The Highland Council
Comhairle na Gàidhealtachd

Annual Accounts
Cunntasan Bliadhnail

2025/26

Audited
Sgrùdaichte

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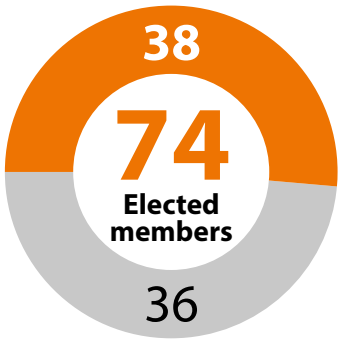
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Management Commentary

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.

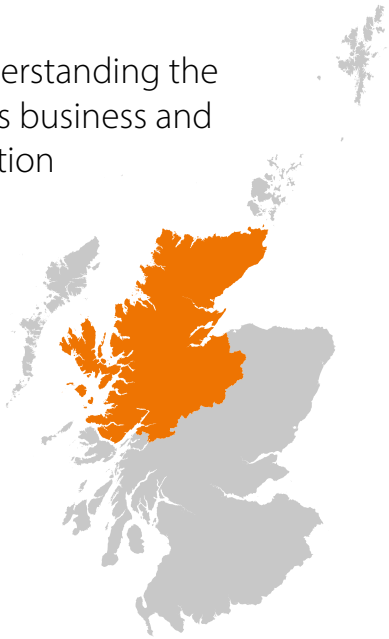
About The Highland Council



(As of April 2026)

Coalition Administration of Scottish National Party and Highland Independant.

The Opposition is made up of Scottish Liberal Democrats, Scottish Conservative and Unionist, Scottish Green Party, Scottish Labour Party and Highland Alliance.



237,290

Population (mid 2024)

Council Priorities

www.highland.gov.uk/our-priorities

The Highland Outcome Improvement Plan 2024-2027

The Highland Community Planning Partnership's shared priorities are set out here.



www.bit.ly/hoip2024-27

Our Future Highland 2022-2027

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



www.bit.ly/HC-Administration-Programme

Performance Plan 2022-2027

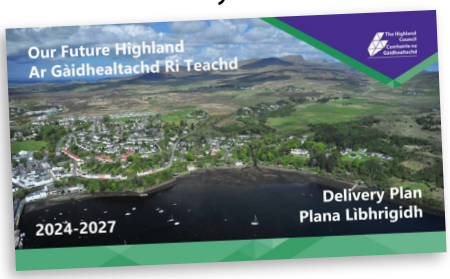
How the Council measures and sets targets for its political, strategic and improvement priorities.



www.bit.ly/HC-Performance-Plan

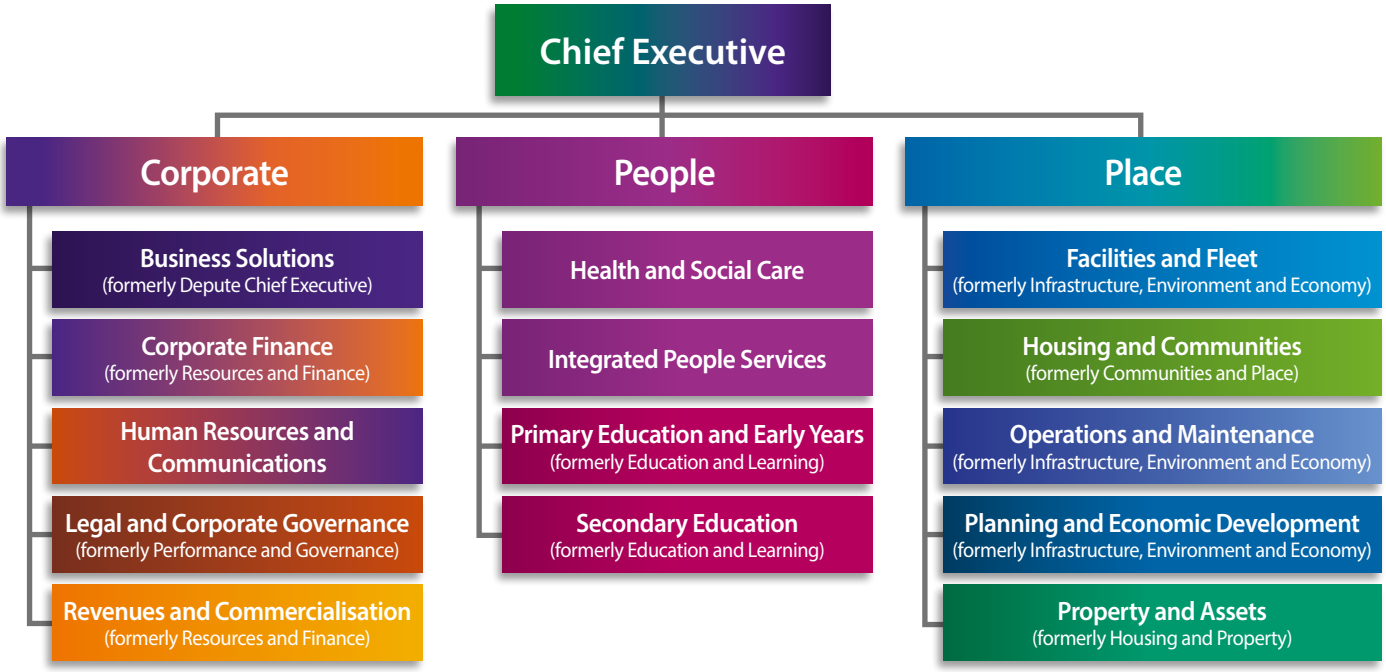
Delivery Plan 2024-2027

To support delivery of budget savings and outcomes considered by the Council.



www.highland.gov.uk/deliveryplan2024-2027

Council Structure



This reflects the current Council service structure however throughout the remainder of this document reporting reflects the legacy service titles shown in parenthesis above as utilised during the 2025/26 financial year reporting to Committees.

Employment of Disabled Persons

We are proud to be a Disability Confident Leader. We recognise that not all disabilities are visible and are committed to ensuring our Council is accessible to everyone. Our aim is to remove workplace barriers that disabled people and those with long-term health conditions may face.

We are committed to employing and retaining disabled people and individuals with long-term health conditions. As part of this commitment, we offer a guaranteed interview to applicants who identify as disabled and who meet the essential criteria for the role.

We value all our employees and work to ensure that no one is excluded or disadvantaged because of a disability. We operate a Reasonable Adjustment Disability Passport Scheme, which enables employees to record information about their disability, including any required workplace adjustments. This passport helps ensure continuity by removing the need for employees to repeatedly share the same information if they change roles or line managers.

Based on the most recent monitoring data available, 10% of our workforce identify as having a long-term health condition or disability. In comparison, the 2022 Census reported that 23.8% of the Highland population identified as having a long-term health condition or disability. While this indicates that our workforce reflects the wider Highland community in part, we recognise that there remains a gap. We are therefore committed to continuing to improve representation by strengthening inclusive recruitment practices, increasing confidence in disclosure, and ensuring that our workplace culture fully supports disabled employees to thrive and progress.

www.bit.ly/HC-Communites-and-Place-Item5

Effective Employee Voice

The Council is committed to fostering an effective employee voice and engaging meaningfully with staff through a range of established and evolving mechanisms. A key element of this is our Staff Partnership approach and we encourage employees to join one of the trade unions recognised by the Council to ensure effective representation in collective bargaining and partnership arrangements.

Employee views are captured and considered through multiple channels, including staff surveys and regular service-level trade union meetings covering both health and safety and workforce matters. In addition, Staff Connections provides an interactive communication platform where employees can share feedback, engage with corporate initiatives and stay informed about key organisational messages.

Opportunities for direct dialogue are also provided through staff engagement sessions with the Chief Executive and senior leadership team. Our Future Highland Roadshows continue to be a key engagement initiative taking place across the Highlands and open to all employees. These events are hosted by the Chief Executive and/or Assistant Chief Executives, supported by Chief Officers and provide opportunities for open dialogue, feedback and discussion on strategic priorities. Across 2024/25 and 2025/26 there have been 59 Roadshows with a total of 3,616 attendees. We are actively encouraging increased participation to ensure that a wide range of staff voices are heard.

Supporting this approach the Council is rolling out the Investors in People (IIP) framework across the organisation to further strengthen employee voice, leadership visibility, and organisational culture. The rollout is being delivered in two phases. Phase One focuses on employee surveys and initial accreditation establishing a robust evidence base on engagement and workplace experience. Phase Two builds on this by developing and implementing targeted action plans to deliver measurable improvements in leadership, culture, and ways of working.

Looking ahead, we will continue to strengthen our approach to employee voice by increasing participation across all engagement channels, improving feedback loops so employees can clearly see how their input shapes decision-making and embedding listening and engagement as core leadership expectations. Delivery of the IIP framework will be closely monitored through regular reporting and senior leadership oversight, ensuring that insights from staff engagement translate into sustained improvements in organisational culture, employee experience, and performance.



Photo: Our Future Highland Roadshow at Town House 2025

2025/26 the year in review

The financial year saw positive progress with a number of core reports, policies, plans and actions progressed and considered by the Council. The core themes of which were in supporting delivery of Council priorities and delivering for the Highland area.

Early in the year, in May 2025, the Council reported on the first year of its Annual Delivery Plan (covering the 2024/25 financial year). That Plan is a multi-year plan which support delivery of budget savings, change and transformation. The Plan consists of 6 portfolios and a range of underlying projects. The report highlighted positive progress with savings delivery (80% of the Plan's savings target were forecast to be delivered for 2024/25). The forecast position for 2025/26, which included relevant slippage and carry forward of saving targets from the prior year was 60% of Plan savings forecast to be delivered. Slippage and challenges in delivery of savings and transformation in adult social care, energy efficiency and renewables, and asset management were the main factors across both years. Of the £12.3m forecast for delivery in 2025/26 (the 60% referenced above), all but £3.8m was on a recurring basis. Slippage against target, taking account also of non-recurring savings, are carried forward into 2026/27 with ongoing monitoring of progress and delivery.

In June 2025 the Council considered the Accounts Commission Best Value report on Highland Council. That report welcomed good progress since the 2020 Best Value report and commends the embedded culture of transformation in the Council. The report concluded that appropriate and effective financial management arrangements are in place.

Over summer to autumn 2025 the Council considered key reports and presentations which were part of the Council's response to recognized challenges facing the Highlands in regard to Housing (the Highland Housing Challenge Partnership Action Plan) and Poverty and Equality (the establishment of and hearing from the Poverty and Equality Commission).

In turn as part of budget decisions made in March 2026, for the coming 2026/27 financial year, the Council set aside additional resources to support actions and delivery in these policy areas.

In March 2026 the Council continued its now well-established approach of medium-term financial planning and multi-year budget setting, with an updated plan and three-year budget covering 2026/27 to 2028/29. Key features of which include: £61m package of savings and other measures over three years, a balanced budget for 2026/27 and a reduced residual forecast gap of £5.6m over the following two years.

The Council has received positive external audit reports, and in November 2025 noted that Audit Scotland had concluded that:

> "The Council has effective and appropriate arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption."

Enabling Socio-Economic Growth and Transformation in the Highlands has been a key feature of Council activity over the course of 2025/26, with a number of key achievements and developments, which include the following highlights (overleaf).

2025/26 Highlights

Operational Delivery Plan

£22.2m savings reported in May 2025, and forecast for delivery in 2024/25, and a further forecast for 2025/26 of an additional £12.3m.



Highland Investment Plan

Over the year, the Council has progressed locality/master-planning activity, which included extensive community engagement, to support its capital investment plans across the region. Commitments to new capital investment in Community, Leisure and Sports facilities were also made during the year. The HIP is a 20 year plan, with the potential for £2.1bn of investment in schools and community points of delivery (PODs), and other assets and infrastructure over that period.



Highland Housing Challenge

A Partnership Action Plan was agreed in June 2025, following a Housing Summit and engagement with key stakeholders. The action plan was developed to address housing challenges in the Highlands and the recognized need and target of 24,000 houses needing built over the next 10 years.

Highland Housing Challenge

Social Values Charter for Renewables Investment

SSEN transmission were the first signatory to the Council's charter, committing to £1.8bn of contracts for local businesses, more than £200m spending on roads and bridges, support for the development of 500 permanent homes, and a 10% net gain in biodiversity and no net loss of woodland on all new projects. The Council has continued to engage with other companies with further signatories secured, or under discussion beyond 2025/26.

Green Freeport

In September 2025 the memorandum of understanding for the Inverness and Cromarty Firth Green Freeport was signed by the Council, the Freeport, and UK and Scottish Governments, and represented a key milestone in realizing the economic benefits of Freeport status. These benefits including the unlocking of £25m of Government seed capital funding, the potential for an additional 11,000 jobs across the region, and a forecast increased non-domestic rate income of in excess of £500m over 25 years which would be retained in the Highlands and to support Freeport objectives.



Photo: Signing of the Inverness and Cromarty Green Freeport Memorandum of Understanding, 2025

Invest Highland

The Council in December 2025 established **www.investhighland.com** , a resource designed to stimulate and promote investment opportunities and demonstrate the benefits of doing business in Highland.

Workforce North

The Workforce North Co-investment Fund was formally announced by the Deputy First Minister on 28th October 2025, and the Council in its March 2026 budget set aside £1.6m of its own resources, to add to £2m of seed investment from Skills Development Scotland (SDS). The Co-investment Fund is designed to support a coordinated, system-wide approach to workforce development.

Medium-Term Financial Plan

A three year updated Plan covering 2026/27 to 2028/29 was agreed in March 2026.
Key aspects of the Plan included:

- **£12m** of new additional revenue investment.
- **£47m** of recurring revenue funding for cost increases & pressures.
- **£15m** of additional revenue for capital financing costs to support the Highland Investment Plan (HIP)
- **£61m** of savings and other measures agreed.
- A balanced budget for 2026/27.
- Significantly reduced residual budget gap for years 2 & 3 of **£5.6m**.
- No use of reserves to balance the budget (aligned to reserves policy to only use reserves for investment, change and meeting short-term and non-recurring costs).

Economic and Financial Context

Of the Council's total revenue budget of **£837.4m**, the totals for staff costs are **£471.7m**, financing costs are **£72.8m** and other costs are £**467.7m** with service income at **£174.8m**. The level of inflation and interest rates, both of which remain above Government targets and/or prior forecasts, has a significant bearing on the costs met from these budgets.

The year saw inflation levels, as measured by the Consumer Price Index (CPI), remain higher than the UK Government's 2% target level. CPI at March 2025 was 2.6%, peaked at 3.8% in July 2025 and ended the year at 3.3% (March 2026). Higher inflation levels impact on the Council's cost of service delivery through higher pay and wage costs, and higher costs of goods, materials, contracts and services.

In relation to interest rates, Bank of England base rates continued to reduce over the course of the year, starting at 4.5% as at March 2025, and reducing to 3.75% at March 2026. Base rates are however only a measure of interest rates, with the majority of the Council's borrowing undertaken at higher rates than base, and via Public Work Loans Board (PWLB - linked to Government gilt yields) and Market Borrowing (influenced by base rates and also supply and demand factors).

Despite the general trends of inflation and interest rates trending down, either in year, or relative to the previous financial year, events in the Middle East from March 2026 onwards have created significant economic risks and impacts which were only partly felt in the latter stages of the financial year, but are expected to have an ongoing impact into 2026 and potentially beyond. PWLB interest rates rose by around 1% over the course of March 2026 as a result of Middle East and wider global events, and the Council like other parts of society have seen significant increases in petrol and diesel costs over the course of March 2026. Careful monitoring and assessment of implications into future years, both in terms of costs and budget implications, but also supply chain risks, will be required.

The Council's financial out-turn was a net deficit on General Fund Services, mitigated in part by underspends on its loan charges (repayment of capital financing) and improved Council Tax income levels. Further mitigation and action taken was to transfer (re-purpose) elements of the Council's earmarked reserves, back into General (non-earmarked) reserves, supported by decisions made by the Council in its March 2026 budget. The deficit was driven by a number of pressure areas many of which were recognised in the budget agreed for 2026/27, i.e. to address or mitigate pressures and risks into future years. Further narrative on the factors in the overspend are set out in subsequent pages. The Council over the course of 2025/26 and continuing into 2026/27 put in place a number of enhanced budget management and control actions, which alongside budget decisions in March 2026, are intended to address and prevent overspends and a budget deficit persisting into 2026/27 or beyond. While the Council's General Reserves reduced in 2025/26, and the deficit resulted in the non-earmarked reserve sitting below the targeted policy level, the Council does maintain significant other earmarked reserves. Total useable reserves for the year totalled **£133.7m** at 31st March 2026.

In relation to capital financing, as noted above there was an underspend in the year of **£5.6m** for the General Fund, and **£1.2m** for the Housing Revenue Account HRA. In relation to the General Fund, and as part of the Highland Investment Plan (HIP) funding strategy, the Council had expected a short-to medium term underspend on loan charges while the HIP programmes and specific project capital spend 'ramps up' and increases over the coming years. The HIP funding strategy was therefore predicated on agreeing and earmarking revenue funding for capital financing costs ahead of the likely initial

capital spend profile. Which was part of the Council's approach to ensuring plans were affordable, prudent and sustainable. The underspend on HRA capital financing costs was largely as a result of increased external capital income and funding, which reduced the forecast requirement for borrowing. The Council has in place specific caps and controls on capital expenditure, borrowing and the ratio of borrowing costs to revenue budgets for both the General Fund and the HRA.

Commentary on financial performance 2025/26

An overall net deficit of **£10.9m** was recorded against the revenue budget for the General Fund.

This deficit, when added to movements to and from reserves, resulted in a final closing balance of **£20.9m** on non-earmarked General Fund reserves.

This represents a net reduction in that reserve of **£6.0m** over the course of the year. As a result, that reserve sits below the Council's strategy and target of retaining a minimum target of reserves equivalent to 3% of its revenue budget.

Closing earmarked reserves were **£65.2m** at financial year end, after drawdown and use of earmarked reserves. Earmarked reserves are held for a variety of specific purposes including local investment, redesign and transformation programmes, funds held to meet Government legislative priorities, or funds held for other specific purposes.

The decrease in earmarked reserves over the year is in line with agreed policy and intent. Actions will be taken over the course of 2026/27 with the aim of returning the General non-earmarked reserve back to its 3% policy target. The combined General Fund Reserves remain at a significant and healthy level, although earmarked reserves are expected to reduce over the coming years as further sums are drawn down and used for agreed purposes.

In relation to the Housing Revenue Account (HRA), there was no change to the level of reserves, with the closing balance of **£5.1m** for the HRA revenue reserve.

Details of the Council's earmarked reserves can be found in note 8 to the accounts.



Photo of Housing on a street in Inverness by Ewen Weatherspoon

Service Financial Performance

There was a combined overspend on Service activity of **£19.4m** in the year, driven by a number of pressures areas. Significant aspects of those pressures were recognised as part of budget planning for the following 2026/27 financial year, and with **£18.9m** of recurring pressure funding, and **£10.6m** of non-recurrent pressure funding agreed for that year, to mitigate or address many of those pressure areas. This additional funding, alongside a range of budget management and control actions are intended to address and prevent overspending into the 2026/27 financial year.

It is important the actions taken by the Council do take effect, as some of the mitigating factors in 2025/26, including underspends on loan charges (capital financing costs) and over-achievement of Council Tax income are not expected to be recurrent, or at the same level into future years.

Contributory factors to the Service overspend position included further deficit support for NHS Highland (NHSH) delivered Adult Social Care Services, overspends in repair and maintenance budgets for roads, property and housing, increased costs on children's services and looked after children, reductions in expected Government funding for Waste packaging levy, amongst other cost pressures.

There was an underspend on capital financing costs (loans charges) of £5.6m, school PPP flexibility and Council Tax income was ahead of budget by £1.4m and £1.3m respectively.

Taken together these resulted in a net deficit against budget of £10.9m for the year.

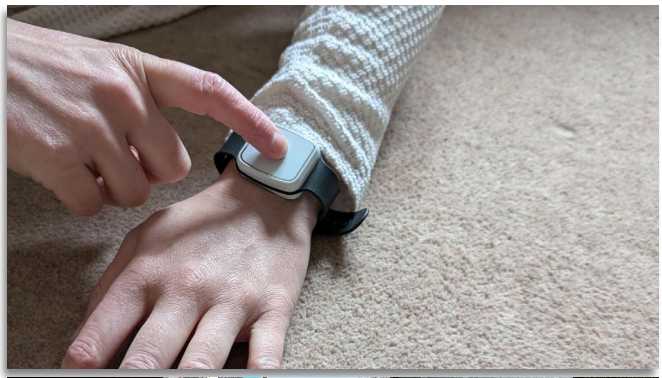
Note: more detailed reporting and analysis of the 2025/26 out-turn position were reported to the Council's Strategic Committees in August and September of 2026.

Savings Delivery

2025/26 was the second year of the Council's Operational Delivery Plan.

Against a Plan saving target of £20.4m, the forecast savings delivery in year was £12.3m (60% of target). The target included slippage/ carry forward from the previous financial year. Across the two years of the Plan to date, forecast savings delivery totals £34.5m.

Main factors in slippage, below target forecasts, are in the areas of transformation in adult social care, energy efficiency and renewables, and asset management savings. Project management and other staffing and associated resource, and earmarked reserves to provide investment to support change and transformation are in place. There is therefore resource to support the delivery of these saving and transformation plans, and to address slippage experienced to date.







Photos: 1. Telecare for adults living at home. 2. HiBike scheme around Highland. 3. Inverness Castle

General Fund Revenue Outturn 2025/26

The General Fund sets out the cost of running services (excluding Council housing) over the financial year from 1st April 2025 to 31st March 2026.

It shows where the money came from to finance these costs and the surplus or deficit at the end of the period. The expenditure and funding analysis statement in the accounts reconciles this position to the comprehensive income and expenditure statement.

General fund service spend

Budget		Actual spend		Total
£837.4m	–	£851.3m	=	£13.9m

Net spend on services more than planned.

Council funding

Budget		Actual funding		Total
£813.7m	–	£816.7m	=	£3.0m

More income received than budgeted.

Overall deficit

Expenditure deficit		Income surplus		Net deficit
£13.9m	–	£3.0m	=	£10.9m

Actual spend and income compared to budget.
Final budget included an estimated use of reserves of £23.7m, as actual use was £34.6m as noted below this gives a deficit of £10.9m.

Overall decrease in reserves

Actual spend		Actual funding		Use of Reserves
£851.3m	–	£816.7m	=	£34.6m

The difference between actual spend and funding in 2025/26 paid from the Council's General Fund Earmarked and Non-Earmarked Reserves as split below.

Use of reserves

Non-Earmarked Reserves	**£6.0m**
Earmarked Reserves	**£28.6m**
Total Use of Reserves	**£34.6m**

The £6.0m reduction in non-earmarked reserves represents a net reduction in contingency reserves. The £28.6m net use of earmarked reserves represents the use of reserves for their intended purpose.

Year end position

Corporate

Business Solutions

Budget	Actual spend
£16.4m	£15.9m

Underspend of £0.5m

(formerly Depute Chief Executive)

Performance & Governance

Budget	Actual spend
£10.6m	£11.0m

Overspend of £0.4m

(includes Legal & Corporate Governance, HR & Communications)

Resources & Finance

Budget	Actual spend
£17.4m	£18.3m

Overspend of £0.9m

(includes Corporate Finance, Revenues & Commercialisation)

Financing costs

Budget	Actual spend
£72.8m	£67.2m

Underspend of £5.6m

Other budget headings*

Budget	Actual spend
£6.9m	£7.0m

Overspend of £0.1m

Welfare Services

Budget	Actual spend
£9.1m	£8.5m

Underspend of £0.6m

Place

Communities & Place

Budget	Actual spend
£38.8m	£45.1m

Overspend of £6.3m

(includes Operations & Maintenance, Housing & Communities)

Infrastructure, Environment & Economy

Budget	Actual spend
£50.2m	£57.6m

Overspend of £7.4m

(includes Planning & Economic Dev, Facilities & Fleet Management)

Property & Housing

Budget	Actual spend
£91.1m	£91.0m

Underspend of £0.1m

(includes Properties & Assets)

People

Education & Learning

Budget	Actual spend
£310.8m	£313.2m

Overspend of £2.4m

(includes Primary Education & Early Years, Secondary Education)

Health & Social Care

Budget	Actual spend
£213.3m	£216.5m

Overspend of £3.2m

(includes Health and Social Care, Integrated People Services)

Total

Budget	Actual spend
£837.4m	£851.3m

Overspend of £13.9m

*includes NDR reliefs, Joint Board requisitions, Green Freeport, unallocated budget and transfers to reserves.

These outturns are contained within the net expenditure chargeable to the General Fund and HRA Balances column of the Expenditure and Funding Analysis (note 1) with some adjustments to presentation.

Analysis of spend

Staff costs
The cost of the Council's employees.

£471.7m	£461.2m
Budget	Actual spend

Financing costs
The cost of borrowing to finance capital investment.

£72.8m	£67.2m
Budget	Actual spend

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

£467.7m	£502.4m
Budget	Actual spend

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

(£174.8m)	(£179.5m)
Budget	Actual income

Total Spend

£803.3m	£810.8m
Budget	Actual spend

Council funding

Revenue Support Grant

£473.9m	£473.9m
Budget	Actual

Non-Domestic Rates

£168.0m	£168.4m
Budget	Actual

Council Tax

£164.5m	£165.7m
Budget	Actual

School PPP Flexibility

£7.3m	£8.7m
Budget	Actual

Total Funding

£813.7m	£816.7m
Budget	Actual

Council Reserves

The Council holds funds in a number of usable reserves:

General Fund Earmarked Reserve

£65.2m

(2024/25 £93.7m)

Funds held for specific purposes, including for investment, change and transformation.
More details at note 8.

Capital Fund

£29.0m

(2024/25 £15.4m)

To buy land for affordable housing provision (£27.6m, 2024/25 £14.0m).

Capital receipts available to finance future capital investment (£1.4m, 2024/25 £1.4m).

Capital Grants Unapplied

£10.5m

(2024/25 £11.1m)

Funds to support and accelerate the delivery of housing in the Highland area.

General Fund Non-Earmarked Reserve

£20.9m

(2024/25 £27.0m)

Funds held as a general contingency and to support budget decisions.

HRA Reserve

£5.1m

(2024/25 £5.1m)

For spending on the Council's housing stock.

Renewal and Repair Fund

£2.3m

(2024/25 £2.2m)

For specific types of repair and maintenance work.

Insurance Fund

£0.7m

(2024/25 £3.0m)

Insurance for items not covered by external insurance policies.

See notes 7, 8, and 28 in the accounts for more details on these reserves.

2.5%

The general fund non-earmarked reserve as a percentage of the Council's revenue budget.

Total Usable Reserves

£133.7m

(2024/25 £157.5m)

The Council's policy is to retain as a minimum, a level of Non-Earmarked General Reserves equivalent to:

3% of the annual revenue budget (approximately £25.1m).

At 31st March 2026 the level of reserves held met this policy target. The level of reserves is kept under regular review, and budget management actions are being progressed in 2026/27 to avoid overspending and to try and increase reserves over the course of the year. Reserve levels are also given formal consideration as part of the annual budget setting process.

Decrease in General Fund Reserves during the year

	Non-earmarked Reserves	Earmarked Reserves	Total
Final budgeted use of non-earmarked reserves, including £5m agreed use of reserves for Adult Social Care and earmarking of £11.4m for 2026/27 budget pressures and investment.	-£17.0m	+£11.4m	-£5.6m
Net deficit for 2025/26 met from general fund non-earmarked reserves.	-£10.9m	nil	-£10.9m
Use of earmarked balances for their specified purposes.	nil	-£28.7m	-£28.7m
Repurposing of earmarked reserves.	+£21.9m	-£21.9m	+£0.0m
Earmarking of reserves to reflect budget decisions and for specified funding streams received including developer contributions and crown estate income.	nil	+£10.6m	+£10.6m
Net decrease in General Fund reserves	-£6.0m	-£28.6m	-£34.6m Total

Housing revenue account

The Council owns **15,334** houses for which it charges rent. All expenditure associated with these houses must be funded from the rental income generated.



Capital Outturn 2025/26

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.

Gross capital spend in 2025/26 across General Fund and HRA Services.

£219.6m

Net capital spend in 2025/26 across General Fund and HRA.

£142.9m

Project specific capital income in 2025/26.

£76.7m

Underspend/ slippage in capital relative to budget.

£77.9m

The main factors relating to the underspend on capital were the challenging market conditions, in particular rising prices and a limited availability of contractors, consultants and materials due to a high volume of demand across the construction industry. In addition, the profile of spend for Harbours and Phase 1 HIP projects contributed to £32.4m of this underspend where realignment with capital budgets and external funding timing will be completed pending the review of the Capital Programme. Reporting of the capital out-turn, with Service and Major Project variance analysis, are available from the relevant Strategic Committee agenda reports over August and September 2026.

Projects with the largest capital spend in 2025/26

Investment in school buildings

£59.5m (gross)



Investment in harbours & ferries

£8.5m (gross)



Investment in economic development and regeneration

£19.3m (gross)



Investment in roads and bridges

£31.8m (gross)



Investment in other property assets

£14.3m (gross)



Housing Revenue Account

£51.7m gross

investment in housing stock



Funding of the Capital Expenditure

£110.3m of the 2025/26 capital spend was funded by borrowing. More information on borrowing, treasury management and loans fund liabilities can be found in the Council's annual treasury report and strategy statement:

www.highland.gov.uk/treasury

Assets and Liabilities

The Council's Balance Sheet brings together the assets, liabilities and reserves recognised by the Council. Net assets for the Council (assets less liabilities) are matched by reserves held.

More information on its component parts can be seen in the notes to the accounts.

Total Assets

2024/25	Current	Long term
£3,307.5m	£137.6m	£3,169.9m

2025/26	Current	Long term
£3,545.7m	£168.7m	£3,377.0m

(Increase in long term assets due to revaluations and increase in long term debtors. Increase in current assets due to an increase in short term debtors).

Total Liabilities

2024/25	Current	Long term
£1,676.7m	£450.7m	£1,226.0m

2025/26	Current	Long term
£1,802.5m	£508.8m	£1,293.7m

(Increase in long term liabilities due to increase in long term borrowing. Increase in current liabilities due to an increase in short term borrowing and an increase in short term creditors).

Total Reserves

2024/25	Usable	Unusable
£1,630.8m	£157.5m	£1,473.3m

2025/26	Usable	Unusable
£1,743.2m	£133.7m	£1,609.5m

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 2025/26

Assets

Council houses
£659.3m



Vehicles, plant and equipment
£54.9m



Other land and buildings
£1,773.1m



Short term debtors
£124.8m



Infrastructure assets
£616.1m



Other assets
£317.5m



Total Assets
£3,545.7m

Liabilities

Borrowing
-£1,441.3m



Leases
-£154.0m



Short term creditors
(excluding leases)
-£157.5m



Pension liability
-£33.2m



Other liabilities
-£16.5m



Total Liabilities
£1,802.5m

7.89% Financing costs (annual interest and principal repayment costs associated with the Council's General Fund borrowing) as a percentage of our annual net spend (2024/25 7.66%). In order to assess the affordability of debt one of the indicators required by the prudential code and used by the Council is the percentage of financing costs i.e. what proportion of the Council's revenue resources is required to cover financing costs. Further information can be found on this in the Council's Treasury Management Strategy Statement.

