

Agenda Item	<b>3</b>
Report No	<b>HC/18/25</b>

## HIGHLAND COUNCIL

**Date:** 26 June 2025

**Report Title:** Annual accounts for the year to 31st March 2025, and Revenue and Capital out-turn for the year

**Report By:** Chief Officer - Corporate Finance

### 1. Purpose/Executive Summary

- 1.1 This report presents the unaudited annual accounts for the year to the 31st March 2025 for the Highland Council, Highland Council Charitable Trust Funds and the Highland Council Pension Fund.
- 1.2 Section 7 of the CIPFA Financial Management Code identifies '*External Financial 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. The reporting to the Council, and the publication of Accounts, allow stakeholders to use the Annual Accounts to understand how public money has been utilised.
- 1.3 All sets of Financial Accounts will be published on the Council website in advance of the meeting, and will be available from the following website links when complete. Members will be notified once the Accounts are complete and the website link is live, week commencing 23 June.

[Council Accounts](#)  
[Charitable Trusts Accounts](#)  
[Pension fund accounts](#)

- 1.4 This report also provides a revenue and capital out-turn position for 2024/25, as reflected within the Annual Accounts for the year. Detailed reporting on the out-turn position will be to Strategic Committees as is normal practice.

### 2. Recommendations

2.1 Members are asked to:

- i. Receive and approve for issue the unaudited Annual Accounts for the Highland Council, Highland Council Charitable Trust Funds and the Highland Council

Pension Fund for the year ended 31st March 2025 and note that these will be presented to the appointed auditor by the prescribed date of the 30th June 2025.

- ii. Note the revenue and capital out-turn for the 2024/25 financial year, subject to audit, as set out in section 7 and 8 of this report.

### **3. Implications**

- 3.1 **Resource** – the Annual Accounts and the financial information contained therein, represents detailed information relating to the Council's financial position. The report represents the stated financial position with no specific resource implications arising. As noted in sections 7 and 8, the revenue and capital out-turns for the year are included and with narrative in terms of any key points or matters arising. Detailed reporting on the out-turn figures will be considered through Strategic Committees as is normal practice.
- 3.2 **Legal** – the Council is required to complete and publish its draft Annual Accounts by 30<sup>th</sup> June, and this report and notices of inspection issued, fulfil the Council's obligations in this regard.
- 3.5 **Risk** – there are no specific implications to highlight. The Council's Annual Accounts are subject to External audit, and the final audit report, when complete, will be considered by the Council's Audit Committee. The timetabled date for which is the 12 November 2025 Audit Committee.
- 3.6 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** – no implications to highlight.
- 3.7 **Gaelic** – there are no specific implications to highlight.

### **4. Impacts**

- 4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.
- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3 This is a monitoring and update report and therefore an impact assessment is not required.

### **5. Annual Accounts 2024/25**

- 5.1 The Annual Accounts summarise the transactions and provide the year end position for financial year 2024/25, the year ended 31st March 2025.
- 5.2 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).

- 5.3 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 Committee. The Council's external auditor is Audit Scotland.

- 5.4 The audited accounts and auditor's report for the Highland Council Pension Fund, when available, will be presented to the Pensions Committee.

- 5.5 CIPFA's Financial Management Code identifies two key standards around external financial reporting as below, which this report and the Annual Accounts fulfil:

- *'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'.*

## **6. Annual Accounts Documents**

- 6.1 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 links above in advance of the Council meeting. Members will be advised when the link is live.

- 6.2 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. Section 7 and 8 of this report below, provide an overview of the financial performance of the year.

- 6.3 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 links.

- 6.4 A training session on understanding the Annual Accounts was provided to Members at the Member workshop in April 2025, which will support Member understanding and review of this set of Accounts.

- 6.5 In relation to the 2024/25 Annual Accounts, the following additional comments are provided, in relation to some key points, accounting changes and disclosures.

- New financial system. The 2024/25 Accounts are the first to complete using the Council's new 'CiA' corporate financial system.

