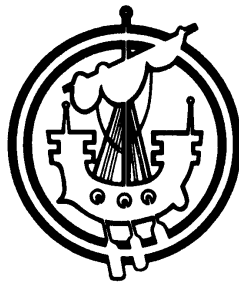


COMHAIRLE NAN EILEAN SIAR

**CUNNTASAN BHLIADHNAIL
2010/11**



**ANNUAL ACCOUNTS
2010/11**

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FOREWORD BY THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES

Introduction

The Financial Statements of the Comhairle and its Group for 2010/11, which have been completed in accordance with The Code of practice on Local Authority Accounting in the United Kingdom 2010: A Statement of Recommended Practice (SORP), are set out on pages 19-61.

This is the first year that the statements have been prepared in line with the requirements of International Financial Reporting Standards (IFRS), with the result that the presentational format of the main statements is different. An explanation of the purpose of the statements is given below.

Statement of Responsibilities for the Annual Accounts

This Statement sets out the respective responsibilities of the Comhairle and the Director of Finance and Corporate Resources for the financial statements.

Statement on the System of Internal Financial Control

This statement sets out the framework within which financial control is managed and reviewed over the main components of the system, including the arrangements for Internal Audit.

Remuneration Report

This report outlines the Comhairle's remuneration policies for senior officers and senior elected members, and also provides detailed information on amounts paid and the pension benefits received by these officers and members.

The Financial Statements

- **Movement in Reserves Statement** – shows the movement in the year on the different reserves held by the Comhairle, analysed in “usable reserves” (those that can be used to fund expenditure or reduce local taxation) and “unusable reserves”. The Surplus/Deficit on the Provision of Services line shows the true cost of providing services. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting.
- **Comprehensive Income and Expenditure Statement** – shows the accounting cost in the year of providing services in accordance with international financial reporting standards (IFRS), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulation, which may be different from accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **Balance Sheet** – shows the value of the Comhairle's assets and liabilities. The net assets (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Comhairle may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Comhairle is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.
- **Cash Flow Statement** - shows the changes in cash and cash equivalents during the reporting period. The statement shows how the Comhairle generates and uses these resources by classifying them as operating, investing or financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the Comhairle's operations are funded by way of taxation and grant income or from service users. Investing activities represent the extent to which cash outflows have been made for resources used in the delivery of services. Cash flows arising from financing activities are useful indicators of borrowing requirements.
- **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 Ura LLP as a subsidiary, show the overall financial position of the Comhairle.

Financial Performance

The Comprehensive Income and Expenditure Statement, prepared in line with IFRS, shows a surplus of £55m for the year. However, as explained above, this does not reflect the true cost of providing services or the amount funded from taxation. £21m of this relates to unusable gains included in the pension reserve, £26m is due to the inclusion of capital grants used to fund part of the capital programme and the remaining £4m to items such as depreciation which do not impact on the Comhairle's cash position. Consequently, the General Fund balance has increased by £4.4m against a budgeted surplus of £15k.

This is primarily due to movements in earmarked funds, including £2m relating to unallocated Private Sector Housing Grant and £1.5m relating to the Western Isles Schools Project, which is committed to future years.

In addition, during the course of the year there were a number of other 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 and borrowing at favourable rates, additional council tax income and a reduction in the Comhairle's share of Joint Board expenditure.

The General Fund balance at 31 March 2011 is £14.5m, compared with £10.3m a year earlier. However, when known commitments of £11.5m as detailed below are taken into account, this reduces to £3.0m, which is just in line with that required under Comhairle policy.

	£'000
Western Isles Schools Project	3,195
Sgoiltean Ùra Loan	1,361
Private Sector Housing	2,005
Youth Crime	108
Education Projects	710
Business Loans Scheme	385
Former HRA Liabilities	822
Ward Priority Fund	146
Departmental Carry Forwards	385
HISTP Match Fund	792
Loans Fund Restructuring	904
Spend to Save Initiatives	206
Miscellaneous Projects	454
Total	£11,473

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 Chief Executive's Department which returned £63k to General Fund balances and Technical Services, with an overspend of £300k in addition to the £618k on Winter Maintenance, all other departments returned a surplus within the 1% carry forward tolerances for 2010/11.

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 £446k for the year, Building Maintenance has failed to achieve this target. This does however include £279k of exceptional expenses in respect of redundancy costs and the write off of obsolete stock.

During the year, this service has been subject to a major review, prompted by a period of poor financial performance and the loss of the maintenance term contract with the Housing Partnership. This has resulted in a significant down-sizing of the operation and the introduction of a new business model.

Overall, Trading Operations (TOs) have made a net deficit of £298k. The Cleansing and Grounds Maintenance contracts within Technical Services and the Building Cleaning contract contributed surpluses of £46k and £36k respectively. The Catering contracts made a deficit of £20k but this was solely due to the inclusion of redundancy costs.

The Bus Operation, which has historically had poor financial results, has generated a surplus of £79k. This has been achieved through a combination of additional income and a revision to working patterns. The operation has benefitted from additional subsidy through the fuel escalator in the contracts and grant income from the Scottish Government with regard to travel concessions.

Sources of Finance

The Comhairle's revenue budget is financed through Revenue Support Grant from the Scottish Government, together with Non-Domestic Rates and Council Tax, as detailed in the Income Accounts on page 45 of the Accounts. Committed and planned capital expenditure will be funded by a combination of borrowing, capital grants from the Scottish Government, capital contributions from funding partners and capital receipts.

Capital Expenditure

The Comhairle spent a total of £35.2m on capital projects in 2010/11, the third year of the 2008-13 Capital Programme. Of this, £18m was spent on the Western Isles Schools Project and £1.8m on Private Sector Housing Grant, both of which were funded by Capital Grant from The Scottish Government. In addition, £2m was spent on the existing school estate, £5.6m on Sustainable Development projects, and £3.4m on roads and transport. Community projects benefited by almost £1m 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: The Seaforth Road Media Centre, Stornoway Town Hall, Lionacleit Swimming Pool Changing Facilities and the Ice Plant at Ardveenish;
- Roads: Stockinish to Luskentyre, Manor Roundabout and Doune Carloway to Kirivik.
- Environmental: Coastal Protection, Waste Management and Community Recycling Sites.

The main sources of funding for this expenditure are a mix of borrowing and capital grants and contributions as detailed in Note31.

Balance Sheet

The Balance Sheet gives details of the assets and liabilities and shows that net assets have increased by £55m over the year. Although expenditure in excess of £32m was incurred on fixed assets, the effect of depreciation and revaluation means that the value of these assets has increased by £15m to £267m. The main reason for the overall increase in net worth is the reduction 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 2011. 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. Favourable discount rates, together with the Chancellor's Budget announcement that future pension increases would be based on the Consumer Prices Index, resulted in a significant reduction in the liability as detailed in Note 34.

Borrowing

During the year two long term loans totalling £15m were borrowed from the Public Works Loan Board. A £5m EIP loan was borrowed for 10 years at a rate of 2.94% and a £10m Maturity loan was borrowed for 50 years at 3.92%. Loans totalling £2.9m were repaid to the Public Works Loan Board during the year.

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/IAS19)

The Comhairle's pension liability has reduced by £33.4m to £29.5m. 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 an increase of 28% in the 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 Comprehensive Income and Expenditure Statement. Further details are given in Note 34.

Western Isles Schools Project

The Western Isles Schools Project (WISP) will build and maintain six schools, to come into service between August 2011 and August 2012, and provide 21st Century managed education facilities until July 2039. As of 31 March 2011 the project is being delivered as planned, with the first schools on course to open in August 2011.

The final business case for five of the schools was approved by the Scottish Futures Trust, on behalf of the Scottish Government, in September 2010 with contracts for the project being signed on 8 September 2010. On 31 March 2011 the Comhairle formally agreed to include Daliburgh Primary school in the project.

At financial close the total capital cost of the WISP was £74m, with the addition of Daliburgh bringing this to £83m. The project is funded through a combination of capital grant and prudential borrowing.

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 net group worth to be £50m, compared to the Comhairle's £106m. This is mainly due to the large negative Pension Reserve held by the Police and Fire Boards. The Pension Reserve arises from the bodies applying FRS17 *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

In setting its 2011/12 budget the Comhairle addressed a £5.1m budget gap, whilst seeking to minimise the impact on services. This gap included a £3.8m reduction in government funding which had been anticipated in the light of constraints on public finances following the 2008 financial crisis.

The Scottish Government provided a one year settlement for 2011/12 along with indicative figures for local government for 2012-15. However, the distribution among authorities will be critical for the Comhairle and this is unlikely to be announced before autumn 2011. To ensure the Comhairle is as prepared as possible for the outcome of this, the forward Budget Strategy for 2012-15, agreed when the 2011/12 budget was set, maintains the planning assumption of annual savings of 5%.

Savings of this magnitude will become harder to achieve each year. However, for 2012/13 the Comhairle has already set out its HR strategy, started considering options for further efficiencies and begun identifying alternative ways to deliver services. Service reductions will be the last resort and as for 2011/12 will be subject to public consultation.

As was the case at the start of 2010/11 the Comhairle remains in a relatively stable position with a balanced budget for 2011/12 and with uncommitted balances at £3m, in line with the policy level set by the Comhairle.

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
21 September 2011

RO-RÀDH LE STIÙIRICHE AN IONMHAIS AGUS STÒRAS COPRORRA

Ro-ràdh

Tha Aithris Ionmhais na Comhairle agus a buidheann airson 2010/11, crìochnaichte a-rèir Còd Obrachaidh Cunntasachd Ùghdarras Ionadail anns an Rìoghachd Aonaichte 2010: Aithris air Modhan air a Moladh (SORP) mar a tha mìnichte aig duilleagan 19-61.

Seo a' chiad bhliadhna a chaidh na h-aithrisean ullachadh ann an dàimh ri feumalachdan Inbhean Eadar-nàiseanta air Aithriseachd Ionmhais agus tha sin a' fàgail gu bheil riochd na prìomh aithris eadar-dhealaichte. Tha mìneachadh air adhbhair na h-aithrisean gu h-ìosal.

Aithris Uallaichean airson Cunntasan Bhliadhnail

Tha an Aithris seo a' mìneachadh uallaichean air a' Chomhairle agus air Stiùiriche Ionmhas agus Stòras Corporra airson na h-aithrisean bhliadhnail.

Aithris air In-Shiostam Smachd Ionmhais

Tha an aithris seo a' mìneachadh am frèam obrach far a bheil rian dha chumail air prìomh chuibrinn an t-siostam, a' gabhail a-steach ullachidhean airson In-sgrùdadh.

Aithisg Iocaidh

Tha an Aithisg seo a' toirt fiosrachadh mu poileasaidhean iocaidh na Comhairle do dh' oifigearan agus buill ann an àrd dhreuchdan, le mion fhiosrachaidh air na pàighidhean agus buannachdan peinnseid do na h-oifigearan agus na Buill sin.

Na h-Aithrisean Ionmhais

- **Aithris Gluasad ann an Stòrais** – a' comharrachadh a' ghluasad ann am bliadhna air an stòras eadar-dhealaichte air an cumail leis a' Chomhairle, mion-sgrùdaichte fo "stòrais so-chleachdaidh" (a' coinneachadh cosgais no lughdachadh cìs ionadail) agus "stòrais neo-chleachdaidh". Tha loidhne Còrr/Call air Ullachadh Sheirbheisean a' comharrachadh fìor chosgais ullachadh sheirbheisean. Tha iad seo eadar-dhealaichte bho na h-àireamhan reachdail a dh'fheumar a chur ri Cothromachadh a' Mhaoin Choitcheann ann a bhith a' stèidheachadh a' chis chomhairle.
- **Aithris Iomlan air Teachd-a-steach agus Cosgais** – a' sealltainn cosgais cunntasachd 's a bhliadhna air ullachadh sheirbheisean a-rèir inbhean aithris ionmhais eadar-nàiseanta (IFRS); an àite maoin bho chisean. Tha Ùghdarrasan a' togail chisean airson coinneachadh ri cosgais a-rèir na riaghailtean, agus faodaidh sin a bhith eadar-dhealaichte bhon chosgais cunntasachd. Tha suidheachadh chisean mìnichte ann an Aithris Gluasad Stòrais.
- **Cunntas Cothromachaidh** – a' sealltainn luach so-mhaoin agus do-mhaoin na Comhairle. Tha an so-mhaoin lom (as aonais na do-mhaoin) dhan coimeas ris an stòras glèidhte. Thatar ag aithris stòras ann an dà dhòigh. 'S e a chiad dhiubh sin stòras so-chleachdte, 's e sin an stòras a dh'fhaodas a' Chomhairle cleachdadh mu choinneimh sheirbheisean, an urra ri feumalachd ìre ghlic a chumail agus cuibhreachadh reachdail air cleachdadh (mar eisimpleir an Stòras Maoin bho Chalpa nach gabh a chleachdadh ach a-mhàin airson cosgais calpa no airson fiachan a phàigheadh. Tha an dara gnè a ghabhail a-steach stòras nach eil cothrom aig a' Chomhairle cleachdadh airson seirbheisean a thoirt seachad. Tha an stòras seo a ghabhail a-steach buannachd agus call neo-choileanta (mar eisimpleir an Stòras Ath-mheasaichte), far am biodh airgead ann airson seirbheisean a thoirt seachad nam b e is gun deidheadh nithean a reic, agus stòras le eadar-dhealachadh tim air an sealltainn ann an loidhne Aithris Gluasad ann an Stòras "Atharraichidhean eadar bunait cunntasachd agus bunait maoineachaidh fo riaghailtean".
- **Aithris Gluasad Airgid** – a' sealltainn na h-atharraichidhean ann an airgead agus co-ionannachd airgid rè àm na h-aithriseachd. Tha an aithris a' sealltainn mar a tha a' Chomhairle a' togail agus a' cleachdadh an stòras seo le bhith gan comharrachadh mar gnìomhan obrach, in-thasgaidh no maoineachaidh. Tha meud na sruthan ionmhais ag èirigh à gnìomhan obrach na phrìomh chomharra air an ìre gu bheil obraichean na Comhairle air a maoineachadh tro chisean agus tabhartasan no bho luchd-cleachdaidh sheirbheisean. Tha gnìomhan in-thasgaidh a' riochdachadh an ìre gu bheil sruthan airgid air an cleachdadh ann a bhith a' lìbhrigeadh sheirbheisean. Tha sruthan airgid ag èirigh à gnìomhan maoineachaidh nan comharra fheumail air na dh'fheumar a thoirt a-mach air iasad.
- **Cunntasan Teachd-a-steach** – a' sealltainn an teachd-a-steach iomlan agus glan bhon Chis Chomhairle agus Reataichean Neo-dhachaigheil agus an cuibhrionn dhan phoit nàiseanta airson reataichean neo-dhachaigheil agus an cuibhrionn a gheibh a' Chomhairle bhon phoit.
- **Cunntasan Bhuidhnean** – tha seo a' gabhail a-steach na Co-chomataidhean (Poilis, Luchd-smàlaidh agus Measadairean) mar chomain, agus Sgoiltean Ùra LLP mar fo-chomann, a' sealltainn suidheachadh ionmhas choileanta na Comhairle.

