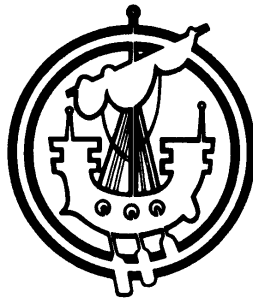


COMHAIRLE NAN EILEAN SIAR



ANNUAL ACCOUNTS

**FOR THE YEAR
1 APRIL 2009 TO 31 MARCH 2010**

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FOREWORD BY THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES

Introduction

The Financial Statements of the Comhairle and its Group for 2009/10, which have been completed in accordance with The Code of practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (SORP), are set out on pages 7 to 43.

The Financial Statements

An explanation of the statements that follow and their purposes are:

- **Income and Expenditure Account** - shows the expenditure for all the Comhairle's services and how this has been funded from general government grant and income from taxpayers.
- **Statement of Movement on General Fund Balance** – The accounting basis for preparing the Income and Expenditure Account is not currently in line with statutory provisions that specify the net expenditure that authorities need to take into account when setting local taxes. The Statement of Movement on the General Fund Balance provides the basis for making the necessary adjustments.
- **Statement of Total Recognised Gains and Losses** - Not all the gains and losses experienced by an authority are reflected in the Income and Expenditure Account e.g. revaluation of assets, pension actuarial gains or losses. This statement brings together all the gains and losses for the year and shows the aggregate net worth of the authority.
- **Balance Sheet** - is a consolidation of the general fund and loans fund. It shows the balances and reserves available, long term indebtedness and the fixed and current assets of the Comhairle.
- **Cash Flow Statement** - shows the inflows and outflows of cash as a result of all the Comhairle's transactions, both capital and revenue, in all its funds.
- **Income Accounts** - show the gross and net income derived from council tax and non-domestic rates and the contribution to the national pool for non-domestic rates and the distribution from the pool to the Comhairle.
- **Group Accounts** - which incorporate the Joint Committees (Police and Fire and Valuation) as associates, and Sgoiltean Ùra LLP as a subsidiary, show the overall position of local government in the Western Isles.

Financial Performance

The Income and Expenditure Account shows a deficit of £1,278k for the year. However, this includes a number of items of income and expenditure, such as depreciation and pension adjustments, which do not impact on the Comhairle's cash position. The Statement of Movement on General Fund Balances reflects these differences and shows the true impact on the General Fund balance for the year. Overall, Comhairle balances have increased by £815k in the year against a budgeted reduction of £101k.

During the course of the year there were a number of variations to expenditure and income which contributed to this improved performance. Significant overspends on winter maintenance and children's residential placements have been offset by savings on external interest payments as a result of slower than planned delivery of the capital programme, additional council tax income, delays in spending amounts included in the budget to fund specific projects and minor underspends across services.

The General Fund balance at 31 March 2010 is £10.3m, compared with £9.5m a year earlier. However, when known commitments of £7.4m as detailed below are taken into account, this reduces to £2.9m, which is just below the minimum target of £3m required under Comhairle policy. Plans are in place to reinstate the balance to the minimum level during 2010/11.

	£'000
Departmental Carry Forward	318
Western Isles Schools Project	1,642
Sgoiltean Ùra Loan	734
Business Loans Scheme	251
Youth Crime	125
Surestart	171
Childcare Strategy	270
Care Unit for Severe/Complex needs Clients	134
Former HRA Liabilities	928
Ward Priority Fund	138
HISTP Match Fund	596
Loans Fund Restructuring	500
Spend to Save Initiatives	487
Miscellaneous Projects	1,044
Total	£7,339

Comhairle policy allows carry forward of underspends on revenue budgets of up to 2% and overspends of up to 1%, that must be contained within the following year's budget. Certain other specific underspends, e.g. where specific funding has been received but not fully utilised, are also allowed to be carried forward. With the exception of the large overspends on winter maintenance and children's mainland placements, departments are within carry forward tolerances. It is worth noting that the Social and Community Services Department were within budget for the first time in many years and also contributed £149k to previous year's deficits.

FOREWORD BY THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES

Trading Operations

The Comhairle operates a number of trading operations, of which Building Maintenance is the only one regarded as significant in terms of the Local Government Scotland Act 2003. The Act requires Significant Trading Operations to at least break-even over a rolling three year period. With a deficit of £359k for the year Building Maintenance has failed to achieve this target.

Overall, Trading Operations returned a net deficit of £160k. Surpluses of £140k generated on the Cleansing and Grounds Maintenance contracts managed by the Technical Services Department and £53k on the Catering and Building Cleaning contracts have been offset by deficits of £453k on the contracts within the former Commercial Operations Unit, covering building maintenance, roads and street lighting.

During the year the Building Maintenance service has been severely affected by the general down turn in the economy and cut backs on building repairs and maintenance within service departments. The service has now been integrated into the Technical Services Department and a further review will be undertaken early in 2010/11 to look at various aspects of the contract, including workload and workforce planning, with a recovery plan to be in place by August 2010.

Sources of Finance

The Comhairle's revenue budget is financed through Revenue Support Grant from the Scottish Executive, together with Non-Domestic Rates and Council Tax, as detailed in the Income Accounts on page 33 of the Accounts. Committed and planned capital expenditure will be funded by a combination of borrowing, capital grants from the Scottish Executive, capital contributions from funding partners and capital receipts.

Capital Expenditure

The Comhairle spent a total of £14.7m on capital projects in 2009/10, the second year of the 2008-13 Capital Programme. This included investment of £3.7m on the school estate, £3.5m on Sustainable Development projects, and £4.2m on roads and transport. Community projects benefited by almost £550k by way of capital grants which met the terms and conditions specified by the Scottish Government and the SORP. Major projects progressed during the year included:

Buildings: Western Isles Schools Project £1,970k; Other School projects £1,444k; Social Work properties £700k;
Roads: North Ford Causeway £1,299k; Ceann a' Bhàigh Mhòr £626k; Gisla to Enaclete Road £788k
Development: Town Centre Regeneration £1,230k; Leisure and Recreation projects £608k
Environmental: Waste Management £710k; Community Recycling Sites £266k; Cleansing Vehicles £343k

This main sources of funding for this expenditure are borrowing of £6.7m and capital grants of £7.2m as detailed in Note 4 on Page 13.

Balance Sheet

The Balance Sheet on page 9 gives details of the assets and liabilities and shows that net assets have reduced by £33.4m over the year. Although expenditure of £14.7m was incurred on fixed assets, the effect of depreciation and revaluation means that the value of these assets has remained constant at £252m. The main reason for the overall reduction in net worth is the increase in the pension liability.

The pension liability represents the best estimate of the current value of pension benefits that will have to be funded by the Comhairle and relates to benefits earned by existing or previous employees up to 31 March 2010. These benefits are expressed in current value terms rather than the cash that will actually have to be paid out. This is to allow for "time value of money", whereby the value of cash now is regarded as higher than cash received in the future. In order to adjust the pension cash flows for time vale of money a discount factor based on corporate bond rates is used. The rate used for the valuation at 31 March 2010 (5.5%) is lower than that used in 2009 (6.7%), resulting in an increase in the estimated current value of the pension liability.

Borrowing

During the year £5m of Public Works Loan Board debt with an average rate of 4.54% was replaced with £5m of PWLB at a variable rate which did not exceed 0.75% for the remainder of the year. In addition, £4.5m of debt with an interest rate of 4.6% was prematurely repaid and £5m with a fixed rate of 2.94% was borrowed from the PWLB.

BCCI

The Comhairle had a total of £24.1m invested in BCCI when it was closed by the Bank of England on 5 July 1991. The total repaid to date, including currency gains, is £24.4m which equates to 86.5% of the loss and there remains the possibility of further dividends.

Pensions/FRS17

The Comhairle's pension liability has increased over the year by £34.1m to £62.9m. The Statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy, as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the actuary.

Whilst the replacement of employer's contributions with actuarial estimates has resulted in a reduced charge to service accounts, the amount to be met from government grants and local taxation remains unchanged as accounting rules require these to be reversed out of the Income and Expenditure Account. Further details are given in notes 25 to 28 of the accounts.

FOREWORD BY THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES

Western Isles Schools Project

The WISP aims to build and maintain five new or refurbished schools, using a hybrid version of PFI designed to suit the particular circumstances of the Western Isles. The project will be delivered for the Comhairle by Sgoiltean Ura LLP (SULLP). Invitations to tender were issued in November 2009 and preferred bidders appointed in April 2010. Financial close on the contracts was completed on 8 September 2010, with the schools coming into operation between August 2011 and August 2012.

The capital cost of the project was estimated at £75m at the time of going to tender. This will be funded by prudential borrowing, paid for from a combination of Scottish Government grant and Comhairle resources.

Group Accounts

The Accounting Code of Practice requires group accounts to be prepared where the authority has a material interest in another organisation. Whilst the Comhairle's representation on the Police and Fire Joint Boards is less than the 20% guideline we have complied with guidance from Audit Scotland that they should be included in our group. The Valuation Board is also included.

The results of Sgoiltean Ùra LLP, an arms-length limited liability partnership responsible for the management of the design, construction, facilities management and lifecycle maintenance of the Western Isles Schools Project, have also been included. The LLP is a partnership between the Comhairle and Sgoiltean Ura Investments Ltd, a company limited by shares having the Comhairle as its sole shareholder. The LLP is therefore wholly owned by the Comhairle although existing as a separate legal entity.

These accounts show the group to have a negative net worth. Despite this, the accounts have been prepared on a "going concern" basis as the reason for the negative position is mainly a result of the negative Pension Reserve. The Pension Reserve arises from the bodies applying FRS 17 *Retirement Benefits*. The application of this standard does not reflect the charge levied on the local taxpayers, therefore the group can be treated as a going concern as it can raise the funds it requires to cover its outgoings.

Economic Outlook

The financial crisis of 2008 marked the start of a period of major change in the public sector with the prospect of significant funding reductions from 2011/12 onwards. It will only be towards the end of 2010 that it will become clear what the impact of this will be for the Comhairle.

Work undertaken by COSLA indicates that a combination of service pressures and a real terms reduction in funding will create a significant funding gap for Scottish Local Authorities. The new Coalition Government has already put forward proposals for budget cuts in 2010/11, and whilst the Scottish share of this has been deferred until 2011/12, this is a clear sign of their intent to address public debt through a reduction in public spending.

To ensure it is able to respond effectively to the projected funding reduction the Comhairle agreed its forward Budget Strategy for 2011-13 in February 2010. This includes a planning assumption of 5% savings each year from 2011/12 to 2013/14. This represents a significant challenge and the Comhairle has agreed five strands of work: financial modelling; departmental efficiencies; the Diagnostic Pathway Programme; budget choices; and a Human Resources Strategy to take the budget forward. The Comhairle has also taken steps to address the two main areas of overspend in 2009/10 which are winter maintenance and mainland placements.

The Comhairle enters this challenging period in a relatively stable position with a balanced budget for 2010/11 and with uncommitted balances at £2.9m, just under the recommended policy.

Thanks

Finally, I would like to take this opportunity to thank Members of the Comhairle, officers of Service Departments and especially those in the Accountancy Service, for their continued hard work and support in the completion of these accounts and in ensuring that the Comhairle remains in control of its finances. I would also extend my thanks to our external auditors for their professionalism and courtesy.



Robert Emmott BSc CPFA
Director of Finance and Corporate Resources
23 September 2010

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The Annual Accounts have been prepared on an Income and Expenditure basis in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (ACOP). The service headings under which the expenditure is analysed in the Income and Expenditure Account are those recommended by the Best Value Code of Practice. The accounts have been prepared under the historic cost convention, other than changes resulting from the revaluation of certain categories of fixed assets.

2. Changes in Accounting Practice

The major changes in the 2009 Statement of Recommended Practice relate to the accounting requirements for Private Finance Initiative (PFI) contracts. The Comhairle do not currently operate any such contracts but with the commencement of the Western Isles Schools Project during 2010/11 these requirements will be adopted. Other 2009 SORP changes in respect of Non Domestic Rates (NDR) income and note disclosures have been implemented. The SORP confirms that the collection of NDR by Scottish Local Authorities is carried out on an agency basis for the Scottish Government and is to be accounted for accordingly. NDR income is not included in the Comhairle's Income and Expenditure Account, but the amount received from the redistribution of rates collected nationally is disclosed. The Balance Sheet does not include any arrears of rates, these amounts being consolidated into a debtor or creditor for amounts due by or to central government.

3. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the service or goods are provided
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their use, they are carried as stock on the Balance Sheet.
- Works are charged as expenditure when completed, before which they are carried as work in progress
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the corresponding amount is recorded in the Balance Sheet.