Group Accounts

The Council has interests in other organisations which, under accounting regulations, have to be incorporated into the group accounts. These can be seen from page 172 and show the combined figures for all the following entities:

The Highland Council
Comhairle na Gàidhealtachd

highlife highland
na gàidhealtachd

Highland and Western Isles Valuation Joint Board

D&E Coaches

Inverness Common Good Fund
Maoin Mathas Coitcheann Inbhir Nis

Nairn Common Good Fund
Maoin Mathas Coitcheann Inbhir Narann

HI TRANS
THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP

Key Group Financial Information

Total Comprehensive (Income) and Expenditure

2024/25	2025/26
£214.5m	(£113.7m)

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

Net Assets and Total Reserves

2024/25	2025/26
£1,673.1m	£1,786.8m

Group assets less group liabilities.

Pension Asset/ (Liability)

2024/25	2025/26
(£34.2m)	(£33.2m)

The estimated amount that projected pension investment assets are greater than future projected pension liabilities (asset position).

Performance Management

Reporting on performance is a key part of the Council's governance arrangements and Performance reports are available to the public through reporting to Council and Strategic Committees.

The Council has a range of performance indicators used to evidence its statutory duty on public performance reporting and these include local and national benchmarked indicators.

Information can be found at:

www.highland.gov.uk/performance

Council Performance



The Council's Programme for 2022-27 "Our Future Highland" was approved by Council on 8th December 2022.
The Programme is focused on delivering positive change for the Highlands across five strategic outcomes and under the pillars of people, place, and economy. The Performance Plan 2022-27 provides the framework to monitor the Council's Programme and was approved by the Council on 9th March 2023.

www.highland.gov.uk/programme2022-27-english

www.highland.gov.uk/performance-plan-2022-27

The Delivery Plan was approved by the Council on 9th May 2024 and underpins the implementation of the Council's Programme and Performance Plan by defining the portfolios of projects that will deliver the Programme.

The Delivery Plan was aligned with the three-year Budget Strategy as approved in February 2024. The Budget for 2026/27 – 2028/29 was approved on 5th March 2026 and the delivery plan remains aligned with Budget Strategy. It will also support delivery of the Highland Outcome Improvement Plan.

www.bit.ly/hoip2024-27

Taken together, all three plans are a seamless transformation programme, incorporating the key elements of:

- What we want to do and **why**
- **How** we will make change happen
- **What** we are trying to improve

There are three ways in which we reported performance to Council and Strategic Committees during 2025/26 as set out below.

1) Reporting Service Performance to Strategic Committees on a Quarterly basis to ensure the most up to date information is available to Members for review and discussion. This includes a mix of both Statutory Performance Indicators (SPIs) and Local Performance Indicators. Updates on progress of Delivery Plan projects are also reported quarterly to Strategic Committees as well as Portfolio Boards on a six-weekly cycle.

2) The Operational Delivery Plan Annual Progress Report 2025/26, which was scrutinised by Council on 14th May 2026, provided an update to Members on progress of the 66 live projects and programmes within the six Portfolios.

These portfolios are:

- **Person Centred Solutions (PCS)** – sponsor: ACE – People
- **My Highland Future** – sponsor: ACE - People
- **Reconfiguring Our Asset Base (ROAB)** – sponsor: ACE - Place
- **Net Zero Energy & Investment (NZEI&I)** – sponsor: ACE - Place
- **Corporate Solutions (CS)** – sponsor: ACE- Corporate
- **Income Generation (IG)** – sponsor: ACE – Corporate

The number of projects in the Delivery Plan will fluctuate as future work is developed, current projects close or work is restructured to improve an approach for successful delivery. Progress updates on projects and programmes in the Delivery Plan are also reported to the appropriate Strategic Committees and Boards as per the reporting schedule that was approved by Members on 14th May.

www.highland.gov.uk/deliveryplan2024-2027

3) The Annual Performance Report is normally reported to Council in September each year, and this provides the information relating to the previous financial year. This means that in September 2026, 2025/26 performance was reported. Where 2025/26 data was not available at the time of writing, 2024/25 performance was reported.

The Annual Performance Report for 2025/26 was scrutinised by Council on 17th September 2026. This report provided performance information on the delivery of the Corporate Plan, which includes a sub-set (34) of our 81 Statutory Performance Indicators (SPIs) and Local Performance Indicators.



Photo: Telford Centre, Fort Augustus by The Highland Council

Performance Summary - Statutory Performance Indicators (SPIs)

A summary of performance against target for all 81 SPIs that we report on either in the Annual Performance report or quarterly to Strategic Committees is set out in the table below as at 2024/25. SPIs relating to each service cluster will be reviewed in full in Autumn this year. This review will include targets and data sources as well as finalising some data, once it becomes available later this year. This may result in changes to the table on the right.

Performance against target		Number of SPIs
G	Performance is "On Target"	33
A	Performance is "Some Slippage"	16
R	Performance is "No Significant Progress"	19
	The indicator is awaited/ no data available	13
	Total	**81**

A range of Key Performance Indicators (KPIs), supplemented with additional SPIs for context, provides details of the Council's performance against their respective targets. The majority of these are chosen from nationally reported datasets gathered under groupings such as the LGBF, providing comparisons against all other Scottish Councils of which there are 32 in total. This may also show the "Family Group" i.e. those Councils who are like The Highland Council. This information is up to date at the time of writing but will be included in our annual performance reporting going to full Council in September 2026, where the finalised data and narrative will be published.

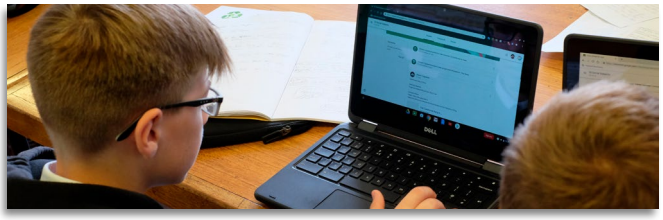
Please note, financial indicators have been noted with a *.

Children's Services

- **KPI: The average number of children and young people accommodated by the Council out with Highland** in 2025/26 was 21, higher than our target of 16 children.
- **KPI: Achievement of Curriculum for Excellence Levels P1, P4 and P7**

  (i) **Literacy:** the Council's performance was 69% meeting the target of 69% for 2024/25 and a slight increase on the previous year. By way of comparison, the Scottish average was 74.5% and the family group 74.2%. Data for 2026 is not available yet and will be published in December 2026.

  (ii) **Numeracy:** the Council's performance was 74.5% for 2024/25 against the target of 77%. By way of comparison, the Scottish average was 80.3% and the family group of 79.4%. Data for 2026 is not available yet and will be published in December 2026.



Adult Services

- ***KPI: % of people aged 65+ with long-term care needs receiving personal care at home.** The Council's performance was 55.1% against a target of 62.8%. This is also lower that the Scottish average of 62.29% and family group of 59.8%.

  Highland was ranked 30th in Scotland compared to a target of being in the second quartile.
- ***KPI:** Self-Directed Support allows people needing support to choose how their support needs will be met. **Direct payments spent on adults 18+** as % of total social work spend on adults aged 18+ was 9.7% in 2024/25, exceeding the target of 9.4%. Highland was ranked 8th in quartile 1, in line with a rank target of 8th.



Cultural and Leisure Services

- ***KPI: Cost per Library visit** in 2024/25 was £1.94 against the target of £2.71. The Scottish average was £2.71 and family group £3.22.

  Highland was ranked in 7th in Scotland which aligns with the target of being in the top quartile (ranked between 1-8).
- ***KPI: Cost per attendance at sports facilities** in 2024/25 was £2.55, exceeding the target of £3.77 for 2024/25. This also exceeds the Scottish average of £3.77 and family average of £2.95.

Environmental Services

- **KPI: Street Cleanliness score** – In 2025/26, Highland was 95.30% against a target of 95.30% and has achieved its target for 2025/26 of remaining in the first quartile (1-8 of Scottish Local Authorities), ranking 8th. This was also higher than the Scottish average of 92.2% and family group of 93.00%.
- **KPI: Street lighting energy consumption** for 2025/26 was down on the previous year to 7,671,747 Kwh, exceeding the target of 7,752,000.
- **KPI: Council carbon emissions tonnes CO2e** – The Council has an annual reduction target of 3% and in 2024/25 council emissions were 34,893 (tonnes CO2e) against a reduction target of 46,177 (tonnes CO2e). In line with the Public Bodies Climate Change Duties, the Council's return for 2025/26 will be brought to the Climate Change Committee in November 2026 for approval.

Business and Development Services

- **SPI: % of Building Standard Warrants determined within 6 days** – In 2025/26 the Council achieved 97.4%, exceeding the target of 90%.
- **SPI: % of Completion Certificates issued within 3 days** – In 2025/26 achieved 90.44%, against a target of 90%.
- **KPI: Proportion of properties receiving superfast broadband.** The Council achieved 91% for 2025/26 against a target of 89%.

Corporate Services

- ***KPI: Council Tax received** – 95.71% of the Council Tax owed in 2025/26 was collected. The target (Scottish Average) and ranking will not be available until the end of 2026, however in 2024/25 we exceeded the Scottish average with a performance of 95.65% against a target of 95.50%.
- ***KPI:% of Procurement Spend on Local Enterprises** in financial year 2024/25 was 42%, exceeding the target of 30.80%. Updates for 2025/26 are expected from the Local Government Benchmarking Framework in December 2026.
- **KPI: Average days to process Housing Benefit and Council Tax Reduction claims.**
  - **(i) New Claims** – 10.5 days compared to a target of 11.0 days in 2025/26.
  - **(ii) Changes of Circumstances** – 1.5 days compared to a target of 2.0 days in 2025/26.
- ***SPI: % of Non-Domestic Rates** collected by year end in 2025/26 was 96.14% against a target of 98%.

Housing Services

- **KPI: Homelessness - case duration for all applications (weeks)** – The Council achieved 35 weeks against a target of 48 weeks for 2025/26.
- **KPI: Average time taken to re-let properties in the last year (days)** – for 2025/26 is 43.96 days, exceeding the target of 55.00 days. Highland performs above average among local authorities in Scotland.
- ***KPI: Gross rent arrears as a % of rent due** – was 5.84% in 2025/26, exceeding the target of 6.90% and shows an improvement on the previous year.



Risks, Uncertainties and Future Developments

There are a number of risks, uncertainties and future developments which may impact the Council over the short, medium or longer term. The most significant of which are summarised in the table below.

The Council provides a quarterly update on its Corporate Risk Register to the Audit Committee, with agendas and papers for meetings of this Committee available from the following link.

www.highland.gov.uk/audit-committee

The latest local government reports from Audit Scotland provides key contextual information on the Scottish local government sector more generally.

www.audit.scot/uploads/2026-01/nr_260129_lg_financial_bulletin.pdf

Public Sector Finances and Financial Sustainability

Financial sustainability is one of the core risks in the Council's Corporate Risk Register, and an area which the Council has placed particular focus on to mitigate risks and has in turn seen positive commentary from External Audit on the actions taken.

There remain significant pressures on public sector finances. While inflation sits lower than it has in recent years, it remains above the UK Government's 2% inflation target. A further key risk and impact is the extent to which pay award settlements and expectations, across the economy, remain above inflation levels. Directly, this puts significant pressure on Local Authority budgets, given around half of the Council's expenditure is staffing related. Pay costs across the economy are also driving increase in the cost of goods and services generally.

Interest rates have not reduced at the pace which had been expected prior to the start of the financial year. While Bank of England base rates have reduced over 2025/26, the pace of reduction is slower than had been expected. The costs of Council borrowing is also driven by factors other than base rate, with wider global economic events impacting bond yields and market interest rates.

Events in Iran and the middle east in March 2026 have had a significant effect and represent a significant risk and uncertainty relating to future economic outlook, and implications for inflation, interest rates and the supply chain.

Around 80% of the Council's General Fund revenue is represented by funding from Scottish Government, and the level of that funding is a key factor in Councils financial planning, with risk and uncertainty regarding future public sector grant settlements. Scottish Government's forecasts set out a broadly 'flat cash' spending review outlook for the "Finance and local government" portfolio of the Scottish Government budget for 2027/28 and 2028/29. Given inflationary pressures and risks, this would represent a real-term reduction in funding and necessitate some difficult choices for the Council in future budgets in relation to council tax levels, savings targets and priorities.

The Council has sought to mitigate risks through its medium-term financial plan, reserves strategy, and plans and actions to transform service delivery, achieve savings and efficiency improvements and increase income generation. New and additional budget management control actions have also been implemented during 2025/26.

Workforce Planning

The Council workforce is the core of its service delivery, with staff costs accounting for near half of all expenditure. Workforce planning is vital to ensure we have the correct actions in place so we have the right people, with the right skills, in the right place and at the right time. There remain some challenges in relation to the recruitment and retention to some posts, and in some localities, and the Council has recognised that the demographics of its workforce highlight the need to ensure workforce planning is supporting the planning for staff leaving the organisation through retiral and the bringing in of new staff members.

The Council's Operational Delivery Plan includes a number of key projects to support the Council's workforce planning, and the Council is also progressing Investors In People accreditation across all its Service clusters, and has through its budget and other plans taken forward action in relation to workforce training and development across the region, new and additional summer placements for young people within the Council, and efforts to position and promote the Council as "an employer of choice".

Adult Social Care and Care Home Sustainability

Across Scotland there are significant ongoing challenges in relation to the provision of Adult Social Care, and the sustainability of Independent Sector Adult Care Home provision. In Highland, the Council provides funding to NHS Highland to provide Adult Social Care through lead-agency arrangements. A range of risks and challenges are being faced, including staff retention and recruitment challenges, driven by market forces and relatively more attractive pay offers in the private sector. Increased reliance on Agency staffing across the sector, at substantially higher cost, continues to have very significant financial implications. Even with the use of agency staff, there are job roles and localities where service provision is being impacted due to lack of staffing. NHS Highland is faced with an increasing number of Independent Adult Care Home providers withdrawing from the sector or seeking additional financial support to sustain their services. In some localities NHS Highland and the Council have had to work to secure the future of Independent Sector care homes through, in some localities, considering acquiring/ operating homes where the provider is ceasing operations. The impact of which is putting considerable pressure in public sector budgets. The Council, in its revenue budget for 2024/25, set aside £20m of earmarked reserve funding to support the Adult Social Care budget on a multi-year basis, and the process of change and transformation. In financial year 2025/26, around £4.7m of that funding was drawn down to support Adult Social Care during the financial year. There remain significant financial pressures on Adult Social Care, with NHS Highland's final out-turn position being an overspend of £21.8m for 2025/26 taking account of (i.e. after) the Council's £5m additional financial support.

The Council in December 2024 agreed to reconsider the model of its Scheme of Integration (the lead agency model) and to undertake work, with NHS Highland, to identify the optimal model of integration, including consideration of moving from a Lead Agency Model to a body corporate model. That work has progressed over the course of 2025/26 and continues into 2026/27.

Climate Change and Net Zero

The Council must adapt and build resilience in itself and its communities to address vulnerabilities to the potential effects of climate change and deliver its commitment to Net Zero.

In March 2026, the Council considered a report on "Climate Change, Energy and Community Resilience". This report set out societal and economic risks and impacts from climate change, and in turn the report set out a coordinated

approach to climate and energy resilience across three interconnected areas:

- climate adaptation;
- climate mitigation and energy transition; and
- cross-cutting foundations, including housing, natural systems and community infrastructure.

Population and Demographic Change

The Council needs to ensure that its service delivery, and its planning for future service delivery, takes account of population change and responds to both challenges and opportunities that result from this. There are parts of the Highlands which are seeing a significant decline in population numbers, contrasted with other parts of the Highlands which are growing. This scenario gives rise to financial as well as service delivery challenges, with the need to often expand services in growing population areas, alongside the challenge and expectations around sustaining services in areas of declining population. As highlighted earlier in this commentary, there are a number and current economic drivers which have the potential for positive economic impacts and provide opportunities for job creation and addressing some of the issues of localised population decline. The Council is positively contributing to action to support this economic activity, and in turn respond to the resulting needs that arise in relation to housing and other public services.

Risk to the provision of safe and effective property

The Council has a vast range of assets. The Council's corporate risk register recognises the following risks associated. There is a risk that our properties will become unsafe and/or unsuitable for the delivery of the Council services for which they are intended. This may be caused by: a lack of maintenance, building fabric deterioration, changes in building regulations and other statutory requirements, changing business needs/ Council policy, impacts of climate change. The Council has sought to mitigate such risks through a number of approaches, including targeted projects and workstreams within the Operational Delivery Plan to rationalise the assets owned by the Council, and through its budget plans and Highland Investment Plan, spend and invest in its retained assets to improve condition. There remains the risk that the pace of rationalisation is not sufficient, and that the need for investment remains at a level beyond what can be funded and afforded by the Council.

Civil Contingencies

The Council's Corporate Risk Register recognises a number of civil contingency risks, including threats of cyber attack, power outage, flood and severe weather, and pandemics, and includes mitigations, actions and controls related to those risks.

Best Value

Against the backdrop of the risks as outlined above, the Council must still ensure it delivers Best Value and is on a journey of continuous improvement. This is assessed by the Council's External Auditors who report upon the Council's performance in meeting its Best Value duties as part of their annual work. Annual thematic reviews are also undertaken. The Council's latest Best Value Report was issued in April 2025 by the Accounts Commission and was considered by the Council in June 2025. That Best Value report welcomes good progress since the previous 2020 report and commends the embedded culture of transformation. The report concludes that appropriate and effective financial management arrangements are in place.

Looking Ahead

Through financial and other plans already agreed, the Council will continue to focus on change and transformation through its Operational Delivery Plan, and delivery of budget savings over the course of 2026/27 and beyond.

Budget management and control improvements are a key focus in 2026/27, recognising the level of overspend against budget that has occurred during 2025/26, and ensuring the Council protects its financial position and avoids a repeat of such overspending. Through budget decisions made in March 2026, and further budget control actions, there are significant actions and mitigations in place. There do remain residual risks and uncertainties, including events in the middle east and ongoing risks around costs of fuel and related products, inflation and interest rates, and any ongoing implications for global supply chains.

With the Highland Investment Plan now well established, and phase 1 priorities agreed, 2026/27 and beyond will see those priorities progressing beyond engagement and locality planning activity, into formal consultation (where necessary) and the necessary design development, contracting and project delivery phases.

The Council has made decisions or is due to consider recommendations in relation to how it can better support community transport and housing provision in the Highlands, with particular consideration given to whether different and arms-length models of delivery might better support some of the Council's goals and aspirations.

As the Inverness and Cromarty Firth Green Freeport moves into a more established phase, the region will start to see some of the financial and economic benefits that have been forecast. £25m of seed capital funding will come to the Council from 2026 onwards, with a requirement for this funding to be spent on agreed Freeport projects by 31st March 2029. This seed capital, and other enabling activity, in turn should see additional Non Domestic Rate income start to flow through the Council and in turn support Freeport investment objectives.

There remains ongoing pressure on Public Sector finances, and indications that grant funding for local government over 2027/28 and 2028/29 may be more challenging than that experienced over the previous two financial years. There is a renewed focus on Public Sector reform by the Scottish Government following the 2026 Scottish Parliamentary elections, and it remains unclear what impact this may have for the Council, and public sector generally.

Derek Brown
Chief Executive

Raymond Bremner
Leader of the Council

Brian Porter CPFA
Chief Officer
Corporate Finance

Statement of Responsibilities for the Annual Accounts
Aithris Dhleastanasan airson nan Cunntasan Bliadhnail

The Council's Responsibilities

The Council is required to:

(i) make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the authority has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In the Highland Council that officer is the Chief Officer Corporate Finance;
(ii) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
(iii) Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003);
(iv) Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for issue by the Audit Committee at its meeting on 11 November 2026.

Signed on behalf of Highland Council

Raymond Bremner
Leader of the Council

The Chief Officer Corporate Finance's Responsibilities

The Chief Officer Corporate Finance is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code).

In preparing the Annual Accounts, the Chief Officer Corporate Finance has:-

(i) selected suitable accounting policies and then applied them consistently,
(ii) made judgements and estimates that were reasonable and prudent,
(iii) complied with legislation and
(iv) complied with the Code (in so far as is compatible with legislation)

The Chief Officer Corporate Finance has also:-
(i) kept adequate accounting records which were up to date, and
(ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Annual Accounts give a true and fair view of the financial position of the Council and its Group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2026.

Brian Porter CPFA
Chief Officer Corporate Finance

Annual Governance Statement
Aithris Riaghlachais Bhliadhnail

The Draft Annual Governance Statement was considered by the Council's Audit Committee on 27 May 2026 in line with CIPFA guidance.

Scope of responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council has a statutory duty to make arrangements to secure Best Value under the Local Government in Scotland Act 2003.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions. This includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework 'Delivering Good Governance in Local Government. The Code is available on our website.

The Local Code of Corporate Governance evidences the Council's commitment to achieving good governance and demonstrates how it complies with the governance standards recommended by CIPFA. The document is regularly reviewed and updated annually.

The purpose of the governance framework

The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled, and the activities used to engage with and lead the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services. The Council's financial and management arrangements conform with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in local government.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level, and provide reasonable, but not absolute, assurance that policies, aims and objectives can be delivered. The system of internal control is based on an ongoing process designed to identify and prioritise the risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place for the year ended 31 March 2026 and up to the date of approval of the Annual Accounts.

The governance framework

The Local Code of Corporate Governance was approved by the Audit Committee on 20 August 2025. The basis of the 2025/26 Local Code is the Framework and Guidance issued by CIPFA and SOLACE which identifies seven core principles, each with a number of sub-principles. The core principles are:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining outcomes in terms of sustainable economic, social and environmental benefits.
4. Determining the interventions necessary to optimise the achievement of the intended outcomes
5. Developing the authority's capacity including the capability of its leadership and the individuals within it.
6. Managing risks and performance through robust internal control and strong public financial management.
7. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The Council's corporate governance arrangements are subject to annual review by Internal Audit. No issues were identified and these arrangements are considered to be operating effectively.

Review of effectiveness

Overview

The Highland Council has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is adequate and effective in practice. The Chief Officer Legal and Corporate Governance acts as the Council's Monitoring Officer. This is a statutory appointment in terms of section 5 of the Local Government and Housing Act 1989 and he has the responsibility of ensuring the Council acts within its statutory powers and does not act in a manner that may amount to maladministration. He has primary responsibility for the Council's corporate governance including the proper conduct of all Council meetings, compliance with the Scheme of Delegation and Standing Orders (including annual review of both documents) and an ancillary role and various responsibilities within the ethical standards framework which include compliance with the Councillors' Code of Conduct. It is the responsibility of the Chief Officer Legal and Corporate Governance to:

- oversee the implementation of the Local Code of Corporate Governance and monitor its operation.
- review the operation of the Local Code of Corporate Governance in practice.
- report annually to the Council on compliance with the Local Code and recommend any changes required to maintain it and ensure its effectiveness.

In fulfilling these duties, the Chief Officer Legal and Corporate Governance has taken into account the results of reviews of internal control that have been carried out by Internal Audit. There are no current governance issues that require to be identified.

All Assistant Chief Executives have reviewed the arrangements in their cluster of services and reported on their assessment of the effectiveness of the control arrangements in place.

Formal meetings of the Council and its strategic committees have operated on a hybrid model since March 2022 and the practice is now well established. The Council ensures openness and transparency in decision making by ensuring all strategic meetings are open to the public and continue to be webcast. The recordings are available for one year. Recordings of all local Committees are uploaded to the Council's YouTube channel. Following a Council decision all Council and committee agendas and reports are circulated electronically to Members rather than on paper as well as being available to the public on the Council website.

A wide-ranging member training and development programme focussing on induction of new members but available to all members was put in place in May 2022 and has continued. In May 2023 following distribution and consideration of a survey of all Councillors it was agreed that a short life Members' Learning and Development Group be established. The recommendations from this Group were used to inform a report to Council in October 2023 setting out a future Members' Learning and Development Framework and Programme. A review of the Members' Learning and Development Framework and Programme input was reported to Council in December 2024 and again in March 2026. A refreshed Members' Learning and Development Framework and Members' Learning and Development Programme for 2025 were agreed. Looking ahead to May 2027 work has commenced in conjunction with the Improvement Service on preparing an induction and future training programme following the local government elections.

The Council re-established a Governance Review Working Group made up of a number of senior Members. The Group reports directly to Council and is undertaking a rolling programme of review of the Council's existing governance arrangements and, has made recommendations on matters such as changes to Standing Orders and the Scheme of Delegation. The Council has introduced and supported the implementation of an integrated impact assessment process for all reports and motions being considered at meetings of its Committees. Going forward the Steering Group will continue to meet, review governance arrangements and, where appropriate, make recommendations for further revisions

into 2026/27 as well as informing and supporting delivery of the Learning and Development Programme.

In December 2024 Council agreed to establish a Working Group to review the governance and funding arrangements of its Area Committees so that they may better serve the needs of their local communities. The Working Group has met on a number of occasions and intends to bring forward recommendations to a future Council in advance of May 2027.

Internal review

The Internal Audit Service operates in accordance with the Global Internal Audit Standards (GIAS) in the UK Public Sector. This requires the Chief Audit Executive (Strategic Lead (Audit & Risk) to:

"… prepare an overall conclusion at least annually in support of wider governance reporting, mindful of any specific sector obligations or processes. This overall conclusion must encompass governance, risk management and control."

"… report annually on the results of the quality assurance including progress against action plans to address instances of non-conformance."

These requirements were met by the Internal Audit Annual Report 2025/26 being presented to the Audit Committee on 27/05/26. This report is also used to inform the Annual Governance Statement and the following information has been extracted from the annual report.

The GIAS require internal assessments to be undertaken in order to monitor conformance against the these. This assessment has been completed which shows that 13 of the 15 Principles have the opinion of "generally conforms" with 2 "partially conforms". These opinions are set out in the GIAS, and it should be noted that generally conforms is the highest opinion that can be achieved. The 2 Principles with partial conformance are as follows together with the planned actions to address them:

- Principle 8 – Overseen by the Board
  An External Quality Assessment is still to be completed.
- Principle 11 – Communicate Effectively
  The Audit Manual needs to be updated to include particular requirements from the GIAS.

Whilst the two actions are necessary to achieve general conformance against the above principles, these have also been captured against other principles as it will improve conformance. However, this has not impacted upon their conformance opinion. An action plan has been prepared in order to address the areas of non-conformance, and the Audit Committee will be updated as this progresses.

During 2025/26, a total of 40 audit recommendations were made with a total of 54 individual management actions agreed to address these. Their status is as follows.

- 29 had been fully completed (54%)
- For the 25 remaining actions:
  - 14 (26%) were not yet due and
  - 11 (20%) had revised target dates.

This includes 12 high grade recommendations which had a number of agreed management actions arising from 4 audit reports. Further details are provided in the table below including the current status with the implementation.

Report Name	No. High	Action Status			Current Status
		Complete	Not yet due	Revised	
Review of Financial Arrangements in Primary Schools	1	1	0	0	
Children's Services Transitions	1	0	0	1	An effective method for early resolution of disputes including an escalation process should be agreed and implemented so any potential delays in transferring accommodation are communicated to senior managers as early as possible. In relation to operational disputes which result in increased risk to a service an escalation process should be co designed and implemented by Highland Council and NHSH that links to the risk register allowing for early communication to senior management. Meetings held with NHSH have taken place. The escalation procedure, scope and remit will be produced and taken to the Joint Oversight Group for sign off. (Original target date 31/12/25. Revised action date 30/04/26).
Human Resources - Learning and Development	2	0	2	0	(1) Formal linkages between the Corporate Risk Register and Service Cluster Risk Registers should be established, and current service risks reviewed to ensure alignment and escalation of significant workforce risks. Service Cluster Risk Registers should be updated in PRMS to reflect revised Service clusters and risks, using the new risk scoring system and ensuring each risk has clear ownership. Registers should then be subject to regular monitoring to confirm that mitigating actions remain effective and up to date. A reminder will be issued to Services on the risk management process and officer's role in the process including: A) Review risk registers to align to new service clusters (Action complete) B) Update PRMS C) Risks outlined in new framework and format. Service risks will be reviewed by the appropriate committee along with quarterly reviews of the Service Plan work (Quarterly Performance & Revenue Reports) and linkages made from the identified service risks Service Corporate Risk register will be reviewed to reflect escalation of service risks. (Original target date 31/05/26). (2) Succession planning should be formally rolled out across all services as part of the workforce planning cycle. This should include clear timelines,

					responsibilities, and monitoring arrangements to confirm that succession plans are developed, maintained, and aligned with organisational workforce needs. A succession planning toolkit had been developed but succession planning had not yet been fully implemented across the Council. (Original target date 30/06/26).
Investigation into harbour's operations - control weaknesses	8	7	1	0	Management should ensure there are robust arrangements in place to measure and record fuel stocks using accurately calibrated dipsticks for fuel measurement. Management should ensure all fuel sales are accurately recorded using the required forms. Regular reconciliations should be undertaken to verify fuel delivered, fuel sold, and fuel stock held. Any variances identified should be investigated in a timely manner and reported to Service Management and Finance for action as necessary. The action was followed up and subsumed in new action plan as part of a new report from another review.
Totals	**12**	**8**	**3**	**1**	

There are no particular trends identified from the high-grade recommendations with regard to the above and these are not considered sufficiently material to impact upon the audit opinion provided within the Internal Audit Annual Report (see next section below).

The self-assessment exercise was revisited in order to assess the extent of the compliance with the CIPFA Code. There is one action identified which relates to the need to undertake fraud risk assessments. This will be progressed during 2026/27, and the Audit Committee updated on progress. It is considered that this action will further enhance the Council's fraud prevention arrangements and does not change the previous assessment that we fully comply with the Code.

The Council's Counter Fraud Policy was also updated to incorporate the new offence, of the "Failure to Prevent Fraud" under the Economic Crime and Transparency Act 2023, which came into effect on 01/09/25.

Internal Audit Annual Report 2025/26 Audit Opinion

On the basis of the work undertaken during the year, it is considered that the key systems operate in a sound manner and that there has been no fundamental breakdown in control resulting in material discrepancy. However, as no system of control can provide absolute assurance against material loss, nor can Internal Audit give that assurance, it is the audit opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year to 31st March 2026.

Commentary on group bodies significant governance issues

Inverness and Nairn Common Good Funds
- No significant governance issues were identified.

Highland and Western Isles Valuation Joint Board
- No significant governance issues were identified.

Highland and Islands Transport Partnership
- No significant governance issues were identified.

High Life Highland
- No significant governance issues were identified.

D&E Coaches Ltd
- The Council acquired the full shareholding of D&E Coaches Ltd on 31 January 2025 and the Company is reflected within the Council's Group Accounts. At this stage D&E continues to operate independently with their own governance in place with two Council appointed Directors. Highland Council is not aware of any identified significant governance issues

Conclusion

Our annual governance statement summarises the Council's governance arrangements and affirms our commitment that they are reviewed regularly and remain appropriate for the activities and delivery of services by the Council and its Group. Subject to the above assurances, the development and implementation of the audit recommendations and, based on the evidence contained in this statement, we are satisfied that the arrangements continue to provide assurance, are adequate and are operating effectively.

Raymond Bremner
Leader of the Council

Derek Brown
Chief Executive

Remuneration Report
Aithisg Tuarastail

Highland Council Remuneration Report

The Remuneration Report provides information on Senior Councillors of the Highland Council and Senior Employees of the Highland Council and its subsidiary companies High Life Highland and D & E Coaches Ltd.

Tables 1 to 7 in sections 1 and 3 of the Remuneration Report will be audited by Audit Scotland. The other parts of sections 1 and 3 and section 2 will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

1. Remuneration

i) Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act (Remuneration) Amendment Regulations 2024 (SSI No. 2024/24) which amended the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The regulations provide for the grading of councillors, for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head, Senior Councillors or Councillors. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure and receives a higher salary.

