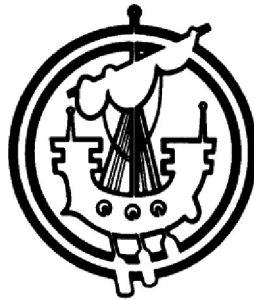


**COMHAIRLE
NAN
EILEAN SIAR**

**CUNNTASAN BHLIADHNAIL
2022/23**



**ANNUAL ACCOUNTS
2022/23**

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MANAGEMENT COMMENTARY

Introduction

This commentary provides a summary of the Comhairle's financial performance for the year and how this has supported delivery of the Comhairle's Corporate Strategy, as detailed in the 2022/23 Business Plans. It also outlines the Comhairle's forward budget strategy and the challenges and risks the Comhairle faces in future years in delivering its objectives for the Outer Hebrides, particularly in the context of diminishing funding.

Corporate Strategy 2022-27

The Corporate Strategy 2022-27 was approved by the Comhairle in September 2021. The Strategy has four key priorities, based on a vision "to have socially and economically thriving communities with a focus on sustaining our quality of life, natural heritage, and Gaelic language and culture".

Under each of these priorities are five strategic outcomes setting the future direction of the Comhairle. As well as supporting service level actions which provide good outcomes for the community. The priorities and outcomes, when combined, aim to halt depopulation and lead to the development of thriving communities across the Western Isles.

Strengthen the local economy – focuses on digitalisation, renewable energy, SMEs and ensuring there are the skills within the community to meet the job demands

Support children, families and young people – focuses on nursery places to support working families; early intervention to families in need; school attainment, which is not just about academic excellence but ensuring that young people are leaving schools with the skills that employers are looking for; and, also supporting healthy and active lifestyles.

Support resilient communities and quality of life – focuses on support for those who are elderly or vulnerable to access the care they need; the Gaelic language and our natural and cultural heritage; safe and vibrant communities; inequality and poverty; and, ensuring that our planning and connectivity infrastructure meets the needs of our communities.

Sustainable and inclusive council – focuses on community empowerment; equality of opportunity; reducing our carbon footprint; efficient and effective services; and, effective governance.

All service business plans must align to these strategic outcomes and there will be annual reporting on performance, starting in 2023.

The corporate Strategy, alongside the Budget Strategy and Corporate Workforce Plan, form the three key strategic pillars for the Comhairle, by setting out the vision, finances and workforce needs required to deliver the desired levels of service.

Annual Accounts 2022/23

The Annual Accounts set out the financial statements for Comhairle nan Eilean Siar and its group for the year ended 31 March 2023.

The requirements governing the format and content of local authorities' annual accounts are contained in The Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2022/23 Accounts have been prepared in accordance with this Code.

Group Accounts

The Code requires group accounts to be prepared where the authority has a material interest in another organisation. For the Comhairle this encompasses representation on the Highland and Western Isles Joint Valuation Board and Cùram is Slàinte nan Eilean Siar, the Western Isles Integration Joint Board (IJB), as well as Sgoiltean Ùra LLP (SULLP), an arms-length partnership responsible for the management of the design, construction and maintenance of the Western Isles Schools Project.

The LLP is a partnership between the Comhairle and Sgoiltean Ùra Investments Ltd, a company limited by shares having the Comhairle as its sole shareholder. The LLP is therefore wholly owned by the Comhairle although existing as a separate legal entity. For 2022/23, SULLP did not undertake any financial activities, the company having effectively ceased trading when the schools project was completed in 2014.

The effect of inclusion of these entities in the Group Balance Sheet is to increase the net worth, representing the Comhairle's share of the net assets of these entities. The pension position of the Valuation Joint Board has been offset by the surplus realised by the IJB during the first five years of operation.

Financial Planning

The Comhairle is under a legal duty to set a balanced budget and in doing so must observe proper accounting practices and make arrangements which secure best value. The budget process is overseen by a Budget Board, which has Member representation from all wards and political groups, ensuring adequate coverage for all sectors of the community.

In line with its financial strategy the Comhairle set a balanced budget for 2022/23. This comprised budgeted expenditure of £112.4m funded by £92.1m of General Revenue Grant, £8.1m of Non-domestic Rates, £11.7m of Council Tax and £0.5m of reserves. Planned business plan savings of £1.4m, were also incorporated in the budget.

A £43m capital programme for the period 2018-23 was approved by the Comhairle in December 2017. Additional funding awarded since then of £79m and projects carried forward from 2013-18 of £14m, meant that the final programme amounted to £136m. The programme is largely developed around the forecast level of General Revenue Grant from the Scottish Government, with this enhanced with other grants and contributions, through the 5-year period. Due to the pressures on the revenue budget, the opportunities to undertake borrowing, to supplement the programme, are limited, but this is kept under review.

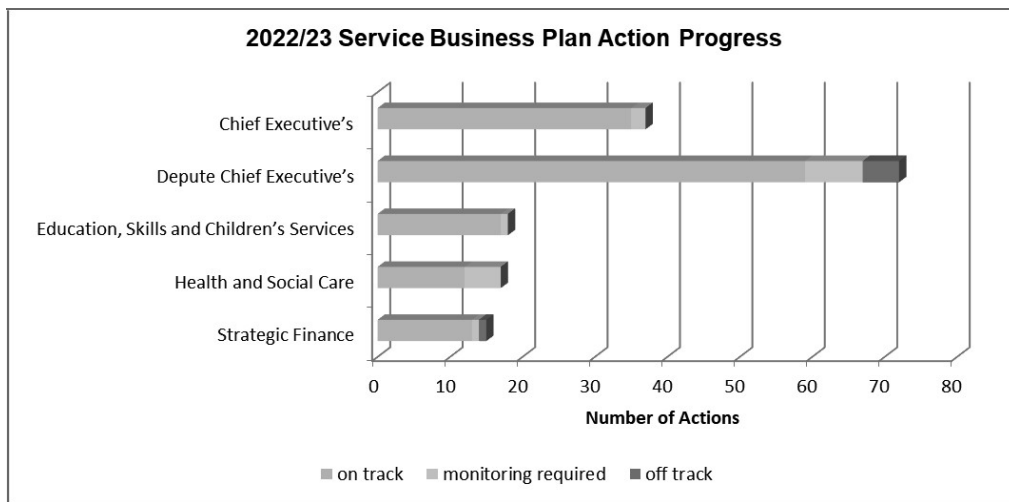
Performance

The Comhairle considers performance against its Business Plans and budgets at each series of meetings. The Chief Executive and Heads of Service present a detailed update to each of the Comhairle’s principal committees using information drawn from Interplan, the Comhairle’s performance management system.

The Comhairle produces an annual Public Performance Report which is available on its [website](https://cne-siar.gov.uk/home/your-council/strategy-and-performance-2/best-value/performance-reporting/) (https://cne-siar.gov.uk/home/your-council/strategy-and-performance-2/best-value/performance-reporting/). Services also provide more comprehensive Business Plan Progress Reports throughout the year that are also available [online](https://cne-siar.gov.uk/home/your-council/strategy-and-performance-2/strategy-and-performance/) (https://cne-siar.gov.uk/home/your-council/strategy-and-performance-2/strategy-and-performance/) and include the two Statutory Performance Indicators (SPIs) that have been defined by the Accounts Commission.

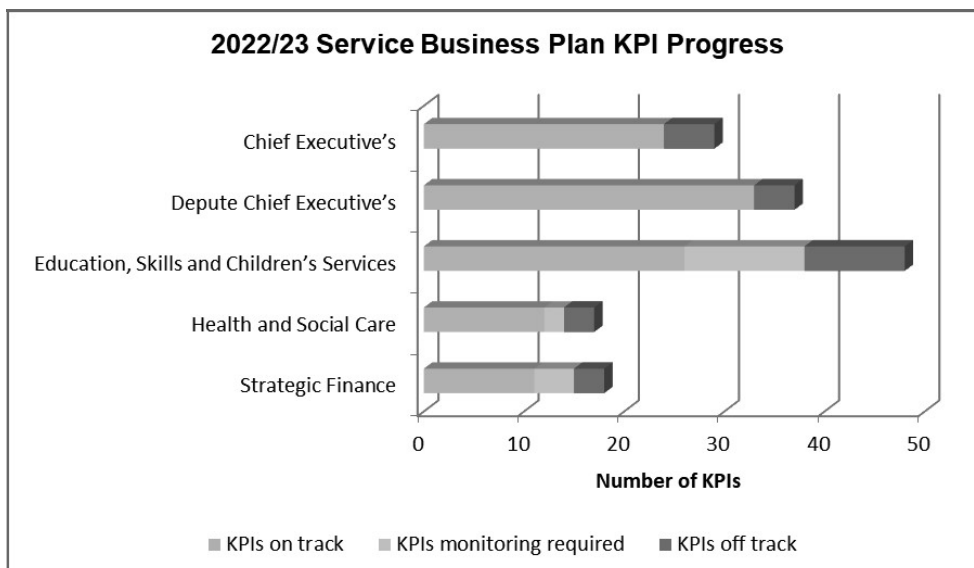
In 2022/23 the Comhairle’s five departments reported on 159 actions. During the year 85% of these were completed, 11% were largely completed and 4% were not completed. A breakdown of actions by department is shown in Figure 1.

Figure 1: Business Plan Actions



The Comhairle also reports on 149 Key Performance Indicators (KPIs). For the 2022/23 year 71% of these were on target, 12% were close to their target and 17% were off track. An analysis of KPIs by department is shown in Figure 2.

Figure 2: Business Plan Key Performance Indicators



To ensure continuous improvement the Comhairle has adopted the Public Sector Improvement Framework self-evaluation model. This supports national benchmarking activity including closer comparison through family group benchmarking forums. Further information is available on the Comhairle [website](#).

Workforce Planning

The Corporate Workforce Plan is currently being reviewed and is anticipated to be submitted to the Comhairle for consideration in September 2023. With recruitment to some key posts becoming more challenging, the revised plan has a focus on supporting change, through skills development opportunities for current employees. This will be facilitated using a range of approaches, including internal recruitment to posts, succession planning, the use of career grades to reward those undertaking training, and apprenticeships. This is important in ensuring that services are able to develop and retain the right mix of skills and experience to deliver their business plans.

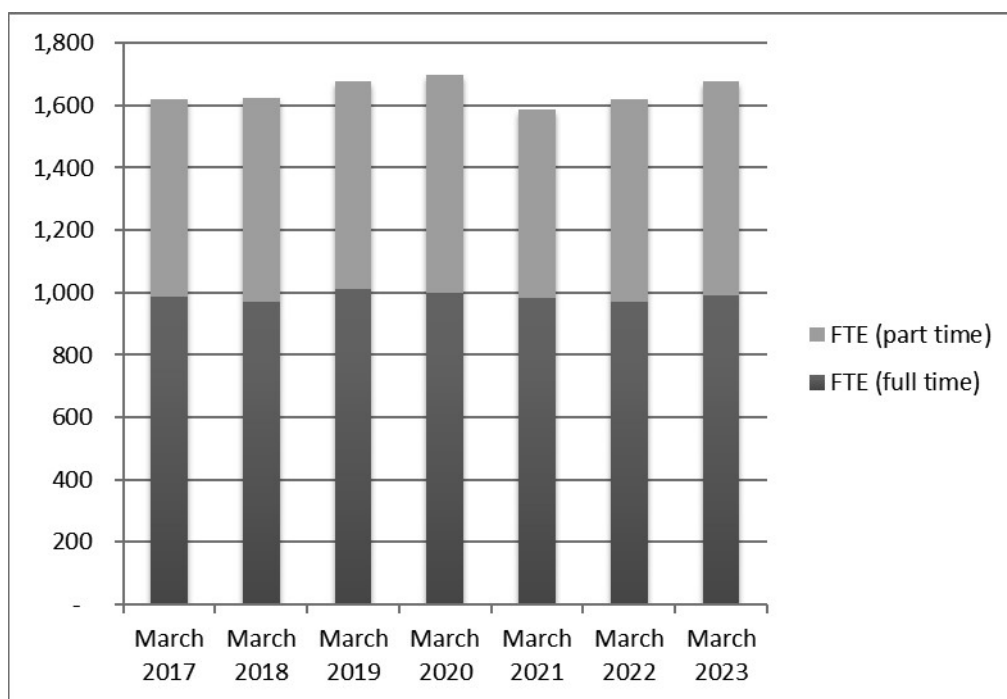
The Corporate Workforce Panel continues to have an overview of all recruitment, with all requests for posts to be released for advert scrutinised to ensure that these are aligned to business plan priorities and that budgets are in place.

The Comhairle has completed an interim restructure, which enabled savings to be achieved through a voluntary severance exercise. It is acknowledged that the opportunity to undertake a similar exercise in the future will be limited, in terms of both financial constraints and workforce capacity.

The Comhairle continues to support apprenticeships internally through the Comhairle's own apprenticeship programmes and also in the wider community by being an accredited training provider. All employability and apprenticeship programmes have been brought together to ensure young people are signposted to the programme that best meets their individual needs.

Figure 3 shows how the Comhairle's workforce has remained relatively stable over recent years.

Figure 3: Comhairle Workforce 2017-2023



Islands Deal

The Islands Growth Deal is a £100m Programme, jointly funded by both the UK and Scottish Governments. It is a 10-year package of investment that will seek to drive economic growth and the creation of sustainable jobs across Shetland, Orkney and the Outer Hebrides. The Deal was developed by the Comhairle, Orkney and Shetland Island Councils, with their partners in the public, academic, business and community sectors.

The Full Deal Agreement was signed, by the three councils and both Governments, in Orkney on 20 January 2023. The Deal will provide projects across the island regions, including three pan-island Programmes, and will lever in an additional £293m of match funding. Projects are aligned to three themes: Leading the Way to a Low Carbon Future; Supporting Growth and Future Industries; and Thriving, Sustainable Communities.

As part of the Deal, the Outer Hebrides will receive £33.3m, to be invested in a number of key developments, targeted at growing the economy through the establishment of Gateway tourism infrastructure throughout the islands; pioneering renewable energy and Spaceport facilities; enabling growth of sustainable skills for our population, through the UHI Outer Hebrides Campus Redevelopment Project and TalEntEd Programme; and investment in our key Primary and Creative Industries.

Outline Business Cases for all projects have now been approved, with work now progressing on the submission and approval of Full Business Cases, in line with HM Treasury Green Book standards, where the key aim will be on achieving cost certainty through procurement and securing a full funding package to proceed to delivery stage. The early projects to proceed in the Outer Hebrides are the Island Centre for Net Zero, UHI Campus Development, Acarsaid Pier and Spaceport.

Financial Performance

In addition to the performance reports to service committees, the Policy and Resources Committee receives quarterly reports on the overall financial position of the Comhairle.

The Comprehensive Income and Expenditure Statement (CIES) shows a deficit of £19.290m on the provision of services. However, this does not reflect the true cost of service provision or the amount required to be funded from government grant and taxation. Note 8 gives details of the accounting adjustments required to bring the accounts, prepared under proper accounting practice, into line with resources specified by statute. These adjustments generally remove the effect of non-cash items such as depreciation and revaluation of assets and replace these with the actual cost of debt repayment. Consequently, the General Fund balance has only decreased by £1.714m, compared to a planned deficit of £0.541m.

	£'000
Deficit on the Provision of Services in CIES	19,290
Reversal of Non-Cash Items included in the Service Expenditure Figures	
Asset Adjustments – these are the accounting charges made to the service accounts for depreciation and revaluation of the assets they use during the year. These are not cash payments so do not impact on the Comhairle's funds.	(34,641)
Capital Grants and Contributions – these are actual funding contributions to projects being completed under the capital programme. Although these are actual cash income, as they relate to capital expenditure, they are to be excluded from the revenue figures in the CIE.	24,983
Pension Adjustments – accounting convention requires that the costs of pensions are charged to services when the pension is earned, not when it is actually paid out after the employee retires. This is not a real cash payment and does not impact on the Comhairle's Funds.	(14,050)
Holiday Accrual – this adjustment relates to payments due to employees for holidays due but not taken during the year. Again, these are not cash payments to staff (as the days are carried forward instead).	(67)
Financial Instrument Charge – this relates to the premium paid for repaying a loan before it was due. Whilst the cash was paid out at the time, accounting rules allow the charge to be written off over the period of the replacement loan. As the actual cash transaction has taken place in the past, there is no impact on funds.	154
Addition of cash items not included in Service Expenditure Figures	
Loan Charges – the Comhairle's capital expenditure on property, roads etc. is funded by borrowing from the Government. The asset adjustments mentioned above are the accounting charge for the assets, but the loan repayments are the actual cash spent in the year which impacts on funds.	6,045
Actual Cash Deficit for the year as reported in the Reserves Statement	1,714

As has been widely reported elsewhere, the sharp increase in inflation, accompanied by higher than budgeted wage settlements, resulted in significant calls on reserves through the year, with utility and fuel costs exceeding budget by £1.1m. The pay award was partly funded by the Government, with the shortfall of £0.9m being funded from reserves and/or other offsetting savings across the Comhairle. The winter maintenance service was over budget by £0.7m and as highlighted during the 2023/24 budget process, the management of these overspends on a year-to-year basis is no longer sustainable and will need to be addressed during the next budget. Although there were other variances across services, these were managed within overall resources.

Budget Management policy allows services to carry forward budget over and under spends of up to 1% of controllable budget (i.e. excludes depreciation and internal recharges). Use of this policy permitted the carry forward of £728k of committed funds and £658k of general funding, which will support services through the current budget pressures.

The management and operation of the loans fund (net of interest on revenue balances, which has a zero impact on the overall financial position), generated savings of £305k. As in previous years, an element of this was due to a combination of slippage in capital expenditure and the use of internal resources in lieu of borrowing, to fund projects. At the time of setting the budget, it is prudent to assume that the capital programme will progress as planned, and this is reflected in the level of budget set. This approach reduces the risks associated with under provision, with any savings being returned to the General Reserve.

During recent years, bank interest rates have been very low, with investments attracting as little as 0.01%, resulting in negligible returns. The unforeseen rise in rates since the budget was set in February 2022, has resulted in a sharp increase in investment income during 2022/23. With investments achieving rates of up to 4.2% by the end of the year, additional income of £1,225k was generated. This includes the initial interest receipts from the Stornoway Port Authority Loan.

There was a net transfer of £155k to the Western Isles Schools Project Lifecycle Fund during the year. Annual contributions to the fund are based on a model developed as part of the overall construction project, with these amounts incorporated into the Education, Sport and Children's Services budget. The unspent element of this budget is transferred to the fund each year with the aim of setting aside sufficient sums for the maintenance of the building throughout their operational lives. As expected, the fund is currently increasing year on year, with the majority of the spend expected in later years.

The Council Tax Income Account, which shows the net position after allowing for discounts, Council Tax Reduction (CTR) and debt write off, showed a surplus of £325k. There are two contributing factors, annual variations in the level of CTR and other reductions, which depend on the circumstances of individual householders, and an increase in the number of properties. Despite the cost-of-living challenges impacting on households, in-year collection was 96.43% (96.1% in the previous year).

The NDR Income Account represents the amount distributed by the Scottish Government from the national pool, as notified to the Comhairle as part of the financial settlement. This figure is not affected by the actual NDR collected by the Comhairle during the year. Of the income due for 2022/23, 98% was collected during the year (96% in previous year). This reflects a slight delay in receiving payments, rather than non-payment, and a large portion of the outstanding amount at the year-end has now been paid.

The budget for 2022/23 assumed service redesign savings of £1.4m. The majority of these were achieved during the year, although the full year gain from some of the corporate savings will not be achieved until 2023/24.

The tables below show a summary of the main changes that contributed to the £1.714m deficit.