4. Financing Costs

A loans fund is operated by the Comhairle under Schedule 3 Paragraph 12, of the Local Government (Scotland) Act 1975, to finance capital expenditure. Advances are recovered by a combination of equal annual instalments on debt incurred pre March 1999, and annuity on debt incurred since 1 April 1999, which approximate to the estimated life of the asset concerned. No annual instalment is recharged by the loans fund in the year in which the capital expenditure is incurred. Interest is recharged on the basis of debt outstanding on each account as at the start of the financial year with a proportionate adjustment in respect of new advances during the year. The expenses of managing the portfolio of debt have been apportioned on the same basis.

5. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability for another. The extent to which this impacts on the Comhairle's accounts is as follows:

Financial Liabilities (borrowings, creditors and guarantees) – these are initially measured at fair value and carried at their amortised cost. Annual charges for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate. This means that the amount presented in the Balance Sheet is the outstanding principal repayable.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Income and Expenditure Account in the year of repurchase/settlement, except where repurchase has taken place as part of a restructuring that involves the modification or exchange of existing loans. In such cases, the premium or discount is reflected in the amortised cost of the new or modified loan and written down to the Income and Expenditure Account over the life of the loan. Where premiums and discounts have been charged in this manner, regulations allow the impact on the General Fund to be spread over future years, through the Statement of Movement on the General Fund Balance and the Financial Instruments Adjustment Account.

Financial Assets (investment, loans, debtors) – These are initially measured at fair value and carried at their amortised cost. Annual credits for interest receivable are based on the carrying amount of the asset, multiplied by the effective interest rate. This means that the amount presented in the Balance Sheet is the outstanding principal receivable. The long term investment in respect of An Lanntair is valued at cost less depreciation. Due to the nature of the investment this valuation is deemed more appropriate than market value.

The Comhairle has made some loans at below market rates to a variety of borrowers, mainly for the purposes of supporting businesses. Such lending is classified as "soft" loans. These are included within Long Term Debtors in the Balance Sheet. They are initially measured at amortised cost and provision is made for any potential non-payment. The Comhairle applies de-minimus principles to low value advances or where there has not been a significant discounting of interest rates when determining whether to restate at fair value.

STATEMENT OF ACCOUNTING POLICIES

6. Revenue Expenditure funded from Capital under statute

This is expenditure incurred during the year that may be capitalised under statutory provisions but which does not result in the creation of a fixed asset, as the costs have been charged to the relevant service revenue account. Any such charges are reversed out in the Statement of Movement on the General Fund Balance so there is no impact on the level of the council tax. These are generally capital grants paid to community bodies to part fund specific projects and are permitted under Scottish Government Circular 03/2009.

7. Capital Expenditure

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis, providing the fixed asset yields benefit for more than one year to the Comhairle and the services it provides. Routine repairs and maintenance of fixed assets is charged directly to service revenue accounts.

8. Capital Receipts

Capital receipts are utilised either to fund capital expenditure or to reduce the Comhairle's borrowing requirement.

9. Stock and Stores

ACOP requires stocks to be valued at the lower of cost or net realisable value. Stocks and stores held by the Comhairle at the year end are valued at average cost price. This does not have a material effect on the figures disclosed in the accounts.

10. Basis of Valuation of Fixed Assets

From 2006/07 the Comhairle has moved to valuing a percentage of the land and buildings on a rolling basis annually, rather than carrying out one valuation every five years. The land surrounding buildings is valued separately. Valuations are undertaken in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual often referred to as "The Red Book" and having regard to the supplementary guidance provided by CIPFA. The value in the Accounts reflects this valuation plus any capital expenditure incurred between 1 April 2009 and 31 March 2010. Depreciation has been charged on the basis of assets' estimated useful life on a straight-line basis.

The valuation of Infrastructure Assets was based on debt outstanding as at 1 April 1996. Since then, Infrastructure additions have been reflected in the accounts at historic cost and depreciation has been charged on the basis of the estimated useful lives. Vehicles, Plant and Equipment are valued at historic cost and are depreciated over their useful economic life.

Improvements on leased assets reflect the capital contributions to the new Stornoway library, directly financed by the Comhairle and amortised over the period of the lease for the library.

Community Assets are valued at their historic cost. These assets have been depreciated on an assumed 20-year life.

Assets Under Construction are valued at historical cost and continue to be valued using this method until the asset has been brought into use.

Other Land and Buildings are divided into Operational and Non-operational Assets. The valuation of Operational Assets has been based on the Open Market Value for their existing use and Non-operational Assets are stated at Open Market Value.

No assets with a value of less than £10,000 are capitalised.

When an asset is disposed of, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal. The written off value of disposals is not a charge against the council tax and is adjusted via the Statement of Movement on the General Fund Balance.

11. Asset Rentals

Service accounts are charged rentals for the use of capital assets. There is no charge in the year of acquisition but a full charge is made in the year of disposal. Asset rentals are based on a depreciation charge which is calculated on a straight-line basis over the estimated lifetime of the asset.

12. Allocation of Support Services Costs

Support Services costs, such as Finance, Legal and Technical Services, have been charged to service users by identifying the costs of each element of the Support Services and charging them on the basis of known or estimated usage. Costs relating to Corporate and Democratic Core (costs arising from the Comhairle's status as a democratic organisation e.g. Members allowances) and Non Distributed costs (discretionary retirement benefits and impairment of non-operational properties) are accounted for as separate headings in the Income and Expenditure Account.

STATEMENT OF ACCOUNTING POLICIES

13. Provisions

Provisions are made where an event has taken place that places an obligation on the Comhairle that is likely to require a financial settlement, but where the timing and actual value of the settlement are uncertain. Provisions are charged to the appropriate service revenue account in the year that the Comhairle becomes aware of the obligation and actual payments in settlement, are charged directly to the provision in the Balance Sheet. Details are given in Note 9.

14. Provisions for Bad and Doubtful Debts

Separate provisions have been made for bad and doubtful debtors under the headings:

- . Community Charge
- . Council Tax
- . Sundry Debtors
- . Business loans

The source for these provisions is the appropriate Income Account with regard to Community Charge, Council Tax, and Non-Domestic Rates and the various service accounts on the basis of throughput for sundry debtors.

15. Government Grants

Revenue grants are matched to the expenditure to which they relate. Capital grants, ie. grants for the acquisition of fixed assets, are credited to the Government Grants Deferred Account and written off over the same period that the assets for which they were received are depreciated.

Where grants and contributions are received in advance they cannot be credited to the Government Grants Deferred Account as the asset is not yet in use. In such cases they are credited to a Grants and Contributions Unapplied Account, pending completion of the asset.

16. Budget

The budget figures shown are the revised budgets as at 31 March 2010 as these reflect policy decisions taken during the year.

17. Operating Leases

Rents payable under operating leases are charged to revenue on a straight-line basis over the term of the lease.

18. Retirement Benefits

The costs incurred by the Comhairle are through two different pension schemes both of which provide defined benefits.

- Teachers' Pension Scheme
This is an unfunded scheme administered by the Scottish Executive who sets the contribution rate based on a notional fund. The amounts included in the accounts are the contributions due in the year. In addition the cost of pension enhancements for early retirement are included in non-distributable costs. The scheme is exempt from FRS17 as the assets and liabilities of the scheme cannot be reliably attributed to participating authorities.
- Local Government Pension Scheme
Pensions for other employees are accounted for in accordance with Financial Reporting Standard 17 (FRS17). The calculations have been carried out in accordance with Guidance Note 36: Accounting for Retirement Benefits under FRS 17, issued by the Institute and the Faculty of Actuaries. The disclosures have been drafted in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A statement of Recommended Practice issued by the CIPFA/LASAAC Joint Committee.

This accounting policy better reflects our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

19. Significant Trading Operations

The Local Government Scotland Act 2003 required Local Authorities to report "separately on significant trading operations". Each Significant Trading Operation must break even over a rolling three year period. During 2009/10 only the Building Maintenance contract was classified as a STO.

INCOME AND EXPENDITURE ACCOUNT

2008/09 Actual Net £'000	Service	2009/10		
		Actual Expenditure £'000	Actual Income £'000	Actual Net £'000
43,951	Education Services	48,441	(2,628)	45,813
2,005	General Fund Housing	9,670	(7,541)	2,129
4,556	Cultural & Related Services	6,311	(1,471)	4,840
6,380	Environmental Services	9,140	(2,354)	6,786
11,578	Roads & Transport Services	14,192	(2,001)	12,191
2,548	Planning & Development Services	7,179	(3,266)	3,913
21,300	Social Work	27,212	(5,125)	22,087
3,146	Corporate & Democratic Core	3,156	(51)	3,105
441	Non Distributed Costs	386	-	386
715	Central Services to the Public	1,173	(296)	877
578	Trading Services	1,720	(1,437)	283
4,902	Joint Board Requisitions	5,733	(207)	5,526
102,100	NET COST OF SERVICES	134,313	(26,377)	107,936
22	Loss on Disposal of Fixed Assets			31
232	Trading Operations Deficits			332
11,112	Interest Payable and Similar Charges			9,774
(1,104)	Interest and Investment Income			(183)
718	Pensions Interest Costs and Expected Return on Assets			2,028
(851)	BCCI Receipt			-
112,229	NET OPERATING EXPENDITURE			119,918
(94,134)	General Government Grants			(97,558)
(10,073)	Non-Domestic Rates Redistribution			(10,997)
(10,004)	Income from Council Tax			(10,085)
(114,211)	TOTAL INCOME			(118,640)
(1,982)	(SURPLUS)/DEFICIT FOR THE YEAR			1,278

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Comhairle's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Comhairle is required to raise council tax on a different accounting basis, the main difference being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Comhairle's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and General Fund Balance.

2008/09 £'000	STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE	2009/10 £'000
(1,982)	(Surplus)/Deficit on I & E for Year	1,278
1,752	Net Additional Amount required to be debited/(credited) to GF for year (Note 1)	(2,093)
(230)	Increase in GF for year	(815)
(9,236)	GF Balance Brought Forward	(9,466)
(9,466)	General Fund Balance Carried Forward	(10,281)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This Statement brings together all the gains and losses of the Comhairle for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and remeasurement of the net liability to cover the cost of retirement benefits.

2008/09 £'000	STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	2009/10 £'000
(1,982)	(Surplus)/Deficit for the Year on the I & E Account	1,278
(2,038)	Surplus on Revaluation of Fixed Assets	(1,744)
13,662	Actuarial Losses on Pension Fund Assets and Liabilities	33,839
9,642	Total Recognised Losses for the year	33,373

BALANCE SHEET

31 March 2009 £'000		Gross Book Value £'000	Depreciation £'000	31 March 2010	
				£'000	£'000
	Fixed Assets				
679	<i>Intangible Fixed Assets (Note 3)</i>	432	(27)	405	
	<i>Tangible Fixed Assets (Note 2)</i>				
	Operational Assets:				
133,315	Other Land & Buildings	137,450	(8,342)	129,108	
655	Leasehold Improvements	1,277	(687)	590	
15,813	Vehicles, Plant & Equipment	22,341	(6,196)	16,145	
98,117	Infrastructure Assets	140,871	(41,983)	98,888	
455	Community Assets	741	(326)	415	
	Non-operational Assets:				
-	Investment Properties	-	-	-	
825	Surplus Assets	1,173	(33)	1,140	
2,597	Assets Under Construction	5,846	-	5,846	
252,456	Total Fixed Assets	310,131	(57,594)		252,537
	Other Long Term Assets				
386	Long-term Investments			371	
1,068	Long-term Debtors (Note 11)			1,550	
(371)	Less Provisions (Note 9)			(320)	1,601
253,539	Total Long-term Assets				254,138
	Current Assets				
1,023	Stocks			959	
11,207	Debtors (Note 8)			11,087	
(2,212)	Less Provisions (Note 9)			(2,375)	
9,105	Investments			14,507	
12	Cash in Hand			13	24,191
272,674	Total Assets				278,329
	Current Liabilities				
(105)	Borrowing Repayable Within 1 Year			(2,605)	
(13,752)	Creditors (Note 10)			(13,911)	
(562)	Provisions (Note 9)			(603)	
(1,229)	Bank Overdraft			(952)	(18,071)
257,026	Total Assets less Current Liabilities				260,258
	Long-term Liabilities				
(145,238)	Long-term Borrowing (Note 12)			(143,134)	
(53,767)	Government Grants Deferred			(60,006)	
(2,086)	Grants Unapplied			(432)	
(28,811)	Pension Liability (Note 27)			(62,935)	(266,507)
27,124	Net Assets/(Liabilities)				(6,249)
	Financed by:				
4,298	Revaluation Reserve			6,076	
43,831	Capital Adjustment Account			42,089	
1,306	Capital Fund			1,306	
517	Capital Receipts Reserve			566	
(3,483)	Financial Instruments Adjustment Account			(3,632)	
(28,811)	Pension Reserve			(62,935)	
9,466	Revenue Reserves - General Fund			10,281	
27,124	Total Net Worth				(6,249)

The unaudited accounts were issued on 28 June 2010 and the audited accounts were authorised for issue on 23 September 2010.