The framework for councillor pay arose from the work of the Scottish Local Authorities Remuneration Committee (SLARC) which was established under the Local Governance (Scotland) Act 2004 to advise Scottish Ministers on the payment by local authorities of councillor remuneration, pensions and expenses. SLARC was reconvened in April 2023 to undertake an independent review of councillor remuneration. This review resulted in the amendments to 2025/26 councillor pay included in the Local Governance (Scotland) Act (Remuneration) Amendment Regulations 2024 (SSI No. 2024/24).

The salary that is to be paid to the Leader of the Council is set out in the regulations. For 2025/26 the remuneration for the Leader of Highland Council is £60,791. The regulations permit the Council to remunerate a Civic Head – this role is the Convener in Highland Council - and set out the maximum salary that can be paid to the Civic Head as £45,594, equivalent to 75% of the Leader's salary.

The regulations also set out the total remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have, excluding the Leader and the Civic Head. The total amount payable by the Council for remuneration of all of its Senior Councillors (excluding the Leader and Civic Head) cannot exceed £679,965 for 2025/26 and the total number of Senior Councillors permitted is 19. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The Council complied with these requirements in 2025/26.

The current Senior Councillor structure was agreed by a meeting of Council on 9 June 2022. The report is available at the link: https://www.highland.gov.uk/meetings/meeting/4626/highland_council (item 3b). The current remuneration scheme, implementing the recommendations of the SLARC review and the applicable regulations, was agreed by Council on 27 March 2025. The report is at the link: https://www.highland.gov.uk/meetings/meeting/5145/highland-council (item 8).

The remuneration in 2025/26 for all councillors was £2,072,360 (2024/25: £1,697,961). The regulations permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

In addition to the Senior Councillors of the Council, the regulations also set out the remuneration payable to councillors with the responsibility of Convener or Vice Convener of a Joint Board. The

regulations require the remuneration to be paid by the Council of which the Convener or Vice Convener is a member. The council is also required to pay any pension contributions arising from the Convener or Vice Convener being a member of the Local Government Pension Scheme. The Council is reimbursed by the Joint Board for any additional remuneration paid from being a Convener or Vice Convener of a Joint Board. For 2025/26 the remuneration for the Convener of the Valuation Joint Board is £28,207.

Table 1: Remuneration of Senior Councillors and Conveners and Vice-Conveners of Joint Boards for 2025/26

The table below includes all Councillors who held a Senior Councillor role or the post of Convener or Vice Convener of the Highland & Western Isles Valuation Joint Board at any point during 2025/26.

The salary amount is the total salary paid to the Councillor in the year and includes basic pay for any period during which no Senior Councillor role was held. Where more than one Senior Councillor role is held at the same time, the salary in respect of the highest remunerated role is payable.

Councillors are listed in alphabetical order.

2024/25					2025/26		
Total £	Senior Councillor/ Joint Board Convener	Responsibility	Start Date	End Date	Salary, Fees & Allowances £	Taxable Expenses £	Total £
22,948	Sarah Atkin	Vice Chair of Housing and Property Committee (Note 1)	27/06/24		28,543	-	28,543
49,810	Raymond Bremner	Leader of the Council	26/05/22		60,791	-	60,791
27,267	Ian Brown	Leader of Inverness and Area	08/06/22		33,190	-	33,190
30,539	Glynis Campbell-Sinclair	Chair of Housing and Property Committee	09/06/22		37,173	-	37,173
32,720	Alasdair Christie	Leader of the Opposition	26/05/22		39,828	-	39,828
23,502	Muriel Cockburn	Vice Chair of Health, Social Care and Wellbeing Committee	09/06/22		28,544	149	28,693
32,952	John Finlayson	Senior Strategic Chair of Education Committee	09/06/22		39,828	281	40,109
30,924	David Fraser	Chair of Health, Social Care and Wellbeing Committee	09/06/22		37,173	410	37,583

2024/25					2025/26		
Total £	Senior Councillor/ Joint Board Convener	Responsibility	Start Date	End Date	Salary, Fees & Allowances £	Taxable Expenses £	Total £
26,686	Laurie Fraser	Convener of Highland & Western Isles Valuation Joint Board (Note 2)	09/06/22		28,207	-	28,207
32,931	Ken Gowans	Senior Strategic Chair of Economy and Infrastructure Committee	09/06/22		39,828	190	40,018
23,601	Michael Green	Vice Chair of Economy and Infrastructure Committee	09/06/22		28,544	138	28,682
37,831	Bill Lobban	Convener of the Council	26/05/22		45,594	288	45,882
30,539	Derek Louden	Chair of Corporate Resources Committee (FYE: £37,173)	09/06/22	30/06/25	9,293	-	9,293
30,882	Graham MacKenzie	Chair of Communities and Place Committee	09/06/22		37,173	297	37,470
23,449	Drew Millar	Vice Chair of Education Committee	09/06/22		28,544	-	28,544
23,449	Hugh Morrison	Vice Chair of Communities and Place Committee	09/06/22		28,544	-	28,544
23,449	Calum Munro	Vice Chair of Corporate Resources Committee (FYE: £28,544)	09/06/22	30/04/25	2,379	-	2,379
n/a	Paul Oldham	Chair of Corporate Resources Committee (FYE: £37,173)	26/06/25		34,531	360	34,891

2024/25					2025/26		
Total £	Senior Councillor/ Joint Board Convener	Responsibility	Start Date	End Date	Salary, Fees & Allowances £	Taxable Expenses £	Total £
n/a	Morven Reid	Vice Chair of Corporate Resources Committee (FYE: £28,544)	15/05/25		28,234	-	28,234
27,267	Patricia Robertson	Chair of Audit Committee	09/06/22		33,190	-	33,190
530,746	**Total**				**649,131**	**2,113**	**651,244**

Notes:

1. 2024/25 remuneration includes the accrual of £1,603 back pay due in respect of the Vice Chair post.

2. £2,225 was recharged to Highland and Western Isles Valuation Joint Board in 2025/26 (2024/25: £4,839). The 2025/26 recharge represents the difference between the Convener salary and the Councillor salary. The 2024/25 recharge was the difference between the Convener salary and the Vice Chair of Housing & Property Committee salary from 1 April 2024 to 26 June 2024 and the difference between the Convener salary and the Councillor salary from 27 June 2024 to 31 March 2025.

3. Four Highland councillors also sit on the Board of High Life Highland. These are non-remunerated positions.

Table 2: Members' Allowances and Expenses

The Council paid the following amounts to members of the council during the year:

2024/25 £000		2025/26 £000
1,698	Remuneration	2,072
122	Travel and subsistence	125
10	All other expenses	10
1,830	**Total**	**2,207**

ii) Senior Employees

A revised senior management structure was agreed by Highland Council on 14 March 2024 and implemented over the period April to December 2024. The 2024/25 comparatives within the 2025/26 remuneration report reflect the phasing in of the new structure.

The salary of the Chief Executive is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) of Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities, with Circular CO/155 and Industrial Relations Circular 11-25 containing details of 2025/26 salaries. Salaries of the Assistant Chief Executives and Chief Officers are based on Circular CO/155.

The salary of the Chief Executive of High Life Highland is based on national terms and conditions and agreed by the Board of High Life Highland following full evaluation of the post and comparison with similar organisations.

The salary of the Chief Operations Executive Officer of D & E Coaches Ltd is set by the Board of the company. The company was acquired by Highland Council on 31 January 2025 and two Highland Council Assistant Chief Executives have been non-remunerated board members since that date.

Table 3: Remuneration of Senior Employees for 2025/26

The tables below include details of the remuneration of the Senior Employees of Highland Council and of its subsidiary companies High Life Highland Ltd and, from 31 January 2025, D & E Coaches Ltd. Only the remuneration which relates to the period during which a Senior Employee post was held is disclosed. Where a Senior Employee post was not held throughout the whole of the year, the full year equivalent salary is shown in brackets.

Employees are listed in alphabetical order.

Table 3a: Highland Council Senior Employees

2024/25			2025/26		
Total Remuneration £	**Name**	**Senior Employee Position**	**Salary, Fees & Allowances £**	**Taxable Expenses £**	**Total Remuneration £**
184,000	Derek Brown	Chief Executive	194,531	-	194,531
109,285	Fiona Duncan	Chief Officer - Health & Social Care and Chief Social Work Officer (from 29/08/24) (Note 1)	113,656	-	113,656
101,266	Fiona Grant	Chief Officer - Education (Secondary) and Chief Education Officer (from 29/08/24) (Note 1)	113,656	-	113,656
62,885	Nicky Grant	Executive Chief Officer - Education and Learning (to 12/04/24) (2024/25 FYE : £109,285) (Notes 2 and 4)	n/a	-	n/a
127,668	Allan Gunn	Assistant Chief Executive - Corporate (from 30/04/24)	134,450	-	134,450
130,352	Kate Lackie	Assistant Chief Executive - People (from 30/04/24)	134,450	-	134,450
127,668	Malcolm MacLeod	Assistant Chief Executive - Place (from 30/04/24)	134,450	-	134,450

2024/25			2025/26		
Total Remuneration £	**Name**	**Senior Employee Position**	**Salary, Fees & Allowances £**	**Taxable Expenses £**	**Total Remuneration £**
56,993	Paul Nevin	Interim Executive Chief Officer - Performance and Governance (to 08/10/24) (2024/25 FYE: £109,285) (Note 4)	n/a	-	n/a
107,105	Brian Porter	Chief Officer - Corporate Finance and Section 95 Officer (from 10/10/24) (Note 1)	113,656	-	113,656
18,821	Mark Rodgers	Executive Chief Officer – Property and Housing (to 02/06/24) (2024/25 FYE : £109,285) (Note 4)	n/a	-	n/a
22,095	Ruth Rountree Provan	Corporate Communications and Resilience Manager (to 31/07/24) (2024/25 FYE : £66,284) (Notes 3 and 4)	n/a	-	n/a
1,048,138	**Total**		**938,849**	-	**938,849**

Table 3b: Highland Council Subsidiary Bodies

2024/25			2025/26		
Total Remuneration £	**Name**	**Senior Employee Position**	**Salary, Fees & Allowances £**	**Taxable Expenses £**	**Total Remuneration £**
8,654	Gayle McEwan	Chief Operations Executive Officer, D&E Coaches Ltd (from 31 January 2025) (2024/25 FYE : £51,924)	60,000	-	60,000
108,017	Steve Walsh	Chief Executive, High Life Highland	112,330	-	112,330
116,671	**Total**		**172,330**	-	**172,330**

Notes to tables 3a & 3b:

1. Included as Senior Employee as post is politically restricted by reason of section 2(1) (a) (b) or (c) of the Local Government & Housing Act 1989.

2. 2024/25 remuneration includes compensation for loss of employment (£52,742) and pay in lieu of holiday (£6,500).

3. The Corporate Communications and Resilience Manager reported directly to the Chief Executive from 1 February 2023 to 31 July 2024. As a result of the senior management restructure during 2024/25 this post did not report directly to the Chief Executive from 1 August 2024 so the remuneration from that date is not reflected within table 3a.

4. Employee was not a Senior Employee during 2025/26, either because of leaving during 2024/25 or because the post ceased reporting directly to the Chief Executive during 2024/25 (see note 3), but is included in the table so that total 2024/25 remuneration equals the figure per the equivalent table in the 2024/25 remuneration report.

Table 4: General Disclosure by Pay Band

The number of Highland Council employees who received remuneration of £50,000 or more during the year are shown in the table below in bands of £5,000. If there are no employees within a band, the band is omitted from the table.

The Remuneration Bands are fixed which means that, as a result of annual staff cost of living pay awards and incremental progression, the number of employees in the lower bands increases year on year as staff pay moves up and into the first band. This is particularly evident in 2025/26 because the annual salary at the top of the teachers' pay scale increased to above £50,000 for the first time.

The 2024/25 comparatives in the table have been restated to take account of minor changes in the first four bands and the seventh band (32 employees in total).

(Restated) Number of Employees 2024/25	Remuneration Bands £	Number of Employees 2025/26
423	50,000 - 54,999	1,017
277	55,000 - 59,999	264
218	60,000 - 64,999	279
138	65,000 - 69,999	167
120	70,000 - 74,999	120
50	75,000 - 79,999	100
29	80,000 - 84,999	38
19	85,000 - 89,999	26
6	90,000 - 94,999	12
7	95,000 - 99,999	6
8	100,000 - 104,999	3
5	105,000 - 109,999	6
1	110,000 - 114,999	10
2	120,000 - 124,999	-
2	125,000 - 129,999	-
1	130,000 - 134,999	3
-	150,000 - 154,999	-
1	180,000 - 184,999	-
-	190,000 - 194,999	1

Table 5: Exit Disclosure

The following table shows the number of exit packages agreed at each cost band and the total actuarial cost for each band, split into benefits to the employee and the strain on the pension fund. There were two compulsory redundancies in 2025/26 (2024/25 – one).

2024/25					2025/26			
Number of Employees	**Benefits to Employee £**	**Strain on Pension Fund £**	**Total Cost £**	**Cost Band**	**Number of Employees**	**Benefits to Employee £**	**Strain on Pension Fund £**	**Total Cost £**
-	-	-	-	£0 - £20,000	3	39,477	34,768	74,245
2	54,000	-	54,000	£20,001 - £40,000				
2	126,258	-	126,258	£40,001 - £60,000	2	68,108	67,494	135,602
				£60,001 - £80,000				
				£80,001 - £100,000				
1	67,770	99,259	167,029	£150,001 - £200,000	-	-	-	-
5	**248,028**	**99,259**	**347,287**	**Total**	**5**	**107,585**	**102,262**	**209,847**

2. Appointments

i) Councillors

Following the local government election and the formation of the new council in May 2022, the positions of Leader of the Council, Convener of the Council and Leader of the Opposition were appointed by Council on 26 May 2022. A revised Senior Councillor structure was agreed by Council on 9 June 2022, when most of the remaining Senior Councillors were appointed. The Leader of Inverness and Area Committee was appointed at the Inverness and Area Committee meeting of 8 June 2022.

The Highland Council Senior Councillor posts during 2025/26 were:

Leader of the Council
Convener of the Council
Leader of the Opposition
Chair of Audit Committee
Chair of Communities and Place Committee
Chair of Corporate Resources Committee
Chair of Education Committee
Chair of Economy and Infrastructure Committee
Chair of Health, Social Care and Wellbeing Committee
Chair of Housing and Property Committee
Leader of Inverness and Area
Vice Chair of Communities and Place Committee
Vice Chair of Corporate Resources Committee
Vice Chair of Education Committee
Vice Chair of Economy and Infrastructure Committee
Vice Chair of Health, Social Care and Wellbeing Committee
Vice Chair of Housing and Property Committee

ii) Senior Employees

The panel for the appointment of Chief Officer level and above for permanent vacancies during 2025/26 comprised the Convener, Leader, two Senior Strategic Committee Chairs, Leader of the Opposition, Leader of the Scottish Conservative & Unionist Group and one additional member of the Opposition.

3. Pension Benefits – Councillors and Senior Employees

Pension benefits for Highland Council councillors and senior employees and High Life Highland senior employees are provided through the Local Government Pension Scheme (LGPS). There are two Highland Council senior employees included in the 2025/26 remuneration report whose pension benefits include benefits provided through the Scottish Teachers' Superannuation Scheme. Further details of this scheme are available at the link https://pensions.gov.scot/teachers/about-teachers-pensions/scottish-teachers-superannuation-scheme. Highland Council's subsidiary company, D & E Coaches Ltd, acquired on 31 January 2025, operates a defined contribution pension scheme, D & E Coaches Ltd – National Employment Savings Trust.

Local Government Pension Scheme
The Local Government Pension Scheme (LGPS) is a funded pension scheme consisting of payments from members of the scheme as well as the employer.

From 1 April 2015 pension benefits for both Councillors and local government employees are based on career average pay. The pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living. The total of the revalued pay is then divided by the period of membership to calculate the career average pay, and

is the value used to calculate the pension benefits. Benefits built up to 31 March 2015 are protected and based on final pay.

The scheme's normal retirement age for Councillors and employees is linked to the State Pension Age.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership.

The 2025/26 contribution tiers and rates are as follows:

Pensionable pay	Contribution rate 2025/26
On earnings up to and including £27,500	5.50%
On earnings above £27,500 and up to £33,600	7.25%
On earnings above £33,600 and up to £46,100	8.50%
On earnings above £46,100 and up to £61,400	9.50%
On earnings above £61,400	12.00%

2024/25 contribution tiers and rates:

Pensionable pay	Contribution rate 2024/25
On earnings up to and including £27,000	5.50%
On earnings above £27,000 and up to £33,000	7.25%
On earnings above £33,000 and up to £45,300	8.50%
On earnings above £45,300 and up to £60,400	9.50%
On earnings above £60,400	12.00%

From 1 April 2015, the contribution rate for scheme members who work part-time is based on their actual pay, rather than the equivalent whole-time pay rate.

The 2025/26 employer's contribution rate is 17.5% of pensionable pay (2024/25: 17.5%).

For service from 1 April 2009, there is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/49th of career average pay and years of pensionable service for service from 1 April 2015 and 1/60th of final pensionable pay and years of pensionable service for service from 1 April 2009 to 31 March 2015. For service to 31 March 2009, the accrual rate guarantees a pension based on 1/80th and a lump sum based on 3/80th of final pensionable pay and years of pensionable service.

The value of the accrued benefits for active members of the pension scheme has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age, without exercising any option to commute pension entitlement into a lump sum and without any adjustment for the effects of future inflation.

Where pension benefits have been transferred, the pension figures shown in the following tables relate to the benefits that the person has accrued as a consequence of their total local government service and not just their current appointment.

Table 6: Senior Councillor Pension Benefits

The accrued pension benefits as at 31 March 2026 for those Senior Councillors who were active members of the Local Government Pension Scheme during 2025/26 are shown in the table below, together with the contributions made by Highland Council to each Senior Councillor's pension during the year.

For responsibilities of each Senior Councillor, refer to the table on pages 38-40.

Councillors are listed in alphabetical order.

Pension Contributions 2024/25 £	Senior Councillor/ Joint Board Convener	Pension Contributions 2025/26 £	Accrued Pension Benefits			
			As at 31/03/26		Difference from 31/03/25	
			Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
3,998	Sarah Atkin	4,890	2	-	1	-
8,674	Raymond Bremner	10,478	7	-	1	-
4,748	Ian Brown	5,722	9	2	1	-
5,318	Glynis Campbell-Sinclair	6,409	7	-	1	-
5,698	Alasdair Christie	6,866	11	-	1	-
4,084	Muriel Cockburn	4,921	4	-	-	-
5,698	John Finlayson	6,866	6	-	1	-
5,318	David Fraser	6,409	3	-	1	-
4,647	Laurie Fraser	4,914	10	6	-	-
5,698	Ken Gowans	6,866	8	-	1	-
4,084	Michael Green	4,921	2	-	1	-
6,506	Bill Lobban	7,859	10	-	1	-
5,318	Derek Louden (Note 1)	2,072	4	-	-	-
4,873	Graham MacKenzie (Note 2)	-	n/a	n/a	n/a	n/a

Pension Contributions 2024/25 £	Senior Councillor/ Joint Board Convener	Pension Contributions 2025/26 £	Accrued Pension Benefits			
			As at 31/03/26		Difference from 31/03/25	
			Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
4,084	Drew Millar (Note 3)	758	1	-	-	-
4,084	Hugh Morrison	4,921	7	-	1	-
4,084	Calum Munro (Note 4)	758	2	-	-	-
n/a	Paul Oldham	5,812	2	-	n/a	n/a
n/a	Morven Reid	4,836	1	-	n/a	n/a
4,748	Patricia Robertson	5,722	6	-	1	-
91,662	**Total**	**102,000**	**102**	**8**	**12**	-

Notes:

1. Ceased active membership of the LGPS pension scheme on 30 June 2025.
2. Ceased active membership of the LGPS pension scheme on 2 January 2025 and received pension benefits from that date.
3. Ceased active membership of the LGPS pension scheme on 15 April 2025 and received pension benefits from that date.
4. Ceased active membership of the LGPS pension scheme on 30 April 2025.

Table 7: Senior Employee Pension Benefits

The accrued pension benefits as at 31 March 2026 for those Senior Employees who were active members of the Local Government Pension Scheme during 2025/26 are shown in the tables below, together with the contributions made by Highland Council or a Highland Council subsidiary body to each Senior Employee's pension during the year.

For the position(s) held by each Senior Employee, refer to the tables on pages 42-43.

Employees are listed in alphabetical order.

Table 7a: Highland Council Senior Employees

Pension Contributions 2024/25 £	Senior Employee	Pension Contributions 2025/26 £	Accrued Pension Benefits			
			As at 31/03/26		Difference from 31/03/25	
			Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
32,200	Derek Brown	33,499	38	-	5	-
19,125	Fiona Duncan	19,890	49	49	3	2
19,625	Fiona Grant (Note 1)	19,890	46	111	4	4
638	Nicky Grant (Note 2)	n/a	n/a	n/a	n/a	n/a
22,342	Allan Gunn	23,529	68	89	5	4
22,812	Kate Lackie	23,529	45	27	3	1
22,342	Malcolm MacLeod	23,529	47	49	4	3
15,524	Paul Nevin (Note 2)	n/a	n/a	n/a	n/a	n/a
18,743	Brian Porter	19,890	52	53	4	4
3,294	Mark Rodgers (Note 2)	n/a	n/a	n/a	n/a	n/a
11,600	Ruth Rountree Provan (Note 2)	n/a	n/a	n/a	n/a	n/a
188,245	**Total**	**163,756**	**345**	**378**	**28**	**18**

Table 7b: Highland Council Subsidiary Bodies

Pension Contributions 2024/25 £	Senior Employee	Pension Contributions 2025/26 £	Accrued Pension Benefits			
			As at 31/03/26		Difference from 31/03/25	
			Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
227	Gayle McEwan (from 31 January 2025)	1,313	Note 3	Note 3	Note 3	Note 3
18,903	Steve Walsh	19,658	22	-	2	-
19,130	**Total**	**20,971**	**22**	**-**	**2**	**-**

Notes to tables 7a & 7b:

1. Pension benefits include LGPS benefits from 1 June 2024 plus deferred benefits due from active membership of the Scottish Teachers' Superannuation Scheme to 31 May 2024.

2. Employee was not a Senior Employee during 2025/26, either because of leaving during 2024/25 or because the post ceased reporting directly to the Chief Executive during 2024/25 (see note 3 to table 3), but is included in the table so that total 2024/25 remuneration equals the figure per the equivalent table in the 2024/25 remuneration report.

3. Not applicable as D & E Coaches Ltd operates a defined contribution pension scheme.

4. Trade Union Facility Time Disclosures

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require public sector employers to publish the following information for financial year 2025/26. This regulation has been repealed by Section 66 of the Employment Rights Act 2025, which came into force on 18 February 2026. Reporting on TU facility time in no longer obligated after 18 February. For ease of reporting the detail below does cover the financial period 2025/2026.

a) Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full time equivalent employee number
51	43.19

Note: the headcount figure for relevant union officials includes all stewards and school based reps who are elected by their peers to provide first line support for members.

b) Percentage of time spent on facility time

Percentage of time	Number of employees
0%	34
1% - 50%	12
51% - 99%	2
100%	3

c) Percentage of pay bill spent on facility time

Total cost of facility time	£405,530
The total pay bill	£475,557,450
Percentage of the total pay bill spent on facility time	0.085%

d) Paid Trade Union Activities

Time spent on paid trade union activities as percentage of total paid facility time	14.71%

Raymond Bremner
Leader of the Council

Derek Brown
Chief Executive

Independent Auditor's Report
Aithisg Neach-sgrùdaidh Neo-eisimeilich

Independent auditor's report to the members of The Highland Council and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of The Highland Council and its group for the year ended 31 March 2026 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on the Housing Revenue Account, the Council Tax Income Account, and the Non-Domestic Rate Account and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the 2025/26 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2026 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2025/26 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 5 June 2023. My period of appointment is five years, covering 2022/23 to 2026/27.

I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, I report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Chief Officer Corporate Finance and the Audit Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Officer Corporate Finance is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Officer Corporate Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Officer Corporate Finance is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

The Audit Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the council and its group;
- inquiring of the Chief Officer Corporate Finance as to other laws or regulations that may be expected to have a fundamental effect on the operations of the council and its group;
- inquiring of the Chief Officer Corporate Finance concerning the policies and procedures of the council and its group regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override

of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The Chief Officer Corporate Finance is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or

- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Claire Gardiner CPFA
Audit Director
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Comprehensive Income and Expenditure Statement (CIES)
Aithris Teachd-a-steach agus Caiteachais Ioma-chuimseach

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulation; which may differ from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis on page 65/66 and in the Movements in Reserves Statement on page 60/61.

2024/25					2025/26		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
82,813	(68,515)	14,298	Council Housing – Housing Revenue Account		27,929	(75,525)	(47,596)
67,335	(14,878)	52,457	Communities & Place		78,952	(23,268)	55,684
297,610	(11,662)	285,948	Education & Learning		353,772	(15,449)	338,323
227,176	(20,345)	206,831	Health & Social Care		241,519	(23,957)	217,562
126,799	(54,607)	72,192	Infrastructure, Environment & Economy		131,457	(52,124)	79,333
13,742	(3,158)	10,584	Performance & Governance		14,012	(3,235)	10,777
118,540	(15,329)	103,211	Property & Housing		109,271	(18,656)	90,615
22,570	(3,269)	19,301	Resources & Finance		24,368	(5,232)	19,136
14,807	(5)	14,802	Business Solutions		15,891	-	15,891
40,151	(32,411)	7,740	Welfare Services		35,202	(26,755)	8,447
458	-	458	Green Freeport		329	-	329
			Joint board requisitions				
3,230	-	3,230	Highland and Western Isles Valuation Joint Board		3,437	-	3,437
91	-	91	Highland and Islands Transport Partnership		91	-	91
1,015,322	(224,179)	791,143	**Cost of Services Carried Forward**		1,036,230	(244,201)	792,029

Comprehensive Income and Expenditure Statement (continued)

2024/25					2025/26		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,015,322	(224,179)	**791,143**	**Cost of services brought forward**		1,036,230	(244,201)	**792,029**
		15,668	Losses on the disposal of non-current assets				15,408
		41,658	Financing and investment income and expenditure	9			61,530
		(840,434)	Taxation and non-specific grant Income	10			(908,468)
		8,035	**Deficit/(Surplus) on provision of services**				**(39,501)**
		(106,664)	Deficit/(Surplus) on revaluation of non-current assets				(75,994)
		310,895	Remeasurements of the net defined benefit liability				3,071
		204,231	**Other comprehensive (income) and expenditure**				**(72,923)**
		212,266	**Total comprehensive (income) and expenditure**				**(112,424)**

Movement in Reserves Statement 2025/26

Aithris air Gluasad ann an Cùl-stòran 2025/26

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council tax and dwelling rents for the year. The Increase/(decrease) line shows the movement in the year for the various reserves and funds following those adjustments.

	General Fund £000	Housing Revenue Account £000	Renewal and Repair Fund £000	Insurance Fund £000	Capital Fund £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Reserves £000**
Balance at 31 March 2025	**120,676**	**5,076**	**2,241**	**3,012**	**15,374**	**11,069**	**157,448**	**1,473,321**	**1,630,769**
Movement in reserves during 2025/26									
Total comprehensive income and expenditure	1,953	37,548	-	-	-	-	**39,501**	72,923	**112,424**
Adjustments to usable reserves permitted by accounting standards	11,148	127	-	-	-	-	**11,275**	(11,275)	**-**
Adjustments between accounting basis and funding basis under regulations (Note 7)	(52,735)	(37,675)	-	-	3,233	-	**(87,177)**	87,177	**-**
Net increase/(decrease) before transfers to/from and other statutory reserves	(39,634)	-	-	-	3,233	-	**(36,401)**	148,825	**112,424**
Transfers to/from other statutory reserves	5,061	-	11	(2,288)	10,432	(581)	**12,635**	(12,635)	**-**
Increase/(decrease) in 2025/26	(34,573)	-	11	(2,288)	13,665	(581)	**(23,766)**	136,190	**112,424**
Balance at 31 March 2026	**86,103**	**5,076**	**2,252**	**724**	**29,039**	**10,488**	**133,682**	**1,609,511**	**1,743,193**

Movement in Reserves Statement 2024/25
Aithris air Gluasad ann an Cùl-stòran 2024/25

	General Fund £000	Housing Revenue Account £000	Renewal and Repair Fund £000	Insurance Fund £000	Capital Fund £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Reserves £000**
Balance at 31 March 2024	**158,088**	**4,681**	**2,227**	**5,299**	**18,117**	**13,390**	**201,802**	**1,641,233**	**1,843,035**
Movement in reserves during 2024/25									
Total comprehensive income and expenditure	20,321	(28,356)	-	-	-	-	**(8,035)**	(204,231)	**(212,266)**
Adjustments to usable reserves permitted by accounting standards	5,572	62	-	-	-	-	**5,634**	(5,634)	**-**
Adjustments between accounting basis and funding basis under regulations (Note 7)	(75,066)	28,689	-	-	717	-	**(45,660)**	45,660	**-**
Net increase/(decrease) before transfers to/from and other statutory reserves	(49,173)	395	-	-	717	-	**(48,061)**	(164,205)	**(212,266)**
Transfers to/from other statutory reserves	11,761	-	14	(2,287)	(3,460)	(2,321)	**3,707**	(3,707)	**-**
Increase/(decrease) in 2024/25	(37,412)	395	14	(2,287)	(2,743)	(2,321)	**(44,354)**	(167,912)	**(212,266)**
Balance at 31 March 2025	**120,676**	**5,076**	**2,241**	**3,012**	**15,374**	**11,069**	**157,448**	**1,473,321**	**1,630,769**

Balance Sheet

Duilleag Chothromachaidh

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Fund that may only be used to fund capital expenditure or repay debt). The second category of reserves is unusable reserves i.e. those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services when the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31/03/25 £000		Note	31/03/26 £000
3,071,177	Property, plant and equipment	12	3,264,039
16,374	Right of Use Assets	41	15,448
8,536	Heritage assets	13	8,536
67,756	Long term debtors (net of impairment)	20	82,843
6,103	Long Term Investments	21	6,103
3,169,946	**Long term assets**		3,376,969
6,418	Inventories		7,524
85,474	Short term debtors	22/23	124,838
43,442	Cash and cash equivalents	24	34,181
2,220	Assets held for sale		2,200
137,554	**Current assets**		168,743
(267,066)	Short term borrowing	16	(320,166)
(164,005)	Short term creditors	25	(174,301)
(427)	Cash and cash equivalents – bank overdraft	24	(531)
(692)	Provisions	26	(715)
(18,485)	Capital Grant Receipts in Advance	37	(13,113)
(450,675)	**Current liabilities**		(508,826)
(1,041,590)	Long term borrowing	16	(1,121,166)
(184,466)	Other long term liabilities	27	(172,527)
(1,226,056)	**Long term liabilities**		(1,293,693)
1,630,769	**Net assets**		**1,743,193**
157,448	**Usable reserves**	28	133,682
1,473,321	**Unusable reserves**	29	1,609,511
1,630,769	**Total reserves**		**1,743,193**

The unaudited annual accounts were issued on 25 June 2026 and the audited financial statements were authorised for issue by the Chief Officer Corporate Finance on 11 November 2026.

