 30/11/24, Revised action date 30/06/25).
Cessation of Utility Supplies	1	0	0	1	Management should ensure that the Concerto "Vacant/Potentially Vacant" (PV) report is reviewed following comparison with the Asset Management Plan/analysis and after discussion with key officers/Service to ensure that all properties have been included. The new Strategic Asset Management Board (SAM) has now been reformed as of 28/03/25, being chaired by Chief Officer, Property and Assets and the Depute Chair is the Service Lead, Asset Management and Community Property. All Council Service Clusters are represented on the SAM Board. The revised Void Property Management Procedure will be taken to the SAM Board for approval. The energy team will be advised as part of this process if utilities are to be shut down on an interim or permanent basis. Void properties will be flagged on Concerto as becoming void and a list of void properties will be monitored by the SAM Board for repurposing, community asset transfer or Disposal. Estates Officers and Maintenance Officers will be tasked with monitoring void properties within their geographical areas. (Target date 31/03/25, Revised action date 31/08/25).
Review of Payroll Control Environment	10	7	3	0	These actions have a target date of 30/04/25: i. Review the process to prepare salary budget profiles and confirm these against the 'establishment' to ensure completeness and accuracy of all salary budgets. A review will be undertaken of the process to prepare salary budget profiles and confirm these against the 'establishment'. This will include the alignment of the new service structures and the implementation and development of the new Finance system. ii. Review and revise the existing processes to best identify the process, functions and skills required to effectively administer and recover overpayments on a

Report Name	No. High	Action Status			Current Status
		Complete	Not yet due	Revised	
					timely basis from payroll. A review of the existing ledger coding structure will be undertaken to support systematic reporting and monitoring. iii. Management should ensure that the review of an integrated system can deliver a more effective system-based approach to administering employee changes and reducing the risk of overpayments from payroll. This should better enable the calculation, administration, recovery, monitoring, and reporting of any overpayments from payroll. Process improvement is also currently being addressed as part of the HR and Payroll project).
Business Continuity Planning (BCP)	3	1	1	1	There is one revised date and one not yet due: i. A BCP should be put in place for each of the 3 new service clusters (People, Place, Corporate) Where existing Service BCP information is used to form these plans, it should be checked and updated where necessary. Services should ensure that contact information is up to date and regularly reviewed. Once finalised, all BCPs should be stored centrally on the Gold Group Emergencies HUB SharePoint site and also held in hard copy within Services. Although significant progress has been made. This is particularly true of the Corporate Cluster where service arrangements under all 5 Chief Officers have been reviewed since the publication of the Audit Report. Given that work is ongoing, and a momentum exists, the deadline has been extended to allow for the full completion of this action. (Target date 31/12/24, Revised date 15/11/25) ii. All BCPs should be exercised (tested) annually with a focus on key risks and documented evidence held of completion. Chief Officers will ensure that BCPs are exercised (tested) annually and documented evidence of completion will be retained. (Target date 31/05/25).
Roads Maintenance	4	3	0	1	Management must prepare, approve and distribute a suite of policies, procedures and guidance that will allow all roads teams to manage and control their activities in a transparent and consistently controlled manner. We recognise a re-structure is required to enable greater consistency across the teams, and to facilitate more collaborative working and sharing of resources to deliver greater efficiencies. When the re-structure is complete the agreed approach to the management and control of roads activities will be documented and rolled out to all teams. (Target date 30/06/25).

Report Name	No. High	Action Status			Current Status
		Complete	Not yet due	Revised	
Procurement of ICT Cloud Hosted Systems	2	1	0	1	The process should be formalised to improve transparency, accountability and ensure consistent application of the process. ICT Application Support Model will be formally introduced and applied initially to all new procurements. (Target date 31/03/25, Revised date 31/05/25).
ICT Asset Registers	2	0	2	0	Both of these actions are not yet due until 30/06/25. i. Processes for managing ICT asset registers (on the CMDB) should be reviewed to ensure they are fit for purpose. ICT Services will conduct Asset management process review to ensure current documentation is fit for purpose, changes where required will be made to improve process. ii. The CMDB should be kept up to date and reconciled to stock held to ensure that "instore" is an accurate record of assets that are held by ICT Services that can be issued to end users. An asset management process review will ensure current processes are fit for purpose; changes where required will be made to improve process. A review of operational status options will be carried out so they can be used more effectively. A stock review will be implemented every 6 months.
Workforce Planning Arrangements	1	1	0	0	Action completed.
CPO Supervision	1	0	1	0	This action is not due until 30/06/25. Management must ensure that: - social workers record all aspects of individual supervision on the CareFirst system and the evidence that supports their compliance with the Community Payback Order Practical Guidance is retained and available for management review. - social workers record explanations in cases where the supervision requirements of the Community Payback Order Practical Guidance cannot be followed, and these explanations should be subject to supervisory review; and - where necessary further training, support and guidance is provided for social workers. The management team through our QA framework has already identified some of these issues and individual Social Workers are being supported to make sure all data is available. We have been able to identify certain areas of the CMP review process in which Team Managers require more information, and the current paperwork will be amended to reflect these needed changes. A refresher training will be provided to all Social Workers.

Report Name	No. High	Action Status			Current Status
		Complete	Not yet due	Revised	
Review of Health & Safety Arrangements	1	0	1	0	This action is not due until 27/06/25. A programme of regular compliance monitoring should be put in place as per the OHSW Policy and adherence should be monitored. A programme of regular work has been restricted due to H&S Adviser vacancies (2.6FTE). Recruitment to these vacancies is actively being pursued. The OHSW Team will continue to carry out workplace inspections both proactively and reactively based on risk with existing resource and statutory requirements to ensure there are no statutory breaches.
Totals	27	14	8	5	

There are no particular trends identified from the high-grade recommendations with regard to the above and these are not considered sufficiently material to impact upon the audit opinion provided within section 2.10 of the Internal Audit Annual Report.

A self-assessment exercise was undertaken last year to assess the extent of the compliance with the CIPFA Code on Managing the Risk of Fraud and Corruption. There was one action required in respect of revising the Anti-fraud and Anti-corruption Policy. This was completed with the updated policy renamed the Counter Fraud Policy and then approved by the Audit Committee on 13/06/24.

There has been no change over the last year, therefore it is considered that the Council's arrangements fully comply with the CIPFA Code.

Commentary on group bodies significant governance issues

Inverness and Nairn Common Good Funds

- No significant governance issues were identified.

Highland and Western Isles Valuation Joint Board

- No significant governance issues were identified.

Highland and Islands Transport Partnership

- No significant governance issues were identified.

High Life Highland

- No significant governance issues were identified.

D&E Coaches Ltd

- The Council acquired the full shareholding of D&E Coaches Ltd on 31 January 2025 and the Company is reflected within the Council's Group Accounts. Given the recent nature of the acquisition, consideration of governance will be progressed during the course of 2025/26 and reflected in future Annual Governance Statements

Conclusion

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

Raymond Bremner

Leader of the Council

Derek Brown

Chief Executive

Remuneration Report

Aithisg Tuarastail

Highland Council Remuneration Report

The Remuneration Report provides information on Senior Councillors of the Highland Council and Senior Employees of the Highland Council and its subsidiary companies High Life Highland and, from 31 January 2025, D & E Coaches Ltd.

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

1. Remuneration

i) Councillors

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

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

The salary that is to be paid to the Leader of the Council is set out in the regulations. For 2024/25 the remuneration for the Leader of Highland Council is £49,810. The regulations permit the Council to remunerate a Civic Head – this role is the Convener in Highland Council - and set out the maximum salary that can be paid to the Civic Head as £37,360, equivalent to 75% of the Leader's salary.

The regulations also set out the total remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have, excluding the Leader and the Civic Head. The total amount payable by the Council for remuneration of all of its Senior Councillors (excluding the Leader and Civic Head) cannot exceed £557,674 for 2024/25 and the total number of Senior Councillors permitted is 19. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The Council complied with these requirements in 2024/25.

The current Senior Councillor structure and Scheme of Remuneration was agreed by a meeting of Council on 9 June 2022. The report is available at the following link: https://www.highland.gov.uk/meetings/meeting/4626/highland_council (item 3b).

The remuneration in 2024/25 for all councillors was £1,697,961 (2023/24: £1,613,121). The regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

In addition to the Senior Councillors of the Council, the regulations also set out the remuneration payable to councillors with the responsibility of Convener or Vice Convener of a Joint Board. The regulations require the remuneration to be paid by the Council of which the Convener or Vice Convener is a member. The council is also required to pay any pension contributions arising from the Convener or Vice Convener being a member of the Local Government Pension Scheme. The Council is reimbursed by the Joint Board for any additional remuneration paid from being a Convener or Vice Convener of a Joint Board. For 2024/25 the remuneration for the Convener of the Valuation Joint Board is £26,686.

Table 1: Remuneration of Senior Councillors and Conveners and Vice-Conveners of Joint Boards for 2024/25

The table below includes all Councillors who held a Senior Councillor role or the post of Convener or Vice Convener of the Highland & Western Isles Valuation Joint Board at any point during 2024/25.

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

Councillors are listed in alphabetical order.

2023/24	Senior Councillor/ Joint Board Convener	Responsibility	Start Date	End Date	2024/25		
Total £					Salary, Fees & Allowances £	Taxable Expenses £	Total £
n/a	Sarah Atkin	Vice Chair of Housing and Property Committee (Note 1)	27/06/24		22,948	-	22,948
46,902	Raymond Bremner	Leader of the Council	26/05/22		49,810	-	49,810
25,675	Ian Brown	Leader of Inverness and Area	08/06/22		27,267	-	27,267
28,756	Glynis Campbell-Sinclair	Chair of Housing and Property Committee	09/06/22		30,539	-	30,539
30,810	Alasdair Christie	Leader of the Opposition	26/05/22		32,720	-	32,720
22,357	Muriel Cockburn	Vice Chair of Health, Social Care and Wellbeing Committee	09/06/22		23,449	53	23,502
31,049	John Finlayson	Chair of Education Committee	09/06/22		32,720	232	32,952
29,133	David Fraser	Chair of Health, Social Care and Wellbeing Committee	09/06/22		30,539	385	30,924

2023/24	Senior Councillor/ Joint Board Convener	Responsibility	Start Date	End Date	2024/25		
Total £					Salary, Fees & Allowances £	Taxable Expenses £	Total £
25,128	Laurie Fraser	Convener of Highland & Western Isles Valuation Joint Board (Note 2)	20/06/22		26,686	-	26,686
		Vice Chair of Housing and Property Committee	09/06/22	26/06/24			
31,038	Ken Gowans	Chair of Economy and Infrastructure Committee	09/06/22		32,720	211	32,931
22,144	Michael Green	Vice Chair of Economy and Infrastructure Committee	09/06/22		23,449	152	23,601
35,663	Bill Lobban	Convener of the Council	26/05/22		37,360	471	37,831
28,756	Derek Loudon	Chair of Corporate Resources Committee	09/06/22		30,539	-	30,539
29,112	Graham MacKenzie	Chair of Communities and Place Committee	09/06/22		30,539	343	30,882
22,081	Drew Millar	Vice Chair of Education Committee	09/06/22		23,449	-	23,449
22,219	Hugh Morrison	Vice Chair of Communities and Place Committee	09/06/22		23,449	-	23,449
22,173	Calum Munro	Vice Chair of Corporate Resources Committee	09/06/22		23,449	-	23,449

2023/24	Senior Councillor/ Joint Board Convener	Responsibility	Start Date	End Date	2024/25		
Total £					Salary, Fees & Allowances £	Taxable Expenses £	Total £
25,675	Patricia Robertson	Chair of Audit Committee (previously known as Audit & Scrutiny Committee)	09/06/22		27,267	-	27,267
478,671	Total				528,899	1,847	530,746

Notes:

1. 2024/25 remuneration includes the accrual of £1,603 back pay due in respect of the Vice Chair post.
2. £4,839 was recharged to Highland and Western Isles Valuation Joint Board in 2024/25 (2023/24: £3,047). This recharge represents the difference between the Convener salary and the Vice Chair of Housing & Property Committee salary from 1 April 2024 to 26 June 2024 and the difference between the Convener salary and the Councillor salary from 27 June 2024 to 31 March 2025.
3. Four Highland councillors also sit on the Board of High Life Highland. These are non-remunerated positions.

Table 2: Members' Allowances and Expenses

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

2023/24 £000		2024/25 £000
1,613	Remuneration	1,698
117	Travel and subsistence	122
15	All other expenses	10
1,745	Total	1,830

ii) Senior Employees

A revised senior management structure was agreed by Highland Council on 14 March 2024 and implemented over the period April to December 2024. The 2024/25 remuneration report reflects the phasing in of the new structure.

The salary of the Chief Executive is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) of Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities, with Circular CO/154 containing details of 2024/25 salaries. Salaries of the Depute Chief Executive and Executive Chief Officers, under the previous management structure, and the Assistant Chief Executives and Chief Officers, under the revised management structure, are also based on Circular CO/154.

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

The salary of the Chief Operations Executive Officer of D & E Coaches Ltd is set by the Board of the company. The company was acquired by Highland Council on 31 January 2025 and two Highland Council Assistant Chief Executives have been non-remunerated board members since that date.

Table 3: Remuneration of Senior Employees for 2024/25

The tables below include details of the remuneration of the Senior Employees of Highland Council and of its subsidiary companies High Life Highland Ltd and, from 31 January 2025, D & E Coaches Ltd. Table 3a reflects the senior management restructure which took place during 2024/25. Only the remuneration which relates to the period during which a Senior Employee post was held is disclosed. Where a Senior Employee post was not held throughout the whole of the year, the full year equivalent salary is shown in brackets.

Employees are listed in alphabetical order.

Table 3a: Highland Council Senior Employees

2023/24	Name	Senior Employee Position	2024/25		
Total Remuneration £			Salary, Fees & Allowances £	Compensation for Loss of Employment £	Total Remuneration (Note 5) £
102,123	Derek Brown	Chief Executive (2023/24 FYE: £177,606)	184,000	-	184,000
105,487	Fiona Duncan	Executive Chief Officer – Health & Social Care and Chief Social Work Officer (to 28/08/24) (2024/25 FYE: £109,285)	109,285	-	109,285
		Chief Officer - Health & Social Care and Chief Social Work Officer (from 29/08/24) (2024/25 FYE: £109,285) (Note 1)			
n/a	Fiona Grant	Head of Education, Learning & Teaching and Chief Education Officer (from 13/04/24 to 28/08/24) (2024/25 FYE: £97,557) (Note 1)	101,266	-	101,266
		Chief Officer - Education (Secondary) and Chief Education Officer (from 29/08/24) (2024/25 FYE: £109,285) (Note 1)			
105,487	Nicky Grant	Executive Chief Officer - Education and Learning (to 12/04/24) (2024/25 FYE: £109,285) (Note 2)	10,143	52,742	62,885

2023/24	Name	Senior Employee Position	2024/25		
Total Remuneration £			Salary, Fees & Allowances £	Compensation for Loss of Employment £	Total Remuneration (Note 5) £
105,487	Allan Gunn	Executive Chief Officer - Communities and Place (to 29/04/24) (2024/25 FYE: £109,285)	127,668	-	127,668
		Assistant Chief Executive - Corporate (from 30/04/24) (2024/25 FYE: £129,279)			
154,628	Kate Lackie	Interim Chief Executive (from 01/02/23 to 03/09/23) (2023/24 FYE: £177,606)	130,352	-	130,352
		Interim Depute Chief Executive (from 04/09/2023 to 29/04/24) (2024/25 FYE: £142,600)			
		Assistant Chief Executive - People (from 30/04/24) (2024/25 FYE: £129,279)			
119,154	Malcolm MacLeod	Executive Chief Officer – Infrastructure, Environment and Economy (to 29/04/24) (2024/25 FYE: £109,285)	127,668	-	127,668
		Assistant Chief Executive - Place (from 30/04/24) (2024/25 FYE: £129,279)			
105,487	Paul Nevin	Interim Executive Chief Officer - Performance and Governance (to 08/10/24) (2024/25 FYE: £109,285)	56,993	-	56,993
101,492	Brian Porter	Head of Corporate Finance and Interim Section 95 Officer (to 09/09/24) (2024/25 FYE: £104,349) (Note 1)	107,105	-	107,105
		Chief Officer - Corporate Finance and Section 95 Officer (from 10/10/24) (2024/25 FYE: £109,285)			
105,487	Mark Rodgers	Executive Chief Officer – Property and Housing (to 02/06/24) (2024/25 FYE: £109,285)	18,821	-	18,821
63,973	Ruth Rountree Provan	Corporate Communications and Resilience Manager (to 31/07/24) (2024/25 FYE: £66,284) (Notes 1 & 3)	22,095	-	22,095

2023/24	Name	Senior Employee Position	2024/25		
Total Remuneration £			Salary, Fees & Allowances £	Compensation for Loss of Employment £	Total Remuneration (Note 5) £
44,832	Tracey Urry	Interim Executive Chief Officer - Infrastructure, Environment and Economy (to 03/09/23) (2023/24 FYE: £105,487)	n/a	-	n/a
1,113,637	Total		995,396	52,742	1,048,138

Table 3b: Highland Council Subsidiary Bodies

n/a	Gayle McEwan	Chief Operations Executive Officer, D & E Coaches Ltd (from 31 January 2025) (FYE: £51,924)	8,654		8,654
104,268	Steve Walsh	Chief Executive, High Life Highland	108,017		108,017
104,268	Total		116,671	-	116,671

Notes to tables 3a & 3b:

1. Included as Senior Employee as post is politically restricted by reason of section 2(1) (a) (b) or (c) of the Local Government & Housing Act 1989.
2. 2024/25 salary, fees and allowances figure includes £6,500 pay in lieu of holiday. 2024/25 compensation for loss of employment figure includes £26,371 pay in lieu of notice.
3. The Corporate Communications and Resilience Manager reported directly to the Chief Executive from 1 February 2023 to 31 July 2024. As a result of the senior management restructure during 2024/25 this post did not report directly to the Chief Executive from 1 August 2024 so the remuneration from that date is not reflected within table 3a.
4. No payments of taxable expenses were made to Senior Employees in 2024/25 (2023/24: Nil).

Table 4: General Disclosure by Pay Band

The number of Highland Council employees who received remuneration of £50,000 or more during the year are shown in the table below in bands of £5,000. The Remuneration Bands are fixed, therefore, as a result of annual staff cost of living pay awards and incremental progression, typically the number of employees in the lower bands increases year on year as staff pay moves up and into the first band. However, for 2024/25 the number of employees in the first band has reduced. This is because the 2023/24 numbers reflect the payment of the backdated 2022/23 teachers' pay award during 2023/24, which resulted in a significant one-off increase in the number of employees in the first band, followed by a reduction in 2024/25.

Number of Employees 2023/24	Remuneration Bands £	Number of Employees 2024/25
890	50,000 - 54,999	406
307	55,000 - 59,999	269
224	60,000 - 64,999	214
113	65,000 - 69,999	136
105	70,000 - 74,999	120
74	75,000 - 79,999	50
28	80,000 - 84,999	28
11	85,000 - 89,999	19
6	90,000 - 94,999	6
18	95,000 - 99,999	7
4	100,000 - 104,999	8
6	105,000 - 109,999	5
-	110,000 - 114,999	1
1	115,000 - 119,999	-
-	120,000 - 124,999	2
-	125,000 - 129,999	2
-	130,000 - 134,999	1
1	150,000 - 154,999	-
-	180,000 - 184,999	1

Table 5: Exit Disclosure

The following table shows the number of exit packages agreed at each cost band and the total actuarial cost for each band, split into benefits to the employee and the strain on the pension fund. There was one compulsory redundancy in 2024/25 (2023/24 – three).

2023/24				Cost Band	2024/25			
Number of Employees	Benefits to Employee £	Strain on Pension Fund £	Total Cost £		Number of Employees	Benefits to Employee £	Strain on Pension Fund £	Total Cost £
5	31,896	16,661	48,557	£0 - £20,000	-	-	-	-
				£20,001 - £40,000	2	54,000	-	54,000
2	91,000	-	91,000	£40,001 - £60,000	2	126,258	-	126,258
-	-	-	-	£60,001 - £80,000				
-	-	-	-	£150,001 - £200,000	1	67,770	99,259	167,029
7	122,896	16,661	139,557	Total	5	248,028	99,259	347,287

2. Appointments

i) Councillors

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

The Highland Council Senior Councillor posts during 2024/25 were:

Leader of the Council
Convener of the Council
Leader of the Opposition
Chair of Audit Committee
Chair of Communities and Place Committee
Chair of Corporate Resources Committee
Chair of Education Committee
Chair of Economy and Infrastructure Committee
Chair of Health, Social Care and Wellbeing Committee
Chair of Housing and Property Committee
Leader of Inverness and Area
Vice Chair of Communities and Place Committee
Vice Chair of Corporate Resources Committee
Vice Chair of Education Committee
Vice Chair of Economy and Infrastructure Committee
Vice Chair of Health, Social Care and Wellbeing Committee
Vice Chair of Housing and Property Committee

ii) Senior Employees

The panel for the appointment of Chief Officer level and above for permanent vacancies during 2024/25 comprised the Convener, Leader, two Senior Strategic Committee Chairs, Leader of the Opposition, Leader of the Scottish Conservative & Unionist Group and one additional member of the Opposition.

3. Pension Benefits – Councillors and Senior Employees

Pension benefits for Highland Council councillors and senior employees and High Life Highland senior employees are provided through the Local Government Pension Scheme (LGPS). There are two Highland Council senior employees included in the 2024/25 remuneration report whose pension benefits include benefits provided through the Scottish Teachers' Superannuation Scheme. Further details of this scheme are available at the link <https://pensions.gov.scot/teachers/about-teachers-pensions/scottish-teachers-superannuation-scheme>. Highland Council's subsidiary company, D & E Coaches Ltd, acquired on 31 January 2025, operates a defined contribution pension scheme, D & E Coaches Ltd – National Employment Savings Trust.

Local Government Pension Scheme

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

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

THE HIGHLAND COUNCIL ANNUAL ACCOUNTS 2024/25

is the value used to calculate the pension benefits. Benefits built up to 31 March 2015 are protected and based on final pay.

