



# Annual Accounts

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## Aithris Chunntasan

2015/16



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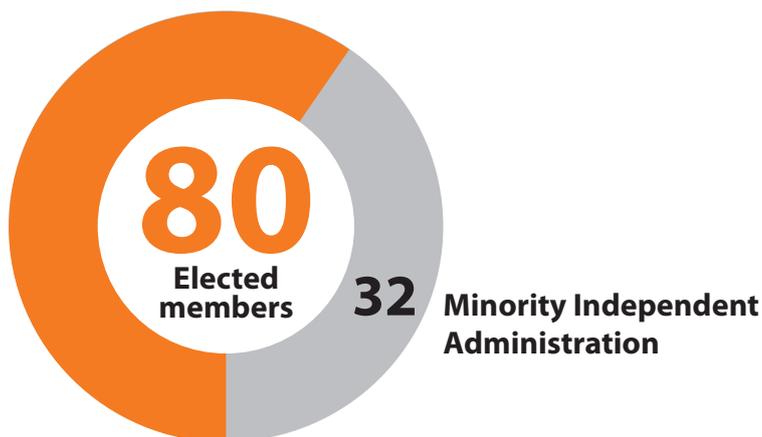
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# Management Commentary

## Aithris Stiùiridh

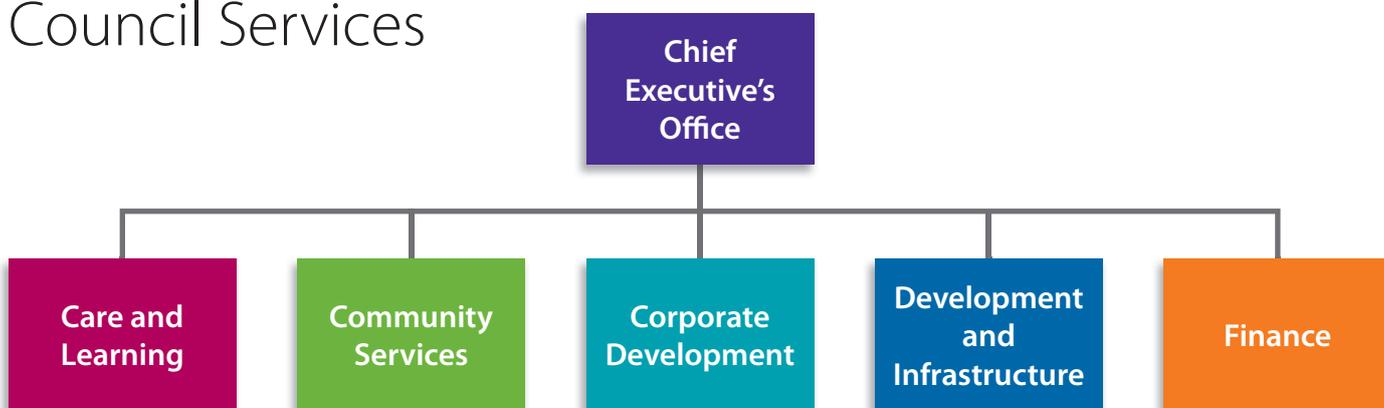
The management commentary is intended to assist users in understanding the objectives and strategy of the Council, and provide a review of its business and financial performance in the year. In addition it provides information on the principal risks and uncertainties which are likely to affect the future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

### About The Highland Council



**232,950**  
Population (mid 2013)

### Council Services



### Council Priorities

The Council's plans and priorities agreed with the Highland Community Planning Partnership and the Scottish Government.



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



How the Council measures its programme's actions.



[www.highland.gov.uk/our-priorities](http://www.highland.gov.uk/our-priorities)

# Council Highlights 2015/16

During the year the Council achieved the following in line with its priorities:

## City-Region Deal



Agreement to £315m of investment over the next ten years in the regional economy by the Council, regional partners, UK Government and Scottish Government to support transport, innovation, digital connectivity, housing, skills, infrastructure and tourism.