Brian Porter CPFA
Chief Officer Corporate Finance

Cash Flow Statement
Aithris Sruth-airgid

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the year. This statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2024/25 £000		Note	2025/26 £000
(8,035)	Net surplus/(deficit) on the provision of services		39,501
94,326	Adjust net surplus on the provision of services for non-cash movements	30	94,630
(81,330)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	30	(101,751)
4,961	Net cash inflow from operating activities		32,380
(233,336)	Investing activities	32	(253,254)
217,443	Financing activities	33	211,509
(10,932)	**Net increase or (decrease) in cash and cash equivalents**		**(9,365)**
53,947	Cash and cash equivalents at 1 April 2025		43,015
43,015	**Cash and cash equivalents at 31 March 2026**	24	**33,650**

Accounting Policies and Notes to the Accounts
Poileasaidhean Cunntasachd agus Notaichean air na Cunntasan

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1. Expenditure and Funding Analysis

This statement shows for the Council, how annual expenditure is used and funded from resources (government grants, rents, Council tax and business rates); in comparison with those resources consumed or earned, in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2024/25				2025/26		
Net Expenditure chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000		Net Expenditure chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
(28,573)	42,871	14,298	Council Housing – Housing Revenue Account	(30,552)	(17,044)	(47,596)
48,240	4,217	52,457	Communities & Place	45,119	10,565	55,684
289,146	(3,198)	285,948	Education & Learning	313,194	25,129	338,323
205,754	1,077	206,831	Health & Social Care	216,530	1,032	217,562
52,160	20,032	72,192	Infrastructure, Environment & Economy	57,637	21,696	79,333
10,484	100	10,584	Performance & Governance	11,005	(228)	10,777
97,221	5,990	103,211	Property & Housing	89,448	1,167	90,615
18,889	412	19,301	Resources & Finance	19,503	(367)	19,136
14,802	-	14,802	Business Solutions	15,893	(2)	15,891
7,760	(20)	7,740	Welfare Services	8,477	(30)	8,447
458	-	458	Green Freeport	329	-	329
3,321	-	3,321	Joint board requisitions	3,528	-	3,528
719,662	71,481	**791,143**	**Cost of services carried forward**	750,111	41,918	**792,029**

Expenditure and Funding Analysis (continued)

2024/25					2025/26		
Net Expenditure chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000		Note	Net Expenditure chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
719,662	71,481	**791,143**	**Cost of services brought forward**		750,111	41,918	**792,029**
(670,884)	(112,224)	(783,108)	Other Income and Expenditure		(710,477)	(121,053)	(831,530)
48,778	(40,743)	8,035	**Deficit/(Surplus)**	2	39,634	(79,135)	**(39,501)**
(162,769)			Opening General Fund and HRA Balance		(125,752)		
48,778			Deficit/(surplus) on General Fund or HRA Balance in year		39,634		
(11,761)			Transfers (from)/to reserves		(5,061)		
(125,752)			**Closing General Fund and HRA Balance at 31 March 2026***		**(91,179)**		

*For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement on page 60/61.

2. Note to Expenditure and Funding Analysis

Adjustments between Funding & Accounting Basis 2025/26

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Differences	Total Statutory Adjustments	Other (non statutory) Adjustments	Total Adjustments
	£000	£000	£000	£000	£000	£000
Council Housing – Housing Revenue Account	(15,862)	(369)	-	(16,231)	(813)	(17,044)
Communities & Place	17,058	(893)	(21)	16,144	(5,578)	10,566
Education & Learning	48,672	(1,579)	534	47,627	(22,499)	25,128
Health & Social Care	2,201	(764)	(181)	1,256	(224)	1,032
Infrastructure, Environment & Economy	19,363	(805)	(149)	18,409	3,288	21,697
Performance & Governance	-	(228)	1	(227)	(1)	(228)
Property & Housing	4,056	(855)	87	3,288	(2,121)	1,167
Resources & Finance	-	(272)	(76)	(348)	(20)	(368)
Business Solutions	-	-	-	-	(2)	(2)
Welfare Services	-	-	-	-	(30)	(30)
Net Cost of Services	75,488	(5,765)	195	69,918	(28,000)	41,918
Other Income from the Expenditure and Funding Analysis	(128,745)	1,775	(22,083)	(149,053)	28,000	(121,053)
Total Adjustments	**(53,257)**	**(3,990)**	**(21,888)**	**(79,135)**	**-**	**(79,135)**

Other (non statutory) Adjustments are items which are included in service outturns but are reported under Financing and Investment Income and Expenditure in the CIES. These comprise: PPP Unitary Charge - (£22.207m), Harbours Trading Income and Expenditure - £5.104m, Expected Credit Losses on Financial Assets – (£1.242m), IFRS16 Leases Payable – (£9.655m).

Adjustments between Funding & Accounting Basis 2024/25

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Differences	Total Statutory Adjustments	Other (non statutory) Adjustments	Total Adjustments
	£000	£000	£000	£000	£000	£000
Council Housing – Housing Revenue Account	43,372	240	-	43,612	(741)	42,871
Communities & Place	4,980	575	274	5,829	(1,612)	4,217
Education & Learning	14,714	1,003	3,501	19,218	(22,416)	(3,198)
Health & Social Care	697	485	84	1,266	(189)	1,077
Infrastructure, Environment & Economy	16,966	546	75	17,587	2,445	20,032
Performance & Governance	-	149	(47)	102	(2)	100
Property & Housing	7,635	537	123	8,295	(2,305)	5,990
Resources & Finance	-	436	(19)	417	(5)	412
Business Solutions	-	-	-	-	-	-
Welfare Services	-	-	-	-	(20)	(20)
Net Cost of Services	88,364	3,971	3,991	96,326	(24,845)	71,481
Other Income from the Expenditure and Funding Analysis	(107,038)	(12,744)	(17,287)	(137,069)	24,845	(112,224)
Total Adjustments	**(18,674)**	**(8,773)**	**(13,296)**	**(40,743)**	**-**	**(40,743)**

Other (non statutory) Adjustments are items which are included in service outturns but are reported under Financing and Investment Income and Expenditure in the CIES. These comprise: PPP Unitary Charge - (£22.263m), Harbours Trading Income and Expenditure - £4.021m, Expected Credit Losses on Financial Assets – (£1.191m), IFRS16 Leases Payable – (£5.412m).

Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. statutory repayment of loans fund debt and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.
- Note 24 provides further explanations of IAS 19 entries.

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For financing and investment income and expenditure, the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under taxation and non specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

3. Accounting policies

Explanations are provided for the basis of the figures included within the Accounts and the policies adopted particularly where there is more than one acceptable basis. Notes are included to provide details of certain aspects contained within the financial statements.

Basis of Preparation

The Council's Statement of Accounts for 2025/26 has been prepared on a going concern basis. The concept of a going concern assumes that the Council's functions and services will continue in operational existence for the foreseeable future. The provisions in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. In accordance with the CIPFA Code of Local Government Accounting (2025/26), the Council is required to prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity. The Chief Officer Corporate Finance has determined it to be appropriate therefore to prepare the accounts on the assumption that the Council will continue in operational existence for the foreseeable future.

General principles and materiality

The Annual Accounts summarise the transactions of the Council for the financial year 2025/26 and its financial position at 31 March 2026. The Council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires that they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (The Code) supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Council will disclose all material accounting policy information. Information is considered to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. Information may be material because of its nature, even if the related amounts are immaterial. Any immaterial policy information that is disclosed will not obscure material accounting policy information.

Accruals of income and expenditure

The accounts have been prepared on an accruals basis in accordance with the Code of Practice.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Expenses in relation to services received (including those rendered by officers of the Council) are recorded as expenditure when the services are received, rather than when payments are made.

- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instruments rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is

evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- Where the Council is acting as an agent for another party (e.g. in the collection of National Non-Domestic Rates) income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

Prior period adjustments and changes in accounting policies and estimates and errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Material errors discovered in prior period figures are corrected retrospectively by amending opening general fund balances and comparative amounts for the prior period.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts which are repayable on demand and form an integral part of the Council's cash management.

Charges to revenue for non-current assets

Council Services are debited with the following amounts to record the cost of holding non current assets during the year:

- Depreciation attributable to the assets used by the relevant service.

- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Council is not required to raise Council Tax to cover depreciation, revaluation or impairment losses. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to loans fund principal charges. Depreciation, revaluation and impairment losses are therefore replaced by loans fund principal charges in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Employee benefits

Short term employee benefits such as wages, salaries and paid annual leave for current employees, are recognised as an expense in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year and is required under statute to be reversed out of the General Fund balance by a credit to the Employee Statutory Adjustment Account.

Termination benefits are amounts payable either as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or following an employee's decision to accept voluntary redundancy. These benefits are charged to the Comprehensive Income and Expenditure Statement on an accruals basis when the Council is demonstrably committed to terminating the employment of an employee.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner during the year and not the amount calculated according to the relevant accounting standards. Appropriations are made in the Movements in Reserves Statement to and from the Pension Reserve to remove the notional charges for pension enhancement termination benefits and replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Retirement benefits

Teachers are admitted to the Teachers Superannuation Scheme, which is administered by the Scottish Government. Former NHS Highland employees who transferred to the Council as part of the Planning for Integration programme remain members of the NHS Superannuation Scheme (Scotland), administered by The Scottish Government. The arrangements for both the Teachers' and NHS Schemes mean that assets and liabilities cannot be attributed specifically to the Council.

Both schemes are therefore accounted for as if they were defined contribution schemes – no liability for future payments of benefits is recognised in the Balance Sheet and the Education & Learning and Health & Social Care Services line in the Comprehensive Income and Expenditure Statement is charged with employer's contributions payable to Teachers and NHS pensions in the year.

Employees of the Council are admitted to the Highland Council Pension Fund which administers the Local Government Pension Scheme. This is a defined benefit Career Average Revalued Earnings (CARE) scheme. In addition, the Council has liabilities for discretionary pension payments outside the main scheme.

Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The assets of the Highland Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value as per the table below.

Description of Asset	Basis of valuation
Market quoted investments	Published bid market price ruling on the final day of the accounting period.
Quoted bonds	Quoted market value based on current yields.
Exchange traded pooled investments	Closing bid value on published exchanges.
Pooled investments – overseas unit trusts, property funds and alternative risk premia, unitised insurance policies (equities and bonds)	Closing bid price where bid and offer prices are published. Closing single price where single price published
Pooled investments – unlisted property funds	Financial statements or other market indicators.
Unquoted equity/ private debt	Comparable valuation of similar companies.
Unquoted commercial real estate debt	Valued by Fund Manager using accounting estimates and judgements from the fund's financial statement.

- The liabilities of the Highland Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, which assesses the present value of the future payments that will be made in relation to retirement benefits earned to date, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings of current employees.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service accrued in the year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Resources expenditure.

- Net interest on the defined benefit liability, i.e. net interest expense for the authority – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the net defined benefit obligation at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements of the net defined benefit liability (asset) comprising:

- The return on plan assets – excluding amounts included in net interest on the net pensions liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Highland Council Pension Fund

- Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers and former NHS employees) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Annual Accounts are adjusted to reflect such events.

- Those that are indicative of conditions that arose after the reporting period – the Annual Accounts are not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

Financial Instruments

Financial Liabilities
Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets
Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument.

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost

- fair value through profit or loss (FVPL) - not applicable to the Council for 2025/26; and

- fair value through other comprehensive income (FVOCI) - not applicable to the Council for 2025/26.

Financial Assets Measured at Amortised Cost
Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of the financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and that interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council recognises expected credit losses on all of its financial assets held at amortised cost on a lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

Soft Loans

The Council has made loans to organisations mainly to provide for affordable housing (soft loans). When these are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal.

Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Capital Grants in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Any unused grants are earmarked within the General Fund to finance the expenditure when it arises.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement.

Interests in companies and other entities

Where the Council has a material interest in subsidiaries, associates or joint ventures the Council will prepare Group Accounts in compliance with the Code. An interest is where the Council has either ownership of share capital or has rights to benefit from the capital of the entity. An interest also covers situations where the Council has the right to benefit from surpluses, a liability to contribute to losses, or an obligation to contribute to debts or expenses in the winding up of an entity. In assessing whether the interest is material or not an assessment will be made as to the influence and control which the Council exerts over the entity, not solely the financial interest or ownership.

Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Leases

The Council as a lessee

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the authority excludes leases:

- for low-value items that cost less than £5,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

The Council as lessor

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease.

Property, plant and equipment

Assets that have physical substance and are held for use in the supply of services, for rental to others or for administrative purposes and that are expected to be used during more than one

financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

Classification as a non-current asset is subject to a de minimus level of £0.006m for vehicles, plant and machinery and £0.020m for all other assets.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – historical cost
- Council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Operational leased assets – market value
- All other assets – current value, determined the amount that would be paid for the asset in its existing use (existing use value - EUV)
- Corporate surplus assets and assets held for sale - fair value annually as determined by IFRS 13

Where there is no market based evidence of current value because of the specialist nature of an asset, or where an asset is of short life or low value, depreciated replacement cost is used as an estimate of current value.

From 1 April 2025, the Code requirements changed in respect of revaluations of property, plant and equipment. The main changes introduced were as follows:

- For revaluation of property, plant and equipment a requirement to undertake valuations once every five years or on a five-year rolling basis with support for these valuations by indexation in intervening years. Alternatively, a desktop valuation in year three in rare cases where no index is available.
- Transitional arrangements to apply these changes to be applied prospectively, with no restatement of prior year figures.

- To assist application, an existing adaptation has been removed to allow both elimination or proportionate options permitted by IAS 16 for the treatment of accumulated depreciation when assets are revalued.

- Clarification to ensure that undertaking a full revaluation should not be a default process to demonstrate there has not been a material impairment of an asset and to comply with IAS 36.

The council has retained its rolling quinquennial programme of revaluation, supported by indexation adjustments in years where assets are not valued.

Assets included in the Balance Sheet at current value are revalued as at 31 March as part of a five year rolling revaluation schedule. In the intervening years between formal valuations those assets subject to revaluation are indexed using appropriate indices as a means to ensure their values are materially correct. These revaluations are carried out by in-house valuers and are overseen by Kenny Forbes (MRICS), Property Manager, Infrastructure, Environment and Economy Service. Assets carried at depreciated replacement cost, including Vehicles, Plant and Equipment, are not subject to indexation. Council Dwellings are not within the scope of the Code in relation to the application of indexation. In the intervening years between formal valuations Council Dwellings are subject to an annual desktop valuation review. This review was not performed at 31 March 2026 as Council Dwellings were subject to a full revaluation.

Council dwellings valuations are carried out externally using the District Valuers (DVS). The work was carried out by Ian Hunter (MRICS), Senior Surveyor, DVS.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains, unless the increase is reversing a previous impairment loss or previous revaluation decrease charged to the Surplus or Deficit on the Provision of Services on the same asset.

Where decreases in value are identified, the revaluation loss is accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Statutory Overrides – Infrastructure Assets

In response to concerns raised by audit bodies on the way local authorities in the UK account for their infrastructure assets and following an urgent consultation on the matter by CIPFA/LASAAC, the Scottish Government have produced a set of temporary statutory overrides that can be applied up to financial year 2026/27 until the matter can be resolved.

There are two optional statutory overrides available to local authorities below and the Council are applying both in the annual accounts.

Override 1	For accounting periods commencing from 1 April 2021 until 31 March 2027, a local authority is not required to report the gross carrying amount and accumulated depreciation for infrastructure assets.
Override 2	For the accounting periods from 1 April 2010 to 31 March 2027, the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be accounted for as a nil amount, and no subsequent adjustment can be made to the carrying amount of the asset with respect to that part.

Componentisation

- Components of an asset will be separated where their value is significant in relation to the total value of the asset and where those components have different useful lives to the remainder of the asset for depreciation purposes.

- A component may be an individual item or similar items with similar useful lives grouped together.

- Only assets with a gross book value of £3.0m and over will be considered for componentisation.

- Of those assets, for the purpose of determining a "significant" component of an asset, components with a value of 20% in relation to the overall value of the asset or over £0.5m will be considered and then only if the component has a different useful life for depreciation purposes so as to result in depreciation charges that differ materially from the depreciation charges had the asset not been componentised.

- On componentisation any Revaluation Reserve balances will remain with the structure of the building. Any future revaluation gains and losses will be applied across components as appropriate.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale. Where assets no longer meet the criteria to be classified as held for sale they will be revalued at existing use value and reclassified to Property, Plant and Equipment. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the

gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Fund, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against Council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction and assets held for sale).

Depreciation is calculated on the following bases:

- Council dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer, ranging from 20 years to 60 years.

- Vehicles, plant and equipment – straight line allocation over the useful life of the asset as advised by a suitably qualified officer, ranging from 3 years to 40 years.

- Infrastructure – straight-line allocation over 30 years for roads and 60 years for all other assets.

Depreciation is charged in the year of acquisition but no depreciation is charged in the year of disposal.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the General Fund and HRA.

Balances held for impairment losses are also similarly depreciated with the balance being adjusted each year with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historic cost. This is to ensure that the balance is reflecting the maximum permissible reversal allowable to the Comprehensive Income and Expenditure Statement in future years in the event of a revaluation gain.

Heritage assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets include various works of art, civic regalia and museum collections.

The Council's heritage assets consist of:

- Museum collections which include various collections held at a number of museums such as Inverness Museum and Art Gallery and the Highland Folk Museum.

- Works of Art & Civic Regalia including works of art held at various locations across the Highlands as well as various pieces of Highland Provost's Regalia.

- The values for these heritage assets are based on valuations for insurance purposes. This is carried out internally; with most valuations reflecting valuation work undertaken by Sotheby's in 2013 which continues to be considered the most relevant valuation for these assets.

- The Highland Council also has a number of special collections of rare books with the Charles Fraser-Mackintosh collection and the Kirk Session Library being the largest of these collections. Due to relaxations in the Code in relation to the measurement of heritage assets, these are not recognised on the balance sheet as there is no information on the cost or value of these collections and the cost of obtaining this would outweigh the benefits to the users of the financial statements.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairments.

The proceeds of any disposals are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Heritage assets are deemed to have indeterminate lives and a high residual value; hence it is not considered appropriate to charge depreciation.

Intangible assets

Expenditure on identifiable non-monetary assets that do not have physical substance but are identifiable and controlled by the Council as a result of past events (for example computer software) is capitalised when it will bring benefits to the Council for more than one financial year.

The balance is amortised to the Comprehensive Income and Expenditure Statement over its useful life. The amortisation basis is reviewed on an annual basis to ensure any impairment is identified. Intangible assets under development are not amortised until they are complete.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure that may be capitalised under statutory provisions that does not result in the creation of assets for the Council has been charged to the 'cost of services' in the Comprehensive Income and Expenditure Statement. These costs are a reconciling item in the Movement in Reserves Statement for the General Fund by way of an adjusting transaction with the capital adjustment account.

Private Finance Initiative (PFI) and Similar Contracts

Highland Council has three PFI and similar contracts which are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non current PFI assets recognised on the Balance

Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year in unitary charge payments are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. After the implementation of IFRS16 (Leases) this does not exist from 2024/25.

- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

With effect from 1 April 2024, IFRS 16 (Leases) also applies to PFI and similar contracts. Under IFRS 16, where indexation affects future service concession payments, the lease liability requires to be remeasured. Instead of expensing the increased payment, the net present value of future payments that comprise the liability is recalculated based on the revised level of payments.

The remeasurement of the Public Private Partnership (PPP) contracts is disclosed in Note 42 which details the associated future liabilities. The remeasurement of PPP under IFRS 16 in 2025/26 resulted in an increase to liabilities of £2.443m

Provisions and Contingent Liabilities

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances

where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in Note 46 to the accounts.

Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to be included in against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then reduced by a transfer into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the Council – these reserves are explained in Note 29.

Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

4. Accounting Standards issued but not yet adopted

The following accounting standards and amendments to existing standards will be adopted within the 2026/27 Code effective from 1 April 2026. There is therefore no impact on the 2025/26 financial statements.

- FRS 102 The Financial Reporting Standard issued in March 2024, amendments to Heritage assets.
- IFRS 7 & 9 Financial Instruments issued May 2024, amendments to classification and measurement of financial instruments.
- Annual Improvements to IFRS accounting standards – Volume 11 issued in July 2024.
- IFRS 9 Financial Instruments issued December 2024, amendments to contract referencing nature dependant electricity.

5. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 4, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events (see Note 6). The critical judgements made in the Annual Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council is deemed to control the services provided under the Public Private Partnership arrangements that it has for the PPP1, PPP2 and Wick Campus Projects, and also to control the residual value of the schools at the end of the agreement. The accounting policies for PPP schemes and similar contracts have been applied to the arrangement and the schools (net value £301.602m) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

6. Assumptions made about the future and other major sources of estimation uncertainty

The Annual Accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2026 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Valuations & Indexation	In making judgements on the measurements of assets at 31 March 2026, the Council place reliance on valuation information received from internal valuers as well as the District Valuer. In addition to full valuations of land and buildings, the Council applies indexation in intervening years for assets not subject to revaluation in year. This is in line with adaptions to IAS16 Property, Plant and Equipment. In selecting a suitable index, consideration is given to the type of property and other relevant factors, including where possible utilising indices reflective of the Highland area. A large proportion of assets are of a specialised nature reflecting an underlying DRC basis of valuation which is influenced by property build rates. An appropriate Buildings indexation factor is calculated as a desktop exercise and applied to these DRC assets on an annual basis between formal valuation years to reflect annual changes in build rates. The valuation and indexation of the Council's property, plant and equipment are subject to estimation due to a range of factors, such as ongoing changes to estimates around the costs of replacing existing assets, inflationary pressures, local and national economic pressures, the market value fluctuation of comparable assets used for valuation or indexation, the current condition and future maintenance costs of assets, changes to regulatory standards and the remaining useful lives of assets. Given the material nature of the Council's assets, there is a high likelihood that material changes in these estimates could result in material changes to the carrying value of assets on the balance sheet. The current carrying value for the councils plant, property and equipment is £3,264m.	Any significant change in property market conditions may require certain assets (in particular Other Land and Building and Surplus Property) to be revalued and would therefore impact on the asset valuations on the Council balance Sheet. The risk of movement is uncertain and an upwards or downwards revaluation in future years is possible. It is estimated a change in value of 10% in the Other Land and Building asset category would adjust the total value of plant, property and equipment by £177.310m.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in mortality rates and expected returns on pension fund assets. The current carrying value for pensions is a liability of £33.235m.	The impact of changes in the assumptions used to the pension liability has been assessed by the actuaries as described in Note 44.
Fair Value Measurements	When the fair values of assets and liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. Changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.	The Council uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for investment properties and financial assets.

7. Movement in Reserves Statement – adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2025/26

	General Fund £000	Housing Revenue Account £000	Capital Fund £000	Capital Grants Unapplied Account £000	**Total usable reserves** £000	Movement in unusable reserves £000	Total reserves £000
Adjustments involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation and impairment of non-current assets	92,848	(15,822)	-	-	77,026	(77,026)	-
Capital grants and contributions that have been credited to the Comprehensive Income and Expenditure Statement	(89,351)	(22,444)	-	-	(111,795)	111,795	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal; to the Comprehensive Income and Expenditure Statement	6,054	13,812	-	-	19,866	(19,866)	-
Revenue expenditure funded by capital	11,269	-	-	-	11,269	(11,269)	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision for repayment of debt	(32,502)	(12,224)	-	-	(44,726)	44,726	-
Repayment of PPP Lease Creditors	(11,196)	-	-	-	(11,196)	11,196	-
Repayment of IFRS16 Lease Creditors	(9,041)	-	-	-	(9,041)	9,041	-
Capital expenditure charged against the General Fund and HRA balances	(11,546)	(167)	-	-	(11,713)	11,713	-
Adjustments involving the Capital Grants Unapplied Account							
Capital grants and contributions that have been credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-

2025/26	General Fund £000	Housing Revenue Account £000	Capital Fund £000	Capital Grants Unapplied Account £000	**Total usable reserves £000**	Movement in unusable reserves £000	Total reserves £000
Adjustments involving the Capital Fund							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,459)	1	4,458	-	-	-	-
Use of the capital fund to finance new capital expenditure			(1,225)	-	(1,225)	1,225	-
Adjustments involving the Financial Instruments Adjustment Account							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,275)	(572)	-	-	(1,847)	1,847	-
Adjustments involving the Pensions Reserve							
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	32,067	2,087	-	-	34,154	(34,154)	-
Employers' pension contributions and direct payments to pensioners payable in the year	(35,798)	(2,346)	-	-	(38,144)	38,144	-
Adjustments involving the Employee Statutory Adjustment Account							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	195	-	-	-	195	(195)	-
Total adjustments 2025/26	(52,735)	(37,675)	3,233	-	**(87,177)**	87,177	-

2024/25

	General Fund £000	Housing Revenue Account £000	Capital Fund £000	Capital Grants Unapplied Account £000	**Total usable reserves** £000	Movement in unusable reserves £000	Total reserves £000
Adjustments involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation and impairment of non-current assets	46,302	43,311	-	-	89,613	(89,613)	-
Capital grants and contributions that have been credited to the Comprehensive Income and Expenditure Statement	(76,689)	(15,901)	-	-	(92,590)	92,590	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal; to the Comprehensive Income and Expenditure Statement	3,668	14,425	-	-	18,093	(18,093)	-
Revenue expenditure funded by capital	12,968	-	-	-	12,968	(12,968)	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision for repayment of debt	(33,258)	(10,775)	-	-	(44,033)	44,033	-
Repayment of PPP Lease Creditors	(10,535)	-	-	-	(7,763)	7,763	-
Repayment of IFRS16 Lease Creditors	(4,827)	-	-	-	(4,827)	4,827	-
Capital expenditure charged against the General Fund and HRA balances	(5,932)	-	-	-	(5,932)	5,932	-
Adjustments involving the Capital Grants Unapplied Account							
Capital grants and contributions that have been credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-

2024/25	General Fund £000	Housing Revenue Account £000	Capital Fund £000	Capital Grants Unapplied Account £000	**Total usable reserves £000**	Movement in unusable reserves £000	Total reserves £000
Adjustments involving the Capital Fund							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,219)	(1,206)	2,425	-	-	-	-
Use of the capital fund to finance new capital expenditure	-	-	(1,708)	-	(1,708)	1,708	-
Adjustments involving the Financial Instruments Adjustment Account							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,313)	(613)	-	-	(1,926)	1,926	-
Adjustments involving the Pensions Reserve							
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	24,677	1,626	-	-	26,303	(26,303)	-
Employers' pension contributions and direct payments to pensioners payable in the year	(32,899)	(2,178)	-	-	(35,077)	35,077	-
Adjustments involving the Employee Statutory Adjustment Account							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3,991	-	-	-	3,991	(3,991)	-
Total adjustments 2024/25	(75,066)	28,689	717	-	**(45,660)**	45,660	-

8. Movement in Reserve Statement – transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves. The decrease in General Fund of £34.573m (2024/25 - £37.412m decrease) comprises a decrease in earmarked reserves of £28.536m (2024/25 - £17.054m decrease) and a decrease in non-earmarked reserves of £6.037m (2024/25 - £20.358m decrease).

	Balance at 31/03/24	Transfers out	Transfers in	Interest on balances	**Balance at 31/03/25**	Transfers out	Transfers in	Interest on balances	**Balance at 31/03/26**
	£000	£000	£000	£000	**£000**	£000	£000	£000	**£000**
Budget Pressures & Investment	**23,760**	(7,078)	13,278	-	**29,960**	(28,908)	17,152	-	**18,204**
Delivery Plan Investment - Corporate Solutions	**1,720**	(2,339)	2,823	-	**2,204**	(1,424)	-	-	**780**
Delivery Plan Investment - Cross Portfolio Programme & Project Management Resources	**389**	(99)	-	-	**290**	(133)	-	-	**157**
Delivery Plan Investment - Income Generation	**2,250**	(10)	-	-	**2,240**	(491)	-	-	**1,749**
Delivery Plan Investment - Net Zero, Energy Investment & Innovation	**1,617**	(140)	-	-	**1,477**	(745)	-	-	**732**
Delivery Plan Investment - Person Centred Solutions	**23,200**	(7,972)	-	-	**15,228**	(5,993)	-	-	**9,235**
Delivery Plan Investment - Reconfiguring Our Asset Base	**-**	(59)	330	-	**271**	(268)	-	-	**3**
Delivery Plan Investment - Workforce for the Future	**330**	(81)	330	-	**579**	(269)	-	-	**310**
Developer Contributions	**10,712**	(2,067)	2,809	911	**12,365**	(6,643)	3,553	653	**9,928**
Future Investment Capacity Fund	**6,833**	(6,833)	-	-	**-**	-	-	-	**-**
Grants and Match Funding	**5,190**	(743)	782	-	**5,229**	(2,646)	562	-	**3,145**
Investment Impairment Reserve	**-**	-	1,000	-	**1,000**	(1,000)	-	-	**-**
Legacy Investment Funds	**6,605**	(3,150)	7	-	**3,462**	(1,057)	-	-	**2,405**
Moss Park	**-**	-	1,760	-	**1,760**	(827)	-	-	**933**
Other Legacy Reserves	**10,229**	(7,392)	442	-	**3,279**	(1,703)	391	-	**1,967**
Restricted Use Reserves	**14,730**	(7,726)	5,274	-	**12,278**	(3,298)	5,762	-	**14,742**
Schools DSM	**3,214**	(1,111)	-	-	**2,103**	(1,204)	-	-	**899**
Total	**110,779**	(46,800)	28,835	911	**93,725**	(56,609)	27,420	653	**65,189**

9. Comprehensive Income and Expenditure Statement – Financing and investment income and expenditure

2024/25 £000		Note	2025/26 £000
(3,114)	Gains on trading operations	34	(4,072)
66,349	Interest payable and similar charges		70,440
(12,759)	Pensions net interest expense		1,795
(35)	Income Recognised on IFRS16 Leases		(69)
(9,974)	Interest and investment income		(7,806)
1,191	Expected credit losses on financial assets		1,242
41,658			61,530

10. Comprehensive Income and Expenditure Statement – Taxation and non specific grant income

2024/25 £000		2025/26 £000
(443,880)	Revenue support grant	(473,903)
(153,234)	Council tax income	(165,697)
(160,698)	Non-Domestic rates	(168,342)
(79,622)	Capital grants and contributions	(100,526)
(3,000)	General capital grant revenue flexibility	-
(840,434)		(908,468)

11. Expenditure & Income Analysed by Segment and Nature

The Council's expenditure and income is analysed as follows. These figures include statutory adjustments as per the analysis in Note 2 to the accounts.