Robert Emmott BSc CPFA
Director of Finance and Corporate Resources
23 September 2010

CASH FLOW STATEMENT

2008/09 (In)/Out £'000	CASH FLOW STATEMENT	2009/10 £'000	2009/10 £'000	2009/10 (In)/Out £'000
(22,119)	Net Cash Inflow from Revenue Activities (Note 13)			(23,851)
	Returns on Investments & Servicing of Finance			
	Cash Outflows			
10,348	Interest Paid	9,136		
770	Premia	639		
11,118			9,775	
	Cash Inflows			
(344)	Interest Received	(79)		
			(79)	
10,774	Net Cash Outflow from Investments and Servicing of Finance			9,696
	Capital Activities			
	Cash Outflows			
14,260	Purchase of Fixed Assets	14,337		
364	Expenditure on Deferred Charges	543		
-	Other Capital Cash Payments	-		
14,624			14,880	
	Cash Inflows			
(51)	Sales of Fixed Assets	(75)		
(2,442)	Capital Grants Received	(5,934)		
(2,805)	Other Capital Cash Receipts	-		
(5,298)			(6,009)	
9,326	Net Cash Outflow from Capital Activities			8,871
(2,019)	Net Cash Inflow before Financing			(5,284)
	Management of Liquid Resources			
2,362	Net Increase/(Decrease) in Short Term Deposits	5,402		
			5,402	
2,362	Net Cash Outflow from the Management of Liquid Resources			5,402
	Financing			
	Cash Outflows			
9,657	Repayments of Amounts Borrowed	9,604		
9,657			9,604	
	Cash Inflows			
(9,332)	New Loans Raised	(10,000)		
(9,332)			(10,000)	
325	Net Cash Outflow from Financing			(396)
668	Net (Increase)/Decrease in Cash			(278)
2008/09	Movements in Cash per Balance Sheet	Opening	Closing	Movement
668		(1,217)	(939)	(278)

**NOTE 1 DETAILS OF RECONCILING ITEMS ON THE STATEMENT OF MOVEMENT
ON THE GENERAL FUND BALANCE**

2008/09 £'000	STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE	2009/10 £'000
	Amounts included in I & E but required by Statute to be excluded when determining movement on GF Balance for year	
(10,923)	Depreciation and Impairment of Fixed Assets	(15,808)
2,751	Government Grants Deferred Amortisation	3,264
(22)	Net Loss on Sale of Fixed Assets	(31)
(609)	Credits for Financial Instruments as per Government Regulations	(149)
12	FRS17 Pensions	(285)
	Amounts not included in I & E but required by Statute to be included when determining movement on GF Balance for year	
11,533	Repayment of Debt	10,916
	Transfers to or from GF Balance that are required to be taken into account when determining movement on GF Balance for the year	
(990)	Transfer from Capital Fund	-
1,752		(2,093)

NOTE 2 MOVEMENT ON FIXED ASSETS

Operational Assets	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure £'000	Leasehold Improve - ments	Community Assets £'000	Total £'000
Gross Book Value						
Balance at 01/04/09	142,547	20,979	138,080	1,277	741	303,624
Additions	3,795	2,275	4,560			10,630
Reclassification	(283)	(60)				(343)
Revaluation	(8,609)					(8,609)
Disposals		(853)	(1,769)			(2,622)
Balance at 31/03/10	137,450	22,341	140,871	1,277	741	302,680
Depreciation						
Balance at 01/04/09	9,232	5,166	39,963	622	286	55,269
In Year	5,017	1,845	3,789	65	40	10,756
Reclassification	(14)					(14)
Revaluation	(5,893)					(5,893)
Disposals		(815)	(1,769)			(2,584)
Balance at 31/03/10	8,342	6,196	41,983	687	326	57,534
Net Book Value at 31 March 2010	129,108	16,145	98,888	590	415	245,146

Non-operational Assets	Assets Under Construction £'000	Surplus Assets ¹ £'000	Total £'000	Intangible Assets £'000	Total Assets £'000 (Note 3)
Gross Book Value					
Balance at 01/04/09	2,597	902	3,499	679	307,802
Additions	3,064		3,064		13,694
Reclassification	185	158	343		-
Revaluation		185	185	(247)	(8,671)
Disposals		(72)	(72)		(2,694)
Balance at 31/03/10	5,846	1,173	7,019	432	310,131
Depreciation					
Balance at 01/04/09		77	77		55,346
In Year		37	37	57	10,850
Reclassification		14	14		-
Revaluation		(93)	(93)	(30)	(6,016)
Disposals		(2)	(2)		(2,586)
Balance at 31/03/10	-	33	33	27	57,594
Net Book Value at 31 March 2010	5,846	1,140	6,986	405	252,537

¹ The surplus assets consist of £810k buildings for disposal and £330k of land awaiting development.

NOTE 3 INTANGIBLE ASSETS

The intangible assets included on the Balance Sheet are in respect of Fishing Quota and a Software Licence. A quota is the right to fish species over a defined period, usually one year. Quotas are held by government and distributed to fishermen through Producer Organisations. Quotas for fish species most relevant to the Western Isles have, over a period of time, been purchased by external interests with the resulting loss of control of fishing opportunities to local fishing communities. The purchase of quota by the Comhairle enables long term access to a strategically important resource i.e. nephrops. The open market value of the Quota held at 31 March 2010 was £297k. Quota is depreciated over a 20 year period on a straight line basis.

The software licence is in respect of the IT system being used in the new Community Access point based in the town hall in Stornoway and is depreciated over a five year period on a straight-line basis.

NOTE 4 CAPITAL EXPENDITURE AND FINANCING

CAPITAL EXPENDITURE AND FINANCING	2008/09 £'000	2009/10 £'000
Capital Expenditure		
Operational Assets	13,229	10,633
Non-operational Assets	1,689	3,329
Revenue funded from Capital under Statute	364	543
Intangible Fixed Assets	136	-
Car Loans	14	11
	15,432	14,516
Source of Finance		
Borrowing	7,735	6,907
Useable Receipts:		
Loan Repayments	131	81
Capital Grants	5,942	7,082
Private/Public Sector Contributions	981	260
European Grants	643	186
	15,432	14,516

At 31 March 2010 the Comhairle had commitments of £10m on capital contracts. This expenditure will be funded from a combination of government capital consent (borrowing), income from sale of assets, grants from other funding organisations and contributions from Revenue Accounts.

NOTE 5 VALUATION OF FIXED ASSETS

Land and Buildings were valued by the District Valuer as at 31 October 2004. The basis for valuation is set out in the Statement of Accounting Policies. The District Valuer has been appointed to carry out a valuation of assets on an annual basis, from 2006/07. A quarter of the assets will be valued in each of the next four years, based on the following plan:

- Year 1 21 Specialised and 33 non specialised properties in and around Stornoway
- Year 2 22 Specialised and 36 non specialised properties on Lewis
- Year 3 21 Specialised and 34 non specialised properties on Harris and North Uist
- Year 4 21 Specialised and 32 non specialised properties on South Uist, Eriskay and Barra.

	Other Land & Buildings £'000	Vehicles & Plant £'000	Surplus Assets £'000	Community Assets £'000	Total £'000
Valued at Historical Cost		21,866		741	22,607
Valued at Current Value in:					
2009/10	50,526		1,073		51,599
2008/09	14,883		100		14,983
2007/08	25,480				25,480
2006/07	46,561	475			47,036
	137,450	22,341	1,173	741	161,705

NOTE 6 INFORMATION ON ASSETS HELD

	Number of Properties	
	2008/09	2009/10
Operational Buildings		
Schools	40	39
Other Housing Properties	14	13
Residential Homes/Care Units	15	12
Day Centres/Taighean Ceilidh	15	16
Leisure Centres, Pools and Other Recreation Centres	11	11
Libraries	6	6
Museums	2	2
Community Workshops	7	7
Landfill Sites	3	2
Depots	3	3
Public Conveniences	15	15
Administration Buildings/Offices	6	6
Properties for the Homeless	7	7
Workshops/Industrial Units	48	48
Miscellaneous	21	21
Vehicles, Plant & Equipment		
Mobile Library Vans	3	3
Other Vehicles	109	145
Plant & Equipment	58	66
Community Assets		
Burial Grounds	8	8
Memorials	2	2
Surplus Assets		
School Houses etc.	9	11
Serviced Plots	11	11
Community Workshops	0	1
Day Centres	2	4
Infrastructure		
Single Track Roads (Mileage)	548	547
Double Track Roads (Mileage)	192	193

NOTE 7 DEPRECIATION OF ASSETS

- A) Council Dwellings, Land & Buildings are depreciated over the estimated useful life (30 to 40 years) of the assets on a straight line basis.
- B) Infrastructure Assets are depreciated over the estimated useful life (20 to 60 years) of the assets on a straight line basis.
- C) Vehicles, Plant & Equipment are depreciated over the useful economic life (up to 20 years) of the assets on a straight line basis.
- D) Leased Assets are depreciated over the period of the lease on a straight line basis.
- E) Community Assets are depreciated on a straight line basis over a 20 year life.

NOTE 8 DEBTORS

	31/03/09 £'000	31/03/10 £'000
Government Grants	300	566
Council Tax	2,289	2,224
Non Domestic Rates	219	388
VAT	401	341
Other	7,998	7,568
	11,207	11,087

Note: The 2008/09 Non Domestic Rates Debtor and Bad Debts Provision figures have been restated. These have been reduced by £196k to disclose the net NDR balance due from the Scottish Government, as required in the 2009 SORP.

NOTE 9 MOVEMENT IN BAD DEBT AND OTHER PROVISIONS

BAD DEBTS PROVISIONS	Balance at 01/04/09 £'000	Movement In Year £'000	Balance at 31/03/10 £'000
Long Term			
Revolving Loans Pool	371	(51)	320
Sub-total Long Term	371	(51)	320
Short Term			
Community Charge	124	-	124
Council Tax	1,292	37	1,329
Rents	97	-	97
Sundry Debtors	563	48	611
Fuel at Fishery Piers	11	-	11
Charges on Properties	125	78	203
Sub-total Short Term	2,212	163	2,375
TOTAL	2,583	112	2,695

OTHER PROVISIONS	Balance at 01/04/09 £'000	Movement In Year £'000	Balance at 31/03/10 £'000
Long Term			
Bus Leases	-	45	45
Business Loans	335	(25)	310
Legal Settlement	200	-	200
Loan Guarantees	27	21	48
TOTAL	562	41	603

Bus Leases - This provision is in respect of excess mileage penalties and repairs and maintenance on leased coaches which are due to be returned to the lease company.

Business Loans - This provision is in respect of non-payment of business development/support loans.

Legal Settlement - This provision is in respect of an award made by the courts to a contractor.

Loan Guarantees - The Comhairle acts as guarantor for loans advanced under the Fisheries Assistance Scheme. This represents the "fair value" of the guarantees as required by the new accounting requirement in the SORP.

NOTE 10 CREDITORS

	31/03/09 £'000	31/03/10 £'000
Payroll - PAYE, NI, Superannuation	2,264	2,402
Loan Interest etc	1,759	1,630
Creditors System Payments	3,018	2,580
Other	6,711	7,299
	13,752	13,911

NOTE 11 LONG TERM DEBTORS

LONG TERM DEBTORS	Balance at 01/04/09 £'000	Advanced In Year £'000	Repaid In Year £'000	Balance at 31/03/10 £'000
Car Loans	113	11	(67)	57
House Loans	76	-	(15)	61
Business Loans	207	-	(10)	197
Harris Tweed Investment Fund	180	243	(292)	131
Sgoiltean Ura LLP	-	675	-	675
Community Buy Outs	75	-	-	75
Revolving Loans Pool	371	76	(127)	320
Sub-total	1,022	1,005	(511)	1,516
Capital Advance to Lews Castle College	46	-	(12)	34
TOTAL	1,068	1,005	(523)	1,550

NOTE 12 ANALYSIS OF LONG TERM BORROWING

	31/03/09 £'000	31/03/10 £'000
Analysis of Loans By Type		
Public Works Loans Board	143,224	141,120
Market	2,014	2,014
Total outstanding	145,238	143,134
Analysis of Loans By Maturity		
Between 1 and 2 years	2,105	7,605
Between 2 and 5 years	3,315	2,815
Between 5 and 10 years	2,546	6,947
More than 10 Years	137,272	125,767
TOTAL	145,238	143,134