- IFRS16 (leases) implementation. The 2024/25 Accounts reflect the first set of Council financial statements implementing International Financial Reporting Standard (IFRS) 16. The effect of which is to ensure that all lease arrangements the Council holds as lessee (the 'user' of the leased rights) now appear on the Council balance sheet, reflecting future obligations and liabilities on the Council per those lease arrangements. This brings lease accounting more into line with traditional capital finance accounting arrangements as far as the Council's Balance Sheet is concerned. With this being the first year of implementation, there may be further improvements or amendments which may be taken forward through the audit process, or into future years statements.
- Group Accounts and D&E Coaches Ltd. The Council acquired the complete shareholding of D&E on 31<sup>st</sup> January 2025. The results for D&E Coaches Ltd have been incorporated into the Council's group accounts as one of its subsidiaries. With this being the first year, and only a part-year ownership, the Council's own Accounts reflect its shareholding value at cost. In future years, the Council will need re-assess the value of its shareholding in line with standard accounting practice, which may lead to increases or decreases in the value. As per past reports to Council regarding the acquisition, the Council will hold a reserve to mitigate the effects of any year-on-year swings in accounting valuation. The profit for D&E, per its draft Accounts and on a 13 month accounting period, was £0.916m (prior to tax computation) with turnover up 12% in 2025 vs 2024. The Council has not taken any dividend from the Company in the first year (part year) of ownership. While the Council had set aside reserves to cover the cost of acquisition, these have not had to be drawn down based on the accounting basis applied, with the result the reserves have mitigated some of the other in year costs and pressures across the Council within the out-turn.
- Landbanking Fund accounting. A review of accounting arrangements for the Council's Landbank Fund has been undertaken as part of Accounts closure for 2024/25. This was to review the accounting treatment of loans issued from the fund and present the reserve balance shown in the accounts as the available balance at year end recognising loans issued from it in line with accounting practice. This change is an accounting change and doesn't alter the operationally available fund balance the Service had used for forward planning. Some subsequent refinement to the Council's permitted investment policy wording and Treasury Management Strategy Statement are likely to result from the review undertaken, and will be reflected in subsequent reports to Council.

## **7. Financial Performance and 2024/25 Revenue Out-turn**

- 7.1 In relation to the General Fund, the near-final out-turn reflects a £5.818m net deficit for the year. Which contrasts with a forecast net deficit as at Quarter 3 of £4.461m. The net deficit represents a variance of approximately 0.7% of the final budget.

The table below presents, in summarised form, the key elements of the General Fund over or underspends, and contrasted with the Q3 forecast. These figures are considered to be final for the draft Annual Accounts, other than any minor rounding differences which may arise.

	Forecast Out-turn Variance at Quarter 3 £m	Out-turn Variance per Annual Accounts £m	Movement in Variance £m
<b>Expenditure</b>			
Service budgets	14.259	16.130	1.871
Other budgets	(9.151)	(8.910)	0.241
Contribution to investment funds and other reserves	-	0.277	0.277
<b>Total (X)</b>	<b>5.108</b>	<b>7.497</b>	<b>2.389</b>
<b>Income</b>			
Government income	-	0.353	0.353
Budgeted Council tax income	0.647	1.445	0.798
Confirmed use of earmarked and other reserves	-	(0.119)	(0.119)
<b>Total (Y)</b>	<b>0.647</b>	<b>1.679</b>	<b>1.032</b>
<b>Difference between expenditure and income to be funded from non-earmarked reserves- 'Budget (surplus)/deficit' (=X-Y)</b>	<b>4.461</b>	<b>5.818</b>	<b>1.357</b>

In relation to the Housing Revenue Account, the out-turn variance and contrast with Quarter 3 forecasts is as below, with the HRA returning a surplus for the year broadly in line with forecasts.

	Forecast Out-turn Variance at Quarter 3 £m	Out-turn Variance per Annual Accounts £m	Movement in Variance £m
HRA (Surplus) or Deficit for the year	(0.218)	(0.395)	(0.177)

Further information is provided in **Appendix 1** providing a summary of the General Fund and HRA out-turn for the year.

Further commentary on main factors in the out-turn, and movement versus Quarter 3 forecasts are set out later in this report.

7.2 The out-turn position above, and its effect on reserves is summarised below.

General Fund:

	Earmarked Reserves £m	Non Earmarked Reserves £m	Total £m
Opening General Fund Reserves 1/4/24	110.779	47.309	158.088
Agreed use of reserves 24/25 budget - <i>note 1</i>	-	(9.927)	(9.927)
Use of non-earmarked reserves	-	-	-
Use of earmarked reserves – <i>note 2</i>	(33.379)	-	(33.379)
24/25 out-turn – <i>note 3</i>	-	(5.818)	(5.818)
Increase in earmarked reserves – <i>note 4</i>	15.414	(6.100)	9.314
Interest on Revenue Balances – EMRs	0.911	(0.911)	-
Closing General Fund Reserves 31/3/25 – Note 5	93.725	24.553	118.278

- Note 1 – reflecting the agreed use of balances when the 24/25 budget was agreed in February 2024.
- Note 2 – Drawdown from earmarked reserves during the year, including use of crown estate funding, drawdown of reserves to support the Operational Delivery Plan, use of developer contributions.
- Note 3 – Net deficit for the year based on out-turn.
- Note 4 – Earmarking of reserves to reflect budget decisions made on 6 March 2025 as part of budget setting for 2025/26.
- Note 5 – the closing non-earmarked reserve reflects the Council's policy of retaining a General Reserve equivalent to 3% of its annual budget.