## Community Empowerment



Decision making for Community Services budgets devolved to 8 local committees increasing local decision making and scrutiny. Participatory budgeting approaches implemented across Highland, enabling communities to have a say on local spending.

## Scottish Quality Housing Standards

During the year work was substantially completed on the programme to ensure that all our council houses meet the required standards.

## Collaboration and Joint Working

Partnerships with NHS Highland, Police Scotland, HIE and our many and varied local and national partners continue to flourish.

## New Finance System

Successful deployment of the new Integra finance system realising both cost savings and business process improvements.

## Fort William redevelopment



£5.7m contract awarded to transform a former secondary school into new Council offices.

## Inverness West Link



£22.5m stage 1 contract underway and scheduled for completion in late 2017.

## Bun-Sgoil Ghaidhlig Loch Abar

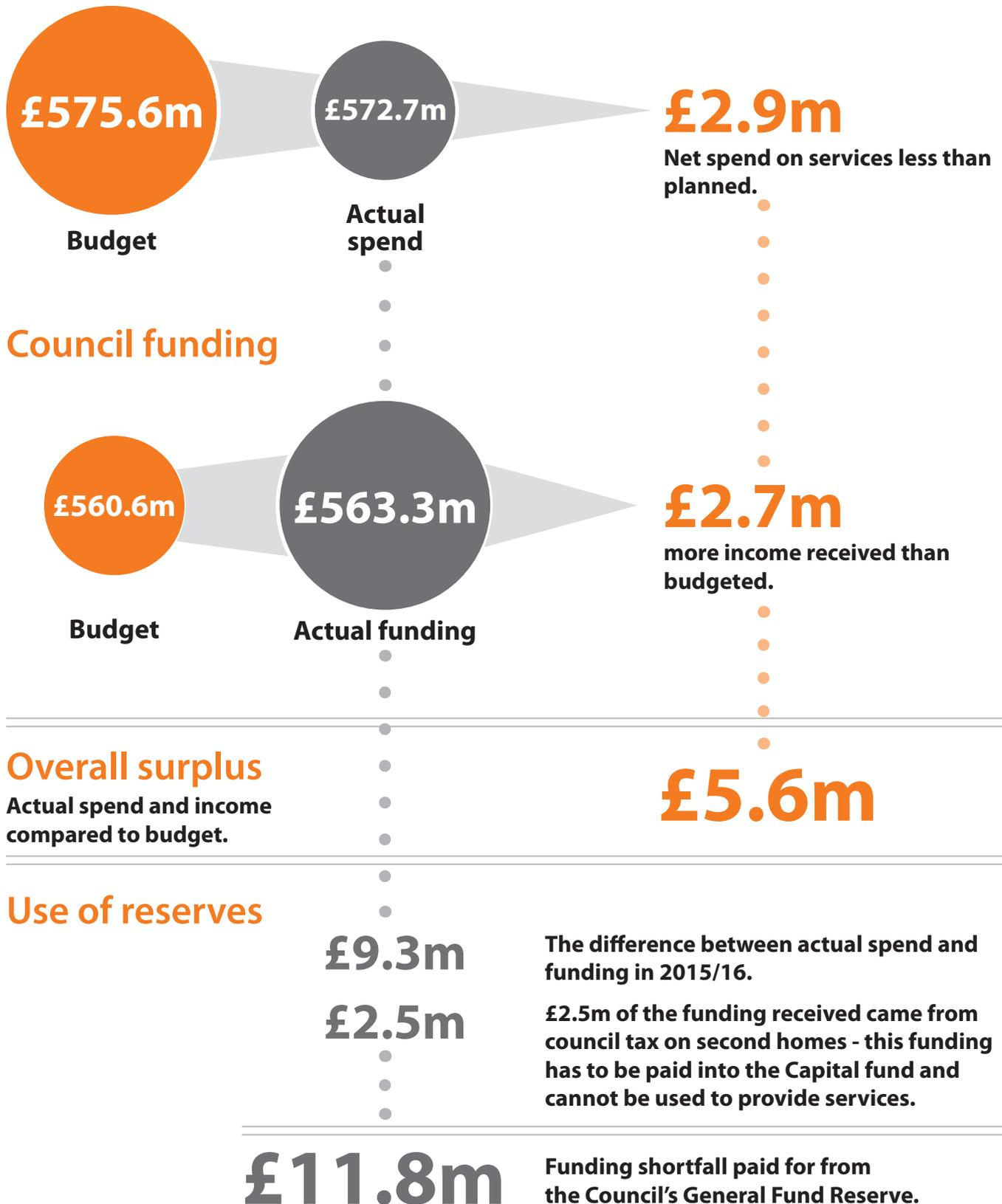


The Council's second Gaelic school opened in Fort William in March 2016. A contract has been awarded for the construction of a third Gaelic school, in Portree.