2025/26

	Communities & Place £000	Education & Learning £000	Health & Social Care £000	Infrastructure, Environment & Economy £000	Performance & Governance £000	Property & Housing £000	Resources & Finance £000	Business Solutions £000	Welfare Services £000	HRA £000	Costs not included in a Service £000	**Total £000**
Fees, charges and other service income	(15,522)	(1,352)	(54)	(28,103)	(3,162)	(8,319)	(2,664)	-	(126)	(75,525)	(23,033)	**(157,860)**
Interest and investment income	-	-	(4)	-	-	(1)	-	-	-	-	(7,906)	**(7,911)**
Income from Council Tax	-	-	-	-	-	-	-	-	-	-	(165,697)	**(165,697)**
Government grants and contributions	(7,746)	(14,097)	(23,899)	(24,021)	(73)	(10,336)	(2,568)	-	(26,629)	-	(742,771)	**(852,140)**
Total income	(23,268)	(15,449)	(23,957)	(52,124)	(3,235)	(18,656)	(5,232)	-	(26,755)	(75,525)	(939,407)	**(1,183,608)**
Employee expenses	34,263	264,431	47,576	35,906	9,222	32,676	17,378	8,563	62	16,142	980	**467,199**
Other service expenses	26,680	34,583	190,865	65,821	4,790	68,006	6,990	7,328	35,140	27,482	23,807	**491,492**
Depreciation, amortisation and impairment	18,009	54,758	3,078	29,730	-	8,589	-	-	-	(15,695)	1,100	**99,569**
Interest payments	-	-	-	-	-	-	-	-	-	-	70,439	**70,439**
Loss on disposal of non-current assets	-	-	-	-	-	-	-	-	-	-	15,408	**15,408**
Total expenditure	78,952	353,772	241,519	131,457	14,012	109,271	24,368	15,891	35,202	27,929	111,734	**1,144,107**
(Surplus) or deficit on the provision of services	55,684	338,323	217,562	79,333	10,777	90,615	19,136	15,891	8,447	(47,596)	(827,673)	**(39,501)**

Expenditure & Income Analysed by Segment and Nature (continued)

2024/25

	Communities & Place £000	Education & Learning £000	Health & Social Care £000	Infrastructure, Environment & Economy £000	Performance & Governance £000	Property & Housing £000	Resources & Finance £000	Business Solutions £000	Welfare Services £000	HRA £000	Costs not included in a Service £000	**Total £000**
Fees, charges and other service income	(14,206)	563	(31)	(25,243)	(3,075)	(7,408)	(2,123)	1	(126)	(68,515)	(21,978)	**(142,141)**
Interest and investment income	-	-	(6)	-	-	(1)	-	-	-	-	(10,129)	**(10,136)**
Income from Council Tax	-	-	-	-	-	-	-	-	-	-	(153,234)	**(153,234)**
Government grants and contributions	(672)	(12,225)	(20,308)	(29,364)	(83)	(7,920)	(1,146)	(6)	(32,285)	-	(687,200)	**(791,209)**
Total income	(14,878)	(11,662)	(20,345)	(54,607)	(3,158)	(15,329)	(3,269)	(5)	(32,411)	(68,515)	(872,541)	**(1,096,720)**
Employee expenses	33,413	250,601	44,939	37,837	8,438	28,481	16,196	7,071	47	15,382	1,082	**443,487**
Other service expenses	28,516	31,585	181,540	58,505	5,304	78,150	6,374	7,736	40,104	24,059	9,162	**471,035**
Depreciation, amortisation and impairment	5,406	15,424	697	30,457	-	11,909	-	-	-	43,372	950	**108,215**
Interest payments	-	-	-	-	-	-	-	-	-	-	66,350	**66,350**
Loss on disposal of non-current assets	-	-	-	-	-	-	-	-	-	-	15,668	**15,668**
Total expenditure	67,335	297,610	227,176	126,799	13,742	118,540	22,570	14,807	40,151	82,813	93,212	**1,104,755**
(Surplus) or deficit on the provision of services	52,457	285,948	206,831	72,192	10,584	103,211	19,301	14,802	7,740	14,298	(779,329)	**8,035**

12. Property, plant and equipment

a) Property, plant and equipment

	Council dwellings £000	Other land and buildings £000	Vehicles, plant and equipment £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	**Total Property, plant and equipment £000**	PFI Assets included in Property, plant and equipment £000
Cost or valuation									
At 1 April 2025	571,713	1,603,559	162,911	-	9,948	6,759	302,051	**2,656,941**	306,705
Additions	32,473	29,925	13,218	-	2,332	208	99,482	**177,638**	3,407
Revaluation increases / (decreases) recognised in the surplus/deficit of services	18,203	(14,650)	-	-	-	(1,729)	-	**1,824**	(11)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(325)	21,356	-	-	-	(1,220)	-	**19,811**	(8,499)
Derecognition – disposals	(14,229)	(1,306)	(13,456)	-	-	-	(2,950)	**(31,941)**	-
Reclassifications	51,428	135,182	-	-	-	3,520	(257,861)	**(67,731)**	-
Assets reclassified (to)/from Held for Sale	-	(960)	-	-	-	90	-	**(870)**	-
At 31 March 2026	659,263	1,773,106	162,673	-	12,280	7,628	140,722	**2,755,672**	301,602

	Council dwellings £000	Other land and buildings £000	Vehicles, plant and equipment £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	**Total Property, plant and equipment £000**	PFI Assets included in Property, plant and equipment £000
Accumulated depreciation and impairment									
At 1 April 2025	-	2,801	108,300	-	-	-	-	**111,101**	-
Depreciation charge	23,880	35,317	12,405	-	-	97	-	**71,699**	5,591
Revaluation increases recognised in the surplus/deficit of services	(21,639)	(6,167)	-	-	-	(16)	-	**(27,822)**	-
Revaluation increases recognised in the Revaluation Reserve	(2,241)	(31,920)	-	-	-	(81)	-	**(34,242)**	(5,591)
Derecognition – disposals	-	(20)	(12,932)	-	-	-	-	**(12,952)**	-
Reclassifications	-	-	-	-	-	-	-	**-**	-
Assets reclassified (to)/from Held for Sale	-	(11)	-	-	-	-	-	**(11)**	-
At 31 March 2026	-	-	107,773	-	-	-	-	**107,773**	-
Net book value At 31 March 2026	**659,263**	**1,773,106**	**54,900**	**616,140**	**12,280**	**7,628**	**140,722**	**3,264,039**	**301,602**
At 31 March 2025	571,713	1,600,758	54,611	525,337	9,948	6,759	302,051	3,071,177	306,705

Temporary statutory overrides 1 and 2 as per the policy on page 79 have been applied in respect to Infrastructure Assets so that only net book value (NBV) is shown. Please see Note 12b for reconciliations of movements within NBV to match total PPE total of £3,204,327 as shown on the balance sheet above.

Comparative Movements in 2024/25

	Council dwellings £000	Other land and buildings £000	Vehicles, plant and equipment £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	**Total Property, plant and equipment £000**	PFI Assets included in Property, plant and equipment £000
Cost or valuation									
At 1 April 2024	571,631	1,454,808	171,497	-	9,314	6,741	215,309	**2,429,300**	283,521
Additions	24,907	56,821	12,359	-	634	76	126,416	**221,213**	33,326
Revaluation increases / (decreases) recognised in the surplus/deficit of services	(43,145)	8,686	-	-	-	(87)	-	**(34,546)**	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	79,405	-	-	-	(44)	-	**79,361**	(10,142)
Derecognition – disposals	(13,165)	(30)	(20,945)	-	-	(1)	(4,252)	**(38,393)**	-
Reclassifications	31,485	3,863	-	-	-	74	(35,422)	**-**	-
Assets reclassified (to)/from Held for Sale	-	6	-	-	-	-	-	**6**	-
At 31 March 2025	571,713	1,603,559	162,911	-	9,948	6,759	302,051	**2,656,941**	306,705

	Council dwellings £000	Other land and buildings £000	Vehicles, plant and equipment £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	**Total Property, plant and equipment £000**	PFI Assets included in Property, plant and equipment £000
Accumulated depreciation and impairment									
At 1 April 2024	-	2,361	116,026	-	-	-	28	**118,415**	-
Depreciation charge	25,700	30,131	12,777	-	-	13	-	**68,621**	4,923
Revaluation increases recognised in the surplus/deficit of services	(25,700)	(2,597)	-	-	-	(6)	-	**(28,303)**	-
Revaluation increases recognised in the Revaluation Reserve	-	(27,120)	-	-	-	(7)	-	**(27,127)**	(4,923)
Derecognition – disposals	-	(2)	(20,503)	-	-	-	-	**(20,505)**	
Reclassifications	-	28	-	-	-	-	(28)	**-**	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	**-**	-
At 31 March 2025	-	2,801	108,300	-	-	-	-	**111,101**	-
Net book value At 31 March 2025	**571,713**	**1,600,758**	**54,611**	**525,337**	**9,948**	**6,759**	**302,051**	**3,071,177**	**306,705**
At 31 March 2024	571,631	1,452,446	55,471	504,747	9,314	6,741	215,281	2,815,632	283,521

Temporary statutory overrides 1 and 2 as per the policy on page 79 have been applied in respect to Infrastructure Assets so that only net book value (NBV) is shown. Please see Note 12b for reconciliations of movements within NBV to match total PPE total of £3,071,177 as shown on the balance sheet above.

b) Property, plant and equipment movement in net book value

2024/25				2025/26		
Infrastructure assets	**Other Property, plant and equipment**	**Total Property, plant and equipment**		**Infrastructure assets**	**Other Property, plant and equipment**	**Total Property, plant and equipment**
£000	£000	£000		£000	£000	£000
504,747	**2,310,885**	**2,815,632**	**Net book value at 1 April 2025**	**525,337**	**2,545,840**	**3,071,177**
36,349	221,213	**257,562**	Additions	40,204	177,638	**217,842**
-	(6,243)	**(6,243)**	Revaluations recognised in surplus/deficit of services	-	29,646	**29,646**
-	106,488	**106,488**	Revaluations recognised in revaluation reserve	-	54,053	**54,053**
-	-	**-**	Reclassifications	67,731	(67,731)	**-**
-	6	**6**	Reclassifications (to)/from held for sale	-	(859)	**(859)**
-	(17,888)	**(17,888)**	Derecognition - disposals	-	(18,989)	**(18,989)**
(15,759)	(68,621)	**(84,380)**	Depreciation	(17,132)	(71,699)	**(88,831)**
525,337	**2,545,840**	**3,071,177**	**Net book value at 31 March 2026**	**616,140**	**2,647,899**	**3,264,039**

c) Property, plant and equipment revaluations

The following table outlines the progress of the Council's 5 year rolling programme of valuations. The Council applies indexation to its revalued assets in the years between formal valuations and is satisfied that the carrying value not subject to formal revaluation would not be materially different than what would be their value if revalued in the year.

	Council dwellings £000	Other land and buildings £000	Vehicles, plant and equipment £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	**Total Property, plant and equipment £000**
Carried at historical cost	-	120,336	54,900	616,140	12,280	-	140,722	**944,378**
Asset Last Revalued								
FY 2025/26	659,263	235,560	-	-	-	7,628	-	**902,451**
FY 2024/25	-	309,652	-	-	-	-	-	**309,652**
FY 2023/24	-	216,119	-	-	-	-	-	**216,119**
FY 2022/23	-	457,913	-	-	-	-	-	**457,913**
FY 2021/22	-	433,526	-	-	-	-	-	**433,526**
Total cost or valuation	**659,263**	**1,773,106**	**54,900**	**616,140**	**12,280**	**7,628**	**140,722**	**3,264,039**

13. Heritage assets

	Museum Collections £000	Works of Art & Civic Regalia £000	Total £000
Balance at 1 April 2024	6,290	2,246	8,536
Revaluations	-	-	-
Balance at 31 March 2025	6,290	2,246	8,536
Balance at 1 April 2025	6,290	2,246	8,536
Revaluations	-	-	-
Balance at 31 March 2026	6,290	2,246	8,536

14. Intangible assets

New system under development in previous years which has since been disposed.

2024/25 Systems under development £000	2024/25 **Total Intangible Assets £000**		2025/26 Systems under development £000	2025/26 **Total Intangible Assets £000**
		Cost		
25	**25**	As at 1 April	-	**-**
-	**-**	Additions	-	**-**
(25)	**(25)**	Disposals	-	**-**
-	**-**	As at 31 March	-	**-**
		Net Book Value		
-	**-**	**At 31 March**	-	**-**

15. IFRS 13 Fair Value Measurement

Details of the Council's Corporate Surplus Assets and Assets Held for Sale and information about the fair value hierarchy as at 31 March 2026 are as follows:

	Other significant observable inputs (level 2) £000	Fair Value at 31/3/26 £000
Buildings – Corporate Surplus	734	734
Buildings – Held for Sale	1,340	1,340
Land – Corporate Surplus	6,893	6,893
Land – Held for Sale	860	860
	9,827	9,827

The fair value for the properties has been based on the comparable method of valuation, which is a market approach using current market conditions and recent transactions and other relevant information for similar assets in the Highland Council area. The inputs are derived through market transactions of other properties actively exchanged through sales and leasing. The level of observable inputs are tangible transactions, leading to the properties being

categorised at Level 2 in the fair value hierarchy. Page 108 explains the valuation techniques used in estimating fair value.

In estimating the value of the properties, that stated value does represent their highest and best use value in their current use.

The fair value of the Council's Corporate Surplus Assets and Assets Held for Sale is measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the Chief Financial Officer on a regular basis regarding all valuation matters.

Details of the Common Good Funds' Investment properties held at fair value are shown in the Common Good accounts (Note 47d).

16. Financial instrument balances

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets

Non-Current		Current		Total		Non-Current		Current		Total
Investments 31 March 2025 £000	Debtors 31 March 2025 £000	Investments 31 March 2025 £000	Debtors 31 March 2025 £000	31 March 2025 £000		Investments 31 March 2026 £000	Debtors 31 March 2026 £000	Investments 31 March 2026 £000	Debtors 31 March 2026 £000	31 March 2026 £000
6,103	-	-	-	6,103	Fair Value through profit or loss	6,103	-	-	-	6,103
-	67,756	43,372	53,144	164,272	Amortised cost	-	82,843	34,109	91,607	208,559
6,103	**67,756**	**43,372**	**53,144**	**170,375**	**Total Financial Assets**	**6,103**	**82,843**	**34,109**	**91,607**	**214,662**
-	-	70	32,330	32,400	Non-financial assets	-	-	72	33,231	33,303
6,103	**67,756**	**43,442**	**85,474**	**202,775**	**Total**	**6,103**	**82,843**	**34,181**	**124,838**	**247,965**

Non-financial assets held under current investments consist of cash in hand and at the bank as shown in Note 24. Non-financial assets held under current debtors consist of prepayments and debtors for local taxation as shown in Notes 22/23.

Financial Liabilities

Non-Current		Current		Total		Non-Current		Current		Total
Borrowings 31 March 2025 £000	Creditors 31 March 2025 £000	Borrowings 31 March 2025 £000	Creditors 31 March 2025 £000	31 March 2025 £000		Borrowings 31 March 2026 £000	Creditors 31 March 2026 £000	Borrowings 31 March 2026 £000	Creditors 31 March 2026 £000	31 March 2026 £000
1,041,590	150,261	267,066	137,396	1,565,878	Amortised cost	1,121,166	139,267	320,166	146,590	1,727,189
1,041,590	**150,261**	**267,066**	**137,396**	**1,596,313**	**Total Financial Liabilities**	**1,121,166**	**139,267**	**320,166**	**146,590**	**1,727,189**
-	34,205	427	26,609	61,241	Non-financial liabilities	-	33,260	531	27,711	61,502
1,041,590	**184,466**	**267,493**	**164,005**	**1,657,554**	**Total**	**1,121,166**	**172,527**	**320,697**	**174,301**	**1,788,691**

Non-financial liabilities held under non-current creditors consist of a prepayment and pension liability. Non-financial liabilities held under current creditors consist of receipts in advance and tax and social security creditors as shown in Note 25. Non-financial liabilities held under current borrowings consist of cash held at bank as shown in Note 24.

Material soft loans made by the Council
Landbank fund loans

The Council operates a fund to account for transactions relating to the Affordable Social Housing (Landbanking) initiative. Interest free loans are made from the fund to various housing associations and bodies and these are deemed to be material soft loans. These are included within long term debtors.

2024/25 £000		2025/26 £000
8,167	Balance at 1 April 2025	4,639
664	Nominal value of new loans made in the year	609
(553)	Loans repaid in the year	-
657	Fair value adjustment re interest uncharged in year	65
(4,296)	Other movements – transfer to interest bearing loans	-
4,639	Balance at 31 March 2026	5,313

The fair value of these soft loans is calculated based on the average loans fund rate in the initial year of the loan. For new loans provided in 2025/26 this was 4.25%.

Loans to Inverness Airport Business Park Limited

The loan to Inverness Airport Business Park Limited was to develop a mixed use business park.

2024/25 £000		2025/26 £000
1,175	Balance at 1 April 2025	1,175
-	Fair value adjustment re interest uncharged in year	-
1,175	Balance at 31 March 2026	1,175
(1,175)	Impairment Loss Allowance	(1,175)
-	Balance net of impairment at 31 March 2026	-

Following the 2020/21 annual review of Inverness Airport Business Park Limited's capacity to make repayment of the Loan Stock to the Council, it became apparent that the previously provided profile for repayment of the outstanding Loan Stock was unlikely to be achieved and that repayment would not be made until future later dates. Consequently it was decided to create an impairment loss allowance to reflect the credit risk in this investment and reduce its value to zero in the accounts. Following the 2025/26 review this impairment loss allowance remains in place given the current estimated profile for repayment (that it will be repaid in two equal amounts, the first of which will not be made until at least 2029 with the second payment being made at least 5 years after the first payment).

Valuation assumptions

The interest rate at which the fair value of the soft loan had been calculated in prior years was 4.52%.

17. Financial instrument gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2024/25 Surplus or Deficit on the Provision of Services £000		2025/26 Surplus or Deficit on the Provision of Services £000
	Net (gains)/losses on:	
1,191	Financial assets measured at amortised cost	1,242
1,191	**Total (gains)/losses**	1,242
	Interest revenue:	
(9,974)	Financial assets measured at amortised cost	(7,806)
(9,974)	**Total interest revenue**	(7,806)
66,350	**Interest expense**	70,439

Fair values of assets and liabilities carried at amortised cost

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost (in long term assets or liabilities with accrued interest in current assets or liabilities) is disclosed below.

Fair Value Levels
As per IFRS 13 Fair Value is calculated using the appropriate level in the fair value hierarchy below:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices. Where this is not possible, level 2 inputs are considered.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments. Where this is not possible, level 3 inputs are considered.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

Methods and assumptions in valuation techniques

The fair value of an instrument is determined by calculating the net present value (NPV) of future cash flows to provide an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation which ignores any motivation other than securing a fair price.

The rates quoted in this valuation were obtained by the Council's treasury management consultants from the market on 31 March 2026 using bid prices where applicable.

The calculations are made using the follow assumptions:

- For Public Works Loan Board (PWLB) debt, the discount rate used is the rate for new borrowing.
- For PFI, other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender.
- Where the exact maturity was not available interpolation techniques have been used.
- No early repayment or impairment is recognised.
- Fair values have been calculated for all instruments in the portfolio and are shown below
- The fair value of trade and other receivables is deemed to be the invoiced or billed amount.

The fair values are as follows:

Fair value of liabilities carried at amortised cost

31/03/25 Carrying Amount £000	31/03/25 Fair Value £000		31/03/26 Carrying amount £000	31/03/26 Fair value £000
987,917	759,193	PWLB debt	1,188,844	939,224
116,394	92,177	Market loan	107,472	82,002
196,374	196,374	Temporary loans	136,841	136,841
7,971	7,971	Loans Fund advances to group bodies	8,175	8,175
148,111	148,111	PFI & IFRS16	137,117	137,117
2,150	2,150	Long Term Creditors	2,150	2,150
137,396	137,396	Short Term Creditors	146,590	146,590
1,596,313	1,343,372	Financial liabilities	1,727,189	1,452,099

The fair value of borrowings is lower than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2026) arising from a commitment to pay interest to lenders below current market rates.

Fair value of assets carried at amortised cost

31/03/25 Carrying amount £000	31/03/25 Fair value £000		31/03/26 Carrying amount £000	31/03/26 Fair value £000
43,372	43,371	Call accounts	34,109	34,109
-	-	Fixed term deposits	-	-
67,756	67,756	Long term debtors	82,843	82,843
53,144	53,144	Short term debtors	91,607	91,607
164,272	164,271	Financial assets	208,559	208,559

18. Nature and extent of risks arising from financial instruments

The activities of the Council expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Audit Committee. The Council provides written principles for overall risk management as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

Deposits are only made with banks and financial institutions that meet the criteria set out in Appendix 6 of the Council's Treasury Management Strategy Statement and Investment Statement. This requires that only AAA rated Sterling denominated money market funds will be used. Deposits will be placed with banks and financial institutions using the credit ratings provided by our investment advisor Link to assess credit risk. These incorporate a modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors.

The credit ratings of counterparties are supplemented with the following overlays:
1. credit watches and credit outlooks from credit rating agencies
2. Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
3. sovereign ratings to select counterparties from only the most creditworthy countries).

The authority has a policy of not lending more than £20m of its surplus balances to one institution for a maximum period of 364 days in order to manage credit risk.

More information on this and how credit risk is managed can be found in the above statement.

Loss allowances on customers and rent debtors have been calculated by reference to the Council's historic experience of default. As per the financial regulations write off action is only contemplated if the debt is uncollectable, the cost of collection is greater than the debt, or there has been a Local Authority error.

The changes in the loss allowance for financial assets held at amortised cost during the year are as follows:

2024/25					2025/26			
Lifetime Expected Credit Losses – simplified approach Customers	Lifetime Expected Credit Losses – simplified approach Rent	Lifetime Expected Credit Losses – not credit impaired IABP	Total	**Asset Class: Financial Assets Held at Amortised Cost**	Lifetime Expected Credit Losses – simplified approach Customers	Lifetime Expected Credit Losses – simplified approach Rent	Lifetime Expected Credit Losses – not credit impaired IABP	Total
£000	£000	£000	£000		£000	£000	£000	£000
1,480	3,631	1,175	6,286	Opening balance as at 1 April 2025	1,426	3,844	1,175	6,445
				Transfers:				
(404)	(628)	-	(1,032)	Amounts written off	(772)	(208)	-	(980)
350	841	-	1,191	Other changes	440	802	-	1,242
1,426	3,844	1,175	6,445	As at 31 March 2026	1,094	4,438	1,175	6,707

The Council has the following exposure to credit risk as at 31 March 2026:

	Credit risk rating	Gross carrying amount
	%	£000
Significant increase in credit risk since initial recognition		
Inverness Airport Business Park Limited Soft Loan	100.00	1,175
Simplified Approach		
Customers	4.13	26,481
Rent	71.44	6,212
Landbank Fund Soft Loans	0.00	5,313
Deposits with Banks	0.00	34,109
Total		**73,290**

The landbank fund soft loans are not covered by an impairment loss allowance as the Council holds securities over the land in the case of non-payment.

Deposits with banks are not covered by an impairment loss allowance as the allowance calculated was immaterial.

The Council does not offer credit terms to customers.

All trade and other payables are due to be paid on the invoice date.

Debtors

The Council does not generally have negotiable credit terms for customers as any overdue amount is payable immediately. Customer balances considered to be past due can be analysed by age as follows:

31/03/25 £000		31/03/26 £000
8,023	Less than three months	22,589
903	Three to six months	477
562	Six to twelve months	1,396
2,123	More than twelve months	2,019
11,611	Total	26,481

Market risk

Interest rate risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid or received on variable rate instruments and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the Council is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.

- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Comprehensive Income and Expenditure Statement.

- The fair value of fixed rate financial assets will fall if interest rates rise. This will not affect the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would be reflected in the Comprehensive Income and Expenditure Statement.

- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not affect the Balance Sheet for the majority of liabilities held at amortised cost but will have an impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. The policy is to set upper limits for fixed and variable rate borrowings based on the Council's annual financing requirements. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates of the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the annual budget setting process and allows for any adverse changes to be accommodated. The strategy is based on the officers' views on interest rates supplemented with leading market forecasts provided by the Council's treasury adviser and covers capital expenditure and associated borrowing, prudential indicators, the current portfolio position, prospects for interest rates, economic background, borrowing strategy, debt rescheduling and investment strategy. The analysis will also consider whether new borrowing taken out is at fixed or variable rates.

According to the assessment strategy, at 31 March 2026, if interest rates had been 1% higher with all other variables held constant, the financial effect would be as follows:

	£000
Increase in interest payable on variable rate borrowings	213
Increase in interest receivable on variable rate investments	(341)
Impact on Income and Expenditure Account	(128)
Decrease in fair value of fixed rate borrowing liabilities (no impact on CI&ES or MIRS)	11,368

The impact of a 1% fall in interest rates would be as above but with the movements reversed.

Price risk

The Council does not invest in equity shares.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates.

The maturity structure of financial liabilities is as follows:

31/03/2025 Amortised cost £000	31/03/2025 Nominal value £000	**Liquidity risk**	31/03/2026 Amortised cost £000	31/03/2026 Nominal value £000
		Financial Liabilities		
987,917	986,338	Public Works Loans Board	1,188,844	1,184,672
116,394	114,806	Market Loans	107,472	106,056
196,374	193,000	Temporary Loans	136,841	134,500
7,971	7,971	Internal Loans Fund Advances	8,175	8,175
148,111	148,111	PFI and IFRS16	137,117	137,117
2,150	2,150	Long term creditor	2,150	2,150
137,396	137,396	Short term creditor	146,590	146,590
1,596,313	1,589,772		1,727,189	1,719,260
		Maturity		
404,463	398,366	Less than 1 year	466,756	459,266
132,978	132,978	Between 1 and 2 years	193,947	193,947
191,838	191,838	Between 2 and 5 years	238,736	238,736
130,052	130,052	Between 5 and 10 years	130,379	130,379
736,982	736,538	More than 10 years	697,371	696,932
1,596,313	1,589,772		1,727,189	1,719,260

19. Statutory Repayment of Debt Deferral

The Highland Council has applied the flexibility allowed by the Scottish Government in 22/23 to defer a portion of the General Fund's statutory debt repayment.

The amount that had been deferred totalled £29.279m and will be repaid over a 20 year term as follows: Amounts shown reflect the outstanding deferred amounts

2024/25 £000		2025/26 £000
	Statutory Debt Repayment	
2,782	Less than 1 year	2,323
2,323	Between 1 and 2 years	2,036
5,410	Between 2 and 5 years	4,822
6,071	Between 5 and 10 years	5,462
4,103	More than 10 years	3,264
20,689		17,907

20. Long term debtors

31/03/25 £000		31/03/26 £000
9,651	Scottish Police Authority	9,151
3,225	Scottish Fire and Rescue Service	2,973
4,639	Landbanking fund advances soft loans	5,313
49,069	Landbanking fund advances interest bearing loans	64,235
100	Evergreen Infrastructure fund advances	100
1,072	Other loans	1,071
67,756	Long term debtors (net of impairment)	82,843

21. Long term Investments

31/03/25 £000		31/03/26 £000
6,103	D&E Coaches Ltd Shareholding	6,103

22. Short term debtors

31/03/25 £000		Note	31/03/26 £000
23,712	Central government bodies		42,198
455	Other local authorities		272
7,331	NHSH bodies		22,568
8	Public corporations		8
35,606	Other entities and individuals		41,436
67,112			106,482
(5,270)	Impairment Allowance	18	(5,532)
61,842	**Total (net of impairment)**		**100,950**
(8,698)	Prepayments included in debtors		(9,343)
53,144	Total Financial Assets Current Debtors	16	91,607

The impairment charge relates to other entities and individuals (sundry and rent debtors see Note 17).

23. Debtors for local taxation

31/03/25				31/03/26		
Council Tax £000	NDR £000	Total £000		Council Tax £000	NDR £000	Total £000
6,545	17,693	24,238	Less than one year	7,176	16,396	23,572
7,993	2,604	10,597	One to two years	9,328	3,091	12,419
8,189	810	8,999	Three to five years	8,009	1,184	9,193
24,581	1,144	25,725	More than five years	25,209	1,582	26,791
47,308	22,251	69,559		49,722	22,253	71,975
(40,091)	(5,836)	(45,927)	Impairment Allowance	(40,971)	(7,116)	(48,087)
7,217	**16,415**	**23,632**	**Total (net of impairment)**	**8,751**	**15,137**	**23,888**

24. Cash flow statement – cash and cash equivalents

	At 1 April 2025 £000	Cash flow £000	At 31 March 2026 £000
Temporary investments	43,372	(9,263)	34,109
Cash in hand	70	2	72
Cash and cash equivalents current assets	43,442	(9,261)	34,181
Cash at bank (overdraft current liability)	(427)	(104)	(531)
Total cash and cash equivalents	**43,015**	**(9,365)**	**(33,650)**

25. Short term creditors

31/03/25 £000		Note	31/03/26 £000
14,703	Central government bodies		14,719
736	Other local authorities		677
19,876	NHSH bodies		26,148
101	Public Corporations		-
11,059	Lease (PFI) creditors		11,876
6,485	Lease (IFRS16) creditors		4,968
111,045	Other entities and individuals		115,913
164,005	**Total**		**174,301**
(8,824)	Tax and social security creditors included above		(9,471)
(17,785)	Receipts in advance included above		(18,240)
137,396	Total Financial Liabilities Current Creditors	16	146,590

26. Provisions

Short term	Note	At 1/4/25 £000	Increase / (Decrease) in provision £000	Use of provision £000	Unused amounts reversed during the year £000	At 31/3/26 £000
Equal Pay	1	212	-	(6)	-	206
Building Dilapidations	2	480	509	-	(480)	509
		692	509	(6)	(480)	715

(1) Provision made to meet anticipated costs of outstanding equal pay and single status claims, appeals against job evaluation outcomes and other related liabilities. The timing and amount of these settlements remains uncertain.

(2) Provision made for repairs on leased buildings where dilapidations may have occurred. The timing and amount of these settlements remains uncertain.

27. Long Term Liabilities

31/03/25 £000		31/03/26 £000
138,515	Lease (PFI) creditors	128,946
34,154	Pension Liability	33,235
9,596	Lease (IFRS16) creditors	8,171
2,201	Other long term creditors	2,175
184,466		172,527

28. Balance Sheet – usable reserves

31/03/25 £000		31/03/26 £000
2,241	Renewal and Repair Fund (a)	2,252
15,374	Capital Fund (b)	29,039
3,012	Insurance Fund (c)	724
11,069	Capital Grants Unapplied (d)	10,488
120,676	General Fund (e)	86,103
5,076	Housing Revenue Account (e)	5,076
157,448		**133,682**

(a) The Council operates a Renewal and Repair fund for the following purposes:

- to fund ground maintenance work undertaken on private land adopted by the Council
- to fund repairs at leisure facilities
- to fund repairs at Inverness Campus North Bridge
- to fund unbudgeted maintenance and repairs of traffic lights and solar panels

(b) The Council operates a Capital fund to hold capital receipts available to finance capital expenditure in future years and for a Landbanking initiative relating to the provision of affordable social housing throughout the Highlands.

The movements in the Capital Fund are detailed below.

	Landbanking Initiative £000	Capital Receipts £000	Total £000
Balance at 31 March 2025	**13,967**	**1,407**	**15,374**
Transferred to General Fund	24,498	(3,233)	21,265
Transferred to Capital Adjustment account	(10,833)	3,233	(7,600)
Balance at 31 March 2026	**27,632**	**1,407**	**29,039**

(c) Using powers in Schedule 3 of the Local Government Scotland Act 1975 the Council has established an Insurance Fund to meet uninsured losses or surpluses. This fund enables the Council to self insure General Fund properties against a number of risks. The Council agreed in it's March 2026 budget for financial year 2026/27 to provide an additional £2m into the Insurance Fund which will be reflected in the 26/27 financial year.

(d) The Council operates an Evergreen Housing Infrastructure Fund to support and accelerate the delivery of housing in the Highland Council area. The balance of this fund is held in the Capital Grants Unapplied account.

The movements in the Capital Grants Unapplied account are detailed below.

	Total £000
Balance at 31 March 2025	**11,069**
Transferred from/(to) General Fund	(581)
Transferred from/(to) Capital Adjustment account	-
Balance at 31 March 2026	**10,488**

(e) Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 7 and 8.

