

**Item 12: Question Time**

To the Leader of the Council

**“As reported to the Resources Committee the total outstanding debt at 31 March 2014 was £743,000,000 and the loan charges incurred over the year were £33,400,000. At 31 March 2018, as reported to the Corporate Resources Committee, the total outstanding debt was £1,080,000,000 (an increase of 45.35%) and the loan charges incurred over the year amounted to £36,000,000 (an increase of 9.09%). It is clear that total debt has increased significantly over the last five years, and the corresponding low level of loan charges suggest capital repayments have been kept to a minimum.**

**Would the Leader of the Administration agree that this trend is deeply concerning on the grounds that:**

- (i) these significant loan charges result in a top slicing of income by significant amounts that could otherwise be released for the benefit of the Highlands as a whole;**
- (ii) the accumulation of significant levels of debt will fall to future generations to repay; and**
- (iii) and what proposals are being considered to reduce the overall debt burden which Highland Council currently bears?”**

Response to Mr J McGillivray

The Loans Fund Budget is approved annually by Council as part of its Revenue Budget. However, as Members will be aware, there is also a direct link with the Capital Budget, and this is one of the main reasons why the affordability of the Capital Plan was debated at some length by members earlier this year.

The headline figures quoted in the question do require some degree of clarification before responding to the specific questions.

The increase in total debt over the five year period includes HRA and Schools investment. One of the main reasons for the increase over this period was the opening of the new Wick Academy Campus at a capital cost of some £50m.

The loan charges figure quoted is principal only. It would be more appropriate to look at total Loan Charges (Principal and Interest) which increased from £53.0m to £54.9m for General Fund, and from £14.7m to £17.5m, for the HRA.

In meetings with Ministers, we have sought to reschedule debt loan charges over a longer period, however to date this approach has been unsuccessful.

These factors have formed part of the Council's annual budget considerations, and successive Administrations have sought to maximise capital investment, firstly to recognise that need to support the infrastructure, but secondly to support local businesses during this period of austerity.

These were quite appropriate decisions for the Council to take and are intended to benefit the people of the Highlands, both currently and in the years ahead. It is a key policy, and quite right, that future generations will make a contribution towards the benefits that they will receive, just as our Council tax and rent payers benefit from investment decisions taken previously that still require to be repaid.

However, in terms of the General Fund, Council agreed in February this year to restrict future borrowing so that the impact on the General Fund did not increase. This resulted in annual capital expenditure reducing by almost 50%.