

The Highland Council

29th June 2016

Agenda Item	14
Report No	HC/29/17

Annual Accounts for the year to 31st March 2016

Report by Director of Finance

Summary

This report presents the annual accounts for the year to the 31st March 2016 for the Highland Council, Highland Charities Trust, Highland Council Charitable Trusts and the Highland Council Pension Fund. The report also considers the Council's level of balances held in the non-earmarked general fund in the context of the financial position for the next three years.

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- www.highland.gov.uk/accounts.
- 1.2 The Highland Council's General Fund shows a surplus of £6.4m for the year but with non-earmarked balances decreasing to £12.5m (or 2.2% of the revenue budget).
- 1.3 The Highland Council Pension Fund shows a surplus of £17.8m (1.53%) for the year and net assets as at the 31st March 2016 of £1,466.6m.

2. Annual Accounts 2015/16

- 2.1 The Annual Accounts summarise the transactions and provide the year end position for financial year 2015/16- the year ended 31st March 2016.
- 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. 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).
- 2.3 The regulations require the unaudited accounts to be submitted to the appointed auditor no later than the 30th June and require elected members to consider the unaudited accounts at a meeting no later than the 31st August. Once audited the accounts will be taken to the Audit and Scrutiny Committee, along with the auditor's report, on the 29th September.

2.4 The audited accounts and auditors report for the Highland Council Pension Fund will be presented to the Pension Fund Committee and Board on the 22nd September.

3. Council Budget Outturn

3.1 Near-final corporate revenue and capital monitoring statements were presented to Resources Committee on the 25th May. The surplus on the general fund has marginally increased since the previously reported position, primarily as a result of a decrease in the provision for potential repayment of developer contributions.

3.2 The general fund non-earmarked balance stands at £12.5m, a decrease of £7.7m over the year. In total, useable reserves have reduced by £14.4m to £72.5m. A summary of reserves can be seen on page six of the accounts.

4. Use of Reserves and Balances

4.1 The non-earmarked balance equates to 2.2% of the net revenue budget for 2016/17, the first time this level has fallen below 2.5%. In light of the significant challenge to deliver over £35m of budget savings in 2016/17, as well as the uncertainty around future funding levels, it is suggested that no use is made of the non-earmarked balance at this time.

4.2 Contained within the year-end earmarked balances is a sum of £0.377m which came from the Business Rates Incentivisation Scheme (BRIS). Some of the funds arising from BRIS were used to support the costs of Decriminalised Parking Enforcement (DPE) in 2015-16. It is proposed that the remaining £0.377m is drawn down into the Community Services budget in 2016-17 to fund additional costs associated with DPE.

5. Revenue Budget 2017/18 and Beyond

5.1 On the 24th March 2016 the Highland Council agreed to embark upon the complete redesign of the Council. One outcome of this process will be budget proposals which will be considered by Council in December of this year.

5.2 A number of financial uncertainties are the prime driver for the redesign, most pertinently a medium term outlook of decreasing funding for local authorities from the Scottish Government.

5.3 Due to the significant uncertainty around future Government funding levels it is very difficult to accurately forecast the level of savings required in future year. At present the best estimates available from Scottish Local Authority Directors of Finance suggest funding reductions of 2.1%, 2.6% and 2.6% respectively in each of the next three years.

5.4 The Council will also face a number of cost pressures in the coming years as a result of legislative change, contractual cost increases or other specific items.

- 5.5 As an indicative figure the Council is anticipating a £61m budget gap over the next three years, £24.3m of which will fall in 2017/18.
- 5.6 As part of the 2014/15 and 2015/16 budget setting processes the Council approved budget savings to the value of £17m, spread over the next three years. The deliverability of these savings will be reviewed as part of the redesign process and should they all be deliverable the budget gap will reduce to £44m.

6. Implications

- 6.1 Resource implications are as outlined in this report.
- 6.2 There are no legal, equalities, climate change/Carbon Clever, risk, Gaelic or rural implications.

Recommendations

Members are asked to:

1. Receive the unaudited Annual Accounts for the Highland Council, Highland Charities Trust, Highland Charitable Trust and the Highland Council Pension Fund for the year ended 31st March 2016 and note that these will be presented to the appointed auditor by the prescribed date of the 30th June 2016.
2. Note that reports on the detail of service outturns and variances will be presented to the next round of strategic committee meetings.
3. Approve the drawdown of £0.377m from earmarked reserves in 2016/17 for costs associated with Decriminalised Parking Enforcement as detailed at 4.2.

Designation: Director of Finance

Date: 21st June 2016

Author: Head of Corporate Finance

Background Papers: Corporate Revenue Near Final Monitoring Report for 2015/16 and Corporate Capital Near Final Monitoring Report for 2015/16, Items 6 and 7, Resources Committee, 25th May 2016.