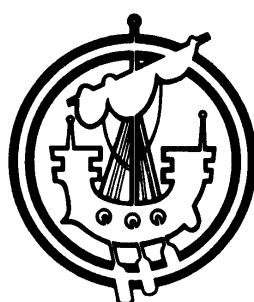


# **COMHAIRLE NAN EILEAN SIAR**



## **ANNUAL ACCOUNTS**

**FOR THE YEAR  
1 APRIL 2008 TO 31 MARCH 2009**

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# FOREWORD BY THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES

## Financial Position at 31 March 2009

The Comhairle's overall financial position at the end of 2008/09 remains broadly in line with the previous year, with revenue balances of £9.5m compared with £9.2m a year earlier. However, when known commitments of £5.9m are taken into account, this reduces to £3.4m

In view of the uncertain financial environment and the risks being faced in the medium term, in setting the 2008/09 budget the Comhairle reviewed the policy on the minimum level of uncommitted balances that should be held, and it was agreed to increase this to £3m. This policy objective is currently being met.

## Outlook

The crisis faced by the banking and financial sectors during 2008/09 did not have a material impact on the Comhairle's outturn for the year. However, the increase in public debt and the downturn in the UK and Global economies are expected to lead to a significant reduction in public sector spending for the foreseeable future. Continuing to deliver and improve services in this financial environment will be a significant challenge for the Comhairle.

## Budgetary Performance

The Income and Expenditure Account shows a surplus of £1,982k for the year. However, this includes a number of items of income and expenditure, such as depreciation and pension adjustments, which do not impact on the Comhairle's cash position. The Statement of Movement on General Fund Balances reflects these differences and reveals the true impact on the General Fund balance for the year. Overall, Comhairle balances have increased by £230k in the year against a budgeted reduction of £355k. In year overspends, including winter maintenance, children's residential placements and community care have been offset by various savings, including external interest payments, additional council tax income and a further BCCI dividend.

The balance of £9.5m on the General Fund includes an earmarked sum of £5.9m in respect of the following:

	£'000
Departmental Carry Forward	370
Western Isles Schools Project	1,633
Modernising Government Fund	179
Business Loans Scheme	251
Youth Crime	153
Surestart	157
Childcare Strategy	248
Care Unit for Severe/Complex needs Clients	134
Former HRA Liabilities	980
Ward Priority Fund	158
HISTP Match Fund	429
Spend to Save Initiatives	500
Miscellaneous Projects	686
Total	<b>£5,878</b>

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. After accounting for specific carry forwards, the Social and Community Services Department exceeded carry forward tolerances by £210k, which will require to be funded from the General Fund balances. Generally, other departments were within carry forward tolerances.

## Trading Operations

Trading Operations returned a net deficit of £207k. Surpluses of £146k generated on the Cleansing and Grounds Maintenance contracts managed by the Technical Services Department and the Catering and Building Cleaning contracts within Education and Children's Services have been offset by deficits of £366k in the Commercial Operations Unit, covering the building maintenance, roads and vehicle maintenance contracts.

The Comhairle undertook a review of trading operations at the end of 2007/08 to ensure that appropriate accounting treatment was adopted for the period 2008-10. Changes in the criteria used to evaluate the level of financial significance resulted in Refuse Collection, Roads and the Bus Operation no longer being classified as significant, in terms of the Local Government Scotland Act 2003. Significant Trading Operations are required to break even over a rolling three year period. Building Maintenance is the only operation required to meet this target but has failed to do so for this financial year.

This service is currently being integrated into the Technical Services Department, and a comprehensive review has commenced as part of a structural and service delivery review of the department as a whole. This will have particular focus on generating efficiencies through streamlining activities and simplifying the client / contractor relationship. Comprehensive performance indicators are in place to monitor timescales in delivery of service and efforts will be focused on developing management information systems which will provide detailed profitability and productivity information to enable more proactive management of the service. The service continues to provide a comprehensive maintenance service to both Comhairle nan Eilean Siar and Hebridean Housing Partnership.

# FOREWORD BY THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES

## Revenue Support Grant

An important element of the Scottish Government's financial settlement for the three years commencing in 2008/09, was the signing of a concordat with Councils which included, among other things, the freezing of Council Tax rates and the reduction of ring fenced grants. Ring fenced grants of approximately £6m were previously credited to the service revenue accounts, thereby reducing net expenditure. This element of funding is now included in General Government Grants and accounts for a large portion of the year on year increase.

## Single Status

The Comhairle's Single Status agreement was implemented on 1 July 2008 with payments backdated to April 2007. £1.9m of payments were included in the accounts for 2007/08 and a further ongoing cost of £2.5m was incurred in 2008/09.

## Net Assets

The net assets of the Comhairle have reduced by £9.8m over the year. Modest gains on the revaluation of assets were offset by an increase of £13.6m in the pension liability.

## Capital Expenditure

The Comhairle spent a total of £15,432k on capital projects in 2008/09, the first year of the 2008-12 Capital Programme. This included investment of £2m in the school estate and £800k in social work properties. Almost £4m was invested in Sustainable Development projects such as hydrogen development, fishery piers, the Sgoil Lionacleit running track, Castlebay fitness suite, and Stornoway Heritage projects. £6m was spent on roads including £2.4m on the road between Gisla and Enaclete and over £1m on road strengthening and minor improvement works. Work to create an additional waste cell required to comply with new regulations at Bennadrove continued as did investment in the Creed Waste Management facility. Community capital projects benefited by almost £400k paid by way of capital grants to community organisations which met the terms and conditions specified by the Scottish Government.

## Financing Expenditure

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

## Borrowing

During the year £8.5m of debt with an average rate of 5.57% was prematurely repaid. £9m was borrowed from the Public Works Loan Board, £5m of which was at a fixed rate of 3.89% and £4m at variable rate.

## Capital Fund

During the year £990k of the Capital Fund, which was created from former HRA receipts, was used to repay debt. The saving this generated in the debt repayment budget contributed towards the revenue outturn surplus of £230k for 2008/09. This has reduced the Capital Fund balance to £1,306k. However, an earmarked balance of £980k is now held in respect of former HRA liabilities.

## 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. A dividend of £851k was received during 2008/09, bringing the total to date to 86.5%, and there remains the possibility of further dividends. Including currency gains, the total repaid to date is £24.4m.

## Pensions/FRS17

The Comhairle's pension liability has increased over the year by £13.6m to £28.8m. Statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy, as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the actuary.

Whilst the replacement of employer's contributions with actuarial estimates has resulted in a reduced charge to service accounts, the amount to be met from government grants and local taxation remains unchanged as accounting rules require these to be reversed out of the Income and Expenditure Account. Further details are given in notes 27 to 31 of the accounts.

## Western Isles Schools Project

During 2008/09 significant advances have been made in progressing the Western Isles Schools Project (WISP), which involves proposals for five new or refurbished schools. The project is being progressed using a hybrid version of PPP, designed to suit the particular circumstances of the Western Isles. As at March 2009 the estimated capital cost of the project is £72m. This will be funded through prudential borrowing with the costs being met by a combination of funding from the Scottish Government and Comhairle resources. Current projections are that construction will start early in the 2010/11 financial year.

## Accounting Statements

The accounting statements that follow consist of:

- **Income and Expenditure Account** - shows the expenditure for all the Comhairle's services and how this has been funded from general government grant and income from taxpayers.

## FOREWORD BY THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES

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

### Group Accounts

The Accounting Code of Practice requires group accounts to be prepared where the authority has an interest of 20% or more in another organisation (unless the contrary is shown). Whilst the Comhairle's representation on the Police and Fire Joint Boards is only 17%, we have complied with guidance from Audit Scotland that they should be included in our group.

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

### Thanks

I would like to thank Members of the Comhairle and Comhairle staff, especially those in the Accountancy Service, who have worked hard throughout the year to ensure that the Comhairle remains in control of its finances and to complete these accounts. 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  
24 September 2009

# STATEMENT OF ACCOUNTING POLICIES

The following policies apply to the Accounts of Comhairle nan Eilean Siar for the year 2008/09.

## 1. General Policy

The Annual Accounts have been prepared on an Income and Expenditure basis in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (ACOP). The service headings under which the expenditure is analysed in the Income and Expenditure Account are those recommended by the Best Value Code of Practice.

## 2. Changes in Accounting Practice

Under the 2008 Statement of Recommended Practice (the SORP), the Comhairle has adopted the amendment to FRS17 Retirement Benefits. As a result, quoted securities held as assets in the defined benefits pension scheme (Highland Pension Fund) are now valued at bid price, rather than mid-market value. In financial terms this has reduced the value of scheme assets at the start of the year by £1.7 million.

## 3. Accounting Convention

The accounts have been prepared on an historic cost basis, modified by the revaluation of certain categories of fixed assets.

## 4. Basis upon which Debtors and Creditors are included in the Accounts

Debtors represent amounts owed to the Comhairle in 2008/09 but which are still outstanding at 31 March 2009. Creditors represent amounts owed by the Comhairle for goods delivered or services carried out before 31 March 2009. Payments relating to 2008/09 made in the first three weeks of 2009/10 have been included in revenue expenditure for 2008/09 and in the figure for creditors given in the Balance Sheet. Estimates of significant amounts still due, but not yet paid by the Comhairle, have also been included in the figure for expenditure and creditors. Only significant amounts are accrued for capital.

## 5. 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.

## 6. Financial Instruments

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

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

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

**Financial Assets (investment, loans, debtors)** – These are initially measured at fair value and carried at their amortised cost. Annual credits for interest receivable are based on the carrying amount of the asset, multiplied by the effective interest rate. This means that the amount presented in the Balance Sheet is the outstanding principal receivable.

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

# STATEMENT OF ACCOUNTING POLICIES

## 7. Revenue Expenditure funded from Capital under statute

This is expenditure incurred during the year that may be capitalised under statutory provisions but which does not result in the creation of a fixed asset, as the costs have been charged to the relevant service revenue account. Any such charges are reversed out in the Statement of Movement on the General Fund Balance so there is no impact on the level of the council tax. These are generally capital grants paid to community bodies to part fund specific projects and are permitted under Scottish Government Circular 05/2007.

## 8. 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.

## 9. Capital Receipts

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

## 10. 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.

## 11. Basis of Valuation of Fixed Assets

From 2006/07 the Comhairle has moved to valuing a percentage of the land and buildings on a rolling basis annually, rather than carrying out one valuation every five years. The land surrounding buildings is valued separately. Valuations are undertaken in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual often referred to as "The Red Book" and having regard to the supplementary guidance provided by CIPFA. The value in the Accounts reflects this valuation plus any capital expenditure incurred between 1 April 2008 and 31 March 2009. Depreciation has been charged on the basis of assets' estimated useful life on a straight-line basis.

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

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

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

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

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

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

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

## 12. Asset Rentals

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

## 13. Allocation of Support Services Costs

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

# STATEMENT OF ACCOUNTING POLICIES

## 14. Provisions

Provisions are made for any liabilities of uncertain timing or amount that have been incurred. Details are given in Note 9.

## 15. Provisions for Bad and Doubtful Debts

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

- . Community Charge
- . Council Tax
- . Non-Domestic Rates
- . 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.

## 16. Government Grants

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

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

## 17. Budget

The budget figures shown are the revised budgets as at 31 March 2009 as these reflect policy decisions taken during the year.