NOTE 13 CASH FLOW - RECONCILIATION OF INCOME & EXPENDITURE ACCOUNT TO REVENUE ACTIVITIES

2008/09 £'000		2009/10 £'000
	Operating (Surpluses)/Deficits	
(1,982)	Income and Expenditure Account - (Surplus)/Deficit for the Year	1,278
(1,982)		1,278
	Non Cash Transactions	
(10,923)	Depreciation and Impairments	(15,808)
2,751	Amortisation	3,264
(22)	(Losses)/Profits On Fixed Asset Disposals	(31)
12	Pensions Liability	(285)
1,166	Non Cash Movements Relating to Loans Fund	-
(7,016)		(12,860)
	General Fund Financing Expenses	
(11,118)	Interest Payable	(9,775)
344	Interest Receivable	79
(10,774)		(9,696)
	Working Capital Items	
110	(Increase)/Decrease in Provisions	(153)
480	(Increase)/Decrease in Creditors	(803)
(3,016)	Increase/(Decrease) in Debtors	(1,553)
78	Increase/(Decrease) in Stocks and Work in Progress	(64)
(2,348)		(2,573)
(22,120)	Net Cash Inflow from Revenue Activities	(23,851)

NOTE 14 OTHER GOVERNMENT GRANTS

2008/09 £'000		2009/10 £'000
956	Specific Grant for Gaelic Education	985
2,044	DWP Grants (excl. Rent Allowance Subsidy)	2,171
259	Community Service Order Grant	318
9,859	Other Specific Revenue Grants	9,538
13,118		13,012

NOTE 15 RECONCILIATION OF MOVEMENT IN CASH AND NET DEBT

1 April 2009 £'000	Analysis of Movement in Net Debt	Cash Flows £'000	Non Cash £'000	31 March 2010 £'000
	Cash			
(1,229)	Bank Overdraft	277	-	(952)
12	Cash in Hand	1	-	13
9,105	Liquid Resources	5,402	-	14,507
	Borrowing			
(105)	Long-Term Borrowing Maturing Within 1 Year	-	(2,500)	(2,605)
(145,238)	Long-Term Borrowing	(396)	2,500	(143,134)
(137,455)	Total Net Debt	5,284	0	(132,171)

2008/09 £'000	Reconciliation of Net Cash Flow to Movement on Net Debt	2009/10	
		£'000	£'000
(668)	Increase/(Decrease) in cash in the period		278
2,362	Short Term Deposits	5,402	
2,362	Movement in Liquid Resources		5,402
1,491	Cash Flows from Borrowing		(396)
-	Non Cash Transactions		-
3,185	Change in Net Debt		5,284
(140,640)	Net Debt at 31 March 2009	(137,455)	
(137,455)	Net Debt at 31 March 2010	(132,171)	
3,185	Change in Net Debt		5,284

Liquid Resources are defined by Comhairle nan Eilean Siar as deposits of funds with a maturity of less than three months.

NOTE 16 FINANCIAL INSTRUMENTS

16a TYPES OF FINANCIAL INSTRUMENT

Accounting regulations require the "financial instruments" (investment, lending and borrowing of the Comhairle) shown on the balance sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the balance sheet are made up of the following categories of "financial instrument".

FINANCIAL INSTRUMENTS	Long-term		Current	
	31/03/2010 £'000	31/03/2009 £'000	31/03/2010 £'000	31/03/2009 £'000
Investments & Lending				
Loans and receivables	-	-	14,507	9,105
Available-for-sale financial assets	-	-	-	-
	-	-	14,507	9,105
Borrowing				
Financial liabilities at amortised cost	143,134	145,238	2,605	105
Financial liabilities at fair value through profit and loss	-	-	-	-
	143,134	145,238	2,605	105

16b FAIR VALUE OF ASSETS & LIABILITIES CARRIED AT AMORTISED COST

Financial assets (represented by lending and receivables) and financial liabilities (represented by borrowings) are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instrument, using the following assumptions:

- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values are calculated as follows:	31/03/2010		31/03/2009	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Lending				
Loans and receivables	14,507	14,507	9,105	9,105
Borrowing				
Financial liabilities (PWLB Loans only)	143,725	192,274	143,329	200,664

Investments are stated at their carrying amount. All Comhairle investments are short-term on call, and repayment is due on demand, so there is no material difference between the carrying amount and the fair value.

The 2010 fair value of borrowing was calculated by reference to the premature repayment set of rates in force on that day, the 2009 figure by reference to the set of interest rates in force on 31 March 2009, as calculated by the PWLB. The fair value is greater than the carrying amount because the Comhairle's borrowing figure includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the Comhairle would have to pay if the lender requested or agreed to early repayment of the loans.

16c GAINS & LOSSES ON FINANCIAL INSTRUMENTS

While the Comhairle has identified soft loans and loan guarantees, it is of the opinion that the effect of these on the Income and Expenditure Account are not material, and therefore, no adjustments have been made in respect of gains or losses due to financial instruments recognised in the Income and Expenditure Account or the Statement of Total Recognised Gains and Losses. No assets have been reclassified or derecognised and there has been no impairment or early repayment recognised.

16d NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Comhairle's management of treasury risks actively works to minimise the Comhairle's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Comhairle has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Comhairle's customers. It is the policy of the Comhairle to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Comhairle's treasury advisers and to restrict lending to a prudent maximum amount for each institution.

The credit criteria in respect of financial assets held by the Comhairle are as detailed below:

Financial asset category	Criteria	Maximum Investment
Deposits with banks	Short term: F1+ Long Term: AA Support: 2 Active in sterling markets	£10m
Deposits with building societies	Short term: F1+/P-1 Active in sterling markets Minimum total assets - £2,000m	£5m
Deposits with money market funds	n/a	n/a

The following analysis summarises the Comhairle's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Comhairle expects full repayment on the due date of deposits placed with its counterparties.

	Amount at 31/03/2010	Estimated maximum exposure to default and uncollectibility
	£'000	£'000
Deposits with banks, building societies and local authorities	14,507	-
Customers (council tax, non-domestic rates and other income)	4,639	1,940

The Comhairle does not generally allow credit for customers, such that £3.9m of the £4.6m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31.03.10	31.03.09
	£'000	£'000
Less than three months	517	752
Three to six months	536	398
Six months to one year	606	629
More than one year	2,263	3,370
TOTAL	3,922	5,149

Liquidity risk

The Comhairle's main source of borrowing is the Treasury's Public Works Loans Board. There is no significant risk that the Comhairle will be unable to raise finance to meet its commitments under financial instruments. The Comhairle endeavours 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 or of re-borrowing at a time of unfavourable interest rates. This is achieved through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity analysis of financial liabilities is as follows:

	£'000
Less than one year	2,605
Between one and two years	7,605
Between two and five years	2,815
More than five years	132,714
	145,739

All trades and other payables are due to be paid within one year.

Market risk

Changes in market interest rates influence the interest payable on borrowings and on interest receivable on surplus funds invested. For example, a rise in interest rates would mean an increase in the interest charged on borrowing at variable rates and an increased cost to the taxpayer. An increase in interest rates would also mean an increase in the income received on lending at variable rates and a reduction in the cost for the taxpayer.

Changes in market rates also affect the notional "fair value" of lending and borrowing. For example, a rise in interest rates would reduce the fair value of both lending and borrowing at fixed rates. Changes in the fair value of lending and borrowing do not impact upon the taxpayer and are confined to prescribed presentational aspects in the accounts.

The Comhairle has a variety of strategies for managing the uncertainty of future interest rates and the financial impact on the Comhairle.

It is the policy of the Comhairle to limit its exposure to variable rate borrowing to a maximum of 40% of what it borrows.

Where it is economically advantageous to do so, the Comhairle will consider the repayment and restructuring of fixed interest rate debt.

The Comhairle takes daily advice from its specialist treasury advisers and actively monitors changes in interest rates to inform decisions on the lending of surplus funds, new borrowings and restructurings of existing borrowings.

Any potential for a financial impact on the Comhairle is also significantly limited by the Scottish Government's grant distribution mechanism that automatically adjusts for changes in interest rates in the government grant support the Comhairle receives for "loan charges".

To illustrate the impact of changes in interest rates upon the Comhairle, the following table shows the financial effect if rates had been 1% higher at 31 March 2010, with all other variables held constant.

	£'000
Impact on tax-payer & rent-payers	
Increase on interest payable on variable rate borrowings	85
Increase in interest receivable on variable rate lending	93
Increase in government grant receivable for "loan charges"	200
Net effect on Income & Expenditure Account	378
Other accounting presentational changes	
A decrease in the "fair value" of fixed rate lending (disclosed in the STRGL)	-
A decrease in the "fair value" of fixed rate borrowing (disclosure confined to notes to the core financial statements)	1,923

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

NOTE 17 SIGNIFICANT TRADING OPERATIONS ACCOUNTS

Under the Local Government Scotland Act 2003 STOs are required to break even over a rolling three year period. The STO trading results for the three year period are detailed in the following section.

	2007/08	2008/09	2009/10	2009/10 3 year Cumulative
	Actual £'000	Actual £'000	Actual £'000	£'000
BUILDING MAINTENANCE				
Expenditure	4,334	4,059	3,818	12,211
Income	(4,233)	(3,970)	(3,459)	(11,662)
Net Deficit/(Surplus) to be met from Grant & Local Taxes	101	89	359	549

This STO provides a comprehensive building maintenance service to the Comhairle and the Hebridean Housing Partnership (HHP), which was set up following the transfer of the housing stock in September 2006. The STO was successful in winning the HHP maintenance contract for the three year period April 2008 to March 2011. Maintenance on Comhairle properties is carried out under a Service Level Agreement with the Technical Services department which has been agreed for the period April 2008 to March 2013. Some additional work has been won under open tender.

The results of the Building Maintenance Operation are included in Trading Operations Surpluses & Deficits in the Net Operating Expenditure section of the Income and Expenditure Account .

NOTE 18 AGENCY SERVICES

The Comhairle has entered into agreements to provide agency services to the undermentioned bodies for which costs incurred are fully reimbursed by the body. The amounts are not included in the Income and Expenditure Account.

	2008/09 £'000	2009/10 £'000
Lews Castle College	4,185	4,560
Islenet	75	71
Island Forum	2	2
Domestic Abuse Training Strategy	8	3
Hebridean Housing Partnership	1,213	1,298
TOTAL	5,483	5,934

The Comhairle collects and pays out monies on behalf of the following organisations. An administration fee is received for providing the services.

	2008/09 £'000	2009/10 £'000
Scottish Water		
Water Charges	89	73
TOTAL	89	73

NOTE 19 OFFICERS' REMUNERATION

Range £	2008/09 Number of Officers	2009/10 Number of Officers
50 - 60k	27	31
60 - 70k	6	3
70 - 80k	5	6
80 - 90k	-	-
90 - 100k	1	1
110 - 120k	1	-
TOTAL	40	41

The final banding for 2008/09 includes £50k of redundancy and associated payments which are not recurring costs.

NOTE 20 MEMBERS' SALARIES, ALLOWANCES AND EXPENSES

Name	Salary ¹ £	Travel Expenses £	Subsistence Expenses £	Other Expenses ⁵ £	2009/10 Total £	2008/09 Total ² £
Mr Donald Manford	18,264	8,047	2,914	2,178	31,403	37,899
Mr Peter Carlin	16,234	3,268	2,252	720	22,474	24,086
Mr David Blaney	16,234	2,616	1,418	266	20,534	19,192
Mr Gerard Macleod	16,234	2,474	2,326	55	21,089	22,035
Mr Archibald K Campbell	18,264	4,006	2,757	2,187	27,214	29,592
Mr Martin C Taylor	16,234	1,596	1,981	550	20,361	22,036
Mr Uisdean Robertson	16,234	3,818	1,936	532	22,520	24,435
Mrs Morag Munro	18,264	4,622	1,519	958	25,363	24,387
Mr Philip Mclean	16,234	1,770	30	436	18,470	18,702
Miss Catherine Macdonald	16,234	2,207	396	636	19,473	20,496
Mr Alex A Macdonald	20,294	6,881	3,098	1,475	31,748	31,982
Mr Norman A Macdonald	18,264	12,672	1,018	2,068	34,022	37,028
Mrs Annie Macdonald	16,234	1,857	424	1,056	19,571	21,921
Mr Donald I Nicholson	18,264	1,889	116	926	21,195	23,862
Mr Norman M Macleod ²	16,234	-	42	749	17,025	16,373
Mr Donald J Macsween ⁴	16,234	3,589	1,202	1,686	22,711	22,644
Mr Angus Campbell ⁴	27,058	14,044	4,154	1,327	46,583	34,118
Mr Keith Dodson	16,234	-	30	586	16,850	16,467
Mr Angus McCormack	16,234	1,315	296	2,036	19,881	18,438
Mr Charles Nicolson	16,234	764	57	1,230	18,285	17,816
Mr Neil Campbell	16,234	337	137	707	17,415	16,873
Mr Murdo Macleod ³	16,234	253	154	852	17,493	18,763
Mr Roddie Mackay	16,234	-	90	41	16,365	15,885
Mr Iain Mackenzie	16,234	-	60	262	16,556	16,911
Mr John A Maciver	16,234	1,861	111	427	18,633	18,405
Mr Kenneth Maciver	16,234	1,504	536	476	18,750	21,039
Mrs Catriona Stewart	16,234	1,853	337	314	18,738	18,958
Mr John Mackay	16,234	2,383	118	1,072	19,807	19,736
Mr Iain Morrison	16,234	346	60	70	16,710	16,153
Mr Kenneth Murray	16,234	3,323	570	521	20,648	21,840
Ms Agnes Rennie	16,234	2,380	293	482	19,389	20,839
Total	528,288	91,675	30,432	26,881	677,276	688,911

¹ The salary figures exclude employer's National Insurance and Superannuation contributions.