# General Fund Revenue Outturn 2015/16

The General Fund sets out the cost of running services (excluding Council housing) over the financial year from 1<sup>st</sup> April to 31<sup>st</sup> March. It shows where the money came from to finance these costs and the surplus or deficit at the end of the period. See note 19 to the accounts for more detail.

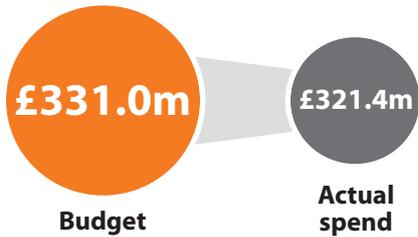
## General fund service spend



## Analysis of spend

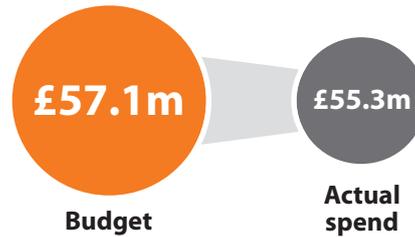
### Staff costs

The cost of the Council's employees.



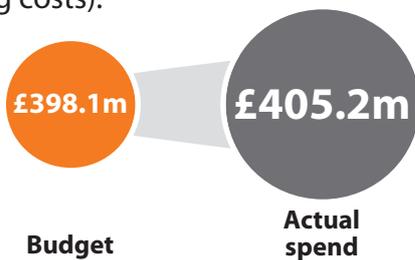
### Financing costs

The cost of borrowing to finance capital investment.



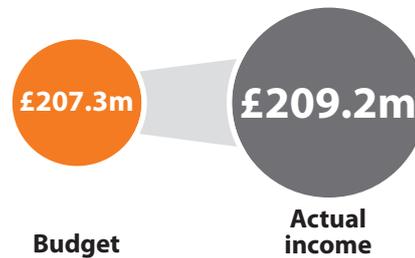
### Other costs

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



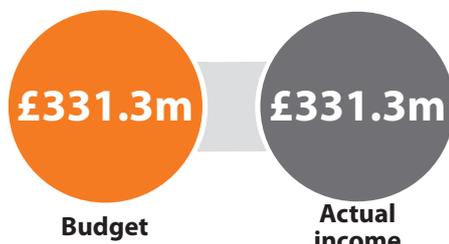
### Service income

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



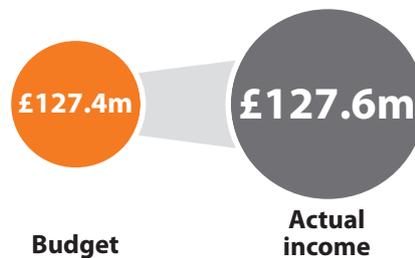
## Council funding

### Revenue Support Grant

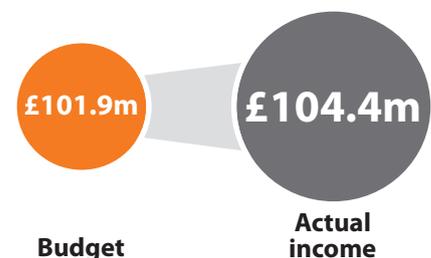


Funding direct from the Scottish Government.