In relation to the Housing Revenue Account Reserve:

	£m
Opening Housing Revenue Account Reserves 1/4/24	4.681
Near Final out-turn for the year – surplus	0.395
Closing Housing Revenue Account Reserves 31/3/25	5.076

- 7.3 As Members will note from the out-turn information provided, in overall terms the General Fund out-turn has been broadly as predicted, albeit with a higher net year end deficit position than forecast. There has been an increase in the overspend at Service level, with this being mitigated by an increase in underspend on loan charges (costs of borrowing repayments) and improved council tax income. The main areas of overspend at Service level are, as was the case at Quarter 3: fleet costs (communities & place), looked after children (health and social care), ferries, harbours, roads & transport costs (infrastructure, environment and economy), revenue maintenance and property costs (property & housing) and finally slippage in savings delivery (across a number of service functions). The main movements at service level from Quarter 3 to the out-turn position, are within headings above, across a number of headings with looked after children and fleet costs being two of the main contributors (higher overspend than at Q3 forecasts).
- 7.4 As is normal practice, out-turn monitoring statements will be reported to Committees following the summer recess. This will provide for further analysis and explanation of the out-turn position for the year on a per Service basis.
- 7.5 While the out-turn has been broadly as forecast, the net deficit on the General Fund does nonetheless represent a decrease in Council reserves as a result.

As noted earlier, this has been mitigated by some of the use of earmarked reserves. Members will recall that the budget set for 2025/26, and decisions made by Members on 6 March 2025, had taken account of the forecast out-turn position, and with a number of decisions made to ensure the Council was taking appropriate actions.

The Council on 6 March 2025 agreed £69.150m of budget additions, which included £20.433m for recurring budget pressures, much of which was related to some of the pressures reflected in the 2024/25 out-turn. The Council also re-based a number of agreed budget savings. The Council's approach to its Reserves had also recognised the risk that if the out-turn resulted in a net deficit, this would reduce reserves from that forecast, and may require further review of earmarked reserves as a result. The Council budget for 2025/26 had estimated that the Council may need review and re-prioritise £5.1m of its earmarked reserves, with the result of the out-turn for the year revising that figure to a £6.7m target. Officers are progressing review of earmarked reserves, considering opportunities whereby reserves could be re-purposed if, outcomes have already been delivered, outcomes are being funded through other means, the level of or need to spend has altered, or indeed there are opportunities to re-consider relative priorities. Further information on the review will come back to Council in a future report.

- 7.6 While the decisions made on 6 March 2025 will address or mitigate many of the pressures which led to overspend in 2024/25, there remain underlying pressure areas which will require action. It will be essential that the Council takes renewed action in managing its 2025/26 budget to avoid the level of unbudgeted overspend which was experienced in 2024/25. Officers are developing a number of actions in relation to budget monitoring, control and reporting for implementation in 2025/26, which will be reflected in reports to Strategic Committees after the summer recess.

## **8. Capital Investment Out-turn**

- 8.1 The summarised out-turn position for the Council's capital investment in 2024/25 is also provided within this report. **Appendix 2** provides information for both General Fund and HRA capital investment. Key headlines are summarised below with more detailed reporting to be considered by relevant Strategic Committees following the summer recess as is normal practice.

### General Fund

£174.672m Gross capital expenditure in the year

£123.440m Net capital expenditure in the year after project income

£32.863m Net variance against budget for the year (net underspend/slippage)

### HRA

£60.842m Gross capital spend for the year

£40.574m Net capital expenditure in the year after project income

£8.908m Net slippage/carry forward into 2025/26

### Key Spend/Outcomes in the year:

- £59m gross expenditure on school projects;
- Of which £51.5m for major projects (incl Tain campus, Nairn Academy, Beaully Primary, Charleston Academy, Culloden Academy, Dunvegan Primary, St Clements, New Tornagrain Primary);
- £27.9m gross expenditure on roads and bridges incl £5.2m on Naver Bridge;
- £14.5m gross expenditure on Harbours and Ferries incl £12m on Uig Ferry Terminal and Link Span and £1.6m on Corran Ferry shoreside infrastructure;

- £33.3m gross expenditure on Economic Development and Regeneration incl £11.5m on Inverness Castle Redevelopment and £14.4m on City Region Deal projects;
- £5.6m gross expenditure on Active travel and transport projects;
- £6.3m gross expenditure on Waste Management incl RIF funded projects;
- £1.4m gross expenditure on Play areas;
- £11.5m gross expenditure on other property assets incl building fabric, compliance, health and safety.
- £22.3m gross expenditure on core HRA capital programme;
- £1.1m gross expenditure on HRA open market purchases;
- £37.4m gross expenditure on New Build housing.