Dèanadas Ionmhais

Tha an Aithris Iomlan air Teachd-a-steach agus Cosgais, air ullachadh ann an loidhne ris an IFRS, a' sealltainn còrr de £55m airson a' bhliadhna. Ach, mar a chaidh mìneachadh roimhe, chan eil seo a' sealltainn an fhìor chosgais airson seirbheisean a thoirt seachad no meud maoin bho chis. Tha £21m dhan mhaoin seo co-cheangailte ri buannachdan nach gabh cleachdadh ann an stòras peinnsean, tha £26m bho tabhartasan calpa air an cleachdadh mu choinneimh am prògram calpa agus tha an £4m eile ri dhol gu cùisean mar ìsleachadh luach nach eil a' toirt buaidh air suidheachadh airgid na Comhairle. Mar sin, tha còrr a' Mhaoin Choitcheann air meudachadh £4.4m mu choinneimh còrr de £15k sa bhuidseat.

Tha seo anns a' mhòr chuid an urra ri gluasadan ann am maoin comharraichte, na mheasg £2m fo Tabhartas Taigheadas an Roinn Phrìobhaidich nach deach a roinn agus £1.5m co-cheangailte ri Pròiseact Sgoiltean nan Eilean Siar, a bhios ri chleachdadh 's na bliadhnan ri thighinn.

A bharrachd, rè cùrsa na bliadhna bha caochlaidhean ann an cosgais agus teachd-a-steach, a chur ris a' phiseach seo ann an dèanadas. Chaidh coinneachadh ris an tar-chosgais sònraichte air glèidheadh gearmhraidh agus suidheachadh còmhnaidheach chloinne le sàbhalaichean air pàigheadh riadh mar thoradh air lìbhrigeadh mall air a' phrògram calpa agus a' togail iasad air reataichean fàbharach, teachd-a-steach a bharrachd bhon cis chomhairle agus lùghdachadh ann an cuibhrionn na Comhairle de chosgais Co-bhùird.

Aig 31 Màrt 2011 bha a' Mhaoin Choitcheann aig £14.5m, an coimeas ri £10.3m a' bhliadhna roimhe. Ach, le £11.5m de airgead air a dhaingneachadh mar a tha minichte gu h-ìosal, tha seo a' tighinn a nuas gu £3.0m, ann an loidhne ri poileasaidh na Comhairle.

	£'000
Pròiseact Sgoiltean nan Eilean Siar	3,195
lasad Sgoiltean Ùra	1,361
Taigheadas Roinn Phrìobhaideach	2,005
Eucoir le Òigridh	108
Pròiseactan Foghlaim	710
Sgeama lasadan Gnothachais	385
Fiachan bho HRA	822
Maoin Prìomhachas Uàrd	146
Maoin Roinnean bhon Uiridh	385
Co-mhaoin HISTP	792
Ath-structar air Maoin lasadan	904
Iomairtean Cosg airson Sàbhaladh	206
Caochladh Phròiseact	454
Iomlan	£11,473

Tha poileasaidh na Comhairle a ceadachadh ro-bheag chosgais air buidseadan bhliadhnail a thoirt air adhart suas gu 2% agus cus cosgais suas gu 1%, a dh'fheumar a chumail ann am buidseat na h-ath bhliadhna. Tha cuid de ro-bheag chosgais, m.e. far an d'fhuair maoineachadh sònraichte ach nach robh e uile air a chleachdadh, ceadaichte a thoirt air adhart. A thuilleadh air Roinn an àrd-oifigeir a thill £63k dhan Mhaoin Choitcheann agus Seirbheisean Teicnigeach, le cosgais a bharrachd de £300k agus £618k air Glèidheadh Gearmhraidh, thill gach roinn eile còrr an taobh-staigh de 1% ceadaichte airson 2010/11.

Obraichean Malairt

Tha a' Chomhairle ag obair grunn de dh'obraichean malairt, le Glèidheadh Thogalaichean an aon a tha sònraichte ann an dàimh ri Achd Ùghdarras Ionadail Alba 2003. Tha an Achd a' sireadh gu bheil Obraichean Malairt Sònraichte a coinneachadh rin cosgaisean airson trì bliadhna a sreath a chèile. Le fiachan de £446k sa bhliadhna, cha deach aig Glèidheadh Thogalaichean air an targaid seo a choilleanadh. Ach tha seo a' gabhail a-steach £279k de chosgais às annas a-thaobh pàigheadh dheth luchd-obrach agus a' dubhadh as uidheam bho fheum.

Rè na bliadhna, tha an t-seirbheis seo air a thighinn bho mhòr sgrùdadh, tro dhèanadas ionmhais truagh agus call cunnradh teirm glèidhidh le Compàirteachas Taigheadais. Tha seo a' fàgail gun deach an obair a ghearradh sìos agus chaidh modal gnothachais ùr a thoirt a-steach.

Gu h-iomlan, tha Obraichean Malairt air fulang call glan de £298k. Dh'ainmich cunnradh Glanadh agus Gleidheadh Thalmhainn ann an Seirbheisean Teicnigeach £46k agus cunnradh Glanadh Thogalach £36k. Bha fiachan de £20k air cunnraidhean Bidhe ach bha sin a-mhàin an urra ri cosgais pàigheadh dheth.

Rinn Cunnradh nam Bus, le toraidhean ionmhais truagh gu eachdraidheil, còrr air £79k. Choilleanadh seo tro theachd-a-steach a bharrachd agus ath-leasachadh air pàtran obrach. Fhuair an cunnradh buannachd bho subsadaidh a bharrachd tro sgèile connaidh agus tabhartas bho Riaghaltas na h-Alba ann an dàimh ri ceadan siubhail.

Freumhan Ionmhais

Tha buidseat bhliadhnail na Comhairle air a mhaoineachadh tro thabhartas taice do theachd-a-steach bho Riaghaltas na h-Alba, còmhla ri Reataichean Neo-dhachaigh agus a' Chis Chomhairle mar a tha minichte ann an Cunntasan Teachd-a-steach air duilleag 45 de na Cunntasan. Thèid coinneachadh ri cosgais calpa daingnichte a mhaoineachadh tro mheasgachadh de dh'iasadan, tabhartasan calpa bho Riaghaltas na h-Alba, taic calpa bho compàirtichean maoineachaidh agus airgid bho nithean a thèid an reic.

Cosgais Calpa

Chosg a' Chomhairle £35.2m air pròiseactan calpa ann an 2010/11, an treas bliadhna de Phrògram Calpa 2008-13. Den seo, chaidh £18m a chosg air Pròiseact Sgoiltean nan Eilean Siar agus £1.8m air Tabhartas Taigheadas an Roinn Phrìobhaideach, le chèile air am maoineachadh tro Thabhartas Calpa bho Riaghaltas na h-Alba. Cuideachd, chaidh £2m a chosg air togalaichean sgoile, £5.6m air pròiseactan Leasachadh Seamhach, agus £3.4m air rathaidean agus còmhdhail. Choisinn pròiseactan coimhearsnachd faisg air £1m tro thabhartasan calpa a bha freagairt air teirmean agus cùmhnantan Riaghaltas na h-Alba agus SORP. A-measg na prìomh phròiseactan a chaidh air adhart am bhliadhna bha:

Togalaichean: Ionad Rathad Shìphoirt, Talla Bhaile Steòrnabhaigh, Goireasan Sgeadachaidh aig Amas Snàmh Lionacleit agus Aonad Deighe aig Àird Mhìdhinis
 Rathaidean: Stocinis gu Losgaintir, Cearcall Rathaid a' Mhanair agus Dùn Chàrlabhaigh gu Cìrbhig.

Àrainneachd: Dion an Oirthir, Rianadh Sgudail agus Làraich Ath-chuairteachaidh ann an Coimhearsnachdan.

B e prìomh stòras maoineachaidh a' chosgais seo measgachadh de dh'iasadan agus tabhartasan calpa agus co-thabhartasan mar a minichte aig Nota 31.

Bileag Cothromachaidh

Tha am bileag cothromachaidh a' toirt mìneachadh air so-mhaoinean agus do-mhaoinean a' sealltainn gu bheil stòras so-mhaoinean air èirigh £55m thairis na bliadhna. Ged a chaidh còrr air £32m a chosg air so-mhaoin stèidhichte, tha buaidh isleachaidh agus ath-luachaidh a' ciallachadh gun do dh'èirich luach an so-mhaoin £15m gu £267m. 'S e lùghdachadh ann an do-mhaoin nam peinnein prìomh adhbhar an àrdachaidh.

Tha do-mhaoin nam peinnein a' riochdachadh an tuairmse as fheàrr air luach ghnàthaichte sochair pheinnein a dh'fheumas a thighinn bhon Chomhairle agus tha sin co-cheangailte ri sochair a choisinn luchd-obrach suas gu 31 Màrt 2011. Tha na sochair sin air an cunntadh aig an luach gnàthaichte agus chan ann air an airgead a thèid a phàigheadh a-mach. Tha seo a ceadachadh "Luach amail airgid", far a bheilear a meas luach airgid an dràsta nas àirde na an airgead a gheibhear san àm ri teachd. Tha reataichean isleachaidh fàbharach, còmhla ri na chaidh ainmeachadh ann am Buidseat an Seansalair gum biodh àrdachadh peinnein sam àm ri teachd stèidhichte air prìsean Luchd-ceannachd a' ciallachadh gu bheil lùghdachadh mòr anns an do-mhaoin mar a tha minichte aig Nota 34.

Iasadachd

Rè na bliadhna thugadh a-mach dà iasad fad-ùine £15m gu h-ionlan bho Bòrd Iasad Obraichean Poblach. Chaidh iasad £5m EIP a thoirt a mach airson deich bliadhna aig ìre 2.94% agus chaidh iasad Ìreachd de £10m a thoirt a mach thairis air 50 bliadhna aig 3.92%. Rè na bliadhna chaidh iasadan de £2.9m a phàigheadh air ais do Bhòrd Iasadan Obraichean Poblach.

BCCI

Bha £24.1m aig a' Chomhairle air a thasgadh ann am BCCI nuair a dhùin Banca Shasainn e air 5 Luchair 1991. Gu ruige seo, fhuair e air ais £24.4m co-ionnan ri 86.5% den chall agus tha dòchas fhathast ri tuilleadh fhaighinn air ais.

Peinnein (FRS17/IAS19)

Tha do-mhaoin peinnein na Comhairle air lùghdachadh bho £33.4m gu £29.5m. Tha na ullachidhean reachdail airson am beàrn a mhaoineachadh a' ciallachadh gu bheil suidheachadh ionmhais an ùghdarras fallain, air sgàth 's gun tèid coinneachadh ris a' chall air an sgeama tro barrachd a bhith tighinn a-steach bho luchd-obrach fhad 's a bhios iad ag obair, mar a th'air a mheasadh le clèireach-urrais.

Tha tuairmsean clèireach-urrais an àite cuibhinn luchd-fastaidh a' fàgail àrdachadh de 28% ann an cis gu cunntasan sheirbheis, ach cha tàinig atharrachadh air na dh' fheumar coinneachadh bho thabhartasan riaghaltais agus cisean ionadail air sgàth 's gu bheil riaghailtean cunntasachd ag iarraidh gun tig iad seo an ais-phàigheadh à Aithris Choileanta Teachd-a-steach agus Cosgais. Tha tuilleadh fiosrachaidh ann an Nota 34.

Pròiseact Sgoiltean nan Eilean Siar

Togaidh agus glèidhidh Pròiseact Sgoiltean nan Eilean Siar sia sgoiltean, a bhios ann an seirbheis eadar Lùnastal 2011 agus Lùnastal 2012, a' toirt seachad goireasan foghlaim iomchaidh san 21^{mh} linn suas chun Luchair 2039. Aig 30 Màrt 2011 tha am pròiseact air a libhrigeadh mar a chaidh a dhealbhadh, leis a' chiad sgoil dha fosgladh san Lùnastal 2011.

As leth Riaghaltas na h-Alba, dh'aontaich Urras Calpa na h-Alba ri cùis gnothachais deireannach airson 5 de na sgoiltean san t-Sultain 2010, le cunntas air an soighneadh air 8 Sultain 2010. Air 31 Màrt 2011, dh'aontaich a' Chomhairle gu foirmeil bun-sgoil Dhalabroig a chur ris a' phròiseact.

Aig a' cho-dhùnadh ionmhais bha cosgais calpa ionlan WISP aig £74m, le Dalabrog a' toirt seo suas gu £83m. Tha am pròiseact seo air a mhaoineachadh tro thabhartas calpa agus iasadachd furachail.

Cunntasan Bhuidhnean

Tha Còd Modhan Cunntasachd ag iarraidh gun deidheadh cunntasan bhuidhnean an ullachadh far a bheil uidh sònraichte aig an ùghdarras ann am buidheann eile. Ged a tha riochdachadh na Comhairle nas lugha na 20% air Co-bhuird Poilis agus Luchd-smàlaidh tha sinn air coillionadh stiùireadh bho Bhuidheann Sgrùdaidh na h-Alba gum bi iad air an cuir ri ar buidheann. Tha Bòrd Measadh Luach cuideachd air an cunntadh.

Tha cuideachd toraidhean Sgoiltean Ùra LLP, compàirteachas neo-eisimeil do-mhaoin earranta an urra ri rianachd air dealbhadh, togail, rianadh goireasan agus glèidheadh thogalaichean Phròiseact Sgoiltean nan Eilean Siar air an cuir ris. 'S e compàirteachas a th'anns an LLP eadar a' Chomhairle agus In-thasgadh Sgoiltean Ùra Earr, companaidh earranta le cuibhinn agus leis a' Chomhairle nar an aon neach-glèidhidh le cuibhinn. 'S ann leis a' Chomhairle a tha an LLP ged a tha a' seasamh mar bhuidheann laghail air leth.

Tha na cunntasan seo a' sealltainn luach glan na buidhne aig £50m, an coimeas ri £106m aig a' Chomhairle. Tha seo anns a' mhòr-chuid an urra ri Neo-Stòras mhòr nam Peinnein air an cumail le Bùird na Poilis agus Luchd-smàlaidh. Tha Stòras a' Pheinnein ag èirigh bho bhuidhnean a tha a' leagail FRS17 Sochair Leigeil dheth Dreuchd. Chan eil coinneachadh ris an ìre seo co-ionnan ris a' chis air luchd-pàighidh chisean gu h-ionadail, mar sin faodar coimhead ris a' bhuidheann mar ghnòthachas cothromach air sgàth 's gu bheil e nan comas maoin a thogail fa chomhair cosgais.

Sealladh air an Eaconamaidh

Ann a bhith a' stèidheachadh buidseat 2011/12 dhèilig a' Chomhairle ri beàrn sa bhuidseat de £5.1m, agus aig an aon àm a' lùghdachadh buaidh air seirbheisean. Bha am beàrn seo a' gabhail a-steach lùghdachadh de £3.8m ann am maoineachadh bhon riaghaltas ris an robh dùil ann an solas cuibhreachadh ionmhas poblach an dèidh staing ionmhais 2008.

Thug Riaghaltas na h-Alba suidheachadh ionmhais aon bhliadhna airson 2011/12 le àireamhan comharrachaidh do dh'Ughdarrasan Ionadail airson 2012-15. Ach, bidh an roinneadh a-measg ùghdarrasan air leth cudromach don Chomhairle agus 's iongantach gun tèid seo ainmeachadh chun fhoghar 2011. Gus dèanamh cinnteach gum bi a' Chomhairle cho ullachichte sa

ghabhas mu choinneimh seo, tha Ro-innleachd a' Bhuidseit 2012-15, a chaidh aontachadh ann a bhith a' stèidheachadh buidseat 2011/12 a' cumail ris a' bheachd dealbhadh le sàbhalaidhean bhliadhnail de 5%.

Tha sàbhalaidhean aig an ìre seo a' fàs nas dorra an coilionadh gach bliadhna. Ach, airson 2012/13 tha a' Chomhairle mar tha air suidheachadh an ro-innleachd Stòras Daonna, mar tha a beachdachadh air èifeachdasan eile agus a' coimhead ri dòighean eile air seirbheisean a libhrigeadh. 'S e lùghdachadh air seirbheisean an innleachd mu dheireadh agus bidh seo na chuspair air co-chonaltradh poblach ann an 2011/12.