### Non-Domestic Rates



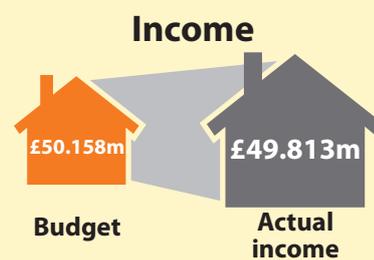
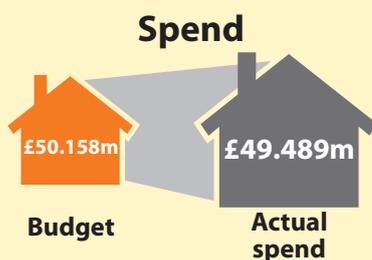
### Council Tax



## Housing revenue account



The Council owns 13,900 houses for which it charges rent. All expenditure associated with these houses must be funded from the rental income generated. The surplus for the year was used to fund capital expenditure.



# Council Reserves

The Council holds funds in a number of usable reserves:

## General Fund Non-Earmarked Reserve

**£11.7m**

(2014/15 £20.2m)

Funds held as a general contingency.

## Capital Fund

**£30.6m**

(2014/15 £30.6m)

To buy land for affordable housing provision.

## Insurance Fund

**£2.7m**

(2014/15 £2.8m)

Insurance for items not covered by external insurance policies.

## General Fund Earmarked Reserve

**£18.7m**

(2014/15 £22.0m)

Funds held for specific purposes such as school DSM balances, developers contributions for future projects, strategic change and development, IT investment, pension strain costs.

## Renewal and Repair Fund

**£1.7m**

(2014/15 £1.7m)

For specific types of repair and maintenance work.

## HRA Reserve

**£7.3m**

(2014/15 £7.3m)

For spending on the Council's housing stock.

## Capital Receipts Reserve

**£2.4m**

(2014/15 £2.2m)

Capital receipts available to finance future capital expenditure.

## Total Useable Reserves

**£75.1m**

(2014/15 £86.9m)

See notes 6 and 12 in the accounts for more details on these reserves.

**2.0%**

The general fund non-earmarked reserve as a percentage of the Council's revenue budget. This is the first time the figure has been lower than 2.5%.

## Use of useable reserves during the year

**-£10.0m**

To fund the one-off cost of 340 staff leaving under the voluntary redundancy scheme. This will deliver over £10m of recurring annual staff cost savings.

**-£2.4m**

Additional investment in roads.

**+£5.6m**

Service underspends and excess income in 2015/16 added into general fund non-earmarked reserve.

**-£1.6m**

Use of earmarked balances for their specific purposes.

**-£3.4m**

Planned as part of the 2015/16 budget to meet pay, pensions and other cost increases.

## Capital Outturn 2015/16

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.