Movement – Initial Budget to Actual Outturn	£'000
Initial Planned Deficit	541
Add: Net Additional Resources transferred to Services/Reserves	3,516
Less: Council Tax and NDR Income	(325)
Net Department Underspend	(255)
Centrally Held Resources & Contingency not spent	(78)
WISP Lifecycle Fund Transfer	(155)
Debt Repayment and Interest (net of Interest on Revenue Balance)	(305)
Investment and Other interest Income	(1,225)
Deficit for the Year	1,714

Department	Initial Budget £'000	Total Budget £'000	Outturn £'000	Over / (Under) £'000
Chief Executive	4,591	3,949	3,805	(144)
Depute Chief Executive	21,195	22,773	23,242	469
Education, Skills and Children's Services	44,302	49,624	48,151	(1,473)
Health and Social Care	22,758	24,829	24,829	-
Strategic Finance	3,917	4,547	4,310	(237)
Investment Delivery	53	53	50	(3)
Departmental Spend	96,817	105,775	104,387	(1,388)
Interest Receivable	(76)	(76)	(1,301)	(1,225)
Interest Payable	8,321	8,700	8,639	(61)
Loan Debt Repayments	6,288	6,288	6,045	(243)
Contingency	200	-	-	-
Centrally Held Resources	846	233		(233)
Capital Funded from Revenue		544	544	-
Total Spend	112,396	121,464	118,314	(3,150)
General Revenue Grant	(92,063)	(95,954)	(95,954)	-
Non-Domestic Rates	(8,149)	(8,149)	(8,149)	-
Council Tax	(11,643)	(12,172)	(12,497)	(325)
Total Income	(111,855)	(116,275)	(116,600)	(325)
(Surplus)/Deficit	541	5,189	1,714	(3,475)

General Fund Reserve

There are two main elements in the management of the General Fund Balance, a general reserve which includes a minimum balance of £3.5m, held mitigate against the main financial risks; and a sum to support the forward budget strategy; and earmarked reserves. The level of the minimum balance held is reviewed annually as part of budget setting, taking account of the risks and challenges anticipated in the year ahead.

At the beginning of the year, there were £24.1m of earmarked reserves held for specific projects. Whilst the majority of these funds are committed to future spending or relate to government grants to be spent in line with grant conditions, it was recognised that some elements had remained unspent for a number of years. A review of these balances identified £2.9m, which was no longer required for the purpose for which they had been set aside, and £2.4m was returned to the general reserve to support the wider budget and £0.5m was used to set up a project fund.

As highlighted earlier, there were significant calls on the general reserve, due to inflationary pressures and pay awards, but these have been offset by the release of earmarked reserves detailed above and the increased investment income. At the end of the year, the general reserve available to support the budget strategy amounted to £6.2m, £3.2m of which is already committed to the 2023/24 budget.

Covid Support funding of £4.3m was carried forward from 2021/22, £2.4m to assist with ongoing costs and £1.9m for specific service areas targeted for support by the government. A review of these reserves was undertaken early in the financial year, which identified £598k of funding that was no longer required for its stated purpose. These funds were transferred to the General Reserve to meet the budgetary financial pressures. £1.9m was used for a range of measures, including supplementing of sports centre income budgets, which took time to recover post-pandemic, grants to private sector businesses and support for projects aligned with the Comhairle's Economic Recovery Strategy.

The £1.8m funding that remains is committed to a variety of economic recovery projects, cost of living support to households and a small amount to facilitate the continuation of hybrid working arrangements.

Overall, the General Fund Reserve has reduced from £31.7m to £30m and Figure 5 shows how these balances are made up, the majority of which is earmarked for specific purposes.

Figure 4: General Fund Balances

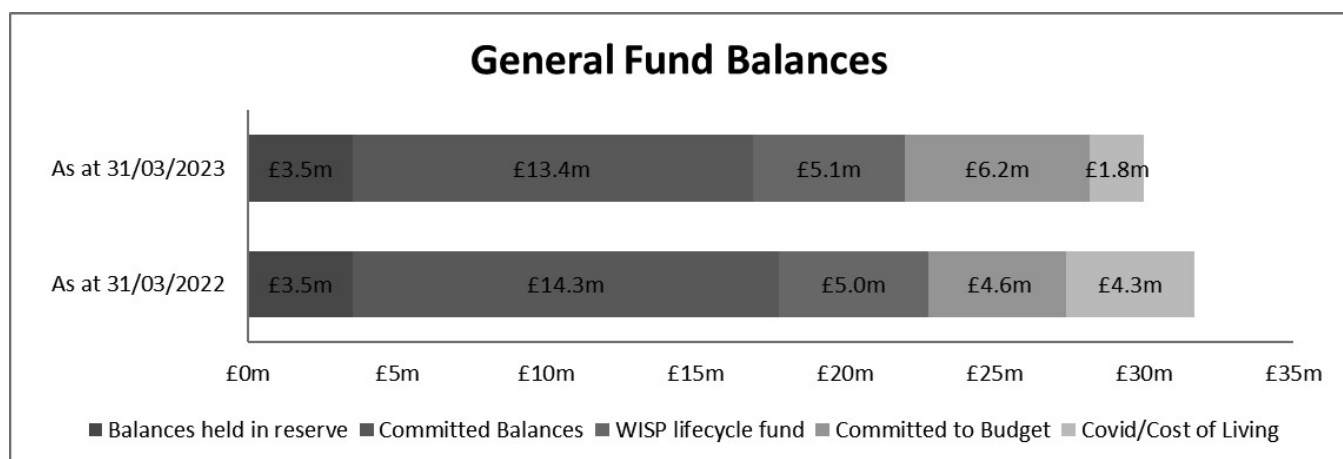


Figure 5 provides a breakdown of the Comhairle's committed balances. Note 7 to the Accounts shows the movement in these balances during the year, with the addition of £1.8m of specific government grants, being the most significant change. Other than the funding set aside to support future budgets, the majority of the balances reflect funding received for specific government initiatives which have been set aside until required, or Comhairle decisions to support aspects of workforce development and management, such as modern apprenticeships.

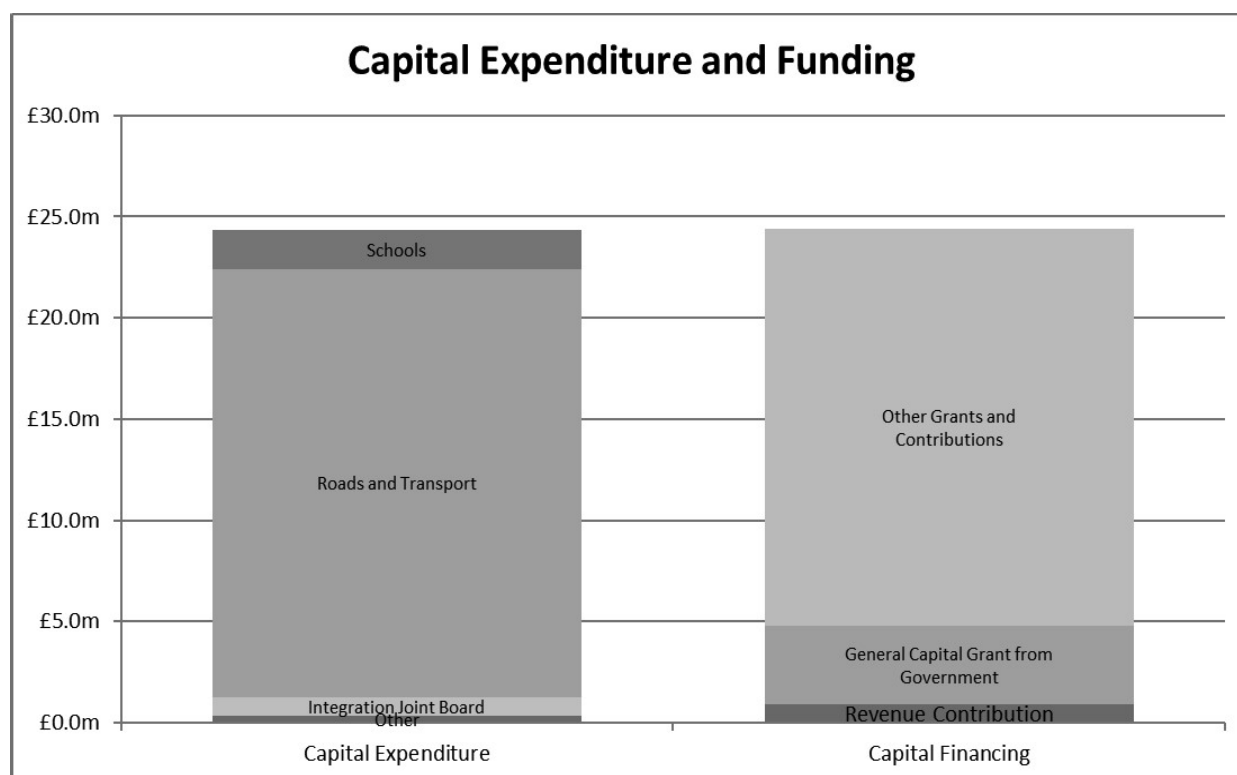
Figure 5: Committed Balances

	£'000		£'000
Budget strategy	6,175	Modern apprenticeships	326
Department carry forwards	1,984	Education related	1,246
COVID Recovery/Cost of Living	1,828	Business Loans Pool	588
Revenue Match Fund	147	Health and social care funds	442
WISP Lifecycle Fund	5,134	Government Grants	2,074
Crown Estate funding	2,810	Miscellaneous	3,702
		Total	26,456

Capital Expenditure

The Comhairle spent £24.4m on capital projects (excluding community projects funded through capital grants) in 2022/23. This was financed primarily through capital grants, with any excess funds used to reduce the need for future borrowing, as detailed in Note 34 and illustrated in Figure 6.

Figure 6: Capital Expenditure and Funding



There are currently three major projects being progressed, which account for around £64m of the programme, with the Lewis Residential Care facility being at the most advanced stage in terms of construction on site. The first phase of houses being built in conjunction with the main project are complete and the main residential facility and extra care housing is due to be occupied from June 2023.

The Barra and Vatersay Community Campus which will include school and sports facilities, together with health, social care and allied professional spaces is at an advanced stage of development, but the industry factors mentioned previously are already evident in this project. A recent announcement by the Government in relation to the funding of health-related projects has put the development of the hospital facility in doubt, at least until the next programme review in 2025/26. The Comhairle will continue with plans for the school, sport and housing aspects of the project. Works are well underway at Lochmaddy Pier, which is being developed in partnership with other agencies to accommodate larger vessels. The replacement Bernera bridge was completed during the year and was officially opened in December.

Performance against Prudential Framework Indicators

The Prudential Code for Capital Finance in Local Authorities allows greater local flexibility for investment decisions that are informed and supported by a suite of performance indicators. The indicators for 2022/23 were approved by the Policy and Resources Committee on 9 March 2022. The indicators are designed to ensure that capital investment is prudent, affordable and financially sustainable. The indicators are lower than estimated as a consequence of capital expenditure not reaching forecast levels. The key performance indicators are shown in *Figure 7*.

1. **Capital Expenditure:** this indicator is set to ensure that the level of proposed investment in capital assets remains within sustainable limits.
2. **Capital Financing Requirement:** this indicator measures the underlying need to borrow for a capital purpose. In order to ensure that over the medium-term net borrowing will only be for a capital purpose, net external borrowing does not, except in the short term, exceed the Capital Financing Requirement in the preceding year plus the estimates of any additional CFR for the current and next two financial years.
3. **Operational Boundary and Authorised Limit for external borrowing:** under the Prudential Code, limits are required to be set in order to keep borrowing within an affordable range. These limits are referred to as the Operational Boundary and the Authorised Limit. The outturn figure reflects the actual sum borrowed which was contained within both the operational boundary and the authorised limit confirming that the Comhairle's external borrowing continues to be undertaken only to support planned capital investment activities.
4. **Ratio of financing costs to net revenue stream:** this is an indicator of affordability and demonstrates the revenue implications of capital investment decisions by highlighting the proportion of the revenue budget required to meet the borrowing costs associated with capital spending.

Figure 7: Prudential Indicators

Prudential Indicator	Estimate 2022/23 £k	Outturn 2022/23 £k
General Fund Net Capital Expenditure	3,871	26,553
Capital Financing Requirement	130,000	143,194
External Debt at 31 March	127,391	127,391
Operational Boundary	136,000	135,147
Authorised Limit	136,000	136,000
General Fund Ratio of Financing Costs to Net Revenue Stream	7.90%	7.21%

More detailed information on capital investments, Treasury Management activities and Prudential Indicators can be found within the Treasury Management Strategy and the Annual Treasury Management Report.

Integrated Joint Board

The Scheme of Integration for the Western Isles Integration Joint Board (IJB) was approved by the Scottish Government on 16 June 2015 and the IJB became responsible for financial and strategic oversight of the services that fall within its remit on 1 April 2016. For the Comhairle this encompasses all adult social work and community care services, criminal justice and some housing adaptation works.

The Comhairle's contribution to the IJB in 2022/23 was £25.1m. Comhairle services ended the year with a deficit of £115k. An overall underspend on operational costs was offset by the accounting for the use of £0.8m of funding held in IJB Reserves to support the capital spend on the Lewis Residential Care Development. Gross Income presented in the accounts shows a reduction of £11.8m, compared to 2021/22. This is due to a reduction of Scottish Government Grant monies via NHS of £6.3m, a Government supply of PPE of £1m. Overall the net reduction in IJB Reserves for the year was £5.2m. This was mainly due to the requirement by NHSWI to use much of the previous Scottish Government allocations of specific NHS IJB reserves in 2022/23. IJB Reserves now stand at £11.4m of which £8.4m is earmarked or held for specific purposes and a balance of £3.1m in general reserves. (Note 38 details how copies of the IJB Accounts can be accessed).

Balance Sheet

The Balance Sheet gives details of the assets and liabilities and shows that net assets have increased by £85m over the year. Unusually, the balance sheet includes a pension asset of £8m, after applying a ceiling to the valuation calculation. This is a divergence from recent experience, as for many years, a pension liability has been recognised. This is due to the high accounting discount rates on corporate bond yields, which place a significantly lower value on the pension obligations, compared to last year. The net value of Property, Plant and Equipment and Equipment has increased by £16m, reflecting capital investment during the year. There is a net decrease of £19m in working capital, as a result of movements in debtor and creditor balances and a decrease in short term investments, due to the use of cash balances to fund a loan to the Stornoway Port Authority. The loan, to finance the development of the deep-water port, is included on the balance sheet as a long-term debtor.

The pension asset represents the best estimate of the current value of pension benefits that will have to be funded by the Comhairle and relates to benefits earned by existing or previous employees up to 31 March 2023. These benefits are expressed in current value terms rather than the cash that will actually be paid out. This is to allow for the time value of money, whereby the value of cash now is regarded as higher than cash received in the future. The change from the previous year reflects the current market conditions, and the financial assumptions made by the actuaries.

Borrowing

There was no new borrowing undertaken during the year. Capital expenditure was funded by capital grant and other capital contributions and receipts.

Climate Change and Sustainability

The Comhairle's Climate Change Strategy and Action Plan details the Comhairle's approach to climate change mitigation and adaptation, both in the Comhairle and throughout the Western Isles, with a Senior Researcher in post to support this work. All Directorates have a part to play in addressing climate change and managing climate-related risk through their decision-making and operations, in line with corporate policy and risk management.

Climate change is highlighted as a significant risk in the Strategic Risk Register, which also notes that the Comhairle is unprepared for such events and is working with partner agencies to address and plan for issues such as rising sea levels and flooding, which are a particular threat in island communities.

The Comhairle measures emissions annually and has set targets of Zero Direct Emissions by 2038 and minimal indirect emissions. The Comhairle's corporate emissions were 35% lower in 2022 compared to 2016, with a number of projects in place to further reduce emissions. The Comhairle has also committed to supporting na h-Eileanan Siar to work towards Net Zero by 2045 through our services and partnership-working. The Comhairle is delivering on policies and actions which support this target in sectors including transport, homes and communities, waste and resource efficiency and energy, as detailed in the Public Bodies Climate Change Duties Report. However, it is acknowledged that the funding available to the Comhairle will not make significant inroads into the level of investment required to deliver on these climate targets.

Financial Outlook, Risks and Future Planning

The Comhairle budget for 2023/24 was again based on a single year settlement from the Scottish Government. A budget of £122.3m was agreed in February 2023, funded from General Revenue Grant (£95.8m), Non-Domestic Rates (£9.1m), Council Tax (£12.4m), Reserves (£3.2m) and planned savings of £1.7m. Although the General Revenue Grant increased by just under £3m, £2.1m of this was for previous commitments and Government priorities. This continues the trend of ring-fencing funds for specific government priorities, which reduces opportunities for resources to be directed to Comhairle priorities.

Work will continue on the development of the Medium-Term Financial Strategy, which indicates a budget gap of £7m in 2024/25, rising to just under £14m by 2026/27. The Comhairle has made significant levels of savings in recent years, and it is acknowledged that bridging this gap will be extremely challenging. However, an exercise has commenced to have an in depth look at the services delivered, which will consider service levels, alternative methods of delivery and how additional savings can be delivered. This will be taken forward in conjunction with the Budget Board.

When the Scottish Government's Resource Spending Review was published in May 2022, it showed that local government core funding would remain static over the next three years, which means a real terms cut when the effects of inflation, are taken into account. Latest projections indicate that the amount of funding for all public services is set to fall in 2024/25. With Health and Social Care likely to continue to be a priority for government spending and the ring-fencing of funds to target other government priorities, such as education, this adds to the pressures across other service areas which will inevitably be looking at reductions.

In setting its budget each year the Comhairle reviews the key financial risks that it faces. The highest risk continues to be reductions in revenue funding, with the obvious implications for service delivery. More recently, rapidly increasing costs across all areas has implications for service delivery and the wider community. This construction sector has emerged as a significant risk and this already beginning to impact on the delivery of major construction projects.

The implications for capital projects, in terms of cost, affordability and deliverability is obvious. These are compounded by capacity issues within the local supply chain and the increasing problems of getting specialist contractors to work in remote areas, due to the additional costs of island construction, compared to central belt locations.

These factors are particularly relevant to those projects currently under development, including those forming part of the Islands Growth Deal and to the development of the Comhairle's Capital Programme for 2023-28.

The Capital Programme for the 2023-28 period was agreed by the Comhairle in February. For planning purposes, the programme was based on resources of around £5m per annum, reflecting the reduction in grant during the current programme. This allocation falls far short in many aspects of the level of investment required. However, the trend in recent years has been for one-off type funds targeted at specific areas such as the Bridge Maintenance Fund, and the Comhairle has been successful in attracting additional funds from these initiatives. The financial settlement for 2023/24 included general capital grant of £6.3m, after accounting for funding for specific projects, which is higher than anticipated and the additional funds will be allocated on a priority needs basis.

The Comhairle has continued to demonstrate sound financial planning and management, within the context of reducing resources and will start 2023/24 with £6.2m of reserves to support future years. A review of medium/long term financial plans will be completed at the first quarter of 2023/24, to reflect current inflationary pressures and the longer-term impact of potential pay settlements on budgets.



Cllr Paul F Steele
Leader
26 September 2024



Malcolm Burr
Chief Executive
26 September 2024



Norman Macdonald
Chief Financial Officer
26 September 2024

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Comhairle's Responsibilities

The Comhairle is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In the Comhairle, that officer is the Chief Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ensure the Annual Accounts are prepared in accordance with legislation, The Local Authority Accounts (Scotland) Regulations 2014) and the Coronavirus (Scotland) Act, and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- approve the Annual Accounts for signature. The Comhairle delegates responsibility for the approval of the Annual Accounts to the Audit and Scrutiny Committee.

I confirm that these Annual Accounts were approved for signature by the Audit and Scrutiny Committee at its meeting on 28 June 2023.



*Councillor Paul F. Steele
Leader*

26 September 2024

The Chief Financial Officer Responsibilities

The Chief Financial Officer is responsible for the preparation of the Comhairle's Annual Accounts, in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing the Annual Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice; and
- complied with the Local Authority Accounting Code (in so far as it is compatible with legislation).

The Chief Financial Officer has also:

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

I certify that the Annual Accounts present a true and fair view of the financial position of the Comhairle (and its group) at the reporting date and the transactions of the Comhairle for the year ended 31 March 2023.



*Norman Macdonald CPFA
Chief Financial Officer*

26 September 2024

ANNUAL GOVERNANCE STATEMENT

This statement aims to assure stakeholders of the adequacy of corporate governance arrangements within Comhairle nan Eilean Siar.