Mar a bha aig toiseach 2010/11 tha a' Chomhairle ann an suidheachadh an ìre mhath stèidhichte le buidseat chothromach airson 2011/12 agus le cùl-stòr de £3m, ann an loidhne leis an ìre poileasaidh a stèidhich a' Chomhairle.

Buidheachas

Mu dheireadh, bu mhath leam taing a thoirt do Bhuill na Comhairle, oifigearan Roinnean Sheirbheis agus gu sònraichte iadsan ann an Seirbheis Cunntasachd, airson an obair chruaidh leantainneach agus an taic ann a bhith a crìochnachadh na cunntasan agus a' dèanamh cinnteach gu bheil a' Chomhairle a cumail greim air a cuid ionmhais. Bu mhath leam cuideachd mo thaing a chlàradh do Luchd For-sgrùdaidh airson cho proifeiseanta agus suairce sa bha iad.



Raibeart Emmott BSc CPFA
Stiùiriche Ionmhais agus Stòras Corporra
21 Sultain 2011

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 Comprehensive Income and Expenditure Statement 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

These Accounts are the first to be prepared on an International Financial Reporting Standards (IFRS) basis. Adoption of the IFRS based code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures in the 2009/10 Accounts. An explanation of the material differences is shown in Note 1 to the Accounts. The accounting changes which are relevant in terms of the Comhairle's Accounts are:

Property, Plant and Equipment – the main changes relate to accounting for revaluation losses and impairment losses and the introduction of component accounting. The latter requires the separate identification and valuation of the components of an asset where there is a materially different economic life to the principal asset. Where it is probable that an asset will be sold in its present condition, it must be reclassified as held for sale and shown separately on the Balance Sheet.

Capital Grants – these are now credited to the Comprehensive Income and Expenditure Statement once conditions are satisfied (See Policy 8 below).

Leases – changes to the tests used in the categorisation of leases as a finance lease or an operating lease

Employee Benefits – requirement to recognise compensated absences and accrue holiday entitlement, so that costs are charged as they arise. The Scottish Government has issued new legislation to ensure that there is no direct impact on council tax payers.

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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement 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.

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 Movement in Reserves Statement 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. Government Grants and Contributions

Grants and third party contributions are recognised as due to the Comhairle when there is reasonable assurance that conditions attached to the payments are complied with or the payment has been received amounts are not credited to the Comprehensive Income and Expenditure Statement until any conditions are met. Where conditions have not been satisfied, monies are carried as creditors in the Balance Sheet, and credited to the relevant service line (revenue grants) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and capital grants). Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out in the Movement in Reserves Statement, as these should not affect the General Fund balance.

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. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The cost of assets acquired other than by purchase is deemed to be its fair value. The valuation of work-in-progress is based on cost plus an appropriate proportion of overheads, together with attributable profits and allowances for foreseeable losses.

Plant, furniture and computer equipment costing less than £10,000 are not treated as fixed assets but are charged to the Comprehensive Income and Expenditure Statement. This de-minimus level does not apply where certain categories of these assets are grouped together and form part of the approved capital programme.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use. Operational assets are shown at the lower of net current replacement cost or net realisable value in existing use. Non-operational assets are shown at the lower of net current replacement cost or net realisable value.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end. From 2006/07 the Comhairle moved to a system of valuing a percentage of land and buildings on a rolling basis annually, rather than carrying out an evaluation every five years. Valuations are undertaken by the District Valuer, in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and having regard to the supplementary guidance provided by CIPFA. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

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

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals, if any, are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts and are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Comhairle's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

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

- dwellings and other buildings – straight-line allocation over the estimated useful life of the property (30 to 40 years).
- vehicles, plant and equipment – straight-line allocation over the useful economic life of the asset (up to 20 years).
- infrastructure – straight-line allocation over the estimated useful life of the asset (20 to 60 years)
- leased assets – straight-line allocation over the period of the lease
- Community assets – straight-line over 20 years

General Fund services are charged with depreciation, where appropriate, for the use of assets no matter how they are financed. Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

11. Intangible Assets

Expenditure on assets that do not have physical substance but are controlled by the Comhairle as a result of past events are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Comhairle. Note 11 to the Accounts gives details of the Comhairle's intangible assets which consist of software licences and Fishing Quota.

Intangible Assets are recognised initially at cost. Amounts are revalued annually where the fair value of the assets can be determined by reference to an active market. Fishing Quota meet this criterion. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. Similarly, any impairment is also charged to the relevant service. Any gain or loss on disposal is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation and other gains and losses are not permitted to have an impact on the General Fund Balance. These are therefore reversed out to the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

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 Comprehensive Income and Expenditure Statement.

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 18.

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. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases. The Comhairle does not currently have any leases which are classified as finance leases.

Operating Leases - Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a rent-free period at the commencement of the lease). The main assets leased by the Comhairle are vehicles, plant and property. The risks and rewards of ownership, along with the title of the assets, remain with the lessors.

16. Employee Benefits

Benefits Payable during Employment – benefits due to be settled within 12 months of the year end. These include wages and salaries, paid annual leave, sick leave and bonuses. An accrual is made for the cost of holiday entitlements due to employees but not taken before the year end. This is charged to services but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged in the year they occur.

Termination Benefits – these are amounts payable as a result of a decision by the Comhairle to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged to Non Distributed Costs in the Comprehensive Income and Expenditure Statement when the Comhairle is demonstrably committed to either terminating the employment of an officer or making an offer to encourage voluntary redundancy.

Where termination benefits involve enhancement of pensions, statutory provisions require the General Fund to be charged with the amount payable to the pension fund or employee in the year, not the amount payable under relevant accounting standards.

Post Employment Benefits

The Comhairle participates in two pension schemes, The Local Government Pension Scheme which is administered by The Highland Council, and the Teachers Scheme, both of which provide defined benefits to members. However, the liabilities of the Teachers Scheme cannot be identified specifically to the Comhairle, therefore the scheme is accounted for as if it were a defined contributions scheme. The Comhairle does not recognise assets or liabilities related to the scheme, as the liability for payment of pensions rests ultimately with the Scottish Government..

Teachers' Pension Scheme - this is an unfunded scheme administered by the Scottish Government 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 International Accounting Standard 19 (IAS19). The Comhairle has disclosed certain information regarding assets, liabilities, income and expenditure relating to the pension scheme. IAS 19 requires that an organisation must account for retirement benefits when it is committed to giving them, even if the giving will be many years in the future.

This involves the recognition, in the Balance Sheet of the Comhairle's share of the net pension asset or liability in The Highland Pension Fund and a pension reserve. The Comprehensive Income and Expenditure Statement also recognises changes during the year in the pension asset or liability. Service expenditure includes pension costs based on employers' pension contributions payable and payments to pensioners in the year.

The liabilities of the fund attributable to the Comhairle are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees. Liabilities are discounted to their value at current prices using a discount rate of 5.5% based on the indicative rate of return on high quality corporate bonds.

The assets of the fund attributable to the Comhairle are included in the Balance Sheet at their fair value, principally the bid price for quoted securities, and estimated fair value for unquoted securities.

17. 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 2010/11 only the Building Maintenance contract was classified as a STO.

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 the Comhairle, 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.

In preparing the Statement of Accounts, the Director of Finance and Corporate Resources has:

- selected suitable accounting policies and 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; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I, Robert Emmott, certify that 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 2011.



Robert Emmott BSc CPFA
Director of Finance and Corporate Resources
21 September 2011

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

1. This statement is given in respect of the 2010/11 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 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. The review of internal controls in operation, as explained in paragraph 6 highlighted overall conformance. Internal Audit and External Audit have issued reports to management highlighting where some improvements could be made to ensure that controls continue to operate as planned. In particular, the arrangements for reimbursing expenses and for carrying out certain control account reconciliations require to be addressed. However, 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 23 below.
8. The Comhairle's External Auditors have previously stated that the Western Isles Schools Project funding arrangements adds to the existing financial pressures. At financial close in September 2010 the affordability gap stood at £0.1M and the change in funding from the Scottish Government provides the opportunity to reduce this further through streamlining the delivery structures. The Comhairle's policy is that any shortfall should be found from within Education budgets. However, given the scale now involved this is not considered to be a material risk.
9. On 31 March 2011 the Comhairle agreed to add a new School at Daliburgh into the project on the same contractual terms. The inclusion of Daliburgh school in the Western Isles Schools Project (WISP); capital investment now stands at £84m and there remains a risk that any project overspend could have a material impact on reserves, service delivery, and the ability to set a balanced budget.
10. The WISP 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.
11. Audit Scotland will shortly complete the Best Value 2 review of the Comhairle. A significant focus of this work will be to determine how the Comhairle, along with its community planning partners, are responding to the challenges in the area and delivering positive outcomes for the people of the Outer Hebrides. Other areas of focus will include a review of corporate assessment areas; in particular it will consider issues highlighted in the original Best Value review in 2006. The 2006 report highlighted a number of areas of improvement but particularly focused on:
 - Best Value
 - Performance Management
 - Policy-led budgeting
 - Procurement, Human Resources, ICT and Asset Management
 - Decision making processes, and
 - Poor relationship with the Health Board
12. There has been progress made on each of these areas, with the introduction of new policies and systems to take forward concerns raised in the 2006 report. Whilst some of the areas identified have made notable progress, other areas have not progressed at a pace that was anticipated. In relation to Asset Management, this remains a significant concern as highlighted in Audit Scotland's Assurance and Improvement Plan Update 2011 – 14. A framework and strategy has been agreed and work continues to take forward the strategy across all service departments. It is anticipated that this will be completed by December 2011. In addition, a substantial increase in the completion of Staff Development and Appraisals (SDA) within the Comhairle (72%), together with the approval of a human resources workforce planning strategy has assisted the Comhairle plan for the challenges ahead. Whilst, the planned target of 95% for the completions of SDA's has not been met, the Comhairle is monitoring pocket areas within the organisation which have yet to fully embrace the SDA process and regular monitoring reports will be presented to the relevant Comhairle Committee. In terms of progress in relation to performance management and procurement, these are as described in paragraphs 16 - 19 and 20 respectively.
13. 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 Operation (STO) failed to achieve a surplus in 2010/2011 with an estimated reported loss of £446K. The Building Maintenance operation has made losses in previous financial years, specifically, 2007/08 of £100.5K in 2008/2009 of £89K and 2009/10 of £359K. The 2010/11 loss includes redundancy and stock write offs which have been incurred as a result of down sizing and residual left over stock due to the recent loss of a contract. The Comhairle are reviewing the best way forward in relation to the Building Maintenance Operation losses and a detailed report will be presented to the relevant Comhairle Committee.

14. 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 estimated performance within each of these TO's during 2010/11. The Bus Contracts, which have been subject to competitive, tender made a profit of £79K in 2010/11. The Roads TO has made a £3.5K loss, Street Lighting a £4.4K profit and the Garage a £22K loss.
15. As a result of previous concerns raised by both the Comhairle's External and Internal Auditors in relation to the implementation, drive and embedding of risk management within the Comhairle; a Strategic Risk Management Group has been established to take forward risk management at an appropriate pace. To date the Comhairle have taken steps to produce a risk management strategy which will form the key framework document in which to deliver and communicate risk management within the Comhairle. Whilst, there is general acceptance by both the External and Internal Auditors that there is evidence that management is now beginning to make a more noticeable shift in the right direction; there is a need to take forward the risk management strategy document into specific and tangible guidance and communication processes that will help to promote, develop and embed risk management within the Comhairle. An action plan has been agreed by management to address specific risk management goals in the short, medium and long term, progress will be monitored by the SRMG. The Comhairle's External Auditors have outlined in the 'Assurance and Improvement Plan update 2011-14' "While improvements are therefore being made it is too early to gauge the extent to which these will identify and manage risks". The Comhairle will now need to take forward the action plan at a suitable and sustained pace in order to deliver the expectations as set out in the agreed action plan. It is important to note that Risk Management has been reclassified from a significant risk to an area of uncertainty. This demonstrates progress and a step in the right direction but the Comhairle requires to continue with the current momentum in order to achieve the goals it has set and to embrace appropriate levels of risk management throughout the Comhairle.
16. Significant progress has been made within the Comhairle in the area of performance management and reporting in 2010/11 and that has been acknowledged by Audit Scotland. However, they have identified a number of key challenges as outlined in the Comhairle's Assurance and Improvement Plan 2011-14. These include the need for greater quality control over the accuracy of the information that is reported, the need for senior officers to take ownership of that information, and the setting of challenging but realistic targets. It is also vital that performance management aids decision making and impacts positively on the Comhairle's objectives and outcomes. The Comhairle recognises that quality assurance of supporting and reported information is an issue and it is addressing that through measures that promote ownership and substantiation of information, from the top, so that the Comhairle can be confident in the reliability of its reporting, internally and externally. The Comhairle are promoting initiatives in this area to embed further a performance management and reporting culture and these are supported corporately.
17. The Comhairle has been using Interplan, its online performance management system for two years. All service business plans, linked to the Single Outcome Agreement 2009/11, continue to be monitored and updated on the system and are reported on quarterly. The Comhairle is currently considering how best to combine financial and performance management, reporting through Service Committees, in the 2011/12 financial year. The Comhairle's inter-departmental Performance Monitoring Group continues to meet regularly to discuss, monitor and resolve issues relating to performance and the use of Interplan within the Comhairle, and the Minutes of these meetings are circulated to CMT and are posted on the Comhairle's intranet.
18. While Interplan is integral to performance management, in terms of frequency and flexibility of reporting, it is important to note that any online system in itself will not resolve all performance issues. Ultimately, it is the responsibility of Directors and Heads of Service to ensure that the system is utilised and updated accurately by their teams in order to provide reliable and timeous reports. The key aspirations in this area are to widen accessibility of Interplan to staff, to increase levels of staff usage on the system, to improve overall proficiency and to engage elected Members so that they appreciate the benefits of the system to the Comhairle. It is anticipated that Interplan will form part of the induction process, coinciding with the next intake of Councillors in 2012.
19. The Comhairle produced two Public Performance Reports in 2010, at mid year and end of year and both of these are on the Comhairle's web site. The end of year performance report 2009/10 was produced in the format of a calendar and three thousand of these were distributed throughout schools. It is anticipated that this process might be repeated in 2011 as it makes performance information more accessible. The Comhairle is always looking at improving community engagement and the development of Interplan's Community Connect Portal, or a similar vehicle, is one of a number of options being considered currently to complement existing methods of reporting its performance publicly.
20. Procurement has been highlighted as a significant concern in Audit Scotland's Assurance and Improvement Plan Update 2011 – 14. The procurement capability assessment (PCA) report highlighted the need to have better information to assess procurement activity and savings generated. Performance information in 2009/10 showed that 31.4% of annual procurement spend was with contracted suppliers and 1.8% through e-Procurement within Scotland. However, this was the first year of collection and no targets were set. The Comhairle scored only 15% in the initial PCA of all Scottish councils. This was low in absolute terms as well as in comparison to the local government average of 22%. A second round of PCA reviews of all councils was recently completed. The

Comhairle's compatibility score increased to 21% which still represents overall non compliance. The Comhairle have approved an action plan in April 2011 and will strive towards conformance during 2011.

