

The Highland Council

25 June 2015

Agenda Item	13
Report No	HC/23/15

Annual Accounts for the year to 31 March 2015

Report by Director of Finance

Summary

This report presents the Annual Accounts for the year to 31 March 2015 for the Highland Council, Highland Charities Trust, Highland Council Charitable Trusts, and the Highland Council Pension Fund. This report also considers the balance held in the non-earmarked General Fund of the Council.

1. Background

- 1.1 The unaudited annual accounts for the Highland Council (including Common Good Funds, Charitable and other Trusts), the Highland Council Pension Fund and the Highland and Western Isles Valuation Joint Board are available on the Highland Council website (navigate to *Council and Government/Council Information/Our budgets and accounting/Our Annual Accounts*). At the time of writing work is on-going to finalise the detailed notes to the accounts for the Council. The accounts will be placed on the website as soon as possible, and in advance of the Council meeting. The main financial issues are covered in this report.
- 1.2 The overall General Fund deficit for the year was £0.229m as shown on page 4 of the Annual Accounts representing an increase in non-earmarked balances of £3.046m and a decrease in earmarked balances of £3.275m.

2. Annual Accounts 2014/15

- 2.1 The Annual Accounts of the Highland Council, Highland Charities Trust, Highland Council Charitable Trusts and the Highland Council Pension Fund summarise the transactions for the financial year 2014/15 and provide a statement of the year end position.
- 2.2 The Council is required to prepare Annual Accounts under the Local Authority Accounts (Scotland) Regulations 2014 and in accordance with proper accounting practices.
- 2.3 The Accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (The Code). The Code is based on International Financial Reporting Standards (IFRS).
- 2.4 The accounting convention adopted in the Annual Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.
- 2.5 The regulations require the unaudited accounts to be submitted to the appointed auditor no later than 30 June and require elected members to

consider the unaudited accounts at a meeting to be held no later than 31 August.

3. Council Budget Outturns

- 3.1 Near final Corporate Monitoring Statements for both Capital and Revenue were presented to the Resources Committee on 27 May 2015 and detailed outturn statements explaining service variances will be presented to the next scheduled Strategic Committees.
- 3.2 Page 5 of the Annual Accounts provides information on financial performance for the year and presents the position on earmarked and non-earmarked balances as at 31 March 2015.
- 3.3 The movement in the non-earmarked balance after agreed transfers to/from non-earmarked balances is as follows:

	£m	£m
Balance at 1 April 2014		17.134
Add Service underspends		3.756
Add Additional Income		
Council Tax	2.144	
Community Challenge Fund	<u>0.500</u>	
		2.644
Less Budget Allocations		
Roads maintenance	(0.740)	
Winter maintenance	(1.000)	
Strategic Change and Development Fund	(1.010)	
Supplementary Estimates	(0.209)	
Unallocated pressures	(0.296)	
Capital Fund	(0.040)	
Interest to earmarked balances	<u>(0.059)</u>	
		<u>(3.354)</u>
Net increase in non-earmarked balance		3.046
Balance at 31 March 2015		<u><u>20.180</u></u>

4. Use of Reserves and Balances

- 4.1 The Highland Council reserves strategy is to retain 2.5% of the Net Revenue Budget (£14.252m) in the non-earmarked General Fund as a contingency.
- 4.2 The balance of the non-earmarked General Fund at 31 March 2015 is £20.180m which represents 3.53% of the Net Revenue Budget for 2015/16.
- 4.3 The non-earmarked balance is £5.928m greater than the amount expected to

be held for contingencies and there is therefore an opportunity to address some immediate known spending pressures.

4.4 The budget report to the Council in December approved that the estimated total resources for 2016/17 would include a sum of £0.467m funded from balances.

4.5 New budget pressures have been identified since the budget was agreed in December. These pressures are explained in the budget report at a later item on this agenda but in summary amount to £2.601m. It is recommended that the surplus is used to meet these new pressures as a one off in 2015/16.

Pay Award	£0.822m
Teachers Pensions	£1.259m
Holiday Pay	£0.400m
Winter Maintenance	£0.120m

4.6 Road Maintenance has been recognised as a priority for the Council and it is recommended that a proportion of the underspend in 2014/15 is rolled into 2015/16 by boosting the Road Maintenance budget by £2.360m.

4.7 Several years ago the Council established a Strategic Change and Development Fund (SCDF) of over £5m to assist savings proposals where upfront costs could not be met from current budgets. The Fund now has an uncommitted balance of only £0.8m and an allocation to the SCDF, delegated to the Executive Leadership Team, of £0.5m to help deliver the current programme of efficiency savings is recommended.

4.8 The following allocation of the surplus in 2014/15 is recommended:-

	£m
Funding shortfall in 2016/17	0.467
New pressures in 2015/16	2.601
Road Maintenance Budget Feed	2.360
Strategic Change and Development Fund	0.500
Total	5.928

5. Implications

5.1 The resource implications are detailed in the report above.

5.2 There are no legal, risk, equalities, climate change/Carbon Clever, Gaelic or rural implications.

Recommendations

Members are asked to:

1. Receive the unaudited Annual Accounts for the Highland Council, Highland Charities Trust, Highland Council Charitable Trust and the Highland Council Pension Fund for the year ended 31 March 2015 and note that these will be presented to the appointed auditor by the prescribed date of 30 June 2015.
2. Note that reports will be presented to the Strategic Committees to explain in more detail the year end variances from service budgets.
3. Consider the use of funds in excess of the reserves strategy currently in the non-earmarked balance of the General Fund as recommended in paragraph 4.

Designation: Director of Finance

Date: 16 June 2015

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Background Papers: Unaudited Annual Accounts 2014/15