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

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

The 2024/25 contribution tiers and rates are as follows:

Pensionable pay	Contribution rate 2024/25
On earnings up to and including £27,000	5.50%
On earnings above £27,000 and up to £33,000	7.25%
On earnings above £33,000 and up to £45,300	8.50%
On earnings above £45,300 and up to £60,400	9.50%
On earnings above £60,400	12.00%

2023/24 contribution tiers and rates:

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

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

The 2024/25 employer's contribution rate is 17.5% of pensionable pay (2023/24: 19%).

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

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

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

Table 6: Senior Councillor Pension Benefits

The accrued pension benefits as at 31 March 2025 for those Senior Councillors who were active members of the Local Government Pension Scheme during 2024/25 are shown in the table below, together with the contributions made by Highland Council to each Senior Councillor's pension during the year.

For responsibilities of each Senior Councillor, refer to the table on pages 35-37.

Councillors are listed in alphabetical order.

Pension Contributions 2023/24 £	Senior Councillor/ Joint Board Convener	Pension Contributions 2024/25 £	Accrued Pension Benefits			
			As at 31/03/25		Difference from 31/03/24	
			Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
n/a	Sarah Atkin	3,998	1	-	-	-
8,892	Raymond Bremner	8,674	6	-	2	-
4,868	Ian Brown	4,748	8	2	1	-
5,452	Glynis Campbell-Sinclair	5,318	6	-	1	-
5,841	Alasdair Christie	5,698	10	-	1	-
4,186	Muriel Cockburn	4,084	4	-	1	-
5,841	John Finlayson	5,698	5	-	1	-
5,452	David Fraser	5,318	2	-	-	-
4,764	Laurie Fraser	4,647	10	6	1	-
5,841	Ken Gowans	5,698	7	-	1	-
4,186	Michael Green	4,084	1	-	-	-
6,669	Bill Lobban	6,506	9	-	2	-
5,452	Derek Loudon	5,318	4	-	1	-
5,452	Graham MacKenzie (Note 1)	4,873	7	-	1	-

Pension Contributions 2023/24 £	Senior Councillor/ Joint Board Convener	Pension Contributions 2024/25 £	Accrued Pension Benefits			
			As at 31/03/25		Difference from 31/03/24	
			Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
4,186	Drew Millar	4,084	1	-	-	-
4,186	Hugh Morrison	4,084	6	-	1	-
4,186	Calum Munro	4,084	2	-	-	-
4,868	Patricia Robertson	4,748	5	-	1	-
90,322	Total	91,662	94	8	15	-

Notes:

1. Left pension scheme on 2 January 2025 and received pension benefits from that date.

Table 7: Senior Employee Pension Benefits

The accrued pension benefits as at 31 March 2025 for those Senior Employees who were active members of the Local Government Pension Scheme during 2024/25 are shown in the tables below, together with the contributions made by Highland Council or a Highland Council subsidiary body to each Senior Employee's pension during the year.

For the position(s) held by each Senior Employee, refer to the tables on pages 39-41.

Employees are listed in alphabetical order.

Table 7a: Highland Council Senior Employees

Pension Contributions 2023/24 £	Senior Employee	Pension Contributions 2024/25 £	Accrued Pension Benefits			
			As at 31/03/25		Difference from 31/03/24	
			Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
19,403	Derek Brown	32,200	33	-	31	-
20,043	Fiona Duncan	19,125	46	47	5	2
n/a	Fiona Grant (Note 1)	19,625	42	107	4	4
20,043	Nicky Grant (Note 2)	638	27	62	1	-
20,043	Allan Gunn	22,342	63	85	11	15
29,379	Kate Lackie (Note 3)	22,812	42	26	-	-5
22,639	Malcolm MacLeod	22,342	55	62	6	5
20,049	Paul Nevin	15,524	10	-	2	-
19,546	Brian Porter	18,743	48	49	7	5
20,043	Mark Rodgers	3,294	10	-	1	-
12,162	Ruth Rountree Provan	11,600	15	-	2	-
19,052	Tracey Urry	n/a	n/a	n/a	n/a	n/a
222,402	Total	188,245	391	438	70	26

Table 7b: Highland Council Subsidiary Bodies

Pension Contributions 2023/24 £	Senior Employee	Pension Contributions 2024/25 £	Accrued Pension Benefits			
			As at 31/03/25		Difference from 31/03/24	
			Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
n/a	Gayle McEwan (from 31 January 2025)	227	Note 4	Note 4	Note 4	Note 4
18,331	Steve Walsh	18,903	20	-	4	-
18,331	Total	19,130	20	-	4	-

Notes to tables 7a & 7b:

1. Pension benefits include LGPS benefits from 1 June 2024 plus deferred benefits due from active membership of the Scottish Teachers' Superannuation Scheme to 31 May 2024.
2. Pension benefits include LGPS benefits from 1 August 2021 plus deferred benefits due from active membership of the Scottish Teachers' Superannuation Scheme to 31 July 2021.
3. The reduction in accrued pension benefits as at 31 March 2025 compared to accrued pension benefits as at 31 March 2024 is due to the Interim Depute Chief Executive post held on 31 March 2024. This post was remunerated at a higher rate than the Assistant Chief Executive post held on 31 March 2025.
4. Not applicable as D & E Coaches Ltd operates a defined contribution pension scheme.

4. Trade Union Facility Time Disclosures

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require public sector employers to publish the following information for financial year 2024/25.

a) Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full time equivalent employee number
51	47

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

b) Percentage of time spent on facility time

Percentage of time	Number of employees
0%	28
1% - 50%	19
51% - 99%	2
100%	2

c) Percentage of pay bill spent on facility time

Total cost of facility time	£419,125
The total pay bill	£434,812,965
Percentage of the total pay bill spent on facility time	0.096%

d) Paid Trade Union Activities

Time spent on paid trade union activities as percentage of total paid facility time	16.17%
---	--------

Raymond Bremner
Leader of the Council

Derek Brown
Chief Executive

Independent Auditor's Report

Aithisg Neach-sgrùdaidh Neo-eisimeilich

Independent auditor's report to the members of The Highland Council and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of The Highland Council and its group for the year ended 31 March 2025 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on the Housing Revenue Account, the Council Tax Income Account, and the Non-domestic Rate Account and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the 2024/25 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2025 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 5 June 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, I report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Chief Officer Corporate Finance and Audit Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Officer Corporate Finance is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Officer Corporate Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Officer Corporate Finance is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

The Audit Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the council and its group;
- inquiring of the Chief Officer Corporate Finance as to other laws or regulations that may be expected to have a fundamental effect on the operations of the council and its group;
- inquiring of the Chief Officer Corporate Finance concerning the policies and procedures of the councils and its group regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The Chief Officer Corporate Finance is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

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 for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Claire Gardiner CPFA
Audit Director
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

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

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulation; which may differ from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis on page 62/63 and in the Movements in Reserves Statement on page 57/58.

2023/24 (restated)				2024/25		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
58,598	(63,235)	(4,637)	Council Housing – Housing Revenue Account	82,813	(68,515)	14,298
62,453	(15,752)	46,701	Communities & Place	67,335	(14,878)	52,457
280,744	(36,277)	244,467	Education & Learning	297,610	(11,662)	285,948
217,800	(19,478)	198,322	Health & Social Care	227,176	(20,345)	206,831
121,421	(42,986)	78,435	Infrastructure, Environment & Economy	126,799	(54,607)	72,192
8,647	(2,530)	6,117	Performance & Governance	13,742	(3,158)	10,584
110,537	(16,465)	94,072	Property & Housing	118,540	(15,329)	103,211
23,631	(2,849)	20,782	Resources & Finance	22,570	(3,269)	19,301
18,548	(4,197)	14,351	Depute Chief Executive	14,807	(5)	14,802
40,238	(32,908)	7,330	Welfare Services	40,151	(32,411)	7,740
214	-	214	Green Freeport	458	-	458
			Joint board requisitions			
2,975	-	2,975	Highland and Western Isles Valuation Joint Board	3,230	-	3,230
91	-	91	Highland and Islands Transport Partnership	91	-	91
945,897	(236,677)	709,220	Cost of Services Carried Forward	1,015,322	(224,179)	791,143

Comprehensive Income and Expenditure Statement (continued)

2023/24 (restated)				2024/25			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
945,897	(236,677)	709,220	Cost of services brought forward		1,015,322	(224,179)	791,143
		8,792	Losses on the disposal of non-current assets				15,668
		39,417	Financing and investment income and expenditure	10			41,658
		(793,977)	Taxation and non-specific grant Income	11			(840,434)
		(36,548)	Deficit/(Surplus) on provision of services				8,035
		(104,655)	Deficit/(Surplus) on revaluation of non-current assets				(106,664)
		33,776	Impairment losses on non-current assets charged to the revaluation reserve				-
		(214,176)	Remeasurements of the net defined benefit liability				310,895
		(285,055)	Other comprehensive (income) and expenditure				204,231
		(321,603)	Total comprehensive (income) and expenditure				212,266

The 2023/24 figures have been restated – please see note 3 Prior period adjustment

Movement in Reserves Statement 2024/25**Aithris Gluasad ann an Cùl-stòran 2024/25**

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

	General Fund £000	Housing Revenue Account £000	Renewal and Repair Fund £000	Insurance Fund £000	Capital Fund £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2024	158,088	4,681	2,227	5,299	18,117	13,390	201,802	1,641,233	1,843,035
Movement in reserves during 2024/25									
Total comprehensive income and expenditure	20,321	(28,356)	-	-	-	-	(8,035)	(204,231)	(212,266)
Adjustments to usable reserves permitted by accounting standards	5,572	62	-	-	-	-	5,634	(5,634)	-
Adjustments between accounting basis and funding basis under regulations (Note 8)	(75,066)	28,689	-	-	717	-	(45,660)	45,660	-
Net increase/(decrease) before transfers to/from and other statutory reserves	(49,173)	395	-	-	717	-	(48,061)	(164,205)	(212,266)
Transfers to/from other statutory reserves	11,761	-	14	(2,287)	(3,460)	(2,321)	3,707	(3,707)	-
Increase/(decrease) in 2024/25	(37,412)	395	14	(2,287)	(2,743)	(2,321)	(44,354)	(167,912)	(212,266)
Balance at 31 March 2025	120,676	5,076	2,241	3,012	15,374	11,069	157,448	1,473,321	1,630,769

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

	General Fund £000	Housing Revenue Account £000	Renewal and Repair Fund £000	Insurance Fund £000	Capital Fund £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2023 (restated)	131,822	3,909	2,208	3,883	18,493	14,361	174,676	1,346,756	1,521,432
Movement in reserves during 2023/24									
Total comprehensive income and expenditure	34,972	1,576	-	-	-	-	36,548	285,055	321,603
Adjustments to usable reserves permitted by accounting standards	6,154	198	-	-	-	-	6,352	(6,352)	-
Adjustments between accounting basis and funding basis under regulations (Note 8)	(79,503)	(1,002)	-	-	5,691	-	(74,814)	74,814	-
Net increase/(decrease) before transfers to/from and other statutory reserves	(38,377)	772	-	-	5,691	-	(31,914)	353,517	321,603
Transfers to/from other statutory reserves	64,643	-	19	1,416	(6,067)	(971)	59,040	(59,040)	-
Increase/(decrease) in 2023/24	26,266	772	19	1,416	(376)	(971)	27,126	294,477	321,603
Balance at 31 March 2024	158,088	4,681	2,227	5,299	18,117	13,390	201,802	1,641,233	1,843,035

The 2023/24 figures have been restated – please see note 3 Prior period adjustment

Balance Sheet**Duilleag Chothromachaidh**

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

01/04/23 £000 (restated)	31/03/24 £000 (restated)		Note	31/03/25 £000
2,621,943	2,815,632	Property, plant and equipment	28	3,071,177
-	-	Right of Use Assets	27	16,374
7,006	8,536	Heritage assets	34	8,536
-	25	Intangible Assets	29	-
50,572	55,617	Long term debtors (net of impairment)	36	67,756
-	-	Long Term Investments	35	6,103
45,998	267,967	Pension Asset	24	-
2,725,519	3,147,777	Long term assets		3,169,946
5,874	7,595	Inventories		6,418
84,258	94,890	Short term debtors	37/38	85,474
63,149	54,546	Cash and cash equivalents	18	43,442
1,451	2,251	Assets held for sale		2,220
154,732	159,282	Current assets		137,554
(167,957)	(224,426)	Short term borrowing	44	(267,066)
(160,312)	(154,629)	Short term creditors	39	(164,005)
(334)	(599)	Cash and cash equivalents – bank overdraft	18	(427)
(448)	(445)	Provisions	40	(692)
(13,021)	(18,463)	Capital Grant Receipts in Advance	43	(18,485)
(342,072)	(398,562)	Current liabilities		(450,675)
(889,904)	(944,097)	Long term borrowing	44	(1,041,590)
(126,843)	(121,365)	Other long term liabilities	41	(184,466)
(1,016,747)	(1,065,462)	Long term liabilities		(1,226,056)
1,521,432	1,843,035	Net assets		1,630,769
174,676	201,802	Usable reserves	12	157,448
1,346,756	1,641,233	Unusable reserves	13	1,473,321
1,521,432	1,843,035	Total reserves		1,630,769

The unaudited annual accounts were issued on 26 June 2025 and the audited financial statements were authorised for issue by Brian Porter on 12 November 2025.

The 2023/24 figures have been restated – please see note 3 Prior period adjustment

Brian Porter CPFA

Chief Officer Corporate Finance

Cash Flow Statement**Aithris Sruth-airgid**

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

2023/24 £000 (restated)		Note	2024/25 £000
36,548	Net surplus/(deficit) on the provision of services		(8,035)
82,172	Adjust net surplus on the provision of services for non-cash movements	14	94,326
(94,992)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	14	(81,330)
<u>23,728</u>	Net cash inflow from operating activities		<u>4,961</u>
(215,688)	Investing activities	16	(233,336)
183,092	Financing activities	17	217,443
<u>(8,868)</u>	Net increase or (decrease) in cash and cash equivalents		<u>(10,932)</u>
62,815	Cash and cash equivalents at 1 April 2024		53,947
<u>53,947</u>	Cash and cash equivalents at 31 March 2025	18	<u>43,015</u>

The 2023/24 figures have been restated – please see note 3 Prior period adjustment

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

1. Expenditure and Funding Analysis	62
2. Note to Expenditure and Funding Analysis.....	64
3. Prior period adjustment – property, plant and equipment.....	67
4. Accounting policies	69
5. Accounting Standards issued but not yet adopted	84
6. Critical judgements in applying accounting policies	84
7. Assumptions made about the future and other major sources of estimation uncertainty.....	84
8. Movement in Reserves Statement – adjustments between accounting basis and funding basis under regulations.....	85
9. Movement in Reserve Statement – transfers to/from earmarked reserves.....	91
10. Comprehensive Income and Expenditure Statement – Financing and investment income and expenditure	92
11. Comprehensive Income and Expenditure Statement – Taxation and non specific grant income.....	92
12. Balance Sheet – usable reserves	93
13. Balance Sheet – unusable reserves	95
14. Cash flow statement – Adjustments to surplus/deficit on the provision of services	98
15. Cash flow statement – operating activities	99
16. Cash flow statement – investing activities	99
17. Cash flow statement – financing activities.....	99
18. Cash flow statement – cash and cash equivalents.....	99
19. Expenditure & Income Analysed by Segment and Nature	100
20. Trading operation	102
21. Agency Services	102
22. External audit costs.....	103
23. Pension schemes accounted for as defined contribution schemes.....	103
24. Defined benefit pension schemes.....	104
25. Local Government Pension Scheme	113
26. Related parties	114
27. Leases.....	118
28. Property, plant and equipment.....	123
29. Intangible assets	129
30. Capital commitments	129
31. Capital expenditure and capital financing	130
32. Private finance initiatives and similar contracts	131
33. IFRS 13 Fair Value Measurement	132
34. Heritage assets	133
35. Long term Investments	133
36. Long term debtors.....	133
37. Short term debtors	133
38. Debtors for local taxation	134
39. Short term creditors	134
40. Provisions.....	134
41. Long Term Liabilities	135
42. Contingent liabilities	135
43. Grant income	136
44. Financial instrument balances	139
45. Financial instrument gains and losses.....	142
46. Nature and extent of risks arising from financial instruments	144
47. Statutory Repayment of Debt Deferral.....	148
48. Common Good Funds Accounts.....	149
49. Charitable, Educational and Other Trust Funds Accounts	162
50. Events after Reporting Period.....	167

1. Expenditure and Funding Analysis

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

2023/24 (restated)			2024/25			
Net Expenditure chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000		Net Expenditure chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
(24,628)	19,991	(4,637)	Council Housing – Housing Revenue Account	(28,573)	42,871	14,298
45,696	1,005	46,701	Communities & Place	48,240	4,217	52,457
248,907	(4,440)	244,467	Education & Learning	289,146	(3,198)	285,948
197,090	1,232	198,322	Health & Social Care	205,754	1,077	206,831
50,253	28,182	78,435	Infrastructure, Environment & Economy	52,160	20,032	72,192
5,898	219	6,117	Performance & Governance	10,484	100	10,584
93,340	732	94,072	Property & Housing	97,221	5,990	103,211
16,420	4,362	20,782	Resources & Finance	18,889	412	19,301
14,106	245	14,351	Depute Chief Executive	14,802	-	14,802
7,378	(48)	7,330	Welfare Services	7,760	(20)	7,740
214	-	214	Green Freeport	458	-	458
3,066	-	3,066	Joint board requisitions	3,321	-	3,321
657,740	51,480	709,220	Cost of services carried forward	719,662	71,481	791,143

Expenditure and Funding Analysis (continued)

2023/24 (restated)				2024/25			
Net Expenditure chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000		Note	Net Expenditure chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
657,740	51,480	709,220	Cost of services brought forward		719,662	71,481	791,143
(620,135)	(125,633)	(745,768)	Other Income and Expenditure		(670,884)	(112,224)	(783,108)
37,605	(74,153)	(36,548)	Deficit/(Surplus)	2	48,778	(40,743)	8,035
		(135,731)	Opening General Fund and HRA Balance		(162,769)		
		37,605	Deficit/(surplus) on General Fund or HRA Balance in year		48,778		
		(64,643)	Transfers (from)/to reserves		(11,761)		
		(162,769)	Closing General Fund and HRA Balance at 31 March 2025*		(125,752)		

*For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement on page 57/58.

The 2023/24 figures have been restated – please see note 3 Prior period adjustment

2. Note to Expenditure and Funding Analysis**Adjustments between Funding & Accounting Basis 2024/25**

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Differences	Total Statutory Adjustments	Other (non statutory) Adjustments	Total Adjustments
	£000	£000	£000	£000	£000	£000
Council Housing – Housing Revenue Account	43,372	240	-	43,612	(741)	42,871
Communities & Place	4,980	575	274	5,829	(1,612)	4,217
Education & Learning	14,714	1,003	3,501	19,218	(22,416)	(3,198)
Health & Social Care	697	485	84	1,266	(189)	1,077
Infrastructure, Environment & Economy	16,966	546	75	17,587	2,445	20,032
Performance & Governance	-	149	(47)	102	(2)	100
Property & Housing	7,635	537	123	8,295	(2,305)	5,990
Resources & Finance	-	436	(19)	417	(5)	412
Depute Chief Executive	-	-	-	-	-	-
Welfare Services	-	-	-	-	(20)	(20)
Net Cost of Services	88,364	3,971	3,991	96,326	(24,845)	71,481
Other Income from the Expenditure and Funding Analysis	(107,038)	(12,744)	(17,287)	(137,069)	24,845	(112,224)
Total Adjustments	(18,674)	(8,773)	(13,296)	(40,743)	-	(40,743)

Other (non statutory) Adjustments are items which are included in service outturns but are reported under Financing and Investment Income and Expenditure in the CIES. These comprise: PPP Unitary Charge - (£22.263m), Harbours Trading Income and Expenditure - £4.021m, Expected Credit Losses on Financial Assets – (£1.191m), IFRS16 Leases Payable – (£5.412m).

Adjustments between Funding & Accounting Basis 2023/24 (restated)

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Differences	Total Statutory Adjustments	Other (non statutory) Adjustments	Total Adjustments
	£000	£000	£000	£000	£000	£000
Council Housing – Housing Revenue Account	20,913	175	-	21,088	(1,097)	19,991
Communities & Place	1,076	341	(306)	1,111	(106)	1,005
Education & Learning	16,499	750	(2,206)	15,043	(19,483)	(4,440)
Health & Social Care	814	202	292	1,308	(76)	1,232
Infrastructure, Environment & Economy	23,295	385	247	23,927	4,255	28,182
Performance & Governance	-	112	108	220	(1)	219
Property & Housing	623	402	43	1,068	(336)	732
Resources & Finance	4,030	334	19	4,383	(21)	4,362
Depute Chief Executive	63	108	75	246	(1)	245
Welfare Services	-	-	-	-	(48)	(48)
Net Cost of Services	67,313	2,809	(1,728)	68,394	(16,914)	51,480
Other Income from the Expenditure and Funding Analysis	(125,170)	(10,602)	(6,775)	(142,547)	16,914	(125,633)
Total Adjustments	(57,857)	(7,793)	(8,503)	(74,153)	-	(74,153)

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

The 2023/24 figures have been restated – please see note 3 Prior period adjustment

Adjustments for Capital Purposes

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

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

Net Change for the Pensions Adjustments

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

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

Other Differences

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

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

3. Prior period adjustment – property, plant and equipment

The 2023/24 opening balance for property, plant and equipment has been adjusted downward by £251.618 million. The adjustment relates to depreciated replacement cost (DRC) valuations of other land and buildings as follows:

- Historically as part of the council's revaluation process, a contingency fee has been incorrectly included for those assets valued using the depreciated cost replacement (DRC) basis relating to the 'instant build' method. This was a result of a misinterpretation of the RICS guidance which states contingency costs should be included when they reflect real, foreseeable risks. In the instant build model these risks are assumed not to exist, so contingency costs should be excluded.
- Consequently, as part of the 2024/25 audit period, Council Officers reviewed and recalculated the affected revalued assets. This resulted in an audit adjustment to PPE of £244.936 million in 2024/25. There is no cash impact as a result of this adjustment with the movements affecting the balance sheet, specifically PPE and unusable reserves (revaluation reserve).