21. In 2010/11 seventy nine staff left the Comhairle as part of a voluntary severance/redundancy exercise. A number of key personnel left taking skills and knowledge with them, this could, without careful planning, create skills gaps and professional voids within the organisation. In response to this concern, a policy on workforce planning has been produced and approved by the Comhairle. Departments are now required to assess and implement suitable training or knowledge transfers before allowing future staff to leave the service.
22. The Comhairle's Internal Auditor's undertook an investigation in relation to the award of the Ice gritting and snow clearing contract award for the period 2008 – 2012. The investigation report highlighted various issues and improvements to tendering procedures that require to be addressed immediately. The Comhairle's Internal Auditors have recommended that "A review of contract tendering and award mechanisms within the Comhairle be undertaken by the Chief Executive, with a view to centralisation of tender evaluation and awards". The Comhairle's Chief Executive will be reviewing the Comhairle's arrangements in relation to the assessment and award of Comhairle contracts and making appropriate improvements as required.
23. 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. Financial strategies and the budget preparations for 2012/13 commenced in March 2011. These strategies will look 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
21 September 2011

REMUNERATION REPORT

Introduction

This report is set out in accordance with the Local Authority (Scotland) Act, as amended by the Local Authority Accounts (Scotland) Amendment regulations 2011. These regulations require the disclosure of certain details in respect of the remuneration and pension benefits of Senior Councillors and senior employees, including those employed by subsidiary bodies. The term remuneration means gross salary, fees and bonuses, allowances and expenses, and compensation for loss of employment. It excludes pension contributions paid by the Comhairle. Gross salary means the annual salary for a full time employee or councillor and for presentation purposes the salaries of part time employees or those who have been employed or served as councillors for less than a full year are annualised.

The term pension benefits, covers the in-year contributions paid by the Comhairle for the employee or councillor, and their accrued pension benefits at 31 March 2011.

All information disclosed in the following tables will be audited by Audit Scotland. The other sections will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Arrangements for Remuneration

Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (Convener), Senior Councillors or Councillors. The Leader of the Council and the Civic head cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure and for the Comhairle this has been assumed to be the Committee Chairpersons.

When determining the level of remuneration for councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). This is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2010-11 the salary for the Leader of the Comhairle is £27,058. The Regulations permit the council to remunerate one Civic Head (Convener). The regulations set out the maximum salary that may be paid to that Civic Head and Comhairle policy is to pay in accordance with national guidelines.

The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the council for remuneration of all of its Senior Councillors shall not exceed £164,376. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits.

In 2010-11 the Comhairle had 5 senior councillors and the remuneration paid to these councillors totalled £91,512. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

In addition to the Senior Councillors of the Comhairle the Regulations also set out the remuneration payable to councillors with the responsibility of a Convener or a Vice-Convener of a Joint Board such as a Police Joint Board. The Regulations require the remuneration to be paid by the Council of which the convener or vice-convener (as the case may be) is a member. The Council is also required to pay any pension contributions arising from the convener or vice-convener being a member of the Local Government Pension Scheme. The Comhairle is reimbursed by the Joint Board for any additional remuneration paid to the member from being a Convener or Vice-Convener of a Joint Board.

Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/144 sets the amount of salary for the Chief Executive of the Comhairle for the period 2008 to 2011. The majority of councils follow national guidelines whereby the salaries of the Corporate Directors and Heads of Service, are based on a fixed percentage of the Chief Executive's salary in three bandings. The Comhairle agreed to discontinue this link in 2002, to allow these officers to receive the nationally negotiated increments to the scale from that date.

Employees whose remuneration was £50,000 or more

This table shows the number of employees whose remuneration in 2010/11 was £50,000 or more. Any starters or leavers are recorded in the band that matches their **actual** remuneration (i.e not annualised). During the year a number of employees accepted voluntary redundancy or early retirement, and these redundancy and compensation payments are included in the remuneration figures and account for the increase in the number of employees falling into this category.

Remuneration Band	Number of Employees	
	2010/11	2009/10
£50,000 - £54,999	26	23
£55,000 - £59,999	13	8
£60,000 - £64,999	7	3
£65,000 - £69,999		
£70,000 - £74,999	2	6
£75,000 - £79,999	6	
£80,000 - £84,999	1	
£85,000 - £89,999	4	
£90,000 - £94,999	1	
£95,000 - £99,999	1	1
£125,000 - £129,999	2	
Total	63	41

Remuneration of Senior Councillors and Senior Employees

The following tables provide details of the remunerations paid to the Comhairle's senior councillors and senior employees and the senior employees of subsidiary bodies,

Senior Councillors and Convenors of Joint Boards

Name and Responsibility	2010/11			2009/10
	Salary, fees & Allowances	Taxable Expenses	Total Remuneration	Total Remuneration
	£	£	£	£
Angus Campbell, Leader of the Comhairle	27,058	-	27,058	27,058
Alexander Macdonald, Convenor	20,294	-	20,294	20,294
Morag Munro, Chair of Education an Children's Services	18,264	10	18,274	18,274
Donald Manford, Chair of Transportation	18,264	149	18,413	18,384
Archibald Campbell, Chair of Sustainable Development	18,264	-	18,264	18,383
Norman A Macdonald, Chair of Environment & Protective Services	18,264	14	18,278	18,308
Donald I Nicholson, Chair of Audit and Scrutiny	18,264	19	18,283	18,264
Norman M Macleod, Convenor of Northern Joint Police Board ^{Note 1}	28,410	18	28,428	28,440
Total	167,082	210	167,292	167,405

Note 1 – Includes the allowance of £12,176 for being the Convenor of the Northern Joint Police Board in 2009/10 and 2010/11 which was refunded by Highland Council

Total Remuneration paid to Councillors

The Comhairle paid the following salaries, allowances and expenses to all councillors (including those included above) during the year:

Type of Remuneration	2010/11 £	2009/10 £
Salaries	528,287	528,287
Allowances	28,318	30,811
Expenses	95,284	118,178
Total	651,889	677,276

Full details of Councillors' salaries and expenses for 2010/11 are included in Note 27 of the Annual Accounts and can also be viewed on the Comhairle website at www.cne-siar.gov.uk

Senior Employees

A senior employee is any employee who meets one or more of the following criteria:

- who has responsibility for the management of the local authority to the extent that the person has power to direct or control the major activities of the authority whether solely or collectively with other persons;
- who holds a post that is politically restricted by reason of section 2(1)(a), (b) or (c) of the Local Government and Housing Act 1989;
- whose annual remuneration, including any annual remuneration from a local authority subsidiary body is £150,000 or more.

Employees who fall into the first two categories (these will normally be the Chief Executive and the Service Directors) must be disclosed, irrespective of the value of their remuneration.

Name and Responsibility	2010/11			2009/10
	Salary, fees & Allowances	Taxable Expenses	Total Remuneration	Total Remuneration
	£	£	£	£
Malcolm Burr, Chief Executive	98,898	221	99,119	99,055
Calum Iain Maciver, Director of Development	75,457	-	75,457	73,694
Iain Macaulay, Director of Social & Community Services	75,457	-	75,457	73,659
Iain Mackinnon, Director of Technical Services ^{Note 1}	75,457	-	75,457	73,705
Joan Mackinnon, Director of Education & Children's Services	75,534	-	75,534	65,850
Robert Emmott, Director of Finance & Corporate Resources	75,457	111	75,568	73,829
Lesley McDonald, Head of Executive office (Monitoring Officer)	53,047	-	53,047	52,669
Katherine Mackinnon, Head of Human Resources	53,047	-	53,047	52,669
Alasdair MacEachan, Head of Uist & Barra Services	53,341	109	53,450	53,580
Derek McKim, Head of External Strategy ^{Note 2}	65,253 (48,533)	-	65,253 (48,533)	62,629
Murdo Gray, Director of Technical Services ^{Note 3}	n/a	n/a	n/a	74,435
Total	700,948	441	701,389	755,774

Note 1 – Seconded to Sgoiltean Ura LLP up to 31/3/10

Note 2 – Retired 16/11/2010. Full year equivalent salary shown. Actual pay shown in brackets.

Note 3 – Acting Director of Technical Services until 31/3/10.

Subsidiary Bodies

Name and Responsibility	2010/11			2009/10
	Salary, fees & Allowances	Taxable Expenses	Total Remuneration	Total Remuneration
	£	£	£	£
Martin Joyce, Head of Operations, Sgoiltean Ura LLP ^{Note 1}	48,700	12,551	61,251	48,393 (1,301)

Note1 - Commenced employment on 22/03/10. Full year equivalent salary for 2009/10 shown. Actual pay shown in brackets.

PENSION BENEFITS

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Councillors' pension benefits are based on career average pay. The councillors' pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. The scheme's normal retirement age for both councillors and employees is 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non manual employees.

The tiers and members contribution rates) and are as follows: Whole time pay	Contribution rate 2010-11	Contribution rate 2009-10
On earnings up to and including £18,000	5.5%	5.5%
On earnings above £18,000 and up to £22,000	7.25%	7.25%
On earnings above £22,000 and up to £30,000	8.5%	8.5%
On earnings above £30,000 and up to £40,000	9.5%	9.5%
On earnings above £40,000	12%	12%

Senior Councillors and Convenors of Joint Boards

The pension entitlements for Senior Councillors for the year to 31 March 2011 are shown in the following table, together with the contribution made by the Comhairle to their pension during the year.

Name and Responsibility	In-year pension contributions		Accrued Pension Benefits		
	Year to 31 March 2011	Year to 31 March 2010		As at 31 March 2011	Difference from March 2010
	£	£		£	£
Angus Campbell, Leader of the Comhairle	4,944	4,687	Pension Lump Sum	3,000 8,000	1,000 -
Alexander Macdonald, Convenor	3,355	3,181	Pension Lump Sum	2,000 2,000	1,000 -
Morag Munro, Chair of Education an Children's Services	2,913	2,762	Pension Lump Sum	1,000 1,000	- -
Donald Manford, Chair of Transportation	2,913	2,762	Pension Lump Sum	1,000 1,000	- -
Donald I Nicholson, Chair of Audit and Scrutiny	2,913	2,762	Pension Lump Sum	1,000 1,000	- -
Norman M Macleod, Convenor of Northern Joint Police Board	4,531	4,297	Pension Lump Sum	1,000 1,000	- -
Total	21,569	20,451		23,000	2,000

Note: Chairs of Sustainable Development and Environment and Protective Services not pensioned

Senior Employees

The pension entitlements of Senior Employees for the year to 31 March 2011 are shown in the table below, together with the contribution made by the Comhairle to their pension during the year.

Name and Responsibility	In-year pension contributions		Accrued Pension Benefits		
	Year to 31 March 2011	Year to 31 March 2010		As at 31 March 2011	Difference from March 2010
	£	£		£	£
Malcolm Burr, Chief Executive	28,967	27,166	Pension Lump Sum	26,000 69,000	2,000 -
Calum Iain Maciver, Director of Development	20,569	19,039	Pension Lump Sum	17,000 43,000	2,000 1,000
Iain Macaulay, Director of Social & Community Services	20,569	19,039	Pension Lump Sum	31,000 86,000	2,000 2,000
Iain Mackinnon, Director of Technical Services	20,569	19,039	Pension Lump Sum	25,000 67,000	2,000 2,000
Joan Mackinnon, Director of Education & Children's Services	11,255	9,812	Pension Lump Sum	33,000 98,000	4,000 12,000
Robert Emmott, Director of Finance & Corporate Resources	20,569	19,039	Pension Lump Sum	17,000 44,000	2,000 1,000
Lesley Macdonald, Head of Legal & Democratic Services (Monitoring Officer)	12,922	12,024	Pension Lump Sum	12,000 32,000	1,000 -
Katherine Mackinnon, Head of Human Resources	12,922	12,024	Pension Lump Sum	18,000 49,000	1,000 -
Alasdair MacEachan, Head of Uist & Barra Services	13,193	12,071	Pension Lump Sum	25,000 68,000	1,000 2,000
Derek McKim, Head of External Strategy ^{Note 1}	11,383	15,748	Pension Lump Sum	25,000 139,000	-3,000 56,000
Murdo Gray, Director of Technical Services ^(to 31/3/10)	n/a	19,039	Pension Lump Sum	n/a n/a	n/a n/a
Total	172,918	184,040		924,000	90,000

Note1 Retired 16/11/10 - elected to commute some pension in favour of increased retirement grant

The employees shown in the tables above, with the exception of Joan Mackinnon, are members of the Local Government Pension Scheme. Ms Mackinnon is a member of the Scottish Teachers Superannuation Scheme (STSS).

The benefits shown relate to the benefits the individual has accrued as a consequence of their **total local government service, and not just their current appointment.**

Subsidiary Bodies

Name and Responsibility	In-year pension contributions		Accrued Pension Benefits		
	Year to 31 March 2011	Year to 31 March 2010		As at 31 March 2011	As at 31 March 2010
	£	£		£	£
Martin Joyce, Head of Operations, Sgoiltean Ura LLP	11,165	-	Pension	1,000	1,000

Signed:



Robert Emmott
Director of Finance and Corporate Resources

Alex A MacDonato
bonuener
h.h. **Angus Campbell**
Leader of the Comhairle

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Comhairle, analysed into "usable reserves" (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund for council tax setting purposes. The net increase/decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Comhairle.

2010/11	General Fund £'000	Capital Fund £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 1 April 2010	10,281	1,306	433	566	12,586	38,980	51,566
Surplus/(deficit) on provision of services (accounting basis)	33,840	-	-	-	33,840	-	33,840
Other Comprehensive I & E Items	-	-	-	-	-	20,988	20,988
Total Comprehensive I & E	33,840	-	0	0	33,840	20,988	54,828
Adjustments between accounting basis and funding basis under regulation (Note 6)	(29,477)	-	(62)	125	(29,414)	29,414	-
Net Increase/Decrease before transfers to other Statutory Reserves	4,363	-	(62)	125	4,426	50,402	54,828
Balance at 31 March 2011	14,644	1,306	371	691	17,012	89,382	106,394

2009/10 Comparative Figures	General Fund £'000	Capital Fund £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 1 April 2009	9,466	1,306	2,086	517	13,375	66,877	80,252
Surplus/(deficit) on provision of services (accounting basis)	3,409	-	-	-	3,409	-	3,409
Other Comprehensive I & E Items	-	-	-	-	-	(32,095)	(32,095)
Total Comprehensive I & E	3,409	-	-	0	3,409	(32,095)	(28,686)
Adjustments between accounting basis and funding basis under regulation (Note 6)	(2,594)	-	(1,654)	49	(4,199)	4,199	-
Net Increase/Decrease before transfers to other Statutory Reserves	815	-	(1,654)	49	(790)	(27,896)	(28,686)
Balance at 31 March 2010	10,281	1,306	432	566	12,585	38,981	51,566

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Comhairle raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. Note 5 to the Accounts gives details on the adjustments between the statutory and funding basis.