## 18. Operating Leases

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

## 19. Retirement Benefits

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

- Teachers' Pension Scheme  
This is an unfunded scheme administered by the Scottish Executive who sets the contribution rate based on a notional fund. The amounts included in the accounts are the contributions due in the year. In addition the cost of pension enhancements for early retirement are included in non-distributable costs. The scheme is exempt from FRS17 as the assets and liabilities of the scheme cannot be reliably attributed to participating authorities.
- Local Government Pension Scheme  
Pensions for other employees are accounted for in accordance with Financial Reporting Standard 17 (FRS17). The calculations have been carried out in accordance with Guidance Note 36: Accounting for Retirement Benefits under FRS 17, issued by the Institute and the Faculty of Actuaries. The disclosures have been drafted in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – A statement of Recommended Practice issued by the CIPFA/LASAAC Joint Committee.

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

## 20. 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 2008/09 only the Building Maintenance contract was classified as a STO.



## INCOME AND EXPENDITURE ACCOUNT

2007/08 Actual Net £'000	Service	2008/09		
		Actual Expenditure £'000	Actual Income £'000	Actual Net £'000
40,717	Education Services	47,758	(3,807)	43,951
964	General Fund Housing	9,027	(7,022)	2,005
5,111	Cultural & Related Services	6,022	(1,466)	4,556
4,985	Environmental Services	8,501	(2,121)	6,380
10,608	Roads & Transport Services	13,443	(1,865)	11,578
4,791	Planning & Development Services	5,314	(2,766)	2,548
19,459	Social Work	26,110	(4,810)	21,300
3,551	Corporate & Democratic Core	3,380	(234)	3,146
560	Non Distributed Costs	441	-	441
986	Central Services to the Public	1,010	(295)	715
398	Trading Services	2,065	(1,487)	578
4,927	Joint Board Requisitions	5,148	(246)	4,902
<b>97,057</b>	<b>NET COST OF SERVICES</b>	<b>128,219</b>	<b>(26,119)</b>	<b>102,100</b>
362	Loss on Disposal of Fixed Assets			22
223	Trading Operations Deficits			232
10,313	Interest Payable and Similar Charges			11,112
(807)	Interest and Investment Income			(1,104)
(1,145)	Pensions Interest Costs and Expected Return on Assets			718
(679)	BCCI Receipt			(851)
<b>105,324</b>	<b>NET OPERATING EXPENDITURE</b>			<b>112,229</b>
(85,587)	General Government Grants			(94,134)
(9,626)	Non-Domestic Rates Redistribution			(10,073)
(9,786)	Income from Council Tax			(10,004)
<b>(104,999)</b>	<b>TOTAL INCOME</b>			<b>(114,211)</b>
<b>325</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>			<b>(1,982)</b>

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

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

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

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

2007/08 £'000	STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE	2008/09 £'000
325	(Surplus)/Deficit on I & E for Year	(1,982)
694	Net Additional Amount required to be debited to GF for year (Note 1)	1,752
<b>1,019</b>	<b>(Increase)/Decrease in GF for year</b>	<b>(230)</b>
(10,255)	GF Balance Brought Forward	(9,236)
3,026	Adjustment to opening carrying value of borrowing per regulations	-
(3,026)	Transfer to Financial instruments Adjustment Account	-
<b>(9,236)</b>	<b>General Fund Balance Carried Forward</b>	<b>(9,466)</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

2007/08 £'000	STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	2008/09 £'000
325	(Surplus)/Deficit for the Year on the I & E Account	(1,982)
(2,243)	Surplus on Revaluation of Fixed Assets	(2,038)
1,179	Actuarial Losses on Pension Fund Assets and Liabilities	13,662
3,026	Adjustment arising from transitional arrangements for Financial Instruments	-
<b>2,287</b>	<b>Total Recognised Losses for the year</b>	<b>9,642</b>

## BALANCE SHEET

31 March 2008 £'000		Gross Book Value £'000	Depreciation £'000	31 March 2009	
				£'000	£'000
	<b>Fixed Assets</b>				
543	<i>Intangible Fixed Assets (Note 3)</i>	679	-	679	
	<i>Tangible Fixed Assets (Note 2)</i>				
	<b>Operational Assets:</b>				
125,347	Other Land & Buildings	142,547	(9,232)	133,315	
721	Leasehold Improvements	1,277	(622)	655	
8,068	Vehicles, Plant & Equipment	20,979	(5,166)	15,813	
94,384	Infrastructure Assets	138,080	(39,963)	98,117	
448	Community Assets	741	(286)	455	
	<b>Non-operational Assets:</b>				
4,550	Investment Properties	-	-	-	
284	Surplus Assets	902	(77)	825	
11,539	Assets Under Construction	2,597	-	2,597	
<b>245,884</b>	<b>Total Fixed Assets</b>	<b>307,802</b>	<b>(55,346)</b>		<b>252,456</b>
	<b>Other Long Term Assets</b>				
400	Long-term Investments			386	
1,122	Long-term Debtors (Note 11)			1,068	
(445)	Less Provisions (Note 9)			(371)	1,083
<b>246,961</b>	<b>Total Long-term Assets</b>				<b>253,539</b>
	<b>Current Assets</b>				
945	Stocks & Work in Progress			1,023	
14,035	Debtors (Note 8)			11,403	
(2,357)	Less Provisions (Note 9)			(2,408)	
6,743	Investments			9,105	
12	Cash in Hand			12	19,135
<b>266,339</b>	<b>Total Assets</b>				<b>272,674</b>
	<b>Current Liabilities</b>				
(1,928)	Borrowing Repayable Within 1 Year			(105)	
(13,342)	Creditors (Note 10)			(13,752)	
(649)	Provisions (Note 9)			(562)	
(561)	Bank Overdraft			(1,229)	(15,648)
<b>249,859</b>	<b>Total Assets less Current Liabilities</b>				<b>257,026</b>
	<b>Long-term Liabilities</b>				
(144,906)	Long-term Borrowing (Note 12)			(145,238)	
(48,874)	Government Grants Deferred			(53,767)	
(4,152)	Grants Unapplied			(2,086)	
(15,161)	Pension Liability (Note 29)			(28,811)	(229,902)
<b>36,766</b>	<b>Net Assets/(Liabilities)</b>				<b>27,124</b>
	<b>Financed by:</b>				
2,237	Revaluation Reserve			4,298	
40,564	Capital Adjustment Account			43,831	
2,296	Capital Fund			1,306	
466	Capital Receipts Reserve			517	
(2,872)	Financial Instruments Adjustment Account			(3,483)	
(15,161)	<b>Pension Reserve</b>			(28,811)	
9,236	<b>Revenue Reserves - General Fund</b>			9,466	
<b>36,766</b>	<b>Total Net Worth</b>				<b>27,124</b>

The unaudited accounts were issued on 26 June 2009 and the audited accounts were authorised for issue on 24 September 2009.



Robert Emmott BSc CPFA  
Director of Finance and Corporate Resources  
24 September 2009

## CASH FLOW STATEMENT

2007/08 In/(Out) £'000	CASH FLOW STATEMENT	2008/09 £'000	2008/09 £'000	2008/09 In/(Out) £'000
	<b>Revenue Activities</b>			
	<b>Cash Outflows</b>			
(63,393)	Cash Paid to and on behalf of Employees	(68,389)		
(32,950)	Other Operating Cash Payments	(39,754)		
(5,015)	Other Precepts	(4,886)		
(3,483)	Housing Benefit Paid Out	(3,689)		
(104,841)			(116,718)	
	<b>Cash Inflows</b>			
-	Rents (after Rebates)	-		
8,315	Council Tax Receipts	8,361		
4,389	National Non-Domestic Rates Receipts from National Pool	4,658		
5,359	Non-Domestic Rates Receipts	5,190		
85,587	Revenue Support Grant	94,134		
3,708	DWP Grants	3,592		
10,520	Other Government Grants (Note 14)	13,118		
8,792	Cash Received for Goods and Services	9,277		
3,899	Other Operating Cash Receipts	507		
130,569			138,837	
<b>25,728</b>	<b>Net Cash Inflow from Revenue Activities (Note 13)</b>			<b>22,119</b>
	<b>Returns on Investments &amp; Servicing of Finance</b>			
	<b>Cash Outflows</b>			
(10,331)	Interest Paid	(10,348)		
-	Premia	(770)		
(10,331)			(11,118)	
	<b>Cash Inflows</b>			
160	Interest Received	344		
			344	
<b>(10,171)</b>	<b>Net Cash Outflow from Investments and Servicing of Finance</b>			<b>(10,774)</b>
	<b>Capital Activities</b>			
	<b>Cash Outflows</b>			
(19,917)	Purchase of Fixed Assets	(14,260)		
(2,145)	Expenditure on Deferred Charges	(364)		
(229)	Other Capital Cash Payments	-		
(22,291)			(14,624)	
	<b>Cash Inflows</b>			
396	Sales of Fixed Assets	51		
11,086	Capital Grants Received	2,442		
465	Other Capital Cash Receipts	2,805		
11,947			5,298	
<b>(10,344)</b>	<b>Net Cash Outflow from Capital Activities</b>			<b>(9,326)</b>
<b>5,213</b>	<b>Net Cash Inflow before Financing</b>			<b>2,019</b>
	<b>Management of Liquid Resources</b>			
(2,269)	Net Decrease/(Increase) in Short Term Deposits	(2,362)		
<b>(2,269)</b>	<b>Net Cash Inflow/(Outflow) from the Management of Liquid Resources</b>		(2,362)	<b>(2,362)</b>
	<b>Financing</b>			
	<b>Cash Outflows</b>			
(35,580)	Repayments of Amounts Borrowed	(9,657)		
(35,580)			(9,657)	
	<b>Cash Inflows</b>			
32,500	New Loans Raised	9,332		
32,500			9,332	
<b>(3,080)</b>	<b>Net Cash Inflow/(Outflow) from Financing</b>			<b>(325)</b>
<b>(136)</b>	<b>Net Increase/(Decrease) in Cash</b>			<b>(668)</b>
<b>2007/08</b>	<b>Movements in Cash per Balance Sheet</b>	<b>Opening</b>	<b>Closing</b>	<b>Movement</b>
<b>(136)</b>		<b>(549)</b>	<b>(1,217)</b>	<b>(668)</b>

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

2007/08 £'000	STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE	2008/09 £'000
	<b>Amounts included in I &amp; E but required by Statute to be excluded when determining movement on GF Balance for year</b>	
(12,363)	Depreciation and Impairment of Fixed Assets	(10,923)
2,061	Government Grants Deferred Amortisation	2,751
(362)	Net Loss on Sale of Fixed Assets	(22)
154	Charges/(Credits) for Financial Instruments as per Government Regulations	(609)
464	FRS17 Pensions	12
	<b>Amounts not included in I &amp; E but required by Statute to be included when determining movement on GF Balance for year</b>	
10,695	Repayment of Debt	11,533
45	Capital Expenditure Charged to General Fund	-
	<b>Transfers to or from GF Balance that are required to be taken into account when determining movement on GF Balance for the year</b>	
-	Transfer from Capital Fund	(990)
<b>694</b>		<b>1,752</b>