Scope of Responsibility

Comhairle nan Eilean Siar is responsible for and committed to ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Comhairle has a statutory duty of best value under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement in performance while maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness, equal opportunities and sustainability. In discharging that overall responsibility, Members and Senior Officers are responsible for putting in place proper arrangements (known as the Governance Framework) for the governance of the Comhairle's affairs and facilitating the effective exercise of its functions. That includes:

- setting the strategic direction, vision, culture and values of the Comhairle;
- the effective operation of corporate systems, processes and internal controls;
- engaging with and leading the community;
- monitoring the achievement of strategic priorities and agreed outcomes;
- ensuring that services are delivered cost-effectively;
- maintaining appropriate arrangements for the management of risk; and
- ensuring that the Comhairle complies with the Chartered Institute of Public Finance and Accountancy's *Statement on the Role of the Chief Financial Officer in Local Government*.

The Comhairle has put in place a system of internal control designed to manage risk to a reasonable level. Internal controls will never eliminate risk of failure to achieve strategic priorities and outcomes but can provide reasonable, if not absolute, assurance. The system of internal control is based on an ongoing process designed to: identify and prioritise the risks to the achievements of the Comhairle's strategic priorities and outcomes; evaluate the likelihood of those risks being realised and the impact should they be realised; and manage them efficiently, effectively and economically.

Governance Arrangements

The governance arrangements comprise the systems, processes, culture and values which direct and control the Comhairle's activities and through which it accounts to, engages with and leads the community. It enables the Comhairle to monitor the achievement of the strategic priorities and outcomes set out in the Outer Hebrides Community Planning Partnership's Local Outcomes Improvement Plan 2017-27 ("LOIP"), and to consider whether or not priorities and outcomes have led to the delivery of appropriate cost-effective services.

Outer Hebrides Community Planning Partnership

The OHCPP developed a Local Outcome Improvement Plan (LOIP) for 2017-27 which had a vision to promote and realise the full potential of the Outer Hebrides as a prosperous, well-educated and healthy community enjoying a good quality of life and the benefits of our natural environment and cultural values. The three priorities for delivery are:

1. the Outer Hebrides retains and attracts people to ensure a sustainable population;
2. the islands have sustainable economic growth and all of our people have access to appropriate employment opportunities; and
3. the islands offer attractive opportunities that improve the quality of life, wellbeing and health for all of our people.

It became apparent that demands on the limited resources which were available were too great to allow all aspects of the OHCPP's work to proceed in the manner and at the pace at which the Comhairle would have liked. As part of the mid-plan review of the OHCPP's work, proposals for a revised structure and a working group to revise the LOIP were approved in May 2023.

Corporate Strategy

The Comhairle's Corporate Strategy sets out the strategic direction for each Comhairle term, reflecting political priorities and choices, and is complementary to the LOIP. On 29 September 2021, the Comhairle approved the Corporate Strategy 2022-27. It deals with the priorities in the LOIP, all of which remain entirely relevant, in terms of overarching strategic priorities:

- To strengthen the local economy;
- To support children, families and young people;
- To support resilient communities and quality of life; and
- To be a sustainable and inclusive Council.

Those priorities are cognisant of the extent of current financial and other resources, and play a pivotal role in striving to achieve continuous improvement and best value.

An online version of the Strategy and the documents which led up to it can be accessed at [Corporate Strategy](#).

The mechanism for delivering the strategic priorities is set out in departmental Service Business Plans and performance reporting. The business-planning process clearly links the priorities to more specific objectives for

services, teams and individuals; it is often referred to as the 'golden thread'. The 2022/23 Service Business Plans were approved in February 2022, and those for 2023/24 were approved in February 2023.

Policy and Decision-Making

Policy-making and decisions are delivered through a Committee structure which was reviewed in 2022. All decisions are made by the Comhairle other than those matters specifically delegated to other statutory or quasi-judicial committees or relating to human resources matters affecting individual employees.

The Audit and Scrutiny Committee forms part of the Comhairle's decision-making structure and is fully compliant with Audit Committee principles. Details of its responsibilities are available at: [Audit and Scrutiny Committee Remit](#). It undertakes the core functions of an Audit Committee as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities* by providing independent and high-level assurance on the adequacy of the risk-management framework, the internal control environment and the integrity of the financial reporting and annual governance process.

The Audit and Scrutiny Committee also considers the reports and recommendations of external audit and inspection agencies, and their implications for governance and risk. It supports effective relationships between external audit and internal audit, inspection agencies and other relevant bodies and encourages the promotion of the value of the audit process and the financial statements. The Committee monitors management action in response to the issues raised by external audit. These arrangements ensure that the Comhairle has the necessary processes and procedures in place to ensure that it is able to fulfil its overall purpose, achieve its intended outcomes for service-users and operate in an economical, efficient and ethical manner in accordance with CIPFA's *Statement on the role of the Head of Internal Audit in public service organisations*.

Internal Control, Performance and Risk Management

The Comhairle's system of internal control is based on a framework of regular management information, financial regulations, accounting policy bulletins, administrative procedures, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Comhairle.

Each Service Committee receives quarterly performance management reports with information drawn from Interplan (the Comhairle's performance management system) which includes progress against targets in the Service Business Plans.

Risk management is viewed as a continuous and evolving process that supports all strategies and service delivery of the Comhairle. A Risk Management Policy and Strategy, which was approved by the Comhairle in December 2019, adopts proactive risk management arrangements to enable decisions to be based on comprehensively-assessed risks. The Comhairle's high-level strategic risk register is reported annually to Members; operational risk has been added to the Performance Management Framework, enabling updates and progress to be published on the performance webpages.

The Comhairle's Reporting Concerns at Work (Whistleblowing) policy is publicised to all employees and can be accessed on the Comhairle's intranet. The Policy was approved by the Comhairle in September 2020 and last updated in November 2022.

A Code of Conduct for employees is also in place. High standards of behaviour are supported by employee contracts of employment and annual appraisals which identify individual training and development.

A new Councillors' Code of Conduct was introduced by the Standards Commission for Scotland in December 2021. The Comhairle maintains an annual training record for Elected Members.

There is a statutory requirement to publish a range of equality information. The Equality Mainstreaming and Outcomes Report was completed in 2021, and a Progress Report was prepared in 2023. An Equal Pay Audit was carried out in 2023. All have been published on the Comhairle's webpages alongside the equality monitoring statistics.

Local Code of Corporate Governance

The Comhairle has approved a Local Code of Corporate Governance consistent with the principles and recommendations of the *Delivering Good Governance in Local Government Framework* (2016) issued jointly by the Chartered Institute of Public Finance and Accountancy ("CIPFA") and Society of Local Authority Chief Executives ("SOLACE"). The Code evidences the Comhairle's commitment to achieving good governance and demonstrates compliance with the standards recommended by CIPFA and SOLACE.

The Code and associated Action Plan are reviewed and updated annually. It was approved by the Comhairle most recently in June 2022. Corporate Management Team and the Comhairle agreed the Action Plan as follows:

1. Ensure customer service standards are maintained and promoted;
2. Continue to update Business Continuity Plans and develop a corporate Business Continuity Plan; and
3. A planned approach to community engagement.

Those actions reflect the work of the Comhairle in ensuring continuous improvement through both self-assessment under the Best Value toolkit and the Public Sector Improvement Framework, and the risk-based approach being adopted to monitor achievement. Progress has been made to date in relation to the action plan as follows:

1. A Customer Services survey has been developed and is on the Comhairle's "Have Your Say" webpage.
2. Business Continuity Plans were presented to the February 2022 series of Comhairle meetings alongside the Budget. A Corporate Business Continuity Plan has also been developed.
3. Community conversations took place for the Budget Strategy process in 2021-22. It is important that community engagement continue to be prioritised.

Statutory Roles

The Comhairle's constitutional documents set out the decision-making structure; they include the Scheme of Delegation, Standing Orders, Contract Regulations and Financial Regulations. Those documents were reviewed by the Comhairle in March 2022.

The Scheme of Delegation designates the Chief Executive as the Comhairle's Head of Paid Service in terms of the Local Government and Housing Act 1989. This requires the post-holder to carry out the specified duties associated with the statutory role including responsibility, where it is appropriate, for setting out proposals and reporting to Comhairle in relation to the following:

- the manner in which the discharge by the Comhairle of its different functions is coordinated;
- the number and grades of staff required by the Comhairle for the discharge of its functions;
- the organisation of the Comhairle's staff; and
- the appointment and proper management of the Comhairle's staff.

The Head of Law and Governance is Monitoring Officer in terms of the Local Government and Housing Act 1989, and is required to report on breaches of the law by the Comhairle.

The Chief Financial Officer is the Proper Officer of the Comhairle with statutory responsibility for the administration of its financial affairs for the purposes of section 95 of the Local Government (Scotland) Act 1973. That Officer is a key member of the Corporate Management Team and one of the lead advisors to the Budget Board, helping it to develop and implement strategy and to resource and deliver the Comhairle's strategic objectives sustainably and in the public interest. As a key advisor to the Comhairle, the Officer supports all material business decisions to ensure that immediate and longer-term implications, opportunities and risks are fully considered and align with the Comhairle's financial strategy. The Officer leads the promotion and delivery of good financial management so that public money is safeguarded and used appropriately, economically, efficiently and effectively. Those arrangements ensure that the Comhairle has the necessary processes and procedures in place so as to enable it to fulfil its overall purpose, achieve its intended outcomes for service-users and operate in an economical, efficient and ethical manner as prescribed in CIPFA's *Statement on the role of the Chief Financial Officer in Local Government*.

The Head of Children's Services is the Chief Social Work Officer in terms of the Social Work (Scotland) Act 1968 and is required to carry out the specified duties associated with the statutory role by ensuring the provision of effective advice to Members and Officers in relation to the provision of social work services.

The Director for Education, Skills and Children's Services is the Chief Education Officer in terms of the Education (Scotland) Act 2016 and is required to advise the Comhairle on the carrying out of its functions in this area.

Scrutiny

There is no requirement for Local Scrutiny Plans unless they are specifically requested by Audit Scotland. However, the Comhairle ensures that it undertakes its own scrutiny by reviewing the Local Code of Corporate Governance and associated Action Plan annually.

The Comhairle publishes benchmarking information on its performance webpages and provides a local perspective to explain the data in more detail and to inform the public about the service being provided, including trend data, costs and satisfaction with the service.

The Comhairle provides follow-up to both internal and external audit actions with a Continuous Improvement Action Plan presented to Audit and Scrutiny Committee detailing outstanding actions and progress updates. Heads of Service have these outstanding actions on the performance management framework, and they are reported in the Service Business Plans. This ensures scrutiny and attention to continuous improvement activity.

Managing the Risk of Fraud and Corruption

The Comhairle's Anti-fraud, Corruption, Bribery and Irregularity Strategy takes cognisance of the CIPFA code of practice on managing the risk of fraud and corruption. It was last updated and approved by the Comhairle in April 2023, and can be accessed at [Anti-Fraud, Corruption, Bribery and Irregularity Strategy](#).

Issues and Concerns Arising Within 2022/23

Nothing was brought to the Monitoring Officer's attention which required him to report to the Comhairle in terms of s5 of the Local Government and Housing Act 1989.

No concerns were reported to the Monitoring Officer under the Comhairle's Reporting Concerns at Work Policy.

There have been no incidents to which the duty of candour (Part 2 of the Health (Tobacco, Nicotine etc. and Care) (Scotland) Act 2016) has applied.

No formal complaint was made against any Councillor.

All local authority social work teams have been required to give evidence to the Scottish Child Abuse Inquiry. The Comhairle's Chief Social Work Officer gave evidence in May 2022. No findings adverse to the Comhairle have been made. The Inquiry's work continues.

The Comhairle continues to monitor the financial risk posed by the Western Isles Integration Joint Board's lack of long-term financial sustainability, as the financing of future deficits could fall on the partner organisations.

The Comhairle suffered a cyber-attack on 7 November 2023, following which resulted in data stored on operational and back-up being inaccessible. Investigations into the attack are ongoing, led by Police Scotland and the National Cyber Security Centre. The loss of data and systems has impacted on service delivery in some areas and short-term solutions to minimise the impact on the community have been implemented. Work is ongoing to rebuild affected systems and Internal Audit will be conducting a review of the systems and procedures in relation to the cyber-attack and the Comhairle's response arrangements and the lessons learnt, to improve cyber resilience.

Review of Effectiveness

The Comhairle continued to have in place appropriate management and reporting arrangements to enable it to be satisfied that its approach to Corporate Governance was both appropriate and effective.

Reporting through the Budget Board and Policy and Resources Committee, alongside close working with the Corporate Management Team, has ensured that the Comhairle's financial management has remained robust, both during the pandemic and into the period of recovery and renewal. Evaluation of the Comhairle's financial management, through internal controls, the Local Code of Corporate Governance and audit assessment demonstrates that there are good controls in place and that there is compliance with CIPFA's Financial Management Code.

Specifically, the Comhairle's governance arrangements have been reviewed and tested against the requirements of the CIPFA/SOLACE framework. Whilst this process of review is coordinated corporately, Directors and Heads of Service have a responsibility to ensure that their own governance arrangements are adequate and operating effectively. In line with framework, the Chief Executive and each Director are required to make an annual statement confirming that this is the case. Service committees, Policy and Resources Committee and Audit and Scrutiny Committee will continue to review Audit Scotland's findings and strategic and operational plans within their remit in 2023/24.

The Internal Audit function within the Comhairle is located within the Chief Executive's Department. The Chief Internal Auditor has a direct line of accountability to the Chief Executive for the independent appraisal of the Comhairle's system of internal control. Internal Audit produce quarterly and annual reports to the Audit and Scrutiny Committee, allowing progress to be monitored. That is supplemented by participation in the CIPFA's Directors of Finance Performance Indicators benchmarking group for all Scottish Local Authorities and by departmental targets as recorded on Interplan.

The Chief internal Auditor's Annual Report and Assurance Statement for 2022/23 was approved by the Audit and Scrutiny Committee on 15 June 2023. The Chief Internal Auditor provided an opinion that reasonable assurance could be placed on the adequacy and effectiveness of the Comhairle's systems of governance, risk management and internal control, for the year ended 31 March 2023. The report also confirmed the organisational independence of the Internal Audit function, which operates in accordance with the Public Sector Internal Audit Standards for Local Government.

Improvements Proposed

A position statement in relation to progress with the Local Code of Corporate Governance Action Plan is provided above. The Code and associated Action Plan have been updated and will be presented to Audit and Scrutiny Committee in June 2023.

Conclusion

We consider that the governance and internal control environment operating during 2022/23 provided reasonable and objective assurance that any significant risks to the achievement of the Comhairle's principal strategic priorities and outcomes were identified and action was taken to avoid or mitigate their impact. The improvements to strengthen the governance arrangements further, as set out in the Local Code of Corporate Governance Action Plan, have served the Comhairle well. The Comhairle has now moved beyond the Covid-19 pandemic to recovery and renewal and continues to provide a robust service to the community.

Systems are in place for regular review and improvement of the governance and internal control environment. The Comhairle will continue to review its corporate governance arrangements and take any additional steps as are required to enhance those arrangements further.



*Councillor Paul F Steele
Leader*

26 September 2024



*Malcolm Burr
Chief Executive*

26 September 2024

REMUNERATION REPORT

Introduction

This report is set out in accordance with the Local Authority (Scotland) Act, as amended by the Local Authority Accounts (Scotland) Amendment Regulations 2014. These Regulations require the disclosure of certain details in respect of the remuneration and pension benefits of senior councillors and senior employees, including those employed by subsidiary bodies. The term remuneration means gross salary, fees and bonuses, allowances and expenses, and compensation for loss of employment. It excludes pension contributions paid by the Comhairle. Gross salary means the annual salary for a full-time employee or councillor and for presentation purposes the salaries of part time employees or those who have been employed or served as Councillors for less than a full year are annualised.

The term pension benefits, covers the in-year contributions paid by the Comhairle for the employee or Councillor, and their accrued pension benefits at 31 March 2023.

All information disclosed in the following tables has been audited by external auditors. Additionally, the disclosure of Members' salaries, allowances and expenses has been audited by external auditors. The other sections, including the section on trade union facility time, has been reviewed by external auditors to ensure that they are consistent with the financial statements.

Arrangements for Remuneration

Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (Convener), Senior Councillors or Councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a councillor who holds a significant position of responsibility in the Council's political management structure and for the Comhairle this has been decided to be the Committee Chairpersons, the Vice-Chair of the Policy and Resources Committee, the Chair/Vice-Chair of the Integration Joint Board, the Chair of the Planning Board and the Chair of the Social Work and Social Care Board.

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

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2022/23 the salary for the Leader of the Comhairle is £31,152 (The maximum permitted is £32,262 however 22/23 salary was lower due to Local Government elections occurring part-way through the financial year). The Regulations permit the council to remunerate one Civic Head (Convener), for 2022/23 the salary was £23,796 (The maximum permitted is £24,467 however 22/23 salary was lower due to Local Government elections occurring part-way through the financial year). The regulations set out the maximum salary that may be paid to that Civic Head and Comhairle policy is to pay in accordance with national guidelines.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors, Leader and Convener shall not exceed £255,260. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits.

Following the Local Government elections in May 2022, there were a number of changes to the Members appointed to Senior Councillor/Leader/Convener positions, and the number of positions increased to 10. In 2022/23 the remuneration paid for these ten positions totalled £224,457. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become members of the pension scheme.

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

Senior Employees

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

Employees Whose Remuneration Was £50,000 or More

This table shows the number of employees whose remuneration in 2022/23 was £50,000 or more. Any starters or leavers are recorded in the band that matches their **actual** remuneration (i.e., not annualised). Where employees have accepted voluntary redundancy or early retirement during the year these redundancy and compensation payments are included in the remuneration figures.

Remuneration Band	Number of Employees	
	2022/23	2021/22
£50,000 - £54,999	53	45
£55,000 - £59,999	32	24
£60,000 - £64,999	19	14
£65,000 - £69,999	17	3
£70,000 - £74,999	3	7
£75,000 - £79,999	6	2
£80,000 - £84,999	2	2
£85,000 - £89,999	1	3
£90,000 - £94,999	2	1
£95,000 - £99,999	1	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	1
£115,000 - £119,999	1	-
Total	137	102

Exit Packages of Employees

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
£0 - £20,000	-	-	1	23	1	23	6,670	£259,089
£20,001 - £40,000	-	-	-	16	-	16	-	£454,945
£40,001 - £60,000	-	-	-	8	-	8	-	£422,323
£60,001 - £80,000	-	-	-	3	-	3	-	£209,078
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	1	2	1	2	147,286	£215,516
Total	-	-	2	52	2	52	153,956	1,560,951

Remuneration of Senior Councillors and Senior Employees

The following tables provide details of the remunerations paid to the Comhairle's Senior Councillors and senior employees:

Senior Councillors and Convenors of Joint Boards

Name and Responsibility	2022/23			2021/22
	Salary, Fees & Allowances	Taxable Expenses	Total Remuneration	Total Remuneration
	£	£	£	£
Paul Steele, Leader of the Comhairle <i>from 05/05/2022</i> / Chair of Education, Sport & Children's Services <i>until 05/05/2022</i>	31,152	-	31,152	20,931
Kenneth Macleod, Convener of the Comhairle <i>from 05/05/2022</i>	23,796	-	23,796	18,604
Angus Morrison, Chair of Audit & Scrutiny	22,308	-	22,308	20,931
Donald Crichton, Chair of Sustainable Development <i>Note 1</i>	22,144	-	22,144	20,931
Uisdean Robertson, Chair of Transportation & Infrastructure	22,308	-	22,308	20,931
Paul Finnegan, Chair of Education, Sport & Children's Services <i>from 05/05/2022</i>	22,077	-	22,077	18,604
John N Macleod, Chair of the Social Work and Social Care Board <i>from 05/05/2022</i>	20,538	-	20,538	18,604
Ranald Fraser, Chair of the Planning Applications Board <i>from 05/05/2022</i>	20,538	-	20,538	18,604
Calum Maclean, Chair/Vice Chair of the IJB <i>from 05/05/2022</i>	20,899	-	20,899	18,604
Duncan Macinnes, Vice Chair of Policy & Resources <i>from 05/05/2022</i>	18,697	-	18,697	-
Total	224,457	-	224,457	176,744
<i>Positions only held until 05/05/2022</i>				
Roddie Mackay, Leader of the Comhairle	3,069	-	3,069	31,010
Norman A Macdonald, Convener of the Comhairle	2,302	-	2,302	23,257
Kenny John Macleod, Chair of Communities & Housing	2,072	-	2,072	20,931
Alasdair Macleod, Vice Chair of Policy & Resources	2,187	-	2,187	20,931
Total	234,087	-	234,087	272,873

Note 1 – Allowance for Vice-convenor of Joint Valuation Board is not included; figures published by Highland Council.