2009/10			Service	2010/11		
Gross Expend £'000	Gross Income £'000	Net Expend £'000		Gross Expend £'000	Gross Income £'000	Net Expend £'000
48,363	(2,074)	46,289	Education Services	53,395	(3,033)	50,363
9,669	(7,500)	2,169	General Fund Housing	8,832	(7,985)	846
6,310	(1,215)	5,095	Cultural & Related Services	7,983	(1,626)	6,357
9,138	(1,729)	7,409	Environmental Services	10,236	(1,831)	8,405
14,190	(1,085)	13,105	Roads & Transport Services	14,824	(1,239)	13,585
7,177	(2,610)	4,567	Planning & Development Services	7,515	(3,067)	4,448
27,203	(5,016)	22,187	Social Work	29,889	(4,801)	25,087
3,155	(51)	3,104	Corporate & Democratic Core	2,993	(41)	2,952
386	-	386	Non Distributed Costs	-	(14,552)	(14,552)
1,173	(296)	877	Central Services to the Public	1,249	(229)	1,020
1,719	(1,437)	282	Trading Services	2,095	(1,720)	375
5,733	(207)	5,526	Joint Board Requisitions	4,721	(151)	4,569
134,216	(23,220)	110,996	Cost of Services	143,732	(40,276)	103,456
1,446	(983)	463	Other Operating Expenditure (Note 7)	2,322	(1,256)	1,066
11,806	(184)	11,622	Financing and Investment Income & Expenditure (Note 8)	10,592	(345)	10,247
	(126,490)	(126,490)	Taxation and Non Specific Grant Income (Note 9)		(148,608)	(148,608)
147,468	(150,877)	(3,409)	Surplus on Provision of Services	156,646	(190,485)	(33,840)
		(1,744)	Surplus on Revaluation of Fixed Assets			(234)
		33,839	Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities			(20,754)
		32,095	Other Comprehensive Income and Expenditure			(20,988)
		28,686	Total Comprehensive Income and Expenditure			(54,828)

BALANCE SHEET

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the Comhairle. The net assets (assets less liabilities) are matched by the reserves, which are reported in two categories. Usable reserves, which may be used to provide services (subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt), and unusable reserves which cannot be used to fund services. The latter includes reserves that hold unrealisable gains and losses, for example the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "adjustments between accounting basis and funding basis under regulation".

31/03/2009	31/03/2010		31/03/2011	
			£'000	£'000
251,777	252,132	Property, Plant and Equipment (Note 10)	266,676	
679	405	Intangible Assets (Note 11)	379	
386	371	Long Term Investments	357	
697	1,230	Long Term Debtors (Note 12)	1,868	
253,539	254,138	Long Term Assets		269,280
-	5,000	Short Term Investments	21,000	
-	-	Assets Held for Sale (Note 16)	460	
1,023	959	Stocks	996	
8,995	8,712	Short Term Debtors (Note 14)	9,150	
9,117	9,520	Cash and Cash Equivalents (Note 15)	12,931	
19,135	24,191	Current Assets		44,538
(1,229)	(952)	Bank Overdraft (Note 15)	-	
(105)	(2,605)	Short Term Borrowing (Note 13)	(8,105)	
(16,477)	(16,534)	Short Term Creditors (Note 17)	(19,407)	
(562)	(603)	Provisions (Note 18)	(596)	
(18,373)	(20,694)	Current Liabilities		(28,108)
(145,238)	(143,134)	Long Term Borrowing (Note 13)	(149,779)	
(28,811)	(62,935)	Pension Liability (Note 34)	(29,537)	
(174,049)	(206,069)	Long Term Liabilities		(179,316)
80,252	51,566	Net Assets		106,394
9,466	10,281	General Fund	14,644	
1,306	1,306	Capital Fund	1,306	
2,086	432	Capital Grants Unapplied	371	
517	566	Capital Receipts	691	
13,375	12,585	Usable Reserves		17,012
66,877	38,981	Unusable Reserves (Note 19)		89,382
80,252	51,566	Total Reserves		106,394

The unaudited Accounts were issued on 29 June 2011, and the audited Accounts were authorised for issue on 21 September 2011.



Robert Emmott BSc CPFA
 Director of Finance and Corporate Resources
 21 September 2011

CASH FLOW STATEMENT

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

2009/10 £'000		2010/11 £'000
(3,409)	Net (surplus) or deficit on the provision of services	(33,840)
(10,746)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(6,821)
(14,155)	Net cash flows from Operating Activities (Note 20)	(40,661)
13,871	Investing Activities (Note 21)	48,443
(396)	Financing Activities (Note 22)	(12,145)
(680)	Net (increase)/decrease in cash and cash equivalents	(4,363)
7,888	Cash and cash equivalents at the beginning of the period	8,568
8,568	Cash and cash equivalents at the end of the period (Note 15)	12,931
680		4,363

NOTE 1 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the 2009/10 Accounts.

Government Grants

Under the Code, grants and contributions for capital projects are recognised as income when they become receivable. Previously, grants were held in a Grants Deferred Account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy, the balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet. Elements of deferred grants which had previously been recognised as income in 2009/10 have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures. There is no effect on the General Fund Balance, as capital grant income is transferred out of the General Fund under both UKGAAP and IFRS accounting policies.

This has resulted in the following changes being made to the 2009/10 figures:

	2009/10 Statements	Adjustments Made
Opening 1 April 2009 Balance Sheet		
Government Grants Deferred	(53,767)	53,767
Capital Adjustment Account	(43,831)	(53,767)
Grants Unapplied Account (liabilities)	(2,086)	2,086
Grants Unapplied Account (reserves)	-	(2,086)
31 March 2010 Balance Sheet		
Government Grants Deferred	(60,006)	60,006
Capital Adjustment Account	(42,089)	(60,006)
Grants Unapplied Account (liabilities)	(432)	432
Grants Unapplied Account (reserves)	-	(432)
2009/10 Comprehensive Income and Expenditure Statement		
Service Expenditure in Net Cost of Services	107,936	3,159
Trading Operations	332	105
Taxation and non-specific Grant Income	(118,640)	(7,850)

Short-term Accumulating Compensated Absences

This refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Comhairle. The most significant benefit covered is holiday pay, and the code states that this should be recognised when employees render services that increase their entitlement. As a result, an accrual has been made for holidays earned but not taken. The Government has issued regulations to ensure that this does not have an impact on the General Fund balance and these amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating absences has resulted in the following changes:

	2009/10 Statements	Adjustments Made
Opening 1 April 2009 Balance Sheet		
Short-term Creditors	(13,752)	(2,725)
Accumulated Absences Account		2,725
31 March 2010 Balance Sheet		
Short-term Creditors	(13,911)	(2,622)
Accumulated Absences Account		2,622
2009/10 Comprehensive Income and Expenditure Statement		
Service Expenditure in Net Cost of Services	107,936	(102)

NOTE 2 ACCOUNTING STANDARDS ISSUED BUT HAVE NOT YET BEEN ADOPTED

FRS30 Heritage Assets was issued in 2010/11 but will be adopted in the preparation of the 2011/12 Accounts. Heritage Assets are those held and maintained by the Comhairle in trust for future generations because of their cultural, environmental or historical associations. The Comhairle holds a number of art works and museum artefacts which would meet these criteria.

Adoption of the policy will require the recognition of heritage assets as a separate class of asset in the Accounts. Many of these items are not currently valued and a separate valuation exercise will require to be completed, resulting in a revaluation gain in the Accounts.

NOTE 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies the Comhairle has had to make certain judgements about complex transactions or those involving uncertainty about future events. The main judgement made in the statements is in respect of the levels of future funding. There is a high degree of uncertainty about future levels of funding for local government. However, the Comhairle has determined that this uncertainty is not yet sufficient to provide an indication that assets might be impaired as a result of the need to close facilities and reduce levels of service provision.

NOTE 4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Comhairle's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it difficult for the Comhairle to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of the asset is reduced, depreciation increases and the carrying amount of the assets falls.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Comhairle with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. However the assumptions interact in complex ways. During 2010/11, actuaries advised that the net pensions liability had decreased by £33,398k, attributable to updating of the assumptions.
Arrears	At 31 March 2011 Comhairle had a balance of sundry debtors for £2.55m. An allowance for bad and doubtful debts of £0.5m of the balance outstanding has been provided using the aged debt profile as the basis. The calculation is based on assumed percentage recovery rates and this can vary, particularly when the economic climate is not good.	Given the amount of outstanding debt which is secured against property and the current economic climate, the level of provision may not be sufficient. However, the extent of the provision means that a significant portion of the debt is covered.

NOTE 5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of material items must be disclosed. The Non Distributed Costs line of the 2010/11 Statement includes a credit of £15.7m in respect of the Comhairle's share of the reduction in Pension Fund liabilities for past service costs, arising from changing annual up-rating of pensions from RPI to CPI. (See Note 34 for further details).

NOTE 6 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2010/11	Usable Reserves				Movement in Unusable Reserves £'000
	General Fund Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Capital Fund £'000	
Adjustments primarily involving the Capital Adjustment Account					
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>					
Depreciation and Impairment of non-current assets	(16,329)	-	-	-	16,329
Revaluation losses on Property, Plant & Equipment	(2,586)	-	-	-	2,586
Amortisation of Intangible Assets	(26)	-	-	-	26
Capital Grants and Contributions Applied	25,154	-	-	-	(25,154)
Revenue funded from capital under statute	(1,022)	-	-	-	1,022
Gain/Loss on disposal of non-current assets	(320)	-	-	-	320
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>					
Statutory provision for financing of capital investment	10,841	-	-	-	(10,841)
Capital expenditure charged against General Fund	-	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account					
Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	272	-	(272)	-	-
Application of grants transferred to Capital Adjustment Account	-	-	334	-	(334)
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of sale proceeds credited as part of gain/loss	128	(128)	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	3	-	-	(3)
Adjustments primarily involving Financial Instruments Adjustment Account					
Amount by which finance costs charged to CI&E are different from costs charged in accordance with statute	503	-	-	-	(503)
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits	12,644	-	-	-	(12,644)
Employers pension contributions and direct payments to pensioners payable in the year	-	-	-	-	-
Adjustments primarily involving the Accumulated Absences Account					
Amount by which remuneration charged to CI&E on an accruals basis is different from that chargeable in the year in accordance with statutory requirements	218	-	-	-	(218)
Total Adjustments	29,477	(125)	62	-	(29,414)

2009/10 Comparative Figures	Usable Reserves				Movement in Unusable Reserves £'000
	General Fund Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Capital Fund £'000	
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Depreciation and Impairment of non-current assets	(11,097)	-	-	-	11,097
Revaluation losses on Property, Plant & Equipment	(4,168)	-	-	-	4,168
Amortisation of Intangible Assets	-	-	-	-	-
Revenue funded from capital under statute	(543)	-	-	-	543
Gain/Loss on disposal of non-current assets	(31)	-	-	-	31
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for financing of capital investment	10,916	-	-	-	(10,916)
Capital expenditure charged against General Fund	-	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account					
Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-
Application of grants transferred to Capital Adjustment Account	7,773	-	1,654	-	(9,427)
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of sale proceeds credited as part of gain/loss	76	(76)	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	27	-	-	(27)
Adjustments primarily involving Financial Instruments Adjustment Account					
Amount by which finance costs charged to CI&E are different from costs charged in accordance with statute	(149)	-	-	-	149
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits	(285)	-	-	-	285
Employers pension contributions and direct payments to pensioners payable in the year	-	-	-	-	-
Adjustments primarily involving the Accumulated Absences Account					
Amount by which remuneration charged to CI&E on an accruals basis is different from that chargeable in the year in accordance with statutory requirements	102	-	-	-	(102)
Total Adjustments	2,594	(49)	1,654	-	(4,199)

NOTE 7 OTHER OPERATING EXPENDITURE

2009/10 £'000		2010/11 £'000
432	Trading Operations	746
31	Gains/Losses on disposal of non-current assets	320
463		1,066

NOTE 8 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10 £'000		2010/11 £'000
9,777	Interest payable and similar charges	9,621
2,028	Pension interest costs and expected return on pension assets	971
(183)	Interest receivable and similar income	(345)
11,622		10,247

NOTE 9 TAXATION AND NON SPECIFIC GRANT INCOME

2009/10 £'000		2010/11 £'000
(10,085)	Council Tax income	(10,052)
(10,997)	Non Domestic Rates	(10,484)
(97,558)	Non-ringfenced government grants	(102,518)
(7,850)	Capital grants and contributions	(25,554)
(126,490)		(148,608)

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

Movements in 2010/11	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE
Cost or Valuation							
At 1 April 2010	138,727	22,341	140,871	741	1,173	5,846	309,699
Additions	3,656	2,066	4,708	-	-	21,949	32,379
Donations	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(6,498)	-	-	-	13	-	(6,485)
Revaluation increases/(decreases) in the surplus/(deficit on the provision of services)	-	-	-	-	-	-	-
Derecognition - disposals	(237)	(24)	-	(36)	(80)	-	(377)
Derecognition - other	-	-	-	-	-	-	-
Assets reclassified (to)/from held for sale	(60)	(291)	-	-	(524)	-	(875)
Other movements in cost or valuation	507	869	-	-	(11)	(1,547)	(182)
At 31 March 2011	136,095	24,961	145,579	705	571	26,248	334,159
Accumulated Depreciation and Impairment							
At 1 April 2010	9,029	6,196	41,983	326	33	-	57,567
Depreciation Charge	4,964	2,226	3,885	37	34	-	11,146
Depreciation written out to the Revaluation Reserve	(6,159)	-	-	-	-	-	(6,159)
Depreciation written out to the surplus /deficit on the provision of services	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	5,275	-	-	-	-	-	5,275
Derecognition - disposals	(15)	(24)	-	(3)	-	-	(42)
Derecognition - other	(6)	(271)	-	-	(27)	-	(304)
Other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31 March 2011	13,088	8,127	45,868	360	40	-	67,483
Net Book Value							
At 31 March 2011	123,007	16,834	99,711	345	531	26,248	266,676
At 31 March 2010	129,698	16,145	98,888	415	1,140	5,846	252,132

Comparative Movements 2009/10	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE
Cost or Valuation							
At 1 April 2009	143,824	20,979	138,080	741	902	2,597	307,123
Additions	3,795	2,275	4,560			3,064	13,694
Donations	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(8,609)	-	-	-	185	-	(8,424)
Revaluation increases/(decreases) in the surplus/(deficit) on the provision of services	-	-	-	-	-	-	-
Derecognition - disposals	-	(853)	(1,769)	-	(72)	-	(2,694)
Derecognition - other	-	-	-	-	-	-	-
Assets reclassified (to)/from held for sale	(158)	-	-	-	158	-	-
Other movements in cost or valuation	(125)	(60)	-	-	-	185	-
At 31 March 2010	138,727	22,341	140,871	741	1,173	5,846	309,699
Accumulated Depreciation and Impairment							
At 1 April 2009	9,854	5,166	39,963	286	77	-	55,346
Depreciation Charge	5,082	1,845	3,789	40	37	-	10,793
Depreciation written out to the Revaluation Reserve	(5,893)	-	-	-	(93)	-	(5,986)
Depreciation written out to the surplus/(deficit) on the provision of services	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Derecognition - disposals	-	(815)	(1,769)	-	(2)	-	(2,586)
Derecognition - other	-	-	-	-	-	-	-
Assets reclassified (to)/from held for sale	(16)	-	-	-	16	-	-
Other movements in depreciation and impairment	2	-	-	-	(2)	-	-
At 31 March 2010	9,029	6,196	41,983	326	33	-	57,567
Net Book Value							
At 31 March 2010	129,698	16,145	98,888	415	1,140	5,846	252,132
At 31 March 2009	133,970	15,813	98,117	455	825	2,597	251,777

Revaluations

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. One fifth of the assets will be valued in each of the next five years, based on the following plan:

- Year 1 16 Specialised and 27 non specialised properties in and around Stornoway
- Year 2 21 Specialised and 37 non specialised properties on Lewis
- Year 3 21 Specialised and 36 non specialised properties on Lewis and Harris.
- Year 4 18 Specialised and 21 non specialised properties on Berneray, Norh Uist and Benbecula.
- Year 5 16 Specialised and 33 non specialised properties in South Uist, Eriskay and Barra.