## NOTE 2 MOVEMENT ON FIXED ASSETS

Operational Assets	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure £'000	Leasehold Improve - ments £'000	Community Assets £'000	Total £'000
<b>Gross Book Value</b>						
Balance at 01/04/08	131,991	12,760	130,820	1,277	699	277,547
Additions	4,399	1,660	7,260		6	13,325
Reclassification	7,452	7,482			36	14,970
Revaluation	(1,295)					(1,295)
Disposals		(923)				(923)
Balance at 31/03/09	142,547	20,979	138,080	1,277	741	303,624
<b>Depreciation</b>						
Balance at 01/04/08	6,204	4,692	36,436	556	251	48,139
In Year	4,398	1,356	3,527	66	35	9,382
Reclassification	512					512
Revaluation	(2,322)					(2,322)
Disposals		(882)				(882)
Balance at 31/03/09	8,792	5,166	39,963	622	286	54,829
<b>Impairment</b>						
Balance at 01/04/08	440					440
In Year						-
Balance at 31/03/09	440	-	-	-	-	440
<b>Net Book Value at 31 March 2009</b>	<b>133,315</b>	<b>15,813</b>	<b>98,117</b>	<b>655</b>	<b>455</b>	<b>248,355</b>

Non-operational Assets	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets <sup>1</sup> £'000	Total £'000	Intangible Assets £'000 (Note 3)
<b>Gross Book Value</b>					
Balance at 01/04/08	4,909	11,539	289	16,737	700
Additions		1,684	6	1,690	136
Reclassification	(4,877)	(10,626)	533	(14,970)	
Revaluation			78	78	(156)
Disposals	(32)		(4)	(36)	
Balance at 31/03/09	-	2,597	902	3,499	680
<b>Depreciation</b>					
Balance at 01/04/08	359		5	364	35
In Year	226		4	230	29
Reclassification	(584)		72	(512)	
Revaluation			-4	(4)	(156)
Disposals	(1)			(1)	
Balance at 31/03/09	-	-	77	77	(92)
<b>Impairment</b>					
Balance at 01/04/08					122
In Year					(29)
Balance at 31/03/09	-	-	-	-	93
<b>Net Book Value at 31 March 2009</b>	<b>-</b>	<b>2,597</b>	<b>825</b>	<b>3,422</b>	<b>679</b>

<sup>1</sup> The surplus assets consist of £565k buildings for disposal and £260k of land awaiting development.

## NOTE 3 INTANGIBLE ASSETS

The intangible assets included on the Balance Sheet are in respect of Fishing Quota and a Software Licence. A quota is the right to fish species over a defined period, usually one year. Quotas are held by government and distributed to fishermen through Producer Organisations. Quotas for fish species most relevant to the Western Isles have, over a period of time, been purchased by external interests with the resulting loss of control of fishing opportunities to local fishing communities. The purchase of quota by the Comhairle enables long term access to a strategically important resource i.e. nephrops. The open market value of the Quota held at 31 March 2009 was £543k. Quota is depreciated over a 20 year period on a straight line basis.

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

## NOTE 4 CAPITAL EXPENDITURE AND FINANCING

CAPITAL EXPENDITURE AND FINANCING	2007/08 £'000	2008/09 £'000
Capital Expenditure		
Operational Assets	17,551	13,229
Non-operational Assets	1,943	1,689
Revenue funded from Capital under Statute	2,145	364
Intangible Fixed Assets	-	136
Car Loans	127	14
	<b>21,766</b>	<b>15,432</b>
<b>Source of Finance</b>		
Borrowing	14,173	7,735
Useable Receipts:		
Revenue	45	-
Loan Repayments	188	131
Capital Grants	4,157	5,942
Private/Public Sector Contributions	1,706	981
European Grants	1,497	643
	<b>21,766</b>	<b>15,432</b>

At 31 March 2009 the Comhairle had commitments of £5m on capital contracts. This expenditure will be funded from a combination of government capital consent (borrowing), income from sale of assets, grants from other funding organisations and contributions from Revenue Accounts.

## NOTE 5 VALUATION OF FIXED ASSETS

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

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

	Other Land & Buildings £'000	Vehicles & Plant £'000	Surplus Assets £'000	Community Assets £'000	Total £'000
Valued at Historical Cost		20,505		741	21,246
Valued at Current Value in:					
2008/09	14,883		100		14,983
2007/08	25,480				25,480
2006/07	46,561	474			47,035
2004/05	55,623		802		56,425
	<b>142,547</b>	<b>20,979</b>	<b>902</b>	<b>741</b>	<b>165,169</b>

## NOTE 6 INFORMATION ON ASSETS HELD

	Number of Properties	
	2007/08	2008/09
<b>Operational Buildings</b>		
Schools	40	40
Other Housing Properties	2	14
Residential Homes/Care Units	15	15
Day Centres/Taighean Ceilidh	17	15
Leisure Centres, Pools and Other Recreation Centres	11	11
Libraries	6	6
Museums	2	2
Community Workshops	7	7
Landfill Sites	3	3
Depots	3	3
Public Conveniences	16	15
Administration Buildings/Offices	6	6
Properties for the Homeless	7	7
Workshops/Industrial Units	0	48
Miscellaneous	11	21
<b>Vehicles, Plant &amp; Equipment</b>		
Mobile Library Vans	3	3
Other Vehicles	119	109
Plant & Equipment	47	58
<b>Community Assets</b>		
Burial Grounds	8	8
Memorials	2	2
<b>Investment Properties</b>		
School Houses etc	20	0
Workshops/Industrial Units	48	0
Miscellaneous	12	0
<b>Surplus Assets</b>		
School Houses etc.	1	9
Serviced Plots	11	11
Day Centres		2
<b>Infrastructure</b>		
Single Track Roads (Mileage)	548	548
Double Track Roads (Mileage)	192	192

## NOTE 7 DEPRECIATION OF ASSETS

- A) Council Dwellings, Land & Buildings are depreciated over the estimated useful life (30 to 40 years) of the assets on a straight line basis.
- B) Infrastructure Assets are depreciated over the estimated useful life (20 to 60 years) of the assets on a straight line basis.
- C) Vehicles, Plant & Equipment are depreciated over the useful economic life (5 to 7 years) of the assets on a straight line basis.
- D) Leased Assets are depreciated over the period of the lease on a straight line basis.
- E) Community Assets are depreciated on a straight line basis over a 20 year life.



## NOTE 8 DEBTORS

	31/03/08 £'000	31/03/09 £'000
Government Grants	3,818	300
Council Tax	3,011	2,937
Non Domestic Rates	372	415
VAT	474	401
Other	6,360	7,350
	<b>14,035</b>	<b>11,403</b>

## NOTE 9 MOVEMENT IN BAD DEBT AND OTHER PROVISIONS

BAD DEBTS PROVISIONS	Balance at 01/04/08 £'000	Movement In Year £'000	Balance at 31/03/09 £'000
<b>Long Term</b>			
Revolving Loans Pool	445	(74)	371
<b>Sub-total Long Term</b>	<b>445</b>	<b>(74)</b>	<b>371</b>
<b>Short Term</b>			
Community Charge	116	8	124
Council Tax	1,292	-	1,292
Non-Domestic Rates	187	9	196
Rents	98	(1)	97
Sundry Debtors	568	(5)	563
Fuel at Fishery Piers	11	-	11
Charges on Properties	85	40	125
<b>Sub-total Short Term</b>	<b>2,357</b>	<b>51</b>	<b>2,408</b>
<b>TOTAL</b>	<b>2,802</b>	<b>(23)</b>	<b>2,779</b>

OTHER PROVISIONS	Balance at 01/04/08 £'000	Movement In Year £'000	Balance at 31/03/09 £'000
<b>Long Term</b>			
European Audits	88	(88)	-
Business Loans	335	-	335
Legal Settlement	200	-	200
Loan Guarantees	26	1	27
<b>TOTAL</b>	<b>649</b>	<b>(87)</b>	<b>562</b>

**European Audits** - This provision was in respect of Coastal Access and Business Development Grants paid by HISTP, in respect of expenditure that European Auditors have identified as being potentially ineligible. The Scottish Government has agreed to meet the repayment to the European Commission in full and will not seek reimbursement from individual authorities.

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

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

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

## NOTE 10 CREDITORS

	31/03/08 £'000	31/03/09 £'000
Payroll - PAYE, NI, Superannuation	2,157	2,264
Loan Interest etc (included in carrying value of loan in 2007/08)	-	1,759
Creditors System Payments	5,832	3,018
Other	5,353	6,711
	<b>13,342</b>	<b>13,752</b>

**NOTE 11 LONG TERM DEBTORS**

<b>LONG TERM DEBTORS</b>	<b>Balance at 01/04/08 £'000</b>	<b>Advanced In Year £'000</b>	<b>Repaid In Year £'000</b>	<b>Balance at 31/03/09 £'000</b>
Car Loans	203	14	(104)	113
House Loans	104	-	(28)	76
Business Loans	237	-	(30)	207
Harris Tweed Investment Fund	-	180	-	180
Community Buy Outs	75	-	-	75
Revolving Loans Pool	445	70	(144)	371
<b>Sub-total</b>	<b>1,064</b>	<b>264</b>	<b>(306)</b>	<b>1,022</b>
Capital Advance to Lews Castle College	58	-	(12)	46
<b>TOTAL</b>	<b>1,122</b>	<b>264</b>	<b>(318)</b>	<b>1,068</b>

**NOTE 12 ANALYSIS OF LONG TERM BORROWING**

	<b>31/03/08 £'000</b>	<b>31/03/09 £'000</b>
<b>Analysis of Loans By Type</b>		
Public Works Loans Board	142,892	143,224
Market	2,014	2,014
<b>Total outstanding</b>	<b>144,906</b>	<b>145,238</b>
<b>Analysis of Loans By Maturity</b>		
Between 1 and 2 years	105	2,105
Between 2 and 5 years	315	3,315
Between 5 and 10 years	3,651	2,546
More than 10 Years	140,835	137,272
<b>TOTAL</b>	<b>144,906</b>	<b>145,238</b>

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

<b>2007/08 £'000</b>		<b>2008/09 £'000</b>
	<b>Operating Surpluses/(Deficits)</b>	
(325)	Income and Expenditure Account - Surplus/(Deficit) for the Year (Page 7)	1,982
<b>(325)</b>		<b>1,982</b>
	<b>Non Cash Transactions</b>	
22,889	Non Cash Movements Relating to Loans Fund	19,542
(694)	Net Additional Amount Required to be Credited (Debited) to GF for Year	(1,752)
<b>22,195</b>		<b>17,790</b>
	<b>Items on an Accruals Basis</b>	
333	Increase/(Decrease) in Provisions	(110)
1,973	Increase in Creditors	(480)
1,645	Decrease in Debtors	3,016
(93)	Increase in Stocks and Work in Progress	(78)
<b>3,858</b>		<b>2,348</b>
<b>25,728</b>	<b>Net Cash Flow from Revenue Activities</b>	<b>22,120</b>

**NOTE 14 OTHER GOVERNMENT GRANTS**

2007/08 £'000		2008/09 £'000
2,083	National Priorities Action Fund	-
871	Specific Grant for Gaelic Education	956
2,055	DWP Grants (excl. Rent Allowance Subsidy)	2,044
244	Community Service Order Grant	259
5,267	Other Specific Revenue Grants	9,859
<b>10,520</b>		<b>13,118</b>