Total Remuneration Paid to Councillors

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

Type of Remuneration	2022/23 £	2021/22 £
Salaries	595,487	602,773
Allowances	11,356	5,599
Expenses	52,486	27,449
Total	659,329	635,821

Full details of Councillors' salaries and expenses for 2022/23 are included in Note 30 of the Annual Accounts and can also be viewed on the Comhairle website at [Council Members – Comhairle nan Eilean Siar \(cne-siar.gov.uk\)](http://Council Members – Comhairle nan Eilean Siar (cne-siar.gov.uk))

Senior Employees

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

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

Employees who fall into the first two categories (for the Comhairle these are the Chief Executive, those that report directly to the Chief Executive, the Chief Education Officer, the Chief Social Work Officer and the Service Directors) must be disclosed, irrespective of the value of their remuneration.

None of our subsidiaries have any remunerated employees.

Name and Responsibility	2022/23			2021/22
	Salary, Fees & Allowances	Taxable Expenses	Total Remuneration	Total Remuneration
	£	£	£	£
Malcolm Burr, Chief Executive <i>Note 1</i>	119,086	120	119,206	113,788
Calum Iain Maciver, Depute Chief Executive	99,974	-	99,974	91,456
Iain Mackinnon, Director for Investment Delivery	86,643	-	86,643	82,826
William Macdonald, Director for Education, Skills & Children's Services and Chief Education Officer	93,096	-	93,096	88,805
Jack Libby, Chief Social Work Officer (from 25/08/21)	71,880	-	71,880	46,025 (68,503 full year equivalent)
Katherine Mackinnon, Executive Head of Corporate Services (until 01/05/22)	10,571 (83,336 full year equivalent)	-	10,571 (83,336 full year equivalent)	82,735
Norma Skinner, Head of Human Resources and Performance (from 24/06/22)	51,118 (67,525 full year equivalent)	-	51,118 (67,525 full year equivalent)	-
Tim Langley, Head of Law and Governance (from 24/06/22)	54,049 (67,525 full year equivalent)	-	54,049 (67,525 full year equivalent)	-
Norman Macdonald Chief Financial Officer (retrospective to 24/02/2021) <i>Note 2</i>	91,447	-	91,447	70,223
Total	677,864	120	677,984	575,858

Note 1 - In 2022/23 the Chief Executive received £2,342 for Returning Officer duties in the Local Government Election and the Local Government By-Elections in Barraigh agus Bhatarsaigh and Sgir' Uige agus Carlabhagh (in 2021/22 £2,297 was received for Returning Officer duties in the Scottish Parliamentary Election and the local By-Election in Na Hearadh agus Ceann a Deas Nan Loch Ward).

Note 2 - Remuneration in 2022/23 includes backpay of £11,881 relating to Section 95 Officer duties in previous years.

PENSION BENEFITS

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

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

From 1 April 2015 the pension scheme for local government employees became a Career Average Revalued Earnings (CARE) scheme. Prior to this date a final salary pension scheme that had been in place which based pension benefits on the final year's pay and the number of years that person has been a member of the scheme. In a CARE scheme the pensionable pay for each year of membership is used, in order to calculate a pension amount for that particular year. That pension amount is then revalued each year in line with inflation. These individual pension amounts are then added together to arrive at the total pension payable from the scheme. The scheme's normal retirement age for both Councillors and employees is 65.

Contributions from scheme members are based on how much pensionable pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. From April 2015 contributions are worked out based on actual pay. For employees working part-time their rate is based on the actual rate of pay for the job and contributions are only paid on the pay actually earned:

Rate of Pay 2021/22	Rate of Pay 2022/23	Contribution Rate
Up to and including £22,955	Up to and including £23,676	5.50%
Between £22,956 and £29,857	Between £23,677 and £30,765	Between 5.6% and 6.0%
Between £29,858 and £37,474	Between £30,766 and £38,635	Between 6.1% and 6.5%
Between £37,475 and £45,122	Between £38,636 and £46,520	Between 6.6% and 7.0%
Between £45,123 and £59,569	Between £46,521 and £61,386	Between 7.1% and 8.0%
Between £59,570 and £79,762	Between £61,387 and £82,194	Between 8.1% and 9.0%
Between £79,763 and £120,666	Between £82,195 and £124,346	Between 9.1% and 10.0%
More than £120,667	More than £124,347	10.1% and over

Senior Councillors and Convenors of Joint Boards

The pension entitlements for Senior Councillors for the year to 31 March 2023 are shown in the following table, together with the contribution made by the Comhairle to their pension during the year.

Name and Responsibility	In-year Pension Contributions		Accrued Pension Benefits		
	Year to 31/03/2023	Year to 31/03/2022	As at 31/03/2023		Difference from March 2022
	£	£		£	£
Paul Steele, Leader of the Comhairle from 05/05/2022 / Chair of Education, Sport & Children's Services until 05/05/2022	5,919	3,977	Pension	3,000	1,000
			Lump Sum	-	-
Kenneth Macleod, Convener of the Comhairle from 05/05/2022	4,521	3,535	Pension	4,000	-
			Lump Sum	-	-
Angus Morrison, Chair of Audit & Scrutiny	4,238	3,977	Pension	4,000	-
			Lump Sum	-	-
Donald Crichton, Chair of Sustainable Development	4,348	3,977	Pension	5,000	1,000
			Lump Sum	-	-
Uisdean Robertson, Chair of Transportation & Infrastructure	4,238	3,977	Pension	5,000	-
			Lump Sum	-	-
Paul Finnegan, Chair of Education, Sport & Children's Services from 05/05/2022	4,195	3,535	Pension	2,000	-
			Lump Sum	-	-
John N Macleod, Chair of the Social Work and Social Care Board from 05/05/2022	3,902	3,535	Pension	3,000	1,000
			Lump Sum	-	-
Ranald Fraser, Chair of the Planning Applications Board from 05/05/2022	3,902	3,535	Pension	2,000	-
			Lump Sum	-	-
Calum Maclean, Chair/Vice Chair of the IJB from 05/05/2022	3,708	3,535	Pension	2,000	-
			Lump Sum	-	-
Duncan Macinnes, Vice Chair of Policy & Resources from 05/05/2022	3,552	-	Pension	-	-
			Lump Sum	-	-
Total	42,523	33,583			

Positions only held until 05/05/2022

Roddie Mackay, Leader of the Comhairle <i>Note 1</i>	583	5,892	Pension	7,000	-
			Lump Sum	2,000	-
Norman A Macdonald, Convener of the Comhairle <i>Note 2</i>	437	4,419	Pension	3,000	-1,000
			Lump Sum	20,000	20,000
Kenny John Macleod, Chair of Communities & Housing <i>Note 3</i>	394	3,977	Pension	2,000	-
			Lump Sum	-	-
Alasdair Macleod, Vice Chair of Policy & Resources <i>(Not a member of the LGPS)</i>	-	-	Pension	-	-
			Lump Sum	-	-
Total	43,937	47,871			

Note 1 – Councillor left - values based on deferred pension and lump sum accrued to date of leaving

Note 2 – Councillor retired - values are based on the pension and lump sum paid to him after commutation.

Note 3 – Councillor retired - values are based on the pension and lump sum paid to him (no commutation)

Senior Employees

The pension entitlements of Senior Employees for the year to 31 March 2023 are shown in the table below, together with the contribution made by the Comhairle to their pension during the year.

Name and Responsibility	In-year pension contributions		Accrued Pension Benefits		
	Year to 31/03/2023	Year to 31/03/2022	As at 31/03/2023		Difference from March 2022
	£	£		£	£
Malcolm Burr, Chief Executive	22,626	21,620	Pension	59,000	5,000
			Lump Sum	83,000	4,000
Calum Iain Maciver, Depute Chief Executive	18,995	17,377	Pension	44,000	5,000
			Lump Sum	57,000	4,000
Iain Mackinnon, Director for Investment Delivery	16,462	15,737	Pension	49,000	4,000
			Lump Sum	77,000	3,000
William Macdonald, Director for Education, Skills & Children's Services and Chief Education Officer <i>Note 1</i>	17,688	16,873	Pension	38,000	2,000
			Lump Sum	101,000	-
Jack Libby, Chief Social Work Officer (from 25/08/21)	13,657	13,033	Pension	26,000	2,000
			Lump Sum	26,000	1,000
Katherine Mackinnon, Executive Head of Corporate Services (until 01/05/22) <i>Note 2</i>	2,009	15,720	Pension	32,000	-12,000
			Lump Sum	208,000	132,000
Norma Skinner, Head of Human Resources and Performance (from 24/06/22)	12,754	-	Pension	28,000	-
			Lump Sum	36,000	-
Tim Langley, Head of Law and Governance (from 24/06/22)	13,138	-	Pension	13,000	-
			Lump Sum	-	-
Norman MacDonald, Chief Financial Officer (retrospective to 24/02/2021) <i>Note 3</i>	17,375	13,342	Pension	43,000	7,000
			Lump Sum	71,000	10,000
Total	134,704	113,702			

Note 1 – Employee was previously a member of SPPA pension scheme until becoming Director for Education, Skills & Children's Services and is now a member of the LGPS pension scheme.

Note 2 – Employee retired on 01/05/2022 - values are based on the pension and lump sum paid to her after commutation.

Note 3 – Employee was appointed as Section 95 officer during 2021/22.

The employees shown in the tables above are members of the Local Government Pension Scheme, other than the Note above.

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

TRADE UNION FACILITY TIME

The Trade Union (Facility Time Publication Requirements) Regulations 2017 place a legislative requirement on public sector employers to publish, on an annual basis, a range of data on the amount and cost of facility time within the organisation. The purpose of these regulations is to promote transparency and allow for public scrutiny of facility time. Facility time is the provision of paid or unpaid time off from an employee's normal role to undertake Trade Union duties and activities as a Union representative. There is a statutory entitlement to reasonable paid time off for undertaking these duties. There is no such entitlement to paid time off for activities.

CENTRAL FUNCTION 2022/23

Table 1 - Relevant union officials

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
4 (inclusive of all branch officials, trade union representatives and stewards)	0.2

Table 2 - Percentage of time spent on facility time

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of Employees
0%	2
1-50%	2
51%-99%	0
100%	0

Table 3 - Percentage of pay bill spent on facility time

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

	Figures
Provide the total cost of facility time	£4,763
Provide the total pay bill	£47,898,242
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.01%

Table 4 - Paid trade union activities

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

2.7%

EDUCATION FUNCTION 2022/23**Table 1 - Relevant union officials**

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
10 <small>(inclusive of all branch officials, trade union representatives and stewards)</small>	0.25

Table 2 - Percentage of time spent on facility time

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of Employees
0%	1
1-50%	9
51%-99%	0
100%	0

Table 3 - Percentage of pay bill spent on facility time

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

	Figures
Provide the total cost of facility time	£15,194
Provide the total pay bill	£32,503,127
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.05%

Table 4 - Paid trade union activities

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

20.9%



Paul F. Steele
Leader

26 September 2024



Malcolm Burr
Chief Executive

26 September 2024

ACCOUNTING POLICIES

1. General Principles

The Annual Accounts have been prepared on an Income and Expenditure basis in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. The service headings under which the expenditure is analysed in the Comprehensive Income and Expenditure Statement are those recommended by the Service Reporting Code of Practice. The accounts have been prepared under the historic cost convention, other than changes resulting from the revaluation of certain categories of fixed assets and the valuation of financial investments and pension liabilities.

2. Accruals of Income and Expenditure

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

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

3. Charges to Revenue for Non-Current Assets

Services are charged with the following amounts to record the cost of holding non-current assets during the year – depreciation, revaluation and impairment losses (where there are no accumulated gains in the Revaluation Reserve with which these can be offset) and amortisation of intangible assets.

The Comhairle is not required to raise council tax receipts to fund these costs. However, it is required to make an annual contribution from revenue towards Loans Fund principal repayments (The Comhairle operates a Loans Fund, under Schedule 3 of the Local Government (Scotland) Act 1975, to finance capital expenditure). The difference between the depreciation and impairment charges and the principal repayments are adjusted by way of a transaction between the Capital Adjustment Account and the Movement in the Reserves Statement.

4. 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 plus accrued interest.

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

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Account. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

5. **Revenue Expenditure funded from Capital under statute**

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

6. **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.

7. **Government Grants and Contributions**

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

8. **Inventory**

The Code 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.

9. **Property, Plant and Equipment**

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum

every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the value of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

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

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

Disposals

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

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

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

Depreciation

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

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

** For schools built as part of the Western Isles Schools Programme the estimated useful life of some of the components, such as the main structure, is 80 years.*

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

10. **Heritage Assets**

The Museum's collections of Heritage Assets are held in support of the primary objective of documenting and interpreting the archaeology and history of the Outer Hebrides, its Gaelic culture, traditions and the crofting way of life. The principal collection is in the field of social history, with holdings ranging across a number of themes: agriculture, domestic life, tweed and cloth production, fishing and maritime life and island crafts. The Museum also holds strong collections reflecting the rich archaeological past of the islands, civic archive and important postal history materials. Its visual arts collections are small, reflecting the limited place of the pictorial arts of the local culture in the past.

Detailed policies and procedures for conservation, loans, collections care, security, documentation, entry, acquisition, movement & control cataloguing and exit can be found at www.cne-siar.gov.uk. The collections are valued by a combination of cost, Insurance Values, and Market Values as determined by an external valuer. Where information on cost or value is not available, and where the cost of obtaining information outweighs the benefit to users of the Annual Accounts, these assets are not recognised in the Balance Sheet.

11. **Intangible Assets**

Expenditure on assets that do not have physical substance but are controlled by the Comhairle as a result of past events are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Comhairle. Note 14 to the Accounts gives details of the Comhairle's intangible assets which consist of software licences and Fishing Quota.

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

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

12. **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions on an instant access basis. Cash equivalents are investments that mature within in three months from the date of commencement and that are readily convertible to known amounts of cash with insignificant risk of change in value.

13. **Provisions**

Provisions are made where an event has taken place that places an obligation on the Comhairle that is likely to require a financial settlement, but where the timing and actual value of the settlement are uncertain. Provisions are charged to the appropriate service revenue account in the year that the Comhairle becomes aware of the obligation and actual payments in settlement are charged directly to the provision in the Balance Sheet. Details are given in Note 21.

14. **Contingent Assets and Liabilities**

Contingent Assets and Liabilities are not recognised in the financial statements but are disclosed as a note to the accounts where they are deemed material.

15. **Provisions for Bad and Doubtful Debts**

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

- Council Tax
- Sundry Debtors
- Business loans
- Charges on Properties

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

16. **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases.

The Authority as Lessee

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

Finance Leases – property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in Movement in Reserves Statement for the difference between the two.

The Authority as Lessor

Operating Leases – where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Finance Leases – where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to Capital Receipts Reserve in the Movement in Reserves Statement.

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

17. **Employee Benefits**

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

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

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

Post Employment Benefits

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

Teachers' Pension Scheme - this is an unfunded scheme administered by the Scottish Government who sets the contribution rate based on a notional fund. The amounts included in the accounts are the contributions due in the year. In addition, the cost of pension enhancements for early retirement are included in non-distributable costs. The scheme is exempt from International Accounting Standard 19 (IAS19) 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 IAS19. The Comhairle has disclosed certain information regarding assets, liabilities, income and expenditure relating to the pension scheme. IAS 19 requires that an organisation must account for retirement benefits when it is committed to giving them, even if the giving will be many years in the future.

The liabilities of the fund attributable to the Comhairle are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees. Liabilities are discounted to their value at current prices using a discount rate of 2.3% based on the indicative rate of return on high quality corporate bonds.

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

The change in the net pension liability is also recognised in the Comprehensive Income and Expenditure Statement. Current service costs, which represent the increase in liabilities as a result of years of service earned this year are charged to the relevant service line and past service cost, which relate to adjustments relating to previous years are charged to Non-Distributed Costs. Net interest on the defined benefit liability is charged to the Financing and Investment Income line. Re-measurements, comprising of the return on scheme assets and actuarial gains and losses arising from differences in assumptions compared to actual events, are charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

Statutory provisions require that the amount charged to the General Fund is the actual amount paid by the Comhairle during the year and not the amount calculated using accounting standards. This is adjusted through the Movement in Reserves Statement and the Pension Reserve.

18. **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 2022/23 none of the trading operations were classified as significant.

19. **Reserves**

The Comhairle has a number of Reserve Funds. The Capital Fund represents proceeds from the sale or disposal of property, plant and equipment assets and may be used to finance to meet future capital investment.

The Capital Adjustment Account and the Revaluation Reserve are used to manage the accounting processes for non-current assets and do not represent usable resources for the Comhairle. The former accounts for the timing differences arising from the accounting arrangements for the consumption of non-current assets and the financing of the acquisition, construction and enhancement of these assets, and the latter holds the gains arising from increases in the value of fixed assets.

The Financial Instruments Adjustment Account is used to account for the differences in statutory requirements and proper accounting practices in respect of borrowing. This account is used by the Comhairle mainly to manage the premiums paid of the early redemption of long-term loans.

The Pensions Reserve recognises the Comhairle's share of the actuarial gains and losses on The Highland Council Pension Fund and the change in the Comhairle's share of fund's net liability chargeable to the Comprehensive Income and Expenditure Statement.

20. **Events after the Reporting Period**

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. An adjustment is made to the statements where there is evidence that the event relates to the reporting period, otherwise the statements are not adjusted, and where the amount is material, a disclosure is made in the notes.

21. **Prior Period Adjustments and Changes in Accounting Policy**

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting policy are applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors identified in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

22. **VAT**

Income and Expenditure excludes any amount related to VAT, as this is payable or recoverable to/from HM Revenue and Customs.

MOVEMENT IN RESERVES STATEMENT

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

2022/23	General Fund £'000	Capital Grants Unapplied £'000	Capital Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2022	31,670	6,115	919	38,704	164,120	202,824
Movement in Reserves during 2022/23						
Total Comprehensive Income and Expenditure	(19,290)	-	-	(19,290)	137,847	118,557
Adjustments between accounting basis and funding basis under regulation (Note 8)	15,067	5,261	226	20,554	(20,554)	-
Adjustments between reserves permitted by accounting standards	2,509	-	-	2,509	(2,509)	-
Net Increase/(Decrease) during 2022/23	(1,714)	5,261	226	3,773	114,784	118,557
Transfer between Reserves	-	-	-	-	-	-
Balance at 31 March 2023	29,956	11,376	1,145	42,477	278,904	321,381
2021/22 Comparative Figures	General Fund £'000	Capital Grants Unapplied £'000	Capital Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2021	27,749	4,996	835	33,580	115,359	148,939
Movement in Reserves during 2021/22						
Total Comprehensive Income and Expenditure	(12,880)	-	-	(12,880)	66,765	53,885
Adjustments between accounting basis and funding basis under regulation (Note 8)	16,801	1,119	84	18,004	(18,004)	-
Net Increase/(Decrease) during 2021/22	3,921	1,119	84	5,124	48,761	53,885
Transfers between Reserves	-	-	-	-	-	-
Balance at 31 March 2022	31,670	6,115	919	38,704	164,120	202,824

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Comhairle raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. Note 7 to the Accounts gives details on the adjustments between the statutory and funding basis.