² Allowance for Chair of the Northern Joint Police Board not included; figures published by Highland Council

³ Allowance for the Vice Chair of the Joint Valuation Board not included; figures published by Highland Council

⁴ Hebrides Taskforce mainland travel included in this row will be subject to a contribution from other agencies. It also includes inter-island travel required in connection with HTF.

⁵ Includes telephone and ICT expenses, conference fees and training courses

NOTE 21 FINANCE AND OPERATING LEASES

The committed operating lease expenditure in financial year 2009/10 analysed by the year that the lease expires is as follows:

	Actual Expenditure 2009/10 £'000	Committed Expenditure 2010/11 £'000	Expiring 2010/11 £'000	Expiring 2011/12 to 2014/15 £'000	Expiring 2015/16 and after £'000
Library Building	170	171	-	-	171
Other Buildings	58	58	-	-	58
Vehicles and Equipment	76	63	34	29	-
TOTAL	304	292	34	29	229

There were no finance lease payments in 2009/10 and there are no commitments in 2010/11

NOTE 22 RELATED PARTY TRANSACTIONS

During the year material transactions with related parties, not disclosed elsewhere, were as shown below. Payments made to Highland Council in respect of Joint Boards are shown in Note 34 on Page 32. The Comhairle is also an admitted member of the Local Government Pension Scheme administered by Highland Council and has made payments as shown in Note 26.

CENTRAL GOVERNMENT REVENUE GRANTS	Income £'000	Expenditure £'000
Education & Childrens Services	718	
Social & Community Services	391	
Development	5	
COU	80	
Technical Services	360	
Other	110,069	
Housing Grant	2,509	
	114,133	-
European Fund Revenue Grants	375	
European Development Fund Capital Grants	174	
Acair Ltd - Nature of Business - Publishing	7	40
	114,689	40

During 2009/10, works and services to the value of £2,246,412 were commissioned from companies in which four members had an interest. Contracts were entered into in full compliance with the Comhairle's standing orders. In addition, £986k was paid to Organisations in which eight members had an interest. Details can be found in the Register of Member Interests. The Comhairle also made a loan advance of £675k to Sgoitean Ura LLP (SULLP), the company set up to manage the design, construction and lifecycle maintenance of the schools being built as part of the Western Isles Schools Project. The results of SULLP are reflected in the Group Accounts on pages 38 to 42. There were no material transactions declared by officers in the Register of Employees Interests.

NOTE 23 AUDITOR'S REMUNERATION

In 2009/10 Comhairle nan Eilean Siar incurred the following fees relating to external audit and inspection:

	2008/09 £'000	2009/10 £'000
Fees payable to the Accounts Commission with regard to external audit services carried out by the appointed auditor	228	232
Rebate	(12)	-
	216	232

NOTE 24 TRUST FUNDS

The Comhairle acts as sole trustee for twelve educational, social welfare and miscellaneous trusts. They relate principally to legacies left by individuals with Western Isles connections over a period of years. The balance held at 31 March 2010 was £120,138 (2008/09, £120,853). The income from the trusts is used to provide educational grants and prizes, comforts for the elderly, handicapped and various community facilities. The funds do not represent assets of the Comhairle and are not included in the Balance Sheet. Only the undernoted trusts have closing values in excess of £10,000.

	Value at 31 March 2009 £'000	Value at 31 March 2010 £'000
Donald Alexander Ferguson Bequest (Social Work - Ardseileach residents)	59	60
W C Mackenzie Trust (for non-council projects in Stornoway)	25	25
Dr J L Robertson Bequest (hardship fund for residents of Stornoway)	22	21
	106	106

NOTE 25 PARTICIPATION IN PENSIONS SCHEMES

As part of the terms and conditions of employment of its officers and other employees, the Comhairle offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Comhairle has to disclose commitment to make the payments, at the time that employees earn their future entitlement.

The Comhairle participate in the Local Government Pension Scheme administered by Highland Council. This is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

NOTE 26 TRANSACTIONS RELATING TO RETIREMENT BENEFITS

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2008/09 £'000	2009/10 £'000
Income and Expenditure Account		
Net Cost of Services:		
Current Service Cost	4,599	3,957
Past Service Costs	99	-
Curtailments and Settlements	101	151
Net Operating Expenditure:		
Interest Cost	8,643	8,154
Expected return on assets in the scheme	(7,925)	(6,126)
Net Charge to the Income and Expenditure Account	5,517	6,136
Statement of Movement in the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS17	12	(285)
Amount Charged to General Fund: Employers' Contributions	5,529	5,851

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £33,839k (2008/09, £13,662k) were included in the Statement of Total Recognised Gains and Losses (STRGL). The cumulative amount of actuarial gains and losses recognised in the STRGL is £42,732k.

NOTE 27 ASSETS AND LIABILITIES IN RELATION TO RETIREMENT BENEFITS

Reconciliation of present value of scheme liabilities:	Funded liabilities: Local Government Pension Scheme £000s	
	2008/09	2009/10
1 April	128,161	120,779
Current Service Cost	4,599	3,957
Interest Cost	8,643	8,154
Contributions by scheme participants	1,728	2,027
Actuarial (gains) and losses	(18,087)	65,784
Benefits paid	(4,465)	(4,110)
Past Service Costs	99	-
Curtailments	101	151
31 March	120,779	196,742

Reconciliation of fair value of the scheme assets:	Local Government Pension Scheme £000s	
	2008/09	2009/10
1 April	111,538	91,968
Expected rate of return	7,925	6,126
Actuarial gains and (losses)	(30,038)	31,945
Employer contributions	5,280	5,918
Contributions by scheme participants	1,728	2,027
Benefits paid	(4,465)	(4,110)
31 March	91,968	133,874

The expected return on the scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £38,072k, (2008/09, loss of £26,805k).

SCHEME HISTORY

	2006/07	2007/08	2008/09	2009/10
Present Value of Funded Obligation	126,054	124,408	116,981	193,004
Fair Value of Scheme Assets (bid value)	114,170	111,538	91,968	133,874
Net Liability	11,884	12,870	25,013	59,130
Present Value of Unfunded Obligation	3,992	3,753	3,798	3,738
Unrecognised Past Service Cost	-	-	-	-
Net Liability in Balance Sheet	15,876	16,623	28,811	62,868

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £62.9m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, reducing it by approximately 110%.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2011 are £6.2m.

NOTE 28 BASIS FOR ESTIMATING PENSION FUND ASSETS AND LIABILITIES

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Comhairle liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2008. The next formal valuation is due at 31 March 2011.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme £000s	
	2008/09	2009/10
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.4%	7.9%
Bonds	6.5%	5.5%
Other	4.6%	5.2%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	19.32	18.87
Women	22.99	21.91
Longevity at 65 for future pensioners:		
Men	19.32	19.88
Women	22.99	22.98
Rate of inflations		
Rate of increase in prices	3.0%	3.9%
Rate of increase in salaries	4.5%	5.4%
Rate of increase in pensions	3.0%	3.9%
Rate for discounting scheme liabilities	6.7%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50%	50%
The Scheme's assets consist of the following categories, by proportion of the total assets held:		
Equity Investments	73.8%	79.0%
Gilts and Bonds	12.8%	12.0%
Other Assets	13.5%	9.0%
	100%	100%

HISTORY OF EXPERIENCE GAINS AND LOSSES

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	2007/08	2008/09	2009/10
		%	%
Differences between the expected and actual return on assets	(13.1%)	(32.7%)	23.9%
Experience gains and losses on liabilities	-	(1.6%)	0.4%

NOTE 29 TEACHERS PENSION SCHEME

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

In 2009/10, the Comhairle paid £2.397m (£2.173m in 2008/09) to the Scottish Government in respect of teachers' retirement benefits, representing 12.5% of pensionable pay. There were no contributions remaining payable at the year-end. In addition, the Comhairle is responsible for all pension payments arising from added years awards to staff taking early retirement. In 2009/10 these amounted to £221,264 (£219,725 in 2008/09).

The Scheme is a defined benefit scheme. Although the scheme is unfunded, the Teachers' Pensions Fund use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

NOTE 30 INTERESTS IN COMPANIES

The Comhairle wholly owns Sgoiltean Ura LLP, and arms length limited liability partnership responsible for the management of the design, construction, facilities management and lifecycle maintenance of the schools to be built as part of the Western Isles Schools Project. The LLP is a partnership between the Comhairle (99.99%) and Sgoiltean Ura Investments Ltd (0.01%), with the latter being a company limited by shares having the Comhairle as sole share holder.

During 2009/10 the company made an operating loss of £897k and there was no dividend paid to shareholders.

Copies of the accounts are available from Sgoiltean Ura LLP, 8 Harbour View, Stornoway, Isle of Lewis HS1 2DF.

The Comhairle is also represented on a number of Joint Boards which are included in the accounts for group purposes, under the wider definition of associate, even where the voting rights are less than 20%, which is normally presumed to confer significant interest.

The Comhairle membership on the Boards is:

- Highlands and Islands Fire Board (16.67%)
- Northern Joint Police Board (16.67%)
- Highland and Western Isles Joint Valuation Board (20%)

Copies of the accounts are available from the Director of Finance, Highland Council, Glenurquhart Road, Inverness, IV3 5NX.

NOTE 31 SIGNING OF ACCOUNTS

The Director of Finance and Corporate Resources, being the officer responsible for the Comhairle's financial affairs, signed the Statement of Accounts on 23 September 2010. Events after the date of the Balance Sheet (31 March 2010), up to the date of signing, have been considered in the preparation of the 2009/10 Statement of Accounts.

NOTE 32 CONTINGENT LIABILITIES

The Comhairle acts as guarantor for up to £498k of loans advanced under the Fisheries Assistance and Business Loans Schemes. Provision has been made in the event of non-payment of a portion of the loans issued prior to 31 March 2006. Guarantees issued after this date have been recognised on the balance sheet as required by the SORP.

Although the majority of Equal Pay claims were settled during 2006/07, a small number of new claims have been lodged following the implementation of the Single Status agreement. The value of the claims is not quantifiable at this stage.

NOTE 33 POST BALANCE SHEET EVENTS

In the Emergency Budget on 22 June 2010, the Chancellor of the Exchequer announced that the Consumer Prices Index (CPI) rather than the Retail Prices Index (PRI) will be basis for the calculation of future public sector pension increases. In accordance with Financial Regulation 21, this change is deemed to be a **non-adjusting** post balance sheet event. In 2009/10 this would have the effect of reducing the pension liability disclosed in the Balance Sheet and Note 27 from £62.9m to £53.9m, but this change is not reflected in the accounts.

NOTE 34 STATEMENT OF MOVEMENT ON RESERVES

RESERVES	REVENUE		CAPITAL				TOTAL	
	General Fund	Pension Reserve	Fixed Asset Revaluation Reserve	Financial Instruments Adjustment Account	Capital Adjustment Account	Capital Fund	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balances at 1 April 2009	9,466	(28,811)	4,298	(3,483)	43,831	1,306	517	27,124
Surplus / (Deficit) for Year	815							815
Appropriations To/From Revenue		(285)						(285)
Actuarial Gains/Losses relating to pensions		(33,839)						(33,839)
Revaluation of Fixed assets			1,730		(4,385)			(2,655)
Disposal of Fixed Assets					(108)			(108)
Deferred Grants (Taken to Revenue)					3,264			3,264
Other Capital Receipts							75	75
Capital Receipts Applied					26		(26)	-
Repayment of Principal					10,916			10,916
Depreciation			48		(10,912)			(10,864)
Deferred Charges					(543)			(543)
Charge for Financial Instruments				(149)				(149)
Balance at 31 March 2010	10,281	(62,935)	6,076	(3,632)	42,089	1,306	566	(6,249)

FIXED ASSET REVALUATION RESERVE

The balance on the Revaluation Reserve represents the net increase in the value of fixed assets as a result of these being carried in the Balance Sheet at revalued amounts rather than the depreciated historical cost.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

This account allows for the balancing of differences in statutory requirements and proper accounting practices in respect of borrowing and investments.

CAPITAL ADJUSTMENT ACCOUNT

Previous balances on the Fixed Asset Restatement Account and Capital Financing Account were transferred to this new account. It consists of credits for capital financed from revenue, capital receipts applied and the amount released from the government grants deferred account, together with the difference between the loans fund principal repayment and the amount charged for depreciation.

CAPITAL RECEIPTS RESERVE

The Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.

CAPITAL FUND

The Capital Fund represents proceeds from the disposal of assets. It may be used to finance capital expenditure or the repayment of Loans Fund principal.