The overall effect of the prior period adjustment is as follows

- The opening balance against property, plant and equipment on the 2023/24 Balance Sheet has decreased by £251.618m. This resulted in a decrease in the revaluation reserve of £251.618m.

The fully restated opening balance sheet at 1 April 2023 is provided on page 59. The adjustments that have been made to that Balance Sheet over the one presented at 31st March 2023 are as follows:

Effect on opening Balance Sheet at 1 April 2023

	Opening balances as at 1 April 2023 £000	Restated at 1 April 2023 £000	Restatement £000
Property, Plant and Equipment	2,873,561	2,621,943	(251,618)
Long Term Assets	2,977,137	2,725,519	(251,618)
Net Assets	1,773,050	1,521,432	(251,618)
Unusable Reserves			
Revaluation Reserve	600,744	349,126	(251,618)
Total Reserves	1,773,050	1,521,432	(251,618)

During 2023/24, the changes in the carrying amounts of Council dwellings and other land and buildings resulted in a decrease in depreciation of £5.041m. Surplus on revaluation of non-current assets decreased by £1.907m. Total comprehensive income and expenditure increased by £3.134m.

The fully restated Comprehensive Income and Expenditure Statement and Movement in Reserves Statement are on pages 55-58. The adjustments that have been made to the statements over the versions published in the 2023/24 audited accounts are as follows:

Comprehensive Income and Expenditure Statement

	31 March 2024 £000	31 March 2024 restated £000	Restatement £000
Net Expenditure			
HRA	(4,606)	(4,637)	(31)
Communities & Place	47,244	46,701	(543)
Education & Learning	248,627	244,467	(4,160)

Health & Social Care	198,575	198,322	(253)
Infrastructure, Environment & Economy	78,480	78,435	(45)
Property & Housing	94,081	94,072	(9)
Net Cost of Services	714,261	709,220	(5,041)
(Surplus)/deficit on the provision of services	(31,507)	(36,548)	(5,041)
(Surplus)/deficit on the revaluation of non-current assets	(106,562)	(104,655)	1,907
Other comprehensive income and expenditure	(286,962)	(104,655)	1,907
Total comprehensive income and expenditure	(318,469)	(321,603)	(3,134)

Movement in Reserves Statement

Total Usable Reserves	Balance Previously Stated £000	Restated £000	Restatement £000
Balance at 31 March 2023	174,676	174,676	-
Total comprehensive income and expenditure	31,507	36,548	5,041
Adjustments to usable reserves permitted by accounting standards	11,393	6,352	(5,041)
Adjustments between accounting basis and funding basis under regulations (Note 8)	(74,814)	(74,814)	-
Net increase/(decrease) before transfers to/from and other statutory reserves	(31,914)	(31,914)	-
Transfers to/from other statutory reserves	59,040	59,040	-
Increase/(decrease in year)	27,126	27,126	-
Balance at 31 March 2024	201,802	201,802	-

Total Unusable Reserves	Balance Previously Stated £000	Restated £000	Restatement £000
Balance at 31 March 2023	1,598,374	1,346,756	(251,618)
Total comprehensive income and expenditure	286,962	285,055	(1,907)
Adjustments to usable reserves permitted by accounting standards	(11,393)	(6,352)	5,041
Adjustments between accounting basis and funding basis under regulations (Note 8)	74,814	74,814	-
Net increase/(decrease) before transfers to/from and other statutory reserves	350,383	353,517	3,134
Transfers to/from other statutory reserves	(59,040)	(59,040)	-
Increase/(decrease in year)	291,343	294,477	3,134
Balance at 31 March 2024	1,889,717	1,641,233	3,134

The resulting restated Balance Sheet for 31 March 2024 is provided on page 59. The adjustments that have been made to that Balance Sheet over the version published in the 2023/24 audited accounts are as follows:

Effect on Balance Sheet at 31 March 2024

	As previously stated 31 March 2024 £000	As restated at 31 March 2024 £000	Restatement £000
Property, Plant and Equipment	3,064,116	2,815,632	(248,484)
Long Term Assets	3,396,261	3,147,777	(248,484)
Net Assets	2,091,519	1,843,035	(248,484)
Unusable Reserves			
Revaluation Reserve	661,116	412,632	(248,484)
Total Reserves	2,091,519	1,843,035	(248,484)

Effect on Cash Flow Statement at 31 March 2024

	As previously stated 31 March 2024 £000	As restated at 31 March 2024 £000	Restatement £000
Net surplus/(deficit) on the provision of services	31,507	36,548	5,041
Adjust net deficit on the provision of services for non-cash movements	87,213	82,172	(5,041)
Net cash inflow from operating activities	23,728	23,728	-
Net increase or (decrease) in cash and cash equivalents	(8,868)	(8,868)	-

Note 1 Expenditure and Funding Analysis, 2023/24 adjustments for capital purposes have been restated to reflect the impact on the net cost of services and overall surplus on provision of services.

Note 13 Balance Sheet – unusable reserves revaluation reserve has been adjusted to reflect the impact on revaluations.

Note 14 Cash flow statement – Adjustments to surplus/deficit on the provision of services has been adjusted to reflect the impact on depreciation.

Note 19 Expenditure & Income Analysed by Segment and Nature figures have been restated to reflect the impact on depreciation

Note 28 Property, plant and equipment figures have been restated to reflect the impact on revaluations and depreciation

Housing Revenue Account (HRA) Income and Expenditure Statement and Statement of Movement on the Housing Revenue Account have been restated to reflect the impact on depreciation

4. Accounting policies

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

Basis of Preparation

The Council's Statement of Accounts for 2024/25 has been prepared on a going concern basis. The concept of a going concern assumes that the Council's functions and services will continue in operational existence for the foreseeable future. The provisions in respect of going concern

reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. In accordance with the CIPFA Code of Local Government Accounting (2024/25), the Council is required to prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity. The Chief Officer Corporate Finance has determined it to be appropriate therefore to prepare the accounts on the assumption that the Council will continue in operational existence for the foreseeable future.

General principles and materiality

The Annual Accounts summarise the transactions of the Council for the financial year 2024/25 and its financial position at 31 March 2025. The Council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires that they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (The Code) supported by International Financial Reporting Standards (IFRS).

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

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

Accruals of income and expenditure

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

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Expenses in relation to services received (including those rendered by officers of the Council) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instruments rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where the Council is acting as an agent for another party (e.g. in the collection of National Non-Domestic Rates) income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

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

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

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

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

Cash and cash equivalents

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

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

Charges to revenue for non-current assets

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

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

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

Employee benefits

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

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

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

replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Retirement benefits

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

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

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

Local Government Pension Scheme

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

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

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

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

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

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service accrued in the year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

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

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

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

Contributions paid to the Highland Council Pension Fund

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

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

Discretionary Benefits

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

Events after the Balance Sheet date

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

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

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

Accounts.

Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

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

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

- amortised cost
- fair value through profit or loss (FVPL) - not applicable to the Council for 2024/25; and
- fair value through other comprehensive income (FVOCI) - not applicable to the Council for 2024/25.

Financial Assets Measured at Amortised Cost

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

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

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

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

Soft Loans

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

Government grants and contributions

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

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

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

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

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

Interests in companies and other entities

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

Inventories

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

Leases

The Council as a lessee

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee

- the authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the authority excludes leases:

- for low-value items that cost less than £5,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

The Council as lessor

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

Property, plant and equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- Infrastructure, community assets and assets under construction – historical cost
- Council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Operational leased assets – market value
- All other assets – current value, determined the amount that would be paid for the asset in its existing use (existing use value - EUV)
- Corporate surplus assets and assets held for sale - fair value as determined by IFRS 13

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

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

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

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

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

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

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

Statutory Overrides – Infrastructure Assets

In response to concerns raised by audit bodies on the way local authorities in the UK account for their infrastructure assets and following an urgent consultation on the matter by CIPFA/LASAAC, the Scottish Government have produced a set of temporary statutory overrides that can be applied up to financial year 2026/27 until the matter can be resolved.

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

- Override 1 For accounting periods commencing from 1 April 2021 until 31 March 2027, a local authority is not required to report the gross carrying amount and accumulated depreciation for infrastructure assets.
- Override 2 For the accounting periods from 1 April 2010 to 31 March 2027, the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be accounted for as a nil amount, and no subsequent adjustment can be made to the carrying amount of the asset with respect to that part.

Componentisation

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

Impairment

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

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

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

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

Disposals and non-current assets held for sale

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

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

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

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Fund, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

Heritage assets

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

The Council's heritage assets consist of:

- Museum collections which include various collections held at a number of museums such as Inverness Museum and Art Gallery and the Highland Folk Museum.
- Works of Art & Civic Regalia including works of art held at various locations across the Highlands as well as various pieces of Highland Provost's Regalia.
- The values for these heritage assets are based on valuations for insurance purposes. This is carried out internally; with most valuations reflecting valuation work undertaken by Sotheby's in 2013 which continues to be considered the most relevant valuation for these assets.
- The Highland Council also has a number of special collections of rare books with the Charles Fraser-Mackintosh collection and the Kirk Session Library being the largest of these collections. Due to relaxations in the Code in relation to the measurement of heritage assets, these are not recognised on the balance sheet as there is no information on the cost or value of these collections and the cost of obtaining this would outweigh the benefits to the users of the financial statements.

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

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

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

Intangible assets

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

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

Private Finance Initiative (PFI) and Similar Contracts

Highland Council has three PFI and similar contracts which are agreements to receive services,

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

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

The amounts payable to the PFI operators each year in unitary charge payments are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. After the implementation of IFRS16 (Leases) this does not exist from 2024/25.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

With effect from 1 April 2024, IFRS 16 (Leases) also applies to PFI and similar contracts. Under IFRS 16, where indexation affects future service concession payments, the lease liability requires to be remeasured. Instead of expensing the increased payment, the net present value of future payments that comprise the liability is recalculated based on the revised level of payments.

The remeasurement of the Public Private Partnership (PPP) contracts is disclosed in Note 32 which details the associated future liabilities. The remeasurement of PPP under IFRS 16 resulted in an increase to liabilities of £33.208m

Provisions and Contingent Liabilities

Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance

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

Contingent liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in Note 42 to the accounts.

Reserves

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

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

Value Added Tax (VAT)

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

5. Accounting Standards issued but not yet adopted

The following accounting standards and amendments to existing standards will be adopted within the 2025/26 Code effective from 1 April 2025. There is therefore no impact on the 2024/25 financial statements.

- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- IFRS 17 Insurance Contracts issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.
- The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach.

6. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 4, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events (see Note 7). The critical judgements made in the Annual Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council is deemed to control the services provided under the Public Private Partnership arrangements that it has for the PPP1, PPP2 and Wick Campus Projects, and also to control the residual value of the schools at the end of the agreement. The accounting policies for PPP schemes and similar contracts have been applied to the arrangement and the schools (net value £319.801m) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

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

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

The items in the Council's Balance Sheet at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Valuations	In making judgements on the measurements of assets at 31 March 2025, the Council place reliance on valuation information received from internal valuers as well as the District Valuer. A large proportion of assets are of a specialised nature reflecting an underlying DRC basis of valuation which is influenced by property build rates. An appropriate Buildings indexation factor is calculated as a desktop exercise and applied to these DRC assets on an annual basis between formal valuation years to reflect annual changes in build rates. The current carrying value for the councils plant, property and equipment is £3,071m.	Any significant change in property market conditions may require certain assets (in particular Other Land and Building and Surplus Property) to be revalued and would therefore impact on the asset valuations on the Council balance Sheet. The risk of movement is uncertain and an upwards or downwards revaluation in future years is possible. It is estimated a change in value of 10% in the Other Land and Building asset category would adjust the total value of plant, property and equipment by £160.076m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in mortality rates and expected returns on pension fund assets. The current carrying value for pensions is a liability of £34.154m.	The impact of changes in the assumptions used to the pension liability has been assessed by the actuaries as described in Note 24.
Fair Value Measurements	When the fair values of assets and liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. Changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.	The Council uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for investment properties and financial assets.

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

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

2024/25

	General Fund £000	Housing Revenue Account £000	Capital Fund £000	Capital Grants Unapplied Account £000	Total usable reserves £000	Movement in unusable reserves £000	Total reserves £000
Adjustments involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation and impairment of non-current assets	46,302	43,311	-	-	89,613	(89,613)	-
Capital grants and contributions that have been credited to the Comprehensive Income and Expenditure Statement	(76,689)	(15,901)	-	-	(92,590)	92,590	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal; to the Comprehensive Income and Expenditure Statement	3,668	14,425	-	-	18,093	(18,093)	-
Revenue expenditure funded by capital	12,968	-	-	-	12,968	(12,968)	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision for repayment of debt	(33,258)	(10,775)	-	-	(44,033)	44,033	-
Repayment of PPP Lease Creditors	(10,535)	-	-	-	(7,763)	7,763	-
Repayment of IFRS16 Lease Creditors	(4,827)	-	-	-	(4,827)	4,827	-
Capital expenditure charged against the General Fund and HRA balances	(5,932)	-	-	-	(5,932)	5,932	-
Adjustments involving the Capital Grants Unapplied Account							
Capital grants and contributions that have been credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-

2024/25

	General Fund £000	Housing Revenue Account £000	Capital Fund £000	Capital Grants Unapplied Account £000	Total usable reserves £000	Movement in unusable reserves £000	Total reserves £000
Adjustments involving the Capital Fund							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,219)	(1,206)	2,425	-	-	-	-
Use of the capital fund to finance new capital expenditure	-	-	(1,708)	-	(1,708)	1,708	-
Adjustments involving the Financial Instruments Adjustment Account							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,313)	(613)	-	-	(1,926)	1,926	-
Adjustments involving the Pensions Reserve							
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	24,677	1,626	-	-	26,303	(26,303)	-
Employers' pension contributions and direct payments to pensioners payable in the year	(32,899)	(2,178)	-	-	(35,077)	35,077	-
Adjustments involving the Employee Statutory Adjustment Account							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3,991	-	-	-	3,991	(3,991)	-
Total adjustments 2024/25	(75,066)	28,689	717	-	(45,660)	45,660	-

2023/24

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

2023/24

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

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

This note sets out the amounts set aside from the General Fund balance in earmarked reserves. The decrease in General Fund of £37.412m (2023/24 - £26.312m increase) comprises a decrease in earmarked reserves of £17.054m (2023/24 - £49.470m increase) and a decrease in non-earmarked reserves of £20.358m (2023/24 - £23.158m decrease). The earmarked reserves were recategorised in 2024/25 and the 2023/24 analysis of movements in earmarked reserves has been restated to reflect the new categories.

	Balance at 31/03/23 £000	Transfers out £000	Transfers in £000	Interest on balances £000	Balance at 31/03/24 £000	Transfers out £000	Transfers in £000	Interest on balances £000	Balance at 31/03/25 £000
Budget Pressures & Investment	-	-	23,760	-	23,760	(7,078)	13,278	-	29,960
Delivery Plan Investment - Corporate Solutions	-	-	1,720	-	1,720	(2,339)	2,823	-	2,204
Delivery Plan Investment - Cross Portfolio	-	-	389	-	389	(99)	-	-	290
Programme & Project Management Resources	-	-	2,250	-	2,250	(10)	-	-	2,240
Delivery Plan Investment - Income Generation	-	-	1,617	-	1,617	(140)	-	-	1,477
Delivery Plan Investment - Net Zero, Energy	-	-	23,200	-	23,200	(7,972)	-	-	15,228
Investment & Innovation	-	-	-	-	-	(59)	330	-	271
Delivery Plan Investment - Person Centred	-	-	330	-	330	(81)	330	-	579
Solutions	-	-	3,893	600	10,712	(2,067)	2,809	911	12,365
Delivery Plan Investment - Reconfiguring Our	-	-	6,833	-	6,833	(6,833)	-	-	-
Asset Base	8,849	(2,630)	1,470	-	5,190	(743)	782	-	5,229
Delivery Plan Investment - Workforce for the	-	-	-	-	-	-	1,000	-	1,000
Future	-	-	-	-	-	-	7	-	3,462
Developer Contributions	10,893	(4,288)	-	-	6,605	(3,150)	1,760	-	1,760
Future Investment Capacity Fund	-	-	-	-	-	-	442	-	3,279
Grants and Match Funding	4,181	(461)	7,874	-	14,730	(7,726)	5,274	-	12,278
Investment Impairment Reserve	-	-	1,095	-	3,214	(1,111)	-	-	2,103
Legacy Investment Funds	10,893	(4,288)	-	-	6,605	(3,150)	7	-	3,462
Moss Park	-	-	-	-	-	-	1,760	-	1,760
Other Legacy Reserves	24,302	(14,365)	292	-	10,229	(7,392)	442	-	3,279
Restricted Use Reserves	9,933	(3,077)	7,874	-	14,730	(7,726)	5,274	-	12,278
Schools DSM	3,151	(1,032)	1,095	-	3,214	(1,111)	-	-	2,103
Total	61,309	(25,853)	74,723	600	110,779	(46,800)	28,835	911	93,725

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

2023/24 £000		Note	2024/25 £000
(3,094)	Gains on trading operations	20	(3,114)
62,240	Interest payable and similar charges		66,349
(10,613)	Pensions net interest expense		(12,759)
-	Income Recognised on IFRS16 Leases		(35)
(10,595)	Interest and investment income		(9,974)
1,479	Expected credit losses on financial assets		1,191
<u>39,417</u>			<u>41,658</u>

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

2023/24 £000		2024/25 £000
(389,787)	Revenue support grant	(443,880)
(144,159)	Council tax income	(153,234)
(156,979)	Non-Domestic rates	(160,698)
(93,627)	Capital grants and contributions	(79,622)
(9,425)	General capital grant revenue flexibility	(3,000)
<u>(793,977)</u>		<u>(840,434)</u>

12. Balance Sheet – usable reserves

31/03/24 £000		31/03/25 £000
2,227	Renewal and Repair Fund (a)	2,241
18,117	Capital Fund (b)	15,374
5,299	Insurance Fund (c)	3,012
13,390	Capital Grants Unapplied (d)	11,069
158,088	General Fund (e)	120,676
4,681	Housing Revenue Account (e)	5,076
201,802		157,448

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

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

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

The movements in the Capital Fund are detailed below.

	Landbanking Initiative £000	Capital Receipts £000	Total £000
Balance at 31 March 2024	16,710	1,407	18,117
Transferred to General Fund	1,793	(717)	1,076
Transferred to Capital Adjustment account	(4,536)	717	(3,819)
Balance at 31 March 2025	13,967	1,407	15,374

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

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

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

	Total £000
Balance at 31 March 2024	13,390
Transferred from/(to) General Fund	(2,321)
Transferred from/(to) Capital Adjustment account	-
Balance at 31 March 2025	<u>11,069</u>

(e) Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 8 and 9.

13. Balance Sheet – unusable reserves

31/03/24		31/03/25
£000		£000
(restated)		
412,632	Revaluation Reserve (a)	511,469
983,770	Capital Adjustment Account (b)	1,021,207
(11,433)	Financial Instruments Adjustment Account (c)	(9,507)
267,967	Pensions Reserves (d)	(34,154)
(11,703)	Employee Statutory Adjustment Account (e)	(15,694)
1,641,233		1,473,321

(a) Revaluation Reserve

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

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

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

2023/24		2024/25
£000		£000
(restated)		
349,126	Balance at 1 April 2024	412,632
108,864	Upward revaluation of assets	169,768
(4,209)	Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of services	(63,104)
(33,776)	Impairment losses not charged to the Surplus/Deficit on the Provision of services	-
70,879	Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of services	106,664
(6,352)	Difference between fair value depreciation and historical cost depreciation	(5,634)
(1,021)	Accumulated gains on assets sold or scrapped	(2,193)
-	Amount written off revaluation reserve	-
(7,373)	Amount written off to the Capital Adjustment Account	(7,827)
412,632	Balance at 31 March 2025	511,469

The 2023/24 figures have been restated – please see note 3 Prior period adjustment

(b) Capital Adjustment Account

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

Note 8 provides details of the source of all the transactions posted to the account, apart from any involving other reserves.