29. Balance Sheet – unusable reserves

31/03/25 £000		31/03/26 £000
511,469	Revaluation Reserve (a)	575,164
1,021,207	Capital Adjustment Account (b)	1,091,131
(9,507)	Financial Instruments Adjustment Account (c)	(7,661)
(34,154)	Pensions Reserves (d)	(33,235)
(15,694)	Employee Statutory Adjustment Account (e)	(15,888)
1,473,321		**1,609,511**

(a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains revaluation gains which have accumulated since the creation of the reserve on 1 April 2007. Accumulated gains arising up to 31 March 2007 were consolidated into the balance on the Capital Adjustment Account.

2024/25 £000		£000	2025/26 £000
412,632	Balance at 1 April		511,469
169,768	Upward revaluation of assets	95,434	
(63,104)	Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of services	(19,439)	
-	Impairment losses not charged to the Surplus/Deficit on the Provision of services	-	
106,664	Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of services		75,995
(5,634)	Difference between fair value depreciation and historical cost depreciation	(11,402)	
(2,193)	Accumulated gains on assets sold or scrapped	(898)	
-	Amount written off revaluation reserve	-	
(7,827)	Amount written off to the Capital Adjustment Account		(12,300)
511,469	**Balance at 31 March**		**575,164**

(b) Capital Adjustment Account

The Capital Adjustment Account absorbs timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Account (with reconciling postings from the Revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses on investment properties and also revaluation gains accumulated on property, plant and equipment prior to the creation of the account on 1 April 2007.

Note 7 provides details of the source of all the transactions posted to the account, apart from any involving other reserves.

2024/25 £000			2025/26 £000
983,770	Balance at 1 April		1,021,207
(12,968)	Revenue Expenditure funded from capital under statute	(11,269)	
(83,316)	Charges for depreciation on non-current assets	(84,523)	
(6,296)	Revaluation gains/(losses) on Property, Plant and Equipment	7,622	
(18,093)	Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(19,866)	
(120,673)			(108,036)
2,192	Adjusting amounts written out of the Revaluation Reserve	898	
2,192	Net written out amount of the cost of non-current assets consumed in the year		898
	Capital Financing applied in the year		
10,535	Repayment of PPP creditors	11,196	
(8,278)	School PPP Accounting Flexibility	(8,739)	
4,827	Repayment of IFRS16 creditors	9,041	
35	Income Recognition from IFRS16	69	
4,536	Use of the Capital Fund to finance new capital expenditure	(3,964)	
92,590	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	111,795	
1,708	Use of the Capital Fund	1,225	
-	Use of Capital Grants Unapplied Account	-	
44,033	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances*	44,726	
5,932	Capital expenditure charged against the General Fund and HRA balances	11,713	
155,918			177,062
1,021,207	**Balance at 31 March**		**1,091,131**

(c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2024/25 £000		2025/26 £000
(11,433)	Balance at 1 April	(9,507)
1,919	Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund and HRA balances in accordance with statutory requirements	1,839
7	Proportion of equivalent interest rate calculation on lender option/borrower option loans (LOBOs)	7
(9,507)	**Balance at 31 March**	**(7,661)**

(d) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pensions funds or eventually pays any pensions for which it is directly responsible. This has resulted in a credit balance on the Pensions Reserve showing a surplus in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. Therefore, the asset ceiling adjustment has been considered as per IFRIC 14. See Note 44 for further details.

2024/25 £000		2025/26 £000	£000
267,967	Balance at 1 April		(34,154)
210,599	Actuarial gains/ (losses) arising on changes in financial and demographic assumptions	28,666	
(17,459)	Return on plan assets	18,326	
12,941	Other experience adjustments	(10,311)	
(516,976)	IFRIC 14 Asset Ceiling Adjustment	(39,752)	
(310,895)	**Total remeasurements of the net defined liability**		(3,071)
(26,303)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(34,154)	
35,077	Employer's pension contributions and direct payments to pensioners payable in the year	38,144	
8,774			3,990
(34,154)	**Balance at 31 March**		**(33,235)**

(e) Employee Statutory Adjustment Account

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

2024/25 £000		2025/26 £000
(11,703)	Balance at 1 April	(15,694)
11,703	Settlement or cancellation of accrual made at the end of the preceding year	15,694
(15,694)	Amounts accrued at the end of the current year	(15,888)
(15,694)	**Balance at 31 March**	**(15,888)**

30. Cash flow statement – Adjustments to surplus/deficit on the provision of services

2024/25 £000		2025/26 £000
	Non-cash items	
88,950	Depreciation	95,923
6,296	Impairments/(impairment reversals)	(7,622)
18,093	Net book value of assets sold	19,866
(8,774)	IAS 19 transactions	(3,990)
(665)	Financial instruments adjustments	(73)
	Items on accruals basis	
1,177	Decrease/(increase) in inventories	(1,105)
1,510	Decrease/(increase) in debtors	(22,467)
(12,508)	(Decrease)/increase in creditors	14,075
246	(Decrease)/increase in provisions	23
94,326		**94,630**

£000		£000
	Items in investing & financing activities	
(79,622)	Capital grants credited to surplus/deficit on provision of services	(100,526)
(1,708)	Proceeds from sale of assets	(1,225)
(81,330)		**(101,751)**

31. Cash flow statement – operating activities

The net cash inflow from operating activities includes the following items:

2024/25 £000		2025/26 £000
(10,006)	Interest received	(7,862)
79,388	Interest paid	69,044

32. Cash flow statement – investing activities

2024/25 £000		2025/26 £000
(224,386)	Purchase of property, plant and equipment	(215,478)
(6,103)	Purchase of intangible assets	-
-	Held for Sale Asset Additions	-
(13,796)	Other (payments)/receipts for investing activities	(22,857)
1,708	Proceeds from the sale of property, plant and equipment	1,225
9,241	Other (payments)/receipts from investing activities	(16,144)
(233,336)	**Net cash flows from investing activities**	**(253,254)**

33. Cash flow statement – financing activities

2024/25 £000		2025/26 £000
384,000	Cash receipts of short and long term borrowing	464,500
79,623	Other receipts from financing activities	100,526
(10,535)	Cash payments for the reduction of outstanding liabilities relating to PFI contracts	(11,196)
(4,863)	Cash payments for the reduction of outstanding liabilities relating to IFRS16 contracts	(9,109)
(231,860)	Repayments of short and long term borrowing	(333,417)
1,079	Advance to/(from) group bodies	205
217,444	**Net cash flows from financing activities**	**211,509**

34. Trading operation

The Council has one trading operation which operates in a commercial environment. In accordance with the Local Government (Scotland) Act 2003, the significant trading operation (STO) is required to break even over a rolling three year period.

Details of significant trading operation

Fishery, Piers and Harbours

The Harbour organisation trades commercially with vessels from the home and foreign fishing fleet. Transport piers are used by commercial ferry operators who pay dues for the use of the facilities. The target is to break even after depreciation.

Summary of Financial Results

A summary of the financial results of the trading operation for 2025/26 is as follows:

Fishery, Piers and Harbours	£000
Turnover	23,064
Expenditure	(18,658)
Surplus	(4,406)
Less internal surplus included in service net expenditure	(245)
Less interest on revenue balances	(100)
Surplus on trading organisation as reported in Comprehensive Income and Expenditure Statement (Note 9)	4,061

Three year surplus

Financial Year	£000
2023/24	3,094
2024/25	3,114
2025/26	4,061
	10,269

The table above is presented exclusively to demonstrate that the STO has met the target of breaking even over a rolling three year period.

35. Agency Services

The Council bills and collects non-domestic rates on behalf of the Scottish Government. During 2025/26 the Council collected £174.020m and received £167.986m contribution from the non-domestic rates pool (2024/25 collected £173.040m and received £160.345m).

The Council also bills and collects domestic water and sewerage charges on behalf of Scottish Water with its own Council Tax. During 2025/26 the Council paid over £51.335m and received £0.934m for providing this service. During 2024/25 the Council paid over £46.360m and received £0.922m for providing this service.

Payments totalling £0.197m were made to Renfrewshire Council on behalf of Scotland Excel for procurement services (2024/25- £0.197m).

36. External audit costs

The Council has incurred the following costs in relation to the audit of the Annual Accounts

2024/25 £000		2025/26 £000
533	Fees payable to Audit Scotland with regard to external audit services	581

No fees were payable to Audit Scotland, in respect of any other services in either year.

37. Grant income

The Comprehensive Income and Expenditure Statement in 2025/26 includes the following grants, contributions and donations:

2024/25 £000		2025/26 £000
	Credited to Taxation and non-specific grant income	
443,880	Revenue support grant	473,903
3,000	General capital grant revenue flexibility	-
160,698	Non-Domestic rates	168,342
79,622	Capital grants and contributions*	100,526
687,200		742,771
	Credited to services	
32,577	Housing Benefits	26,968
12,968	Capital grants and contributions*	11,269
-	Packaging Extended Producer Responsibility	6,954
3,941	Energy Efficiency Scotland	5,128
3,671	Criminal Justice Grant	4,512
2,075	Scottish Futures Trust – Wick Schools	4,109
3,176	Crown Estates	3,886
2,267	Developers Contributions	3,807
3,155	Pupil Equity Funding	2,966
1,156	Unaccompanied Asylum Seeking Children	2,655
334	EV Grants	1,824
1,281	Strategic Equity Fund	1,636
3,728	UK Shared Prosperity Fund	1,515
1,200	Teacher Pay Award	1,200
1,124	Sport Scotland	1,129
-	No One Left Behind (NOLB)	1,070
246	Parental Employability Support	1,063
1,023	Wick Airport	1,000
915	Gaelic	940
1,452	Ukrainian Refugees	922
501	Family Nurse Partnership	636
563	Milk & Healthy Snack Scheme	552
-	European Grants and Contributions	455
270	Vehicles Insurance Claim	322

2024/25 £000		2025/26 £000
	Credited to services (continued)	
372	SAC - Education for LAC	320
296	Science Skills Academy	307
274	CJS Caledonian System	305
345	EMA Co-ordination	281
-	Bairn's Hoose	274
227	Bail Supervision	232
205	Persistent Offenders	205
980	Community Led Local Development	194
771	Rural Tourism Infrastructure	186
279	Transport Scotland EV charging points	114
919	Community Mental Health & Wellbeing	104
128	Paths for All	28
321	Syrian Refugees	1
1,000	Ferries	-
762	COVID-19 Related Grants	-
359	Adult Employ Service	-
234	No One Left Behind - Employability	-
772,140	Total	831,840

Not included within the breakdown above but included within government grants and contributions in Note 11 is £13.800m from NHSH for commissioned child health (2024/25 £13.090m) and £6.500m in other non-material grants and contributions (2023/24 £5.979m).

***Capital Grants and contributions**

2024/25 £000	**Capital Grants and contributions**	2025/26 £000
25,967	Scottish Government – General Capital Grant	31,775
20,185	Scottish Government – Housing Grants	18,350
-	Private Sector Housing Contributions (including in-kind)	16,818
1,216	Transport Scotland	15,678
4,876	UK Government – City Region Deal	8,676
13,515	Capital grants and contributions less than £0.5m in current year	6,042
11,107	UK Government – Levelling Up Fund	3,249
2,313	Scottish Government – Regeneration Capital Grant Fund	2,561
6,241	Scottish Government - Others	2,000
-	UK Government – Housing Grants	1,645
2,160	Scottish Government - VDLF	1,387
3,034	UK Government - Shared Prosperity Fund	1,087
431	Scottish Government – Community Led Local Development	897
65	Scottish Government – Evergreen Housing Infrastructure Fund	611
1,480	Scottish Government – Place Based Investment Programme	515
	Scottish Government – Inverness & Cromarty Firth Green Freeport	504
(12,968)	Capital grants used to fund Revenue Expenditure under statute	(11,269)
79,622	Total	100,526

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year end are as follows:

2024/25 £000		2025/26 £000
	Grants Received in Advance (Capital Grants)	
3,733	Gaelic Grant	3,934
4,599	Zero Carbon Cultural Regeneration	2,037
-	Inverness & Cromarty Firth Green Freeport Seed Capital	1,466
712	Islands Programme	940
1,535	Portree Link Road	924
-	Place Based Investment Programme 25/26	804
599	Broadford Primary School Gaelic Unit	594
556	VDLF	556
1,083	Amounts less than £0.250m in both the current and prior year	490
2,422	Regeneration Capital Grant Fund	464
385	Place Based Investment Programme 21/22	375
324	Caithness Demonstrator Project	276
307	Carbon Neutral Islands Fund	206
1,447	Travelling People Sites	47
482	Portree Demonstrator Project	-
301	Place Based Investment Programme 22/23	-
18,485	Total	13,113

38. Related parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

The Scottish Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits).

An analysis of significant government grants received during the year is set out in Note 37.

Members

Elected Members have influence on the financial and operating policies of the Council through membership of Committees or Sub – Committees, subject to the declaration of interests provisions within the Councillors Code of Conduct.

The register of interest for each elected member can be found on their page on the Council's website

The total of members' allowances paid in 2025/26 is shown in the remuneration report.

The Council had transactions in the year exceeding £10k with the following organisations in which elected members hold or held official positions as noted below.

Elected Member	Position	Organisation	Transactions with Council in year
Raymond Bremner	Committee Member	Pan Celtic Alba	Grant Funding totalling £16k (24/25 £0k)
Maureen Ross	Director	Seaboard Memorial Hall Ltd	Grants and SLA payments totalling £27k (24/25 £44k)

There were no other related party transactions exceeding £10k with any other organisations associated with elected members in 2025/26.

While effort is made to receive a full response from all parties for related parties disclosures any non-returns are treated as nothing to disclose, there were 16 non-returned disclosures in 2025/26, 3 of which were from Senior Councillors.

Senior Officers

Senior Officers have influence and control on the financial and operating policies of the Council. The total remuneration paid to senior officers is shown in the Remuneration Report.

There were no related party transactions exceeding £10k with any other organisations associated with Senior Officers in 2025/26.

Valuation Joint Board and Highland and Islands Transport Partnership

Highland Council is a constituent authority of the Highland and Western Isles Valuation Joint Board and the Highlands and Islands Transport Partnership. The net expenditure shown in the Comprehensive Income and Expenditure Statement represents the Council's requisition or proportion of the costs of these organisations, page 58.

The Joint Board and Transport Partnership are deemed to be associates of the Highland Council and are included on this basis in the Group Accounts. Results of these associates can be seen on page 182.

Further information on the Joint Board and the Transport Partnership can be found in each body's Annual Accounts available upon request from the Chief Officer Corporate Finance, Highland Council, Glenurquhart Road, Inverness, IV3 5NX and the Highland Council website.

Pension Fund

The Highland Council is the administering authority for the Pension Fund which provides pensions for those employees of the Council, Comhairle Nan Eilean Siar and other scheduled and admitted bodies which are eligible to join.

The Council charged the Pension Fund £2.000m (2024/25 £1.535m) for expenses incurred in administering the Pension Fund in the year.

NHS Highland

From 1 April 2012 the Highland Council and NHS Highland implemented integrated health and social care services. Under the partnership agreement effective from that date, Highland Council is the lead agency for the delivery of integrated children's services and NHS Highland lead agency for integrated adult services. In 2025/26 Highland Council paid NHS Highland £154.606m (2024/25 £142.445m) for the provision of integrated adult services and NHS Highland made payment of £12.354m (2024/25 £11.536m) to Highland Council in respect of integrated children's services

There was a short term debtor to the Council of £22.568m (2024/25 £7.331m) and a short term creditor to the Council of £26.148m (2024/25 £19.876m) from NHSH bodies at year end.

Entities controlled or significantly influenced by the Council

During the year Highland Council had three subsidiary companies as detailed below. Copies of the Accounts can be obtained from the Company Secretary, c/o Highland Council, Glenurquhart Road, Inverness, IV3 5NX.

High Life Highland

High Life Highland (HLH) is a charitable company limited by guarantee which was incorporated along with its wholly owned subsidiary High Life Highland (Trading) CIC on 1 October 2011 to deliver community learning and leisure services on behalf of the Highland Council. The Highland Council is the sole member of the company.

The Highland Council paid a total of £24.126m (2024/25 £21.171m) in management fees to High Life Highland in the year.

The results of High Life Highland have been consolidated in the group accounts and can be seen on page 182.

D&E Coaches

On 31 January 2025, Highland Council purchased 100% of the shareholding in D&E Coaches. The acquisition is to further the Council's strategy regarding ensuring the provision of affordable school and public transport in the Highlands. As a standalone limited company, it will be subject to market conditions and the risks inherent, these being mitigated through the measures as detailed in the Full Business Case relating to the acquisition.

Two Highland Council Senior Employees hold non-remunerated positions as directors within D&E Coaches since the acquisition.

There is a long term investment in the balance sheet in 2025/26 relating to D&E Coaches shareholding of £6.103m (2024/25 £6.103m).

The results of D&E Coaches have been consolidated in the group accounts and can be seen on page 182.

The following related companies have not been consolidated in the Group Accounts as they are considered immaterial:

Highland Opportunity Limited (HOL)

Highland Opportunity Limited (HOL) provides financial assistance and advice to businesses to protect and expand employment. It is a company limited by guarantee with the liability of the Council limited to £100.

The Highland Council has a short term creditor of £1.307m (2024/25 £1.198m) for the balance of their loan funding.

The last available audited results of the Company are as follows:

Financial Year End	Net Assets £000	Profit/(loss) before taxation £000	Profit/(loss) after taxation £000
31 March 2025	(30)	-	-
31 March 2024	(30)	-	-

HOL held 100% of the issued ordinary share capital in the following companies.

Company	**Nature of business**
Highland Opportunity (Investments) Limited	Investment

The latest available audited results of these companies are as follows:

	Net assets (Liabilities) £000	Profit/(loss) before taxation £000	Profit/(loss) after taxation £000
Year ended 31 March 2025			
Highland Opportunity (Investments) Limited	1,905	26	26
Year ended 31 March 2024			
Highland Opportunity (Investments) Limited	1,879	2	2

Pathfinder North and Swan

The provision of Wide Area Network (WAN) Service to the Highland Council has been through the first Scottish Wide Area Network (Swan) contract. This was provided through a partnership arrangement with the Highland Council as the lead partner acting on behalf of Argyll & Bute Council, Orkney Islands Council, Moray Council, Angus Council and Comhairle nan Eilean Siar. This first Swan contract expired on 31st March 2026 with the continued provision of the WAN Service being provided through the successor second Swan contract.

Under this second Swan contractual arrangements each Local Authority has its own individual contract and the original partnership arrangement is being wound up.

The Highland Council has a short term creditor of £0.046m (2024/25 £0.047m) for Pathfinder North balances.

Hub North Scotland Ltd

As a participant in hub North Scotland Ltd, the Highland Council has a nominal shareholding in that company holding 3 Ordinary B shares at £1.00 each.

39. Capital commitments

The total value of legal commitments on capital contracts as at 31 March 2026, for the acquisition of property, plant and equipment, was £94.334m (31 March 2025 £91.442m). Details of the major commitments by contract or project are as follows:

Contract or project	2025/26 £000
HRA Housing – Council House New Builds	48,315
Corran Ferry Infrastructure Improvement Scheme	20,780
New Nairn Academy	12,768
HRA Housing – Upgrades to Council House Estate	3,680
Portree Demonstrator (Tigh Na Sgire)	2,529
Naver Bridge Replacement	2,393
Miscellaneous projects with an individual commitment less than £0.5m	2,234
Uig Harbour Redevelopment & New Terminal Building	1,034
Longman Travelling People Site	601
Total	**94,334**

40. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement in the CFR is analysed in the second part of this note.

2024/25 £000		2025/26 £000
1,431,136	Opening capital financing requirement	1,621,054
	Capital investment	
224,386	Property, Plant and Equipment	215,399
-	Held for Sale Assets	79
33,208	PPP IFRS16 Lease Liability Additions	2,443
20,908	Right of Use Assets	6,099
12,968	Revenue Expenditure funded from capital under statute	11,269
	Sources of finance	
(1,708)	Capital receipts	(1,225)
729	Capital Fund	4,573
-	Evergreen Infrastructure Fund	-
(92,590)	Government grants and other contributions	(111,795)
	Sums set aside from revenue	
(5,932)	- direct revenue contributions	(11,713)
(44,033)	- loans fund principal	(44,726)
-	Evergreen Infrastructure Fund Loans	-
49,069	Landbank Interest Bearing Loans	15,165
(3)	House loans	-
(10,535)	Reduction in Lease Creditors (PPP)	(11,196)
8,278	PPP Flexibility	8,739
(4,827)	Reduction in Lease Creditors (IFRS16)	(9,041)
1,621,054	**Closing capital financing requirement**	1,695,124
	Explanation of movements in the year	
135,805	Increase in underlying need to borrow (supported by government financial assistance)	65,528
(3)	Decrease in underlying need to borrow (unsupported by government financial assistance)	-
33,208	Asset adjustments under PPP contracts	2,443
20,908	Assets acquired under IFRS16 lease contracts	6,099
189,918	Increase/(decrease) in capital financing requirement	74,070

Finance will only be raised in accordance with the Local Government in Scotland Act 2003 and within this limit the Council has a number of approved methods and sources of raising capital finance.

41. Leases

The Council's lease contracts comprise leases of operational land and buildings, plant and equipment and motor vehicles.

Council as Lessee

Right of Use Assets

The table below shows the change in the value of right-of-use assets held under leases by the Council:

	Land and buildings	Vehicles, plant and equipment	Total
	£000	£000	£000
Balance at 1 April 2025	4,857	11,517	16,374
Additions	1,215	4,953	6,168
Revaluations	121	-	121
Depreciation and Amortisation	(1,305)	(4,295)	(5,600)
Disposals	(1,615)	-	(1,615)
Balance at 31 March 2026	3,273	12,175	15,448

Transactions under leases

The Council incurred the following expenses and cash flows in relation to leases:

2024/2025 £000		2025/2026 £000
	Comprehensive income and expenditure statement	
642	Interest expense on lease liabilities	662
2,479	Expense relating to short-term leases	4,393
1,077	Expense relating to exempt leases of low-value items	-
2,345	Multiple exempt lease commitments excluded from lease liabilities	-
	Cash flow statement	
11,413	Total cashflow for leases	9,703
663	Cash payments for interest portion of lease liabilities	662
2,479	Short term lease payments where exemptions taken	4,393
1,077	Low value lease payments where exemptions taken	-
2,345	Multiple exempt lease payments excluded from lease liabilities	-

Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected payments):

31 March 2025 £000		31 March 2026 £000
5,436	Less than one year	5,484
8,493	One to five years	7,781
3,495	More than five years	1,331
17,424	**Total undiscounted liabilities**	**14,596**

Council as Lessor

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services
- for economic development purposes to provide suitable affordable accommodation for local businesses

The Council manages the risks associated with the rights it retains in underlying assets leased with dilapidation clauses in lease agreements requiring tenants to bring assets back to their original leased condition and in policies not to sell assets leased for economic development purposes.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31/03/25 £000		31/03/26 £000
4,095	Less than one year	4,512
3,659	One to two years	3,970
3,391	Two to three years	3,625
3,048	Three to four years	3,210
2,632	Four to five years	2,609
110,149	More than five years	108,510
126,974	Total undiscounted receivables	126,436

The Council was party to two sublease arrangements as lessor as at 1 April 2025. The total future minimum sublease payments expected to be received under non-cancellable subleases at 1 April 2025 was less than £0.004m.

The income received in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £4.046m (2024/25 £4.694m).

As at 31 March 2026 the Council was not party to any leases as lessor to leases for nil consideration.

42. Private finance initiatives and similar contracts

Community Schools (Highlands) Ltd

The Council signed a PFI Project Agreement with Community Schools (Highlands) Ltd on 12 June 2001 to procure four schools for a term of 25 years from August 2002. The annual unitary charge for this project in 2025/26 was £4.926m. (2024/25 £4.801m). This charge covers the cost of the use of the school plus an amount relating to the transfer of the asset to the Council at the end of the contract.

The total amount payable under the contract from April 2025 until July 2027 amounts to £6.747m at current prices. The Council receives Level Playing Field Support from the Scottish Government towards these costs. This support is estimated to amount to £2.067m over the remaining term of the contract.

Alpha Schools (Highland) Ltd

The Council signed a 30 year Project Agreement with Alpha Schools (Highland) Ltd on the 30 March 2006 for the provision of 11 schools. After a phased introduction, all the school buildings are now available to the Council.

The annual unitary charge for this project in 2025/26 was £24.881m. (2024/25 £24.507m). This charge covers the cost of the use of the schools plus an amount relating to the transfer of the assets to the Council at the end of the contract.

The total amount of unitary charge payable by the Council over the remaining term of the contract term is estimated to be £278,534m at current prices. The Council receives Revenue Support of £7.160m per annum from the Scottish Government towards these costs. This support is estimated to amount to £78.760m over the remaining term of the contract.

Hub North Scotland (Wick) Limited

The Council signed a 25 year Design, Build, Finance and Maintain (DBFM) Project Agreement with Hub North Scotland (Wick) Limited on 19 December 2014 for the provision of a Wick Community Campus comprising Primary School, High School, Public Library and Swimming Pool.

Under the DBFM Project Agreement Hub North Scotland (Wick) Limited construct the facility and carry out certain maintenance obligations during the operational phase using their own funding. Hub North Scotland (Wick) Limited will recover their costs through an indexed Annual Service Charge (ASC) payable by the Council over the 25 years.

In 2025/26 the Annual Service Charge amounted to £5.001m. (2024/25 £4.959m). The total amount of Annual Service Charge payable by the Council over the remaining term of the contract is estimated to be £78.036m at current prices.

During the 25 year term of the Project Agreement the Council will receive financial support of £4.068m pa from the Scottish Government towards the funding of the Annual Service Charge. This support is estimated to amount to £62.969m over the remaining contract term.

Property, plant and equipment

The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

Liabilities arising from PFI and similar contracts

2024/25 £000		2025/26 £000
(126,901)	As at 1 April	(149,573)
(33,208)	IFRS16 Change to Liability	(2,443)
10,536	Repaid in year	11,196
(149,573)	As at 31 March	(140,820)

Payments

Payments remaining to be made under PFI contracts at 31 March 2026 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Payments due	Repayment of liability £000	Interest £000	Service Charges £000	Total £000
within one year	11,876	10,083	13,469	35,428
within 2 to 5 years	40,706	32,001	57,442	130,149
within 6 to 10 years	62,915	21,984	92,553	177,452
within 11 to 15 years	23,183	3,002	34,325	60,510
within 16 to 20 years	2,140	63	442	2,645
	140,820	67,133	198,231	406,184

43. Pension schemes accounted for as defined contribution schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by The Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

Former NHS Highland employees who transferred to the Council as part of the Planning for Integration programme remain members of the NHS Superannuation Scheme (Scotland), administered by The Scottish Government. The Scheme provides eligible employees with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Teachers' and NHS Schemes are technically defined benefit schemes. However, the Schemes are unfunded and The Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Schemes with sufficient reliability for accounting purposes. For the purposes of these Annual Accounts, they are therefore accounted for on the same basis as a defined contribution scheme.

In 2025/26 the Council paid £35.078m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 26.0% of pensionable pay. The figures for 2024/25 were £33.742m and 26.0%. There were no contributions remaining payable at the year-end.

In 2025/26 the Council paid £1.791m to the Scottish Public Pensions Agency in respect of NHS retirement benefits, representing 22.5% of pensionable pay. The figures for 2024/25 were £1.797m and 22.5%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' and NHS schemes. These costs are

accounted for on a defined benefit basis and are included in the information presented in Note 44.

44. Defined benefit pension schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The authority has two post employment arrangements:

- The Local Government Pension Scheme, administered locally by the Highland Council Pension Fund – this is a funded defined benefit career average earnings scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit final arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

- The Highland Council Pension Fund scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of Highland Council. Policy is determined in accordance with the Pensions Fund Board Regulations. The investment managers of the fund are appointed by the Investment Committee.

- The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Transactions relating to post employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2024/25 £000	2025/26 £000	2024/25 £000	2025/26 £000
Comprehensive Income and Expenditure Statement				
Cost of services				
Current service cost	38,936	32,139	-	-
Past service cost (including curtailments)	126	220	-	-
	39,062	32,359	-	-
Financing and investment (income) and expenditure	(14,516)	(97)	1,757	1,892
Total post employment benefits charged to the surplus or deficit on the provision of services	**24,546**	**32,262**	**1,757**	**1,892**

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2024/25 £000	2025/26 £000	2024/25 £000	2025/26 £000
Other post employment benefits charged to the comprehensive income and expenditure statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets excluding the amount included in the net interest expense	17,459	(18,326)	-	-
Actuarial (gains)/losses arising on changes in financial assumptions	(206,328)	(35,808)	(1,990)	(411)
Actuarial (gains)/losses arising on changes in demographic assumptions	(2,211)	7,305	(70)	248
Experience adjustments	(12,355)	9,851	(586)	460
IFRIC 14 changes in the effect of the asset ceiling	516,976	39,752	-	-
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	**313,541**	**2,774**	**(2,646)**	**297**

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2024/25 £000	2025/26 £000	2024/25 £000	2025/26 £000
Movement in reserves statement				
Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits in accordance with the code	(24,546)	(32,262)	(1,757)	(1,892)
Actual amount charged against the General Fund balance for pensions in the year				
Employer's contributions payable to the scheme	31,940	35,036	3,137	3,108

Pension assets and liabilities recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	31/03/25 £000	**31/03/26 £000**	**31/03/25 £000**	**31/03/26 £000**
Present value of the defined benefit obligation	(1,188,482)	(1,212,158)	(34,154)	(33,235)
Fair value of pension fund assets	1,705,458	1,798,850	-	-
IFRIC 14 Asset Ceiling Adjustment	(516,976)	(586,692)	-	-
Net (liability)/asset arising from defined benefit obligation	**-**	**-**	**(34,154)**	**(33,235)**

The liabilities show the underlying commitments that the Council has in the long term to pay post-employment (retirement) benefits. The net liability to the Council in 2025/26 of (£33.235m) (Council LGPS net asset £0.000m less discretionary benefits arrangement net liability £33.235m) (2024/25 £34.154m (Council LGPS net asset £0.000m less discretionary benefits arrangement net liability £34.154m)) has a substantial impact on the net worth of the Council as recorded in the balance sheet.

IAS19 limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of reductions in future contributions to the plan. As there is no unconditional right to a refund, the actuaries have calculated whether there are economic benefits in the form of reductions in future contributions, in accordance with IFRIC14.

In 2025/26, as was the case in 2024/25, the calculation identified that the economic benefit reductions were to be floored at £0 which then became the asset ceiling. Therefore, as this was lower than the surplus in the defined benefit plan an adjustment to the defined benefit plan asset has been required in accordance with IAS19 and IFRIC14.

Information about the defined benefit obligation

	Liability split 31/03/25		Liability split 31/03/26	
	£000	(%)	£000	(%)
Active members	502,240	42.26%	554,105	45.71%
Deferred members	172,894	14.55%	174,248	14.38%
Pensioner members	513,348	43.19%	483,805	39.91%
Total	1,188,482	100.00%	1,212,158	100.00%

The durations are weighted averages as at the last formal valuation date 31 March 2023.