2021/22 Restated			Service	2022/23		
Gross Expend	Gross Income	Net Expend		Gross Expend	Gross Income	Net Expend
£'000	£'000	£'000		£'000	£'000	£'000
68,539	(9,153)	59,386	Education, Skills and Children's Services	75,990	(8,797)	67,193
43,648	(10,642)	33,006	Depute Chief Executive	55,988	(12,432)	43,556
66,383	(39,171)	27,212	Health and Social Care	65,815	(36,484)	29,331
12,646	(7,713)	4,933	Chief Executive's	12,187	(5,762)	6,425
9,417	(4,807)	4,610	Strategic Finance	9,652	(4,766)	4,886
66	-	66	Investment Delivery	99	-	99
200,699	(71,486)	129,213	Cost of Services	219,731	(68,241)	151,490
123	-	123	Other Operating Expenditure (Note 9)		(13)	(13)
10,397	(141)	10,256	Financing and Investment Income & Expenditure (Note 10)	11,465	(2,177)	9,288
-	(126,712)	(126,712)	Taxation and Non Specific Grant Income (Note 11)	-	(141,475)	(141,475)
211,219	(198,339)	12,880	(Surplus)/Deficit on Provision of Services	231,196	(211,906)	19,290
		(27,199)	(Surplus)/Deficit on Revaluation of Fixed Assets (Note 22)			(16,511)
		(39,566)	Remeasurement of the Net Defined Benefit Liability (Asset) (Note 37)			(121,336)
		(66,765)	Other Comprehensive (Income)/Expenditure			(137,847)
		(53,885)	Total Comprehensive (Income)/Expenditure			(118,557)

BALANCE SHEET

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

31/03/2022		31/03/2023	
£'000		£'000	£'000
345,642	Property, Plant and Equipment (Note 12)	361,329	
2,162	Heritage Assets (Note 13)	605	
385	Intangible Assets (Note 14)	354	
688	Long Term Debtors (Note 15)	19,057	
348,877	Long Term Assets		381,345
40,036	Short Term Investments	26,254	
1,718	Assets Held for Sale (Note 19)	1,678	
1,178	Inventories	1,420	
21,575	Short Term Debtors (Note 17)	16,471	
23,704	Cash and Cash Equivalents (Note 18)	21,809	
88,211	Current Assets		67,632
(4,281)	Short Term Borrowing (Note 16)	(4,737)	
(31,750)	Short Term Creditors (Note 20)	(31,837)	
(36,031)	Current Liabilities		(36,574)
(130,529)	Long Term Borrowing (Note 16)	(127,391)	
(1,203)	Other Long Term Liabilities (Note 33)	(1,021)	
(568)	Long-term Provision (Note 21)	(3,964)	
(65,933)	Pension Asset / (Liability) (Note 37)	41,354	
(198,233)	Long Term Liabilities		(91,022)
202,824	Net Assets		321,381
31,670	General Fund	29,956	
918	Capital Fund	1,145	
6,117	Capital Grants Unapplied	11,376	
38,705	Usable Reserves		42,477
164,119	Unusable Reserves (Note 22)		278,904
202,824	Total Reserves		321,381

The unaudited Accounts were issued on 28 June 2023 and the audited Accounts were authorised for issue on 26 September 2024.

Norman Macdonald

Norman Macdonald
Chief Financial Officer

26 September 2024

CASH FLOW STATEMENT

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

2021/22 £'000		2022/23 £'000
(12,880)	Net surplus or (deficit) on the provision of services	(19,290)
33,876	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 26)	31,164
20,996	Net cash flows from Operating Activities (Note 23)	11,874
(20,135)	Investing Activities (Note 24)	(11,073)
(279)	Financing Activities (Note 25)	(2,696)
582	Net increase/(decrease) in cash and cash equivalents	(1,895)
23,122	Cash and cash equivalents at the beginning of the period	23,704
23,704	Cash and cash equivalents at the end of the period (Note 18)	21,809
582	Net increase/(decrease) in cash and cash equivalents	(1,895)

NOTE 1 - ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The Code requires implementation from April 2023 and there is therefore no impact on the 2022/23 Accounts. This applies to the adoption of the following new or amended standards within the 2022/23 Code:

- IFRS 16 Leases (but only for those authorities that have decided to voluntarily implement in 2023/24);
- If IFRS 16 was adopted in 2022/23 but chose to defer for PFI/PPP arrangements, information on this accounting change will be required in 2022/23 Statement of Accounts;
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021;
- Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12) issued in May 2021;
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

It is anticipated that these changes will not have a material impact on the financial information provided in the Accounts i.e. the surplus or deficit on the Provision of Services is unlikely to change.

NOTE 2 - ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Comhairle's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pension Liability/Asset	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Comhairle with expert advice about the assumptions to be applied.	The effects on the net pension liability/asset of changes in individual assumptions can be measured. For example, a 0.1% change in the discount rate assumption would result in a reduction of 2% or £5.9m in the pension liability; whereas a 0.1% increase in life expectancy would increase the liability by 4% or £13.1m. In 2022/23 the actuaries advised that the net pension position was an asset of £45m, after applying a ceiling to the valuation of the asset. which is a divergence from previous results. This is attributable to updating of the assumptions and the high discount rates on corporate bond yields. Additional information of the sensitivities regarding principal actuarial assumptions are detailed in Note 37.

Item	Uncertainties	Effect if actual results differ from assumptions
Pension Liability	The Comhairle's share of the Pension Fund asset portfolio as at 31 March 2023 includes £37m of property and £29m of private equity. These Level 3 investments are the most liquid and hard to value and carry the highest valuation uncertainty.	Pension assets at 31 March 2023 were valued at £373m, £66m of which consisted of property and private equity. Given the risk associated with the valuing of these categories of assets, a reduction in value of, for example, 5% would equate to a reduction of £3.3m in the pension asset.
Arrears	At 31 March 2023 Comhairle had a balance of sundry debtors for £9.4m. An allowance for bad and doubtful debts of £3m of the balance outstanding has been provided using the aged debt profile as the basis. In addition, Council Tax and Non-Domestic Rates debt at the end of the financial year amounted to £3.7m and £0.5, with provisions of £1.8m and £0.1m respectively.	Given the amount of outstanding debt which is secured against property and the current economic climate, the level of provision may not be sufficient. For example, an increase of 10% in the level of bad debts would require an additional £300k for sundry debtors and £180k for Council Tax. However, the extent of the provision means that a significant portion of the debt is covered.

NOTE 3 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies, the Comhairle has had to make certain judgements about complex transactions or those involving uncertainty about future events. The main judgement made in the statements is in respect of the levels of future government funding for local government. In light of the continued funding uncertainties, the Comhairle's financial strategy and business planning processes, through service redesign and efficiency measures, have ensured that services have been maintained. The Comhairle has determined that this uncertainty is not yet sufficient to provide an indication that assets might be impaired as a result of the need to close facilities and reduce levels of service provision.

NOTE 4 - MATERIAL ITEMS OF INCOME AND EXPENDITURE

Where material items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and value of these amounts must be disclosed. There were no such items in 2021/22 or 2022/23.

NOTE 5 EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by the Comhairle in comparison with those resources consumed or earned in accordance with generally accepted accounting practice. It also shows how this expenditure is allocated for decision making purposes between the Comhairle's services. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Service	2022/23		
	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000
Education, Skills and Children's Services	48,040	19,153	67,193
Depute Chief Executive	23,132	20,424	43,556
Health and Social Care	24,829	4,502	29,331
Chief Executive's	3,922	2,503	6,425
Strategic Finance	4,417	469	4,886
Investment Delivery	50	49	99
Net Cost of Services	104,390	47,100	151,490
Other Income and Expenditure	(102,676)	(29,524)	(132,200)
(Surplus)/Deficit	1,714	17,576	19,290
Opening General Fund Balance	(31,670)		
(Surplus)/Deficit for year	1,714		
Closing General Fund Balance	(29,956)		

Service	2021/22 Restated		
	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000
Education, Skills and Children's Services	44,141	15,245	59,387
Depute Chief Executive	20,912	12,093	33,005
Health and Social Care	21,463	5,749	27,212
Chief Executive's	4,009	925	4,934
Strategic Finance	4,353	257	4,610
Investment Delivery	8	58	66
Net Cost of Services	94,886	34,327	129,213
Other Income and Expenditure	(98,807)	(17,526)	(116,333)
(Surplus)/Deficit	(3,921)	16,801	12,880
Opening General Fund Balance	(27,749)		
(Surplus)/Deficit for year	(3,921)		
Closing General Fund Balance	(31,670)		

NOTE 6 EXPENDITURE AND FUNDING ANALYSIS ADDITIONAL INFORMATION

Adjustments Between Funding and Accounting Basis 2022/23				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts £'000	Adjustments for Capital Purposes ¹ £'000	Net Change for the Pension Adjustments ² £'000	Other Differences ³ £'000	Total Adjustments £'000
Education, Skills and Children's Services	15,021	4,063	69	19,153
Depute Chief Executive	17,782	2,631	11	20,424
Health and Social Care	396	4,113	(7)	4,502
Chief Executive's	1,583	913	7	2,503
Strategic Finance	28	454	(13)	469
Investment Delivery	0	49	0	49
Net Cost of Services	34,810	12,223	67	47,100
Other Income and Expenditure from the Expenditure and Funding Analysis	(31,197)	1,827	(154)	(29,524)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services	3,613	14,050	(87)	17,576

Adjustments Between Funding and Accounting Basis 2021/22 Restated				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts £'000	Adjustments for Capital Purposes ¹ £'000	Net Change for the Pension Adjustments ² £'000	Other Differences ³ £'000	Total Adjustments £'000
Education, Skills and Children's Services	10,722	4,508	15	15,245
Depute Chief Executive	9,073	3,061	(41)	12,093
Health and Social Care	1,161	4,616	(28)	5,749
Chief Executive's	(208)	1,128	4	924
Strategic Finance	28	240	(12)	256
Investment Delivery	0	58	0	58
Net Cost of Services	20,776	13,611	(62)	34,325
Other Income and Expenditure from the Expenditure and Funding Analysis	(19,212)	1,842	(154)	(17,524)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services	1,564	15,453	(216)	16,801

1. Adjustments for Capital Purposes

This column adds in depreciation, impairment and revaluation gains and losses in the service line, and for:

Other Operating Expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and Investment Income and Expenditure - the statutory charges for capital financing and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and Non-Specific Grant Income - capital grants are adjusted for income not chargeable under generally accepted accounting practices.

2. Net Charges for Pension Adjustments

Net change for the removal of pension contributions and the addition of IAS19 pension related expenditure and income:

For **services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For **Financing and Investment Income and Expenditure** the net interest on the defined benefit liability is charged to the CIES.

3. Other Differences

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:

For **services**, this represents an adjustment in respect of annual leave entitlement not used by staff during the year.

For **Financing and Investment Income and Expenditure** the other differences column recognises adjustments to the General Fund for the timing differences in premiums and discounts in the repayment of debt.

The charge under **Taxation and Non-Specific Grant Income** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Income Accounts.

EXPENDITURE AND INCOME ANALYSED BY NATURE

The Comhairle's expenditure and income is analysed as follows:		
2021/22 £'000	Income from Services	2022/23 £'000
	Expenditure	
92,246	Employee Benefits Expenses	94,652
98,454	Other Services Expenses	110,549
9,587	Support Service Recharges	9,981
20,777	Depreciation, Amortisation and Impairment	26,975
10,396	Interest Payments	11,188
355	Precepts and Levies	377
123	Loss/(Gain) on the Disposal of Assets	(13)
231,938	Total Expenditure	253,709
	Income	
(59,310)	Fees, Charges and Other Service Income	(66,010)
(144)	Interest and Investment Income	(2,187)
(18,114)	Income from Council Tax and Non Domestic Rates	(20,646)
(141,490)	Government Grants and Contributions	(145,576)
(219,058)	Total Income	(234,419)
12,880	(Surplus)/Deficit on the Provision of Services	19,290

NOTE 7 MOVEMENT IN EARMARKED RESERVES

This note sets out the amounts set aside within the General Fund to provide for future expenditure plans and specific projects.

	Balance at 31 March 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance at 31 March 2023 £'000
Forward Budget Strategy	4,588	(5,298)	6,885	6,175
Schools Lifecycle Fund	4,979	(643)	798	5,134
COVID-19 Funding	4,346	(2,519)	-	1,827
Match Fund	482	(334)	-	148
Education Initiatives	1,726	(635)	321	1,412
Modern Apprenticeships	759	(433)	-	326
Health and Social Care Funds	442	-	-	442
Economic Development Loans Pool	474	-	114	588
Departmental Carry Forwards	2,527	(2,573)	2,030	1,984
Scottish Crown Estate Funding	2,860	(1,585)	1,535	2,810
Scottish Government Grants	2,917	(3,083)	2,074	1,908
Miscellaneous Projects	2,074	(2,404)	4,032	3,702
Balance at 31 March 2021	28,174	(19,507)	17,789	26,456

NOTE 8 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2022/23	Usable Reserves			Movement in Unusable Reserves £'000
	General Fund Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory adjustments:				
• Pension costs (transferred to (or from) the Pensions Reserve)				
Reversal of items relating to retirement benefits	(14,112)	-	-	14,112
Reversal of Teachers Pension Liability adjustment	62	-	-	(62)
• Financial instruments (transferred to the Financial Instruments Adjustment Account)				
Amount by which finance costs charged to CI&E are different from costs charged in accordance with statute	154	-	-	(154)
• Holiday pay (transferred to the Accumulated Absences Reserve)				
Amount by which remuneration charged to CI&E on an accruals basis is different from that chargeable in the year in accordance with statutory requirements	(67)	-	-	67
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)				
Depreciation of non-current assets	(12,441)	-	-	12,441
Revaluation losses and Impairment of Property, Plant & Equipment	(11,752)	-	-	11,752
Capital Grants and Contributions Applied	16,494	-	-	(16,494)
Gain/Loss on disposal of non-current assets	(95)	-	-	95
Stormway Port Authority loan - provision	(8,111)	-	-	8,111
Credit Losses	(277)	-	-	277
Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	8,263	-	(8,263)	-
Total Adjustments to Revenue Reserves	-21,882	0	-8,263	30,145
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	226	(226)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	6,045	-	-	(6,045)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	544	-	-	(544)
Total Adjustments between Revenue and Capital Resources	6,815	-226	-	-6,589
Adjustments to Capital Resources				
Application of capital grants to finance capital expenditure	-	-	3,002	(3,002)
Total Adjustments to Capital Resources	-	-	3,002	(3,002)
Total Adjustments	(15,067)	(226)	(5,261)	20,554

2021/22	Usable Reserves			Movement in Unusable Reserves £'000
	General Fund Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory adjustments:				
• Pension costs (transferred to (or from) the Pensions Reserve)				
Reversal of items relating to retirement benefits	(15,751)	-	-	15,751
Reversal of Teachers Pension Liability adjustment	299	-	-	(299)
• Financial instruments (transferred to the Financial Instruments Adjustment Account)				
Amount by which finance costs charged to Cl&E are different from costs charged in accordance with statute	154	-	-	(154)
• Holiday pay (transferred to the Accumulated Absences Reserve)				
Amount by which remuneration charged to Cl&E on an accruals basis is different from that chargeable in the year in accordance with statutory requirements	61	-	-	(61)
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)				
Depreciation of non-current assets	(12,745)	-	-	12,745
Revaluation losses and Impairment of Property, Plant & Equipment	(8,032)	-	-	8,032
Capital Grants and Contributions Applied	6,710	-	-	(6,710)
Income in relation to Donated Assets	-	-	-	0
Gain/Loss on disposal of non-current assets	(207)	-	-	207
Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	4,917	-	(4,917)	-
Total Adjustments to Revenue Reserves	-24,594	-	-4,917	29,511
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	84	(84)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	6,346	-	-	(6,346)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,363	-	-	(1,363)
Total Adjustments between Revenue and Capital Resources	7,793	-84	-	-7,709
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-
Application of capital grants to finance capital expenditure	-	-	3,798	(3,798)
Total Adjustments to Capital Resources	-	-	3,798	(3,798)
Total Adjustments	(16,801)	(84)	(1,119)	18,004

NOTE 9 OTHER OPERATING EXPENDITURE

2021/22 £'000		2022/23 £'000
123	Gains/Losses on disposal of non-current assets	(13)
123		(13)

NOTE 10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2021/22 £'000		2022/23 £'000
8,556	Interest payable and similar charges	9,638
1,841	Pension interest costs and expected return on pension assets	1,827
(141)	Interest receivable and similar income	(2,177)
10,256		9,288

NOTE 11 TAXATION AND NON SPECIFIC GRANT INCOME

2021/22 £'000		2022/23 £'000
(11,957)	Council Tax income	(12,497)
(6,157)	Non Domestic Rates	(8,149)
(96,971)	General Revenue Grant	(95,954)
(11,627)	Capital grants and contributions	(24,875)
(126,712)		(141,475)

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

Movements in 2022/23	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000
Cost or Valuation						
At 1 April 2022	221,303	33,289	1,340	58	24,518	280,508
Additions	4,958	1,589	11	-	1,610	8,168
Revaluation increases recognised in the Revaluation Reserve	19,325	-	-	-	-	19,325
Revaluation (decreases) in the surplus/(deficit) on the provision of services	(20,716)	-	-	-	-	(20,716)
Derecognition - disposals	(25)	(1,571)	-	-	-	(1,596)
Transfer	3,963	-	-	-	(3,963)	0
At 31 March 2023	228,808	33,307	1,351	58	22,165	285,689
Accumulated Depreciation and Impairment						
At 1 April 2022	1,328	26,932	835	-	-	29,095
Depreciation Charge	7,934	1,390	55	-	-	9,379
Depreciation written out to the Revaluation Reserve	(6,490)	-	-	-	-	(6,490)
Depreciation written out to the surplus / deficit on the provision of services	(1,161)	-	-	-	-	(1,161)
Derecognition - disposals	-	(1,571)	-	-	-	(1,571)
At 31 March 2023	1,611	26,751	890	-	-	29,252
Net Book Value						
Assets Owned	225,932	6,556	461	58	22,165	255,172
Assets Leased	1,265	-	-	-	-	1,265
At 31 March 2023	227,197	6,556	461	58	22,165	256,437
Assets Owned	218,541	6,357	505	58	24,518	249,979
Assets Leased	1,434	-	-	-	-	1,434
At 31 March 2022	219,975	6,357	505	58	24,518	251,413

Note: Infrastructure Assets

Infrastructure Assets are assets that form part of a continuous network that is maintained in a relatively steady state, though there may be distinctive components of this network, such as carriageways, structures such as bridges, street lighting, street furniture and traffic management systems. This category of asset would also include transport and fishery piers.

Infrastructure assets are measured at depreciated historical cost, rather than current value, as defined by the CIPFA Code of Practice on Local Authority Accounting. A move to a valuation process for these assets has previously been considered but as yet not implemented, partly due to deficits in the information required to follow proper accounting rules. CIPFA has provided a Statutory Override that confirms the continuation of current practices until 31 March 2024, and these have been adopted by the Comhairle:

Statutory Override 1: For accounting periods commencing from 1 April 2021 until 31 March 2024, a local authority is not required to report gross cost and accumulated depreciation for infrastructure assets.

Statutory Override 2: For accounting periods commencing from 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be accounted for as a nil amount. No subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.

Infrastructure Assets with a historical cost of £104.9m are included within Property, Plant and Equipment on the Balance Sheet.