**£119.1m** Actual capital spend in 2015/16 (excluding HRA).

**£15.9m** Capital expenditure planned for 2015/16 but delayed until later years.

**£1.6m** Overspend on capital projects delivered in the year.

### Projects with the largest capital spend in 2015/16:

New Fort William primary schools

**£13.3m**



Investment in other school buildings

**£27.7m**



Investment in roads and bridges

**£15.2m**



New Inverness Royal Academy

**£19.3m**



Flood prevention schemes

**£9.3m**



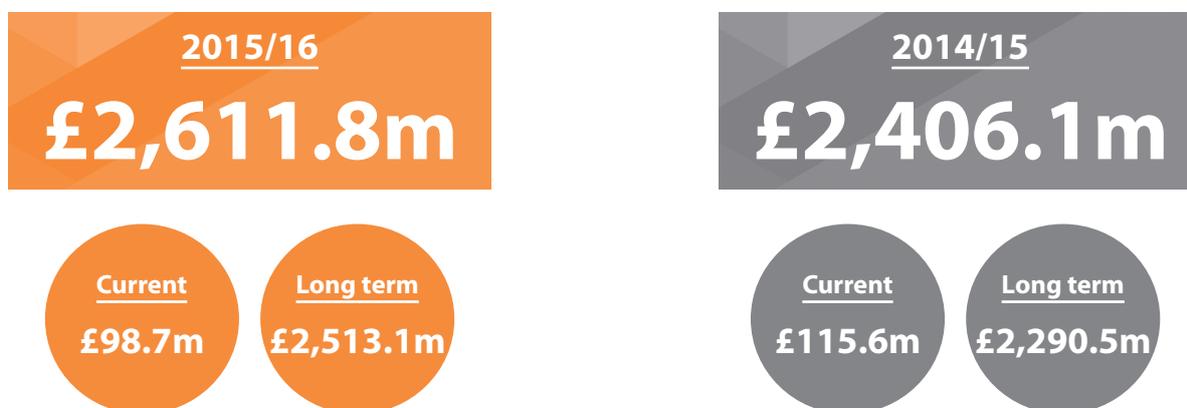
Housing Revenue Account  
**£55.8m** investment in housing stock in 2015/16



# Assets and Liabilities

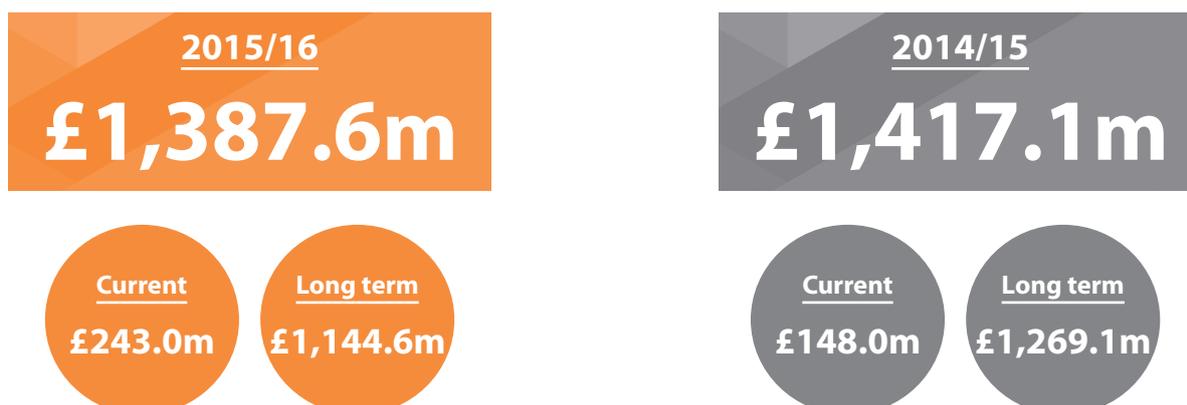
The Council's Balance Sheet shows its assets, liabilities and reserves. More information on its component parts can be seen in the notes to the accounts.