Reconciliation of the movements in the fair value of scheme assets

	Local Government Pension Scheme		**Discretionary Benefits Arrangements**	
	31/03/25 £000	**31/03/26 £000**	**31/03/25 £000**	**31/03/26 £000**
Opening fair value of scheme assets	1,670,904	1,705,458	-	-
Interest income	79,496	98,252	-	-
Return on plan assets	(17,459)	18,326	-	-
Contributions by employer	31,940	35,036	3,137	3,108
Contributions by Scheme participants	10,687	11,804	-	-
Experience adjustments	-	-	-	-
Estimated benefits paid (net of transfers in)	(70,110)	(70,026)	(3,137)	(3,108)
Closing fair value of scheme assets	**1,705,458**	**1,798,850**	**-**	**-**

Reconciliation of present value of scheme liabilities (defined benefit obligation)

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	31/03/25 £000	31/03/26 £000	31/03/25 £000	31/03/26 £000
Opening defined benefit obligation	(1,364,757)	(1,188,482)	(38,180)	(34,154)
Current service cost	(38,936)	(32,139)	-	-
Past service cost	(126)	(220)	-	-
Interest cost	(64,980)	(68,191)	(1,757)	(1,892)
Contributions by scheme participants	(10,687)	(11,804)	-	-
Actuarial gains/(losses) from changes in financial assumptions	206,328	35,808	1,990	411
Actuarial gains/(losses) from changes in demographic assumptions	2,211	(7,305)	70	(248)
Experience adjustments	12,355	(9,851)	586	(460)
Estimated benefits paid (net of transfers in)	70,110	70,026	3,137	3,108
Closing value	**(1,188,482)**	**(1,212,158)**	**(34,154)**	**(33,235)**

Analysis of Pension Fund's Assets

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

2024/25		2025/26
6%	**Cash and cash equivalents**	3%
	Equity Securities:	
	By industry type	
8%	Consumer	3%
4%	Manufacturing	3%
0%	Energy and utilities	0%
3%	Financial institutions	2%
2%	Health and care	1%
3%	Information technology	2%
0%	Other	0%
	Debt Securities:	
	By sector	
6%	Other	5%
15%	Corporate Bonds	14%
12%	UK Government	12%
6%	**Private Equity**	6%
	Property:	
9%	UK	7%
	Other Investment Funds:	
16%	Equity (pooled funds and unitised insurance policies)	31%
0%	Bonds	0%
0%	Hedge Funds	0%
0%	Commodities	0%
6%	Infrastructure	7%
4%	Other	4%
100%	Total	100%

Note: The risks relating to assets in the scheme are analysed below:

	Fair value of pension fund assets	
31 March 2025 £000		31 March 2026 £000
	Equity Instruments	
1,329,660	Quoted in an active market	1,413,651
375,798	Not quoted in an active market	385,199
(516,976)	IFRIC 14 Asset Ceiling Adjustment	(586,692)
1,188,482	Total equity instruments	1,212,158

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Highland Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2023.

The significant assumptions used by the actuary have been:

	2024/25	2025/26
Mortality Assumptions:		
Longevity at 65 for current pensioners (years)		
• Men	20.6	21.0
• Women	23.4	23.6
Longevity at 65 for future pensioners (years)		
• Men	21.3	21.7
• Women	25.1	25.2
Rate of inflation	2.80%	3.00%
Rate of increase in salaries	3.60%	3.80%
Rate of increase in pensions	2.80%	3.00%
Rate for discounting fund liabilities	5.80%	6.20%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption changes while all the other assumptions remain constant. The methods and types of assumption used in preparing the sensitivity analysis below did not change from that used in the previous period.

	Impact on the Defined Benefit Obligation in the Fund	
	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	19,098
1 year increase in member life expectancy	4%	49,816
0.1% increase in the Salary Increase Rate	0%	1,243
0.1% increase in the Pension Increase Rate (CPI)	1%	17,831

Asset and Liability Matching Strategy

The Highland Council Pension fund has an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The funding policy is directed to ensuring that in normal market conditions, all accrued benefits are fully covered by the actuarial value of the Fund's assets and that the appropriate level of contributions is agreed by the administering authority to meet the costs of future benefits accruing.

The overall investment portfolio for the Fund is weighted to the equity market, both UK and Overseas and some Private Equity. However, the portfolio has also invested in Index-Linked Gilts, Property, Property Debt, UK Bonds, Overseas Bonds, Private Equity and Cash.

This diverse range of investments is employed to minimise the effect of risk and enhance overall performance of the Fund for its Members.

With approximately 75% of the Fund's investments in active management and 25% in index tracking (passive), it is intended that an efficient balance is met between risk and return in light of liability profile and the funding level.

Impact on the Authority's Cash Flow

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The triennial valuation was conducted at 31 March 2023 and will provide employer contribution rates from April 2024 to March 2027.

The actuaries have estimated that employer contributions for the year to 31 March 2027 will be approximately £34.934m.

The weighted average duration of the defined benefit obligation for scheme members is 16.0 years 2025/26 (16.0 years 2024/25).

45. Local Government Pension Scheme

Highland Council is the administering authority for the Highland Council Pension Fund which provides pensions for those employees of the Highland Council, Comhairle Nan Eilean Siar and of other scheduled and admitted bodies which are eligible to join it.

The following scheduled and admitted bodies are members of the Highland Council Pension Fund:

Scheduled Bodies

1. The Highland Council
2. Comhairle nan Eilean Siar
3. Highland and Western Isles Valuation Joint Board
4. HITRANS
5. Inverness College
6. Scottish Police Authority
7. UHI North, West and Hebrides

Admitted Bodies (have applied and been accepted to participate in an LGPS fund under the terms of an 'Admission Agreement ')

1. Bòrd na Gàidhlig
2. An Comunn Gàidhealach
3. Cromarty Firth Port Authority
4. Eden Court Theatre
5. Forth & Oban Limited
6. Hebridean Housing Partnership
7. Highland Blindcraft
8. Highland & Islands Enterprise (HIE)
9. High Life Highland
10. Inverness Harbour Trust
11. Morrison FM
12. NHS Highland
13. Skills Development Scotland
14. Stornoway Port Authority
15. University of the Highlands & Islands

The following table shows the number of contributors, pensioners and deferred pensioners:

2025/26	**Contributors**	**Pensioners**	**Deferred Pensioners**
Highland Council	8,477	9,245	5,870
Scheduled Bodies	3,048	2,820	2,405
Admitted Bodies	1,771	1,738	1,399
Total	**13,296**	**13,803**	**9,674**
2024/25			
Highland Council	8,432	8,811	6,028
Scheduled Bodies	3,013	2,632	2,420
Admitted Bodies	1,807	1,633	1,386
Total	**13,252**	**13,076**	**9,834**

The Fund is constituted under legislation governing the Local Government Superannuation Scheme, the primary Act of Governance being the Superannuation Act 1972. Detailed regulations for the Scheme are contained in the Local Government Pension Scheme (Scotland) Regulations 1998, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2010 (as amended), the Local Government Pension Scheme (Transitional Provisions and Saving) (Scotland) Regulations 2014, the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015 and the Local Government Pension Scheme (Scotland) Regulations 2018 (as amended).

It is contracted out of the State Second Pension. From 1 April 2015 pension benefits for both Councillors and local government employees are based on career average pay.

The actuaries have advised that there are risks and uncertainties associated with the use of assumptions. IAS 19 requires the discount rate to be set with reference to the yields on high quality corporate bonds irrespective of the actual investment strategy of the Fund. As a result, the figures illustrated above are unlikely to reflect either the actual eventual cost of providing the benefits or the likely level of contributions to fund the Council's obligations to the Fund. Also, the balance sheet position may change significantly due to relative changes in the equity and bond markets at the reporting date.

The main risk to the employer is that it determines assumptions that are more prudent (for example a lower net discount rate, higher longevity) than its peers, leading to a relatively poorer reported financial position. The Council has considered the requirement for a best estimate set of assumptions and a commercial need not to overstate the pension liabilities.

As the administering authority, Highland Council is required to publish a pension fund annual report including a fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices. The pension fund annual report is available at http://www.highlandpensionfund.org/ .

46. Contingent liabilities

Building dilapidations

The Council leases a number of buildings which will require to be returned to their original leased condition at the end of the lease. Every attempt is made to maintain leased buildings in reasonable order as stipulated in the lease. However, the Council has a potential liability to incur re-instatement costs where the condition has deteriorated below that of the original state. A provision of £0.509m has been made for these costs. Where leases are coming to an end a condition survey will be carried out to determine the expected reinstatement costs and this is reflected in the provision. For all other leased properties an estimated provision is included based on a percentage of the annual rental charge. This is reviewed annually by the Council's Property Management team to ensure the estimated provision is reasonable.

Highland Council Pension Fund

The Council acts as Guarantor for the following Admitted bodies in the Highland Council Pension Fund:

Cromarty Firth Port Authority
High Life Highland
Highlands and Western Isles Joint Valuation Board
HITRANS
Highland Blindcraft
Eden Court
UHI

Any liability would only materialise should the organisations cease to become members of the Fund and be unable to meet any termination value calculated by the Fund Actuaries. Sight Action went into liquidation on 31 March 2024. The final cessation value was paid to Sight Action in February 2026.

47. Common Good Funds Accounts

Highland Council administers the Common Good Funds of the former Burgh Councils of Inverness, Nairn, Ross and Cromarty, and Badenoch and Strathspey as well as the towns of Wick and Thurso. The smallest Common Good Fund, Kingussie, is included in the following statements, but due to the size of the fund, not listed separately. Further details are, however, available on request.

All funds are held for the benefit of the residents of those former burghs and must be used in the first instance to maintain the assets of the Common Good. Thereafter, funds can be used for purposes which are in the interests of the community for which the Common Good Fund was established.

Accounting Policies

The Common Good accounts are prepared in accordance with the accounting policies adopted by Highland Council as detailed in Note 4 to the financial statements with the exception of the treatment of 'Reserves'. The Reserves policy adopted for the Common Good Fund Accounts follows LASAAC guidance (LASAAC Common Good Fund Guidance | CIPFA). This approach requires that assets should be depreciated and set against any surplus in the income and expenditure account. Therefore, statutory adjustments are not applied to the Common Good Fund statements.

In addition, the Common Good Fund has investment properties which are those used solely to earn rentals and for capital appreciation. Investment property values are determined by applying IFRS 13 – Fair Value Measurement. Disclosures regarding the valuation of investment properties are detailed in Note 48d to the accounts. Investment properties are not depreciated but are revalued annually. Gains and losses on revaluation are recorded in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment applies to gains and losses on disposal.

The Community Empowerment (Scotland) Act 2015 places new obligations on Councils with regards to the recording and use of Common Good assets. The Council is required to prepare and publish a register of all Common Good properties and make it publicly available. Public consultation on the proposed register closed on 5 June 2019. The Act also requires local authorities to publish any proposals and consult with community bodies before disposing of or changing the use of Common Good assets.

Comprehensive Income and Expenditure Statement

2024/25				2025/26		
Gross Expenditure £000	Gross Income £000	Net Expenditure/ (Income) £000		Gross Expenditure £000	Gross Income £000	Net Expenditure/ (Income) £000
2,671	(431)	2,240	Inverness	2,979	(240)	2,739
146	(33)	113	Nairn	105	(27)	78
4	-	4	Tain	11	-	11
4	(45)	(41)	Fort William	7	(80)	(73)
37	(3)	34	Dornoch	80	(3)	77
7	-	7	Dingwall	3	-	3
4	-	4	Fortrose	8	-	8
1	-	1	Cromarty	3	-	3
6	-	6	Invergordon	4	-	4
6	(10)	(4)	Wick	4	(39)	(35)
2,886	**(522)**	**2,364**	**Cost of services**	**3,204**	**(389)**	**2,815**
		(1,984)	Financing and investment income and expenditure			(4,431)
		-	Capital Grants/Contributions Received			(4)
		380	**(Surplus)/deficit on provision of services**			**(1,620)**
		(896)	(Surplus) on revaluation of heritage assets			-
		(896)	**Other comprehensive income and expenditure**			-
		(516)	**Total comprehensive (income) and expenditure**			**(1,620)**

Common Good Funds
Balance Sheet as at 31 March 2026

31/03/25		Notes	31/03/26
£000			£000
202	Property, Plant and Equipment	47a	259
6,040	Heritage Assets	47a, 47c	6,040
35,476	Investment Properties	47a, 47d	36,245
5	Intangible Assets		4
5,041	Investments	47e	5,238
46,764	**Long Term Assets**		47,786
2,371	Cash and cash equivalents		2,339
348	Sundry debtors		1,009
2,719	**Current Assets**		3,348
(88)	Sundry creditors		(119)
(88)	**Current Liabilities**		(119)
2,631	**Net current assets**		3,229
49,395	**Net assets**		**51,015**
7,481	Revenue funds	47f	**8,277**
36,167	Capital funds	47g	**36,991**
5,747	Revaluation reserve	47h	**5,747**
49,395	**Total Reserves**		**51,015**

Notes to the Common Good Funds Accounts

47a) Long term assets

The Community Empowerment (Scotland) Act 2015 requires the Council to establish and maintain a list of property which is held as part of the Common Good. The review of property titles to facilitate the publication of the list has been completed, and following a period of public consultation, the findings are now available on the Highland Council website at Common good asset register.

Details of the Common Good Funds long terms assets are as follows:

Movements in 2025/26	Investment Properties £000	Heritage Assets £000	Plant and Equipment £000	Total £000
Gross book value				
As at 1 April 2025	35,476	6,040	327	41,843
Additions	98	-	95	193
Disposals	-	-	-	-
Revaluations	671	-	-	671
As at 31 March 2026	36,245	6,040	422	42,707
Accumulated depreciation				
As at 1 April 2025	-	-	125	125
Depreciation charge	-	-	38	38
As at 31 March 2026	-	-	163	163
Net book value				
As at 31 March 2026	36,245	6,040	259	42,544
As at 31 March 2025	35,476	6,040	202	41,718

Investment Properties – Fair Value Measurement

Valuation Techniques used to Determine Fair Values for Investment Properties

- All Common Good Fund Investment Properties have been valued in accordance with IFRS 13 – Fair Value Measurement and have been categorised at Level 2 within the Fair Value Hierarchy. These revaluations are carried out by in-house valuers and are overseen by Kenny Forbes (MRICS), Property Manager, Infrastructure, Environment and Economy Service, Highland Council.

- Significant Observable Inputs – Level 2
  The fair value for the investment properties has been based on the comparable method of valuation, which is a market approach using current market conditions, recent transactions and other relevant information for similar assets in the Highland Council area. The inputs are derived through market transactions of other properties actively exchanged through sales and leasing. The levels of observable inputs are tangible transactions, leading to the properties being categorised at Level 2 in the fair value hierarchy.

- Highest and Best Use of Investment Properties
  In estimating the value of the Common Good Fund Investment Properties, the stated value represents their highest and best use in their current use.

- No changes in valuation methods for any of the properties have occurred.

Heritage Assets

Heritage assets relate to works of art and other movables and are included at insurance values.

47b) Related Parties

During the period the Council incurred £0.229m (2024/25 £0.159m) in relation to the administration of the Common Good Funds and was subsequently reimbursed for these expenses.

Common Good properties are used for service delivery by the Council. The Council paid the Common Good Fund £0.141m (2024/25 £0.108m) in rental income.

Rent of £0.008m (2024/25 £0.008m) per annum is received into Wick Common Good Fund from the Highland and Western Isles Valuation Joint Board, which is an associate of Highland Council.

47c) Heritage assets

31/03/25 £000	Heritage assets at insurance value	31/03/26 £000
	Common Good Fund	
2,204	Inverness	2,204
40	Nairn	40
387	Tain	387
22	Dornoch	22
254	Fortrose	254
2,890	Invergordon	2,890
243	Wick	243
6,040		6,040

Included in the heritage assets for the Invergordon Common Good Fund is a bust of Sir John Gordon by Edmé Bouchardon, which has an insurance value of £2.790m. The sale of this asset has been the subject of a public consultation and it was agreed at the Black Isle and Easter Ross Area Committee meeting on 13 May 2024 that it be recommended to full Council that the proposal to dispose of the bust of by sale should go ahead.

47d) Investment property

The Common Good Funds own a number of properties which are held to generate rental income and for capital appreciation. These are accounted for as investment property and are held at fair value in accordance with the Code. The fair value reflects market conditions at the balance sheet date and is reviewed annually. Gains or losses arising from changes in the fair value are recognised in the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement. The consumption of economic benefits in each asset over time is reflected in the fair value of the property and therefore investment properties are not depreciated. Investment properties are leased out to third parties under operating leases. At the balance sheet date the fair value of investment properties held by each fund was as follows:

31/03/25 £000	Investment Property at Fair Value	31/03/26 £000
	Common Good Fund	
25,316	Inverness	25,708
6,876	Nairn	6,876
362	Tain	362
1,088	Dornoch	1,088
464	Dingwall	465
480	Fortrose	856
55	Cromarty	55
425	Wick	425
400	Thurso	400
10	Grantown-on-Spey	10
35,476		36,245

47e) Investments

31/03/25 Cost £000	31/03/25 Valuation £000		31/03/26 Cost £000	31/03/26 Valuation £000
2,913	4,419	Inverness – Managed portfolio	2,775	4,561
529	622	Nairn – Managed portfolio	542	677
3,442	5,041		3,317	5,238

The Inverness Common Good Fund has holdings, managed by a fund manager, in various types of investments as detailed below:-

31/03/25 Units Held Cost £000	31/03/25 Units Held Valuation £000		31/03/26 Units Held Cost £000	31/03/26 Units Held Valuation £000
1,458	2,979	Equities	1,278	3,085
1,352	1,334	Bonds	1,407	1,381
50	50	Cash	37	37
53	56	Alternative	53	58
2,913	4,419	Total	2,775	4,561

The Nairn Common Good Fund has holdings, managed by a fund manager, in various types of investments as detailed below:

31/03/25 Units Held Cost £000	31/03/25 Units Held Valuation £000		31/03/26 Units Held Cost £000	31/03/26 Units Held Valuation £000
387	481	Equities	387	522
102	101	Bonds	111	111
19	19	Cash	23	23
21	21	Alternative	21	21
529	622	Total	542	677

47f) Revenue funds

	Balance at 1/04/25 £000	Movement 2025/26 £000	Balance at 31/03/26 £000
Common Good Fund			
Inverness	4,925	219	5,144
Nairn	1,091	112	1,203
Tain	266	21	287
Fort William	42	77	119
Dornoch	319	32	351
Dingwall	350	42	392
Fortrose	247	47	294
Cromarty	58	(4)	54
Invergordon	85	3	88
Wick	89	182	271
Thurso	9	65	74
Total	7,481	796	8,277

Included within the above totals are the unrealised gains related to the Investment portfolios as required by IFRS 9: Financial Instruments which are not available for use. These totals are:

	Balance at 1/04/25 £000	Movement 2025/26 £000	Balance at 31/03/26 £000
Common Good Fund			
Inverness	1,506	280	1,786
Nairn	93	42	135
Total	1,599	322	1,921

47g) Capital funds

	Balance at 1/04/25	Movement 2025/26	Balance at 31/03/26
	£000	£000	£000
Common Good Fund			
Inverness	25,364	459	25,823
Nairn	7,101	(9)	7,092
Tain	778	(1)	777
Dornoch	1,088	-	1,088
Dingwall	465	-	465
Fortrose	481	375	856
Cromarty	55	-	55
Wick	425	-	425
Thurso	400	-	400
Grantown	10	-	10
Total	36,167	824	36,991

47h) Revaluation Reserve

Fund	Balance at 1/04/25 £000	Movement 2025/26 £000	Balance at 31/03/26 £000
Inverness	2,203	-	2,203
Nairn	40	-	40
Tain	94	-	94
Dornoch	22	-	22
Fortrose	255	-	255
Invergordon	2,890	-	2,890
Wick	243	-	243
Total	5,747	-	5,747

47i) Financial Instrument balances

Categories of Financial Instruments
The following categories of financial instruments are carried in the Balance Sheet:

Financial Assets

Non-Current		Current		Total		Non-Current		Current		Total
Investments 31 March 2025 £000	Debtors 31 March 2025 £000	Investments 31 March 2025 £000	Debtors 31 March 2025 £000	31 March 2025 £000		Investments 31 March 2026 £000	Debtors 31 March 2026 £000	Investments 31 March 2026 £000	Debtors 31 March 2026 £000	31 March 2026 £000
5,041	-	-	-	5,041	Fair value through profit or loss	5,238	-	-	-	5,238
-	-	2,371	348	2,719	Amortised cost			2,339	1,009	3,348
5,041	**-**	**2,371**	**348**	**7,760**	**Total Financial Assets**	**5,238**	**-**	**2,339**	**1,009**	**8,586**

Financial Liabilities

Non-Current		Current		Total		Non-Current		Current		Total
Borrowings 31 March 2025 £000	Creditors 31 March 2025 £000	Borrowings 31 March 2025 £000	Creditors 31 March 2025 £000	31 March 2025 £000		Borrowings 31 March 2026 £000	Creditors 31 March 2026 £000	Borrowings 31 March 2026 £000	Creditors 31 March 2026 £000	31 March 2026 £000
-	-	-	88	88	Amortised cost	-	-	-	119	119
-	**-**	**-**	**88**	**88**	**Total Financial Liabilities**	**-**	**-**	**-**	**119**	**119**

47j) Financial Instruments Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2024/25 Surplus or Deficit on the Provision of Services £000		2025/26 Surplus or Deficit on the Provision of Services £000
	Net (gains)/losses on:	
243	Financial assets measured at fair value through profit or loss	(323)
243	**Total (gains)/losses**	(323)
	Interest revenue:	
(383)	Financial assets measured at amortised cost	(372)
(383)	**Total interest revenue**	(372)

Fair Values of Financial Assets

Some of the Common Good's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31/03/25	31/03/26
Fair Value through Profit and Loss			£000	£000
Investment portfolios held with Adam and Co	Level 1	Unadjusted quoted prices in active markets for identical investments	5,041	5,239
Total			5,041	5,239

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels 1 and 2 during the year.

Changes in the Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments.

Credit Risk

The investment portfolios are not covered by the impairment loss allowance requirements. Their maximum exposure to credit risk is their carrying amount and any changes in the fair value of the portfolios are attributable to changes in the credit risk.

48. Charitable, Educational and Other Trust Funds Accounts

ACCOUNTING POLICIES

The Trust Fund accounts are prepared in accordance with the accounting policies adopted by Highland Council as detailed in Note 3 to the financial statements. However, the following statements include the accounts of Highland Council Charitable Trusts and Highland Charities Trust, which have been prepared on a Receipts and Payments basis in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). The results of these accounts can be seen in the Charitable Trusts column below.

Income and Expenditure Account for the year ended 31 March 2026

2024/25				2025/26		
Charitable Trusts £000	Educational Trusts £000	Other Trusts £000		Charitable Trusts £000	Educational Trusts £000	Other Trusts £000
227	1	188	Incoming resources	220	3	113
(161)	(2)	(87)	Expenditure resources	(163)	(3)	(64)
66	(1)	101	Net incoming / (outgoing) resources before other recognised gains & losses	57	-	49
66	**(1)**	**101**	**Net Movement in Funds**	**57**	**-**	**49**
			Reconciliation of Funds			
2,556	1,001	2,285	Total Funds brought forward at 1 April	3,616	9	2,383
994	(991)	(3)	**Transfers between Trusts**	57	-	49
3,616	**9**	**2,383**	**Total Funds carried forward at 31 March**	**3,673**	**9**	**2,432**

During 2024/25, a reorganisation was undertaken whereby several of the Educational Trusts and Other Trusts (with an educational purpose) were transferred into the Charitable Trusts

Balance Sheet as at 31 March

31 March 2025				31 March 2026		
Charitable Trusts	Educational Trusts	Other Trusts		Charitable Trusts	Educational Trusts	Other Trusts
£000	£000	£000		£000	£000	£000
			Non current assets			
70	-	1,548	Investments at cost	70	-	1,538
			Current assets			
3,546	9	835	Debtor – Highland Council Loans Fund	3,603	9	894
3,546	9	835		3,603	9	894
3,616	**9**	**2,383**	**Net assets**	3,673		2,432
3,474	4	1,410	Capital funds	3,544	4	1,400
142	5	973	Revenue funds	129	5	1,032
3,616	**9**	**2,383**	**Total funds**	3,673	9	2,432

In addition to the assets noted above, one of the Other Trusts holds an investment property (nil cost). The value of the property at 31 March 2026 was £0.060m.

Notes to the Charitable, Educational and Other Trust Fund Accounts

Charitable Trusts

Highland Council administers two registered Scottish Charities which are for the benefit of various specific causes. Annual accounts have been prepared for each of the two charities under the Office of the Scottish Charities Regulator Regulations.

At 31 March 2026 the balances and investments held are as follows:

31 March 2025					31 March 2026		
Fund Balance	Investments at cost	Investments at valuation	Charity	Scottish Charity Number	Fund Balance	Investments at cost	Investments at valuation
£000	£000	£000			£000	£000	£000
115	1	3	Highland Charities Trust	SC044714	111	1	4
3,501	68	2,605	Highland Council Charitable Trusts	SC025079	3,562	68	2,947
3,616	**69**	**2,608**	**Total Charitable Trusts**		**3,673**	**69**	**2,951**

Educational Trust Funds

Due to the transfers noted above, The Highland Council now administers three (2024/25– three) Educational Trust Funds which are for the benefit of the pupils educated within specific schools or areas. At 31 March 2026 the balances and investments held are as follows:

31 March 2025				31 March 2026		
Fund Balance £000	Investments at cost £000	Investments at valuation £000		Fund Balance £000	Investments at cost £000	Investments at valuation £000
9	-	-	Other Educational Trusts	9	-	-
9	**-**	**-**	**Total Educational Trusts**	**9**	**-**	**-**

Other Trust Funds

Highland Council administers other trust funds which are for the benefit of various specific causes and are administered in accordance with the terms of the individual bequests. The balances and investments held are as follows:

31 March 2025				31 March 2026		
Fund Balance £000	Investments at cost £000	Investments at valuation £000		Fund Balance £000	Investments at cost £000	Investments at valuation £000
897	854	1,452	Inverness Burial Grounds Fund	926	849	1,553
771	694	1,036	Inverness Benevolent Funds	775	689	1,082
171	-	-	Inverness – Other Trust Funds	180	-	-
160	-	-	Ross and Cromarty Trust Funds	171	-	-
153	-	-	Caithness Trust Funds	153	-	-
48	-	-	Lochaber Trust Funds	34	-	-
94	-	-	Nairn Trust Funds	94	-	-
55	-	-	Social Work Amenity Funds	58	-	-
24	-	-	Sutherland Trust Funds	28	-	-
8	-	-	Badenoch and Strathspey Trust Funds	11	-	-
2	-	-	Skye and Lochalsh Trust Funds	2	-	-
2,383	**1,548**	**2,488**	Total other trust funds	**2,432**	**1,538**	**2,635**

49. Events after Reporting Period

The unaudited annual accounts were issued by the Chief Officer Corporate Finance on 25 June 2026 and the audited financial statements were authorised for issue by the Chief Officer Corporate Finance on 11 November 2026. Where events taking place before this date provided information about conditions existing at 31 March 2026 the financial statements have been adjusted in all material respects.

Housing Revenue Account (HRA) Income and Expenditure Statement
Aithris Teachd-a-steach agus Caiteachais Cunntas Teachd-a-steach an Taigheadais

The major elements of expenditure on the Council housing stock and how that expenditure has been financed are included in the HRA. The totals on the HRA are included in the Comprehensive Income and Expenditure Statement.

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Council charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Statement of Movement on the HRA.

2024/25 £000		2025/26 £000	£000
	Income		
(65,813)	Dwelling rents (gross)	(72,392)	
(846)	Non-dwelling rents (gross)	(1,079)	
(1,855)	Other income	(2,054)	
(68,514)			(75,525)
	Expenditure		
25,131	Repairs and maintenance	28,935	
13,051	Supervision and management	13,955	
43,372	Depreciation and impairment of non-current assets	(15,695)	
1,258	Other expenditure	734	
82,812			27,929
14,298	**Net (income)/expenditure from HRA services as included in Council Comprehensive Income and Expenditure Statement**		**(47,596)**
14,298	**Net (income)/expenditure from HRA services**		**(47,596)**
13,219	Loss on disposal of non-current assets	13,812	
18,060	Interest payable and similar charges	19,031	
(613)	Amortisation of premiums and discounts	(572)	
(656)	Interest and investment income	(702)	
(792)	Pension net interest	110	
(15,901)	Capital Grants and contributions	(22,444)	
740	Impairment of debtors	813	
14,057			10,048
28,355	**(Surplus)/Deficit on HRA services**		**(37,548)**

Statement of Movement on the Housing Revenue Account
Aithris air Gluasad air Cunntas Teachd-a-steach an Taigheadais

2024/25 £000		2025/26 £000	£000
(4,681)	Balance on HRA at 1 April 2025		(5,076)
28,355	(Surplus)/Deficit for the year on HRA Income and Expenditure Statement		(37,548)
	Adjustments to usable reserves permitted by accounting standards		
(61)	Historic depreciation element		(127)
	Adjustments between accounting basis and funding basis under statute		
(13,219)	Loss on sale of HRA non-current assets	(13,812)	
-	Capital expenditure funded by the HRA	167	
(13,219)			(13,645)
	Transfer to the Capital Adjustment Account		
(43,311)	- Depreciation and impairment	15,822	
10,775	- repayment of debt	12,223	
15,901	- Capital grants and contributions	22,444	
(16,635)			50,489
552	HRA share of contributions to the Pensions Reserve		259
613	HRA share of transfer from the Financial Instruments Adjustment Account		572
(5,076)	**Balance on HRA at 31 March 2026**		**(5,076)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Rent arrears

Rent arrears were as follows

31/03/25 £000		31/03/26 £000
3,293	Current tenants	3,159
1,350	Former tenants	1,854
4,643	**Total**	5,013

2. Uncollectable rent voids

Uncollectable rent voids of £1.370m (2024/25 £1.342m) have been netted off against rental income.

3. Impairment of debtors

In 2025/26 an impairment has been provided in the Balance Sheet for irrecoverable rents as follows

31/03/25 £000		31/03/26 £000
2,933	Rent arrears	3,345
201	Sundry debts	178
3,134		3,523

4. Housing Stock

The Council's housing stock was as follows

31/03/25 Number	Type of House	31/03/26 Number
199	1 apartment	218
3,956	2 apartment	3,959
6,296	3 apartment	6,347
4,331	4 apartment	4,364
415	5 apartment	418
26	6 apartment	26
1	7 apartment	1
2	8 apartment	2
15,226		15,334

Council Tax Income Account
Cunntas Teachd-a-steach Cìs na Comhairle

The Council Tax Income Account shows the gross income raised from Council taxes levied and deductions made under statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the Council.