Comparative movements in 2021/22	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000
Cost or Valuation						
At 1 April 2021	221,226	33,211	1,310	58	13,058	268,863
Additions	565	1,331	30	-	11,460	13,386
Revaluation increases recognised in the Revaluation Reserve	26,401	-	-	-	-	26,401
Revaluation (decreases) in the surplus/(deficit) on the provision of services	(25,515)	-	-	-	-	(25,515)
Derecognition - disposals	(84)	(1,253)	-	-	-	(1,337)
Assets reclassified (to)/from held for sale Transfer	(1,290)	-	-	-	-	(1,290)
						-
At 31 March 2022	221,303	33,289	1,340	58	24,518	280,508
Accumulated Depreciation and Impairment						
At 1 April 2021	13,602	26,414	782	-	-	40,798
Depreciation Charge	5,820	1,765	53	-	-	7,638
Depreciation written out to the Revaluation Reserve	(13,294)	-	-	-	-	(13,294)
Depreciation written out to the surplus / deficit on the provision of services	(4,762)	-	-	-	-	(4,762)
Derecognition - disposals	(33)	(1,247)	-	-	-	(1,280)
Assets reclassified (to)/from held for sale	(5)	-	-	-	-	(5)
At 31 March 2022	1,328	26,932	835	-	-	29,095
Net Book Value						
Assets Owned	218,541	6,357	505	58	24,518	249,979
Assets Leased	1,434	-	-	-	-	1,434
At 31 March 2022	219,975	6,357	505	58	24,518	251,413
Assets Owned	206,252	6,797	528	58	13,058	226,693
Assets Leased	1,372	-	-	-	-	1,372
At 31 March 2022	207,624	6,797	528	58	13,058	228,065

Note: Infrastructure Assets

Infrastructure Assets are assets that form part of a continuous network that is maintained in a relatively steady state, though there may be distinctive components of this network, such as carriageways, structures such as bridges, street lighting, street furniture and traffic management systems. This category of asset would also include transport and fishery piers.

Infrastructure assets are measured at depreciated historical cost, rather than current value, as defined by the CIPFA Code of Practice on Local Authority Accounting. A move to a valuation process for these assets has previously been considered but as yet not implemented, partly due to deficits in the information required to follow proper accounting rules. CIPFA has provided a Statutory Override that confirms the continuation of current practices until 31 March 2024, and these have been adopted by the Comhairle:

Statutory Override 1: For accounting periods commencing from 1 April 2021 until 31 March 2024, a local authority is not required to report gross cost and accumulated depreciation for infrastructure assets.

Statutory Override 2: For accounting periods commencing from 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be accounted for as a nil amount. No subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.

Infrastructure Assets with a historical cost of £94.3m are included within Property, Plant and Equipment on the Balance Sheet.

Revaluations

The authority carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. 2022/23 revaluations were carried out by Graham & Sibbald in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The basis for valuation is set out in the Statement of Accounting Policies. At the current time there are high levels of inflation and increasing construction costs impacting asset valuations. To ensure that the carrying amounts do not differ materially from that which would be determined using current value we have applied indexation rates, as advised by Graham & Sibbald, to assets that were not revalued in the year and whose carrying value was greater than £1m.

	Other Land & Buildings £'000	Vehicles & Plant £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Valued at Historical Cost	-	33,307	206,363	1,351	58	22,165	263,244
Valued at Fair Value as at:							
31 March 2023	62,457	-	-	-	-	-	62,457
30 March 2022	78,281	-	-	-	-	-	78,281
30 March 2021	41,662	-	-	-	-	-	41,662
31 March 2020	36,343	-	-	-	-	-	36,343
31 March 2019	8,454	-	-	-	-	-	8,454
	227,197	33,307	206,363	1,351	58	22,165	490,441

Capital Commitments

At 31 March 2023, the Comhairle had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 and future years, at a cost of £34m. Similar commitments at 31 March 2022 were £24m.

NOTE 13 HERITAGE ASSETS

Museum Nan Eilean was established in 1983 to provide the first professional museum service for the Western Isles. This service was expanded in 1989 by the introduction of an exhibition area in Sgoil Lionacleit in Benbecula. The museum operates two stores, one at Marybank in Lewis and another in Torlum in Uist. The Museum holds collections of artefacts, photographs, prints, paintings and archives including audio tracks illustrating the archaeology, social, domestic and economic history of the Western Isles.

Collections were built up following the establishment of the Museum Service in 1983 with two exceptions, The Lewis Museum Trust established in the 1950's passed collected material to Museum Nan Eilean in 1983 and in 1999 the Calbost Collection was brought into the care and management of Museum Nan Eilean. There were no additions to the collections in 2021/22.

During 2022/23 high value paintings and two archive collections were valued by an independent valuer. It is proposed to revalue the Regalia in 2023/24. The Udal collection which is held under Archaeological artefacts will also be reviewed in 2023/24. In line with Accounting Policy, as a reliable up to date value for Social History Contemporary Artefacts and the remainder of the Archaeological collection and the Archive is not available they have been removed from the Balance Sheet.

	Paintings £'000	Social History Contemporary Artefacts £'000	Archaeological Artefacts £'000	Archives £'000	Regalia £'000	Total £'000
Cost / Valuation						
At 1 April 2022	226	1,045	426	431	35	2,163
Revaluation increases/(decreases)	44	(1,045)	(176)	(381)	-	(1,558)
At 31 March 2023	270	0	250	50	35	605

	Paintings £'000	Social History Contemporary Artefacts £'000	Archaeological Artefacts £'000	Archives £'000	Regalia £'000	Total £'000
Cost / Valuation						
At 1 April 2021	226	1,045	426	431	35	2,163
At 31 March 2022	226	1,045	426	431	35	2,163

Not included are:

- Lending library stock used for operational purposes; and
- Historic Buildings used to provide services to the Comhairle which are included in Property, Plant and Equipment.

NOTE 14 INTANGIBLE ASSETS

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

	2021/22	2022/23
	Fishing Quota £'000	Fishing Quota £'000
Balance at 1 April	310	385
Revaluation increase recognised in the Revaluation Reserve	75	(31)
Balance as at 31 March	385	354

The intangible assets included on the Balance Sheet are in respect of Fishing Quota (quota). 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 2023 was £354k.

NOTE 15 LONG TERM DEBTORS

	Balance 31/03/22 £'000	Advanced in Year £'000	Other Movement in Year £'000	Repaid in Year £'000	Balance 31/03/23 £'000
Stornoway Port Authority	-	24,792	(6,243)	(72)	18,477
Community Support Loans	150	-	(17)	(91)	42
Charging Orders on Properties	641	-	35	-	676
Revolving Loans Pool	1,373	241	(29)	(393)	1,192
	2,164	25,033	(6,254)	(556)	20,387
Less:					
Charging Orders on Properties Provision	(128)	-	(10)	-	(138)
Revolving Loans Pool Provision	(1,348)	-	156	-	(1,192)
	688	25,033	(6,108)	(556)	19,057

NOTE 16 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The definition of a financial instrument is: 'Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity'.

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowing and investment transactions are also classified as financial instruments.

Financial Liabilities

A Financial Liability is an obligation to transfer economic benefits controlled by the Comhairle and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Comhairle.

The Comhairle's loan portfolio at year end consisted of loans from the Public Works Loan Board (PWLB) and market debt. Under the Code of Practice these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to the Comprehensive Income and Expenditure Statement.

Financial Assets

A Financial Asset is a right to future economic benefits controlled by the Comhairle that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

The three classifications for financial assets under the Code of Practice are:

Loans and Receivables;
Available for Sale; and
Fair Value through Profit or Loss

The Comhairle's portfolio of investments consists of call/notice accounts. Call accounts are classed as 'Loans and Receivables' and are measured at amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment. Trade Receivables (i.e. Trade Debtors) are classed as Loans and Receivables. These have been measured at cost on the Balance Sheet.

The Comhairle does not have any investments required to be measured at Fair Value through Profit or Loss.

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

	Long Term		Current	
	31/03/22 £'000	31/03/23 £'000	31/03/22 £'000	31/03/23 £'000
Financial Assets				
Investments	-	-	60,971	47,860
Debtors	684	19,059	492	1,246
	684	19,059	61,463	49,106
Financial Liabilities				
Borrowings	130,407	127,266	4,281	4,737
Creditors	-	-	4,095	3,125
	130,407	127,266	8,376	7,862

Material Soft Loans Made by the Authority

The Council advanced loans to the Stornoway Port Authority to carry out significant developments, including a deep water port. Two loans of £15m and £22.5m, with interest rates of 2.88% and 3% respectively, will be advanced.

	£'000
Balance at start of year	-
Nominal Value of loans advanced in the year	24,792
Fair value adjustment on Initial Recognition	(5,635)
Loan Repayments	(118)
Interest accrued	163
Increase in Discounted Amount	46
Nominal Value at 31 March 2023	19,248

The interest rate at which the fair value of the soft loan is based on the intrinsic value to the borrower, of the difference in interest rates on the date the facility is granted, plus the time value of the option to borrow later when interest rates may be even higher.

Gains and Losses on Financial Instruments	Surplus/ Deficit on provision of services £'000	Other CI & E £'000
Net Gains/Losses on assets carried at amortised cost	-	277
Interest Revenue on assets carried at amortised cost	-	344

Fair Value of Assets and Liabilities

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

- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	31/03/2022		31/03/2023	
	Carrying	Fair Value	Carrying	Fair Value
Assets				
Loans and receivables	60,971	60,971	47,860	47,860
Long term debtors	19	19	24,628	3,536
Liabilities				
Financial Liabilities (PWL B Loans)	130,407	177,845	127,266	145,439
Financial Liabilities (Market Loans)	124	124	125	125

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 2023 fair value of borrowing was calculated by reference to the premature repayment set of rates in force on 31 March 2023, the 2022 figure by reference to the set of interest rates in force on 31 March 2022, 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.

The Comhairle's PWLB loans have been categorised as Level 2 as the fair value is calculated from inputs other than quoted prices that are observable for the asset or liability e.g. interest rates or yields for similar instruments. The Comhairle's market loans are not categorised as they are assumed to be approximate to the carrying amount.

NOTE 17 DEBTORS

2021/22 £'000		2022/23 £'000
4,552	Central Government	3,752
53	Other Local Authorities	117
8,992	National Health Service	2,496
439	Public Corporations and Trade Funds	2,600
7,539	Other	7,506
21,575		16,471

NOTE 18 CASH AND CASH EQUIVALENTS

2021/22 £'000		2022/23 £'000
18	Cash held by the Comhairle	18
2,751	Bank Current Accounts	185
20,935	Short-term Deposits	21,606
23,704		21,809

NOTE 19 ASSETS HELD FOR SALE

2021/22 £'000		2022/23 £'000
578	Balance at 1 April	1,718
	Assets newly classified as held for sale	
1,290	Property, Plant and Equipment	-
-	- Revaluation gain/(loss)	30
	Assets declassified as held for sale	
-	- Property, Plant and Equipment	-
(150)	Assets sold	(70)
1,718	Balance outstanding at 31 March	1,678

NOTE 20 CREDITORS

2021/22 £'000		2022/23 £'000
2,577	Central Government	3,418
1,007	Other Local Authorities	1,080
480	National Health Service	3,266
3,895	Public Corporations and Trade Funds	2,706
23,791	Other	21,367
31,750		31,837

NOTE 21 PROVISIONS

Impairment for Bad and Doubtful Debts	Balance at 31/03/22 £'000	Movement In Year £'000	Balance at 31/03/23 £'000
Council Tax	1,753	14	1,767
Sundry Debtors	1,643	(803)	840
Charges on Properties	1,019	1,167	2,186
	4,415	378	4,793

Notes: 1. The Debtors figure as shown in the balance sheet is net of these provisions.

2. Provisions in respect of the Revolving Loans Pool and Charging Orders on Properties are shown in Note 15, Long Term Debtors.

Other Provisions	Balance at 31/03/22 £'000	Movement In Year £'000	Balance at 31/03/23 £'000
Long Term			
Restoration of Landfill Sites	528	3,396	3,924
Decommissioning Costs	40	-	40
	568	3,396	3,964

Stornoway Port Authority loan The Comhairle has signed a loan agreement with Stornoway Port Authority. The provision represents the fair value of the amounts yet to be drawn down.

Landfill Sites This provision represents the present value of restoration works required for the landfill cells at Bennadrove.

Decommissioning This provision represents the present value of restoration works required in 25 years time when the wind turbine at Creed Park is decommissioned at the end of its useful life.

NOTE 22 UNUSABLE RESERVES

2021/22 £'000		2022/23 £'000
63,319	Revaluation Reserve	77,410
(717)	Financial Instruments Adjustment Account	(563)
169,012	Capital Adjustment Account	162,332
(65,933)	Pensions Reserve	41,354
(1,562)	Employee Statutory Adjustment Account	(1,629)
164,119	Total Unusable Reserves	278,904

Revaluation Reserve

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

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

2021/22 £'000		2022/23	
		£'000	£'000
37,211	Balance at 1 April		63,319
35,707	Upward revaluation of assets	26,060	
(8,508)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on Provision of Services	(9,435)	
27,199	Surplus/deficit on the revaluation of fixed assets		16,625
(1,091)	Difference between fair value depreciation and historical cost depreciation		(2,534)
63,319	Balance at 31 March		77,410

Financial Instruments Adjustments Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Comhairle uses the Account to manage premiums paid on early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Comhairle's case this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result the balance on the Account at 31 March 2018 will be charged to the General Fund in future years.

2021/22 £'000		2022/23	
		£'000	£'000
(871)	Balance at 1 April		(717)
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	
154	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	154	
154	Amount by which the finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.		154
(717)	Balance at 31 March		(563)

Capital Adjustments Account

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

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

Note 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2021/22 £'000		2022/23	
		£'000	£'000
170,688	Balance at 1 April		169,012
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(12,745)	Depreciation and impairment of Property, Plant and Equipment	(12,437)	
0	Amortisation of Investment	(8,229)	
(8,032)	Revaluation losses on Property, Plant and Equipment	(11,752)	
0	Credit Losses	(277)	
(207)	Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal	(95)	
(20,984)			(32,790)
1,091	Adjusting amounts written out of the Revaluation Reserve		25
150,795	Net written out amount of the cost of non-current assets consumed in the year		136,247
	Capital financing applied in the year:		
6,710	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	16,494	
3,798	Application of grants from the Capital Grants Unapplied Account	3,002	
1,363	Application of Revenue Balances	544	
6,346	Statutory Provision for the financing of capital investment	6,045	
18,217			26,085
169,012	Balance at 31 March		162,332

Pensions Reserve

The Pensions Reserve absorbs the timing difference arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Comhairle accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet costs. However, statutory arrangements require benefits earned to be financed as the Comhairle makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Comhairle has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The balance includes £4.4m in respect of unfunded Teacher's Pensions.

2021/22		2022/23	
£'000		£'000	£'000
(90,047)	Balance at 1 April		(65,933)
39,565	Actuarial gains and losses on pension assets and liabilities	121,337	
(15,451)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(14,050)	
-	Employers pension contributions and direct payments to pensioners payable in the year	-	
			107,287
(65,933)	Balance at 31 March		41,354

Employee Statutory Adjustment Account

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

2021/22		2022/23	
£'000		£'000	£'000
(1,623)	Balance at 1 April		(1,562)
1,623	Settlement or cancellation of accrual made at the end of the preceding year	1,562	
(1,562)	Amounts accrued at the end of the current year	(1,629)	
61	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(67)
(1,562)	Balance at 31 March		(1,629)

NOTE 23 CASH FLOW STATEMENT - OPERATING ACTIVITIES

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

2021/22 £'000		2022/23 £'000
76	Interest Received	1,301
(8,438)	Interest Paid	(9,366)
(8,362)		(8,065)

NOTE 24 CASH FLOW STATEMENT - INVESTING ACTIVITIES

2021/22 £'000		2022/23 £'000
(18,265)	Purchase of property, plant and equipment and intangible assets	(24,963)
(1,982)	Purchase/(Redemption) of short-term and long-term investments	13,782
112	Proceeds from the sale of property, plant and equipment and intangible assets	108
(20,135)	Net cash flows from investing activities	(11,073)

NOTE 25 CASH FLOW STATEMENT - FINANCING ACTIVITIES

2021/22 £'000		2022/23 £'000
(279)	Repayments of short-term and long-term borrowing	(2,696)
(279)	Net cash flows from financing activities	(2,696)

NOTE 26 CASH FLOW STATEMENT - NON CASH MOVEMENTS

2021/22 £'000		2022/23 £'000
	Adjustment to net (surplus)/deficit on the provision of services for non-cash movements:	
12,745	Depreciation and Amortisation	14,945
8,032	Impairment and downward revaluations	11,752
123	Loss on Sale of Fixed Assets	(13)
-	Other Adjustments	(118)
-	Increase/(decrease) in Provisions	3,396
5,561	Increase/(decrease) in Creditors	(733)
(7,999)	(Increase)/decrease in Debtors	(11,873)
(9)	(Increase)/decrease in Stock	(242)
15,451	IAS19 Pension Adjustment	14,050
33,904	Non Cash Movements	31,164

NOTE 27 TRADING OPERATIONS

The Comhairle operates a number of trading operations, none of which are classified as significant in terms of the Local Government Scotland Act 2003. The table below details the financial performance of each operation.

Trading Operation	2021/22	2022/23	2022/23	2022/23
	Deficit/ (Surplus) £'000	Expenditure £'000	Income £'000	Deficit/ (Surplus) £'000
Building Cleaning	286	1,447	(1,286)	161
Schools Catering	226	2,626	(2,374)	252
Other Catering	5	-	-	-
Refuse Collection	439	2,777	(2,607)	170
Street Cleansing	100	348	(317)	31
Burial Grounds	23	218	(190)	28
Fleet Management	52	1,776	(1,703)	73
Bus na Comhairle	110	1,150	(1,159)	(9)
Winter Maintenance	2	410	(410)	-
Ice Plants	20	17	(16)	1
Marine Fuel	(32)	1,991	(2,054)	(63)
	1,231	12,760	(12,116)	644

In 2022/23, trading operation surpluses and deficits were included in the Comprehensive Income and Expenditure Statement) as below

Education and Children's Services £413k
Depute Chief Executive £231k

NOTE 28 AGENCY SERVICES

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

	2021/22 £'000	2022/23 £'000
Lews Castle College	5,227	5,552
Hebridean Housing Partnership	2,263	2,056
	7,490	7,608

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

	2021/22 £'000	2022/23 £'000
Lews Castle College	14	6
Hebridean Housing Partnership	3	3
Scottish Water - Water Charges	101	94
	118	103

During 2022/23 the Scottish Government provided funding of £1.7m in respect of Cost of Living Awards to support low-income households and £140k towards Scottish Child Bridging Payments. The amounts are not included within the Comprehensive Income and Expenditure Account.