	Other Land & Buildings £'000	Vehicles & Plant £'000	Surplus Assets £'000	Community Assets £'000	Total £'000
Valued at Historical Cost	-	24,961	-	705	25,666
Valued at Fair Value as at:					
31 March 2011	54,543	-	31	-	54,574
31 March 2010	39,912	-	494	-	40,406
31 March 2009	14,883	-	46	-	14,929
31 March 2008	25,480	-	-	-	25,480
	134,818	24,961	571	705	161,055

Capital Commitments

At 31 March 2011, the Comhairle had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years, at a cost of £67m. Similar commitments at 31 March 2010 were £10m. The difference is due to ongoing work on the Western Isles Schools Project.

NOTE 11 INTANGIBLE ASSETS

The movement on Intangible Asset balances during the year is as follows:

	2010/11			2009/10		
	Fishing Quota £'000	Software Licences £'000	Total 2010/11 £'000	Fishing Quota £'000	Software Licences £'000	Total 2009/10 £'000
Balance at 1 April						
Gross carrying amounts	700	136	836	700	136	836
Accumulated amortisation	(403)	(27)	(430)	(157)	-	(157)
Net carrying amount at 1 April	297	109	406	543	136	679
Additions:						
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-	-	(246)	-	(246)
Reversals of past impairment losses written back to the surplus/deficit on the provision of services	1	-	1	-	-	-
Amortisation for the year	-	(27)	(27)	-	(27)	(27)
Net carrying amount at 31 March	298	82	380	297	109	406
Comprising						
Gross carrying amounts	700	136	836	700	136	836
Accumulated amortisation	(402)	(54)	(456)	(403)	(27)	(430)
	298	82	380	297	109	406

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 2011 was £298k. 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 12 LONG TERM DEBTORS

	Balance 01/04/10 £'000	Advanced in Year £'000	Repaid in Year £'000	Balance 31/03/11 £'000
Car Loans	57	9	(40)	26
House Loans	61	-	(12)	49
Business Loans	197	18	(11)	204
Harris Tweed Investment Fund	131	-	-	131
Sgoiltean Ura LLP	675	686	-	1,361
Community buy outs	75	-	-	75
Revolving Loans Pool	320	34	(103)	251
Capital Advance to Lews Castle College	34	-	(12)	22
	1,550	747	(178)	2,119
Less:				
Revolving Loans Pool Provision for Bad Debts	(320)		69	(251)
	1,230	747	(109)	1,868

NOTE 13 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long Term		Current	
	31/03/10 £'000	31/03/11 £'000	31/03/10 £'000	31/03/11 £'000
Investments				
Loans and receivables	-	-	14,507	33,774
Available for sale financial assets	-	-	-	-
	-	-	14,507	33,774
Borrowings				
Financial liabilities at amortised cost	143,134	149,779	2,605	8,105
Financial liabilities at fair value through profit and loss	-	-	-	-
	143,134	149,779	2,605	8,105

Gains and 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 Comprehensive Income and Expenditure Statement is not material, and therefore no adjustments have been made in respect of gains or losses. No assets have been reclassified or derecognised and there has been no impairment or early redemption recognised.

Fair Value of Assets and Liabilities

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:

	31/03/10		31/03/11	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Assets				
Loans and receivables	14,507	14,507	33,774	33,774
Liabilities				
Financial Liabilities (PWL B Loans only)	143,329	200,664	155,870	208,879

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 2011 fair value of borrowing was calculated by reference to the premature repayment set of rates in force on that day, the 2010 figure by reference to the set of interest rates in force on 31 March 2010, 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.

NOTE 14 DEBTORS

2009/10 £'000		2010/11 £'000
566	Government Grants	728
895	Council Tax	692
388	Non Domestic Rates	883
341	VAT	1,234
6,522	Other	5,613
8,712		9,150

NOTE 15 CASH AND CASH EQUIVALENTS

2009/10 £'000		2010/11 £'000
13	Cash held by the Comhairle	14
(952)	Bank Current Accounts	144
9,507	Short-term Deposits	12,774
8,568		12,931

NOTE 16 ASSETS HELD FOR SALE

2009/10 £'000		2010/11 £'000
-	Balance at 1 April	-
	Assets newly classified as held for sale	
-	Property, Plant and Equipment	54
-	Other assets/liabilities in disposal groups	517
-	Assets sold	(111)
-	Balance outstanding at 31 March	460

NOTE 17 CREDITORS

2009/10 £'000		2010/11 £'000
2,402	Payroll - PAYE and NI, Superannuation	2,328
1,630	Loan Interest	1,715
2,580	Suppliers and other individuals	3,963
9,922	Other	11,401
16,534		19,407

NOTE 18 PROVISIONS

Bad Debt Provisions	Balance at 01/04/10 £'000	Movement In Year £'000	Balance at 31/03/11 £'000
Community Charge	124	-	124
Council Tax	1,329	197	1,526
Rents	97	(77)	20
Sundry Debtors	611	(14)	597
Fuel at Fishery Piers	11	-	11
Charges on Properties	203	74	277
	2,375	180	2,556

Note: The Debtors figure as shown in the balance sheet is net of these provisions.

Other Provisions	Balance at 01/04/10 £'000	Movement In Year £'000	Balance at 31/03/11 £'000
Bus Leases	45	-	45
Business Loans	310	(106)	204
Legal Settlement	200	-	200
Loan Guarantees	48	99	147
	603	(7)	596

- 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 19 UNUSABLE RESERVES

2009/10 £'000		2010/11 £'000
6,076	Revaluation Reserve	8,451
102,095	Capital Adjustment Account	116,002
(3,632)	Financial Instruments Adjustment Account	(3,129)
(62,935)	Pensions Reserve	(29,537)
(2,623)	Employee Statutory Adjustment Account	(2,405)
38,981	Total Unusable Reserves	89,382

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Comhairle arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are revalued downwards and the gains are lost or disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since April 2007, the date that the Reserve was created. Gains prior to this are consolidated in the Capital Adjustment Account

2009/10 £'000		2010/11	
		£'000	£'000
(4,298)	Balance at 1 April		(6,076)
(1,730)	Upward revaluation of assets	(2,260)	
-	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on Provision of Services	-	
(1,730)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(2,260)
(48)	Difference between fair value depreciation and historical cost depreciation	(267)	
-	Accumulated gains on assets sold or scrapped	151	
(48)	Amount written off to the Capital Adjustment Account		(116)
(6,076)	Balance at 31 March		(8,452)

Financial Instruments Adjustments Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Comhairle uses the Account to manage premiums paid on early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the Account in the Movement in Reserves statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Comhairle's case this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result the balance on the Account at 31 March 2011 will be charged to the General Fund in future years.

2009/10 £'000		2010/11	
		£'000	£'000
3,483	Balance at 1 April		3,632
639	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement		
(490)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(503)	
149	Amount by which the finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.		(503)
3,632	Balance at 31 March		3,129

Capital Adjustments Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to historic cost basis). The Account is credited with the amounts set aside by the Comhairle as finance for the costs of acquisition, construction and enhancement.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 1 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 £'000		2010/11	
		£'000	£'000
(97,598)	Balance at 1 April		(102,095)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
11,081	Depreciation and impairment of non-current assets	16,436	
4,168	Revaluation losses on Property, Plant and Equipment	2,436	
	- Amortisation of Intangible Assets	26	
543	Revenue expenditure funded from capital under statute	2,813	
108	Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal	445	
15,900			22,156
48	Adjusting amounts written out of the Revaluation Reserve		266
(81,650)	Net written out amount of the cost of non-current assets consumed in the year		(79,673)
	Capital financing applied in the year:		
(26)	Use of Capital Receipts Reserve to finance expenditure	-	
(9,503)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(25,154)	
	Application of grants from the Capital Grants Unapplied Account	(334)	
(10,916)	Statutory Provision for the financing of capital investment	(10,841)	
			(36,329)
(102,095)	Balance at 31 March		(116,002)

Pensions Reserve

The Pensions Reserve absorbs the timing difference arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Comhairle accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet costs. However, statutory arrangements require benefits earned to be financed as the Comhairle makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Comhairle has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £'000		2010/11	
		£'000	£'000
(28,811)	Balance at 1 April		(62,935)
(33,839)	Actuarial gains and losses on pension assets and liabilities		20,754
(285)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement		12,644
-	Employers pension contributions and direct payments to pensioners payable in the year		-
(62,935)	Balance at 31 March		(29,537)

Employee Statutory Adjustment Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from the Account.

2009/10 £'000		2010/11	
		£'000	£'000
(2,725)	Balance at 1 April		(2,623)
2,725	Settlement or cancellation of accrual made at the end of the preceding year	2,623	
(2,623)	Amounts accrued at the end of the current year	(2,405)	
102	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		218
(2,623)	Balance at 31 March		(2,405)

NOTE 20 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following amounts of interest and dividends.

2009/10 £'000		2010/11 £'000
(79)	Interest Received	(205)
9,136	Interest Paid	9,621
639	Dividends Received	-
9,696		9,417

NOTE 21 CASH FLOW STATEMENT - INVESTING ACTIVITIES

2009/10 £'000		2010/11 £'000
14,337	Purchase of property, plant and equipment and intangible assets	29,758
5,000	Purchase of short-term and long-term investments	16,000
543	Other payments for investing activities	2,813
(75)	Proceeds from the sale of property, plant and equipment and intangible assets	(129)
(5,934)	Other receipts from investing activities	-
13,871	Net cash flows from investing activities	48,443

NOTE 22 CASH FLOW STATEMENT - FINANCING ACTIVITIES

2009/10 £'000		2010/11 £'000
(10,000)	Cash receipts of short-term and long-term borrowing	(15,000)
9,604	Repayments of short-term and long-term borrowing	2,855
(396)	Net cash flows from financing activities	(12,145)

NOTE 23 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service shown on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Comhairle on the basis of budgets reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- the cost of retirement benefits is based on cash flows (payment of employer's contributions) rather than current service cost of benefits accrued in the year
- salary costs for the year are based on actual payments made rather than adjusting for unused leave entitlement

The income and expenditure of the Comhairle's principal departments, as reported through the year are shown in the following tables:

Directorate Income and Expenditure

2010/11	Education £'000	Social and Community Services £'000	Technical Services £'000	Development £'000	Total £'000
Total Income	(10,072)	(7,903)	(21,239)	(7,703)	(46,917)
Employee Expenses	31,262	18,503	10,072	4,294	64,131
Premises Related Expenses	4,559	2,076	1,997	443	9,075
Transport Related Expenses	3,436	1,221	3,475	143	8,275
Supplies and Services	3,107	1,815	3,593	4,605	13,120
Third Party Payments	6,026	5,143	13,384	167	24,720
Transfer Payments		91	1	76	168
Support Services	6,431	3,539	3,877	2,380	16,227
Capital Charges	9,248	2,411	6,574	1,668	19,901
Total Expenditure	64,069	34,799	42,973	13,776	155,617
Net Expenditure	53,997	26,896	21,734	6,073	108,700

2009/10 Comparative Figures	Education £'000	Social and Community Services £'000	Technical Services £'000	Development £'000	Total £'000
Total Income	(8,152)	(7,904)	(20,261)	(5,938)	(42,255)
Employee Expenses	30,008	18,384	9,307	4,280	61,979
Premises Related Expenses	4,532	1,993	1,910	456	8,891
Transport Related Expenses	3,193	1,367	3,409	194	8,163
Supplies and Services	2,675	1,952	4,055	5,188	13,870
Third Party Payments	2,523	8,020	12,912	(28)	23,427
Transfer Payments		96		5	101
Support Services	4,885	2,702	3,438	1,369	12,394
Capital Charges	6,284	1,868	6,014	1,525	15,691
Total Expenditure	54,100	36,382	41,045	12,989	144,516
Net Expenditure	45,948	28,478	20,784	7,051	102,261

Reconciliation of Departmental Income and Expenditure to Cost of Services in the Comprehensive I&E Accounts

	2009/10 £'000	2010/11 £'000
Net expenditure in departmental analysis	102,261	108,700
Net expenditure of services and support services not included in the analysis	10,803	9,702
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	(1,634)	(14,196)
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(434)	(750)
Cost of services in Comprehensive Income and Expenditure Statement	110,996	103,456

Reconciliation of Subjective Analysis

2010/11	Directorate Analysis £'000	Services not in Analysis £'000	Amounts not reported to Mgt for Decision Making £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and Other Services Income	(46,917)	(17,058)		(63,975)		(63,975)
Interest and Investment Income					(345)	(345)
Income from Council Tax					(10,052)	(10,052)
Government Grants and Contributions					(138,561)	(138,561)
Total Income	(46,917)	(17,058)	-	(63,975)	(148,958)	(212,933)
Employee Expenses	64,131	7,312	(14,196)	57,247		57,247
Other Service Expenses	55,359	15,006		70,365		70,365
Support Service Recharges	16,226	4,129		20,355		20,355
Depreciation and Impairment	19,900	314		20,214		20,214
Interest Payments					10,592	10,592
Gain or Loss on Disposal of Assets					320	320
Total Expenditure	155,616	26,761	(14,196)	168,181	10,912	179,093
Suplus or Deficit on Provision of Services	108,699	9,703	(14,196)	104,206	(138,046)	(33,840)

2009/10 Comparative Figures	Directorate Analysis £'000	Services not in Analysis £'000	Amounts not reported to Mgt for Decision Making £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and Other Services Income	(42,255)	(15,968)		(58,223)		(58,223)
Interest and Investment Income					(183)	(183)
Income from Council Tax					(10,085)	(10,085)
Government Grants and Contributions					(116,405)	(116,405)
Total Income	(42,255)	(15,968)	-	(58,223)	(126,673)	(184,896)
Employee Expenses	61,980	6,887	(1,634)	67,233		67,233
Other Service Expenses	54,452	16,238		70,690		70,690
Support Service Recharges	12,394	3,434		15,828		15,828
Depreciation and Impairment	15,691	212		15,903		15,903
Interest Payments					11,802	11,802
Gain or Loss on Disposal of Assets					31	31
Total Expenditure	144,517	26,771	(1,634)	169,654	11,833	181,487
Suplus or Deficit on Provision of Services	102,262	10,803	(1,634)	111,431	(114,840)	(3,409)

NOTE 24 TRADING OPERATIONS

The Comhairle operates one "Significant Trading Operation" (STO), Building Maintenance. Under the Local Government in Scotland Act 2003, the STO must account for its activities under proper accounting practices and break-even over a rolling three-year period. The following table provides details of its performance over the three year period.

	2008/09	2009/10	2010/11	2010/11 3 year Cumulative
BUILDING MAINTENANCE	Actual £'000	Actual £'000	Actual £'000	£'000
Expenditure	4,059	3,818	3,678	11,555
Income	(3,970)	(3,459)	(3,232)	(10,661)
Net Deficit/(Surplus) to be met from Grant and Local Taxes	89	359	446	894

The main activity of the Building Maintenance STO during the year was to provide a comprehensive repairs and maintenance service for the Comhairle's properties and also for the Hebridean Housing Partnership, which took over the former housing stock. This was the final year of the housing contract and this work has now been awarded to an alternative supplier.

The results of the Building Maintenance Operation are included in Other Operating Expenditure in the Comprehensive Income and Expenditure Statement.

None of the other Trading Operations run by the Comhairle are classified as "significant". This may be due to a number of factors, including the size of turnover or the absence of a competitive environment.

The results of these Trading Operations are incorporated into the Comprehensive Income and Expenditure Statement. Those that are service specific, such as refuse collection, street cleaning and school meals, are included within the relevant service lines. Services that cannot be attributed to a specific service, for example building maintenance, building cleaning and vehicle maintenance are included in other operating expenditure.

In 2010/11, £415k of Trading Operation deficits was included in other operating expenditure and £93k of surpluses within specific service lines.

NOTE 25 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 Comprehensive Income and Expenditure Account.