2023/24 £000			2024/25 £000
978,459	Balance at 1 April 2024		983,770
(12,300)	Revenue Expenditure funded from capital under statute	(12,968)	
(75,589)	Charges for depreciation on non-current assets	(83,316)	
	Revaluation gains/(losses) on Property, Plant and Equipment	(6,296)	
9,580	Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(18,093)	
(15,848)			(120,673)
(94,157)	Adjusting amounts written out of the Revaluation Reserve	2,192	
1,021	Net written out amount of the cost of non-current assets consumed in the year		2,192
	Capital Financing applied in the year		
4,813	Repayment of PPP creditors	10,535	
(55,075)	School PPP Accounting Flexibility	(8,278)	
-	Repayment of IFRS16 creditors	4,827	
-	Income Recognition from IFRS16	35	
	Use of the Capital Fund to finance new capital expenditure	4,536	
1,365	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	92,590	
105,927	Use of the Capital Fund	1,708	
(3,964)	Use of Capital Grants Unapplied Account	-	
-	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances*	44,033	
41,337	Capital expenditure charged against the General Fund and HRA balances	5,932	
4,044			155,918
98,447			
983,770	Balance at 31 March 2025		1,021,207

(c) Financial Instruments Adjustment Account

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

2023/24 £000		2024/25 £000
(13,396)	Balance at 1 April 2024	(11,433)
1,956	Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund and HRA balances in accordance with statutory requirements	1,919
7	Proportion of equivalent interest rate calculation on lender option/borrower option loans (LOBOs)	7
(11,433)	Balance at 31 March 2025	(9,507)

(d) Pensions Reserve

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

2023/24 £000		2024/25 £000	£000
45,998	Balance at 1 April 2024		267,967
68,265	Actuarial gains/ (losses) arising on changes in financial and demographic assumptions	210,599	
94,547	Return on plan assets	(17,459)	
(127,008)	Other experience adjustments	12,941	
178,372	IFRIC 14 Asset Ceiling Adjustment	(516,976)	
214,176	Total remeasurements of the net defined liability		(310,895)
(27,917)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(26,303)	
35,710	Employer's pension contributions and direct payments to pensioners payable in the year	35,077	
7,793			8,774
267,967	Balance at 31 March 2025		(34,154)

(e) Employee Statutory Adjustment Account

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

2023/24 £000		2024/25 £000
(13,431)	Balance at 1 April 2024	(11,703)
13,431	Settlement or cancellation of accrual made at the end of the preceding year	11,703
(11,703)	Amounts accrued at the end of the current year	(15,694)
<u>(11,703)</u>	Balance at 31 March 2025	<u>(15,694)</u>

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

2023/24 £000 (restated)		2024/25 £000
	Non-cash items	
81,940	Depreciation	88,950
(9,580)	Impairments/(impairment reversals)	6,296
15,848	Net book value of assets sold	18,093
(7,793)	IAS 19 transactions	(8,774)
690	Financial instruments adjustments	(665)
	Items on accruals basis	
(1,719)	Decrease/(increase) in inventories	1,177
(7,797)	Decrease/(increase) in debtors	1,510
10,585	(Decrease)/increase in creditors	(12,508)
(2)	(Decrease)/increase in provisions	246
<u>82,172</u>		<u>94,326</u>
£000		£000
	Items in investing & financing activities	
(93,627)	Capital grants credited to surplus/deficit on provision of services	(79,622)
(1,365)	Proceeds from sale of assets	(1,708)
<u>(94,992)</u>		<u>(81,330)</u>

The 2023/24 figures have been restated – please see note 3 Prior period adjustment

15. Cash flow statement – operating activities

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

2023/24		2024/25
£000		£000
(10,620)	Interest received	(10,006)
45,850	Interest paid	79,388

16. Cash flow statement – investing activities

2023/24		2024/25
£000		£000
(213,329)	Purchase of property, plant and equipment	(224,386)
(25)	Purchase of intangible assets	(6,103)
(20)	Held for Sale Asset Additions	-
(3,776)	Other (payments)/receipts for investing activities	(13,796)
1,365	Proceeds from the sale of property, plant and equipment	1,708
97	Other (payments)/receipts from investing activities	9,241
(215,688)	Net cash flows from investing activities	(233,336)

17. Cash flow statement – financing activities

2023/24		2024/25
£000		£000
293,000	Cash receipts of short and long term borrowing	384,000
93,627	Other receipts from financing activities	79,623
(4,813)	Cash payments for the reduction of outstanding liabilities relating to PFI contracts	(10,535)
-	Cash payments for the reduction of outstanding liabilities relating to IFRS16 contracts	(4,863)
(198,401)	Repayments of short and long term borrowing	(231,860)
(321)	Advance to/(from) group bodies	1,079
183,092	Net cash flows from financing activities	217,444

18. Cash flow statement – cash and cash equivalents

	At 1 April 2024 £000	Cash flow £000	At 31 March 2025 £000
Temporary investments	54,479	(11,107)	43,372
Cash in hand	67	3	70
Cash and cash equivalents current assets	54,546	(11,104)	43,442
Cash at bank (overdraft current liability)	(599)	172	(427)
Total cash and cash equivalents	53,947	(10,932)	43,015

19. Expenditure & Income Analysed by Segment and Nature

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

2024/25

	Communities & Place £000	Education & Learning £000	Health & Social Care £000	Infrastructure, Environment & Economy £000	Performance & Governance £000	Property & Housing £000	Resources & Finance £000	Depute Chief Executive £000	Welfare Services £000	HRA £000	Costs not included in a Service £000	Total £000
Fees, charges and other service income	(14,206)	563	(31)	(25,243)	(3,075)	(7,408)	(2,123)	1	(126)	(68,515)	(21,978)	(142,141)
Interest and investment income	-	-	(6)	-	-	(1)	-	-	-	-	(10,129)	(10,136)
Income from Council Tax	-	-	-	-	-	-	-	-	-	-	(153,234)	(153,234)
Government grants and contributions	(672)	(12,225)	(20,308)	(29,364)	(83)	(7,920)	(1,146)	(6)	(32,285)	-	(687,200)	(791,209)
Total income	(14,878)	(11,662)	(20,345)	(54,607)	(3,158)	(15,329)	(3,269)	(5)	(32,411)	(68,515)	(872,541)	(1,096,720)
Employee expenses	33,413	250,601	44,939	37,837	8,438	28,481	16,196	7,071	47	15,382	1,082	443,487
Other service expenses	28,516	31,585	181,540	58,505	5,304	78,150	6,374	7,736	40,104	24,059	9,162	471,035
Depreciation, amortisation and impairment	5,406	15,424	697	30,457	-	11,909	-	-	-	43,372	950	108,215
Interest payments	-	-	-	-	-	-	-	-	-	-	66,350	66,350
Loss on disposal of non-current assets	-	-	-	-	-	-	-	-	-	-	15,668	15,668
Total expenditure	67,335	297,610	227,176	126,799	13,742	118,540	22,570	14,807	40,151	82,813	93,212	1,104,755
(Surplus) or deficit on the provision of services	52,457	285,948	206,831	72,192	10,584	103,211	19,301	14,802	7,740	14,298	(779,329)	8,035

Expenditure & Income Analysed by Segment and Nature (continued)

2023/24

(restated)

	Communities & Place £000	Education & Learning £000	Health & Social Care £000	Infrastructure, Environment & Economy £000	Performance & Governance £000	Property & Housing £000	Resources & Finance £000	Depute Chief Executive £000	Welfare Services £000	HRA £000	Costs not included in a Service £000	Total £000
Fees, charges and other service income	(13,862)	1,490	(522)	(22,046)	(2,388)	(6,979)	(1,998)	(822)	(126)	(63,235)	(20,505)	(130,993)
Interest and investment income	(30)	-	(4)	-	-	(1)	-	-	-	-	(10,630)	(10,665)
Income from Council Tax	-	-	-	-	-	-	-	-	-	-	(144,159)	(144,159)
Government grants and contributions	(1,860)	(37,767)	(18,952)	(20,940)	(142)	(9,485)	(851)	(3,375)	(32,782)	-	(649,818)	(775,972)
Total income	(15,752)	(36,277)	(19,478)	(42,986)	(2,530)	(16,465)	(2,849)	(4,197)	(32,908)	(63,235)	(825,112)	(1,061,789)
Employee expenses	30,712	231,429	41,069	31,424	8,096	27,563	15,461	8,944	52	14,283	970	410,003
Other service expenses	28,846	32,804	175,841	55,647	551	79,245	4,140	9,264	40,186	23,402	9,621	459,547
Depreciation, amortisation and impairment	2,895	16,511	890	34,350	-	3,729	4,030	340	-	20,913	1,001	84,659
Interest payments	-	-	-	-	-	-	-	-	-	-	62,240	62,240
Loss on disposal of non- current assets	-	-	-	-	-	-	-	-	-	-	8,792	8,792
Total expenditure	62,453	280,744	217,800	121,421	8,647	110,537	23,631	18,548	40,238	58,598	82,624	1,025,241
(Surplus) or deficit on the provision of services	46,701	244,467	198,322	78,435	6,117	94,072	20,782	14,351	7,330	(4,637)	(742,488)	(36,548)

The 2023/24 figures have been restated – please see note 3 Prior period adjustment

20. Trading operation

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

Details of significant trading operation

Fishery, Piers and Harbours

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

Summary of Financial Results

A summary of the financial results of the trading operation for 2024/25 is as follows:

Fishery, Piers and Harbours	£000
Turnover	22,097
Expenditure	(18,937)
Surplus	3,160
Less internal surplus included in service net expenditure	110
Less interest on revenue balances	(156)
Surplus on trading organisation as reported in Comprehensive Income and Expenditure Statement (Note 10)	3,114
Three year surplus	
Financial Year	£000
2022/23	3,116
2023/24	3,094
2024/25	3,114
	9,324

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

21. Agency Services

The Council bills and collects non-domestic rates on behalf of the Scottish Government. During 2024/25 the Council collected £173.040m and received £160.345m contribution from the non-domestic rates pool (2023/24 collected £165.584m and received £156.979m).

The Council also bills and collects domestic water and sewerage charges on behalf of Scottish Water with its own Council Tax. During 2024/25 the Council paid over £46.360m and received £0.922m for providing this service. During 2023/24 the Council paid over £42.084m and received £0.890m for providing this service.

Payments totalling £0.197m were made to Renfrewshire Council on behalf of Scotland Excel for procurement services (2023/24- £0.164m).

The Council issued energy support payments on behalf of the UK Government during 2024/25 £0.000m (2023/24- £0.073m) for Energy Bills Support Scheme Alternative Funding and £0.000m (2023/24 - £0.208m) for Energy Bills Support Scheme Alternative Fuel.

22. External audit costs

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

2023/24 £000		2024/25 £000
	Fees payable to Audit Scotland with regard to external audit services	
<u>523</u>		<u>533</u>

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

23. Pension schemes accounted for as defined contribution schemes

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

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

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

In 2024/25 the Council paid £33.742m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 26.0% of pensionable pay. The figures for 2023/24 were £30.395m and 23.0%. There were no contributions remaining payable at the year-end.

In 2024/25 the Council paid £1.797m to the Scottish Public Pensions Agency in respect of NHS retirement benefits, representing 22.5% of pensionable pay. The figures for 2023/24 were £1.547m and 20.9%. There were no contributions remaining payable at the year-end.

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

24. Defined benefit pension schemes

Participation in pension schemes

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

The authority has two post employment arrangements:

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

Transactions relating to post employment benefits

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000
Comprehensive Income and Expenditure Statement				
Cost of services				
Current service cost	38,415	38,936	-	-
Past service cost (including curtailments)	115	126	-	-
	38,530	39,062	-	-
Financing and investment (income) and expenditure	(12,456)	(14,516)	1,843	1,757
Total post employment benefits charged to the surplus or deficit on the provision of services	26,074	24,546	1,843	1,757

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000
Other post employment benefits charged to the comprehensive income and expenditure statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets excluding the amount included in the net interest expense	(94,547)	17,459	-	-
Actuarial (gains)/losses arising on changes in financial assumptions	(48,588)	(206,328)	(658)	(1,990)
Actuarial (gains)/losses arising on changes in demographic assumptions	(18,869)	(2,211)	(150)	(70)
Experience adjustments	127,011	(12,355)	(3)	(586)
IFRIC 14 Asset Ceiling Adjustment	(178,372)	516,976	-	-
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	(213,365)	313,541	(811)	(2,646)

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000
Movement in reserves statement				
Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits in accordance with the code	(26,074)	(24,546)	(1,843)	(1,757)
Actual amount charged against the General Fund balance for pensions in the year				
Employer's contributions payable to the scheme	32,601	31,940	3,109	3,137

Pension assets and liabilities recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	31/03/24 £000	31/03/25 £000	31/03/24 £000	31/03/25 £000
Present value of the defined benefit obligation	(1,364,757)	(1,188,482)	(38,180)	(34,154)
Fair value of pension fund assets	1,670,904	1,705,458	-	-
IFRIC 14 Asset Ceiling Adjustment	-	(516,976)	-	-
Net (liability)/asset arising from defined benefit obligation	306,147	-	(38,180)	(34,154)

The liabilities show the underlying commitments that the Council has in the long term to pay post-employment (retirement) benefits. The net liability to the Council in 2024/25 of (£34.154m) (Council LGPS net asset £0.00m less discretionary benefits arrangement net liability £34.154m) (2023/24 £267.967m (Council LGPS net asset £306.147m less discretionary benefits arrangement net liability £38.180m)) has a substantial impact on the net worth of the Council as recorded in the balance sheet.

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

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

In 2024/25 the calculation identified that the economic benefit reductions were to be floored at £0 which then became the asset ceiling. Therefore, as this was lower than the surplus in the defined benefit plan an adjustment to the defined benefit plan asset has been required in accordance with IAS19 and IFRIC14.

Information about the defined benefit obligation

	Liability split 31/03/24		Liability split 31/03/25	
	£000	(%)	£000	(%)
Active members	552,405	40.48%	502,240	42.26%
Deferred members	208,116	15.25%	172,894	14.55%
Pensioner members	604,236	44.27%	513,348	43.19%
Total	1,364,757	100.00%	1,188,482	100.00%

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

Reconciliation of the movements in the fair value of scheme assets

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	31/03/24 £000	31/03/25 £000	31/03/24 £000	31/03/25 £000
Opening fair value of scheme assets	1,549,881	1,670,904	-	-
Interest income	72,947	79,496	-	-
Return on plan assets	94,547	(17,459)	-	-
Contributions by employer	32,601	31,940	3,109	3,137
Contributions by Scheme participants	10,086	10,687	-	-
Experience adjustments	(11,318)	-	-	-
Estimated benefits paid (net of transfers in)	(77,840)	(70,110)	(3,109)	(3,137)
Closing fair value of scheme assets	1,670,904	1,705,458	-	-

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	31/03/24 £000	31/03/25 £000	31/03/24 £000	31/03/25 £000
Opening defined benefit obligation	(1,285,254)	(1,364,757)	(40,257)	(38,180)
Current service cost	(38,415)	(38,936)	-	-
Past service cost	(115)	(126)	-	-
Interest cost	(60,491)	(64,980)	(1,843)	(1,757)
Contributions by scheme participants	(10,086)	(10,687)	-	-
Actuarial gains/(losses) from changes in financial assumptions	48,588	206,328	658	1,990
Actuarial gains/(losses) from changes in demographic assumptions	18,869	2,211	150	70
Experience adjustments	(115,693)	12,355	3	586
Estimated benefits paid (net of transfers in)	77,840	70,110	3,109	3,137
Closing value	(1,364,757)	(1,188,482)	(38,180)	(34,154)

Analysis of Pension Fund's Assets

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

2023/24		2024/25
6%	Cash and cash equivalents	6%
	Equity Securities:	
	By industry type	
10%	Consumer	8%
6%	Manufacturing	4%
0%	Energy and utilities	0%
5%	Financial institutions	3%
4%	Health and care	2%
4%	Information technology	3%
0%	Other	0%
	Debt Securities:	
	By sector	
6%	Other	6%
6%	Corporate Bonds	15%
2%	UK Government	12%
7%	Private Equity	6%
	Property:	
9%	UK	9%
	Other Investment Funds:	
22%	Equity (pooled funds and unitised insurance policies)	16%
1%	Bonds	0%
0%	Hedge Funds	0%
0%	Commodities	0%
6%	Infrastructure	6%
6%	Other	4%
<u>100%</u>	<u>Total</u>	<u>100%</u>

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

31 March 2024 £000	Fair value of pension fund assets	31 March 2025 £000
	Equity Instruments	
1,259,574	Quoted in an active market	1,329,660
411,330	Not quoted in an active market	375,798
-	IFRIC 14 Asset Ceiling Adjustment	(516,976)
<u>1,670,904</u>	<u>Total equity instruments</u>	<u>1,188,482</u>

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Highland Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2023.

The significant assumptions used by the actuary have been:

	2023/24	2024/25
Mortality Assumptions:		
Longevity at 65 for current pensioners (years)		
• Men	20.7	20.6
• Women	23.5	23.4
Longevity at 65 for future pensioners (years)		
• Men	21.4	21.3
• Women	25.1	25.1
Rate of inflation	2.80%	2.80%
Rate of increase in salaries	3.60%	3.60%
Rate of increase in pensions	2.80%	2.80%
Rate for discounting fund liabilities	4.80%	5.80%

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

	Impact on the Defined Benefit Obligation in the Fund	
	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	19,899
1 year increase in member life expectancy	4%	48,905
0.1% increase in the Salary Increase Rate	0%	1,260
0.1% increase in the Pension Increase Rate (CPI)	2%	19,172

Asset and Liability Matching Strategy

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

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

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

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

Impact on the Authority's Cash Flow

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

The actuaries have estimated that employer contributions for the year to 31 March 2026 will be approximately £31.840m.

The weighted average duration of the defined benefit obligation for scheme members is 16.0 years 2024/25 (16.0 years 2023/24).

25. Local Government Pension Scheme

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

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

Scheduled Bodies

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

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

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

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

2024/25	Contributors	Pensioners	Deferred Pensioners
Highland Council	8,432	8,811	6,028
Scheduled Bodies	3,013	2,632	2,420
Admitted Bodies	1,807	1,633	1,386
Total	13,252	13,076	9,834

2023/24	Contributors	Pensioners	Deferred Pensioners
Highland Council	8,234	8,541	6,067
Scheduled Bodies	3,383	2,636	2,449
Admitted Bodies	2,073	1,519	1,341
Total	13,690	12,696	9,857

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

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

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

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

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

26. Related parties

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

Central Government

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

An analysis of significant government grants received during the year is set out in Note 43.

Members

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

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

The total of members' allowances paid in 2024/25 is shown in the remuneration report.

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

Elected Member	Position	Organisation	Transactions with Council in year
Derek Loudon	Director and Company Secretary	Tain Heritage Trust	Grant funding totalling £0k (23/24 £39k)
Maureen Ross Laura Dundas	Director/Trustee	Seaboard Memorial Hall Ltd	Community Regeneration Fund payments totalling £44k (23/24 £37k)

There were no other related party transactions exceeding £10k with any other organisations associated with elected members in 2024/25.

Senior Officers

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

There were no related party transactions exceeding £10k with any other organisations associated with Senior Officers in 2024/25.

Valuation Joint Board and Highland and Islands Transport Partnership

Highland Council is a constituent authority of the Highland and Western Isles Valuation Joint Board and the Highlands and Islands Transport Partnership. The net expenditure shown in the Comprehensive Income and Expenditure Statement represents the Council's requisition or proportion of the costs of these organisations, page 55.

The Joint Board and Transport Partnership are deemed to be associates of the Highland Council and are included on this basis in the Group Accounts. Results of these associates can be seen on page 185.

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

Pension Fund

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

The Council charged the Pension Fund £1.535m (2023/24 £1.303m) for expenses incurred in administering the Pension Fund in the year.

NHS Highland

From 1 April 2012 the Highland Council and NHS Highland implemented integrated health and social care services. Under the partnership agreement effective from that date, Highland Council is the lead agency for the delivery of integrated children's services and NHS Highland lead agency for integrated adult services. In 2024/25 Highland Council paid NHS Highland £142.445m (2023/24 £147.574m) for the provision of integrated adult services and NHS Highland made payment of £11.536m (2023/24 £11.537m) to Highland Council in respect of integrated children's services

There was a short term debtor to the Council of £7.331m (2023/24 £6.499m) and a short term creditor to the Council of £19.876m (2023/24 £27.314m) from NHS bodies at year end.

Entities controlled or significantly influenced by the Council

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

High Life Highland

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

The Highland Council paid a total of £21.171m (2023/24 £21.339m) in management fees to High Life Highland in the year.

The results of High Life Highland have been consolidated in the group accounts and can be seen on page 185.

D&E Coaches

On 31 January 2025, Highland Council purchased 100% of the shareholding in D&E Coaches. The acquisition is to further the Council's strategy regarding ensuring the provision of affordable school and public transport in the Highlands. As a standalone limited company, it will be subject to market conditions and the risks inherent, these being mitigated through the measures as detailed in the Full Business Case relating to the acquisition.

Two Highland Council Senior Employees hold non-remunerated positions as directors within D&E Coaches since the acquisition.

There is a long term investment in the balance sheet in 2024/25 relating to D&E Coaches shareholding of £6.103m.

The results of D&E Coaches have been consolidated in the group accounts and can be seen on page 185.

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

Highland Opportunity Limited (HOL)

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

The Highland Council has a short term creditor of £1.198m (2023/24 £1.344m) for the balance of their loan funding.

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

Financial Year End	Net Assets £000	Profit/(loss) before taxation £000	Profit/(loss) after taxation £000
31 March 2024	(30)	-	-
31 March 2023	(30)	(40)	(40)

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

Company	Nature of business
Highland Opportunity (Investments) Limited	Investment

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

	Net assets (Liabilities) £000	Profit/(loss) before taxation £000	Profit/(loss) after taxation £000
Year ended 31 March 2024			
Highland Opportunity (Investments) Limited	1,879	2	2
Year ended 31 March 2023			
Highland Opportunity (Investments) Limited	1,876	(141)	(141)

Pathfinder North and Swan

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

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

The Highland Council has a short term creditor of £0.047m (2023/24 £0.222m) for Pathfinder North balances.

Hub North Scotland Ltd

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

27. Leases

International Financial Reporting Standard 16 (IFRS 16)

The Council adopted IFRS 16 (Leases) with effect from 1 April 2024. The main impact of the requirements of IFRS 16 is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased vehicles, plant, equipment, property and land as an asset, and future rents as a liability), a right-of-use asset and a lease liability are to be brought on to the balance sheet at 1 April 2024. Leases for items of low value and leases that expire on or before 31 March 2026 are exempt from the new arrangements.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/2025 and not by adjusting prior year figures. The details of the changes in accounting policies are disclosed below.

A. Definition of a lease

Previously, the Council determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 and IAS 17. Under IFRS 16, the council will assess whether a contract is or contains a lease based on the definition of a lease as explained below:

A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the council assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier had a substantive substitution right, then the asset is not identified;
- The Council has the right to obtain substantially all of the economic benefits and service potential from use of the asset throughout the period of use; and
- The Council has the right to direct the use of the asset throughout the period of use. The Council has this right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Council has the right to direct the use of the asset if either:
 - o The Council has the right to operate the asset; or
 - o The Council designed the asset in a way that predetermines how and for what purpose it will be used

On transition to IFRS 16, the Council elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as lease arrangements. Contracts that were not previously identified as lease arrangements under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a leases under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2024. However, during the conversion process a comprehensive review of leases was completed which identified some additional leases which have now been included in the new IFRS 16 lease liability figure.

B. As a lessee

As a lessee, the Council previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Council. Under IFRS 16, the Council recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Council decided to apply recognition exemptions to short-term leases and has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less and leases of low value assets. The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

i. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Council's incremental borrowing rate as at 1 April 2024. Right of use assets are measured at either

- Their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Council's incremental borrowing rate at the date of initial application or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments
- For right-of-use assets for peppercorn or nominal lease payments a right-of use asset shall be recognised at fair value on 1 April 2024 with any gain, being the difference between that fair value and the lease liability, recognised as a donated asset as an adjustment to opening balances.

