

<b>Agenda Item</b>	<b>7</b>
<b>Report No</b>	<b>HC/12/22</b>

**Committee:** The Highland Council

**Date:** 30<sup>th</sup> June 2022

**Report Title:** Annual accounts for the year to 31<sup>st</sup> March 2022

**Report By:** Head of Finance

## **1. Purpose/Executive Summary**

- 1.1 This report presents the unaudited annual accounts for the year to the 31st March 2022 for the Highland Council, Highland Charities Trust, Highland Council Charitable Trusts and the Highland Council Pension Fund.
- 1.2 Section 7 of the CIPFA Financial Management Code identifies 'External Financing Reporting' as one of the key standards in financial management. The annual accounts statements are seen as playing an integral part in the successful attainment of this standard.
- 1.3 Copies of the full accounts documents will be made available on the Council website- [www.highland.gov.uk/accounts](http://www.highland.gov.uk/accounts)
- 1.4 As a result of sound financial management, close control of expenditure and the receipt of additional income the Highland Council's General Fund shows a surplus of £9.0m for the year. At year end the Council's General Fund non-earmarked reserve stands at £19.3m, marginally above the agreed target level for this reserve of 3% of the annual revenue budget.

## **2. Recommendations**

- 2.1 Members are asked to:
  - i) 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 2022 and note that these will be presented to the appointed auditor by the prescribed date of the 30th June 2022.

### **3. Implications**

- 3.1 There are no resource implications arising directly as a result of this report, rather the annual accounts documents provide detailed information on the Council's financial position and future outlook.
- 3.2 The annual accounts document identifies some of the key financial risks facing the Council. The Council's overall level of reserves places it in a strong position to deal with the challenges and opportunities that lie ahead.
- 3.3 There are no specific Legal, Community (Equality, Poverty, Rural and Island), Climate Change / Carbon Clever or Gaelic implications arising directly as a result of this report.

### **4. Annual Accounts 2021/22**

- 4.1 The Annual Accounts summarise the transactions and provide the year end position for financial year 2021/22- the year ended 31st March 2022.
- 4.2 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)
- 4.3 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 Highland Council accounts and auditor's report will be taken to the Audit and Scrutiny Committee.
- 4.4 The audited accounts and auditor's report for the Highland Council Pension Fund will be presented to the next meeting of the Pensions Committee.
- 4.5 CIPFA's Financial Management Code identifies two key standards around external financial reporting namely:
  - *'The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom'*
  - *'The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions'*.

### **5. Accounts documents**

- 5.1 Due to their size the accounts documents have not been appended to this report but will instead be made available on the Council's website at the link below:  
[www.highland.gov.uk/accounts](http://www.highland.gov.uk/accounts)
- 5.2 The management commentary section of the Council's accounts provides a high level overview of the Council's performance in the year. 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.

- 5.3 The Council's key financial statements, including the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Expenditure and Funding Analysis, Balance Sheet, Cash Flow Statement, Remuneration Report and Annual Governance Statement, along with supporting notes, can be seen in the full accounts document via the above web link.
- 5.4 Audit Scotland have produced a guide to interpreting the accounts for elected Members which will be provided to Members under separate cover. A training session for Members on understanding the accounts will be scheduled to take place prior to the audited accounts being presented to the Audit and Scrutiny committee.

## 6. Highland Council Year End Position

- 6.1 The table below provides a high-level summary of the Council's useable reserves and their movements over the course of financial year 2021/22. More information on reserves can be seen in the management commentary section of the accounts and elsewhere in the accounts document.

	<b>General Fund- Non- earmarked</b>	<b>General Fund- Earmarked</b>	<b>Other Useable reserves</b>	<b>Total</b>
As at 31/3/21	£43.4m	£53.6m	£49.0m	£146.0m
21/22 movement	-£24.1m	+45.9m	-£10.8m	+£11.0m
<b>As at 31/3/22</b>	<b>£19.3m</b>	<b>£99.5m</b>	<b>£38.2m</b>	<b>£157.0m</b>

- 6.2 The general fund non-earmarked reserve is the Council's core, general-purpose financial contingency, held to mitigate the impact of risks crystallising or allow for investment. At the 31st March 2022 the general fund non-earmarked reserve stands at £19.3m, a decrease of £24.1m over the year. A reserve at that level is marginally over the 3% target level agreed as part of the 2022/23 budget setting process. Audit Scotland recommend that councils maintain this reserve in the range of 2-4% of their annual revenue budget.
- 6.3 General fund earmarked reserves reflect funds set aside for spend or investment in specific areas. Some of these funds represent decisions taken locally whilst others reflect specific external funding streams or legislative requirements. These reserves have increased substantially over the year reflecting additional funds received during the year as well as a number of investment decisions made by the Council over the course of 2021/22 to repurpose non-earmarked reserves.
- 6.4 Other useable reserves include the Housing Revenue Account (HRA) reserve, Capital reserves, Insurance Fund and Repair and Renewal fund. The funds are all held for specific and in some cases statutory, purposes. The net reduction across these reserves primarily reflects planned spending during the year.
- 6.5 Year-end outturn corporate revenue and capital monitoring statements will be presented to the Corporate Resources Committee in September 2022. Detailed service outturn statements will be presented to the respective strategic committees alongside the 2022/23 quarter 1 financial monitoring in the August/September committee session.

Designation: Head of Finance

Date: 17<sup>th</sup> June 2022

Author: Edward Foster, Head of Finance

Background Papers:

[https://www.highland.gov.uk/download/meetings/id/79782/item\\_3\\_revenue\\_budget\\_20223\\_to\\_202425\\_buidseat\\_teachd-a-steach\\_agus\\_c%C3%ACs\\_comhairle](https://www.highland.gov.uk/download/meetings/id/79782/item_3_revenue_budget_20223_to_202425_buidseat_teachd-a-steach_agus_c%C3%ACs_comhairle)