**NOTE 15 RECONCILIATION OF MOVEMENT IN CASH AND NET DEBT**

1 April 2008 £'000	Analysis of Movement in Net Debt	Cash Flows £'000	Non Cash £'000	31 March 2009 £'000
	<b>Cash</b>			
(561)	Bank Overdraft	(668)	-	(1,229)
12	Cash in Hand	-	-	12
6,743	Liquid Resources	2,362	-	9,105
	<b>Borrowing</b>			
(1,928)	Long-Term Borrowing Maturing Within 1 Year	1,928	(105)	(105)
(144,906)	Long-Term Borrowing	(437)	105	(145,238)
<b>(140,640)</b>	<b>Total Net Debt</b>	<b>3,185</b>	<b>0</b>	<b>(137,455)</b>

2007/08 £'000	Reconciliation of Net Cash Flow to Movement on Net Debt	2008/09	
		£'000	£'000
(136)	Increase/(Decrease) in cash in the period		(668)
-	Cash in Hand	-	
2,269	Short Term Deposits	2,362	
2,269	<b>Movement in Liquid Resources</b>		2,362
3,079	Cash Flows from Borrowing		1,491
(1,823)	Non Cash Transactions		-
<b>3,389</b>	<b>Change in Net Debt</b>		<b>3,185</b>
(144,029)	Net Debt at 31 March 2008	(140,640)	
(140,640)	Net Debt at 31 March 2009	(137,455)	
<b>3,389</b>	<b>Change in Net Debt</b>		<b>3,185</b>

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

## NOTE 16 FINANCIAL INSTRUMENTS

### 16a TYPES OF FINANCIAL INSTRUMENT

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

FINANCIAL INSTRUMENTS	Long-term		Current	
	31/03/2009 £'000	31/03/2008 £'000	31/03/2009 £'000	31/03/2008 £'000
<b>Investments &amp; Lending</b>				
Loans and receivables	-	-	9,105	6,743
Available-for-sale financial assets	-	-	-	-
	-	-	9,105	6,743
<b>Borrowing</b>				
Financial liabilities at amortised cost	145,238	144,906	105	1,928
Financial liabilities at fair value through profit and loss	-	-	-	-
	145,238	144,906	105	1,928

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

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

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

The fair values are calculated as follows:	31/03/2009		31/03/2008	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
<b>Lending</b>				
Loans and receivables	9,105	9,105	6,743	6,743
<b>Borrowing</b>				
Financial liabilities (PWLB Loans only)	143,329	200,664	142,997	201,413

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 2009 fair value of borrowing was calculated by reference to the premature repayment set of rates in force on that day, the 2008 figure by reference to the set of interest rates in force on 31 March 2008, as calculated by the PWLB. The fair value is greater than the carrying amount because the Comhairle's borrowing figure includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the Comhairle would have to pay if the lender requested or agreed to early repayment of the loans.

## 16c GAINS & LOSSES ON FINANCIAL INSTRUMENTS

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

## 16d NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

### Credit Risk

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

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

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

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

	Amount at 31/03/2009	Estimated maximum exposure to default and uncollectibility
	£'000	£'000
Deposits with banks, building societies and local authorities	9,105	-
Customers (council tax, non-domestic rates and other income)	5,469	2,051

The Comhairle does not generally allow credit for customers, such that £5.1m of the £5.5m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31.03.09	31.03.08
	£'000	£'000
Less than three months	752	363
Three to six months	398	345
Six months to one year	629	681
More than one year	3,370	3,224
<b>TOTAL</b>	<b>5,149</b>	<b>4,613</b>

### 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	105
Between one and two years	2,105
Between two and five years	3,315
More than five years	139,818
	<b>145,343</b>

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 2008, with all other variables held constant.

	£'000
<b>Impact on tax-payer &amp; rent-payers</b>	
Increase on interest payable on variable rate borrowings	17
Increase in interest receivable on variable rate lending	89
Increase in government grant receivable for "loan charges"	206
<b>Net effect on Income &amp; Expenditure Account</b>	<b>312</b>
<b>Other accounting presentational changes</b>	
A decrease in the "fair value" of fixed rate lending (disclosed in the STRGL)	-
A decrease in the "fair value" of fixed rate borrowing (disclosure confined to notes to the core financial statements)	2,006

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

## NOTE 17 SIGNIFICANT TRADING OPERATIONS ACCOUNTS

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

	2006/07	2007/08	2008/09	2008/09 3 year Cumulative
	Actual £'000	Actual £'000	Actual £'000	£'000
<b>BUILDING MAINTENANCE</b>				
Expenditure	4,821	4,334	4,059	13,214
Income	(4,771)	(4,233)	(3,970)	(12,974)
<b>Net Deficit/(Surplus) to be met from Grant &amp; Local Taxes</b>	<b>50</b>	<b>101</b>	<b>89</b>	<b>240</b>

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

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

## NOTE 18 PUBLICITY

Section 5 of the Local Government Act 1986 requires local authorities to keep a separate account of expenditure on publicity.

<b>PUBLICITY</b>	2007/08 Actual £'000	2008/09 Actual £'000
Appointments Advertising	53	83
Other Advertising	57	54
Publicity & Promotion	31	29
	<b>141</b>	<b>166</b>

These amounts are included in the appropriate revenue accounts.

## NOTE 19 AGENCY SERVICES

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

	2007/08 £'000	2008/09 £'000
Lews Castle College	3,978	4,185
Islenet	50	75
Island Forum	-	2
Domestic Abuse Training Strategy	20	8
Hebridean Housing Partnership	1,220	1,213
<b>TOTAL</b>	<b>5,268</b>	<b>5,483</b>

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

	2007/08 £'000	2008/09 £'000
Northern Constabulary Fixed Penalty Charges	1	-
Scottish Water Water Charges	68	89
<b>TOTAL</b>	<b>69</b>	<b>89</b>

## NOTE 20 LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Comhairle is empowered by this act to provide goods and services to other public bodies. Detailed below is work that is considered as having been carried out under the Local Authority (Goods and Services) Act 1970. Income from these services amounted to £265,820 (2007/08, £138,545).

Name of Body	Purpose of Work	Income/Expend. for each purpose	£	Extent of Activity
Northern Constabulary	Provision by the Authority of maintenance works on properties for which the body is responsible.	Income Expenditure	68,888 68,888	Represents less than 4% of total activity.
Northern Constabulary	Provision by the Authority for the body of any administrative, professional or technical services.	Income Expenditure	10,821 10,821	Not considered significant as represents less than 1% of total activity.
Hebridean Housing Partnership	Provision by the Authority for the body of any administrative, professional or technical services.	Income Expenditure	93,280 93,280	Represents approx 8% of total activity.
Cothrom	Provision by the Authority for the body of any administrative, professional or technical services.	Income Expenditure	62,940 62,940	Represents less than 5% of total activity.
Highlands & Islands Fire Brigade	Provision by the Authority for the body of any administrative, professional or technical services.	Income Expenditure	15,504 15,504	Not considered significant as represents less than 1% of total activity.
Mossend Residents Association	Provision by the Authority for the body of any administrative, professional or technical services.	Income Expenditure	3,044 3,044	Not considered significant as represents less than 1% of total activity.
Western Isles Health Board	Provision by the Authority for the body of any administrative, professional or technical services.	Income Expenditure	5,000 5,000	Not considered significant as represents less than 1% of total activity.
Bernera Community Association	Provision by the Authority for the body of any administrative, professional or technical services.	Income Expenditure	3,843 3,843	Not considered significant as represents less than 1% of total activity.
Barra & Watersay Residents Association	Provision by the Authority for the body of any administrative, professional or technical services.	Income Expenditure	2,500 2,500	Not considered significant as represents less than 1% of total activity.



## NOTE 21 MEMBERS' SALARIES, ALLOWANCES AND EXPENSES

Name	Salary <sup>1</sup> £	Travel Expenses £	Subsistence Expenses £	Other Expenses £	2008/09 Total £	2007/08 Total <sup>2</sup> £
Mr Donald Manford	17,819	11,740	5,301	3,039	37,899	34,009
Mr Peter Carlin	15,838	5,180	2,444	624	24,086	23,801
Mr David Blaney	15,838	2,574	758	22	19,192	17,882
Mr Gerard Macleod	15,838	3,728	2,417	52	22,035	20,594
Mr Archibald K Campbell	17,819	7,264	3,098	1,411	29,592	24,903
Mr Martin C Taylor	15,838	3,778	1,962	458	22,036	21,030
Mr Uisdean Robertson	15,838	5,122	2,653	822	24,435	20,733
Mrs Morag Munro	17,819	5,061	692	815	24,387	21,273
Mr Philip Mclean	15,838	2,615	-	249	18,702	16,206
Miss Catherine Macdonald	15,838	3,415	754	489	20,496	18,258
Mr Alex A Macdonald	23,648	3,838	2,582	1,914	31,982	35,786
Mr Norman A Macdonald	17,819	15,092	2,451	1,666	37,028	24,733
Mrs Annie Macdonald	15,838	4,390	525	1,168	21,921	17,908
Mr Donald I Nicholson	17,819	3,572	566	1,905	23,862	19,679
Mr Norman M Macleod	15,838	-	30	505	16,373	15,089
Mr Donald J Macsween	15,838	4,341	1,464	1,001	22,644	19,833
Mr Angus Campbell	22,549	7,395	2,269	1,905	34,118	31,004
Mr Keith Dodson	15,838	128	-	501	16,467	15,134
Mr Angus McCormack	15,838	399	325	1,876	18,438	15,786
Mr Charles Nicolson	15,838	1,094	49	835	17,816	15,327
Mr Neil Campbell	15,838	595	67	373	16,873	15,580
Mr Murdo Macleod	15,838	1,573	360	992	18,763	16,970
Mr Roddie Mackay	15,838	-	-	47	15,885	14,256
Mr Iain Mackenzie	15,838	713	30	330	16,911	14,726
Mr John A Maciver	15,838	2,298	66	203	18,405	16,930
Mr Kenneth Maciver	15,838	3,383	733	1,085	21,039	15,671
Mrs Catriona Stewart	15,838	2,232	388	500	18,958	15,855
Mr John Mackay	15,838	3,337	103	458	19,736	18,557
Mr Iain Morrison	15,838	248	67	-	16,153	15,274
Mr Kenneth Murray	15,838	4,766	870	366	21,840	17,962
Ms Agnes Rennie	15,838	3,917	659	425	20,839	15,995
<b>Total</b>	<b>515,404</b>	<b>113,788</b>	<b>33,683</b>	<b>26,036</b>	<b>688,911</b>	<b>606,744</b>

<sup>1</sup> The salary figures exclude employer's National Insurance and Superannuation contributions.

<sup>2</sup> The reporting arrangements for members' expenses changed in 2008/09 e.g. ICT costs were not included in the notes to the 2007/08 accounts.

<sup>3</sup> The 2007/08 figure excludes payments of £152,810 made to the 13 Members who retired at the May 2007 elections.

## NOTE 22 FINANCE AND OPERATING LEASES

The committed operating lease expenditure in financial year 2008/09 analysed by the year that the lease expires is as follows:

	Actual Expenditure 2008/09 £'000	Committed Expenditure 2009/10 £'000	Expiring 2009/10 £'000	Expiring 2010/11 to 2013/14 £'000	Expiring 2014/15 and after £'000
Library Building	161	171	-	-	171
Other Buildings	20	20	-	-	20
Vehicles and Equipment	128	111	17	94	-
<b>TOTAL</b>	<b>309</b>	<b>302</b>	<b>17</b>	<b>94</b>	<b>191</b>

There were no finance lease payments in 2008/09 and there are no commitments in 2009/10.