The Council used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024., discounted by the Council's incremental borrowing rate at that date.
- A single discount has been applied to portfolios of leases with reasonably similar characteristics.
- The weighted average of the incremental borrowing rates used to discount liabilities was 4.92%.
- Right-of use assets are measured at the amount of the lease liability, adjusted for any prepaid or accrued lease payments that were in the balance sheet on 31 March 2024 – any initial direct costs have been excluded.
- All leases were assessed as to whether they were onerous at 31 March 2024, so right-of-use assets have not been subject to an impairment review – carrying amounts have been reduced by any provisions for onerous contracts that were in the 31 March 2024 balance sheet.

Application of the Code's adaptation of IFRS 16 has resulted in the following additions to the balance sheet as at 1 April 2024:

- £14.598m Property, plant and equipment (right-of-use assets)
- £13.237m Lease liability

As at 31 March 2025

- £9.596m Non-current creditors (lease liabilities)

- £6.485m Current creditors (lease liabilities)

The newly recognised lease liabilities of £13.237m compare with the operating lease commitments of £7.185m at 31 March 2024 disclosed in the notes to the 31 March 2024 financial statements. There has therefore been a movement of £6.052m. This is explained by the fact that the new lease liabilities exclude amounts for leases of low value items and leases that will expire before 31 March 2025, and the fact that as part of the implementation of IFRS 16 a comprehensive review of leases was completed which identified additional leases which have now been included in the new IFRS 16 lease liability figure.

ii. Leases classified as finance leases under IAS 17

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 April 2024 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

C. As a lessor

The Council is not required to make any adjustment on transition to IFRS 16 for leases in which it acts as a lessor, except for sub-leases, or where the Council is party to a lease for nil consideration. Otherwise, the Council shall account for leases applying IFRS16 as adopted by the Code from 1 April 2024.

- Under IFRS 16, authorities acting as an intermediate lessor are required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset.
- Where a council is party to a lease for nil consideration, in which it is acting as lessor and the lease is classified as finance lease, the Code requires it will derecognise the asset being provided to the third party and recognise any unguaranteed residual value in accordance with the requirements of IFRS 16.

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

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

The Council manages the risks associated with the rights it retains in underlying assets leased with dilapidation clauses in lease agreements requiring tenants to bring assets back to their original leased condition and in policies not to sell assets leased for economic development purposes.

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

31/03/24 £000		31/03/25 £000
3,913	Less than one year	4,095
3,331	One to two years	3,659
2,878	Two to three years	3,391
2,597	Three to four years	3,048
2,284	Four to five years	2,632
106,125	More than five years	110,149
<u>121,128</u>	Total undiscounted receivables	<u>126,974</u>

The Council was party to two sublease arrangements as lessor as at 1 April 2024. The total future minimum sublease payments expected to be received under non-cancellable subleases at 1 April 2024 was less than £0.001m.

The income received in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £4.694m (2023/24 £4.764m).

As at 31 March 2025 the Council was not party to any leases as lessor to leases for nil consideration.

D. Sale-and-leaseback

The Council did not have any Sale and Leaseback transactions in the period to 31 March 2025.

Council as Lessee

Right of Use Assets

The table below shows the change in the value of right-of-use assets held under leases by the council:

	Land and buildings	Vehicles, plant and equipment	Total
	£000	£000	£000
Balance at 1 April 2024	3,615	10,984	14,599
Additions	2,447	3,863	6,310
Revaluations	35	-	35
Depreciation and Amortisation	(1,240)	(3,330)	(4,570)
Balance at 31 March 2025	4,857	11,517	16,374

Transactions under leases

The council incurred the following expenses and cash flows in relation to leases:

2023/2024 £000		2024/2025 £000
	Comprehensive income and expenditure statement	
-	Interest expense on lease liabilities	642
-	Expense relating to short-term leases	2,479
-	Expense relating to exempt leases of low-value items	1,077
-	Multiple exempt lease commitments excluded from lease liabilities	2,345
	Cash flow statement	
-	Total cashflow for leases	11,413
-	Cash payments for interest portion of lease liabilities	663
-	Short term lease payments where exemptions taken	2,479
-	Low value lease payments where exemptions taken	1,120
-	Multiple exempt lease payments excluded from lease liabilities	2,345

Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected payments):

31/03/2024 £000		31/03/2025 £000
	- Not later than one year	5,436
	- Later than one year and not later than five years	8,493
	- Later than five years	3,495
	- Total undiscounted liabilities	17,424

28. Property, plant and equipment

a) Property, plant and equipment

	Council dwellings £000	Other land and buildings £000	Vehicles, plant and equipment £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total Property, plant and equipment £000	PFI Assets included in Property, plant and equipment £000
Cost or valuation									
At 1 April 2024	571,631	1,454,808	171,497	-	9,314	6,741	215,309	2,429,300	283,521
Additions	24,907	56,821	12,359	-	634	76	126,416	221,213	33,326
Revaluation increases / (decreases) recognised in the surplus/deficit of services	(43,145)	8,686	-	-	-	(87)	-	(34,546)	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	79,405	-	-	-	(44)	-	79,361	(10,142)
Derecognition – disposals	(13,165)	(30)	(20,945)	-	-	(1)	(4,252)	(38,393)	-
Reclassifications	31,485	3,863	-	-	-	74	(35,422)	-	-
Assets reclassified (to)/from Held for Sale	-	6	-	-	-	-	-	6	-
At 31 March 2025	571,713	1,603,559	162,911	-	9,948	6,759	302,051	2,656,941	306,705

	Council dwellings £000	Other land and buildings £000	Vehicles, plant and equipment £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total Property, plant and equipment £000	PFI Assets included in Property, plant and equipment £000
Accumulated depreciation and impairment									
At 1 April 2024	-	2,361	116,026	-	-	-	28	118,415	-
Depreciation charge	25,700	30,131	12,777	-	-	13	-	68,621	4,923
Revaluation increases recognised in the surplus/deficit of services	(25,700)	(2,597)	-	-	-	(6)	-	(28,303)	-
Revaluation increases recognised in the Revaluation Reserve	-	(27,120)	-	-	-	(7)	-	(27,127)	(4,923)
Derecognition – disposals	-	(2)	(20,503)	-	-	-	-	(20,505)	-
Reclassifications	-	28	-	-	-	-	(28)	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-
At 31 March 2025	-	2,801	108,300	-	-	-	-	111,101	-
Net book value									
At 31 March 2025	571,713	1,600,758	54,611	525,337	9,948	6,759	302,051	3,071,177	306,705
At 31 March 2024	571,631	1,452,446	55,471	504,747	9,314	6,741	215,281	2,815,632	283,521

Temporary statutory overrides 1 and 2 as per the policy on pages 78-79 have been applied in respect to Infrastructure Assets so that only net book value (NBV) is shown. Please see Note 28b for reconciliations of movements within NBV to match total PPE total of £3,071,177 as shown on the balance sheet above.

Comparative Movements in 2023/24 (restated)

	Council dwellings £000	Other land and buildings £000	Vehicles, plant and equipment £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total Property, plant and equipment £000	PFI Assets included in Property, plant and equipment £000
Cost or valuation									
At 1 April 2023	558,233	1,383,820	202,901	-	8,690	6,665	128,095	2,288,404	266,590
Additions	27,195	23,960	12,674	-	624	23	107,402	171,878	139
Revaluation increases recognised in the surplus/deficit of services	2,343	9,506	-	-	-	11	-	11,860	18
Revaluation decreases recognised in the surplus/deficit of services	(22,903)	(6,222)	-	-	-	(31)	-	(29,156)	(8)
Revaluation increases recognised in the Revaluation Reserve	-	87,086	-	-	-	32	-	87,118	18,169
Revaluation decreases recognised in the Revaluation Reserve	-	(38,222)	-	-	-	(168)	-	(38,390)	(1,387)
Derecognition – disposals	(11,744)	(1,689)	(44,078)	-	-	(8)	(1,681)	(59,200)	-
Derecognition – other	-	-	-	-	-	-	-	-	-
Reclassifications	18,507	(217)	-	-	-	217	(18,507)	-	-
Assets reclassified (to)/from Held for Sale	-	(3,214)	-	-	-	-	-	(3,214)	-
At 31 March 2024	571,631	1,454,808	171,497	-	9,314	6,741	215,309	2,429,300	283,521

	Council dwellings £000	Other land and buildings £000	Vehicles, plant and equipment £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total Property, plant and equipment £000	PFI Assets included in Property, plant and equipment £000
Accumulated depreciation and impairment									
At 1 April 2023	-	1,931	146,654	-	-	-	28	148,613	-
Depreciation charge	23,843	26,219	13,011	-	-	10	-	63,083	4,586
Revaluation increases recognised in the surplus/deficit of services	(23,843)	(3,627)	-	-	-	(5)	-	(27,475)	-
Revaluation increases recognised in the Revaluation Reserve	-	(22,106)	-	-	-	(14)	-	(22,120)	(4,586)
Derecognition – disposals	-	(47)	(43,639)	-	-	-	-	(43,686)	-
Derecognition – other	-	-	-	-	-	-	-	-	-
Reclassifications	-	(9)	-	-	-	9	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-
At 31 March 2024	-	2,361	116,026	-	-	-	28	118,415	-
Net book value									
At 31 March 2024	571,631	1,452,447	55,471	504,747	9,314	6,741	215,281	2,815,632	283,521
At 31 March 2023	558,233	1,381,889	56,247	482,152	8,690	6,665	128,067	2,621,943	266,590

Temporary statutory overrides 1 and 2 as per the policy on pages 78-79 have been applied in respect to Infrastructure Assets so that only net book value (NBV) is shown. Please see Note 28b for reconciliations of movements within NBV to match total PPE total of £2,815,632 as shown on the balance sheet above.

The 2023/24 figures have been restated – please see note 3 Prior period adjustment

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

2023/24 (restated)				2024/25		
Infrastructure assets	Other Property, plant and equipment	Total Property, plant and equipment		Infrastructure assets	Other Property, plant and equipment	Total Property, plant and equipment
£000	£000	£000		£000	£000	£000
482,152	2,139,791	2,621,943	Net book value at 1 April 2024	504,747	2,310,885	2,815,632
41,451	171,878	213,329	Additions	36,349	221,213	257,562
-	10,179	10,179	Revaluations recognised in surplus/deficit of services	-	(6,243)	(6,243)
-	70,848	70,848	Revaluations recognised in revaluation reserve	-	106,488	106,488
-	-	-	Reclassifications	-	-	-
-	(3,214)	(3,214)	Reclassifications (to)/from held for sale	-	6	6
-	(15,514)	(15,514)	Derecognition - disposals	-	(17,888)	(17,888)
(18,856)	(63,083)	(81,939)	Depreciation	(15,759)	(68,621)	(84,380)
504,747	2,310,885	2,815,632	Net book value at 31 March 2025	525,337	2,545,840	3,071,177

The 2023/24 figures have been restated – please see note 3 Prior period adjustment

c) Property, plant and equipment revaluations

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

	Council dwellings £000	Other land and buildings £000	Vehicles, plant and equipment £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total Property, plant and equipment £000
Carried at historical cost	-	2,504	54,610	525,337	9,949	-	302,051	894,451
Asset Last Revalued								
FY 2024/25	-	302,737	-	-	-	6,759	-	309,496
FY 2023/24	-	215,842	-	-	-	-	-	215,842
FY 2022/23	-	460,129	-	-	-	-	-	460,129
FY 2021/22	-	436,768	-	-	-	-	-	436,768
FY 2020/21	571,713	182,778	-	-	-	-	-	754,491
Total cost or valuation	571,713	1,600,758	54,610	525,337	9,949	6,759	302,051	3,071,177

29. Intangible assets

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

2023/24			2024/25		
Systems under development £000	Total Intangible Assets £000		Systems under development £000	Total Intangible Assets £000	
		Cost			
-	-	As at 1 April 2024	25	25	
25	25	Additions	-	-	
-	-	Disposals	(25)	(25)	
25	25	As at 31 March 2025	-	-	
		Net Book Value			
25	25	At 31 March 2025	-	-	

30. Capital commitments

The total value of legal commitments on capital contracts as at 31 March 2025, for the acquisition of property, plant and equipment, was £91.442m (31 March 2024 £121.004m). Details of the major commitments by contract or project are as follows:

Contract or project	2024/25 £m
Nairn Academy New School	44.794
Tain 3-18 New School Campus	10.425
A836 Naver Bridge	8.422
HRA Housing - Council House New Builds	5.271
Inverness Castle Redevelopment	3.330
Longman Travelling People Site	3.013
Kinmylies Nursery	2.020
Fort William Waste Transfer Station	1.832
Refurbishment of Bught Stadium & New Home of Shinty	1.518
Balintore Energy Improvement Works	1.504
Fleet capital commitments	1.326
New Uig Ferry Passenger Terminal Building	0.708
Portree Burial Ground Extension	0.675
Refurbishment works in Claggan	0.555
Miscellaneous projects with an individual commitment less than £0.5m	6.049
Total	91.442

31. Capital expenditure and capital financing

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

2023/24 £000		2024/25 £000
1,303,909	Opening capital financing requirement	1,431,136
	Capital investment	
213,329	Property, Plant and Equipment	224,386
20	Held for Sale Assets	-
25	Intangible Assets	-
-	PPP IFRS16 Lease Liability Additions	33,208
-	Right of Use Assets	20,908
12,300	Revenue Expenditure funded from capital under statute	12,968
	Sources of finance	
(1,365)	Capital receipts	(1,708)
3,964	Capital Fund	729
-	Evergreen Infrastructure Fund	-
(105,927)	Government grants and other contributions	(92,590)
	Sums set aside from revenue	
(4,044)	- direct revenue contributions	(5,932)
(41,337)	- loans fund principal	(44,033)
-	Evergreen Infrastructure Fund Loans	-
-	Landbank Interest Bearing Loans	49,069
-	House loans	(3)
(4,813)	Reduction in Lease Creditors (PPP)	(10,535)
55,075	PPP Flexibility	8,278
-	Reduction in Lease Creditors (IFRS16)	(4,827)
<u>1,431,136</u>	Closing capital financing requirement	<u>1,621,054</u>
	Explanation of movements in the year	
127,227	Increase in underlying need to borrow (supported by government financial assistance)	135,805
-	Decrease in underlying need to borrow (unsupported by government financial assistance)	(3)
-	Asset adjustments under PPP contracts	33,208
-	Assets acquired under IFRS16 lease contracts	20,908
<u>127,227</u>	Increase/(decrease) in capital financing requirement	<u>189,918</u>

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

32. Private finance initiatives and similar contracts

Community Schools (Highlands) Ltd

The Council signed a PFI Project Agreement with Community Schools (Highlands) Ltd on 12 June 2001 to procure four schools for a term of 25 years from August 2002. The annual unitary charge for this project in 2024/25 was £4.801m. (2023/24 £4.639m). This charge covers the cost of the use of the school plus an amount relating to the transfer of the asset to the Council at the end of the contract.

The total amount payable under the contract from April 2024 until July 2027 amounts to £11.616m at current prices. The Council receives Level Playing Field Support from the Scottish Government towards these costs. This support is estimated to amount to £3.617m over the remaining term of the contract.

Alpha Schools (Highland) Ltd

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

The annual unitary charge for this project in 2024/25 was £24.507m. (2023/24 £24.064m). This charge covers the cost of the use of the schools plus an amount relating to the transfer of the assets to the Council at the end of the contract.

The total amount of unitary charge payable by the Council over the remaining term of the contract term is estimated to be £344.322m. at current prices. The Council receives Revenue Support of £7.160m per annum from the Scottish Government towards these costs. This support is estimated to amount to £85.920m over the remaining term of the contract.

Hub North Scotland (Wick) Limited

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

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

In 2024/25 the Annual Service Charge amounted to £4.959m. (2023/24 £4.906m). The total amount of Annual Service Charge payable by the Council over the remaining term of the contract is estimated to be £82.778m at current prices.

During the 25 year term of the Project Agreement the Council will receive financial support of £4.068m pa from the Scottish Government towards the funding of the Annual Service Charge. This support is estimated to amount to £67.037m over the remaining contract term.

Property, plant and equipment

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

Liabilities arising from PFI and similar contracts

2023/24 £000		2024/25 £000
(131,714)	As at 1 April	(126,901)
-	IFRS16 Change to Liability	(33,208)
4,813	Repaid in year	10,536
<u>(126,901)</u>	As at 31 March	<u>(149,573)</u>

Payments

Payments remaining to be made under PFI contracts at 31 March 2025 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Payments due	Repayment of liability £000	Interest £000	Service Charges £000	Total £000
within one year	11,059	10,833	12,633	34,525
within 2 to 5 years	42,141	34,597	55,348	132,086
within 6 to 10 years	57,695	25,832	89,799	173,326
within 11 to 15 years	34,717	5,106	50,909	90,732
within 16 to 20 years	3,961	269	3,817	8,047
	<u>149,573</u>	<u>76,637</u>	<u>212,506</u>	<u>438,716</u>

33. IFRS 13 Fair Value Measurement

Details of the Council's Corporate Surplus Assets and Assets Held for Sale and information about the fair value hierarchy as at 31 March 2025 are as follows:

	Other significant observable inputs (level 2) £000	Fair Value at 31/3/25 £000
Buildings – Corporate Surplus	426	426
Buildings – Held for Sale	1,201	1,201
Land – Corporate Surplus	6,333	6,333
Land – Held for Sale	1,019	1,019
	<u>8,979</u>	<u>8,979</u>

The fair value for the properties has been based on the comparable method of valuation, which is a market approach using current market conditions and recent transactions and other relevant information for similar assets in the Highland Council area. The inputs are derived through market transactions of other properties actively exchanged through sales and leasing. The level of observable inputs are tangible transactions, leading to the properties being categorised at Level 2 in the fair value hierarchy. Page 142 explains the valuation techniques used in estimating fair value.

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

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

Details of the Common Good Funds' Investment properties held at fair value are shown in the Common Good accounts (Note 48d).

34. Heritage assets

	Museum Collections £000	Works of Art & Civic Regalia £000	Total £000
Balance at 1 April 2023	6,290	716	7,006
Revaluations	-	1,530	1,530
Balance at 31 March 2024	6,290	2,246	8,536
Balance at 1 April 2024	6,290	2,246	8,536
Revaluations	-	-	-
Balance at 31 March 2025	6,290	2,246	8,536

35. Long term Investments

31/03/24 £000		31/03/25 £000
-	D&E Coaches Ltd Shareholding	6,103

36. Long term debtors

31/03/24 £000		31/03/25 £000
10,186	Scottish Police Authority	9,651
3,472	Scottish Fire and Rescue Service	3,225
8,167	Landbanking fund advances soft loans	4,639
32,619	Landbanking fund advances interest bearing loans	49,069
100	Evergreen Infrastructure fund advances	100
1,073	Other loans	1,072
55,617	Long term debtors (net of impairment)	67,756

37. Short term debtors

31/03/24 £000		Note	31/03/25 £000
35,960	Central government bodies		23,712
264	Other local authorities		455
6,499	NHS bodies		7,331
50	Public corporations		8
40,886	Other entities and individuals		35,606
83,659			67,112
(5,111)	Impairment Allowance	46	(5,270)
78,548	Total (net of impairment)		61,842
(7,695)	Prepayments included in debtors		(8,698)
70,853	Total Financial Assets Current Debtors	44	53,144

The impairment charge relates to other entities and individuals (sundry and rent debtors see Note 45).

38. Debtors for local taxation

31/03/24				31/03/25		
Council Tax £000	NDR £000	Total £000		Council Tax £000	NDR £000	Total £000
6,408	10,502	16,910	Less than one year	6,545	17,693	24,238
6,717	1,992	8,709	One to two years	7,993	2,604	10,597
8,227	1,185	9,412	Three to five years	8,189	810	8,999
23,163	1,092	24,255	More than five years	24,581	1,144	25,725
44,515	14,771	59,286		47,308	22,251	69,559
(37,490)	(5,454)	(42,944)	Impairment Allowance	(40,091)	(5,836)	(45,927)
7,025	9,317	16,342	Total (net of impairment)	7,217	16,415	23,632

39. Short term creditors

31/03/24 £000		Note	31/03/25 £000
11,345	Central government bodies		14,703
557	Other local authorities		736
27,314	NHS bodies		19,876
3	Public Corporations		101
7,763	Lease (PFI) creditors		11,059
-	Lease (IFRS16) creditors		6,485
107,647	Other entities and individuals		111,045
154,629	Total		164,005
(8,681)	Tax and social security creditors included above		(8,824)
(19,689)	Receipts in advance included above		(17,785)
126,259	Total Financial Liabilities Current Creditors	44	137,396

40. Provisions

	Note	At 1/4/24 £000	Increase / (Decrease) in provision £000	Use of provision £000	Unused amounts reversed during the year £000	At 31/3/25 £000
Short term						
Equal Pay	1	212	-	-	-	212
Building Dilapidations	2	233	480	-	(233)	480
		445	480	-	(233)	692

- (1) Provision made to meet anticipated costs of outstanding equal pay and single status claims, appeals against job evaluation outcomes and other related liabilities. The timing and amount of these settlements remains uncertain.

- (2) Provision made for repairs on leased buildings where dilapidations may have occurred. The timing and amount of these settlements remains uncertain.

41. Long Term Liabilities

31/03/24 £000		31/03/25 £000
119,139	Lease (PFI) creditors	138,515
-	Pension Liability	34,154
-	Lease (IFRS16) creditors	9,596
2,226	Other long term creditors	2,201
<u>121,365</u>		<u>184,466</u>

42. Contingent liabilities

Building dilapidations

The Council leases a number of buildings which will require to be returned to their original leased condition at the end of the lease. Every attempt is made to maintain leased buildings in reasonable order as stipulated in the lease. However, the Council has a potential liability to incur re-instatement costs where the condition has deteriorated below that of the original state. A provision of £0.480m has been made for these costs. Where leases are coming to an end a condition survey will be carried out to determine the expected reinstatement costs and this is reflected in the provision. For all other leased properties an estimated provision is included based on a percentage of the annual rental charge. This is reviewed annually by the Council's Property Management team to ensure the estimated provision is reasonable.