INDIVIDUAL SCHOOL BUDGETS

2008/09 Actual £'000	INDIVIDUAL SCHOOL BUDGETS	2009/10	
		Actual £'000	Budget £'000
10,229	Devolved Budgets - Primary	10,405	10,355
12,742	Devolved Budgets - Secondary	12,817	12,375
22,971	TOTAL NET EXPENDITURE	23,222	22,730

CENTRALLY HELD SCHOOL BUDGETS

2008/09 Actual £'000	CENTRALLY HELD SCHOOL BUDGETS	2009/10	
		Actual £'000	Budget £'000
9,866	Schools Strategic Management	10,978	11,917
899	Non-Devolved School Grants	720	842
1,879	Pre-Primary Education	1,940	1,995
3,851	Special Education	4,129	3,992
3,586	School & Pupil Support	3,709	3,677
155	Learning Communities	204	297
(2)	School Catering	(31)	(1)
20,234	TOTAL NET EXPENDITURE	21,649	22,719

NON-SCHOOL FUNDING

2008/09 Actual £'000	NON-SCHOOL FUNDING	2009/10	
		Actual £'000	Budget £'000
1	Support For Students	1	4
712	Community Learning	705	761
713	TOTAL NET EXPENDITURE	706	765

EDUCATION HOLDING ACCOUNTS

2008/09 Actual £'000	EDUCATION HOLDING ACCOUNTS	2009/10	
		Actual £'000	Budget £'000
33	Education Management and Support	236	294
33	TOTAL NET EXPENDITURE	236	294

GENERAL FUND HOUSING

2008/09 Actual £'000	GENERAL FUND HOUSING	2009/10	
		Actual £'000	Budget £'000
344	Housing Strategy	399	431
336	Private Sector Housing Renewal	444	440
574	Homelessness	611	514
(82)	Housing Benefit Payments	39	40
276	Housing Benefits Administration	134	103
1	Housing Management & Support Services	-	-
556	Supporting People	502	580
2,005	TOTAL NET EXPENDITURE	2,129	2,108

CULTURAL & RELATED SERVICES

2008/09 Actual £'000	CULTURAL & RELATED SERVICES	2009/10	
		Actual £'000	Budget £'000
1,303	Culture & Heritage	1,473	1,513
1,062	Library Service	1,060	1,104
2,015	Recreation And Sport	2,190	2,363
170	Tourism	117	119
6	Service Management & Support	-	-
4,556		4,840	5,099

ENVIRONMENTAL SERVICES

2008/09 Actual £'000	ENVIRONMENTAL SERVICES	2009/10	
		Actual £'000	Budget £'000
115	Cemetery, Cremation & Mortuary	119	125
32	Coast Protection	43	54
1,044	Environmental Health	693	768
364	Trading Standards	335	365
402	Other Cleaning	384	488
1,272	Waste Collection	1,224	1,434
3,151	Waste Disposal	3,988	4,391
6,380	TOTAL NET EXPENDITURE	6,786	7,625

ROADS & TRANSPORT SERVICES

2008/09 Actual £'000	ROADS & TRANSPORT SERVICES	2009/10	
		Actual £'000	Budget £'000
8,508	Roads	8,629	8,544
10	Network & Traffic Management	11	-
(14)	Parking Services	4	(3)
3,074	Public Transport	3,547	3,570
11,578	TOTAL NET EXPENDITURE	12,191	12,111

PLANNING & DEVELOPMENT SERVICES

2008/09 Actual £'000	PLANNING & DEVELOPMENT SERVICES	2009/10	
		Actual £'000	Budget £'000
184	Building Control	123	144
339	Development Control	185	259
239	Planning Policy	345	360
59	Environmental Initiatives	46	71
1,727	Economic Development	3,214	3,515
2,548	TOTAL NET EXPENDITURE	3,913	4,349

SOCIAL WORK

2008/09 Actual £'000	SOCIAL WORK	2009/10	
		Actual £'000	Budget £'000
244	Service Strategy	347	337
28	Reporter to the Children's Panel	41	43
3,199	Children and Families	4,154	3,230
13,477	Older People	12,937	13,327
953	People with Physical or Sensory Disabilities	1,002	953
2,727	People with Learning Disabilities	2,785	2,819
584	People with Mental Health Needs	749	790
66	People with Addictions/Substance Misuse	84	84
22	Criminal Justice Social Work Services	(12)	30
21,300	TOTAL NET EXPENDITURE	22,087	21,613

CORPORATE & DEMOCRATIC CORE

2008/09 Actual £'000	CORPORATE & DEMOCRATIC CORE	2009/10	
		Actual £'000	Budget £'000
1,468	Democratic Representation and Management	1,489	1,533
1,678	Corporate Management	1,616	1,683
3,146	TOTAL NET EXPENDITURE	3,105	3,216

NON DISTRIBUTED COSTS

2008/09 Actual £'000	NON DISTRIBUTED COSTS	2009/10	
		Actual £'000	Budget £'000
441	Pensions	386	539
441	TOTAL NET EXPENDITURE	386	539

CENTRAL SERVICES TO THE PUBLIC

2008/09 Actual £'000	CENTRAL SERVICES TO THE PUBLIC	2009/10	
		Actual £'000	Budget £'000
439	Local Tax Collection	605	530
38	Registration Of Births, Deaths and Marriages	36	48
12	Elections	14	23
73	Emergency Planning	22	92
140	General Grants, Bequests And Donations	156	165
1	District Courts	-	-
12	Licensing	44	49
715	TOTAL NET EXPENDITURE	877	907

TRADING SERVICES

2008/09 Actual £'000	TRADING SERVICES	2009/10	
		Actual £'000	Budget £'000
310	Fishery Harbours And Markets	170	189
141	Other Harbours	142	153
40	Slaughterhouses	38	17
87	Local Authority Transport Undertakings	(67)	(2)
578	TOTAL NET EXPENDITURE	283	357

JOINT BOARD REQUISITIONS

2008/09 Actual £'000	JOINT BOARD REQUISITIONS	2009/10	
		Actual £'000	Budget £'000
	Requisitions		
2,374	Police Joint Board	2,764	2,539
2,248	Fire Joint Board	2,489	2,475
280	Valuation Joint Board	273	290
4,902	TOTAL NET EXPENDITURE	5,526	5,304

The Comhairle pays a requisition to the Joint Board which represents its contribution to the estimated running costs incurred in providing these services. These estimates are adjusted on the basis of actual out-turn figures and adjustments made to the following year's requisitions.

TRADING OPERATIONS (SURPLUSES)/DEFICITS

2008/09 Actual £'000	TRADING OPERATIONS (SURPLUSES)/DEFICITS	2009/10	
		Actual £'000	Budget £'000
	TRADING OPERATIONS		
(5)	Grounds Maintenance	(13)	(5)
89	Building Maintenance	359	(12)
52	Vehicle & Plant Maintenance	(2)	(7)
(14)	Other Catering	(22)	(3)
(30)	Building Cleaning	(22)	(3)
	CENTRAL SUPPORT SERVICES		
(19)	Chief Executive	-	11
134	Technical Services	-	34
22	Finance	29	236
3	Education	3	-
232	TOTAL NET EXPENDITURE	332	251

INCOME ACCOUNTS**COUNCIL TAX INCOME ACCOUNT**

2008/09 £000	COUNCIL TAX	2009/10 £'000
(11,914)	Council Tax Levy and Contributions in Lieu	(12,040)
	Less:	
(14)	Council Tax Benefit (net of Government Grant)	(16)
1,844	Other Discounts and Reductions	1,817
71	Provision for Bad and Doubtful Debts	154
	Add:	
9	Community Charge	-
(10,004)	TRANSFERRED TO GENERAL FUND	(10,085)

NON DOMESTIC RATE INCOME ACCOUNT

2008/09 £000	NON DOMESTIC RATES	2009/10 £'000
(7,167)	Rate Levy and Contributions in Lieu	(7,929)
	Less:	
1,868	Other Discounts and Reductions	2,470
12	Provision for Bad and Doubtful Debts	43
16	Payment of Interest	-
(5,271)	Net Non-Domestic Rate Income	(5,416)
	Government Grants	
(4,802)	Contribution from National NDR Pool	(5,581)
(10,073)	NET NDRI TRANSFERRED TO GENERAL FUND	(10,997)

NATURE OF THE COUNCIL TAX CHARGE

Properties which fulfil certain criteria are exempt from Council Tax and no payments are due. Second homes and long-term empty properties are charged 90% (40% being paid over to Registered Social Landlords, for investment in housing related projects). The Council Tax is reduced by 25% where a dwelling has only one occupant and by 50% if the property is empty. If a property has features which meet the needs of a disabled occupant then relief is given by a reduction of one band.

COUNCIL TAX BASE

2008/09	CALCULATION OF THE COUNCIL TAX BASE 2009/10										2009/10
TOTAL	Bands	A	A	B	C	D	E	F	G	H	TOTAL
		DISABLED									
14,101	Properties		4,846	3,776	2,751	1,627	1,046	155	31	5	14,237
791	Exemptions		335	185	71	22	21	2	0	1	637
94	Disabled relief		13	18	31	13	18				93
94	Effective disabled	13	18	31	13	18					93
5,053	Discounts (25%)	5	2,331	1,434	819	367	185	18	3		5,162
1,212	Discounts (50%)		542	411	201	86	46	4	6	3	1,299
11,443	Total equivalent	12	3,662	3,040	2,357	1,475	938	147	27	3	11,661
	Ratio	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
9,589	Band D equivalents	7	2,441	2,364	2,095	1,475	1,146	212	45	6	9,791
8	Contributions in lieu (MOD)										8
9,597	TOTAL										9,799
(178)	Bad debt provision										(178)
9,419	COUNCIL TAX BASE										9,621
9,142	BUDGETARY TAX BASE										9,354

Number of Effective Properties Per Band and Council Tax Levels 2009/10

BAND	Properties	£
A (Disabled)	12	568.89
A	3,662	682.67
B	3,040	796.44
C	2,357	910.22
D	1,475	1,024.00
E	938	1,251.66
F	147	1,479.11
G	27	1,706.67
H	3	2,048.00
TOTAL	11,661	

NATURE AND AMOUNT OF NON DOMESTIC RATES CHARGES

Non-Domestic Rates are a tax levied by local authorities on the occupiers of commercial property. The amount paid is determined by the rateable value placed on the property by the Assessor, multiplied by the Rate Poundage (rate per £ of rateable value) set each year by the Government. The rate for 2009/10 was 48.1p plus 0.04p on properties with a rateable value of £29,000 or more.

The Small Business Bonus Scheme, introduced on 1 April 2008, progressively reduces the rates burden for businesses with properties of which the combined rateable value is £15,000 or less. Projected relief rates are as follows:

Combined rateable value of all business properties in Scotland	Percentage relief available, subject to eligibility		
	2008/09	2009/10	2010/11
Up to £8,000	80%	100%	100%
£8,001 to £10,000	40%	50%	50%
£10,001 to £15,000	20%	25%	25%

Rates collected by the Comhairle are paid into the National Non-Domestic Rates Pool and the money is redistributed by the Scottish Government according to need.