## NOTE 23 OFFICERS' REMUNERATION

Range £	2007/08 Number of Officers	2008/09 Number of Officers
50 - 60k	9	27
60 - 70k	5	6
70 - 80k	-	5
80 - 90k	1	-
90 - 100k	-	1
110 - 120k	-	1
<b>TOTAL</b>	<b>15</b>	<b>40</b>

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

## NOTE 24 RELATED PARTY TRANSACTIONS

During the year material transactions with related parties, not disclosed elsewhere, were as shown below. Payments made to Highland Council in respect of Joint Boards are shown in Note 36 on Page 32. The Comhairle is also an admitted member of the Local Government Pension Scheme administered by Highland Council and has made payments as shown in Note 28.

<b>CENTRAL GOVERNMENT REVENUE GRANTS</b>	<b>Income £'000</b>	<b>Expenditure £'000</b>
Education & Childrens Services	1,679	
Social & Community Services	678	
Development	32	
COU	76	
Technical Services	373	
Other	105,467	
Housing Support Grant	2,642	
	<b>110,947</b>	
European Development Fund Revenue Grants	201	
European Development Fund Capital Grants	372	
Acair Ltd - Nature of Business - Publishing	6	26
	<b>111,526</b>	<b>26</b>

During 2008/09, works and services to the value of £2,429,186 were commissioned from companies in which nine members had an interest. Contracts were entered into in full compliance with the Comhairle's standing orders. Details can be found in the Register of Member Interests. There were no material transactions declared by officers in the Register of Employees Interests.

## NOTE 25 AUDITOR'S REMUNERATION

In 2008/09 Comhairle nan Eilean Siar incurred the following fees relating to external audit and inspection:

	<b>2007/08 £'000</b>	<b>2008/09 £'000</b>
Fees payable to the Accounts Commission with regard to external audit services carried out by the appointed auditor	223	228
Rebate	-	(12)
	<b>223</b>	<b>216</b>

## NOTE 26 TRUST FUNDS

The Comhairle acts as sole trustee for twelve educational, social welfare and miscellaneous trusts. They relate principally to legacies left by individuals with Western Isles connections over a period of years. The balance held at 31 March 2009 was £120,853 (2007/08, £118,620). The income from the trusts is used to provide educational grants and prizes, comforts for the elderly, handicapped and various community facilities. The funds do not represent assets of the Comhairle and are not included in the Balance Sheet. Only the undernoted trusts have closing values in excess of £10,000.

	<b>Value at 31 March 2008 £'000</b>	<b>Value at 31 March 2009 £'000</b>
Donald Alexander Ferguson Bequest (Social Work - Ardseileach residents)	57	59
W C Mackenzie Trust (for non-council projects in Stornoway)	24	25
Dr J L Robertson Bequest (hardship fund for residents of Stornoway)	21	22
	<b>102</b>	<b>106</b>

## NOTE 27 PARTICIPATION IN PENSIONS SCHEMES

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

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

## NOTE 28 TRANSACTIONS RELATING TO RETIREMENT BENEFITS

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

	2007/08 £'000	2008/09 £'000
<b>Income and Expenditure Account</b>		
<b>Net Cost of Services:</b>		
Current Service Cost	5,207	4,599
Past Service Costs	31	99
Curtailments and Settlements	327	101
<b>Net Operating Expenditure:</b>		
Interest Cost	7,131	8,643
Expected return on assets in the scheme	(8,276)	(7,925)
<b>Net Charge to the Income and Expenditure Account</b>	<b>4,420</b>	<b>5,517</b>
<b>Statement of Movement in the General Fund Balance</b>		
Reversal of net charges made for retirement benefits in accordance with FRS17	464	12
<b>Amount Charged to General Fund: Employers' Contributions</b>	<b>4,884</b>	<b>5,529</b>

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £13,662k (2007/08, £1,179k) were included in the Statement of Total Recognised Gains and Losses (STRGL). The cumulative amount of actuarial gains and losses recognised in the STRGL is £8,893k.

## NOTE 29 ASSETS AND LIABILITIES IN RELATION TO RETIREMENT BENEFITS

Reconciliation of present value of scheme liabilities:	Funded liabilities: Local Government Pension Scheme £000s	
	2007/08	2008/09
1 April	130,046	128,161
Current Service Cost	5,207	4,599
Interest Cost	7,131	8,643
Contributions by scheme participants	1,636	1,728
Actuarial gains and losses	(13,428)	(18,087)
Benefits paid	(2,789)	(4,465)
Past Service Costs	31	99
Curtailments	327	101
<b>31 March</b>	<b>128,161</b>	<b>120,779</b>

Reconciliation of fair value of the scheme assets:	Local Government Pension Scheme £000s	
	2007/08	2008/09
1 April	114,170	111,538
Expected rate of return	8,303	7,925
Actuarial gains and losses	(14,606)	(30,038)
Employer contributions	4,825	5,280
Contributions by scheme participants	1,636	1,728
Benefits paid	(2,789)	(4,465)
<b>31 March</b>	<b>111,539</b>	<b>91,968</b>

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 £26,805k (2007/08 £6,303k).

## SCHEME HISTORY

	2006/07	2007/08	2008/09
Present Value of Funded Obligation	126,054	124,408	116,981
Fair Value of Scheme Assets (bid value)	114,170	111,538	91,968
<b>Net Liability</b>	<b>11,884</b>	<b>12,870</b>	<b>25,013</b>
Present Value of Unfunded Obligation	3,992	3,753	3,798
Unrecognised Past Service Cost			
<b>Net Liability in Balance Sheet</b>	<b>15,876</b>	<b>16,623</b>	<b>28,811</b>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £28.8m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, reducing it by approximately

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 2010 is £5m.

## NOTE 30 BASIS FOR ESTIMATING PENSION FUND ASSETS AND LIABILITIES

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

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme £000s	
	2007/08	2008/09
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.7%	7.4%
Bonds	6.6%	6.5%
Other	5.0%	4.6%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	n/a	19.32
Women	n/a	22.99
Longevity at 65 for future pensioners:		
Men	n/a	19.32
Women	n/a	22.99
Rate of inflations		
Rate of increase in salaries	5.2%	4.5%
Rate of increase in pensions	3.7%	3.0%
Rate for discounting scheme liabilities	6.6%	6.7%
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	69.5%	73.8%
Gilts and Bonds	17.2%	12.8%
Other Assets	13.3%	13.5%
	<b>100%</b>	<b>100%</b>

## HISTORY OF EXPERIENCE GAINS AND LOSSES

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

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

Note: Figures not available for other years

## NOTE 31 TEACHERS PENSION SCHEME

Teachers employed by the authority are members of the Teachers' Pension Scheme, administered by The Scottish Executive. 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 2008/09, the Comhairle paid £2.173m (£2.149m in 2007/08) to the Scottish Executive in respect of teachers' retirement benefits, representing 12.5% of pensionable pay. There were no contributions remaining payable at the year-end. In addition, the Comhairle is responsible for all pension payments arising from added years awards to staff taking early retirement. In 2008/09 these amounted to £219,725 (£208,693 in 2007/08).

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 32 ASSOCIATED COMPANIES

The Comhairle does not have any significant shareholding in other companies in terms of financial value. However, it is 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 has a 16.67% membership on the following:

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

The results of the Valuation Board are not included in the accounts on materiality grounds.

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

## NOTE 33 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 24 September 2009. Events after the date of the Balance Sheet (31 March 2009), up to the date of signing, have been considered in the preparation of the 2008/09 Statement of Accounts.

## NOTE 34 CONTINGENT LIABILITIES

The Comhairle acts as guarantor for up to £406k 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 35 STATEMENT OF MOVEMENT ON RESERVES

RESERVES	REVENUE		CAPITAL					TOTAL
	General Fund	Pension Reserve	Fixed Asset Revaluation Reserve	Financial Instruments Adjustment Account	Capital Adjustment Account	Capital Fund	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balances at 1 April 2008	9,236	(15,161)	2,237	(2,872)	40,564	2,296	466	36,766
Surplus / (Deficit) for Year	230							230
Appropriations To/From Revenue		12						12
Actuarial Gains/Losses relating to pensions		(13,662)						(13,662)
Revaluation of Fixed assets			2,026		(888)			1,138
Disposal of Fixed Assets					(76)			(76)
Deferred Grants (Taken to Revenue)					2,750			2,750
Other Capital Receipts							51	51
Capital Receipts Applied						(990)		(990)
Repayment of Principal					11,533			11,533
Depreciation			35		(9,688)			(9,653)
Deferred Charges					(364)			(364)
Charge for Financial Instruments				(611)				(611)
<b>Balance at 31 March 2009</b>	<b>9,466</b>	<b>(28,811)</b>	<b>4,298</b>	<b>(3,483)</b>	<b>43,831</b>	<b>1,306</b>	<b>517</b>	<b>27,124</b>

### FIXED ASSET REVALUATION RESERVE

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

### FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

### CAPITAL ADJUSTMENT ACCOUNT

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

### CAPITAL RECEIPTS RESERVE

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

### CAPITAL FUND

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

## INDIVIDUAL SCHOOL BUDGETS

2007/08 Actual £'000	INDIVIDUAL SCHOOL BUDGETS	2008/09	
		Actual £'000	Budget £'000
10,357	Devolved Budgets - Primary	10,229	10,136
13,074	Devolved Budgets - Secondary	12,742	12,646
<b>23,431</b>	<b>TOTAL NET EXPENDITURE</b>	<b>22,971</b>	<b>22,782</b>

## CENTRALLY HELD SCHOOL BUDGETS

2007/08 Actual £'000	CENTRALLY HELD SCHOOL BUDGETS	2008/09	
		Actual £'000	Budget £'000
8,365	Schools Strategic Management	9,866	9,669
263	Non-Devolved School Grants	899	971
1,602	Pre-Primary Education	1,879	1,940
3,162	Special Education	3,851	3,715
3,200	School & Pupil Support	3,586	3,325
	Learning Communities	155	166
-	School Catering	(2)	(1)
<b>16,592</b>	<b>TOTAL NET EXPENDITURE</b>	<b>20,234</b>	<b>19,785</b>

## NON-SCHOOL FUNDING

2007/08 Actual £'000	NON-SCHOOL FUNDING	2008/09	
		Actual £'000	Budget £'000
1	Support For Students	1	1
682	Community Learning	712	719
<b>683</b>	<b>TOTAL NET EXPENDITURE</b>	<b>713</b>	<b>720</b>

## EDUCATION HOLDING ACCOUNTS

2007/08 Actual £'000	EDUCATION HOLDING ACCOUNTS	2008/09	
		Actual £'000	Budget £'000
11	Education Management and Support	33	26
<b>11</b>	<b>TOTAL NET EXPENDITURE</b>	<b>33</b>	<b>26</b>