Highland Council Pension Fund

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

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

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

McCloud Judgement

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

The Council's pension asset/liability and pension costs from financial years 2019/20 to 2024/25 includes the actuary's estimate of the impact of the McCloud remedy, however the exact timing and costs to the Council are unknown at this time.

43. Grant income

The Comprehensive Income and Expenditure Statement in 2024/25 includes the following grants, contributions and donations:

2023/24 £000		2024/25 £000
	Credited to Taxation and non-specific grant income	
389,787	Revenue support grant	443,880
9,425	General capital grant revenue flexibility	3,000
156,979	Non-Domestic rates	160,698
93,627	Capital grants and contributions*	79,622
649,818		687,200
	Credited to services	
33,012	Housing Benefits	32,577
12,300	Capital grants and contributions*	12,968
3,159	Energy Efficiency Scotland	3,941
2,553	UK Shared Prosperity Fund	3,728
3,855	Criminal Justice Grant	3,671
2,893	Crown Estates	3,176
4,589	Pupil Equity Funding	3,155
2,447	Developers Contributions	2,267
4,108	Scottish Futures Trust – Wick Schools	2,075
1,104	Ukrainian Refugees	1,452
1,167	Strategic Equity Fund	1,281
1,200	Teacher Pay Award	1,200
918	Unaccompanied Asylum Seeking Children	1,156
1,096	Sport Scotland	1,124
1,055	Wick Airport	1,023
446	Ferries	1,000
981	Community Led Local Development	980
680	Community Mental Health & Wellbeing	919
905	Gaelic	915
971	Rural Tourism Infrastructure	771
831	COVID-19 Related Grants	762
545	Milk & Healthy Snack Scheme	563
522	Family Nurse Partnership	501
488	SAC - Education for LAC	372
251	Adult Employ Service	359
416	EMA Co-ordination	345
-	EV Grants	334
92	Syrian Refugees	321
192	Science Skills Academy	296
-	Transport Scotland EV charging points	279
156	Vehicles Insurance Claim	270
194	Parental Employability Support	246
-	No One Left Behind - Employability	234
-	Bail Supervision	227
-	Persistent Offenders	205
205	Paths for All	128
244	CJS Caledonian System	119
23,418	Early Learn/Childcare – now included in revenue grant	-
391	European Grants and Contributions	-
757,202	Total	772,140

Not included within the breakdown above but included within government grants and contributions in Note 19 is £13.090m from NHS for commissioned child health (2023/24 £12.194m) and £5.979m in other non-material grants and contributions (2023/24 £6.576m).

***Capital Grants and contributions**

2023/24		2024/25
£000	Capital Grants and contributions	£000
24,215	Scottish Government – General Capital Grant	25,967
31,726	Scottish Government – Housing Grants	20,185
3,674	UK Government – Levelling Up Fund	11,107
-	Scottish Government - Others	6,241
8,509	UK Government – City Region Deal	4,876
2,065	Zero Waste Scotland – Recycling Improvement Fund	4,499
5,169	Capital grants and contributions less than £0.5m	3,693
-	UK Government - Shared Prosperity Fund	3,034
1,131	Scottish Government – Regeneration Capital Grant Fund	2,313
-	Scottish Government - VDLF	2,160
2,633	Sustrans	2,120
-	Lochalsh & Skye Housing Association	1,490
1,173	Scottish Government – Place Based Investment Programme	1,480
18,508	Transport Scotland	1,216
1,050	Highlands & Islands Enterprise	1,182
663	Scottish Government – Island Infrastructure Fund	526
-	Scottish Government – City Region Deal	501
2,035	Scottish Government – Longman Park Travelling People Site	-
1,420	Scottish Forestry	-
814	Scottish Government – Low Carbon Travel & Transport	-
583	Scottish Government – Road Safety Improvement Fund	-
559	Insurance Recoveries	-
(12,300)	Capital grants used to fund Revenue Expenditure under statute	(12,968)
<u>93,627</u>	Total	<u>79,622</u>

THE HIGHLAND COUNCIL ANNUAL ACCOUNTS 2024/25

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

2023/24 £000		2024/25 £000
	Grants Received in Advance (Capital Grants)	
3,283	Zero Carbon Cultural Regeneration	4,599
3,750	Gaelic Grant c/f	3,733
2,830	Regeneration Capital Grant Fund	2,784
-	Portree Link Road	1,535
81	Travelling Peoples Sites	1,387
885	Amounts less than £0.250m in both the current and prior year	756
599	Broadford Primary School Gaelic Unit	599
556	VDLF	556
800	Portree Demonstrator Project	482
767	Place Based Investment Programme 21/22	385
-	IP011 THC Comm & Public Access	350
415	Caithness Demonstrator Project	324
-	Carbon Neutral Islands Fund	307
728	Place Based Investment Programme 22/23	301
1,187	Place Based Investment Programme 23/24	211
367	Town Centre Fund	130
398	Highlands & Islands Infrastructure Fund	46
800	Tain Campus Gaelic Unit	-
646	BSGLA Gaelic Unit	-
371	UK Shared Prosperity Fund	-
<u>18,463</u>	Total	<u>18,485</u>

44. Financial instrument balances

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

Financial Assets										
Non-Current		Current		Total		Non-Current		Current		Total
Investments	Debtors	Investments	Debtors			Investments	Debtors	Investments	Debtors	
31 March	31 March	31 March	31 March	31 March		31 March	31 March	31 March	31 March	31 March
2024	2024	2024	2024	2024		2025	2025	2025	2025	2025
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
-	-	-	-	-	Fair Value through profit or loss	6,103	-	-	-	6,103
-	55,617	54,479	70,853	180,949	Amortised cost	-	67,756	43,372	53,144	164,272
-	55,617	54,479	70,853	180,949	Total Financial Assets	6,103	67,756	43,372	53,144	170,375
267,967	-	67	24,037	292,071	Non-financial assets	-	-	70	32,330	32,400
267,967	55,617	54,546	94,890	473,020	Total	6,103	67,756	43,442	85,474	202,775

Non-financial assets held under non-current investments in 2023/24 consist of the pension asset shown on the balance sheet. Non-financial assets held under current investments consist of cash in hand and at the bank as shown in Note 18. Non-financial assets held under current debtors consist of prepayments and debtors for local taxation as shown in Notes 37/38.

Financial Liabilities										
Non-Current		Current		Total		Non-Current		Current		Total
Borrowings	Creditors	Borrowings	Creditors			Borrowings	Creditors	Borrowings	Creditors	
31 March	31 March	31 March	31 March	31 March		31 March	31 March	31 March	31 March	31 March
2024	2024	2024	2024	2024		2025	2025	2025	2025	2025
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
944,097	121,289	224,426	126,259	1,416,071	Amortised cost	1,041,590	150,261	267,066	137,396	1,565,878
944,097	121,289	224,426	126,259	1,416,071	Total Financial Liabilities	1,041,590	150,261	267,066	137,396	1,596,313
-	76	599	28,370	29,045	Non-financial liabilities	-	34,205	427	26,609	61,241
944,097	121,365	225,025	154,629	1,445,116	Total	1,041,590	184,466	267,493	164,005	1,657,554

Non-financial liabilities held under non-current creditors consist of a prepayment in 2023/24 and a prepayment and pension liability in 2024/25. Non-financial liabilities held under current creditors consist of receipts in advance and tax and social security creditors as shown in Note 39. Non-financial liabilities held under current borrowings consist of cash held at bank as shown in Note 18.

Material soft loans made by the Council

Landbank fund loans

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

2023/24 £000		2024/25 £000
6,303	Balance at 1 April 2024	8,167
8,675	Nominal value of new loans made in the year	664
(1,311)	Loans repaid in the year	(553)
(698)	Fair value adjustment re interest uncharged in year	657
(4,802)	Other movements – transfer to interest bearing loans	(4,296)
<u>8,167</u>	Balance at 31 March 2025	<u>4,639</u>

The fair value of these soft loans is calculated based on the average loans fund rate in the initial year of the loan. For new loans provided in 2024/25 this was 4.29%.

Loans to Inverness Airport Business Park Limited

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

2023/24 £000		2024/25 £000
1,175	Balance at 1 April 2024	1,175
-	Fair value adjustment re interest uncharged in year	-
<u>1,175</u>	Balance at 31 March 2025	<u>1,175</u>
(1,175)	Impairment Loss Allowance	(1,175)
<u>-</u>	Balance net of impairment at 31 March 2025	<u>-</u>

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

Valuation assumptions

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

45. Financial instrument gains and losses

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

2023/24 Surplus or Deficit on the Provision of Services £000		2024/25 Surplus or Deficit on the Provision of Services £000
	Net (gains)/losses on:	
1,479	Financial assets measured at amortised cost	1,191
	Total (gains)/losses	
	Interest revenue:	
(10,596)	Financial assets measured at amortised cost	(9,974)
	Total interest revenue	
62,240	Interest expense	66,350

Fair values of assets and liabilities carried at amortised cost

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

Fair Value Levels

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

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

Methods and assumptions in valuation techniques

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

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

The rates quoted in this valuation were obtained by the Council's treasury management consultants from the market on 31 March 2025 using bid prices where applicable.

The calculations are made using the follow assumptions:

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

The fair values are as follows:

Fair value of liabilities carried at amortised cost

31/03/24			31/03/25	
Carrying Amount £000	Fair Value £000		Carrying amount £000	Fair value £000
904,561	700,156	PWLB debt	987,917	759,193
121,408	110,414	Market loan	116,394	92,177
135,662	135,662	Temporary loans	196,374	196,374
		Loans Fund advances to group		
6,892	6,892	bodies	7,971	7,971
119,139	140,164	PFI	148,111	148,111
2,150	2,150	Long Term Creditors	2,150	2,150
126,259	126,259	Short Term Creditors	137,396	137,396
<u>1,416,071</u>	<u>1,221,697</u>	Financial liabilities	<u>1,596,313</u>	<u>1,343,372</u>

The fair value of borrowings is lower than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2025) arising from a commitment to pay interest to lenders below current market rates.

Fair value of assets carried at amortised cost

31/03/24			31/03/25	
Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000
54,479	54,479	Call accounts	43,372	43,371
-	-	Fixed term deposits	-	-
55,617	55,617	Long term debtors	67,756	67,756
70,853	70,853	Short term debtors	53,144	53,144
<u>180,949</u>	<u>180,949</u>	Financial assets	<u>164,272</u>	<u>164,271</u>

46. Nature and extent of risks arising from financial instruments

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

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

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

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

Deposits are only made with banks and financial institutions that meet the criteria set out in Appendix 6 of the Council's [Treasury Management Strategy Statement and Investment Statement](#). This requires that only AAA rated Sterling denominated money market funds will be used. Deposits will be placed with banks and financial institutions using the credit ratings provided by our investment advisor Link to assess credit risk. These incorporate a modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors.

The credit ratings of counterparties are supplemented with the following overlays:

1. credit watches and credit outlooks from credit rating agencies
2. Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
3. sovereign ratings to select counterparties from only the most creditworthy countries).

The authority has a policy of not lending more than £20m of its surplus balances to one institution for a maximum period of 364 days in order to manage credit risk.

More information on this and how credit risk is managed can be found in the above statement.

Loss allowances on customers and rent debtors have been calculated by reference to the Council's historic experience of default. As per the financial regulations write off action is only contemplated if the debt is uncollectable, the cost of collection is greater than the debt, or there has been a Local Authority error.

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

2023/24				Asset Class: Financial Assets Held at Amortised Cost	2024/25			
Lifetime Expected Credit Losses – simplified approach Customers £000	Lifetime Expected Credit Losses – simplified approach Rent £000	Lifetime Expected Credit Losses – not credit impaired IABP £000	Total £000		Lifetime Expected Credit Losses – simplified approach Customers £000	Lifetime Expected Credit Losses – simplified approach Rent £000	Lifetime Expected Credit Losses – not credit impaired IABP £000	Total £000
2,436	3,376	1,175	6,987	Opening balance as at 1 April 2024	1,480	3,631	1,175	6,286
				Transfers:				
(1,382)	(798)	-	(2,180)	Amounts written off	(404)	(628)	-	(1,032)
426	1,053	-	1,479	Other changes	350	841	-	1,191
1,480	3,631	1,175	6,286	As at 31 March 2025	1,426	3,844	1,175	6,445

The Council has the following exposure to credit risk as at 31 March 2025:

	Credit risk rating	Gross carrying amount
	%	£000
Significant increase in credit risk since initial recognition		
Inverness Airport Business Park Limited Soft Loan	100.00	1,175
Simplified Approach		
Customers	12.28	11,611
Rent	67.81	5,669
Landbank Fund Soft Loans	0.00	4,639
Deposits with Banks	0.00	43,372
Total		66,466

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

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

The Council does not offer credit terms to customers.

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

Debtors

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

31/03/24 £000		31/03/25 £000
4,740	Less than three months	8,023
6,168	Three to six months	903
587	Six to twelve months	562
1,855	More than twelve months	2,123
<u>13,350</u>	Total	<u>11,611</u>

Market risk

Interest rate risk

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

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

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

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

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

According to the assessment strategy, at 31 March 2025, if interest rates had been 1% higher with all other variables held constant, the financial effect would be as follows:

	£000
Increase in interest payable on variable rate borrowings	288
Increase in interest receivable on variable rate investments	(434)
Impact on Income and Expenditure Account	<u>(146)</u>
Decrease in fair value of fixed rate borrowing liabilities (no impact on CI&ES or MIRS)	<u>10,189</u>

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

Price risk

The Council does not invest in equity shares.

Foreign exchange risk

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

Liquidity Risk

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

The maturity structure of financial liabilities is as follows:

31/03/2024		Liquidity risk	31/03/2025	
Amortised cost £000	Nominal value £000		Amortised cost £000	Nominal value £000
Financial Liabilities				
		Public Works Loans		
904,561	889,198	Board	987,917	986,338
121,408	119,806	Market Loans	116,394	114,806
135,662	133,000	Temporary Loans	196,374	193,000
		Internal Loans Fund		
6,892	6,892	Advances	7,971	7,971
119,139	119,139	PFI and similar contracts	148,111	148,111
2,150	2,150	Long term creditor	2,150	2,150
126,259	126,259	Short term creditor	137,396	137,396
1,416,071	1,396,444		1,596,313	1,589,772
Maturity				
350,684	331,511	Less than 1 year	404,463	398,366
48,154	48,154	Between 1 and 2 years	132,978	132,978
124,389	124,389	Between 2 and 5 years	191,838	191,838
137,784	137,784	Between 5 and 10 years	130,052	130,052
755,060	754,606	More than 10 years	736,982	736,538
1,416,071	1,396,444		1,596,313	1,589,772

47. Statutory Repayment of Debt Deferral

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

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

2023/24 £000		2024/25 £000
Statutory Debt Repayment		
3,694	Less than 1 year	2,782
2,782	Between 1 and 2 years	2,323
6,169	Between 2 and 5 years	5,410
6,642	Between 5 and 10 years	6,071
5,096	More than 10 years	4,103
<u>24,383</u>		<u>20,689</u>

48. Common Good Funds Accounts

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

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

Accounting Policies

The Common Good accounts are prepared in accordance with the accounting policies adopted by Highland Council as detailed in Note 4 to the financial statements with the exception of the treatment of 'Reserves'. The Reserves policy adopted for the Common Good Fund Accounts follows LASAAC guidance ([LASAAC Common Good Fund Guidance | CIPFA](#)). This approach requires that assets should be depreciated and set against any surplus in the income and expenditure account. Therefore, statutory adjustments are not applied to the Common Good Fund statements.

In addition, the Common Good Fund has investment properties which are those used solely to earn rentals and for capital appreciation. Investment property values are determined by applying IFRS 13 – Fair Value Measurement. Disclosures regarding the valuation of investment properties are detailed in Note 48d to the accounts. Investment properties are not depreciated but are revalued annually. Gains and losses on revaluation are recorded in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment applies to gains and losses on disposal.

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

Comprehensive Income and Expenditure Statement

2023/24				2024/25			
Gross Expenditure £000	Gross Income £000	Net Expenditure/ (Income) £000		Gross Expenditure £000	Gross Income £000	Net Expenditure/ (Income) £000	
2,510	(518)	1,992	Inverness	2,671	(431)	2,240	
110	(29)	81	Nairn	146	(33)	113	
2	-	2	Tain	4	-	4	
-	-	-	Fort William	4	(45)	(41)	
131	(3)	128	Dornoch	37	(3)	34	
58	-	58	Dingwall	7	-	7	
1	-	1	Fortrose	4	-	4	
1	-	1	Cromarty	1	-	1	
6	-	6	Invergordon	6	-	6	
9	(9)	-	Wick	6	(10)	(4)	
2,828	(559)	2,269	Cost of services	2,886	(522)	2,364	
		(3,349)	Financing and investment income and expenditure (Note 48b)			(1,984)	
		(1,080)	(Surplus)/deficit on provision of services			380	
		(1,100)	(Surplus) on revaluation of heritage assets			(896)	
		(1,100)	Other comprehensive income and expenditure			(896)	
		(2,180)	Total comprehensive (income) and expenditure			(516)	

Common Good Funds
Balance Sheet as at 31 March 2025

31/03/24		Notes	31/03/25
£000			£000
227	Property, Plant and Equipment	48c	202
5,143	Heritage Assets	48c, 48e	6,040
35,889	Investment Properties	48c, 48f	35,476
6	Intangible Assets	48g	5
5,636	Investments	48h	5,041
46,901	Long Term Assets		46,764
1,624	Cash and cash equivalents	48i	2,371
459	Sundry debtors		348
2,083	Current Assets		2,719
(105)	Sundry creditors		(88)
(105)	Current Liabilities		(88)
1,978	Net current assets		2,631
48,879	Net assets		49,395
7,424	Revenue funds	48j	7,481
36,604	Capital funds	48k	36,167
4,851	Revaluation reserve	48l	5,747
48,879	Total Reserves		49,395

Cash Flow Statement

31/03/24 £000		Notes	31/03/25 £000
1,080	Net surplus/(deficit) on the provision of services		(380)
(1,322)	Adjust net surplus/(deficit) on the provision of services for non-cash movements	48p	691
1	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	48p	-
<u>(241)</u>	Net cash inflow/(outflow) from operating activities		<u>311</u>
(63)	Investing activities	48q	436
<u>(304)</u>	Net increase/(decrease) in cash and cash equivalents		<u>747</u>
1,928	Cash and cash equivalents at 1 April 2024		1,624
<u>1,624</u>	Cash and cash equivalents at 31 March 2025	48j	<u>2,371</u>

Notes to the Common Good Funds Accounts**48a) Comprehensive income and expenditure statement – Financing and investment income and expenditure**

2023/24 £000		2024/25 £000
(258)	Interest and investment income and expenditure	(383)
(2,665)	Rental income	(3,048)
333	Property costs	635
(517)	(Surplus)/deficit on revaluation of investment properties	569
1	Loss on disposal of investment property	-
(276)	(Gains)/losses on valuation of financial assets	125
33	(Gains)/losses on derecognition of financial assets	118
<u>(3,349)</u>		<u>(1,984)</u>

48b) Operating leases

Common Good Fund as lessor

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

2023/24 £000		2024/25 £000
<u>2,456</u>	Lease income received in year	<u>2,575</u>

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

31/03/24 £000		31/03/25 £000
2,639	Within one year	2,637
9,070	Later than one year and not later than five years	9,671
99,897	Later than five years	98,744
<u>111,606</u>		<u>111,052</u>

48c) Long term assets

The Community Empowerment (Scotland) Act 2015 requires the Council to establish and maintain a list of property which is held as part of the Common Good. The review of property titles to facilitate the publication of the list has been completed, and following a period of public consultation, the findings are now available on the Highland Council website at [Common good asset register](#).

Details of the Common Good Funds long terms assets are as follows:

Movements in 2024/25

	Investment Properties £000	Heritage Assets £000	Plant and Equipment £000	Total £000
Gross book value				
As at 1 April 2024	35,888	5,144	320	41,352
Additions	157	-	7	164
Disposals		-	-	-
Revaluations	(569)	896	-	327
As at 31 March 2025	35,476	6,040	327	41,843
Accumulated depreciation				
As at 1 April 2024	-	-	93	93
Depreciation charge			32	32
As at 31 March 2025			125	125
Net book value				
As at 31 March 2025	35,476	6,040	202	41,718
As at 31 March 2024	35,889	5,143	227	41,259

Investment Properties – Fair Value Measurement

Valuation Techniques used to Determine Fair Values for Investment Properties

- All Common Good Fund Investment Properties have been valued in accordance with IFRS 13 – Fair Value Measurement and have been categorised at Level 2 within the Fair Value Hierarchy. These revaluations are carried out by in-house valuers and are overseen by Kenny Forbes (MRICS), Property Manager, Infrastructure, Environment and Economy Service, Highland Council.
- Significant Observable Inputs – Level 2
The fair value for the investment properties has been based on the comparable method of valuation, which is a market approach using current market conditions, recent transactions and other relevant information for similar assets in the Highland Council area. The inputs are derived through market transactions of other properties actively exchanged through sales and leasing. The levels of observable inputs are tangible transactions, leading to the properties being categorised at Level 2 in the fair value hierarchy.
- Highest and Best Use of Investment Properties
In estimating the value of the Common Good Fund Investment Properties, the stated value represents their highest and best use in their current use.
- No changes in valuation methods for any of the properties have occurred.

Heritage Assets

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

48d) Related Parties

During the period the Council incurred £0.159m (2023/24 £0.120m) in relation to the administration of the Common Good Funds and was subsequently reimbursed for these expenses.

Common Good properties are used for service delivery by the Council. The Council paid the Common Good Fund £0.108m (2023/24 £0.108m) in rental income.

Rent of £0.008m (2023/24 £0.008m) per annum is received into Wick Common Good Fund from the Highland and Western Isles Valuation Joint Board, which is an associate of Highland Council.