	2021/22		2022/23	
	Income £'000	Expenditure £'000	Income £'000	Expenditure £'000
Education Related Payments	(158)	160	(140)	152
Business Support Payments	(1,859)	6,719	39	39
Self-Isolation Grants	(150)	143	(65)	71
Low Income Pandemic Support	(294)	293	-	-
Cost of Living Awards	-	-	(1,719)	1,690
	(2,461)	7,315	(1,885)	1,952

NOTE 29 EXTERNAL AUDIT COSTS

	2021/22 £'000	2022/23 £'000
Fee payable to Audit Scotland with regard to audit services carried out by the appointed auditor	213	240
Rebate in respect of previous year	-	-
	213	240

NOTE 30 MEMBERS' SALARIES, ALLOWANCES AND EXPENSES

Name	Salary ¹ £	Mileage Allowance £	Other Travel Expenses £	Subsistence Expenses £	Telephone & ICT Expenses ³ £	Other Expenses £	2022/23 Total £	2021/22 Total £
Mr Iain A Macneil	16,520	1,261	1,633	1,607	558	-	21,579	20,411
Mr Kenneth J Maclean	17,677	138	555	1,041	293	-	19,704	-
Mr Paul F Steele	31,152	489	6,911	4,991	676	-	44,219	24,313
Mr Iain M Macleod	19,518	531	1,461	1,231	618	-	23,359	21,740
Ms Susan Thomson	17,677	-	1,617	668	293	-	20,255	-
Mr Uisdean Robertson ⁴	22,308	144	6,494	406	831	-	30,183	25,256
Mr Mustapha Hocine	17,677	118	1,290	869	490	-	20,443	-
Mr Grant Fulton	19,518	138	-	-	575	-	20,231	18,815
Mr Paul A Finnegan	22,077	1,162	474	149	855	-	24,717	18,922
Mr Alasdair R Fraser	20,538	539	-	-	300	73	21,450	18,922
Mr Norman (Misty) Macdonald	14,678	205	-	-	316	-	15,199	-
Mr Angus Morrison	22,308	734	-	-	299	24	23,365	21,799
Mr Robert Mackenzie	17,677	331	-	-	817	-	18,825	-
Mr Finlay M Stewart	19,518	-	-	-	300	-	19,818	18,922
Mr Norman Macdonald	19,518	-	-	-	300	-	19,818	18,998
Mr Angus McCormack	19,518	-	-	-	301	-	19,819	18,927
Mr Rae Mackenzie	19,518	-	-	-	301	240	20,059	18,979
Dr Frances Murray	17,677	-	-	-	651	-	18,328	-
Mr George Murray	17,677	-	347	-	541	45	18,609	-
Mr Duncan Macinnes	18,697	6	599	435	293	-	20,030	-
Mr Iain M Macaulay	19,518	-	-	-	300	-	19,818	18,925
Mr Gordon Murray	19,518	-	-	-	299	24	19,842	19,285
Mr Malcolm K Macdonald	17,677	-	-	-	293	-	17,970	-
Mr John A Maciver	19,518	505	-	-	301	-	20,324	18,922
Mr Calum Maclean	20,900	-	-	-	300	-	21,199	19,254
Mr Donald F Crichton ²	22,144	72	1,369	418	60	-	24,062	21,521
Mr Kenneth Macleod	23,796	3,134	1,138	302	1,107	49	29,526	19,615
Mr Donald Macsween	17,677	474	434	-	294	24	18,903	-
Mr John N Macleod	20,538	-	-	-	300	-	20,838	18,922
Mr Donald Manford	1,841	-	-	-	750	-	2,591	18,928
Mr Calum Macmillan	1,841	-	15	-	6	-	1,862	20,325
Mr Roddy Mackay	1,841	-	-	208	228	-	2,277	21,135
Mr John G Mitchel	1,841	162	-	-	217	-	2,221	19,271
Mr Norman A Macdonald	2,302	1,214	482	61	195	-	4,254	28,746
Mr Alasdair Macleod ²	2,187	-	-	72	248	-	2,507	21,680
Mr Keith Dodson	1,841	-	-	-	6	-	1,847	18,955
Mr Charles Nicolson	-	-	-	-	-	-	-	11,825
Mr Roddie Mackay	3,069	-	-	-	-	-	3,069	31,199
Mr Neil Mackay	1,841	-	-	-	189	-	2,030	18,793
Mr John Mackay	2,072	-	-	-	25	-	2,097	21,268
Mr Kenny John Macleod	2,072	-	-	-	7	-	2,078	21,250
Total	595,477	11,357	24,818	12,459	14,733	478	659,325	635,823

¹ The salary figures exclude Apprenticeship Levy, Employer's National Insurance and Superannuation contributions. Variances in salaries are due to new Councillors only beginning their term since May

² Allowance for Vice-convenor of Joint Valuation Board is not included; figures published by Highland Council.

³ The Telephone and ICT Expenses include telephone and computer hardware replacements as they require to be replaced, these totals also include the costs associated with an additional line where broadband is not available and is exclusive of personal calls.

⁴ Travel and Subsistence excludes costs reimbursed by Highland Council in relation to Hi-Trans Chair position.

NOTE 31 RELATED PARTIES

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

Central and Scottish Government

Central Government has effective control over the general operations of the Comhairle, providing the statutory framework within which the Comhairle operates as well as providing the majority of funding in the form of grants, as detailed in Note 32.

Companies and Joint Boards

The Comhairle is deemed to have a controlling interest in Sgoiltean Ùra LLP (SULLP), the company that was set up to manage the design, construction and lifecycle maintenance of the schools being built as part of the Western Isles Schools Project. It also has an interest in Highlands and Islands Valuation Joint Board, further details of which can be found in the group accounts which are set out within these statements.

Members

Members of the Comhairle have direct control over the financial and operating policies of the Authority. The total of Members' allowances paid in 2022/23 is as detailed in Note 30. The Comhairle holds a Register of Members' Interests which is available on the Comhairle website. The Register details the bodies where members are represented or for which they have declared an interest. During 2022/23, works and services to the value of £7k were commissioned from companies in which one Member had a financial interest, as detailed in the table below. This company had no outstanding balances at year end. Contracts were entered into in full compliance with the Comhairle's standing orders and transactions conducted at arms length on the same terms and conditions as other transactions.

	Relationship	2022/23 £'000 Income	2022/23 £'000 Expenditure	2022/23 £'000 Debtors	2022/23 £'000 Creditors
Air An Lot	Owner	-	7	-	-
		-	7	-	-

Officers

There were no material related parties declared by officers in the Register of Employee Interests.

Pension Fund

The Comhairle is a member of the Local Government Pension Scheme administered by Highland Council and has made payments as shown in Note 37.

Other Public Bodies

The Comhairle and Western Isles NHS work together on a number of projects: mainly receiving income for care and services in the community, and paying expenditure towards community occupational therapy equipment and services. The total income received from Western Isles NHS was £6,826k in 2022/23 (£15,426k in 2021/22) and total expenditure of £7,730k was paid to Western Isles NHS in 2022/23 (£1,858k in 2021/22).

Integrated Joint Board

The Western Isles Integrated Joint Board is deemed to be a related party of the Comhairle, mainly through the Comhairle's ability to exert influence over the entity through its representation on the Board. The relevant transactions and balances with the Integrated Joint Board are:

	2022/23 £'000 Income	2022/23 £'000 Expenditure	2022/23 £'000 Debtors	2022/23 £'000 Creditors
Western Isles Integration Joint Board	25,135	25,249		11,496

NOTE 32 GRANT INCOME

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement during 2021/22:

	2021/22 £'000	2022/23 £'000
Credited to Taxation and Non Specific Grant Income		
General Revenue Grant	96,971	95,954
Scottish Government - Capital Grants	1,784	6,819
Other Capital Grants and Contributions	9,842	17,938
Non Domestic Rates	6,157	8,149
	114,754	128,860
Credited to Services		
DWP Grants	4,169	3,872
Specific Grants for Gaelic Education	1,197	993
Community Service Order Grant	360	369
European funding	864	609
HHP Reimbursement	6,129	1,654
Contributions from NHS	4,665	4,469
Scottish Government - Local Housing Strategy	802	485
Scottish Government - Regeneration	4,070	1,463
Scottish Government - Other Revenue Grants	15,428	12,168
Scottish Government - COVID 19	4,177	1,672
Scottish Crown Estate Payments	1,471	1,536
	43,332	29,290
	158,086	158,150

NOTE 33 LEASES

Finance Lease

The Comhairle acquired a finance lease for the Stornoway Library in 2012/13. The Library was valued at £1.265m in 2022/23 by the Graham & Sibbald. It is carried as Property, Plant and Equipment in the Balance Sheet. The Comhairle is committed to making minimum payment under this lease comprising settlement of the long term liability for the interest of the property, and finance costs that will be payable by the Comhairle in future years while the liability remains outstanding.

The minimum lease payments are made up of the following amounts:

Asset:	Minimum Lease Payment at 31/03/22 £'000	Minimum Lease Payment at 31/03/23 £'000
Stornoway Library		
Finance Lease Liability	1,229	1,034
Finance Costs	1,750	2,414
Minimum Lease Payment	2,979	3,448

The minimum lease payments will be payable over the following periods:

Asset:	Minimum Lease Payment £'000	Finance Lease Liability £'000	Finance Cost £'000
Stornoway Library			
Within one year	192	13	179
Between 2 and 5 years	818	87	731
Greater than 5 years	2,437	933	1,504
	3,447	1,033	2,414

Operating Leases

Comhairle as a Lessor	Actual Income From Leases 2022/23 £'000	Income due 2023/24 £'000	Income due 2024/25 to 2026/27 £'000	Amounts Due 2027 and after £'000
Land and Buildings	(468)	(307)	(747)	(2,728)
	(468)	(307)	(747)	(2,728)

Comhairle as a Lessee	Actual Spend 2022/23 £'000	Committed 2023/24 £'000	Expiring 2023/24 £'000	Amounts due 2025/26 to 2026/27 £'000	Amounts Due 2027 and after £'000
Land & Buildings	490	343	2	535	6,563
Vehicles & Equipment	187	80	18	41	-
	677	423	20	576	6,563

NOTE 34 CAPITAL EXPENDITURE AND FINANCING

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

	2021/22 £'000	2022/23 £'000
Opening Capital Financing Requirement	117,677	117,581
Capital Investment		
Property, Plant and Equipment	18,265	24,397
SPA loan	-	24,792
	18,265	49,189
Sources of Finance		
Capital Income		
Government Grants and Other Capital Contributions	(6,710)	(16,494)
Prior Year Government Grants	(3,798)	(3,002)
SPA loan Provision		2,522
Change in Finance lease liability	(144)	(13)
Sums Set Aside from Revenue		
Loans Fund Principal	(6,346)	(6,045)
Capital Financed From Current Revenue	(1,363)	(544)
	(18,361)	(23,576)
Closing Capital Financing Requirement	117,581	143,194
Movement in Year - represented by an increase in underlying need to borrow	96	(25,613)

NOTE 35 IMPAIRMENT LOSSES

The Comhairle recognised no impairment losses in 2022/23 or in 2021/22.

NOTE 36 TERMINATION BENEFITS

During 2022/23 the Comhairle granted early retirement or redundancy to two non-teaching members of staff (5 teachers and 47 other staff in 2021/22), incurring liabilities of £154k (£1,544k in 2021/22). Of this total, none (£203k in 2021/22) is payable to teachers in the form of compensation for loss of office and enhanced pension benefits. The total cost incurred in respect of the 2 other staff members was £154k (£1,341k in 2021/22).

NOTE 37 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

The post-employment scheme for employees other than teachers is the Local Government Pension Scheme and is administered by Highland Council. The Local Government Pension Scheme is a multi-employer, defined benefit scheme in which it is possible for an employer to identify its share of the assets and liabilities on a consistent and reasonable basis. This is a "funded" defined benefit career average revalued earnings (CARE) scheme, meaning that Comhairle nan Eilean Siar and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts due by statute as described in the accounting policies note.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported Cost of Services when they are earned by the Comhairle's employees, rather than when the benefits are eventually paid as pensions. However, the charge that is statutorily required to be made against the Council Tax is based upon the pension contributions payable by the Comhairle in the year, and an adjustment is made in the Movement in Reserves Statement to achieve this.

Post-Employment Benefits

Comprehensive Income and Expenditure	2021/22 £'000	2022/23 £'000
Cost of Services		
Current Service Cost	21,649	20,470
Past Service Costs	408	623
Financing and Investment		
Net Interest Expense	1,841	1,827
Net Charge to the Surplus/Deficit on Provision of Services	23,898	22,920
Other Costs to CIE		
Expected return on assets in the scheme	(5,949)	21,575
Actuarial (gains) or losses arising on changes in demographic assumptions	(2,402)	(6,642)
Actuarial (gains) or losses arising on changes of financial assumptions	(31,676)	(165,569)
Asset Ceiling Adjustment		0
Other Experience	781	29,230
Total Charges to Comprehensive Income and Expenditure Statement	(15,348)	(98,486)
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS19	23,496	107,301
Amount Charged to General Fund: Employers' Contributions	8,148	8,815

Assets and Liabilities in Relation to Post-employment Benefits

The amount included in the Balance Sheet arising from the local authority's obligation in respect of its defined benefit plan is as follows:

Pensions Assets & Liabilities Recognised in the Balance Sheet	31/03/2022 £'000	31/03/2023 £'000
Present value of the defined benefit obligation*	(443,760)	(327,303)
Fair value of pension fund assets	382,180	372,948
Net Liability arising from Defined Benefit Obligation	(61,580)	45,645
*Unfunded liabilities included in the figure for present value of liabilities		
Unfunded liabilities for Pension Fund	(2,825)	(2,243)

Reconciliation of Present Value of Scheme Liabilities:	Funded Liabilities: Local Government Pension Scheme £'000	
	2021/22	2022/23
1 April	452,790	443,760
Current Service Cost	21,649	20,470
Interest Cost	9,199	12,161
Contributions by Pension Fund participants	2,421	2,547
Re-measurement gains and (losses)		
actuarial gains/(losses) from changes in demographic assumptions	(2,402)	(6,642)
actuarial gains/(losses) arising from changes in financial assumptions	(31,676)	(165,569)
asset ceiling adjustment	-	0
other experience	781	29,550
Benefits paid	(9,410)	(9,597)
Past Service Costs	408	623
Closing Value at 31 March	443,760	327,303

Reconciliation of Fair Value of Scheme Assets:	Local Government Pension Scheme £'000	
	2021/22	2022/23
1 April	367,395	382,180
Interest income	7,358	10,334
Re-measurement gains and (losses)		
Expected rate of return on pension fund assets	6,268	(21,651)
Other Experience	-	320
The effect of changes in foreign exchange rates	-	-
Contributions from employers	8,148	8,815
Contributions from employees into the scheme	2,421	2,547
Benefits paid	(9,410)	(9,597)
Closing Value at 31 March	382,180	372,948

The net pension position at 31 March 2023 is an asset of £45.6m, which is a divergence from recent experience, where a net pension liability has been recognised. This is due to the high accounting discount rates on corporate bond yields, which place a significantly lower value on the pension obligations. Under FRS 102 an asset can only be recognised when there is an unconditional right of refund or where the authority expect to benefit from reduced contributions. The position on future contributions is not yet known, so a ceiling has been applied to the valuation. The ceiling calculation is based on the net present value of future service costs over the future working lifetime, less the net present value of future contributions over the future working lifetime.

Analysis of Pension Fund's Assets	31/03/22		31/03/23	
	£'000	%	£'000	%
Cash and cash equivalents	18,823	5%	20,286	5%
Equity instruments [by industry type]				
Consumer	59,265	15%	36,585	10%
Manufacturing	29,465	8%	16,437	4%
Energy & utilities	2,394	1%	-	-
Financial institutions	37,047	10%	22,258	6%
Health & care	20,998	5%	17,082	5%
Information Technology	21,603	6%	9,286	3%
Other	4,571	1%	2,143	1%
Sub-total equity	175,343	46%	103,791	29%
Bonds				
Corporate (investment grade)	26,150	7%	25,264	7%
UK Government	9,834	3%	7,014	2%
Other	16,620	4%	19,705	5%
Sub-total bonds	52,604	14%	51,983	14%
Property				
UK Property	41,255	11%	36,691	10%
Overseas Property	-	-	11	-
Sub-total property	41,255	11%	36,702	10%
Private equity	24,592	6%	29,044	8%
Other investment funds - Equities	38,351	10%	78,676	20%
Other investment funds - Bonds	8,936	2%	6,911	2%
Other investment funds - Hedge Funds	2,362	1%	-	-
Other investment funds - Commodities	19,916	5%	-	-
Other investment funds - Infrastructure	-	-	23,835	6%
Other investment funds - Other	-	-	21,720	6%
Total assets	382,182	100%	372,948	100%

Basis for Estimating Pension Fund Assets and Liabilities

The Comhairle's share of the liabilities of the Local Government Pension Scheme has been assessed on an actuarial basis using the projected unit method, that estimates the pension that will be payable in future years dependent upon assumptions about mortality rates, salary levels and so on. The Funds liabilities have been assessed by Hyman Robertson, an independent firm of actuaries, and the estimates are based on the latest full valuation of the fund at 31 March 2023.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2021/22	2022/23
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20.8	20.4
Women	23.3	23.3
Longevity at 65 for future pensioners:		
Men	22.0	21.6
Women	25.3	24.9
Rate of inflations:		
Rate of increase in prices	3.2%	3.0%
Rate of increase in salaries	4.0%	3.8%
Rate of increase in pensions	3.2%	3.0%
Rate for discounting scheme liabilities	2.7%	4.8%
Take-up of option to convert annual pension into retirement lump sum	50%	65%

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

Impact on the Defined Benefit Obligation in the Fund	% Increase in Assumption %	Monetary Amount £'000
1 year increase in member life expectancy	4%	13,092
0.1% increase in Salary Increase Rate	0%	1,146
0.1% increase in Pension Increase Rate	1%	4,754
0.1% decrease in Real Discount Rates	2%	5,823

The Local Government Pension Fund has an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The Fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and index linked gilt edged investments with maturities that match the benefits payments as they fall due. A large proportion of the assets relate to equities (72%) and bonds (13%). The comparative year's figures were 57% and 16%. The scheme also invests in properties (10%), other investment funds (12%) and in cash (5%). The ALM strategy is monitored annually or more frequently if necessary.

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy with the scheme's actuary to achieve a funding rate of 100%. Funding levels are monitored on an annual basis. The latest triennial valuation was completed on 31 March 2023.

The total contributions expected to be made by the Comhairle to the Local Government Pension Fund in the year to 31 March 2024 is £8.1 million.

The weighted average duration of the defined benefit obligation for Fund members is 17 years.

Teachers' Pension Scheme

(a) Comhairle nan Eilean Siar participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% employees contributions

(b) Comhairle nan Eilean Siar has no liability for other employers' obligations to the multi-employer scheme.

(c) As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme

(d)(i) The scheme is an unfunded multi-employer defined benefit scheme.

(ii) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where Comhairle nan Eilean Siar is unable to identify its share of the underlying assets and liabilities of the scheme.

(iii) The employer contribution rate for the period from 1 April 2022 is 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

(iv) While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

(v) Comhairle nan Eilean Siar's level of participation in the scheme is 0.60% based on the proportion of employer contributions paid in 2021-22.

In 2022/23, the Comhairle paid £4.0m (£3.67m in 2021/22) to the Scottish Government in respect of teachers' retirement benefits. In addition, the Comhairle is responsible for all pension payments arising from added years awards to staff taking early retirement. In 2022/23 there were no added years awards (£514,835 in 2021/22). Similarly there were no lump sum payments in 2022/23 (£21,950 2021/22).

The Comhairle is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis. An estimate of £4.3m in respect of discretionary unfunded pension awards has been included in the net pension liability in the balance sheet.

NOTE 38 INTEREST IN COMPANIES

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

Copies of the accounts are available from Sgoiltean Ùra LLP, Council Offices, Sandwick Road, Stornoway, Isle of Lewis, HS1 2BW.

The Comhairle also holds 20% voting rights on the Highland and Western Isles Joint Valuation Board, which is included in the group accounts as an associate.

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

Cùram is Slàinte nan Eilean Siar, the Integration Joint Board for health and social care services for Comhairle nan Eilean Siar and NHS Western Isles was formally established on 1 April 2016. The IJB has four voting members from each of these organisations. The IJB is included in the group as a joint venture with a 50% share.

Copies of the accounts are available from the Chief Officer, Health and Social Care, Council Offices, Sandwick Road, Stornoway, Isle of Lewis, HS1 2BW.

Although the Comhairle has an interest in Scotland Excel, the centre of procurement excellence for Scottish Local Authorities, the entity has not been included in the group on the grounds of materiality.

NOTE 39 SIGNING OF ACCOUNTS

The Chief Financial Officer, being the officer responsible for the Comhairle's financial affairs, signed the Draft Annual Accounts on 28 June 2023. Events after the date of the Balance Sheet (31 March 2023), up to the date of signing, have been considered in the preparation of the 2022/23 Annual Accounts.

NOTE 40 CONTINGENT LIABILITIES/ASSETS

A contingent liability or asset arises where an event has taken place that results in a possible obligation or benefit, the existence of which will only be confirmed by future events not wholly within the control of the Comhairle. These are not recognised on the Balance Sheet but disclosed in a Note to the Accounts where they are deemed material.

There is an ongoing "compensation events" dispute with a contractor involved in a construction project, regarding additional cost and programme delays. The liability cannot be quantified at this stage.

NOTE 41 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 2023 was £125k (2021/22 £122k). The income from the trusts is used to provide educational grants and prizes, comforts for the elderly, handicapped and various community facilities. The funds are held in the Comhairle's Loans Fund and are included in the Balance Sheet.