## Total Assets

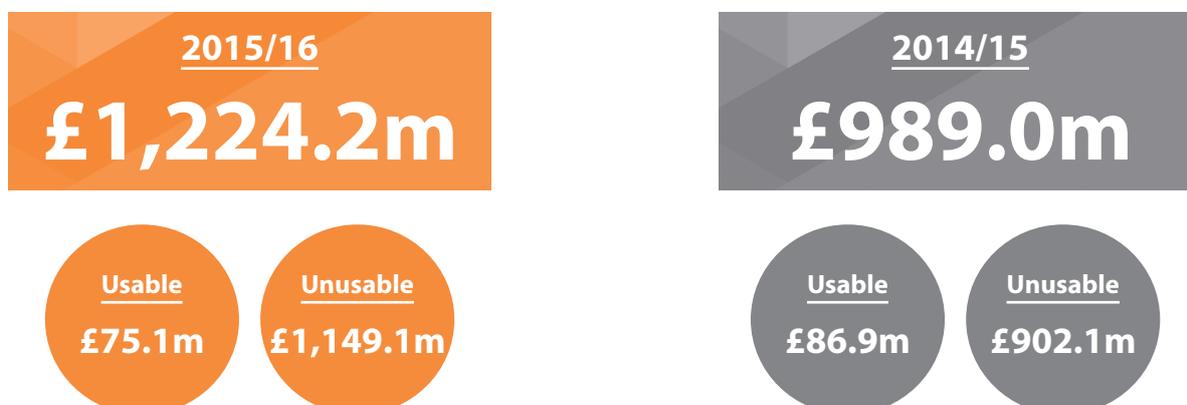


(increase in long term assets due to capital investment and asset revaluations)

## Total Liabilities



## 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

## Long term assets

Council houses

**£855.4m**



Infrastructure assets

**£365.3m**



Other assets

**£134.3m**



Other land and buildings

**£1,100.0m**



From 2016/17 valuation of our infrastructure assets will change. A new 'Highways Network Asset' will be recognised which will add around £4,823m to the value of our assets.

Vehicles, plant and equipment

**£58.1m**



## Liabilities

Borrowing

**-£829.5m**



Pensions liability

**-£313.0m**



The estimated cost to the Council if all scheme members' future benefits were payable now.

Finance leases

**-£122.0m**



The outstanding borrowing for PPP schools.

Short term creditors

**-£107.4m**



Other liabilities

**-£15.7m**



**9.66%**

Financing costs (annual interest and principal repayment costs associated with the Council's borrowing) as a percentage of our annual net spend (2014/15 9.95%).

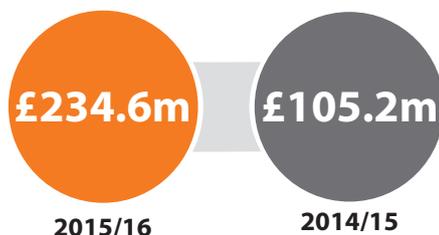
# Group Accounts

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



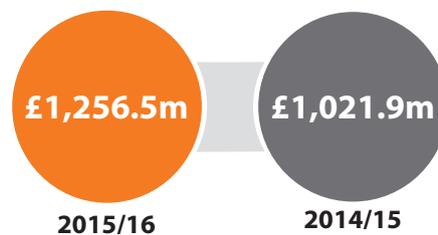
## Key Group Financial Information

### Total Comprehensive income and expenditure



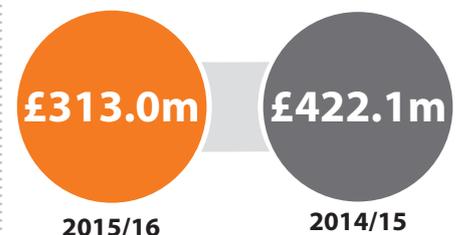
The overall change in total Group reserves calculated on an accounting basis.

### Net assets and total reserves



Group assets less group liabilities.

### Pension Liability



The estimated cost to the Group if all scheme members' future benefits were payable now.

# Performance Management

Reporting on performance is a key part of the Council's governance process and is set out in the Corporate Performance Framework. The Council's Code of Corporate Governance is approved annually by the Resources Committee. The approach to performance management is underpinned by the Council's Values:

**Supporting, Listening, Valuing, Delivering, Improving, Partnering and Open**

Visit: [www.highland.gov.uk/performance](http://www.highland.gov.uk/performance)

The Council has a range of performance indicators, some of which cover local priorities and others which are national indicators that can be compared with other local authorities.

The key annual performance reports are:

- Corporate Performance Report
- National Statutory Performance Indicators
- Citizen's Panel Performance and Attitudes Survey
- Local Government Benchmarking

## Local and National Statutory Performance Indicators 2014/15

The latest year's Statutory Performance Indicators for 2014/15 demonstrate improved performance on the year. This is a positive report of improving performance overall. 74% of our Statutory Performance Indicators have improved by 5% or more in the year 2014/15 which compares to 54% in the previous year's figures. There is improvement across all Council services and High Life Highland.