	2009/10 £'000	2010/11 £'000
Lews Castle College	4,560	4,702
Islenet	71	86
Island Forum	2	-
Domestic Abuse Training Strategy	3	28
Hebridean Housing Partnership	1,298	1,332
	5,934	6,148

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

	2009/10 £'000	2010/11 £'000
Scottish Water - Water Charges	73	88

NOTE 26 EXTERNAL AUDIT COSTS

	2009/10 £'000	2010/11 £'000
Fee payable to Audit Scotland with regard to audit services carried out by the appointed auditor	232	222

NOTE 27 MEMBERS' SALARIES, ALLOWANCES AND EXPENSES

Name	Salary ¹ £	Mileage Allowance £	Other Travel Expenses £	Subsistence Expenses £	Other Expenses ⁴ £	2010/11 Total £	2009/10 Total £
Mr Donald Manford	18,264	1,652	5,110	4,635	1,310	30,972	31,403
Mr Peter Carlin	16,234	1,905	1,762	1,829	744	22,473	22,474
Mr David Blaney	16,234	1,035	1,620	1,910	297	21,097	20,534
Mr Gerard Macleod	16,234	2,085	1,464	3,232	95	23,110	21,089
Mr Archibald K Campbell	18,264	1,176	2,199	2,226	158	24,024	27,214
Mr Martin C Taylor	16,234	952	-	902	1,006	19,094	20,361
Mr Uisdean Robertson	16,234	335	2,538	2,048	651	21,806	22,520
Mrs Morag Munro	18,264	2,246	1,484	1,106	123	23,222	25,363
Mr Philip Mclean	16,234	1,968	5	-	352	18,559	18,470
Miss Catherine Macdonald	16,234	1,961	-	75	987	19,257	19,473
Mr Alex A Macdonald	20,294	322	5,816	2,787	765	29,983	31,748
Mr Norman A Macdonald	18,264	2,643	7,847	1,655	1,718	32,127	34,022
Mrs Annie Macdonald	16,234	696	1,073	36	603	18,642	19,571
Mr Donald I Nicholson	18,264	382	1,208	388	166	20,409	21,195
Mr Norman M Macleod ²	16,234	-	-	-	415	16,649	17,025
Mr Donald J Macsween	16,234	513	1,058	516	1,310	19,631	22,711
Mr Angus Campbell	27,058	159	10,521	1,629	412	39,778	46,583
Mr Keith Dodson	16,234	-	-	-	1,243	17,477	16,850
Mr Angus McCormack	16,234	148	113	35	995	17,525	19,881
Mr Charles Nicolson	16,234	-	378	228	631	17,471	18,285
Mr Neil Campbell	16,234	97	-	-	1,170	17,501	17,415
Mr Murdo Macleod ³	16,234	-	528	155	623	17,540	17,493
Mr Roddie Mackay	16,234	-	-	-	-	16,234	16,365
Mr Iain Mackenzie	16,234	-	-	-	257	16,491	16,556
Mr John A Maciver	16,234	1,442	138	-	214	17,752	18,633
Mr Kenneth Maciver	16,234	203	505	153	497	17,593	18,750
Mrs Catriona Stewart	16,234	988	1,737	285	567	19,811	18,738
Mr John Mackay	16,234	1,509	1,437	84	216	19,481	19,807
Mr Iain Morrison	16,234	-	-	-	350	16,584	16,710
Mr Kenneth Murray	16,234	1,564	2,084	998	306	21,186	20,648
Ms Agnes Rennie	16,234	1,336	458	171	210	18,409	19,389
Total	528,287	27,318	50,808	27,084	18,391	651,889	677,276

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

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

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

⁴ The Other Expenses includes telephone and ICT expenses, conference fees and training courses

NOTE 28 RELATED PARTIES

During the year material transactions with related parties, not disclosed elsewhere, were as shown below. 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 34.

Central Government Revenue Grants	Income £'000	Expenditure £'000
Education and Childrens Services	591	-
Social and Community Services	362	-
Development	27	-
Technical Services	480	-
Other	114,634	-
Housing Grant	2,746	-
	118,841	-
European Fund Revenue Grants	373	-
European Development Fund Capital Grants	272	-
Acair Ltd - Nature of Business - Publishing	7	45
	119,493	45

During 2010/11, works and services to the value of £3,034k were commissioned from companies in which five members had an interest. Contracts were entered into in full compliance with the Comhairle's standing orders. In addition, £1,138k was paid to Organisations in which nine members had an interest. Details can be found in the Register of Member Interests. To date the Comhairle has also made a loan advance of £1,361k to Sgoiltean 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. There were no material transactions declared by officers in the Register of Employees Interests.

NOTE 29 GRANT INCOME

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement during 2010/11:

	2010/11 £'000
Credited to Taxation and Non Specific Grant Income	
Revenue Support Grant	102,518
Scottish Government - Capital Grant for Schools Project	17,546
Scottish Government - Other Capital Grants	5,867
Other Capital Grants and Contributions	2,141
	128,072
Credited to Services	
DWP Grants	6,787
Specific Grants for Gaelic Education	983
Other Education and Children's Services	942
Community Service Order Grant	322
Other Social and Community Services	2,562
Planning and Economic Development	2,192
Other Services	708
	14,496
	142,568

NOTE 30 LEASES

The committed operating lease expenditure in financial year 2010/11 analysed by the year that the lease expires is as follows:

	Actual Expenditure 2010/11 £'000	Committed Expenditure 2011/12 £'000	Expiring 2011/12 £'000	Expiring 2012/13 to 2015/16 £'000	Expiring 2016/17 and after £'000
Library Building	169	171	-	-	171
Other Buildings	29	29	-	29	
Vehicles and Equipment	111	52	13	30	8
	309	252	13	59	179

There were no finance lease payments in 2010/11 and there are no commitments in 2011/12

NOTE 31 CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years, by charges to revenue as assets are used by the Comhairle, the expenditure results in an increase in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Comhairle that has yet to be financed. The CFR is analysed below.

	2009/10 £'000	2010/11 £'000
Opening Capital Financing Requirement	151,181	144,890
Capital Investment		
Property, Plant and Equipment	13,958	32,379
Car Loans	11	9
Revenue Expenditure Funded from Capital under Statute	543	1,023
Public Sector Housing Grant	-	1,791
Other	4	4
	14,516	35,206
Sources of Finance		
Capital Receipts		
Capital Income	(81)	(52)
Government Grants and Other Contributions	(7,835)	(25,354)
Prior Year Government Grants and Other Contributions	(1,975)	(334)
Sums Set Aside from Revenue		
Loans Fund Principal	(10,916)	(10,841)
	(20,807)	(36,581)
Closing Capital Financing Requirement	144,890	143,515
Movement in Year - represented by decrease in underlying need to borrow	6,291	1,375

NOTE 32 IMPAIRMENT LOSSES

During 2010/11 the Comhairle recognised an impairment loss of £5m in relation to the demolition of a number of school buildings as part of the Western Isles Schools Project. These are included in the cost of provision of services in the Comprehensive Income and Expenditure Statement.

NOTE 33 TERMINATION BENEFITS

During 2010/11 the Comhairle granted early retirement or redundancy to 33 teachers and 63 other members of staff, incurring liabilities of £1,564k. Of this total, £227k is payable to teachers in the form of compensation for loss of office and enhanced pension benefits. The 63 staff members were paid £1,337k.

NOTE 34 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension 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.

Transactions Relating to Post-employment 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 Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Account and Movement in Reserves Statement during the year:

Post-Employment Benefits

Comprehensive Income and Expenditure	2009/10 £'000	2010/11 £'000
Cost of Services		
Current Service Cost	3,957	7,667
Past Service Costs	-	(15,654)
Curtailments and Settlements	151	851
Financing and Investment		
Interest Cost	8,154	10,946
Expected return on assets in the scheme	(6,126)	(9,975)
Net Charge to the Surplus/Deficit on Provision of Services	6,136	(6,165)
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with FRS17	(285)	12,644
Amount Charged to General Fund: Employers' Contributions	5,851	6,479

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is £20,525k (2009/10, £42,732k).

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of Present Value of Scheme Liabilities:	Funded Liabilities: Local Government Pension Scheme £000s	
	2009/10	2010/11
1 April	120,779	196,742
Current Service Cost	3,957	7,667
Interest Cost	8,154	10,946
Contributions by scheme participants	2,027	2,071
Actuarial (gains) and losses	65,784	(19,265)
Benefits paid	(4,110)	(5,131)
Past Service Costs	-	(15,654)
Curtailments	151	851
	196,742	178,227

Reconciliation of Fair Value of Scheme Assets:	Local Government Pension Scheme £000s	
	2009/10	2010/11
1 April	91,968	133,874
Expected rate of return	6,126	9,975
Actuarial gains and (losses)	31,945	1,230
Employer contributions	5,918	6,707
Contributions by scheme participants	2,027	2,071
Benefits paid	(4,110)	(5,131)
	133,874	148,726

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 £11,205k, (2009/10, £38,072k).

Scheme History

	2006/07	2007/08	2008/09	2009/10	2010/11
	£'000	£'000	£'000	£'000	£'000
Present Value of Funded Obligation	126,054	124,408	116,981	193,004	175,056
Fair Value of Scheme Assets (bid value)	114,170	111,538	91,968	133,874	148,726
Net Liability	11,884	12,870	25,013	59,130	26,330
Present Value of Unfunded Obligation	3,992	3,753	3,798	3,738	3,207
Unrecognised Past Service Cost	-	-	-	-	-
Net Liability in Balance Sheet	15,876	16,623	28,811	62,868	29,537

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £29.5m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, reducing it by approximately 22%.

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 2012 are £6.0m.

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 in 2011.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2009/10	2010/11
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.9%	7.8%
Bonds	5.5%	5.5%
Other	5.2%	5.1%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	18.87	18.90
Women	21.91	21.90
Longevity at 65 for future pensioners:		
Men	19.88	19.90
Women	22.98	23.00
Rate of inflations:		
Rate of increase in prices	3.9%	3.5%
Rate of increase in salaries	5.4%	5.0%
Rate of increase in pensions	3.9%	2.7%
Rate for discounting scheme liabilities	5.5%	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	79.0%	79.0%
Gilts and Bonds	12.0%	11.0%
Other Assets	9.0%	10.0%
	100%	100%

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2007/08	2008/09	2009/10	2010/11
	%	%	%	%
Differences between the expected and actual return on assets	(13.1%)	(32.7%)	23.9%	0.8%
Experience gains and losses on liabilities	-	(1.6%)	0.4%	0.1%

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 2010/11, the Comhairle paid £2.337m (£2.397m in 2009/10) to the Scottish Government in respect of teachers' retirement benefits, representing 14.9% of pensionable pay (2009/10, 14.9%). Teachers' contribution rates in 2010/11 were 6.4% (2009/10, 6.4%). 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 2010/11 these amounted to £251,594 (£221,264 in 2009/10).

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 35 INTEREST IN COMPANIES

The Comhairle wholly owns Sgoiltean Ura LLP, 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 shareholder.

During 2010/11 the company made an operating loss of £280k 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 36 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 21 September 2011. Events after the date of the Balance Sheet (31 March 2011), up to the date of signing, have been considered in the preparation of the 2010/11 Statement of Accounts.

There have been no material events since the date of the Balance Sheet which necessitate revision to the figures in the financial statements or notes, including contingent assets or liabilities.

NOTE 37 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 38 TRUST FUNDS

The Comhairle acts as sole trustee for twelve educational, social welfare and miscellaneous trusts. They relate

Summary Income and Expenditure Account

2009/10 £'000		2010/11 £'000
121	Opening Balance 1 April	120
5	Income	5
(6)	Expenditure	(13)
120	Closing Balance 31 March	112

Balance Sheet

2009/10 £'000		2010/11 £'000
	Tangible Fixed Assets	
16	Investments	17
	Current Assets	
14	Short Term Deposits	14
90	Bank Deposits	81
120	Total Assets	112
	Represented by :	
120	Capital & Revenue Reserves	112
120	Net Worth	112

Only the undemoted trusts have closing values in excess of £10,000.

Value at 31/03/2010 £'000		Value at 31/03/2011 £'000
60	Donald A Ferguson Bequest (Social Work - Ardseileach Residents)	51
25	W C Mackenzie Trust (for non-council projects in Stornoway)	26
21	Dr J L Robertson Bequest (for residents hardship)	21
106		98

NOTE 39 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	CnES Bank	£10m
		Other Banks	£5m
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 31/03/2011	Estimated maximum exposure to default and uncollectibility	
	£'000		£'000
Deposits with banks, building societies and local authorities	33,774		-
Customers (council tax, non-domestic rates and other income)	4,810		2,123

The Comhairle does not generally allow credit for customers, such that £3.9m of the £4.8m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31/03/10	31/03/11
	£'000	£'000
Less than three months	517	555
Three to six months	536	363
Six months to one year	606	620
More than one year	2,263	2,457
	3,922	3,995

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	8,105
Between one and two years	1,105
Between two and five years	5,315
More than five years	143,359
	157,884

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 2011, with all other variables held constant.

	£'000
Impact on tax-payer & rent-payers	
Increase on interest payable on variable rate borrowings	82
Increase in interest receivable on variable rate lending	(270)
Increase in government grant receivable for "loan charges"	189
Net effect on Income & Expenditure Account	1
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)	2,019

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

INCOME ACCOUNTS

Council Tax Income Account

The Council Tax Income Account shows the gross income raised from council taxes levied and deductions made under statute. The resultant net income is transferred to the Comhairle's Comprehensive Income and Expenditure Statement.

2009/10 £'000		2010/11 £'000
(12,040)	Council Tax Levy and Contributions in lieu	(12,143)
	Less:	
(16)	Council Tax Benefit (net of Government Grant)	(15)
1,817	Other Discounts and Reductions	1,766
154	Write off of Uncollectable Debts and allowance for impairment	339
	Add:	
	- Adjustments to Previous Years' Community Charge and Council Tax	-
(10,085)	Transfers to General Fund	(10,053)

Non Domestic Rate Income Account

The Non-Domestic Rate Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the the national non-domestic rate pool.

2009/10 £'000		2010/11 £'000
(7,929)	Gross Rates Levied and Contributions in Lieu	(8,552)
	Less:	
2,470	Reliefs and Other Deductions	2,682
43	Write-off of Uncollectable Debts and allowance for impairment	128
-	Payment of Interest	-
(5,416)	Net Non-Domestic Rate Income	(5,742)
-	Adjustment to Previous Years' National Non-Domestic Rates	(38)
(5,581)	Contribution from National NDR Pool	(4,704)
(10,997)	Transferred to General Account	(10,484)

NATURE OF THE COUNCIL TAX CHARGE

Properties which fulfill 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.

Calculation of the Council Tax Base

2009/10		DISABLED									2010/11
		A	A	B	C	D	E	F	G	H	
14,237	Properties	4833	3767	2754	1645	1067	155	32	5		14,258
637	Exemptions	351	198	87	23	26	1	1	1		688
93	Disabled Relief	13	17	31	14	18	0	0	0		93
93	Effective Disabled	13	17	31	14	18	0	0	0		93
5,162	Discounts (25%)	5	2148	1317	764	349	183	16	3	0	4,785
1,299	Discounts (50%)		524	418	197	84	47	4	6	3	1,283
11,661	Total equivalent	12	3687	3045	2361	1497	954	148	27	3	11,734
	Ratio	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
9,791	Band D equivalent	7	2458	2368	2099	1497	1166	214	45	6	9,860
8	Contributions in lieu (MOD)										6
9,799											9,866
(178)	Bad Debt Provision										(178)
9,621	Council Tax Base										9,688
9,354	Budgetary Base										9,637

Number of Effective Properties per Band and Council Tax Levels 2010/11

Band	Properties	£
A (Disabled)	12	568.89
A	3,687	682.67
B	3,045	796.44
C	2,361	910.22
D	1,497	1,024.00
E	954	1,251.66
F	148	1,479.11
G	27	1,706.67
H	3	2,048.00
	11,734	

NATURE AND AMOUNT OF NON DOMESTIC RATE 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 per pound (the "rate poundage"). The rate poundage is set each year by the First Minister for Scotland. For 2010/11 the charge was 40.7p pence in the pound. For properties with a rateable value of £35,000 a supplement of 0.7 pence in the pound was added as per the Non-Domestic Rates (Levying) (Scotland) Regulations 2004 as amended.