Designation: Chief Officer - Corporate Finance

Date: 13 June 2025

Author: Brian Porter, Chief Officer - Corporate Finance

Appendices:

Appendix 1 – Revenue Out-turn for the year

Appendix 2 – Capital Out-turn for the year

Background Papers:



## Revenue Expenditure Monitoring Report - General Fund Summary

1 April to 31 March 2025

	Annual Budget £000	Outturn £000	Year End Variance £000
<b>Table A: By Service</b>			
Communities & Place	44,659	48,241	3,582
Business Solutions (Former Depute Chief Executive)	14,345	14,802	457
Education & Learning	289,584	289,147	(437)
Health, Wellbeing & Social Care	201,742	205,754	4,012
Infrastructure & Environment and Economy	45,155	52,160	7,005
Performance & Governance	10,536	10,484	(52)
Property & Housing	84,384	85,677	1,293
Resources & Finance	16,266	16,691	425
Welfare Services	7,916	7,761	(155)
<b>Service Total</b>	<b>714,587</b>	<b>730,717</b>	<b>16,130</b>
Valuation Joint Board	3,296	3,230	(66)
Hi Trans Requisition	91	91	0
Green Freeport	458	458	0
Non Domestic Rates reliefs	1,725	2,196	471
Loan Charges	67,696	62,099	(5,597)
Unallocated Budget	4,220	0	(4,220)
Unallocated Corporate Savings	(502)	0	502
<b>Total General Fund Budget</b>	<b>791,571</b>	<b>798,791</b>	<b>7,220</b>

**Table B: By Subjective**

Staff Costs	458,685	448,278	(10,407)
Other Costs	570,777	596,394	25,617
<b>Gross Expenditure</b>	<b>1,029,462</b>	<b>1,044,672</b>	<b>15,210</b>
Grant Income	(88,124)	(91,040)	(2,916)
Other Income	(149,767)	(154,841)	(5,074)
<b>Total Income</b>	<b>(237,891)</b>	<b>(245,881)</b>	<b>(7,990)</b>
<b>Total Revenue Expenditure</b>	<b>791,571</b>	<b>798,791</b>	<b>7,220</b>

**Table C: Appropriations to Reserves**

Contribution to earmarked balances	16,325	16,325	0
Contribution to non-earmarked balances	0	0	0
Affordable housing contribution from 2nd homes council tax	9,708	9,985	277
Contribution to Other reserves	2,013	2,013	0
<b>Total Contributions to Balances</b>	<b>28,046</b>	<b>28,323</b>	<b>277</b>

**Table D: Financed By**

Aggregate External Finance as notified	579,924	580,277	353
Additional resources	24,301	24,301	0
Additional resources - GCG - Pay award	3,000	3,000	0
Council Tax	151,789	153,234	1,445
Use of earmarked balances	33,379	33,379	0
Use of non earmarked balances	16,938	22,756	5,818
Use of other reserves	10,286	10,167	(119)
<b>Total General Fund Budget</b>	<b>819,617</b>	<b>827,114</b>	<b>7,497</b>

<b>Revenue Expenditure Monitoring Report - Housing Revenue Account Summary</b>
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<b>1 April to 31 March 2025</b>
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	Annual Budget £000	Outturn £000	Year End Variance £000
Staff Costs	15,612	15,142	(470)
Other Costs	23,456	25,283	1,827
Loan charges and interest	29,500	28,835	(665)
<b>Gross Expenditure</b>	<b>68,568</b>	<b>69,260</b>	<b>692</b>
House Rents	(64,875)	(65,017)	(142)
Other rents	(3,281)	(3,024)	257
Other income	(351)	(958)	(607)
Interest on Revenue Balances	(61)	(656)	(595)
<b>Gross Income</b>	<b>(68,568)</b>	<b>(69,655)</b>	<b>(1,087)</b>
<b>Total HRA</b>	<b>0</b>	<b>(395)</b>	<b>(395)</b>