48e) Heritage assets

31/03/24 £000	Heritage assets at insurance value	31/03/25 £000
	Common Good Fund	
1,785	Inverness	2,204
60	Nairn	40
386	Tain	387
22	Dornoch	22
253	Fortrose	254
2,585	Invergordon	2,890
52	Wick	243
<u>5,143</u>		<u>6,040</u>

Included in the heritage assets for the Invergordon Common Good Fund is a bust of Sir John Gordon by Edmé Bouchardon, which has an insurance value of £2.790m. The sale of this asset has been the subject of a public consultation and it was agreed at the [Black Isle and Easter Ross Area Committee meeting on 13 May 2024](#) that it be recommended to full Council that the proposal to dispose of the bust of by sale should go ahead.

48f) Investment property

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

31/03/24 £000	Investment Property at Fair Value	31/03/25 £000
	Common Good Fund	
24,540	Inverness	25,316
8,360	Nairn	6,876
362	Tain	362
1,088	Dornoch	1,088
430	Dingwall	464
219	Fortrose	480
55	Cromarty	55
425	Wick	425
400	Thurso	400
10	Grantown-on-Spey	10
<u>35,889</u>		<u>35,476</u>

48g) Intangible assets

2023/24 £000	Fishing Licence – Tain	2024/25 £000
7	As at 1 April 2024	6
(1)	Amortisation	(1)
<u>6</u>	As at 31 March 2025	<u>5</u>

48h) Investments

31/03/24		31/03/25	
Cost £000	Valuation £000	Cost £000	Valuation £000
3,273	5,022	2,913	4,419
522	614	529	622
<u>3,795</u>	<u>5,636</u>	<u>3,442</u>	<u>5,041</u>

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

31/03/24		31/03/25	
Cost £000	Valuation £000	Cost £000	Valuation £000
1,684	3,463	1,458	2,979
1,429	1,399	1,352	1,334
107	107	50	50
53	53	53	56
<u>3,273</u>	<u>5,022</u>	<u>2,913</u>	<u>4,419</u>

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

THE HIGHLAND COUNCIL ANNUAL ACCOUNTS 2024/25

31/03/24			31/03/25		
Units Held			Units Held		
Cost £000	Valuation £000		Cost £000	Valuation £000	
373	471	Equities	387	481	
105	102	Bonds	102	101	
13	13	Cash	19	19	
31	28	Alternative	21	21	
<u>522</u>	<u>614</u>	Total	<u>529</u>	<u>622</u>	

48i) Cash and cash equivalents

31/03/24 £000		31/03/25 £000
<u>1,624</u>	Balance with Highland Council Loans Fund	<u>2,371</u>
<u>1,624</u>	Total	<u>2,371</u>

48j) Revenue funds

	Balance at 1/04/24 £000	Movement 2024/5 £000	Balance at 31/03/25 £000
Common Good Fund			
Inverness	5,380	(455)	4,925
Nairn	897	194	1,091
Tain	240	26	266
Fort William	-	42	42
Dornoch	236	83	319
Dingwall	282	68	350
Fortrose	213	34	247
Cromarty	56	2	58
Invergordon	83	2	85
Wick	37	52	89
Thurso	-	9	9
Total	<u>7,424</u>	<u>57</u>	<u>7,481</u>

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

	Balance at 1/04/24 £000	Movement 2024/25 £000	Balance at 31/03/25 £000
Common Good Fund			
Inverness	1,749	(243)	1,506
Nairn	92	1	93
Total	<u>1,841</u>	<u>(242)</u>	<u>1,599</u>

48k) Capital funds

	Balance at 1/04/24	Movement 2024/25	Balance at 31/03/25
	£000	£000	£000
Common Good Fund			
Inverness	24,604	760	25,364
Nairn	8,594	(1,493)	7,101
Tain	779	(1)	778
Dornoch	1,088	-	1,088
Dingwall	430	35	465
Fortrose	219	262	481
Cromarty	55	-	55
Wick	425	-	425
Thurso	400	-	400
Grantown	10	-	10
Total	36,604	(437)	36,167

48l) Revaluation Reserve

	Balance at 1/04/24	Movement 2024/25	Balance at 31/03/25
Fund	£000	£000	£000
Inverness	1,784	419	2,203
Nairn	60	(20)	40
Tain	94	-	94
Dornoch	22	-	22
Fortrose	254	1	255
Invergordon	2,585	305	2,890
Wick	52	191	243
Total	4,851	896	5,747

48m) Financial Instrument balances

Categories of Financial Instruments

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

Financial Assets

Non-Current		Current		Total		Non-Current		Current		Total
Investments	Debtors	Investments	Debtors			Investments	Debtors	Investments	Debtors	
31 March	31 March	31 March	31 March	31 March		31 March	31 March	31 March	31 March	31 March
2024	2024	2024	2024	2024		2025	2025	2025	2025	2025
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
5,636	-	-	-	5,636	Fair value through profit or loss	5,041	-	-	-	5,041
-	-	1,624	459	2,083	Amortised cost	-	-	2,371	348	2,719
5,636	-	1,624	459	7,719	Total Financial Assets	5,041	-	2,371	348	7,760

Financial Liabilities

Non-Current		Current		Total		Non-Current		Current		Total
Borrowings	Creditors	Borrowings	Creditors			Borrowings	Creditors	Borrowings	Creditors	
31 March	31 March	31 March	31 March	31 March		31 March	31 March	31 March	31 March	31 March
2024	2024	2024	2024	2024		2025	2025	2025	2025	2025
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
-	-	-	105	105	Amortised cost	-	-	-	88	88
-	-	-	105	105	Total Financial Liabilities	-	-	-	88	88

48n) Financial Instruments Gains and Losses

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

2023/24		2024/25
Surplus or Deficit on the Provision of Services £000		Surplus or Deficit on the Provision of Services £000
	Net (gains)/losses on:	
	Financial assets measured at fair value through profit or loss	
(244)		243
(244)	Total (gains)/losses	243
	Interest revenue:	
(258)	Financial assets measured at amortised cost	(383)
(258)	Total interest revenue	(383)

Fair Values of Financial Assets

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

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31/03/24	31/03/25
Fair Value through Profit and Loss			£000	£000
Investment portfolios held with Adam and Co	Level 1	Unadjusted quoted prices in active markets for identical investments	5,636	5,041
Total			5,636	5,041

Transfers between Levels of the Fair Value Hierarchy

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

Changes in the Valuation Technique

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

Credit Risk

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

48o) Cashflow statement – Adjustments for non-cash movements

2023/24		2024/25
£000		£000
	Non-cash items	
31	Depreciation and impairments	33
(517)	Revaluation of investment properties	569
(382)	Revaluation of investments	(5)
	Items on accruals basis	
(293)	(Increase)/decrease in debtors	112
(161)	Increase/(decrease) in creditors	(18)
<u>(1,322)</u>		<u>691</u>
	Items in investing & financing activities	
1	Loss on disposal of investment property	-
<u>1</u>		<u>-</u>

48p) Cashflow statement – investing activities

2023/24		2024/25
£000		£000
250	Proceeds from long term investments	600
71	Proceeds from disposal of investment property	-
-	Purchase of property, plant and equipment	(7)
(384)	Purchase of investment properties	(157)
<u>(63)</u>		<u>436</u>

49. Charitable, Educational and Other Trust Funds Accounts

ACCOUNTING POLICIES

The Trust Fund accounts are prepared in accordance with the accounting policies adopted by Highland Council as detailed in Note 4 to the financial statements. However, the following statements include the accounts of Highland Council Charitable Trusts and Highland Charities Trust, which have been prepared on a Receipts and Payments basis in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). The results of these accounts can be seen in the Charitable Trusts column below.

Income and Expenditure Account for the year ended 31 March 2025

2023/24				2024/25		
Charitable Trusts £000	Educational Trusts £000	Other Trusts £000		Charitable Trusts £000	Educational Trusts £000	Other Trusts £000
129	51	139	Incoming resources	227	1	188
(51)	(2)	(105)	Expenditure resources	(161)	(2)	(87)
78	49	34	Net incoming / (outgoing) resources before other recognised gains & losses	66	(1)	101
78	49	34	Net Movement in Funds	66	(1)	101
			Reconciliation of Funds			
2,478	952	2,251	Total Funds brought forward at 1 April	2,556	1,001	2,285
-	-	-	Transfers between Trusts	994	(991)	(3)
2,556	1,001	2,285	Total Funds carried forward at 31 March	3,616	9	2,383

During 2024/25, a reorganisation was undertaken whereby several of the Educational Trusts and Other Trusts (with an educational purpose) were transferred into the Charitable Trusts

Balance Sheet as at 31 March

31 March 2024				31 March 2025		
Charitable Trusts	Educational Trusts	Other Trusts		Charitable Trusts	Educational Trusts	Other Trusts
£000	£000	£000		£000	£000	£000
64	5	1,469	Non current assets	70	-	1,548
64	5	1,469	Investments at cost			
			Current assets			
2,492	996	816	Debtor – Highland Council Loans Fund	3,546	9	835
2,492	996	816		3,546	9	835
2,556	1,001	2,285	Net assets	3,616	9	2,383
2,344	712	1,331	Capital funds	3,474	4	1,410
212	289	954	Revenue funds	142	5	973
2,556	1,001	2,285	Total funds	3,616	9	2,383

In addition to the assets noted above, one of the Other Trusts holds an investment property (nil cost). The value of the property at 31 March 2025 was £0.060m.

Notes to the Charitable, Educational and Other Trust Fund Accounts

Charitable Trusts

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

At 31 March 2025 the balances and investments held are as follows:

31 March 2024							
Fund Balance <i>restated</i> £000	Investments at cost £000	Investments at valuation <i>restated</i> £000	Charity	Scottish Charity Number	Fund Balance £000	Investments at cost £000	Investments at valuation £000
138	1	2	Highland Charities Trust	SC044714	115	1	3
2,418	63	2,014	Highland Council Charitable Trusts	SC025079	3,501	68	2,605
2,556	64	2,016	Total Charitable Trusts		3,616	69	2,608

Educational Trust Funds

Due to the transfers noted above, The Highland Council now administers three (2023/24 – 41) Educational Trust Funds which are for the benefit of the pupils educated within specific schools or areas. At 31 March 2025 the balances and investments held are as follows:

31 March 2024				31 March 2025			
Fund Balance £000	Investments at cost £000	Investments at valuation £000		Fund Balance £000	Investments at cost £000	Investments at valuation £000	
577	5	372	Inverness Royal Academy Educational Trust	-	-	-	
134	-	23	Manson Bequest – Nairn and Ardclach	-	-	-	
104	-	30	Manson Bequest – Keiss	-	-	-	
68	-	-	Other Educational Trusts	9	-	-	
50	-	-	META MacBean - Kingussie HS	-	-	-	
32	-	-	Howard Doris fund – Plockton High School	-	-	-	
24	-	-	George Kerr Bequest	-	-	-	
12	-	-	Miss B G Angus Executory	-	-	-	
1,001	5	425	Total Educational Trusts	9	-	-	

Other Trust Funds

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

31 March 2024				31 March 2025			
Fund Balance £000	Investments at cost £000	Investments at valuation £000		Fund Balance £000	Investments at cost £000	Investments at valuation £000	
856	842	1,476	Inverness Burial Grounds Fund	897	854	1,452	
716	627	1,040	Inverness Benevolent Funds	771	694	1,036	
167	-	-	Inverness – Other Trust Funds	171	-	-	
152	-	-	Ross and Cromarty Trust Funds	160	-	-	
146	-	-	Caithness Trust Funds	153	-	-	
68	-	-	Lochaber Trust Funds	48	-	-	
91	-	-	Nairn Trust Funds	94	-	-	
56	-	-	Social Work Amenity Funds	55	-	-	
23	-	-	Sutherland Trust Funds	24	-	-	
8	-	-	Badenoch and Strathspey Trust Funds	8	-	-	
2	-	-	Skye and Lochalsh Trust Funds	2	-	-	
2,285	1,469	2,516	Total other trust funds	2,383	1,548	2,488	

50. Events after Reporting Period

The unaudited annual accounts were issued by the Chief Officer Corporate Finance on 26 June 2025 and the audited financial statements were authorised for issue by Brian Porter on 12 November 2025. Where events taking place before this date provided information about conditions existing at 31 March 2025 the financial statements have been adjusted in all material respects.

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

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

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

2023/24 £000 (restated)		2024/25 £000	£000
	Income		
(60,330)	Dwelling rents (gross)	(65,813)	
(812)	Non-dwelling rents (gross)	(846)	
(2,093)	Other income	(1,855)	
(63,235)			(68,514)
	Expenditure		
22,748	Repairs and maintenance	25,131	
12,946	Supervision and management	13,051	
20,913	Depreciation and impairment of non-current assets	43,372	
1,991	Other expenditure	1,258	
58,598			82,812
	Net (income)/expenditure from HRA services as included in Council Comprehensive Income and Expenditure Statement		14,298
(4,637)			
(4,637)	Net (income)/expenditure from HRA services		14,298
10,262	Loss on disposal of non-current assets	13,219	
15,577	Interest payable and similar charges	18,060	
(608)	Amortisation of premiums and discounts	(613)	
(451)	Interest and investment income	(656)	
(686)	Pension net interest	(792)	
(22,130)	Capital Grants and contributions	(15,901)	
1,097	Impairment of debtors	740	
3,061			14,057
(1,576)	(Surplus)/Deficit on HRA services		28,355

The 2023/24 figures have been restated – please see note 3 Prior period adjustment

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

2023/24		2024/25	
£000		£000	£000
(restated)			
(3,909)	Balance on HRA at 1 April 2024		(4,681)
(1,576)	(Surplus)/Deficit for the year on HRA Income and Expenditure Statement		28,355
	Adjustments to usable reserves permitted by accounting standards		
(198)	Historic depreciation element		(61)
	Adjustments between accounting basis and funding basis under statute		
(10,262)	Loss on sale of HRA non-current assets	(13,219)	
-	Capital expenditure funded by the HRA	-	
(10,262)			(13,219)
	Transfer to the Capital Adjustment Account		
(20,715)	- Depreciation and impairment	(43,311)	
8,730	- repayment of debt	10,775	
22,130	- Capital grants and contributions	15,901	
10,145			(16,635)
511	HRA share of contributions to the Pensions Reserve		552
608	HRA share of transfer from the Financial Instruments Adjustment Account		613
(4,681)	Balance on HRA at 31 March 2025		(5,076)

The 2023/24 figures have been restated – please see note 3 Prior period adjustment

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Rent arrears

Rent arrears were as follows

31/03/24		31/03/25
£000		£000
3,685	Current tenants	3,293
983	Former tenants	1,350
<u>4,668</u>	Total	<u>4,643</u>

2. Uncollectable rent voids

Uncollectable rent voids of £1.342m (2023/24 £1.215m) have been netted off against rental income.

3. Impairment of debtors

In 2024/25 an impairment has been provided in the Balance Sheet for irrecoverable rents as follows

31/03/24		31/03/25
£000		£000
2,779	Rent arrears	2,933
178	Sundry debts	201
<u>2,957</u>		<u>3,134</u>

4. Housing Stock

The Council's housing stock was as follows

31/03/24		31/03/25
Number	Type of House	Number
216	1 apartment	199
3,903	2 apartment	3,956
6,175	3 apartment	6,296
4,278	4 apartment	4,331
398	5 apartment	415
28	6 apartment	26
1	7 apartment	1
2	8 apartment	2
-	10 apartment	-
<u>15,001</u>		<u>15,226</u>

Council Tax Income Account**Cunntas Teachd-a-steach Cìs na Comhairle**

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

2023/24 £000		2024/25 £000
183,795	Gross Council Tax levied and contributions in lieu	191,706
(13,789)	Council Tax Reduction Scheme	(13,652)
(21,046)	Other discounts and reductions	(21,203)
(2,862)	Write off of uncollectable debts and allowances for impairment	(3,028)
(1,939)	Adjustments for prior years Council Tax and Community Charge	(589)
144,159	Net Council Tax income per the Comprehensive Income and Expenditure Statement	153,234

Notes to the Council Tax Income Account**Calculation of the Council Tax base 2024/25**

Band	No of dwellings	No of exemptions	Disabled relief	Discounts 25%	Discounts 50%	Total dwellings	Ratio to Band D	Band D Equivalents
A (dbr)*	-	-	55	(6)	-	49	200/360	27
A	19,507	(1,209)	55	(2,527)	(165)	15,661	240/360	10,441
B	23,689	(1,080)	58	(2,751)	(198)	19,718	280/360	15,336
C	25,079	(852)	14	(2,530)	(193)	21,518	320/360	19,127
D	20,705	(491)	49	(1,619)	(134)	18,510	360/360	18,510
E	20,124	(312)	(113)	(1,219)	(104)	18,376	473/360	24,144
F	10,121	(126)	(62)	(452)	(41)	9,440	585/360	15,340
G	4,763	(58)	(53)	(165)	(27)	4,460	705/360	8,735
H	345	(14)	(3)	(7)	(2)	319	882/360	783
Total	124,333	(4,142)	0	(11,276)	(864)	108,051		112,443
Council Tax Reduction Contributions in lieu Provision for non- collection (1.89%) Council tax base								(9,566) 166 (1,948) 101,095

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

Dwellings fall within a valuation band between A to H which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. The band D charge for 2024/25 was £1,427.19.

From 1 April 2017 the Scottish Government changed the basis on which properties are assessed for Council Tax and this increased the charge for Council Tax properties that are banded E to H. The Highland Council had no discretion in this matter and must apply these increases to the Council Tax charges from 1 April 2017. Householders living in properties in Bands A-D are not affected by this increase. Based on the Council Tax base available to Highland Council the Band D charge for 2024/25 was £1,427.19.

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

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

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

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

Exemption can be awarded for up to 6 months for long term empty properties which are unfurnished. A discount of up to 10% can then be applied for a further 6 months or 18 months if the property is actively marketed for sale or let. When the discount ends a 200% Council Tax charge will apply.

Apart from some very limited statutory and discretionary exemptions, most second homes will be subject to a 200% Council Tax charge from 1st April 2024

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

Highland Council Tax charges for 2024/25

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

Non-Domestic Rate Account

Cunntas Reat Neo-dhachaigheil

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

2023/24 £000		2024/25 £000
221,875	Gross rates levied and contributions in lieu	230,183
(46,205)	Reliefs and other deductions	(47,066)
(8)	Payment of interest	(159)
(1,740)	Write-off of uncollectible debts and allowance for impairment	(1,802)
173,922	Net Non-Domestic Rate Income (NNDR)	181,156
(8,338)	Adjustment to previous years' national Non-Domestic rates	(7,763)
-	Non-Domestic Rate Income Retained by Authority (Business Rates Incentivisation Scheme)	(353)
165,584	Contribution to Non-Domestic Rate Pool	173,040

Notes to the Non-Domestic Rate Account

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

156,979	NDR Distributable Amount	160,345
-	Non-Domestic Rate income retained by Council (BRIS)	353
156,979	Non-Domestic Rate Income credited to CIES	160,698

Net Rateable Value Calculation

The amount paid for NNDR is determined by the rateable value placed on the property by the Assessor multiplied by the rate per pound, which is determined each year by the Scottish Government. The NNDR poundage rate set by the Scottish Government for 2024/25 was 49.8p Rateable Value equal to or less than £51,000, 54.5p Rateable Value between £51,001 and £100,000 and 55.9p Rateable Value greater than £100,000.