**GENERAL FUND HOUSING**

2007/08 Actual £'000	GENERAL FUND HOUSING	2008/09	
		Actual £'000	Budget £'000
307	Housing Strategy	344	375
383	Private Sector Housing Renewal	336	(1)
162	Homelessness	574	564
(4)	Housing Benefit Payments	(82)	38
89	Housing Benefits Administration	276	363
-	Housing Management & Support Services	1	-
27	Supporting People	556	604
<b>964</b>	<b>TOTAL NET EXPENDITURE</b>	<b>2,005</b>	<b>1,943</b>

**CULTURAL & RELATED SERVICES**

2007/08 Actual £'000	CULTURAL & RELATED SERVICES	2008/09	
		Actual £'000	Budget £'000
1,242	Culture & Heritage	1,303	1,355
1,021	Library Service	1,062	1,021
2,684	Recreation And Sport	2,015	1,941
164	Tourism	170	175
-	Service Management & Support	6	-
<b>5,111</b>		<b>4,556</b>	<b>4,492</b>

**ENVIRONMENTAL SERVICES**

2007/08 Actual £'000	ENVIRONMENTAL SERVICES	2008/09	
		Actual £'000	Budget £'000
115	Cemetery, Cremation & Mortuary	115	128
37	Coast Protection	32	33
623	Environmental Health	1,044	871
383	Trading Standards	364	376
406	Other Cleaning	402	463
833	Waste Collection	1,272	1,461
2,418	Waste Disposal	3,151	3,036
170	Service Management & Support Services	-	-
<b>4,985</b>	<b>TOTAL NET EXPENDITURE</b>	<b>6,380</b>	<b>6,368</b>



## ROADS & TRANSPORT SERVICES

2007/08 Actual £'000	ROADS & TRANSPORT SERVICES	2008/09	
		Actual £'000	Budget £'000
8,290	Roads	8,508	8,216
9	Network & Traffic Management	10	63
2	Parking Services	(14)	-
2,307	Public Transport	3,074	3,092
-	Management & Support Services	-	23
<b>10,608</b>	<b>TOTAL NET EXPENDITURE</b>	<b>11,578</b>	<b>11,394</b>

## PLANNING & DEVELOPMENT SERVICES

2007/08 Actual £'000	PLANNING & DEVELOPMENT SERVICES	2008/09	
		Actual £'000	Budget £'000
117	Building Control	184	167
123	Development Control	339	363
310	Planning Policy	239	250
45	Environmental Initiatives	59	59
4,196	Economic Development	1,727	1,642
<b>4,791</b>	<b>TOTAL NET EXPENDITURE</b>	<b>2,548</b>	<b>2,481</b>

## SOCIAL WORK

2007/08 Actual £'000	SOCIAL WORK	2008/09	
		Actual £'000	Budget £'000
318	Service Strategy	244	348
46	Reporter to the Children's Panel	28	41
2,722	Children and Families	3,199	2,900
12,220	Older People	13,477	12,959
955	People with Physical or Sensory Disabilities	953	943
2,542	People with Learning Disabilities	2,727	2,679
556	People with Mental Health Needs	584	600
92	People with Addictions/Substance Misuse	66	68
8	Criminal Justice Social Work Services	22	48
<b>19,459</b>	<b>TOTAL NET EXPENDITURE</b>	<b>21,300</b>	<b>20,586</b>

**CORPORATE & DEMOCRATIC CORE**

2007/08 Actual £'000	CORPORATE & DEMOCRATIC CORE	2008/09	
		Actual £'000	Budget £'000
1,647	Democratic Representation and Management	1,468	1,458
1,904	Corporate Management	1,678	1,514
<b>3,551</b>	<b>TOTAL NET EXPENDITURE</b>	<b>3,146</b>	<b>2,972</b>

**NON DISTRIBUTED COSTS**

2007/08 Actual £'000	NON DISTRIBUTED COSTS	2008/09	
		Actual £'000	Budget £'000
560	Pensions	441	522
<b>560</b>	<b>TOTAL NET EXPENDITURE</b>	<b>441</b>	<b>522</b>

**CENTRAL SERVICES TO THE PUBLIC**

2007/08 Actual £'000	CENTRAL SERVICES TO THE PUBLIC	2008/09	
		Actual £'000	Budget £'000
594	Local Tax Collection	439	377
50	Registration Of Births, Deaths and Marriages	38	48
73	Elections	12	17
81	Emergency Planning	73	106
124	General Grants, Bequests And Donations	140	140
9	District Courts	1	5
34	Licensing	12	48
21	Other Services	-	-
<b>986</b>	<b>TOTAL NET EXPENDITURE</b>	<b>715</b>	<b>741</b>

**TRADING SERVICES**

2007/08 Actual £'000	TRADING SERVICES	2008/09	
		Actual £'000	Budget £'000
246	Fishery Harbours And Markets	310	146
68	Other Harbours	141	126
36	Slaughterhouses	40	42
48	Local Authority Transport Undertakings	87	61
<b>398</b>	<b>TOTAL NET EXPENDITURE</b>	<b>578</b>	<b>375</b>

## JOINT BOARD REQUISITIONS

2007/08 Actual £'000	JOINT BOARD REQUISITIONS	2008/09	
		Actual £'000	Budget £'000
	<b>Requisitions</b>		
2,381	Police Joint Board	2,374	2,426
2,272	Fire Joint Board	2,248	2,464
274	Valuation Joint Board	280	286
<b>4,927</b>	<b>TOTAL NET EXPENDITURE</b>	<b>4,902</b>	<b>5,176</b>

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

## TRADING OPERATIONS (SURPLUSES)/DEFICITS

2007/08 Actual £'000	TRADING OPERATIONS (SURPLUSES)/DEFICITS	2008/09	
		Actual £'000	Budget £'000
	<b>TRADING OPERATIONS</b>		
(16)	Grounds Maintenance	(5)	(6)
101	Building Maintenance	89	66
35	Vehicle & Plant Maintenance	52	(47)
(15)	Other Catering	(14)	(4)
(7)	Building Cleaning	(30)	(3)
	<b>CENTRAL SUPPORT SERVICES</b>		
36	Corporate Services	(19)	112
30	Technical Services	134	43
54	Finance	22	282
5	Education	3	(4)
<b>223</b>	<b>TOTAL NET EXPENDITURE</b>	<b>232</b>	<b>439</b>

## INCOME ACCOUNTS

### COUNCIL TAX INCOME ACCOUNT

2007/08 £000	COUNCIL TAX	2008/09 £'000
(11,517)	Council Tax Levy and Contributions in Lieu	(11,914)
	<b>Less:</b>	
(14)	Council Tax Benefit (net of Government Grant)	(14)
1,601	Reliefs and Remissions etc.	1,844
148	Provision for Bad and Doubtful Debts	71
	<b>Add:</b>	
(4)	Community Charge	9
<b>(9,786)</b>	<b>TRANSFERRED TO GENERAL FUND</b>	<b>(10,004)</b>

### NON DOMESTIC RATE INCOME ACCOUNT

2007/08 £000	NON DOMESTIC RATES	2008/09 £'000
(7,222)	Rate Levy and Contributions in Lieu	(7,167)
	<b>Less:</b>	
1,702	Reliefs and Remissions etc.	1,868
59	Provision for Bad and Doubtful Debts	12
-	Payment of Interest	16
<b>(5,461)</b>	<b>Net Non-Domestic Rate Income</b>	<b>(5,271)</b>
	<b>Government Grants</b>	
(4,165)	Contribution from National NDR Pool	(4,802)
<b>(9,626)</b>	<b>NET NDRI TRANSFERRED TO GENERAL FUND</b>	<b>(10,073)</b>

## NATURE OF THE COUNCIL TAX CHARGE

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

## COUNCIL TAX BASE

2007/08	CALCULATION OF THE COUNCIL TAX BASE 2008/09										2008/09
TOTAL	Bands	A	A	B	C	D	E	F	G	H	TOTAL
		DISABLED									
13,959	Properties		4,848	3,775	2,725	1,590	982	144	32	5	14,101
777	Exemptions		425	216	98	30	18	2	1	1	791
94	Disabled relief		14	18	29	16	17				94
94	Effective disabled	14	18	29	16	17					94
4,966	Discounts (25%)	5	2,297	1,425	789	343	176	16	2		5,053
1,164	Discounts (50%)		522	381	182	77	37	3	7	3	1,212
11,362	Total equivalent	13	3,592	3,023	2,326	1,437	885	137	27	3	11,443
	Ratio	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
9,491	Band D equivalents	7	2,395	2,351	2,068	1,437	1,082	198	45	6	9,589
7	Contributions in lieu (MOD)										8
<b>9,498</b>	<b>TOTAL</b>										<b>9,597</b>
(218)	Bad debt provision										(178)
<b>9,280</b>	<b>COUNCIL TAX BASE</b>										<b>9,419</b>
<b>9,142</b>	<b>BUDGETARY TAX BASE</b>										<b>9,142</b>

### Number of Effective Properties Per Band and Council Tax Levels 2008/09

BAND	Properties	£
<b>A (Disabled)</b>	13	568.89
<b>A</b>	3,592	682.67
<b>B</b>	3,023	796.44
<b>C</b>	2,326	910.22
<b>D</b>	1,437	1,024.00
<b>E</b>	885	1,251.66
<b>F</b>	137	1,479.11
<b>G</b>	27	1,706.67
<b>H</b>	3	2,048.00
<b>TOTAL</b>	<b>11,443</b>	

## NATURE AND AMOUNT OF NON DOMESTIC RATES CHARGES

Non-Domestic Rates are a tax levied by local authorities on the occupiers of commercial property. The amount paid is determined by the rateable value placed on the property by the Assessor, multiplied by the Rate Poundage (rate per £ of rateable value) set each year by the Government. The rate for 2008/09 was 45.8p.

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

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

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

## ANALYSIS OF RATEABLE VALUES 01/04/2008

ANALYSIS OF RATEABLE VALUES 01/04/2008	Number of Properties	Rateable Value £'000
Care Facilities	28	540
Communications (Non Formula)	14	290
Cultural	20	158
Education and Training	62	1,830
Garages and petrol stations	98	380
Health Medical	32	1,076
Hotels, Boarding Houses, etc	53	780
Industrial, including Factories and Warehouses	405	2,222
Leisure, Entertainment Caravans and Holiday Sites	332	1,018
Offices (including Banks)	196	1,824
Other	82	647
Petrochemical	5	81
Public Houses	11	176
Public Service Subjects	244	1,931
Quarries, Mines etc	14	99
Religious	188	394
Shops	303	1,925
Sporting Subjects	43	68
Undertaking	11	995
<b>TOTAL</b>	<b>2,141</b>	<b>16,434</b>