2024/25 £000		2025/26 £000
191,706	Gross Council Tax levied and contributions in lieu	206,775
(13,652)	Council Tax Reduction Scheme	(14,449)
(21,203)	Other discounts and reductions	(22,898)
(3,028)	Write off of uncollectable debts and allowances for impairment	(2,807)
(589)	Adjustments for prior years Council Tax and Community Charge	(924)
153,234	**Net Council Tax income per the Comprehensive Income and Expenditure Statement**	**165,697**

Notes to the Council Tax Income Account

Calculation of the Council Tax base 2025/26

Band	No of dwellings	No of exemptions	Disabled relief	Discounts 25%	Discounts 50%	Total dwellings	Ratio to Band D	Band D Equivalents
A (dbr)*	-	-	55	(6)	0	49	200/360	27
A	19,462	(1,195)	56	(2,493)	(182)	15,648	240/360	10,432
B	23,786	(1,082)	57	(2,722)	(190)	19,849	280/360	15,438
C	25,305	(866)	18	(2,543)	(186)	21,728	320/360	19,313
D	21,067	(525)	58	(1,636)	(144)	18,820	360/360	18,821
E	20,368	(325)	(131)	(1,217)	(128)	18,567	473/360	24,395
F	10,256	(130)	(57)	(466)	(72)	9,531	585/360	15,488
G	4,847	(68)	(54)	(170)	(24)	4,531	705/360	8,874
H	350	(15)	(2)	(5)	(5)	323	882/360	791
Total	125,441	(4,206)	0	(11,258)	(931)	109,046		113,579
					Council Tax Reduction			(9,462)
					Contributions in lieu			164
					Provision for non- collection (1.61%)			(1,679)
					Council tax base			**102,602**

A(dbr)* – Band A properties with disabled band reduction

Dwellings fall within a valuation band between A to H which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. The band D charge for 2025/26 was £1,527.09

From 1 April 2017 the Scottish Government changed the basis on which properties are assessed for Council Tax and this increased the charge for Council Tax properties that are banded E to H. The Highland Council had no discretion in this matter and must apply these increases to the Council Tax charges from 1 April 2017. Householders living in properties in Bands A-D are not affected by this increase. Based on the Council Tax base available to Highland Council the Band D charge for 2025/26 was £1,527.09

Properties can be exempt if they are unoccupied or occupied by certain categories of occupier.

A discount of 25% is available for properties occupied by only one liable person aged 18 years or over.

A discount of 50% is available on unoccupied properties which are either purpose built holiday homes, job related dwellings, properties undergoing major repair work to render it habitable or unfurnished for less than 12 months.

A discount of up to 10% can be awarded for a maximum period of 12 months for long term empty properties which are furnished. After this a 200% Council Tax charge will apply.

Exemption can be awarded for up to 6 months for long term empty properties which are unfurnished. A discount of up to 10% can then be applied for a further 6 months or 18 months if the property is actively marketed for sale or let. When the discount ends a 200% Council Tax charge will apply.

Apart from some very limited statutory and discretionary exemptions, most second homes will be subject to a 200% Council Tax charge from 1st April 2024

Highland Council is required to collect any domestic water and waste water charges for public supply on behalf of Scottish Water. Charges for Water & Sewerage are the responsibility of Scottish Water.

Highland Council Tax charges for 2025/26

Band A (disabled band reduction)	£848.38
Band A	£1,018.06
Band B	£1,187.74
Band C	£1,357.41
Band D	£1,527.09
Band E	£2,006.43
Band F	£2,481.52
Band G	£2,990.55
Band H	£3,741.37

Non-Domestic Rate Account
Cunntas Reat Neo-dhachaigheil

The Non-Domestic Rate (NDR) Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national Non-Domestic rate pool.

2024/25 £000		2025/26 £000
230,183	Gross rates levied and contributions in lieu	233,100
(47,066)	Reliefs and other deductions	(47,741)
(159)	Payment of interest	(550)
(1,802)	Write-off of uncollectible debts and allowance for impairment	(1,869)
181,156	**Net Non-Domestic Rate Income (NNDR)**	**182,940**
(7,763)	Adjustment to previous years' national Non-Domestic rates	(8,566)
(353)	Non-Domestic Rate Income Retained by Authority (Business Rates Incentivisation Scheme)	(353)
-	Anti-Avoidance Income	(1)
173,040	**Contribution to Non-Domestic Rate Pool**	**174,020**

Notes to the Non-Domestic Rate Account

Non-Domestic Rate Income as reported under taxation and non-specific grant income on the CIES comprises income assigned to the Highland Council by the Scottish Government from the national non-domestic rates pool.

160,345	NDR Distributable Amount	167,986
353	Non-Domestic Rate income retained by Council (BRIS)	354
160,698	**Non-Domestic Rate Income credited to CIES**	**168,340**

Net Rateable Value Calculation

The amount paid for NNDR is determined by the rateable value placed on the property by the Assessor multiplied by the rate per pound, which is determined each year by the Scottish Government. The NNDR poundage rate set by the Scottish Government for 2025/26 was 49.8p Rateable Value equal to or less than £51,000, 55.4p Rateable Value between £51,001 and £100,000 and 56.8p Rateable Value greater than £100,000

Highland Council Rateable Values

1 April 2024			1 April 2025	
Number of units	Rateable values £000		Number of units	Rateable values £000
2,658	63,113	Shops	2,640	61,311
930	32,296	Public houses and hotels	927	32,093
1,683	28,164	Offices	1,665	27,794
2,839	59,359	Industrial subjects	2,821	58,374
6,115	36,501	Leisure, entertainment, caravans and holiday sites	6,058	35,815
293	6,137	Garages and petrol stations	293	6,201
2,461	32,804	Cultural, sporting subjects, education and training	2,465	32,570
1,202	19,054	Public service subjects	1,187	18,630
2,123	155,096	Miscellaneous	2,147	152,681
20,304	**432,524**	**Total**	**20,203**	**425,469**

Group Accounts

Cunntasan Buidhne

Group Comprehensive Income and Expenditure Statement
Aithris Teachd-a-steach agus Caiteachais Ioma-chuimseach Buidhne

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices governed by International Financial Reporting Standards.

2024/25 (restated)					2025/26		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
82,813	(68,515)	14,298	Council Housing – Housing Revenue Account		27,929	(75,525)	(47,596)
85,921	(33,724)	52,197	Communities & Place		96,929	(41,306)	55,623
297,610	(11,662)	285,948	Education & Learning		353,772	(15,449)	338,323
227,176	(20,345)	206,831	Health & Social Care		241,519	(23,957)	217,562
134,513	(62,111)	72,402	Infrastructure, Environment & Economy		138,279	(60,072)	78,207
16,419	(3,483)	12,936	Performance & Governance		16,951	(3,358)	13,593
118,432	(15,329)	103,103	Property & Housing		109,130	(18,656)	90,474
22,570	(3,269)	19,301	Resources & Finance		24,368	(5,232)	19,136
14,807	(5)	14,802	Business Solutions		15,891	-	15,891
40,151	(32,411)	7,740	Welfare Services		35,202	(26,755)	8,447
458	0	458	Green Freeport		329	-	329
			Joint Board Requisitions:				
3,230	0	3,230	Highland and Western Isles Valuation Joint Board		3,437	-	3,437
91	0	91	Highland and Islands Transport Partnership		91	-	91
1,044,191	(250,854)	**793,337**	**Cost of Services Carried Forward**		1,063,827	(270,310)	**793,517**

2024/25 (restated)					2025/26		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
1,044,191	(250,854)	**793,337**	**Cost of Services Brought Forward**		1,063,827	(270,310)	**793,517**
		15,687	Other operating expenditure				15,420
		39,963	Financing and investment income and expenditure	6			56,713
		(840,434)	Taxation and non-specific grant income				(908,472)
		8,553	**(Surplus)/Deficit on provision of services**				**(42,822)**
		69	Associates accounted for on an equity basis				(141)
		217	Taxation of subsidiaries				249
		8,839	**Group (Surplus)/Deficit**				**(42,714)**
		(107,063)	(Surplus) or deficit on revaluation of non-current assets				(75,994)
		310,834	Remeasurements of the net defined liability				4,984
		1,865	Share of other comprehensive income and expenditure of associates				-
		205,636	**Other comprehensive (income) and expenditure**				**(71,010)**
		214,475	**Total Comprehensive (Income) and Expenditure**				**(113,274)**

Taxation of subsidiaries restated in 2024/25 due to £6k change in figure related to D&E Coaches and Gross expenditure for Infrastructure, Environment & Economy restated in 2024/25 due to £1,161k change in consolidation upon purchase.

Group Movement in Reserves Statement 2025/26
Aithris air Gluasad ann an Cùl-stòran Buidhne 2025/26

	General Fund £000	Housing Revenue Account £000	Renewal and Repair Fund £000	Insurance Fund £000	Capital Fund £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Reserves £000**
Balance at 31 March 2025	**120,676**	**5,076**	**2,241**	**3,012**	**15,374**	**11,069**	**157,448**	**1,473,321**	**1,630,769**
Movement in reserves during 2025/26									
Total comprehensive income and expenditure	25,795	37,548	-	-	-	-	**63,343**	72,923	**136,266**
Adjustments to usable reserves permitted by accounting standards	11,148	127	-	-	-	-	**11,275**	(11,275)	**-**
Adjustments between accounting basis and funding basis under regulations (Note 7 in Council accounts)	(52,735)	(37,675)	-	-	3,233	-	**(87,177)**	87,177	**-**
Adjustments between Group accounts and Council accounts	(23,842)	-	-	-	-	-	**(23,842)**	-	**(23,842)**
Net increase/(decrease) before transfers to and other statutory reserves	(39,634)	-	-	-	3,233	-	**(36,401)**	148,825	**112,424**
Transfers to/from other statutory reserves	5,061	-	11	(2,288)	10,432	(581)	**12,635**	(12,635)	**-**
Increase/(decrease) in 2025/26	(34,573)	-	11	(2,288)	13,665	(581)	**(23,766)**	136,190	**112,424**
Balance at 31 March 2026	**86,103**	**5,076**	**2,252**	**724**	**29,039**	**10,488**	**133,682**	**1,609,511**	**1,743,193**

Group Movement in Reserves Statement 2025/26
Aithris air Gluasad ann an Cùl-stòran Buidhne 2025/26

This statement shows the movement in the year on the reserves held by the Group. The Total Comprehensive Expenditure and Income line shows the true economic cost of providing the group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

GROUP 2025/26	**Total Council Reserves £000**	Councils share of Subsidiaries Reserves £000	Council's share of Associates Reserves £000	**Total Group Reserves £000**
Balance at 31 March 2025 brought forward	**1,630,769**	**42,152**	**139**	**1,673,060**
Adjustment for reduction in reserves for dividend payments	**-**	-	-	**-**
Movement in reserves during 2025/26				
Total Comprehensive Expenditure and Income	**136,266**	(22,683)	141	**113,724**
Adjustments between accounting basis and funding basis under regulations	-	-	-	**-**
Adjustments between Group accounts and Council accounts	**(23,842)**	23,842	-	**-**
Net increase/(decrease) before transfers to earmarked and other statutory reserves	**112,424**	1,159	141	**113,724**
Increase/(decrease) in 2025/26	**112,424**	1,159	141	**113,724**
Balance at 31 March 2026 carried forward	**1,743,193**	43,311	280	**1,786,784**

Group Movement in Reserves Statement 2024/25
Aithris air Gluasad ann an Cùl-stòran Buidhne 2024/25

	General Fund £000	Housing Revenue Account £000	Renewal and Repair Fund £000	Insurance Fund £000	Capital Fund £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Reserves £000**
Balance at 31 March 2024	**158,088**	**4,681**	**2,227**	**5,299**	**18,117**	**13,390**	**201,802**	**1,641,233**	**1,843,035**
Movement in reserves during 2024/25									
Total comprehensive income and expenditure	41,245	(28,356)	-	-	-	-	**12,889**	(204,231)	**(191,342)**
Adjustments to usable reserves permitted by accounting standards	5,572	62	-	-	-	-	**5,634**	(5,634)	**-**
Adjustments between accounting basis and funding basis under regulations (Note 7 in Council accounts)	(75,066)	28,689	-	-	717	-	**(45,660)**	45,660	**-**
Adjustments between Group accounts and Council accounts	(20,924)	-	-	-	-	-	**(20,924)**	-	**(20,924)**
Net increase/(decrease) before transfers to and other statutory reserves	(49,173)	395	-	-	717	-	**(48,061)**	(164,205)	**(212,266)**
Transfers to/from other statutory reserves	11,761	-	14	(2,287)	(3,460)	(2,321)	**3,707**	(3,707)	**-**
Increase/(decrease) in 2024/25	(37,412)	395	14	(2,287)	(2,743)	(2,321)	**(44,354)**	(167,912)	**(212,266)**
Balance at 31 March 2025	**120,676**	**5,076**	**2,241**	**3,012**	**15,374**	**11,069**	**157,448**	**1,473,321**	**1,630,769**

Group Movement in Reserves Statement 2024/25
Aithris air Gluasad ann an Cùl-stòran Buidhne 2024/25

GROUP 2024/25 (restated)	**Total Council Reserves £000**	Councils share of Subsidiaries Reserves £000	Council's share of Associates Reserves £000	**Total Group Reserves £000**
Balance at 31 March 2024 brought forward	**1,843,035**	42,421	2,073	**1,887,529**
Movement in reserves during 2024/25				
Total Comprehensive Expenditure and Income	**(191,342)**	(21,193)	(1,934)	**(214,469)**
Adjustments between accounting basis and funding basis under regulations	-	-	-	**-**
Adjustments between Group accounts and Council accounts	(20,924)	20,924	-	**-**
Net increase/(decrease) before transfers to earmarked and other statutory reserves	(212,266)	(269)	(1,934)	(214,469)
Increase/(decrease) in 2024/25	**(212,266)**	(269)	(1,934)	**(214,469)**
Balance at 31 March 2025 carried forward	**1,630,769**	**42,152**	**139**	**1,673,060**

Councils share of Subsidiaries Reserves restated in 2024/25 due to £6k change in taxation figure related to D&E Coaches and £4,614k change in relation to consolidation upon purchase.

Group Balance Sheet
Duilleag Chothromachaidh Buidhne

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the group. The net assets of the group (assets less liabilities) are matched by the reserves held by the group.

31/03/25 £000 (restated)		Note	31/03/26 £000
3,079,513	Property, plant & equipment		3,273,420
16,374	Right of Use Assets		15,448
32,192	Investment Properties	7	32,584
10,780	Heritage Assets		10,780
1,489	Intangible Assets		1,577
139	Investments in associates		280
5,042	Long term investments		5,238
67,756	Long term debtors (net of impairment)		82,843
3,213,285	**Long term assets**		3,422,170
7,198	Inventories		8,619
90,554	Short term debtors		133,648
43,470	Cash and cash equivalents		34,450
2,220	Assets held for sale		2,200
143,442	**Current assets**		178,917
(266,277)	Short term borrowing		(319,881)
(167,840)	Short term creditors		(182,284)
(498)	Cash and cash equivalents – bank overdraft		(531)
(1,969)	Provisions		(2,241)
(18,485)	Capital Grants Receipts in Advance		(13,113)
(455,069)	**Current liabilities**		(518,050)
(1,042,593)	Long term borrowing		(1,122,082)
(186,005)	Other long term liabilities	8	(174,171)
(1,228,598)	**Long term liabilities**		(1,296,253)
1,673,060	**Net assets**		**1,786,784**
157,506	Usable reserves	9	133,741
1,473,321	Unusable reserves	HC 29	1,609,511
42,233	Share of group and associate reserves		43,532
1,673,060	**Total reserves**		**1,786,784**

Restatement in 2024/25 is a result of a £6k adjustment in D&E Coaches accounts and £4,614k change in relation to consolidation upon purchase.

The unaudited annual accounts were issued on 25 June 2026 and the audited financial statements were authorised for issue by the Chief Officer Corporate Finance on 11 November 2026.

Brian Porter CPFA
Chief Officer Corporate Finance

Group Cash Flow Statement
Aithris Sruth-airgid Buidhne

The Cash Flow Statement shows the changes in cash and cash equivalents of the group during the year. This statement shows how the group generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities.

2024/25 £000 (restated)		2025/26 £000
(8,553)	Net (deficit)/surplus on the provision of services	42,822
94,845	Adjust net (deficit)/surplus on provision of services for non-cash movements	93,207
(81,398)	Adjust for items included in the net deficit or surplus on provision of services that are investing and financing activities	(102,148)
4,894	Net cash inflow from operating activities	33,881
(233,315)	Investing activities	(253,447)
216,558	Financing activities	210,513
(11,863)	**Net increase or decrease in cash and cash equivalents**	**(9,053)**
54,835	Cash and cash equivalents at 1 April 2025	42,972
42,972	**Cash and cash equivalents at 31 March 2026**	**33,919**

Restatement in 2024/25 is due to £1,161k change on net deficit on the provision of services and cash and cash equivalents at 1 April due to the consolidation of the purchase of D&E Coaches

Notes to the Group Accounts
Notaichean air na Cunntasan Buidhne

1. Accounting policies

The Financial Statements in the Group Accounts have been prepared in accordance with the Council's accounting policies set out in pages 70-84 and per the Common Good's policies on page 149 for Investment Property. Where materially different, accounting policies of group members have been aligned to those of the Council. Detailed notes to the Group Accounts have been provided only where transactions or balances are materially different to the Council's Accounts.

a. Assumptions made about the future and other major sources of estimation uncertainty

The Annual Accounts contain estimated figures that are based on assumptions made by the Group about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Group Balance Sheet at 31 March 2026 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Investment property valuations	The UK continues to experience uncertain market condition and relatively high inflation. Nevertheless, at the Valuation date property markets remain relatively stable and are functioning at levels where adequate levels of market evidence exist upon which to base opinions of value.	Any significant change in property market conditions would require Investment Property to be revalued and would therefore impact on the asset valuations on the Group balance Sheet. The risk of movement is uncertain and an upwards or downwards revaluation in future years is possible. It is estimated a change in value of 10% in Investment Property asset category would adjust the total value of plant, property and equipment by £3.290 million.

2. Interest in other entities

Highland Council has adopted the recommendations of Chapter 9 of the Code, which requires local authorities to consider their interests in all types of entity to incorporate into group accounts.

The Council has accounted for its interest in each subsidiary by consolidating on a line by line basis. The Council's interest in each associate has been accounted for using the equity method of accounting. Where applicable, consolidation adjustments have been made to eliminate inter-group transactions.

3. Financial impact of consolidation

By including the share of group entities (details of which are provided in Note 4), the effect on the group balance sheet is an increase in net assets and reserves of £43.591m. This represents Highland Council's share of the net assets in these entities.

The effect on the group balance sheet of including High Life Highland's pensions liability is a reduction in other long term liabilities and the pension reserve of £0.013m.

4. Group entities

The Group includes the Highland Council, its subsidiaries and associates as listed below:

Subsidiaries

Highland Council has a 100% interest in the following entities:

- Inverness Common Good Fund
- Nairn Common Good Fund
- High Life Highland– a charitable company limited by guarantee. Highland Council is the sole member with its liability limited to £1. The company delivers a range of community learning and leisure services on behalf of the Highland Council. It has charitable status and has one wholly owned subsidiary High Life Highland (Trading) CIC whose principal aim is to generate funds to be used by the charity in pursuit of its charitable objectives.
- D&E Coaches Ltd – a Highland bus company acquired in 2024/25 to further the Council's strategy regarding ensuring the provision of affordable school and public transport in the Highlands.

Results for the year 2025/26	(Surplus)/deficit on provision of services £000	Net assets/(liabilities) £000
High Life Highland	(1,594)	1,715
Inverness Common Good	(678)	33,172
Nairn Common Good Fund	(103)	8,335
D&E Coaches Ltd	(946)	89
	(3,321)	43,311

Associates

Highland Council has interests in associates as follows:

- Highland and Western Isles Valuation Joint Board – 80%
- Highlands and Islands Transport Partnership – 37.5%

The joint boards have a wide range of functions to discharge. Members of each board are elected Councillors who are appointed by the Council in proportions specified in legislation.

Under accounting standards guidance, Highland Council can be seen to have significant influence over these statutory bodies, through nominated Council Member involvement in each governing board.

The financial results of the Associates for 2025/26 were as follows:

Results for the year	(Surplus)/Deficit on provision of services £000	Net assets/(liabilities) £000
Highland and Western Isles Joint Valuation Board	63	7
Highland and Islands Transport Partnership	(505)	732
	(442)	739

Group share	%	(Surplus)/Deficit on provision of services £000	Net assets/ (liabilities) £000
Highland and Western Isles Joint Valuation Board	80.0	50	5
Highland and Islands Transport Partnership	37.5	(191)	275
		(141)	280

5. Non material interest in other entities

Highland Council also has an interest in the following entities which have not been consolidated into the Council's group accounts as the amounts are not material.

- Highland Opportunity Limited (HOL)
- Common Good Funds – Tain, Dornoch, Fortrose, Dingwall, Cromarty, Invergordon, Grantown, Kingussie, Thurso and Wick.
- Eden Court Highlands

6. Comprehensive Income and Expenditure Statement – Financing and investment income and expenditure

2024/25 £000		2025/26 £000
(3,114)	Gains on trading operations	(4,072)
66,520	Interest payable and similar charges	70,615
(13,372)	Pensions net interest expense	262
(35)	Income Recognised on IFRS16 Leases	(69)
(10,288)	Interest and investment income	(8,102)
(2,679)	Rental income	(2,996)
630	Property costs	451
867	(Surplus)/Deficit on revaluation of investment properties	(295)
-	(Gain)/Loss on disposal of investment properties	-
1,191	Expected credit losses on financial assets	1,242
125	(Gains)/Losses on valuation of financial assets	426
118	(Gains)/Losses on derecognition of financial assets	(749)
39,963		56,713

7. Investment Property

The Group Investment property is held within Inverness and Nairn Common Good Funds. Details are as follows:

	Inverness £000	Nairn £000	Total £000
Gross book value			
As at 1 April 2025	25,316	6,876	32,192
Additions	97	-	97
Disposals	-	-	-
Revaluations	295	-	295
As at 31 March 2026	25,708	6,876	32,584
Net book value			
As at 31 March 2026	25,708	6,876	32,584
As at 31 March 2025	25,316	6,876	32,192

8. Long Term Liabilities

The Group long term liabilities is comprised as follows:

	Highland Council £000	Subsidiaries (HLH) £000	Subsidiaries (D&E) £000	Total £000
Pension liability	(33,235)	(13)	-	(33,248)
Lease (PFI) creditors	(128,946)	-	-	(128,946)
IFRS16 lease creditors	(8,171)	-	-	(8,171)
Other long term creditors	(2,175)	-	(1,631)	(3,806)
As at 31 March 2026	(172,527)	(13)	(1,631)	(174,171)

9. Reserves

Pension reserve

The Group Pension reserve comprises the Council's Pension reserve held as an unusable reserve and the share of group pension reserves held as a usable reserve. Details of the Pension liability is disclosed in Note 24 of the Council Accounts.

	31 March 2025 £000	31 March 2026 £000
Highland Council – Pension Reserve	(34,154)	(33,235)
Share of group pension reserve	(14)	(13)
As at 31 March 2025	**(34,168)**	**(33,248)**

Share of group and associate usable reserve

The group and associate share of usable reserves reflects the share of group and reserves excluding unusable reserves (pension reserve).

	31 March 2025 £000	31 March 2026 £000
Share of group and associate reserves (MIRS)	42,219	43,519
Adjust for share of group and associate pension reserve	14	13
Share of group and associate usable reserves	**42,233**	**43,532**

Total group usable reserves

	31 March 2025 £000	31 March 2026 £000
Highland Council – usable reserves	157,448	133,682
Share of group capital fund	72	72
Share of group pension reserve	(14)	(13)
Group usable reserves	**157,506**	**133,741**

10. Events after the Balance Sheet date

The unaudited annual accounts were issued by the Chief Officer Corporate Finance on 25 June 2026 and the audited financial statements were authorised for issue by the Chief Officer Corporate Finance on 11 November 2026. Where events taking place before this date provided information about conditions existing at 31 March 2026 the financial statements have been adjusted in all material respects.

In May 2026, the Council approved, in principle, the acquisition of a privately owned bus operator through its subsidiary D&E Coaches Limited. The proposed acquisition, subject to completion of due diligence and satisfaction of other conditions, is due to complete in 2026/27.

Glossary of Terms
Beag-fhaclair Theirmean

Glossary of Terms
We recognise that financial statements by their nature need to include some technical terms and the purpose of this section is to explain some of the more important ones.

Amortisation: similar to depreciation but applied to intangible assets i.e. the measurement of the value of an asset used during the year.

Budget: the budget sets out what the Council intends to spend and how it will be paid for. Budgets are prepared and approved before the start of a financial year for both revenue and capital expenditure.

Business Rates Incentivisation Scheme (BRIS): a scheme which allow Councils to retain a percentage of Non Domestic Rates (NDR) income, designed to encourage growth of businesses.

Capital Adjustment Account: provides a balancing mechanism between the different rates at which assets are depreciated and financed.

Capital Borrowing: this is the element of the Capital Programme not financed by capital and revenue resources (i.e. capital receipts, capital grants and revenue contributions). The capital expenditure will give rise to a borrowing need; however it is important to note that the need may not result in actual external borrowing, and the decision may be taken to finance borrowing from within the Council.

Capital Expenditure: spending on assets of lasting value, whose useful life exceeds the current year. Capital expenditure is financed principally from borrowing but can also be funded by capital receipts, grants and revenue contributions (CFCR).

Capital From Current Revenue (CFCR): this is expenditure on capital assets that is financed from the revenue account in the current financial year.

Capital Fund: established under the Local Government (Scotland) Act 1975. This fund is credited with the receipts of property sales and can be used to fund capital expenditure for landbanking.

Capital Grants: grants from bodies such as the European Union and Scottish Government can fund capital projects as can contributions from other organisations.

Capital Grants Unapplied: the Capital Grants Unapplied Account holds the grants and contributions received towards capital expenditure for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.

Capital Receipt: a capital receipt arises when the Council sells a surplus asset, e.g. a piece of land or a building and this can be used to finance further capital expenditure or repay existing debt.

Carrying Amount: the value at which an asset or liability is shown on the Balance Sheet.

Common Good Funds: Highland Council administers the Common Good Funds of the former Burgh Councils of Inverness, Nairn, Ross and Cromarty, and Badenoch and Strathspey. The two smallest Common Good Funds, Grantown and Kingussie, are included in the following statements, but due to the size of the funds, are not listed separately. Further details are, however, available on request.

All funds are held for the benefit of the residents of those former burghs and must be used in the first instance to maintain the assets of the Common Good. Thereafter funds can be used for purposes which are in the interests of the community for which the Common Good Fund was established.

Component Accounting: where fixed assets are valued and depreciated on the basis of individual components i.e. roof, heating system etc, opposed to one overall value.

Contingent Liability: a possible future financial obligation which is reported as a specific note to the annual accounts because it cannot be judged as probable enough to warrant a provision.

Council Tax: the major part of locally raised revenue income, based on a property being classified into one of eight bands. In the interests of consistency all Councils determine their Council Tax at the Band D level

and the charges for properties in all other bands are expressed as a proportion of Band D.

Council Tax Reduction Scheme (CTRS): replaced Council Tax Benefit which stopped on 1 April 2013 as part of the welfare reform programme. CTRS is a reduction on your Council tax that you may be entitled to if you are on a low income. Responsibility for assisting those who need help to pay their Council Tax in Scotland now sits with the Scottish Government and Scottish Local Authorities.

Current Assets: assets of a short-term nature, e.g. short term investments, inventories, short term debtors and cash and cash equivalents.

Current Liabilities: liabilities expected to be due within the next year, e.g. short term creditors, short-term borrowing and provisions.

Depreciation: the measure of the value of a fixed asset used during the year.

Equity Method: in the Group Accounts, the equity method of accounting is used to determine the Council's share of the net income generated from associate entities in proportion to the Council's investment in the associate.

Fair Value: is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fees and Charges: charges for specific service; examples include, commercial rents, hall lets and school meals.

Financial Asset: a right to future economic benefits controlled by the authority.

Financial Instrument: contracts that give rise to a financial asset of one entity and a financial liability of another entity.

Financial Instruments Adjustment Account: an account that enables the effects of accounting for financial instruments to be neutral in terms of Council Tax.

Financial Liability: an obligation to transfer economic benefits controlled by the authority.

General Fund: the principal usable reserve of the Council that covers most areas of activity, the main exclusion being the Pension Fund.

Group Accounts: statements that reflect the Council's interest in any subsidiaries, associates and joint ventures.

Heritage Assets: assets preserved in trust for future generations because of their cultural, environmental or historical association. It applies to assets held and maintained by the authority principally for the contribution to knowledge and culture.

IAS19: the International Accounting Standard (IAS) which lays down the disclosure and reporting requirements for Retirement Benefits paid from our Pension Fund.

IFRS: the Council's accounts are governed by International Financial Reporting Standards.

Impairment: an asset is impaired when its carrying amount exceeds its recoverable amount.

Infrastructure: assets of a general and supporting nature, e.g. the roads and bridges network, car parks, pathways, sea defences and water/drainage systems.

Insurance Fund: a fund that meets the costs of premiums for a range of external insurance cover, meets the cost of claims not covered by external insurance, and receives contributions from Council services.

Interest on Revenue Balances: the Council's loans fund acts as an internal banker and pays interest where it has utilised any internal credit balances, e.g. the General Fund Reserves.

Inventories: materials etc. that have been purchased but not yet consumed in the delivery of Council services.

Loan Charges: sometimes called debt charges, these are the annual repayments of principal, interest and expenses in respect of loans taken to finance capital expenditure.

Loans Fund: established as part of the Local Government (Scotland) Act 1975, the Council's Loans Fund acts as an internal banker and makes use of internal funds as well as controlling the Council's external borrowing needs. These balances represent the sums held in the Loans Fund on behalf of various funds.

Long-Term Borrowing: are sums borrowed to finance capital expenditure and not yet repaid, nor due to be repaid within one year. The majority of this is borrowed from the Public Works Loan Board and can be for periods of up to 60 years.

Non-Domestic Rate Income (NDRI): local businesses pay rates based on a rateable value determined by the Assessor and a rate poundage determined by the Scottish Government. The Council pays rates levied into a national pool and receives income from the pool based on a formula.

Pension Fund: under relevant legislation the Council administers a Pension Fund for its employees (other than teachers, who are members of a national scheme) and employees of certain other 'Admitted Bodies'. It is what is known as a 'funded scheme' whereby all monies not immediately required to pay pensions and benefits are invested.

PPP/PFI: New school build contracts operating under Public private partnership/private financing initiative arrangements.

Provision: a liability of uncertain timing or extent for which an estimate must be included in our annual accounts.

Reserves: sometimes referred to as 'Balances' they are the accumulated surpluses/deficits generated by the various funds. They are split between 'usable' and 'unusable' reserves.

Revenue Support Grant (RSG): this is the largest part of Aggregate External Finance (AEF). It is a block grant which helps finance the overall cost of Council services.

Revaluation Reserve: the balance represents the difference between the depreciated revalued amount and the depreciated historic cost of fixed assets at 1 April 2007. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Revenue Expenditure: the day to day recurring costs of providing services. It includes wages and salaries, property costs such as power and light, transport costs and supplies and services. It also includes the annual repayment of loans which have financed capital expenditure. Revenue expenditure is always paid for in full as and when it happens either from Council Tax, rents, fees, charges, grants and Revenue Support Grant (RSG) and distributions from the national Non-Domestic Rates Pool from the Scottish Government.

Significant Trading Operations: services provided in a competitive environment and which are charged for on a basis other than a straightforward recharge of costs, e.g. quoted lump sums, fixed rates etc.

Trust Funds: the Council administers 241 trust funds and bequests, held for the benefit of specific functions or groups or beneficiaries, 36 of which have charitable status and have been reorganised into 2 charities registered with the Office of the Scottish Charity Regulator (OSCR).

Usable Reserves: Capital Fund, Capital Grants Unapplied Account, General Fund Balance, Repair & Renewal Fund and Insurance Fund.

Unusable Reserves: Capital Adjustment Account, Financial Instruments Adjustment Account, Revaluation Reserve, Pension Reserve and STACA Statutory Mitigation Account.

Virement: because circumstances change, budgets need to remain flexible. Virement is the approved transfer of resources from one area of the budget to another, the creation of new budgets to reflect additional income and related expenditure or the transfer of budget from one financial year to the next.