Highland Council Rateable Values

1 April 2023			1 April 2024	
Number of units	Rateable values £000		Number of units	Rateable values £000
2,664	62,805	Shops	2,658	63,113
943	32,276	Public houses and hotels	930	32,296
1,652	27,526	Offices	1,683	28,164
2,842	56,896	Industrial subjects	2,839	59,359
6,500	37,337	Leisure, entertainment, caravans and holiday sites	6,115	36,501
295	6,136	Garages and petrol stations	293	6,137
2,462	32,722	Cultural, sporting subjects, education and training	2,461	32,804
1,203	18,691	Public service subjects	1,202	19,054
2,120	152,623	Miscellaneous	2,123	155,096
20,681	427,012	Total	20,304	432,524

Group Accounts

Cunntasan Buidhne

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

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

2023/24 (restated)				2024/25			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
58,598	(63,235)	(4,637)	Council Housing – Housing Revenue Account		82,813	(68,515)	14,298
80,201	(32,928)	47,273	Communities & Place		85,921	(33,724)	52,197
280,744	(36,277)	244,467	Education & Learning		297,610	(11,662)	285,948
217,800	(19,478)	198,322	Health & Social Care		227,176	(20,345)	206,831
121,421	(42,986)	78,435	Infrastructure, Environment & Economy		133,352	(62,111)	71,241
11,134	(2,944)	8,190	Performance & Governance		16,419	(3,483)	12,936
110,429	(16,465)	93,964	Property & Housing		118,432	(15,329)	103,103
23,631	(2,849)	20,782	Resources & Finance		22,570	(3,269)	19,301
18,548	(4,197)	14,351	Depute Chief Executive		14,807	(5)	14,802
40,238	(32,908)	7,330	Welfare Services		40,151	(32,411)	7,740
214	-	214	Green Freeport		458	0	458
2,975	-	2,975	Joint Board Requisitions:				
			Highland and Western Isles Valuation Joint Board		3,230	0	3,230
91	-	91	Highland and Islands Transport Partnership		91	0	91
966,024	(254,267)	711,757	Cost of Services Carried Forward		1,043,030	(250,854)	792,176

THE HIGHLAND COUNCIL GROUP ANNUAL ACCOUNTS 2024/25

2023/24 (restated)				2024/25			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
966,024	(254,267)	711,757	Cost of Services Brought Forward		1,043,030	(250,854)	792,176
		8,792	Other operating expenditure				15,687
		36,655	Financing and investment income and expenditure	6			39,963
		(793,977)	Taxation and non-specific grant income				(840,434)
		(36,773)	(Surplus)/Deficit on provision of services				7,392
		(168)	Associates accounted for on an equity basis				69
		-	Taxation of subsidiaries				205
		(36,941)	Group (Surplus)/Deficit				7,666
		(104,655)	(Surplus) or deficit on revaluation of non-current assets				(107,063)
		33,776	Impairment losses on non-current assets charged to the revaluation reserve				-
		(214,205)	Remeasurements of the net defined liability				310,834
		(1,374)	Share of other comprehensive income and expenditure of associates				1,865
		(286,458)	Other comprehensive income and expenditure				205,636
		(323,399)	Total Comprehensive Income and Expenditure				213,302

The 2023/24 figures have been restated – please see Highland Council note 3 Prior period adjustment

Group Movement in Reserves Statement 2024/25
Aithris Gluasad ann an Cùl-stòran Buidhne 2024/25

	General Fund £000	Housing Revenue Account £000	Renewal and Repair Fund £000	Insurance Fund £000	Capital Fund £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2024	158,088	4,681	2,227	5,299	18,117	13,390	201,802	1,641,233	1,843,035
Movement in reserves during 2024/25									
Total comprehensive income and expenditure	41,245	(28,356)	-	-	-	-	(12,889)	(204,231)	(217,120)
Adjustments to usable reserves permitted by accounting standards	5,572	62	-	-	-	-	5,634	(5,634)	-
Adjustments between accounting basis and funding basis under regulations (Note 8 in Council accounts)	(75,066)	28,689	-	-	717	-	(45,660)	45,660	-
Adjustments between Group accounts and Council accounts	(20,924)	-	-	-	-	-	(20,924)	-	(20,924)
Net increase/(decrease) before transfers to and other statutory reserves	(49,173)	395	-	-	717	-	(48,061)	(164,205)	(212,266)
Transfers to/from other statutory reserves	11,761	-	14	(2,287)	(3,460)	(2,321)	3,707	(3,707)	-
Increase/(decrease) in 2024/25	(37,412)	395	14	(2,287)	(2,743)	(2,321)	(44,354)	(167,912)	(212,266)
Balance at 31 March 2025	120,676	5,076	2,241	3,012	15,374	11,069	157,448	1,473,321	1,630,769

Group Movement in Reserves Statement 2024/25
Aithris Gluasad ann an Cùl-stòran Buidhne 2024/25

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

GROUP 2024/25	Total Council Reserves £000	Councils share of Subsidiaries Reserves £000	Council's share of Associates Reserves £000	Total Group Reserves £000
Balance at 31 March 2024 brought forward	1,843,035	42,421	2,073	1,887,529
Adjustment for purchase of D&E Coaches Ltd incorporation of reserves and reduction in reserves for dividend payments	-	3,453	-	3,453
Movement in reserves during 2024/25				
Total Comprehensive Expenditure and Income	(191,342)	(20,026)	(1,934)	(213,302)
Adjustments between accounting basis and funding basis under regulations	-	-	-	-
Adjustments between Group accounts and Council accounts	(20,924)	20,924	-	-
Net increase/(decrease) before transfers to earmarked and other statutory reserves	(212,266)	4,351	(1,934)	(209,849)
Increase/(decrease) in 2024/25	(212,266)	4,351	(1,934)	(209,849)
Balance at 31 March 2025 carried forward	1,630,769	46,772	139	1,677,680

Group Movement in Reserves Statement 2023/24
Aithris Gluasad ann an Cùl-stòran Buidhne 2024/25

	General Fund £000	Housing Revenue Account £000	Renewal and Repair Fund £000	Insurance Fund £000	Capital Fund £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2023 (restated)	131,822	3,909	2,208	3,883	18,493	14,361	174,676	1,346,756	1,521,432
Movement in reserves during 2023/24									
Total comprehensive income and expenditure	56,070	1,576	-	-	-	-	57,646	285,055	342,701
Adjustments to usable reserves permitted by accounting standards	6,154	198	-	-	-	-	6,352	(6,352)	-
Adjustments between accounting basis and funding basis under regulations (Note 8 in Council accounts)	(79,503)	(1,002)	-	-	5,691	-	(74,814)	74,814	-
Adjustments between Group accounts and Council accounts	(21,098)	-	-	-	-	-	(21,098)	-	(21,098)
Net increase/(decrease) before transfers to and other statutory reserves	(38,377)	772	-	-	5,691	-	(31,914)	353,517	321,603
Transfers to/from other statutory reserves	64,643	-	19	1,416	(6,067)	(971)	59,040	(59,040)	-
Increase/(decrease) in 2023/24	26,266	772	19	1,416	(376)	(971)	27,126	294,477	321,603
Balance at 31 March 2024	158,088	4,681	2,227	5,299	18,117	13,390	201,802	1,641,233	1,843,035

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

GROUP 2023/24	Total Council Reserves £000	Councils share of Subsidiaries Reserves £000	Council's share of Associates Reserves £000	Total Group Reserves £000
Balance at 31 March 2023 brought forward (restated)	1,521,432	42,167	531	1,564,130
Movement in reserves during 2023/24				
Total Comprehensive Expenditure and Income	342,701	(20,844)	1,542	323,399
Adjustments between accounting basis and funding basis under regulations	-	-	-	-
Adjustments between Group accounts and Council accounts	(21,098)	21,098	-	-
Net increase/(decrease) before transfers to earmarked and other statutory reserves	321,603	254	1,542	323,399
Increase/(decrease) in 2023/24	321,603	254	1,542	323,399
Balance at 31 March 2024 carried forward	1,843,035	42,421	2,073	1,887,529

The 2023/24 figures have been restated – please see Highland Council note 3 Prior period adjustment

Group Balance Sheet
Duilleag Chothromachaidh Buidhne

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

01/04/23 £000 (restated)	31/03/24 £000 (restated)		Note	31/03/25 £000
2,623,157	2,817,048	Property, plant & equipment		3,079,513
-	-	Right of Use Assets		16,374
32,671	32,900	Investment Properties	7	32,192
8,851	10,381	Heritage Assets		10,780
-	25	Intangible Assets		-
531	2,073	Investments in associates		139
5,505	5,636	Long term investments		11,145
45,998	267,967	Pension Asset		-
50,572	55,617	Long term debtors (net of impairment)		67,756
2,767,285	3,191,647	Long term assets		3,217,899
6,001	7,713	Inventories		7,198
84,952	96,079	Short term debtors		90,554
63,171	54,566	Cash and cash equivalents		43,470
1,451	2,251	Assets held for sale		2,220
155,575	160,609	Current assets		143,442
(167,302)	(224,070)	Short term borrowing		(266,277)
(160,878)	(155,688)	Short term creditors		(167,840)
(334)	(599)	Cash and cash equivalents – bank overdraft		(498)
(448)	(445)	Provisions		(1,963)
(13,021)	(18,463)	Capital Grants Receipts in Advance		(18,485)
(341,983)	(399,265)	Current liabilities		(455,063)
(889,904)	(944,097)	Long term borrowing		(1,042,593)
(126,843)	(121,365)	Other long term liabilities	8	(186,005)
(1,016,747)	(1,065,462)	Long term liabilities		(1,228,598)
1,564,130	1,887,529	Net assets		1,677,680
174,676	201,874	Usable reserves	9	157,506
1,346,756	1,641,233	Unusable reserves	HC 13	1,473,321
42,698	44,422	Share of group and associate reserves		46,853
1,564,130	1,887,529	Total reserves		1,677,680

The unaudited annual accounts were issued on 26 June 2025 and the audited financial statements were authorised for issue by Brian Porter on 12 November 2025.

The 2023/24 figures have been restated – please see Highland Council note 3 Prior period adjustment

Brian Porter CPFA
Chief Officer Corporate Finance

Group Cash Flow Statement
Aithris Sruth-airgid Buidhne

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

2023/24 £000 (restated)		2024/25 £000
36,773	Net (deficit)/surplus on the provision of services	(7,392)
81,945	Adjust net (deficit)/surplus on provision of services for non-cash movements	94,845
<u>(94,992)</u>	Adjust for items included in the net deficit or surplus on provision of services that are investing and financing activities	<u>(81,398)</u>
23,726	Net cash inflow from operating activities	6,055
(215,688)	Investing activities	(233,315)
<u>183,092</u>	Financing activities	<u>216,558</u>
(8,870)	Net increase or decrease in cash and cash equivalents	(10,702)
<u>62,837</u>	Cash and cash equivalents at 1 April 2024*	<u>53,674</u>
<u>53,967</u>	Cash and cash equivalents at 31 March 2025	<u>42,972</u>

*Cash and cash equivalents at 1 April 2024 differs to prior year comparator due to the purchase of D&E Coaches Ltd in 2024/25 and there being no comparative data for D&E Coaches Ltd in 2023/24.

The 2023/24 figures have been restated – please see Highland Council note 3 Prior period adjustment

Notes to the Group Accounts

Notaichean air na Cunntasan Buidhne

1. Accounting policies

The Financial Statements in the Group Accounts have been prepared in accordance with the Council's accounting policies set out in pages 69-83 and per the Common Good's policies on page 149 for Investment Property. Where materially different, accounting policies of group members have been aligned to those of the Council. Detailed notes to the Group Accounts have been provided only where transactions or balances are materially different to the Council's Accounts.

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

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

The items in the Group Balance Sheet at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

2. Interest in other entities

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

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

3. Financial impact of consolidation

By including the share of group entities (details of which are provided in Note 4), the effect on the group balance sheet is an increase in net assets and reserves of £46.911m. This represents Highland Council's share of the net assets in these entities.

The effect on the group balance sheet of including High Life Highland's pensions liability is a reduction in other long term liabilities and the pension reserve of £0.014m.

4. Group entities

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

Subsidiaries

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

- Inverness Common Good Fund
- Nairn Common Good Fund
- High Life Highland– a charitable company limited by guarantee. Highland Council is the sole member with its liability limited to £1. The company delivers a range of community learning and leisure services on behalf of the Highland Council. It has charitable status and has one wholly owned subsidiary High Life Highland (Trading) CIC whose principal aim is to generate funds to be used by the charity in pursuit of its charitable objectives.
- D&E Coaches Ltd – a Highland bus company acquired in 2024/25 to further the Council's strategy regarding ensuring the provision of affordable school and public transport in the Highlands.

Results for the year 2024/25	(Surplus)/deficit on provision of services £000	Net assets/(liabilities) £000
High Life Highland	(873)	2,034
Inverness Common Good	(304)	32,494
Nairn Common Good Fund	1,298	8,232
D&E Coaches Ltd	(559)	4,012
	<u>(438)</u>	<u>46,772</u>

Associates

Highland Council has interests in associates as follows:

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

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

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

The financial results of the Associates for 2024/25 were as follows:

Results for the year	(Surplus)/Deficit on provision of services £000	Net assets/(liabilities) £000
Highland and Western Isles Joint Valuation Board	(4)	59
Highland and Islands Transport Partnership	190	249
	<u>186</u>	<u>308</u>

Group share	%	(Surplus)/Deficit on provision of services £000	Net assets/ (liabilities) £000
Highland and Western Isles Joint Valuation Board	80.0	(3)	46
Highland and Islands Transport Partnership	37.5	72	94
		<u>69</u>	<u>140</u>

5. Non material interest in other entities

Highland Council also has an interest in the following entities which have not been consolidated into the Council's group accounts as the amounts are not material.

- Highland Opportunity Limited (HOL)
- Common Good Funds – Tain, Dornoch, Fortrose, Dingwall, Cromarty, Invergordon, Grantown, Kingussie, Thurso and Wick.
- Eden Court Highlands

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

2023/24 £000		2024/25 £000
(3,094)	Gains on trading operations	(3,114)
62,240	Interest payable and similar charges	66,520
(10,920)	Pensions net interest expense	(13,372)
-	Income Recognised on IFRS16 Leases	(35)
(10,798)	Interest and investment income	(10,288)
(2,399)	Rental income	(2,679)
306	Property costs	630
84	(Surplus)/Deficit on revaluation of investment properties	867
1	(Gain)/Loss on disposal of investment properties	-
1,479	Expected credit losses on financial assets	1,191
(277)	(Gains)/Losses on valuation of financial assets	125
33	(Gains)/Losses on derecognition of financial assets	118
<u>36,655</u>		<u>39,963</u>

7. Investment Property

The Group Investment property is held within Inverness and Nairn Common Good Funds. Details are as follows:

	Inverness £000	Nairn £000	Total £000
Gross book value			
As at 1 April 2024	24,540	8,360	32,900
Additions	141	16	157
Disposals	-	-	-
Revaluations	635	(1,500)	(865)
As at 31 March 2025	25,316	6,876	32,192
Net book value			
As at 31 March 2025	25,316	6,876	32,192
As at 31 March 2024	24,540	8,360	32,900

8. Long Term Liabilities

The Group long term liabilities is comprised as follows:

	Highland Council £000	Subsidiaries (HLH) £000	Subsidiaries (D&E) £000	Total £000
Pension liability	(34,154)	(14)	-	(34,168)
Lease (PFI) creditors	(138,515)	-	-	(138,515)
IFRS16 lease creditors	(9,596)	-	-	(9,596)
Other long term creditors	(2,201)	-	(1,525)	(3,726)
As at 31 March 2025	(184,466)	(14)	(1,525)	(186,005)

9. Reserves

Pension reserve

The Group Pension reserve comprises the Council's Pension reserve held as an unusable reserve and the share of group pension reserves held as a usable reserve. Details of the Pension liability is disclosed in Note 24 of the Council Accounts.

	31 March 2024 £000	31 March 2025 £000
Highland Council – Pension Reserve	267,967	(34,154)
Share of group pension reserve	-	(14)
As at 31 March 2025	267,967	(34,168)

Share of group and associate usable reserve

The group and associate share of usable reserves reflects the share of group and reserves excluding unusable reserves (pension reserve).

	31 March 2024 £000	31 March 2025 £000
Share of group and associate reserves (MIRS)	44,422	46,839
Adjust for share of group and associate pension reserve	-	14
Share of group and associate usable reserves	44,422	46,853

Total group usable reserves

	31 March 2024 £000	31 March 2025 £000
Highland Council – usable reserves	201,802	157,448
Share of group capital fund	72	72
Share of group pension reserve	-	(14)
Group usable reserves	201,874	157,506

10. Events after the Balance Sheet date

The unaudited annual accounts were issued by the Chief Officer Corporate Finance on 26 June 2025 and the audited financial statements were authorised for issue by Brian Porter on 12 November 2025. Where events taking place before this date provided information about conditions existing at 31 March 2025 the financial statements have been adjusted in all material respects.

Glossary of Terms

Beag-fhaclair Theirmean

Glossary of Terms

We recognise that financial statements by their nature need to include some technical terms and the purpose of this section is to explain some of the more important ones.

Amortisation: similar to depreciation but applied to intangible assets i.e. the measurement of the value of an asset used during the year.

Budget: the budget sets out what the Council intends to spend and how it will be paid for. Budgets are prepared and approved before the start of a financial year for both revenue and capital expenditure.

Business Rates Incentivisation Scheme (BRIS): a scheme which allow Councils to retain a percentage of Non Domestic Rates (NDR) income, designed to encourage growth of businesses.

Capital Adjustment Account: provides a balancing mechanism between the different rates at which assets are depreciated and financed.

Capital Borrowing: this is the element of the Capital Programme not financed by capital and revenue resources (i.e. capital receipts, capital grants and revenue contributions). The capital expenditure will give rise to a borrowing need; however it is important to note that the need may not result in actual external borrowing, and the decision may be taken to finance borrowing from within the Council.

Capital Expenditure: spending on assets of lasting value, whose useful life exceeds the current year. Capital expenditure is financed principally from borrowing but can also be funded by capital receipts, grants and revenue contributions (CFCR).

Capital From Current Revenue (CFCR): this is expenditure on capital assets that is financed from the revenue account in the current financial year.

Capital Fund: established under the Local Government (Scotland) Act 1975. This fund is credited with the receipts of property sales and can be used to fund capital expenditure for landbanking.

Capital Grants: grants from bodies such as the European Union and Scottish Government can fund capital projects as can contributions from other organisations.

Capital Grants Unapplied: the Capital Grants Unapplied Account holds the grants and contributions received towards capital expenditure for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.

Capital Receipt: a capital receipt arises when the Council sells a surplus asset, e.g. a piece of land or a building and this can be used to finance further capital expenditure or repay existing debt.

Carrying Amount: the value at which an asset or liability is shown on the Balance Sheet.

Common Good Funds: Highland Council administers the Common Good Funds of the former Burgh Councils of Inverness, Nairn, Ross and Cromarty, and Badenoch and Strathspey. The two smallest Common Good Funds, Grantown and Kingussie, are included in the following statements, but due to the size of the funds, are not listed separately. Further details are, however, available on request.

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

Component Accounting: where fixed assets are valued and depreciated on the basis of individual components i.e. roof, heating system etc, opposed to one overall value.

Contingent Liability: a possible future financial obligation which is reported as a specific note to the annual accounts because it cannot be judged as probable enough to warrant a provision.

Council Tax: the major part of locally raised revenue income, based on a property being classified into one of eight bands. In the interests of consistency all Councils determine their Council Tax at the Band D level

and the charges for properties in all other bands are expressed as a proportion of Band D.

Council Tax Reduction Scheme (CTRS): replaced Council Tax Benefit which stopped on 1 April 2013 as part of the welfare reform programme. CTRS is a reduction on your Council tax that you may be entitled to if you are on a low income. Responsibility for assisting those who need help to pay their Council Tax in Scotland now sits with the Scottish Government and Scottish Local Authorities.

Current Assets: assets of a short-term nature, e.g. short term investments, inventories, short term debtors and cash and cash equivalents.

Current Liabilities: liabilities expected to be due within the next year, e.g. short term creditors, short-term borrowing and provisions.

Depreciation: the measure of the value of a fixed asset used during the year.

Equity Method: in the Group Accounts, the equity method of accounting is used to determine the Council's share of the net income generated from associate entities in proportion to the Council's investment in the associate.

Fair Value: is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fees and Charges: charges for specific service; examples include, commercial rents, hall lets and school meals.

Financial Asset: a right to future economic benefits controlled by the authority.

Financial Instrument: contracts that give rise to a financial asset of one entity and a financial liability of another entity.

Financial Instruments Adjustment Account: an account that enables the effects of accounting for financial instruments to be neutral in terms of Council Tax.

Financial Liability: an obligation to transfer economic benefits controlled by the authority.

General Fund: the principal usable reserve of the Council that covers most areas of activity, the main exclusion being the Pension Fund.

Group Accounts: statements that reflect the Council's interest in any subsidiaries, associates and joint ventures.

Heritage Assets: assets preserved in trust for future generations because of their cultural, environmental or historical association. It applies to assets held and maintained by the authority principally for the contribution to knowledge and culture.

IAS19: the International Accounting Standard (IAS) which lays down the disclosure and reporting requirements for Retirement Benefits paid from our Pension Fund.

IFRS: the Council's accounts are governed by International Financial Reporting Standards.

Impairment: an asset is impaired when its carrying amount exceeds its recoverable amount.

Infrastructure: assets of a general and supporting nature, e.g. the roads and bridges network, car parks, pathways, sea defences and water/drainage systems.

Insurance Fund: a fund that meets the costs of premiums for a range of external insurance cover, meets the cost of claims not covered by external insurance, and receives contributions from Council services.

Interest on Revenue Balances: the Council's loans fund acts as an internal banker and pays interest where it has utilised any internal credit balances, e.g. the General Fund Reserves.

Inventories: materials etc. that have been purchased but not yet consumed in the delivery of Council services.

Loan Charges: sometimes called debt charges, these are the annual repayments of principal, interest and expenses in respect of loans taken to finance capital expenditure.

Loans Fund: established as part of the Local Government (Scotland) Act 1975, the Council's Loans Fund acts as an internal banker and makes use of internal funds as well as controlling the Council's external borrowing needs. These balances represent the sums held in the Loans Fund on behalf of various funds.

Long-Term Borrowing: are sums borrowed to finance capital expenditure and not yet repaid, nor due to be repaid within one year. The majority of this is borrowed from the Public Works Loan Board and can be for periods of up to 60 years.

Non-Domestic Rate Income (NDRI): local businesses pay rates based on a rateable value determined by the Assessor and a rate poundage determined by the Scottish Government. The Council pays rates levied into a national pool and receives income from the pool based on a formula.

Pension Fund: under relevant legislation the Council administers a Pension Fund for its employees (other than teachers, who are members of a national scheme) and employees of certain other 'Admitted Bodies'. It is what is known as a 'funded scheme' whereby all monies not immediately required to pay pensions and benefits are invested.

PPP/PFI: New school build contracts operating under Public private partnership/private financing initiative arrangements.

Provision: a liability of uncertain timing or extent for which an estimate must be included in our annual accounts.

Reserves: sometimes referred to as 'Balances' they are the accumulated surpluses/deficits generated by the various funds. They are split between 'usable' and 'unusable' reserves.

Revenue Support Grant (RSG): this is the largest part of Aggregate External Finance (AEF). It is a block grant which helps finance the overall cost of Council services.

Revaluation Reserve: the balance represents the difference between the depreciated revalued amount and the depreciated historic cost of fixed assets at 1 April 2007. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Revenue Expenditure: the day to day recurring costs of providing services. It includes wages and salaries, property costs such as power and light, transport costs and supplies and services. It also includes the annual repayment of loans which have financed capital expenditure. Revenue expenditure is always paid for in full as and when it happens either from Council Tax, rents, fees, charges, grants and Revenue Support Grant (RSG) and distributions from the national Non-Domestic Rates Pool from the Scottish Government.

Significant Trading Operations: services provided in a competitive environment and which are charged for on a basis other than a straightforward recharge of costs, e.g. quoted lump sums, fixed rates etc.

Trust Funds: the Council administers 241 trust funds and bequests, held for the benefit of specific functions or groups or beneficiaries, 36 of which have charitable status and have been reorganised into 2 charities registered with the Office of the Scottish Charity Regulator (OSCR).

Usable Reserves: Capital Fund, Capital Grants Unapplied Account, General Fund Balance, Repair & Renewal Fund and Insurance Fund.

Unusable Reserves: Capital Adjustment Account, Financial Instruments Adjustment Account, Revaluation Reserve, Pension Reserve and STACA Statutory Mitigation Account.

Virement: because circumstances change, budgets need to remain flexible. Virement is the approved transfer of resources from one area of the budget to another, the creation of new budgets to reflect additional income and related expenditure or the transfer of budget from one financial year to the next.