## GROUP INCOME AND EXPENDITURE ACCOUNT

2007/08 Restated Actual (Net) £'000	Service	2008/09		
		Actual Expenditure £'000	Actual Income £'000	Actual Net £'000
40,717	Education Services	47,758	(3,807)	43,951
964	General Fund Housing	9,027	(7,022)	2,005
5,111	Cultural & Related Services	6,022	(1,466)	4,556
4,985	Environmental Services	8,501	(2,121)	6,380
10,608	Roads & Transport Services	13,443	(1,865)	11,578
4,791	Planning & Development Services	5,314	(2,766)	2,548
19,459	Social Work	26,110	(4,810)	21,300
3,551	Corporate & Democratic Core	3,380	(234)	3,146
560	Non Distributed Costs	441	-	441
986	Central Services to the Public	1,010	(295)	715
398	Trading Services	2,065	(1,487)	578
<b>92,130</b>	<b>Net Cost of General Fund Services</b>	<b>123,071</b>	<b>(25,873)</b>	<b>97,198</b>
4,889	Share of Operating results of Associates	14,821	(9,914)	4,907
	Housing Revenue Account	-	-	-
<b>97,019</b>	<b>NET COST OF SERVICES</b>	<b>137,892</b>	<b>(35,787)</b>	<b>102,105</b>
362	Loss on Disposal of Fixed Assets			22
274	Precepts and Levies			280
223	Trading Operations Deficits			232
10,313	Interest Payable and Similar Charges			11,452
324	Share of Interest Payable and Similar Charges of Associates			285
(807)	Interest and Investment Income			(1,444)
(135)	Share of Interest and Investment Income of Associates			(79)
(1,145)	Pensions Interest Costs and Expected Return on Assets			718
3,663	Share of Pension Interest Costs and Expected Return on Assets of Associates			3,543
(679)	BCCI Receipt			(851)
<b>109,412</b>	<b>NET OPERATING EXPENDITURE</b>			<b>116,263</b>
(85,587)	General Government Grants			(94,134)
(9,626)	Non-Domestic Rates Redistribution			(10,073)
(9,786)	Income from Council Tax			(10,004)
<b>(104,999)</b>	<b>TOTAL INCOME</b>			<b>(114,211)</b>
<b>4,413</b>	<b>DEFICIT FOR THE YEAR</b>			<b>2,052</b>

## GROUP ACCOUNTS

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

2007/08 £'000		2008/09 £'000
325	(Surplus)/Deficit on Single Entity I & E Account for Year	(1,982)
(4,653)	<b>Less:</b> Adjustment for transactions with other Group entities	(4,622)
<b>(4,328)</b>	<b>(Surplus)/Deficit in Group I &amp; E Account Attributable to Comhairle</b>	<b>(6,604)</b>
8,741	Add: Deficit in Group I & E Account attributable to Associates	8,656
<b>4,413</b>	<b>Deficit for the Year on the Group I &amp; E Account</b>	<b>2,052</b>

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

2007/08 £'000	STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	2008/09 £'000
4,413	Deficit for the Year on the I & E Account	2,052
(2,100)	Surplus on Revaluation of Fixed Assets	(2,055)
(6,549)	Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	5,358
3,026	Adjustment arising from transitional arrangements for Financial Instruments	-
<b>(1,210)</b>	<b>Total Recognised (Gains)/Losses for the Year</b>	<b>5,355</b>



**GROUP BALANCE SHEET**

31 March 2008 £'000		Gross	Depreciation	31 March 2009	
		Book Value		Net Book Value	
		£'000	£'000	£'000	£'000
	<b>Fixed Assets</b>				
543	<i>Intangible Fixed Assets</i>	679	-	679	
	<i>Tangible Fixed Assets</i>				
	<b>Operational Assets:</b>				
125,347	Other Land & Buildings	142,547	(9,232)	133,315	
721	Leasehold Improvements	1,277	(622)	655	
8,068	Vehicles, Plant & Equipment	20,979	(5,166)	15,813	
94,384	Infrastructure Assets	138,080	(39,963)	98,117	
448	Community Assets	741	(286)	455	
	<b>Non-operational Assets:</b>				
4,550	Investment Properties	-	-	-	
284	Surplus Assets	902	(77)	825	
11,539	Assets Under Construction	2,597	-	2,597	
<b>245,884</b>	<b>Total Fixed Assets</b>	<b>307,802</b>	<b>(55,346)</b>		<b>252,456</b>
	<b>Other Long Term Assets</b>				
400	Long-term Investments			386	
(58,709)	Investment in Associates			(54,422)	
1,122	Long-term Debtors			1,068	
(445)	Less Provisions			(371)	(53,339)
<b>188,252</b>	<b>Total Long-term Assets</b>				<b>199,117</b>
	<b>Current Assets</b>				
945	Stocks & Work in Progress			1,023	
14,035	Debtors			11,403	
(2,357)	Less Provisions			(2,408)	
6,743	Investments			9,105	
12	Cash in Hand			12	19,135
<b>207,630</b>	<b>Total Assets</b>				<b>218,252</b>
	<b>Current Liabilities</b>				
(1,928)	Borrowing Repayable Within 1 Year			(105)	
(13,342)	Creditors			(13,752)	
(649)	Provisions			(562)	
(561)	Bank Overdraft			(1,229)	(15,648)
<b>191,150</b>	<b>Total Assets less Current Liabilities</b>				<b>202,604</b>
	<b>Long-term Liabilities</b>				
(144,906)	Long-term Borrowing			(145,238)	
(48,874)	Government Grants Deferred			(53,767)	
(4,152)	Grants Unapplied			(2,086)	
(15,161)	Pension Liability			(28,811)	(229,902)
<b>(21,943)</b>	<b>Net Assets/(Liabilities)</b>				<b>(27,298)</b>
	<b>Financed by:</b>				
2,307	Revaluation Reserve			4,385	
46,499	Capital Adjustment Account			49,440	
2,296	Capital Fund			1,306	
1,197	Capital Receipts Reserve			1,242	
(2,872)	Financial Instruments Adjustment Account			(3,483)	
(81,407)	<b>Pension Reserve</b>			(90,400)	
10,037	<b>Revenue Reserves - General Fund</b>			10,212	
<b>(21,943)</b>	<b>Total Net Worth</b>				<b>(27,298)</b>

The unaudited accounts were issued on 26 June 2009 and the audited accounts were authorised for issue on 24 September 2009.



Robert Emmott BSc CPFA  
 Director of Finance and Corporate Resources  
 24 September 2009

**GROUP CASH FLOW STATEMENT**

2007/08 In/(Out) £'000	CASH FLOW STATEMENT	2008/09 £'000	2008/09 £'000	2008/09 In/(Out) £'000
	<b>Revenue Activities</b>			
	<b>Cash Outflows</b>			
(63,393)	Cash Paid to and on behalf of Employees	(68,389)		
(32,950)	Other Operating Cash Payments	(39,754)		
(5,015)	Other Precepts	(4,886)		
(3,483)	Housing Benefit Paid Out	(3,689)		
(104,841)			<b>(116,718)</b>	
	<b>Cash Inflows</b>			
-	Rents (after Rebates)	-		
8,315	Council Tax Receipts	8,361		
4,389	National Non-Domestic Rates Receipts from National Pool	4,658		
5,359	Non-Domestic Rates Receipts	5,190		
85,587	Revenue Support Grant	94,134		
3,708	DWP Grants	3,592		
10,520	Other Government Grants	13,118		
8,792	Cash Received for Goods and Services	9,277		
3,899	Other Operating Cash Receipts	507		
130,569			<b>138,837</b>	
<b>25,728</b>	<b>Net Cash Inflow from Revenue Activities</b>			<b>22,119</b>
	<b>Returns on Investments &amp; Servicing of Finance</b>			
	<b>Cash Outflows</b>			
(10,331)	Interest Paid	(10,348)		
-	Premia	(770)		
(10,331)			<b>(11,118)</b>	
	<b>Cash Inflows</b>			
160	Interest Received	344		
			<b>344</b>	
<b>(10,171)</b>	<b>Net Cash Outflow from Investments and Servicing of Finance</b>			<b>(10,774)</b>
	<b>Capital Activities</b>			
	<b>Cash Outflows</b>			
(19,917)	Purchase of Fixed Assets	(14,004)		
(2,145)	Expenditure on Deferred Charges	(364)		
(229)	Other Capital Cash Payments	-		
(22,291)			<b>(14,368)</b>	
	<b>Cash Inflows</b>			
396	Sales of Fixed Assets	(205)		
11,086	Capital Grants Received	2,442		
465	Other Capital Cash Receipts	2,805		
11,947			<b>5,042</b>	
<b>(10,344)</b>	<b>Net Cash Outflow from Capital Activities</b>			<b>(9,326)</b>
<b>5,213</b>	<b>Net Cash Inflow before Financing</b>			<b>2,019</b>
	<b>Management of Liquid Resources</b>			
(2,269)	Net Decrease in Short Term Deposits	(2,362)		
			<b>(2,362)</b>	
<b>(2,269)</b>	<b>Net Cash Inflow from the Management of Liquid Resources</b>			<b>(2,362)</b>
	<b>Financing</b>			
	<b>Cash Outflows</b>			
(35,580)	Repayments of Amounts Borrowed	(9,657)		
(35,580)			<b>(9,657)</b>	
	<b>Cash Inflows</b>			
32,500	New Loans Raised	9,332		
32,500			<b>9,332</b>	
<b>(3,080)</b>	<b>Net Cash Inflow from Financing</b>			<b>(325)</b>
<b>(136)</b>	<b>Net Increase/(Decrease) in Cash</b>			<b>(668)</b>
<b>2007/08</b>	<b>Movements in Cash per Balance Sheet</b>	<b>Opening</b>	<b>Closing</b>	<b>Movement</b>
<b>(136)</b>		<b>(549)</b>	<b>(1,217)</b>	<b>(668)</b>

## NOTES TO GROUP ACCOUNTS

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

2007/08 £'000		2008/09 £'000
	<b>Operating Surpluses/(Deficits)</b>	
(4,413)	Income and Expenditure Account - Surplus/(Deficit) for the Year	(2,052)
<b>(4,413)</b>		<b>(2,052)</b>
	<b>Non Cash Transactions</b>	
22,889	Non Cash Movements Relating to Loans Fund	19,542
4,088	Non Cash Movements Relating to Associates	4,034
(694)	Net Additional Amount Required to be Credited (Debited) to General Fund for Year	(1,752)
<b>26,283</b>		<b>21,824</b>
	<b>Items on an Accruals Basis</b>	
333	Increase in Provisions	(110)
1,973	Increase in Creditors	(480)
1,645	Decrease in Debtors	3,016
(93)	Increase in Stocks and Work in Progress	(78)
<b>3,858</b>		<b>2,348</b>
<b>25,728</b>	<b>Net Cash Flow from Revenue Activities</b>	<b>22,120</b>

### NOTE 2 STATEMENT OF TOTAL MOVEMENT IN GROUP RESERVES

RESERVES	REVENUE		CAPITAL				TOTAL £'000	
	General Fund	Pension Reserve	Fixed Asset Revaluation Reserve	Financial Instruments Adjustment Account	Capital Adjustment Account	Capital Fund		Capital Receipts Reserve
	£'000	£'000	£'000	£'000	£'000	£'000		£'000
Balances at 1 April 2008	10,037	(81,407)	2,307	(2,872)	46,499	2,296	1,197	(21,943)
Surplus/(Deficit) for Year	175				52		(23)	204
Appropriations to/from Revenue		(3,635)						(3,635)
Actuarial Gains/Losses relating to Pensions		(5,358)						(5,358)
Revaluation of Fixed Assets			2,043		(888)			1,155
Disposal of Fixed Assets					(425)		302	(123)
Deferred Grants (taken to Revenue)					2,750			2,750
Capital Financed from Revenue					5			5
Other Capital Receipts							51	51
Capital Receipts Applied					285	(990)	(285)	(990)
Repayment of Principal					11,688			11,688
Depreciation			35		(10,162)			(10,127)
Deferred Charges					(364)			(364)
Charge for Financial Instruments				(611)				(611)
<b>Balance at 31 March 2009</b>	<b>10,212</b>	<b>(90,400)</b>	<b>4,385</b>	<b>(3,483)</b>	<b>49,440</b>	<b>1,306</b>	<b>1,242</b>	<b>(27,298)</b>

#### FIXED ASSET REVALUATION RESERVE

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

#### FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

#### CAPITAL ADJUSTMENT ACCOUNT

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

#### CAPITAL RECEIPTS RESERVE

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

#### CAPITAL FUND

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

### NOTE 3 DISCLOSURE OF INTEREST IN OTHER ENTITIES

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

### NOTE 4 COMBINING ENTITIES

The Comhairle has an interest in a number of Associate Companies and full details of these have been given in Note 33 to the Accounts on Page 27. For the purposes of consolidation and incorporation in the Group Accounts, recognition has been made of the Comhairle's interest in two Associates.