Summary Income and Expenditure Account

2021/22 £'000		2022/23 £'000
124	Opening Balance 1 April	122
2	Income	9
(4)	Expenditure	(6)
122	Closing Balance 31 March	125

2021/22 £'000		2022/23 £'000
	Current Assets	
122	Short Term Deposits	125
-	Bank Deposits	-
122	Total Assets	125
	Represented by :	
122	Capital & Revenue Reserves	125
122	Net Worth	125

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

Value at 31/03/22 £'000		Value at 31/03/23 £'000
52	Donald A Ferguson Bequest (Social Work - Ardseileach Residents)	53
30	W C Mackenzie Trust (for non-council projects in Stornoway)	30
27	Dr J L Robertson Bequest (for residents hardship)	28
109		111

NOTE 42 - 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. In accordance with Investment Regulations issued by the Scottish Government and best practice, the Comhairle's primary objective in relation to the investment of public funds remains the security of capital. The liquidity or accessibility of the Comhairle's investments followed by the yields earned on the investments are important but are secondary considerations. Institutions are independently assessed as sufficiently secure by the Comhairle's treasury advisors and deposits are restricted to a prudent maximum amount for each institution.

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

	Relevant factors used in analysis	Maximum Investment
Deposits	Published credit ratings	RBS-CnES Banker £5m
	Credit default SWAPS	Other banks and building societies £5m
	Economic fundamentals	Debt Management Account Deposit £100m
	Sovereign support mechanisms	Facility (DMADF)
	Share Prices	Local Authorities £5m
	Corporate developments, news articles, Market sentiment and momentum.	
	Subjective Overlay	

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 31/03/23	Estimated maximum exposure to default and uncollectibility
	£'000	£'000
Deposits with banks, building societies and local authorities	47,860	-
Customers (council tax, sundry income, loans)	33,496	8,643

The Comhairle does not generally allow credit for customers, such that £11.9m of the £33.5m balance is past its due date for payment (a significant portion of this relates to care charges debt, some of which is secured on property). The past due amount can be analysed by age as follows:

	31/03/22	31/03/23
	£'000	£'000
Less than three months	846	1,167
Three to six months	445	949
Six months to one year	1,348	1,660
More than one year	7,872	8,145
	10,511	11,921

Provision is made for trade and lease receivable bad debts. The credit ratings of banks/building societies that the Comhairle invests with are such that a provision for expected losses would not be material. The Comhairle makes loans to community groups but the amounts outstanding are not significant (£531k at 31 March 2023) and all are repaying to agreed terms, or have extended terms by agreement.

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 in respect of borrowings and Trust Funds is as shown below. All trade and other payables are assumed to be due within one year.

	£'000
Less than one year	1,003
Between one and two years	6,684
Between two and five years	5,324
More than five years	114,380
	127,391

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 regular 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 2023, with all other variables held constant.

	£'000
Impact on tax-payer & rent-payers	
Increase on interest payable on variable rate borrowings	1,219
Increase in interest receivable on variable rate lending	293
Increase in government grant receivable for "loan charges"	73
Net effect on Comprehensive Income & Expenditure Account	1,585
Other accounting presentational changes	
A decrease in the "fair value" of fixed rate lending	-
A decrease in the "fair value" of fixed rate borrowing	16,473

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

Foreign Exchange Risk

The Comhairle has no significant assets or liabilities denominated in foreign currencies, other than a Euro Bank Account with a balance of £1k at 31 March 2023, and thus has no exposure to loss arising from movements in exchange rates.

NOTE 43 EVENTS AFTER THE REPORTING PERIOD

The unaudited accounts were issued on 28 June 2023 and the audited accounts were issued on 26 September 2024 by the Chief Financial Officer. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Comhairle suffered a cyber-attack on 7 November 2023, which resulted in data stored on operational and back-up servers being inaccessible. A team, led by Police Scotland and the National Cyber Security Centre, continues to investigate. There is no indication, at this stage, that data has been extracted or published. The loss of data and systems has impacted on service delivery in some areas and short-term solutions have been implemented to minimise impacts on the community, pending the findings of the investigation. The loss of data and systems included the financial systems which form part of the Comhairle's accounting records. The accounting records and working papers supporting the unaudited accounts were prepared and submitted for audit prior to the cyber-attack. This allowed the auditor to obtain sufficient assurances for the purpose of their audit.

The Triennial valuation of the Highland Pension Fund as at 31 March 2023 was issued in January 2024. As a result, the auditor required a revised IAS19 actuarial valuation of the Comhairle's share of the pension asset. The results of the valuation have been included in these accounts and this has resulted in an increase of £33m in the value of the Pension Asset, disclosed at Note 37.

INCOME ACCOUNTS

COUNCIL TAX INCOME ACCOUNT

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

2021/22 £'000		2022/23 £'000
(15,128)	Council Tax Levy and Contributions in lieu	(15,734)
	Less:	
1,308	Council Tax Reduction Scheme	1,310
1,729	Other Discounts and Reductions	1,833
134	Write off of Uncollectable Debts and allowance for impairment	94
(11,957)	Council Tax Income per the Comprehensive Income and Expenditure Statement	(12,497)

NON DOMESTIC RATE INCOME ACCOUNT

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

2021/22 £'000		2022/23 £'000
(13,007)	Gross Rates Levied and Contributions in Lieu	(13,539)
	Less:	
6,275	Reliefs and Other Deductions	4,951
(3)	Write-off of Uncollectable Debts and allowance for impairment	31
(6,735)	Net Non-Domestic Rate Income	(8,557)
(62)	Adjustment to Previous Years' National Non-Domestic Rates	(45)
-	Non-Domestic Rates Retained by Comhairle (BRIS)	-
(6,797)	Contribution to Non-Domestic Rate Pool	(8,602)
(6,157)	Distribution from Non-Domestic Rate Pool	(8,149)
-	Non-Domestic Rates Retained by Comhairle (BRIS)	-
(6,157)	Income credited to the Comprehensive Income and Expenditure Statement	(8,149)

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.

Calculation of the Council Tax Base

2021/22		DISABLED								2022/23	
		A	A	B	C	D	E	F	G		H
14,920	Properties	4804	3940	2852	1847	1370	197	31	5	15,046	
634	Exemptions	311	187	92	33	18	2		1	644	
90	Disabled Relief	11	19	27	25	15	1			98	
90	Effective Disabled	11	19	27	25	15	1			98	
5,228	Discounts (25%)	6	2174	1413	880	441	269	36	7	1	5,227
1,539	Discounts (50%)		613	475	278	106	72	6	4	1	1,555
1,471	Council Tax Reduction	2	724	406	196	56	31	2	1		1,418
10,740	Total equivalent	9	2927	2764	2203	1585	1204	180	26	3	10,901
	Ratio	5/9	6/9	7/9	8/9	9/9	473/360	583/360	705/360	882/360	
9,436	Band D equivalents	4	1951	2150	1959	1585	1582	292	52	7	9,582
	3 Contributions in lieu										3
9,439											9,585
(186)	Bad Debt Provision										(184)
9,253	Council Tax Base										9,401

Number of Effective Properties per Band and Council Tax Levels 2022/23

Band	Properties	£
A (Disabled)	9	682.94
A	2,927	819.53
B	2,764	956.11
C	2,203	1,092.70
D	1,585	1,229.29
E	1,204	1,615.15
F	180	1,997.60
G	26	2,407.36
H	3	3,011.76
	10,901	

NATURE AND AMOUNT OF NON DOMESTIC RATE CHARGES

Non-Domestic Rates are a tax levied by local authorities on the occupiers of commercial property. The amount paid is determined by the rateable value placed on the property by the Assessor, multiplied by the rate per pound (the "rate poundage"). The rate poundage is set each year by the First Minister for Scotland. For 2022/23 the charge was 49.8 pence in the pound (49 pence in 2021/22). For properties with a rateable value of between £51,000 and £95,000 a supplement of 1.3 pence (1.3 pence in 2021/22) in the pound was added and for properties with a rateable value over £95,000 a supplement on 2.6 pence (2.6 pence in 2021/22) in the pound was added as per the Non-Domestic Rates (Levying) (Scotland) Regulations 2021, and this contributes towards the cost of the Small Business Bonus Scheme.

Due to the Coronavirus pandemic, the 100% relief to all retail, hospitality and leisure was extended into the first 3 months of 2022/23. This was all as per the Non-Domestic Rates (Coronavirus Reliefs) (Scotland) Regulations 2022.

The Small Business Bonus Scheme introduced on 1 April 2008 progressively reduces the rates burden for businesses with properties of which the combined rateable value is £18,000 or less. The relief rates for 2022/23 are detailed below:

	Relief available 2022/23
Combined rateable value of all business properties in Scotland:	
Up to £15,000	100%
£15,001 - £18,000	25%
£18,001 - £35,000 *	25%

* This will allow a business with 2 or more properties with a cumulative rateable value between £18,001 and £35,000 to qualify for relief at 25% on individual properties with a rateable value up to £18,000.

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

Analysis of Rateable Values 1 April 2022

	Number of Properties	Rateable Value £'000
Care Facilities	20	887
Telecommunication	33	1,099
Cultural	35	487
Education and Training	81	3,870
Garage and Petrol Stations	100	630
Health Medical	31	1,305
Hotels, boarding Houses etc.	1,033	3,004
Industrial including Factories and Warehouses	437	4,690
Leisure, Entertainment Caravans and Holiday Sites	148	1,008
Offices including Banks	244	2,722
Other	55	349
Petrochemical	2	21
Public Houses	6	144
Public Service Subjects	363	2,841
Quarries, Mines etc.	21	109
Religious	143	636
Shops	267	2,369
Sporting Subjects	121	695
	3,140	26,866

GROUP MOVEMENT IN RESERVES STATEMENT

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

2022/23	General Fund £'000	Capital Grants Unapplied £'000	Capital Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Comhairle Reserves £'000	Share of Reserves of Associates & Subsidiaries £'000	Total Reserves £'000
Balance at 1 April 2022	31,670	6,115	919	38,704	164,120	202,824	7,558	210,382
Movement in Reserves during 2022/23								
Total Comprehensive Income and Expenditure	(19,290)	-	-	(19,290)	137,847	118,557	(1,505)	117,052
Adjustments between accounting basis and funding basis under regulation	15,067	5,261	226	20,554	(20,554)	-	-	-
Adjustments between reserves permitted by accounting standards	2,509	-	-	2,509	(2,509)	-	-	-
Net Increase/(Decrease) in Year	(1,714)	5,261	226	1,264	117,293	118,557	(1,505)	117,052
Balance at 31 March 2023	29,956	11,376	1,145	39,968	281,413	321,381	6,053	327,434

2021/22	General Fund £'000	Capital Grants Unapplied £'000	Capital Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Comhairle Reserves £'000	Share of Reserves of Associates & Subsidiaries £'000	Total Reserves £'000
Balance at 1 April 2021	27,749	4,996	835	33,580	115,359	148,939	2,955	151,894
Movement in Reserves during 2021/22								
Total Comprehensive Income and Expenditure	(12,880)	-	-	(12,880)	66,765	53,885	4,603	58,488
Adjustments between accounting basis and funding basis under regulation	16,801	1,119	84	18,004	(18,004)	-	-	-
Net Increase/(Decrease) in Year	3,921	1,119	84	5,124	48,761	53,885	4,603	58,488
Balance at 31 March 2022	31,670	6,115	919	38,704	164,120	202,824	7,558	210,382

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2021/22			Service	2022/23		
Gross Expend £'000	Gross Income £'000	Net Expend £'000		Gross Expend £'000	Gross Income £'000	Net Expend £'000
69,444	(9,303)	60,141	Education, Skills and Children's Services	75,990	(8,797)	67,193
33,796	(12,622)	21,174	Depute Chief Executive	55,988	(12,432)	43,556
66,383	(39,171)	27,212	Health and Social Care	65,815	(36,484)	29,331
7,060	(2,524)	4,536	Chief Executive's	12,187	(5,762)	6,425
23,950	(7,866)	16,084	Strategic Finance	9,652	(4,766)	4,886
66	0	66	Investment Delivery	99	-	99
200,699	(71,486)	129,213	Cost of Services	219,731	(68,241)	151,490
123	-	123	Other Operating Expenditure (Note 9)	-	(13)	(13)
10,397	(141)	10,256	Financing and Investment Income & Expenditure (Note 10)	11,465	(2,177)	9,288
-	(126,712)	(126,712)	Taxation and Non Specific Grant Income (Note 11)	-	(141,475)	(141,475)
211,219	(198,339)	12,880	Deficit on Provision of Services	231,196	(211,906)	19,290
		(4,220)	Share of Operating Results of Associates			2,727
		8,660	Group (Surplus)/Deficit			22,017
		(27,199)	Surplus on Revaluation of Fixed Assets			(16,511)
		(39,566)	Actuarial (Gains)/ Losses on Pension Fund Assets and Liabilities			(121,336)
		(383)	Share of Other Comprehensive Income and Expenditure of Associates (Note G3)			(1,222)
		(67,148)	Other Comprehensive Income and Expenditure			(139,069)
		(58,488)	Total Comprehensive Income and Expenditure			(117,052)

GROUP BALANCE SHEET

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

31/03/2022		31/03/2023	
£'000		£'000	£'000
345,642	Property, Plant and Equipment (Note 12)	361,329	
2,162	Heritage Assets (Note 13)	605	
385	Intangible Assets (Note 14)	354	
-	Long Term Investments	-	
689	Long Term Debtors (Note 15)	19,548	
8,365	Investment in Associates and Joint Ventures	5,751	
357,243	Long Term Assets		387,587
40,036	Short Term Investments	26,254	
1,718	Assets Held for Sale (Note 19)	1,678	
1,178	Inventories	1,418	
21,575	Short Term Debtors (Note 17)	15,981	
23,704	Cash and Cash Equivalents (Note 18)	21,809	
88,211	Current Assets		67,140
(4,281)	Short Term Borrowing (Note 16)	(4,737)	
(31,750)	Short Term Creditors (Note 20)	(31,837)	
(36,031)	Current Liabilities		(36,574)
(130,529)	Long Term Borrowing (Note 16)	(127,391)	
(1,203)	Other Long Term Liabilities (Note 33)	(1,021)	
(568)	Long Term Provision (Note 21)	(3,964)	
(808)	Liabilities in Associates	303	
(65,933)	Pension Liability (Note 37)	41,354	
(199,041)	Long Term Liabilities		(90,719)
210,382	Net Assets		327,434
38,705	Comhairle Usable Reserves	42,477	
164,119	Comhairle Unusable Reserves (Note 22)	278,904	
7,558	Share of Reserves of Associates and Joint Ventures	6,053	
210,382	Total Reserves		327,434

The unaudited Accounts were issued on 28 June 2023 and the audited Accounts were authorised for issue on 26 September 2024.

Norman Macdonald

Norman Macdonald CPFA
Chief Financial Officer
26 September 2024

GROUP CASH FLOW STATEMENT

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

2021/22 £'000		2022/23 £'000
(8,660)	Net surplus or (deficit) on the provision of services	(22,017)
29,656	Adjustments to net surplus or deficit on the provision of services for non-cash movements	33,891
20,996	Net cash flows from Operating Activities	11,874
(20,135)	Investing Activities	(11,073)
(279)	Financing Activities	(2,696)
582	Net increase/(decrease in cash) and cash equivalents	(1,895)
23,122	Cash and cash equivalents at the beginning of the period	23,704
23,704	Cash and cash equivalents at the end of the period	21,809
582	Net increase/(decrease in cash) and cash equivalents	(1,895)

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

2021/22 £'000		2022/23 £'000
12,880	(Surplus)/Deficit on Single Entity I & E Account for Year	19,290
-	Less: Adjustment for transactions with other Group entities	-
12,880	(Surplus)/Deficit in Group CI & E Attributable to Comhairle	19,290
(4,220)	Add: (Surplus)/Deficit in Group I & E Account attributable to Associates	2,727
8,660	(Surplus)/Deficit for the Year on the Group CI & E Statement	22,017

NOTE G1 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 G2 COMBINING ENTITIES

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

The accounting period for this entity is 31 March 2023 and copies of the individual accounts are available from Sgoiltean Ùra LLP, Council Offices, Sandwick Road, Stornoway, Isle of Lewis, HS1 2BW.

For the purposes of consolidation and incorporation in the Group Accounts, recognition has been made of the Comhairle's interest in the Highland and Western Isles Joint Valuation as an Associate of the Comhairle. Cùram is Slàinte nan Eilean Siar, the Integration Joint Board for health and social care services has been recognised as a Joint Venture.

The accounting period for both entities is 31 March 2023. Copies of the Valuation Board accounts are available from Highland Council, Glenurquhart Road, Inverness, IV3 5NX and those for Cùram is Slàinte nan Eilean Siar from the Chief Officer, Health and Social Care, Council Offices, Sandwick Road, Stornoway, Isle of Lewis, HS1 2BW.

Although the Comhairle has an interest in Scotland Excel, the centre of procurement expertise for Scottish Local Authorities, the entity has not been included in the group on the grounds of materiality.

Highland and Western Isles Joint Valuation Board administers the Rating and Council Tax valuation service and Electoral Registration on behalf of The Highland Council and Comhairle nan Eilean Siar. Operational control of the service lies with the Assessor who receives administrative, financial and computing support from The Highland Council. During 2022/23 the Comhairle contributed £0.353m or 10.7% of the Board's running costs. Other than a small General Fund balance and the Pension Asset, of which the Comhairle's share is £0.277m, the Board has no other fixed assets or reserves on the Balance Sheet.

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

2021/22 £'000	HIGHLAND AND WESTERN ISLES JOINT VALUATION BOARD	2022/23 £'000
677	Gross Income	667
122	(Surplus)/Deficit on Provision of Services	110
101	Current Assets	131
(77)	Short Term Liabilities	(105)
(832)	Pension (Liability)/Asset	277

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

With the building works on the Schools Project completed in 2013, SULLP effectively ceased trading on 31 March 2013 and consequently there were no transactions through the Accounts during 2022/23. The process to novate the Schools Project contracts and transfer the assets and liabilities of SULLP to the Comhairle has been ongoing for some time but due to delays in the legal process, this has not yet been finalised. Dormant accounts are in the process of being filed with Companies House.

Cùram is Slàinte nan Eilean Siar is the Integration Joint Board established to deliver health and social care services for Comhairle nan Eilean Siar and NHS Western Isles. The integration scheme was agreed by the Scottish Parliament on 24 September 2015 and the Board was formally established on 1 April 2016. During the year the Comhairle contributed £25.1m, representing 34% of the Board's running costs. The Board does not hold any cash or other assets, other than the £11.496m surplus generated over the 6 years, which has been transferred to a reserve for use in future years.

The following table gives details of the Group's share of the Board's finances, based on the Comhairle's 50% share of the Joint Venture.

2021/22 £'000		2022/23 £'000
49,084	Gross Income	44,263
(4,342)	(Surplus)/Deficit on Provision of Services	2,617
8,365	Net Current Assets	5,748

NOTE G3 NATURE OF COMBINATION

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

NOTE G4 FINANCIAL IMPACT OF CONSOLIDATION

The effect of including the associates and the subsidiary on the Balance Sheet is to increase net worth by £6.1m, as a result of inclusion of a share of the Integration Joint Board's reserves, and the Valuation Joint Board's pension asset.

NOTE G5 COMHAIRLE SHARE OF GROUP CONTINGENT LIABILITIES

The Contingent Liabilities of the Comhairle are detailed in Note 40. Neither the Valuation Joint Board or Cùram is Slàinte nan Eilean Siar have identified any contingent liabilities.

NOTE G6 GROUP ACCOUNTING POLICIES

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

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Comhairle nan Eilean Siar and its group for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash Flow Statements, the council-only Council Tax Income Account, the Non Domestic Rate Income Account and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2023 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 5 June 2023. My period of appointment is one year, covering 2022/23. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter – cyber-attack

I draw attention to Note 43 "Events after the reporting period" in the financial statements, which discloses the impact of a cyber-attack on Comhairle nan Eilean Siar which caused loss of data and systems. My opinion on the financial statements is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue. These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, I report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

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

Responsibilities of the Chief Financial Officer and Audit and Scrutiny Committee for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

Reporting on other requirements

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

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

Other information

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

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

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

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

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

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

Matters on which I am required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have the following matter to report in respect of the adequacy of the council's accounting records. The cyber-attack referred to in the emphasis of matter paragraph prevented the council from accessing its full accounting records since 7 November 2023. I have nothing to report in respect of the other matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Rachel Browne

Rachel Browne CPFA
Audit Director
Audit Scotland
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26 September 2024