ANALYSIS OF RATEABLE VALUES 01/04/2009

ANALYSIS OF RATEABLE VALUES 01/04/2009	Number of Properties	Rateable Value £'000
Care Facilities	28	540
Communications (Non Formula)	14	290
Cultural	20	158
Education and Training	62	1,830
Garages and petrol stations	98	380
Health Medical	32	1,076
Hotels, Boarding Houses, etc	53	752
Industrial, including Factories and Warehouses	405	2,222
Leisure, Entertainment Caravans and Holiday Sites	332	1,018
Offices (including Banks)	196	1,824
Other	82	645
Petrochemical	5	81
Public Houses	11	176
Public Service Subjects	244	1,931
Quarries, Mines etc	14	99
Religious	188	394
Shops	303	1,925
Sporting Subjects	43	68
Undertaking	11	995
TOTAL	2,141	16,404

GROUP INCOME AND EXPENDITURE ACCOUNT

2008/09 Restated Actual (Net) £'000	Service	2009/10		
		Actual Expenditure £'000	Actual Income £'000	Actual Net £'000
44,036	Education Services	49,338	(2,628)	46,710
2,005	General Fund Housing	9,670	(7,541)	2,129
4,556	Cultural & Related Services	6,311	(1,471)	4,840
6,380	Environmental Services	9,140	(2,354)	6,786
11,578	Roads & Transport Services	14,192	(2,001)	12,191
2,548	Planning & Development Services	7,179	(3,266)	3,913
21,300	Social Work	27,212	(5,125)	22,087
3,146	Corporate & Democratic Core	3,156	(51)	3,105
441	Non Distributed Costs	386	-	386
715	Central Services to the Public	1,173	(296)	877
578	Trading Services	1,720	(1,437)	283
97,283	Net Cost of General Fund Services	129,477	(26,170)	103,307
4,907	Share of Operating results of Associates	15,629	(10,383)	5,246
102,190	NET COST OF SERVICES	145,106	(36,553)	108,553
22	Loss on Disposal of Fixed Assets			31
280	Precepts and Levies			-
232	Trading Operations Deficits			332
11,452	Interest Payable and Similar Charges			9,774
285	Share of Interest Payable and Similar Charges of Associates			248
(1,444)	Interest and Investment Income			(183)
(79)	Share of Interest and Investment Income of Associates			(9)
718	Pensions Interest Costs and Expected Return on Assets			2,028
3,543	Share of Pension Interest Costs and Expected Return on Assets of Associates			4,141
(851)	BCCI Receipt			-
116,348	NET OPERATING EXPENDITURE			124,915
(94,134)	General Government Grants			(97,558)
(10,073)	Non-Domestic Rates Redistribution			(10,997)
(10,004)	Income from Council Tax			(10,085)
(114,211)	TOTAL INCOME			(118,640)
2,137	DEFICIT FOR THE YEAR			6,275

GROUP ACCOUNTS

RECONCILIATION OF THE SINGLE ENTITY SURPLUS OR DEFICIT FOR THE YEAR TO THE GROUP SURPLUS OR DEFICIT

2008/09 £'000		2009/10 £'000
(1,982)	(Surplus)/Deficit on Single Entity I & E Account for Year	1,278
(4,622)	Less: Adjustment for transactions with other Group entities	(5,526)
(6,604)	(Surplus)/Deficit in Group I & E Account Attributable to Comhairle	(4,248)
8,656	Add: Deficit in Group I & E Account attributable to Associates	9,626
85	Add: Deficit in Group I & E Account attributable to Subsidiaries	897
2,137	Deficit for the Year on the Group I & E Account	6,275

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This Statement brings together all the gains and losses of the Comhairle for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and remeasurement of the net liability to cover the cost of retirement benefits.

2008/09 £'000	STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	2009/10 £'000
2,137	Deficit for the Year on the I & E Account	6,275
(2,055)	Surplus on Revaluation of Fixed Assets	(2,956)
5,358	Actuarial Losses on Pension Fund Assets and Liabilities	65,689
5,440	Total Recognised Losses for the Year	69,008

GROUP BALANCE SHEET

Restated 31 March 2009 £'000		Gross Book Value £'000	Depreciation £'000	31 March 2010 Net Book Value	
				£'000	£'000
	Fixed Assets				
679	<i>Intangible Fixed Assets</i>	432	(27)	405	
	<i>Tangible Fixed Assets</i>				
	Operational Assets:				
133,315	Other Land & Buildings	137,450	(8,342)	129,108	
655	Leasehold Improvements	1,277	(687)	590	
15,813	Vehicles, Plant & Equipment	22,341	(6,196)	16,145	
98,117	Infrastructure Assets	140,871	(41,983)	98,888	
455	Community Assets	741	(326)	415	
	Non-operational Assets:				
-	Investment Properties	-	-	-	
825	Surplus Assets	1,173	(33)	1,140	
2,597	Assets Under Construction	5,846	-	5,846	
252,456	Total Fixed Assets	310,131	(57,594)		252,537
	Other Long Term Assets				
385	Long-term Investments			371	
(54,933)	Investment in Associates			(89,674)	
1,068	Long-term Debtors			1,550	
(371)	Less Provisions			(320)	(88,073)
198,605	Total Long-term Assets				164,464
	Current Assets				
1,023	Stocks			959	
11,122	Debtors			10,445	
(2,212)	Less Provisions			(2,375)	
9,105	Investments			14,507	
12	Cash in Hand			13	23,549
217,655	Total Assets				188,013
	Current Liabilities				
(105)	Borrowing Repayable Within 1 Year			(2,605)	
(13,752)	Creditors			(14,337)	
(562)	Provisions			(603)	
(1,229)	Bank Overdraft			(865)	(18,410)
202,007	Total Assets less Current Liabilities				169,603
	Long-term Liabilities				
(145,238)	Long-term Borrowing			(143,134)	
(53,767)	Government Grants Deferred			(60,006)	
(2,086)	Grants Unapplied			(432)	
(28,811)	Pension Liability			(62,935)	(266,507)
(27,895)	Net Assets/(Liabilities)				(96,904)
	Financed by:				
4,298	Revaluation Reserve			6,076	
72	Revaluation Reserve of Group Entities			1,256	
49,369	Capital Adjustment Account			47,745	
1,306	Capital Fund			1,306	
1,242	Capital Receipts Reserve			872	
(3,483)	Financial Instruments Adjustment Account			(3,632)	
(90,821)	Pension Reserve			(160,719)	
9,466	Revenue Reserves - General Fund			10,281	
656	Revenue Reserves - Group Entities			(89)	
(27,895)	Total Net Worth				(96,904)

The unaudited accounts were issued on 28 June 2010 and the audited accounts were authorised for issue on 23 September 2010.



Robert Emmott BSc CPFA
 Director of Finance and Corporate Resources
 23 September 2010

GROUP CASH FLOW STATEMENT

2008/09 (In)/Out £'000	CASH FLOW STATEMENT	2009/10 £'000	2009/10 £'000	2009/10 (In)/Out £'000
(22,119)	Net Cash Inflow from Revenue Activities (Note 1)			(23,938)
	Returns on Investments & Servicing of Finance			
	Cash Outflows			
10,348	Interest Paid	9,136		
770	Premia	639		
11,118			9,775	
	Cash Inflows			
(344)	Interest Received	(79)		
			(79)	
10,774	Net Cash Outflow from Investments and Servicing of Finance			9,696
	Capital Activities			
	Cash Outflows			
14,260	Purchase of Fixed Assets	14,337		
364	Expenditure on Deferred Charges	543		
-	Other Capital Cash Payments	-		
14,624			14,880	
	Cash Inflows			
(51)	Sales of Fixed Assets	(75)		
(2,442)	Capital Grants Received	(5,934)		
(2,805)	Other Capital Cash Receipts	-		
(5,298)			(6,009)	
9,326	Net Cash Outflow from Capital Activities			8,871
(2,019)	Net Cash Inflow before Financing			(5,371)
	Management of Liquid Resources			
2,362	Net Increase/(Decrease) in Short Term Deposits	5,402		
			5,402	
2,362	Net Cash Outflow from the Management of Liquid Resources			5,402
	Financing			
	Cash Outflows			
9,657	Repayments of Amounts Borrowed	9,604		
9,657			9,604	
	Cash Inflows			
(9,332)	New Loans Raised	(10,000)		
(9,332)			(10,000)	
325	Net Cash Outflow from Financing			(396)
668	Net (Increase)/Decrease in Cash			(365)
2008/09	Movements in Cash per Balance Sheet	Opening	Closing	Movement
668		(1,217)	(852)	(365)

NOTES TO GROUP ACCOUNTS

NOTE 1 RECONCILIATION OF INCOME & EXPENDITURE ACCOUNT TO REVENUE ACTIVITIES CASH FLOW

2008/09 £'000		2009/10 £'000
2,137	Operating (Surpluses)/Deficits	
2,137	Income and Expenditure Account - Deficit for the Year	6,275
		6,275
	Non Cash Transactions	
(4,119)	Non Cash Movements Relating to Associates	(4,100)
(7,016)	Non Cash Movements Relating to Loans Fund	(12,860)
(11,135)		(16,960)
(10,774)	General Fund Financing Expenses	(9,696)
	Working Capital Items	
110	(Increase)/Decrease in Provisions	(153)
480	(Increase)/Decrease in Creditors	(1,229)
(3,016)	Increase/(Decrease) in Debtors	(2,111)
78	Increase/(Decrease) in Stocks and Work in Progress	(64)
(2,348)		(3,557)
(22,120)	Net Cash Inflow from Revenue Activities	(23,938)

NOTE 2 STATEMENT OF TOTAL MOVEMENT IN GROUP RESERVES

RESERVES	REVENUE		CAPITAL				TOTAL £'000	
	Revenue Reserve	Pension Reserve	Fixed Asset Revaluation Reserve	Financial Instruments Adjustment Account	Capital Adjustment Account	Capital Fund		Capital Receipts Reserve
	£'000	£'000	£'000	£'000	£'000	£'000		£'000
Balances at 1 April 2009	10,122	(90,821)	4,370	(3,483)	49,369	1,306	1,242	(27,895)
Surplus/(Deficit) for Year	70							70
Appropriations to/from Revenue		(4,208)						(4,208)
Actuarial Gains/Losses relating to Pensions		(65,690)						(65,690)
Revaluation of Fixed Assets			2,950		(4,385)			(1,435)
Disposal of Fixed Assets					(176)		53	(123)
Deferred Grants (taken to Revenue)					3,628			3,628
Capital Financed from Revenue					5			5
Other Capital Receipts					78		(3)	75
Capital Receipts Applied					420		(420)	-
Repayment of Principal					11,238			11,238
Depreciation			12		(11,889)			(11,877)
Deferred Charges					(543)			(543)
Charge for Financial Instruments				(149)				(149)
Balance at 31 March 2010	10,192	(160,719)	7,332	(3,632)	47,745	1,306	872	(96,904)

FIXED ASSET REVALUATION RESERVE

The balance on the Revaluation Reserve represents the net increase in the value of fixed assets as a result of these being carried in the balance sheet at revalued amounts rather than the depreciated historical cost.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

This account allows for the balancing of differences in statutory requirements and proper accounting practices in respect of borrowing and investments.

CAPITAL ADJUSTMENT ACCOUNT

Previous balances on the Fixed Asset Restatement Account and Capital Financing Account were transferred to this new account. It consists of credits for capital financed from revenue, capital receipts applied and the amount released from the government grants deferred account, together with the difference between the loans fund principal repayment and the amount charged for depreciation

CAPITAL RECEIPTS RESERVE

The Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.

CAPITAL FUND

The Capital Fund represents proceeds from the disposal of assets. It may be used to finance capital expenditure or the repayment of Loans Fund principal.

NOTE 3 DISCLOSURE OF INTEREST IN OTHER ENTITIES

The code of practice on Local Authority Accounting requires local authorities to consider their interest in other organisations, including private companies and other statutory bodies. Where the interest is deemed to be material, the authority is required to prepare a set of Group Accounts.

NOTE 4 COMBINING ENTITIES

The Comhairle has a "controlling interest" in Sgoiltean Ura LLP (SULLP) and this company has been included in the Group Accounts as a subsidiary.

The Comhairle also has an interest in a number of Associate Companies as detailed in Note 30 to the Accounts on Page 26. For the purposes of consolidation and incorporation in the Group Accounts, recognition has been made of the Comhairle's interest in three Associates.

Northern Joint Police Board
Highlands and Islands Fire Board
Highland and Western Isles Joint Valuation Board

The accounting period for these entities is 31 March 2010 and copies of the individual accounts are available from the Director of Finance, Highland Council, Glenurquhart Road, Inverness, IV3 5NX.

Northern Joint Police Board – is the police authority for the area covered by the Northern Constabulary and provides the service in the areas administered by Highland Council, Orkney and Shetland Islands Councils and Comhairle nan Eilean Siar. During 2009/10 the Comhairle contributed £2.8m or 9.22% of the Board's running costs and its £75.6m share of the net liability is included on the Balance Sheet.

The following table gives details the Group's share of the Board's finance's, based on the Comhairle's 16.67% share, calculated using the Member representation from each Council are:

NORTHERN JOINT POLICE BOARD		
2008/09		2009/10
£'000		£'000
10,518	Gross Income (including Grant)	11,081
3,376	(Surplus)/Deficit on Income and Expenditure Account	3,390
59	(Surplus)/Deficit after additional DR/CR to General Fund	(188)
7,796	Fixed Assets	7,953
2,631	Current Assets	2,091
1,572	Short Term Liabilities	1,169
4,235	Long Term Liabilities (excluding Pension)	5,123
51,298	Pension Liability	79,429

Highlands and Islands Fire Board – is the fire authority for the area covered by the Highland and Island Fire Brigade and provides the service in the areas administered by Highland Council, Orkney and Shetland Islands Council and Comhairle nan Eilean Siar. During 2009/10 the Comhairle contributed £2.4m or 10% of the Board's running costs and its £13.1m share of the net liability is included on the Balance Sheet.

The following table gives details of the Group's share of the Board's finances, based on the Comhairle's 16.67% share, as above.

HIGHLANDS AND ISLANDS FIRE BOARD		
2008/09		2009/10
£'000		£'000
4,040	Gross Income	4,328
658	(Surplus)/Deficit on Income and Expenditure Account	694
(4)	(Surplus)/Deficit after additional DR/CR to General Fund	(38)
6,475	Fixed Assets	7,816
539	Current Assets	685
462	Short Term Liabilities	708
4,288	Long Term Liabilities (excluding Pension)	4,573
10,291	Pension Liability	16,315

Highland and Western Isles Joint Valuation Board administers the Rating and Council Tax valuation service and Electoral Registration on behalf of The Highland Council and Comhairle nan Eilean Siar. Operational control of the service lies with the Assessor who receives administrative, financial and computing support from The Highland Council. During 2009/10 the Comhairle contributed £0.272m or 10.7% of the Board's running costs. Other than the Pension Liability, of which the Comhairle's share is £.904m, the Board has no other fixed assets or reserves on the Balance Sheet.