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 £18,000 or less. The relief rates for 2010/11 are detailed below:

	Relief available 2010/11
Combined rateable value of all business properties in Scotland:	
Up to £10,000	100%
£10,001 - £12,000	50%
£12,001 - £18,000	25%

Rates collected by the Comharile 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 01/04/2010

	Number of Properties	Rateable Value £'000
Care Facilities	27	848
Communications (non formula)	14	362
Cultural	20	206
Education and Training	60	2,488
Garage and Petrol Stations	99	538
Heath Medical	31	1,343
Hotels, boarding Houses etc	53	918
Industrial including Factories and Warehouses	407	2,631
Leisure, Entertainment Caravans and Holiday Sites	366	1,356
Offices including Banks	196	2,191
Other	79	872
Petrochemical	5	118
Public Houses	10	212
Public Service Subjects	245	2,542
Quarries, Mines etc	14	112
Religious	188	580
Shops	299	2,388
Sporting Subjects	43	25
Undertaking	9	672
	2,165	20,402

GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Comhairle and its share of the reserves of associates and subsidiaries, analysed into "usable reserves" (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund for council tax setting purposes. The net increase/decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Comhairle.

2010/11	General Fund £'000	Capital Fund £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Comhairle Reserves £'000	Share of Reserves of Associates & Subsidiaries £'000	Total Reserves £'000
Balance at 1 April 2010	10,281	1,306	433	566	12,586	38,980	51,566	(87,086)	(35,520)
Surplus/(deficit) on provision of services (accounting basis)	33,840	-	-	-	33,840	-	33,840	2,980	36,820
Other Comprehensive I & E Items	-	-	-	-	-	20,988	20,988	27,427	48,415
Total Comprehensive I & E	33,840	-	0	0	33,840	20,988	54,828	30,407	85,235
Adjustments between accounting basis and funding basis under regulation	(29,477)	-	(62)	125	(29,414)	29,414	-	-	-
transfers to other Statutory Reserves	4,363	-	(62)	125	4,426	50,402	54,828	30,407	85,235
Increase/Decrease in Year	4,363	-	(62)	125	4,426	50,402	54,828	30,407	85,235
Balance at 31 March 2011	14,644	1,306	371	691	17,012	89,382	106,394	(56,679)	49,715

2009/10 Comparative Figures	General Fund £'000	Capital Fund £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Comhairle Reserves £'000	Share of Reserves of Associates & Subsidiaries £'000	Total Reserves £'000
Balance at 1 April 2009	9,466	1,306	2,086	517	13,375	66,877	80,252	(51,796)	28,456
Surplus/(deficit) on provision of services (accounting basis)	3,409	-	-	-	3,409	-	3,409	(4,584)	(1,175)
Other Comprehensive I & E Items	-	-	-	-	0	(32,095)	(32,095)	(30,636)	(62,731)
Total Comprehensive I & E	3,409	-	-	0	3,409	(32,095)	(28,686)	(35,220)	(63,906)
Adjustments between accounting basis and funding basis under regulation	(2,594)	-	(1,654)	49	(4,199)	4,199	-	-	-
Net Increase/Decrease before transfers to other Statutory Reserves	815	-	(1,654)	49	(790)	(27,896)	(28,686)	(35,220)	(63,906)
Increase/Decrease in Year	815	-	(1,654)	49	(790)	(27,896)	(28,686)	(35,220)	(63,906)
Balance at 31 March 2010	10,281	1,306	432	566	12,585	38,981	51,566	(87,016)	(35,450)

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. It also shows the Comhairle's share of the operating results of associates and subsidiaries. The Comhairle raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009/10			Service	2010/11		
Gross Expend £'000	Gross Income £'000	Net Expend £'000		Gross Expend £'000	Gross Income £'000	Net Expend £'000
49,262	(2,074)	47,188	Education Services	53,675	(3,033)	50,642
9,669	(7,500)	2,169	General Fund Housing	8,832	(7,985)	847
6,310	(1,215)	5,095	Cultural & Related Services	7,983	(1,626)	6,357
9,138	(1,729)	7,409	Environmental Services	10,236	(1,831)	8,405
14,190	(1,085)	13,105	Roads & Transport Services	14,824	(1,239)	13,585
7,177	(2,610)	4,567	Planning & Development Services	7,515	(3,067)	4,448
27,203	(5,016)	22,187	Social Work	29,889	(4,801)	25,088
3,155	(51)	3,104	Corporate & Democratic Core	2,993	(41)	2,952
386	-	386	Non Distributed Costs	-	(14,552)	(14,552)
1,173	(296)	877	Central Services to the Public	1,249	(229)	1,020
1,719	(1,437)	282	Trading Services	2,095	(1,720)	375
129,382	(23,013)	106,369	Cost of Services	139,291	(40,125)	99,167
1614	(983)	463	Other Operating Expenditure (Note 7)	2,322	(1,256)	1,066
11,806	(184)	11,622	Financing and Investment Income & Expenditure (Note 8)	10,592	(345)	10,247
	(126,490)	(126,490)	Taxation and Non Specific Grant Income (Note 9)		(148,608)	(148,608)
142,802	(150,670)	(8,036)	Surplus on Provision of Services	152,206	(190,334)	(38,128)
		9,283	Share of Operating Results of Associates (Note G4)			1,550
		1,247	Group (Surplus)/Deficit			(36,578)
		(1,744)	Surplus on Revaluation of Fixed Assets			(234)
		33,839	Actuarial (Gains)/ Losses on Pension Fund Assets and Liabilities			(20,754)
		30,635	Share of Other Comprehensive Income and Expenditure of Associates (Note G4)			(27,669)
		62,730	Other Comprehensive Income and Expenditure			(48,657)
		63,977	Total Comprehensive Income and Expenditure			(85,235)

GROUP BALANCE SHEET

The Group Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the Comhairle and its share of the assets and liabilities of its associates and subsidiaries.. The net assets (assets less liabilities) are matched by the reserves, which are reported in two categories. Usable reserves, which may be used to provide services (subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt), and unusable reserves which cannot be used to fund services. The latter includes reserves that hold unrealisable gains and losses, for example the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "adjustments between accounting basis and funding basis under regulation".

31/03/2009	31/03/2010		31/03/2011	
			£'000	£'000
251,777	252,132	Property, Plant and Equipment (Note 10)	266,676	
679	405	Intangible Assets (Note 11)	379	
386	371	Long Term Investments	357	
697	1,230	Long Term Debtors	672	
253,539	254,138	Long Term Assets		268,084
-	5,000	Short Term Investments	21,000	
-	-	Assets Held for Sale (Note 16)	460	
1,023	959	Stocks	996	
8,910	8,070	Short Term Debtors	9,247	
9,117	9,607	Cash and Cash Equivalents	12,953	
19,050	23,636	Current Assets		44,656
(1,229)	(952)	Bank Overdraft (Note 15)	-	
(105)	(2,605)	Short Term Borrowing	(8,105)	
(16,477)	(16,960)	Short Term Creditors	(19,591)	
(562)	(603)	Provisions (Note 18)	(596)	
(18,373)	(21,120)	Current Liabilities		(28,292)
(51,711)	(86,105)	Liabilities in Associates	(55,417)	
(145,238)	(143,134)	Long Term Borrowing (Note 13)	(149,779)	
(28,811)	(62,935)	Pension Liability (Note 34)	(29,537)	
(225,760)	(292,174)	Long Term Liabilities		(234,733)
28,456	(35,520)	Net Assets		49,715
13,375	12,585	Comhairle Usable Reserves		17,012
66,877	38,981	Comhairle Unusable Reserves (Note 19)		89,382
(51,796)	(87,086)	Share of Reserves of Associates and Subsidiaries		(56,679)
28,456	(35,520)	Total Reserves		49,715

The unaudited Accounts were issued on 29 June 2011, and the audited Accounts were authorised for issue on 21 September 2011.



Robert Emmott BSc CPFA
 Director of Finance and Corporate Resources
 21 September 2011

GROUP CASH FLOW STATEMENT

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Comhairle's group during the reporting period. The statement shows how these are generated and used, by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Comhairle are funded by way of taxation and grant income or from the recipients of services. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Comhairle. The Comhairle's share of the cash flows of its associates is disregarded for the purposes of this statement as the group reserves are all unusable and cannot be used to fund services.

2009/10 £'000		2010/11 £'000
1,247	Net (surplus) or deficit on the provision of services	(36,578)
(15,489)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(4,018)
(14,242)	Net cash flows from Operating Activities	(40,596)
13,871	Investing Activities	48,443
(396)	Financing Activities	(12,145)
(767)	Net (increase)/decrease in cash and cash equivalents	(4,298)
7,888	Cash and cash equivalents at the beginning of the period	8,655
8,655	Cash and cash equivalents at the end of the period	12,953
767		4,298

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

2009/10 £'000		2010/11 £'000
(3,409)	(Surplus)/Deficit on Single Entity I & E Account for Year	(33,840)
(5,526)	Less: Adjustment for transactions with other Group entities	(4,569)
(8,935)	(Surplus)/Deficit in Group CI & E Attributable to Comhairle	(38,409)
9,283	Add: Deficit in Group I & E Account attributable to Associates	1,550
899	Add: Deficit in Group I & E Account attributable to Subsidiaries	281
1,247	Deficit for the Year on the Group CI & E Statement	(36,578)

NOTE G1 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statement are different from the equivalent figures presented in the 2009/10 Accounts. The main changes are as detailed in Note 2 to the main accounts

This has resulted in the following changes being made to the 2009/10 figures:

Opening 1 April 2009 Balance Sheet	2009/10 Statements	Adjustments Made
Liabilities in Associates	(54,933)	3,222
Reserves	(54,933)	3,222
31 March 2010 Balance Sheet		
Liabilities in Associates	(89,674)	3,569
Reserves	(89,674)	3,569
2009/10 Comprehensive Income and Expenditure Statement		
Share of Operating Results of Associates	5,246	4,037
Share of Other Comprehensive income and Expenditure	4,380	26,255
Statement of Total Recognised Gains and Losses	30,638	(30,638)

NOTE G2 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 G3 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 accounting period for these entities is 31 March 2011 and copies of the individual accounts are available from Sgoiltean Ura LLP, 8 Harbour View, Stornoway, Isle of Lewis.

The Comhairle also has an interest in a number of Associate Companies. 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 2011 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 2010/11 the Comhairle contributed £2.1m or 8.93% of the Board's running costs and its £48.1m share of the net liability 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:

2009/10 £'000	NORTHERN JOINT POLICE BOARD	2010/11 £'000
11,867	Gross Income (including Grant)	12,885
3,328	(Surplus)/Deficit on Provision of Services	(2,143)
(185)	(Increase)/Decrease in General Fund	(248)
7,835	Fixed Assets	7,738
2,270	Current Assets	2,523
(1,286)	Short Term Liabilities	(1,200)
(2,987)	Long Term Liabilities (excluding Pension)	(2,872)
(80,363)	Pension Liability	(54,302)

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 2010/11 the Comhairle contributed £2.3m or 10.4% of the Board's running costs and its £6.9m 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.

2009/10 £'000	HIGHLANDS AND ISLANDS FIRE BOARD	2010/11 £'000
4,705	Gross Income (including Grant)	4,950
420	(Surplus)/Deficit on Provision of Services	(693)
35	(Increase)/Decrease in General Fund	(70)
7,763	Fixed Assets	7,796
695	Current Assets	803
(749)	Short Term Liabilities	(715)
(1,859)	Long Term Liabilities (excluding Pension)	(1,690)
(16,517)	Pension Liability	(13,051)

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 2010/11 the Comhairle contributed £0.281m or 10.6% of the Board's running costs. Other than the Pension Liability, of which the Comhairle's share is £0.449m, 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.

2009/10 £'000	HIGHLAND AND WESTERN ISLES JOINT VALUATION BOARD	2010/11 £'000
515	Gross Income	533
11	(Surplus)/Deficit on Provision of Services	(181)
39	Current Assets	36
(41)	Short Term Liabilities	(25)
(904)	Pension Liability	(459)

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 2010/11 the partnership made and operating loss of £0.280m compared to a loss of £0.897m 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 G4 MATERIAL ITEMS OF GROUP INCOME AND EXPENDITURE

In order to provide a better understanding of the impact of including the results of associates and subsidiaries, the following table provides an analysis of the Comhairle's share of the material amounts of income and expenditure disclosed in the Group Income and Expenditure Statement.

2009/10 £'000		2010/11 £'000
	Share of Operating Results of Associates and Subsidiaries	
6,090	Northern Joint Police Board Surplus	(151)
2,909	Highlands and Islands Fire Board Deficit	1,596
284	Highland and Western Isles Joint Valuation Board Deficit	107
897	Sgoiltean Ura LLP Deficit (included in Education Services line)	280
10,180		1,832
	Share of Other Comprehensive Income and Expenditure	
25,525	Northern Joint Police Board	(24,276)
4,643	Highlands and Islands Fire Board	(3,117)
467	Highland and Western Isles Joint Valuation Board	(276)
30,635		(27,669)
40,815		(25,837)

NOTE G5 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 G6 FINANCIAL IMPACT OF CONSOLIDATION

The effect of including the associates and the subsidiary on the Balance Sheet is to reduce net worth by £56m, 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 G7 COMHAIRLE SHARE OF GROUP CONTINGENT LIABILITIES

The Contingent Liabilities of the Comhairle are detailed in Note 37. In addition to these the Comhairle may also be liable for a share of the liabilities identified by its Associates.

The Highlands and Islands Fire Board have identified the suspension of a single status and equal pay scheme and the decommissioning costs in relation to communication masts as a potential obligation, which may require future settlement. It is not possible to assess the cost impact of these at this stage and no provision has therefore been made.

NOTE G8 GROUP ACCOUNTING POLICIES

The Group Accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies.

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 2011 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and Comhairle-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash-Flow Statements, the Comhairle-only Council Tax Income Account, the Non-domestic Rate Account, the Sundry Trust Funds, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 2010/11 Code).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts (on page 9), the Director of Finance and Corporate Resources is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Corporate Resources; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2010/11 Code of the state of the affairs of Comhairle nan Eilean Siar and its group as at 31 March 2011 and of the income and expenditure of the Comhairle and its group for the year then ended
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code, and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985, and
- the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept, or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records, or
- I have not received all the information and explanations I require for my audit, or
- the Statement on the System of Internal Financial Control does not comply with the 2010/11 Code, or
- there has been a failure to achieve a prescribed financial objective.

I have the following to report in respect of these matters.

Failure to comply with a prescribed financial objective

Whilst it is not necessary to qualify my opinion in respect of the following matter I am required to report it to you.

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 Comhairle failed to comply with this statutory requirement for the three year period ending 31 March 2011 in respect of the Building Maintenance significant trading operation.



Peter Tait CPFA
Assistant Director of Audit (Local Government)

Audit Scotland
7th Floor
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21 September 2011