Highlands and Islands Fire Board  
Northern Joint Police Board

The accounting period for both entities is 31 March 2009 and copies of the individual accounts are available from the Director of Finance, Highland Council, Glenurquhart Road, Inverness, IV3 5NX.

### NOTE 5 NATURE OF COMBINATION

The Comhairle is deemed to have an interest in these 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.

### NOTE 6 FINANCIAL IMPACT OF CONSOLIDATION

The effect of including the associates on the Balance Sheet is to reduce net worth by £54.4m, largely as a result of inclusion of the Joint Boards share of the pension liability. Despite this, the group can be treated as a going concern, as it can raise the funds it requires to maintain its operations.

### NOTE 7 GROUP ACCOUNTING POLICIES

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

### NOTE 8 INFORMATION ON THE COMBINING ENTITIES

**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 2008/09 the Comhairle contributed £2.4m or 8.8% of the Board's running costs and its £46.7m share of the net liability is included on the Balance Sheet. Copies of the Board's accounts are available from the Director of Finance, Highland Council, Glenurquhart Road, Inverness, IV3 5NX.

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

NORTHERN JOINT POLICE BOARD		
2007/08		2008/09
£'000		£'000
10,860	Gross Income (including Grant)	10,518
3,182	(Surplus)/Deficit on Income and Expenditure Account	3,376
(298)	(Surplus)/Deficit after additional DR/CR to General Fund	59
8,008	Fixed Assets	7,796
2,086	Current Assets	2,631
979	Short Term Liabilities	1,572
4,255	Long Term Liabilities (excluding Pension)	4,235
55,021	Pension Liability	51,298

**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 2008/09 the Comhairle contributed £2.3m or 9.8% of the Board's running costs and its £7.8m share of the net liability is included on the Balance Sheet. Copies of the Board's accounts are available from the Director of Finance, Highland Council, Glenurquhart Road, Inverness, IV3 5NX.

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.

<b>HIGHLANDS AND ISLANDS FIRE BOARD</b>		
<b>2007/08</b>		<b>2008/09</b>
<b>£'000</b>		<b>£'000</b>
3,935	Gross Income	4,040
906	(Surplus)/Deficit on Income and Expenditure Account	658
31	(Surplus)/Deficit after additional DR/CR to General Fund	(4)
6,601	Fixed Assets	6,745
584	Current Assets	539
513	Short Term Liabilities	462
4,118	Long Term Liabilities (excluding Pension)	4,288
11,165	Pension Liability	10,291

#### **NOTE 9 – AUDIT QUALIFICATION IN OTHER ENTITIES ACCOUNTS**

The auditor's certificates for both Highlands and Islands Fire Board, and Northern Joint Police Board have been qualified in 2008/09. Both of these boards implemented "new" pension schemes from April 2006. However the regulation that provides a statutory override in respect of FRS17 charges was not updated to reflect these new schemes. The effect of this omission is that all FRS17 pension costs that accrued from April 2006 cannot be reversed out of Police and Fire accounts and thus represent a real charge against the general fund of these bodies. Credits have been applied to the general funds of Highlands and Islands Fire Board £2.6m; and to Northern Joint Police Board £1.9m that have no statutory basis. This is considered by their external auditor to be a material amount.

The fire and police services nationally implemented a new pension scheme from April 2006. The Local Government Pension Reserve Fund (Scotland) provides the statutory basis for local authorities, fire and police boards to charge to a pension reserve the difference between retirement benefit costs as calculated under FRS 17 and the actual employer's pension contributions paid by the councils and boards. There is currently no legislation that permits this in respect of the "new" police or fire pension schemes which commenced from 6 April 2006.

This is a national issue affecting all police and fire authorities across the UK which was not intended when the new pension schemes were devised. The UK Government and devolved administrations have undertaken to make the necessary changes to regulations to ensure that this issue is resolved for next year's financial statements.

Accordingly, the pension reserve deficit contained in the group accounts balance sheet is understated by Comhairle nan Eilean Siar's share of the FRS 17 costs under the new fire and police pension schemes. This is approximately £0.757m (16.7%). The general fund balance in the group accounts is overstated by the same amount.

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Comhairle's Responsibilities**

#### **The Comhairle is required:**

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

### **The Director of Finance and Corporate Resources Responsibilities**

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

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

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

The Director of Finance and Corporate Resources has also:

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

The Statement of Accounts presents a true and fair view of the financial position of the Comhairle at the accounting date and its income and expenditure for the year ended 31 March 2009.



Robert Emmott BSc CPFA  
Director of Finance and Corporate Resources  
24 September 2009

## STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

1. This statement is given in respect of the 2008/09 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 2010 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 and Fire Joint Boards. Highland Council's Annual Report makes reference to the appropriateness of the systems of internal control and deems them as acceptable. I therefore propose no additional work in this area.

## STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

6. My review of the effectiveness of the system of internal financial control is informed by:
  - The work of managers within the Comhairle who have responsibility for the development and maintenance of the internal financial control framework;
  - The work of internal auditors as described above; and
  - The external auditors in their annual audit letter and other reports.
  
7. I am satisfied that the Comhairle has in place an appropriate system of internal financial control, but would draw your attention to the specific matters detailed in paragraphs 8 to 15 below.
  
8. The Comhairle's External Auditors have outlined in their Annual Audit Plan for 2008/09 that "The complex Western Isles Schools Project funding arrangements adds to the existing financial pressures". The affordability gap currently stands at £2.4M. The figure includes various assumptions regarding construction costs which could vary significantly. At this stage it is planned that £1.6M of the gap will be addressed from the discontinuation of the S1/2 stage of education at rural secondary schools, though around £1M of this is dependant on the government agreeing to the Comhairle's proposals. The Comhairle's policy is that the remainder should be found from the Education department. This is a major project for the Comhairle and any project overspends or financing shortfalls could have far reaching consequences on reserves, service delivery, and the ability to set a balanced budget.
  
9. The Western Isles Schools Project represents the biggest project to be undertaken by the Comhairle and to manage the risks identified specific arrangements have been put in place to ensure effective management of the project, including:
  - Reports to every meeting of the Policy & Resources Committee on the progress of the project;
  - A Project Board, chaired by the Chief Executive;
  - A dedicated project manager and a professional team supported by a senior officer group;
  - A defined project budget;
  - Attendance at meetings of the SPV by the Chief Executive and Director of Finance & Corporate Resources; and
  - Expert professional advisors.
  
10. Audit Scotland in August 2006 published a Best Value & Community Planning report on the Comhairle. This report highlighted areas where improvements could be made, specifically:
  - Best Value
  - Performance Management
  - Policy-led budgeting
  - Procurement, Human Resources, ICT and Asset Management
  - Decision making processes, and
  - Poor relationship with the Health Board
  
11. The need to address the issues raised by our External Auditors is a key priority of the Comhairle. A number of the processes required to be introduced to meet our External Auditors recommendations have now been undertaken with the remaining issues to be completed in 2009/10 financial year. Compliance in meeting these recommendations is monitored on a periodic basis by the Comhairle's Audit and Scrutiny Committee. In addition, progress will be reviewed by Audit Scotland as part of their ongoing visits and assessment of the Comhairle.



## STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

12. The Comhairle are required by the Local Government in Scotland Act 2003 to achieve a prescribed annual financial objective of break even over a rolling three year period with regards to their statutory trading accounts. I note in 2005/06, 2006/07 and 2007/08 that the Bus Operation did not achieve break even and subsequently made a loss of £57,395, £15,490 and £29,231 respectively, including pension costs under FRS 17. In early 2008, a decision was made to reclassify the Bus Operation from a Significant Trading Operation (STO) to a Trading Operation, therefore, there was no longer a requirement to break even over a rolling three year period. However, it is worth noting that in relation to 2008/09, specifically, the Bus Operation made further losses of £86,919. Therefore, in 2008/09, had the Bus Operations been required to meet the prescribed financial objectives set out in legislation, it would not have complied. In addition, the Building Maintenance operation which is classed as a STO failed to achieve break even in 2007/08 with a reported loss of £100,509 and has again failed in 2008/09 to break even, with a reported loss of approximately £88,921.
13. During 2008/09, officers of the Comhairle have kept Members informed of the progress and issues surrounding the anticipated losses within the Bus Operations. The bus contracts have been subject to competitive tender and the Comhairle is currently looking at a number of options with regards to the future of its Bus Operations as part of 'Best Value' legislation.
14. The Comhairle's External Auditors have stated in their Strategic Audit Risk Analysis for 2008/09, concerning risk management within the Comhairle, that "a process on its own will not guarantee" that risk is embedded and the Comhairle will "need to be able to demonstrate" that risk is embedded and "not simply an additional tick box exercise". In addition, concerns have been raised over "limited progress regarding departments' approaches and attitude towards risk management since the original strategy was approved in 2003. A complete re-vitalisation of the process and culture is required" The Comhairle continues to progress the development of risk management processes throughout the Comhairle and recognise that further improvements can be made to embed a culture of risk management within the organisation.
15. Performance management continues to be a 'growth' area where additional emphasis and resource allocation has been made in order to improve information provided to managers. The Strategic Audit Risk Analysis highlighted the importance of this process in relation to:
  - being able to report on the Comhairle's Single Outcome Agreement.
  - being able to develop and record local performance indicators
  - developing Public Performance Reporting

The Comhairle are in the process of introducing a computerised system which will record all key performance areas, allowing continual monitoring and the assessment of progress and target achievement.



Robert Emmott BSc CPFA  
Director of Finance and Corporate Resources  
24 September 2009

## **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 2009 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement, the Council Tax Income Account, the Non-Domestic Rate Income Accounts, and the related notes and the Statement of Accounting Policies together with the Group Accounts. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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

The Director of Finance and Corporate Resources' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 - A Statement of Recommended Practice (the 2008 SORP) are set out in the Statement of Responsibilities for the financial statements.

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

I report my opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of the local authority and its group and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

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

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

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

## **Basis of audit opinion**

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

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

## **Opinion**

In my opinion the financial statements

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of Comhairle nan Eilean Siar and its group as at 31 March 2009 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

## **Failure to comply with a statutory requirement**

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

Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to conduct each of their significant trading operations so that income is not less than expenditure over each three year period. The authority failed to comply with this statutory requirement for the three year period ending 31 March 2009 in respect of the Building Maintenance significant trading operation.

*Peter Tait CPFA  
Assistant Director of Audit (Local Government)*

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*24 September 2009*