The following table gives details of the Group's share of the Board's finances, based on the Comhairle's 20% share, as above.

HIGHLAND AND WESTERN ISLES JOINT VALUATION BOARD		
2008/09		2009/10
£'000		£'000
520	Gross Income	515
(6)	(Surplus)/Deficit on Income and Expenditure Account	16
20	Current Assets	39
20	Short Term Liabilities	39
421	Pension Liability	904

Sgoiltean Ura LLP (SULLP) is an arms length limited liability partnership responsible for the management of the design, construction, facilities management and lifecycle maintenance of the schools to be built as part of the Western Isles Schools Project. The LLP is a partnership between the Comhairle (99.99%) and Sgoiltean Ura Investments Ltd (0.01%), with the latter being a company limited by shares having the Comhairle as sole share holder.

During 2009/10 the partnership made and operating loss of £0.897m compared to a loss of £0.085m in the previous year. The nature of the SULLP Business Plan means that the costs (losses) incurred in bringing the construction phase of the project to completion will be funded through a Loan Agreement with the Comhairle, with this being recouped during the first ten years of the operational phase of the contract.

Copies of the accounts are available from Sgoiltean Ura LLP, 8 Harbour View, Stornoway, Isle of Lewis, HS1 2DF.

NOTE 5 NATURE OF COMBINATION

The Comhairle is deemed to have an interest in its associates by virtue of its ability to direct operating and financial policies in conjunction and with the consent of the other participants in the entity. Associates are accounted for using the equity method, whereby an opening investment has been recognised in the Balance Sheet and adjusted in each year for the Comhairle's share of the operating results. Subsidiaries are fully consolidated into the Group Accounts on a line by line basis.

NOTE 6 FINANCIAL IMPACT OF CONSOLIDATION

The effect of including the associates and the subsidiary on the Balance Sheet is to reduce net worth by £90.1m, largely as a result of inclusion of the Joint Boards share of the pension liability. Despite this, the group can be treated as a going concern, as it can raise the funds it requires to maintain its operations.

NOTE 7 GROUP ACCOUNTING POLICIES

The Group Accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 4 to 6.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Comhairle's Responsibilities

The Comhairle is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Corporate Resources.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Director of Finance and Corporate Resources Responsibilities

The Director of Finance and Corporate Resources is responsible for the preparation of the Comhairle's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this statement of accounts, the Director of Finance and Corporate Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Director of Finance and Corporate Resources has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts presents a true and fair view of the financial position of the Comhairle at the accounting date and its income and expenditure for the year ended 31 March 2010.



Robert Emmott BSc CPFA
Director of Finance and Corporate Resources
23 September 2010

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

1. This statement is given in respect of the 2009/10 statement of accounts for Comhairle nan Eilean Siar. I acknowledge my responsibility as Director of Finance and Corporate Resources and s95 officer for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The system of internal financial control is based on a framework of regular management information, financial regulations and procedures, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Comhairle. In particular, the following processes have been established:
 - Comprehensive budgetary control and reporting systems;
 - Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
 - Setting targets to measure financial and other performances;
 - The preparation of regular financial reports which indicate actual expenditure against the forecasts;
 - Clearly defined capital expenditure guidelines; and
 - As appropriate, formal project management disciplines.
4. Internal audit is provided by an in-house team which reports independently through the Director of Finance & Corporate Resources, but also has open access to the Chief Executive and the Comhairle's Monitoring Officer. Computer Audit is provided by way of partnership working arrangements with Highland Council. The internal audit section is responsible for:
 - Adding value to the Comhairle by undertaking independent appraisal of its systems of internal control;
 - Providing a high quality and effective service that is responsive to the needs of client departments;
 - Providing a quality advisory and investigative service to support safeguarding the public pound;
 - Supporting the Comhairle in the achievement of Best Value in the use of resources; and
 - Assisting the Comhairle in discharging its corporate governance requirements.
5. During the year:
 - The function operated to professional auditing standards and aimed to comply with the requirements laid down in the Code of Practice for Internal Audit in Local Government in the UK 2006;
 - An operational audit plan, based on a previously approved internal audit risk assessment and strategic audit plan, was approved by Members, and regular reports of progress against plan were presented to the Audit Panel. A strategic internal audit plan covering the three years to 31 March 2013 has also been approved by Members;
 - Based on the findings arising from the internal audit work undertaken against the plan, the independent opinion reached in the annual internal audit report was that reasonable assurance could be placed on the system of internal financial control;
 - External Audit were able to place reliance on the work of Internal Audit in reaching their conclusion on the controls operating within specific areas of the Comhairle; and
 - In terms of best practice the Statement on the System of Internal Financial Control (SSIFC) should cover group accounts. The Comhairle have placed reliance on the work of Highland Council's Internal Audit section who currently undertake work on

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

the Police, Fire and Joint Valuation Boards. Highland Council's Annual Report make reference to the appropriateness of the systems of internal control and deem them as acceptable, any specific issues have been raised with the appropriate Board and I therefore propose no additional work in this area.

6. My review of the effectiveness of the system of internal financial control is informed by:
 - The work of managers within the Comhairle who have responsibility for the development and maintenance of the internal financial control framework;
 - The work of internal auditors as described above; and
 - The external auditors in their annual audit letter and other reports.
7. I am satisfied that the Comhairle has in place an appropriate system of internal financial control, but would draw your attention to the specific matters detailed in paragraphs 8 to 15 below.
8. The Comhairle's External Auditors have stated that the complex Western Isles Schools Project funding arrangements adds to the existing financial pressures. The affordability gap currently stands at approximately £0.5M. This figure includes various assumptions such as the discontinuation of the S1/2 stage of education (this is dependant on the government agreeing to the Comhairle's proposals). The Comhairle's policy is that the remainder should be found from the Education department. This is a major project for the Comhairle and any project overspends or financing shortfalls could have far reaching consequences on reserves, service delivery, and the ability to set a balanced budget.
9. The Western Isles Schools Project represents the biggest project to be undertaken by the Comhairle and to manage the risks identified specific arrangements have been put in place to ensure effective management of the project, including:
 - Reports to every meeting of the Policy & Resources Committee on the progress of the project;
 - A Project Board, chaired by the Chief Executive;
 - A dedicated project manager and a professional team supported by a senior officer group;
 - A defined project budget;
 - Attendance at meetings of the SPV by the Chief Executive and Director of Finance & Corporate Resources; and
 - Expert professional advisors.

On the 23rd March 2010 the Sgoiltean Ura LLP Board approved the preferred bidders for the project based on tenders that were within cost estimates and the affordability envelope. Financial close on the contracts was completed on 8 September 2010.
10. Audit Scotland in August 2006 published a Best Value & Community Planning report on the Comhairle. This report highlighted areas where improvements could be made, specifically:
 - Best Value
 - Performance Management
 - Policy-led budgeting
 - Procurement, Human Resources, ICT and Asset Management
 - Decision making processes, and
 - Poor relationship with the Health Board
11. Progress has been made on each of these issues since the 2006 report. In 2009/10, management have taken substantial steps to address performance management as described at paragraph 15. The main area where the Comhairle are behind schedule is Asset Management, however, the recent appointment of a dedicated officer will take this forward as a matter of priority. In addition, a target of 95% compliance with the

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

completion of a Staff Development and Appraisal assessments (SDA) has not been achieved, however, steps are actively been made to address this non compliance. Compliance in meeting these remaining recommendations will be monitored on a quarterly basis by the Comhairle's Audit and Scrutiny Committee. In addition, progress will be reviewed by Audit Scotland as part of their ongoing visits and assessment of the Comhairle.

12. The Comhairle are required by the Local Government in Scotland Act 2003 to achieve a prescribed annual financial objective of break even over a rolling three year period with regards to their statutory trading accounts. The Building Maintenance operation which is classed as a Significant Trading Operations (STO) failed to achieve break even in 2007/08 with a reported loss of £100,509, and again in 2008/09 with a reported loss of £89,000. In 2009/10, a further loss has to be reported which is approximately £359,380 and therefore the Building Maintenance STO has failed to meet its financial objective to break-even over a rolling three year period. In addition, the Comhairle's Internal Auditors could not place reliance on the computerised year-end stock valuation data held due to a number of control and system problems resulting in inaccurate standing data. The Comhairle's Internal Auditors have also highlighted that in light of successive and recurring losses within the Technical Services Operations (former Commercial Operations Unit) the Comhairle need to assess the future viability of this operation.
13. The Comhairle has a number of trading operations (TO) which are not required to break even over a rolling three year period. However, it is also important to note particular performance within each of these TO's during 2009/10. The Bus Contracts, which have been subject to competitive, tender made a profit of £67,216 in 2009/10. The Roads TO has made a £78,738 loss, Street Lighting a £14,682 loss and Garage a £1,942 profit.
14. The Comhairle's External and Internal Auditors have continued to raise concerns over the lack of progress in relation to risk management within the Comhairle. The Comhairle's Auditors have also previously stated that "a process on its own will not guarantee" that risk is embedded and the Comhairle will "need to be able to demonstrate" that risk is embedded and "not simply an additional tick box exercise". However, the Strategic Risk Management Group and the Comhairle's Management Team have agreed an action plan to drive risk management forward within the Comhairle and at an acceptable pace given the concerns that have been raised. The Comhairle have recently appointed an officer who has a dedicated risk management role and will support the plans and aspirations of the Comhairle in relation to risk management. In addition, the Comhairle's Internal Audit section are to undertake a repeat review of risk management later in the 2010/11 financial year and we hope that this review will highlight that suitable progress has been achieved.
15. The Comhairle has taken a number of steps in 2009/10 to address concerns raised by Auditors about its performance management, monitoring and reporting. In February 2009, the Comhairle procured an online performance management system (Interplan) and all its service business plans, linked to the Single Outcome Agreement 2009/11, are on that system. The Comhairle provides quarterly reporting of its business plans, including performance information, and is also able to produce progress reports against SOA National Outcomes, Local Outcomes and objectives, at any point in time. The Comhairle has established an in-house Performance Monitoring Group which meets regularly to monitor and resolve issues relating to performance and the use of Interplan within the Comhairle, and it reports progress to Corporate Management Team.
16. It is important to note that any system in itself will not resolve all performance issues. It is ultimately up to all departments and officers to undertake that the system is utilised and updated in order to provide reliable and timeous reports.
17. The Comhairle produced its first bi-annual public performance report 2009/10 in March 2010, and it has been made available to the public through various media. The next report is due in September 2010. The key aspirations in this area are to widen accessibility of Interplan to staff and Elected Members, increase levels of staff usage on

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the system to improve overall proficiency, and to develop Interplan's Communities Portal. These will support work undertaken by the Comhairle thus far in strengthening performance management, monitoring and reporting, internally and externally, in advance of Best Value 2 audit.

18. Local Authorities in Scotland face significant pressures on available finances in the forthcoming years, particularly 2011/12 onwards. It is widely accepted that central funding allocations to the Comhairle will fall and that these will be significant. Financial strategies and the budget for 2011/12 have therefore been brought forward. These are looking at the need to make significant savings and efficiencies for future financial years. All such policies and strategies will be consulted upon and put before the appropriate Comhairle Committee.



Robert Emmott BSc CPFA
Director of Finance and Corporate Resources

23 September 2010

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Comhairle nan Eilean Siar and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Comhairle nan Eilean Siar and its group for the year ended 31 March 2010 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement, the Council Tax Income Account, the Non-Domestic Rate Income Accounts, and the related notes and the Statement of Accounting Policies together with the Group Accounts. These financial statements have been prepared under the accounting policies set out within them.

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 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Director of Finance and Corporate Resources and auditor

The Director of Finance and Corporate Resources' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 - A Statement of Recommended Practice (the 2009 SORP) are set out in the Statement of Responsibilities for the financial statements.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland.

I report my opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

In addition, I report to you if, in my opinion, the local government body has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on the System of Internal Financial Control reflects compliance with the SORP, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. My audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Director of Finance and Corporate Resources in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the local authority's and its group circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, of the financial position of Comhairle nan Eilean Siar and its group as at 31 March 2010 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Failure to comply with a statutory requirement

It has not been necessary to qualify my opinion in respect of the following matter.

Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to conduct each of their significant trading operations so that income is not less than expenditure over each three year period. The authority failed to comply with this statutory requirement for the three year period ending 31 March 2010 in respect of the Building Maintenance significant trading operation.



Peter Tait CPFA
Assistant Director of Audit (Local Government)

Audit Scotland
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23 September 2010