## CAPITAL OUT-TURN FOR THE YEAR, 1ST APRIL 2024 TO 31ST MARCH 2025

## SERVICE: GENERAL FUND

Project Description	BUDGET	ACTUAL			VARIANCE		
	2024/25 Capital Budget	2024/25 Actual Expenditure	2024/25 Actual Income	2024/25 Actual Net Year to Date	2024/25 Variance F'cast v Budget	2024/25 Reprofile to Next Financial Year	2024/25 Overspend / (Underspend)
	£000	£000	£000	£000	£000	£000	£000
SCHOOLS	81,172	59,001	(2,242)	56,759	(24,413)	(25,585)	1,172
PROPERTY STRATEGIC ASSET MANAGEMENT	6,312	11,528	(1,601)	9,927	3,615	3,615	0
HEALTH & SOCIAL CARE PROGRAMME	1,005	371	(66)	305	(700)	(700)	0
COMMUNITY AND LEISURE FACILITIES	551	268	(5)	263	(288)	(288)	0
ROADS AND BRIDGES	28,128	27,898	(3,716)	24,182	(3,946)	(3,521)	(425)
ACTIVE TRAVEL & TRANSPORT	2,398	5,577	(3,868)	1,709	(689)	(697)	8
PARKING	1,095	1,046	(543)	503	(592)	(452)	(140)
VISITOR MANAGEMENT	81	373	(399)	(26)	(107)	(107)	0
LIGHTING & COMMUNICATIONS	714	1,119	(424)	695	(19)	(19)	0
FLOOD PROTECTION	1,532	449	0	449	(1,083)	(636)	(447)
HARBOURS & FERRIES	2,823	14,460	(2,969)	11,491	8,668	8,668	0
WASTE MANAGEMENT	5,022	6,271	(4,826)	1,445	(3,577)	(3,577)	0
BEREAVEMENT SERVICES	2,849	769	0	769	(2,080)	(2,080)	0
PLAY PARKS AND COMMUNITY SPACES	1,603	1,360	(830)	530	(1,073)	(1,076)	3
PUBLIC CONVENIENCES	(76)	185	(49)	136	212	136	76
ICT	4,185	2,931	(1,557)	1,374	(2,811)	(2,461)	(350)
VEHICLES & PLANT	3,415	3,323	(333)	2,990	(425)	(425)	0
PLANNING, DEVELOPMENT & REGENERATION	10,554	33,302	(25,468)	7,834	(2,720)	(2,726)	6
ENERGY EFFICIENCY	0	78	(78)	0	0	0	0
NON-HRA HOUSING	2,940	4,363	(2,258)	2,105	(835)	(835)	0
OVERALL TOTAL	156,303	174,672	(51,232)	123,440	(32,863)	(32,766)	(97)

Project Title	Budget 2024/25	Out-turn 2024/25	Variance
<b>HRA Capital Programme</b>			
Equipment and Adaptations	924	799	- 124
Major Component Replacement	2,365	2,184	- 181
Heating/Energy Efficiency	18,892	16,940	- 1,952
External Fabric (Major Component Replacement)	1,689	689	- 1,000
External Fabric (Environmental Improvements)	1,497	364	- 1,132
Healthy, Safe & Secure	1,591	1,330	- 260
Contingencies/Retentions	825	2	- 823
<b>TOTAL HRA Programme</b>	<b>27,781</b>	<b>22,309</b>	<b>- 5,472</b>
<b>Open Market Purchases</b>	<b>1,749</b>	<b>1,090</b>	<b>- 660</b>
<b>New Builds</b>	<b>40,219</b>	<b>37,443</b>	<b>- 2,776</b>
<b>TOTAL</b>	<b>69,750</b>	<b>60,842</b>	<b>- 8,908</b>

## MONITORING STATEMENT OF CAPITAL PROGRAMMES TO 31 MARCH 2025

## Capital Receipts 2024/2025

	<b>Funding</b>		
	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Mainstream Investment Programme</b>			
RHI Income		-	-
Grant income	16,000	15,834	- 166
Contribution to Individual Properties		-	-
Miscellaneous Income		420	420
sale of LIFT properties	368	1,206	838
Landbank	6,291	2,808	- 3,483
Evergreen Infrastructure Loan Fund	2,852	-	- 2,852
Borrowing	44,240	40,574	- 3,666
Capital from Current Revenue		-	-
<b>GROSS FUNDING</b>	<b>69,750</b>	<b>60,842</b>	<b>(8,908)</b>