Indicators that have shown a change of:



### Care & Learning

- The cost per museum visit has reduced from **£2.32** to **£2.10**
- The number of offence based referrals to Scottish Children's Reporter Administration (SCRA) reduced from **417** to **343**
- The proportion of children on the child protection register who were previously registered has fallen from **5.31%** to **3.67%**

### Community Services

- The average time to complete an emergency council house repair reduced from **14.5 hours** to **9.1 hours**
- The percentage of rent lost through time between tenancies (voids) reduced from **1.2%** to **0.9%**
- The number of Anti-social Behaviour cases reported and resolved increased from **67.5%** to **76.3%**
- The percentage of tenants satisfied with the quality of their

home increased from **70.9%** to **78.8%**

- The percentage of council house repairs completed at first visit increased from **73%** to **83%**
- The percentage of council housing at or above national energy efficiency ratings (NHER/SAP) increased from **75.7%** to **86.7%**
- The percentage of council housing meeting the Scottish Housing Quality Standards (SHQS) increased from **70.2%** to **85.2%**

### Development & Infrastructure

- Asset management – the percentage of council buildings in acceptable condition increased from **58%** to **79.3%**
- The cost per archaeological consultation reduced from **£16.53** to **£14.42**

### Finance and Corporate

- The cost per dwelling of collecting Council Tax reduced from **£14.22** to **£11.83**
- The percentage of women managers in the top 2% of

earners increased from **35.8%** to **40.2%**

Indicators that have shown a change of:



### Care & Learning

- The percentage of adults satisfied with leisure facilities declined from **87%** to **77%**

### Community Services

- The average time people are in temporary/emergency accommodation increased from **11 weeks** to **16 weeks**
- The average time taken to re-let council homes increased from **37.6 days** to **42 days**

### Development & Infrastructure

- The percentage of unemployed people assisted into work reduced from **7.4%** to **6.56%**



# Looking Ahead

Following difficult budget decisions in February 2016, the Council is facing significant reductions in staff and service budgets from the beginning of the 2016/17 financial year. The impacts of these reductions are not yet fully known but it is clear that former levels of service and performance are unsustainable. Further budget reductions are anticipated in view of uncertain future grant settlements. In view of these factors The Highland Council agreed on 24<sup>th</sup> March 2016 to undertake a complete redesign of the Council. This will be an inclusive process led by a Board of Members which will include the following:

- Renew the Council's purpose and ambition
- Renew the Council's priorities
- Develop proposals for affordable service and delivery options
- Explore the best options for public participation
- Take on board the views of a wide range of stakeholders, including the public, staff and partners

The Board is due to report to the meeting of The Highland Council in December 2016 on budget proposals, and in March 2017 on final proposals for service delivery. Implementation of the budget decisions would be from April 2017.

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## Risks, Uncertainties and Future Developments

### Spending Review

It may not be until December 2016 that we know the level of funding we will receive from the Scottish Government for financial year 2017/18.

### Long Term Planning

Uncertainty around government funding, particularly in light of the decision for Britain to leave the EU, makes it difficult for us to plan far ahead, other than knowing that we are likely to see our level of funding decreasing.

### Council Tax

Although the Council Tax freeze is likely to end it seems likely that we would only be able to raise levels by a maximum of 3% if we chose to.

### Cost Pressures

Our costs are likely to rise in future years through no control of our own, such as from the Apprenticeship Levy, a potential requirement for all primary school pupils to receive 25 weekly of hours education or external contract cost increases.

### Delivery of Existing Savings

We have to deliver budget savings of over £35m in 2016/17 just to make our budget balance.

### Reducing Workforce

The size of our workforce is reducing which means we have to change the way we work and the things we do.

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**Steve Barron**

Chief Executive

29<sup>th</sup> September 2016

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**Margaret Davidson**

Leader of the Council

29<sup>th</sup> September 2016

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**Derek Yule**

Director of Finance

29<sup>th</sup> September 2016