



Abstract of Accounts

For the year 1 April 2006 to 31 March 2007



COMHAIRLE NAN
EILEAN SIAR





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Foreword by the Director of Finance and Corporate Resources

Financial Position at 31 March 2007

The Comhairle's overall financial position at the end of 2006/07 is relatively stable with revenue balances of £10.25m, compared with £10.3m a year earlier. However, when known commitments of £5.9m and the Comhairle's policy of holding a minimum of £1.8m in reserve are taken into account, this reduces to £2.6m.

The Comhairle is in the process of implementing savings that are expected to cover the planned deficit of £813k in 2007/08, thus retaining balances at this level. It is also intended that the Single Status agreement will be implemented during 2007/08 and this is expected to increase staffing costs, though the financial consequences will depend on the agreement reached.

2007/08 marks the last year in the current financial settlement for Scottish Local Authorities. To protect its stability, the Comhairle has agreed to retain uncommitted balances until Single Status is implemented and the outcome of the 2007 spending review is known.

Budgetary Performance

Overall the Comhairle showed a deficit of £25k for the year, against a budgeted deficit of £1.750m. The budgeted deficit assumed £1.8m of expenditure in respect of implementation of Single Status, which has been delayed until the current year. In year rises in expenditure, including capital grants (see below), superannuation increases and departmental overspends have been off-set by various savings, including Joint Board requisitions and the return of unused contingencies and centrally held budget to balances.

The balance of £10.255m on the General Fund includes an earmarked sum of £5.9m in respect of the following:

	£'000
HRA Balances	117
Earmarked for Winter Maintenance	454
Departmental Carry Forward	1,159
Earmarked for Loans Fund Restructuring	1,603
Efficiency Fund	220
Rural Services Priority Areas	329
Care Home Back Pay	101
Modernising Government Fund	387
Business Loans Scheme	140
Coast Protection	29
Increase in Insurance Premium	15
Food Standards	12
Youth Crime	126
Surestart	128
Quality of Life Projects	89
Children's Panel	15
Administration of External Funding	26
National Mod	30
Implementation of Homecare Review	3
Childcare Strategy	255
Supporting People	84
Choose Life	67
CFCR Committed to Capital Programme	363
Ward Priority Fund	103
HISTP Match Fund	26
Total	£5,881

Comhairle policy allows carry forward of underspends on revenue budgets of up to 2% and overspends of up to 1% that must be contained within the following year's budget. Certain other specific underspends, e.g. where specific funding has been received but not fully utilised, are also allowed to be carried forward. After accounting for specific carry forwards, the Social Work and Technical Services budgets had overspends of £391k and £206k respectively. With the exception of Finance and Corporate Resources, whose underspend was slightly over 2%, all other departments came within carry forward tolerances. Technical Services will be expected to fund 1% of their overspend from 2007/08 budgets, with the remainder and the full Social Work amount being funded from balances.

Trading Operations

Trading Operations contributed a net surplus of £17k, significantly lower than expected, after charges of £218k in respect of the FRS17 pension adjustment. All Significant Trading Operations met their statutory target except the Bus Operation where the FRS17 adjustment put the operation into deficit.

Capital Grants

A change to accounting guidance on the definition of capital meant that expenditure that did not result in an asset to the Comhairle could not be classed as capital and would therefore be charged to revenue. Total expenditure for the year on grants of this nature

Foreword by the Director of Finance and Corporate Resources

amounted to £1,271k. This was funded from a variety of sources including Capital from Current Revenue budgets, savings on loan charges, other central budgets, and General Fund balances. The Scottish Executive has now agreed that under certain circumstances, approval can be sought for consent to borrow under Schedule 3 of the Local Government (Scotland) Act 1975 for capital, and a programme for 2007/08 has been agreed on this basis.

Housing Revenue Income and Expenditure Account

A major development for the Comhairle in 2006/07 was the transfer of its entire council housing stock of 1796 houses to the Hebridean Housing Partnership (HHP) on 12 September 2006. A number of significant financial transactions are reflected in the accounts as a result of the stock transfer process and the main items can be summarised as follows:

- At the date of transfer, the Scottish Executive extinguished the £37.6m of debt outstanding that the Comhairle had on its housing stock
- The Scottish Executive also met the “breakage costs” of £0.8m charged by the Public Works Loan Board in respect of the early repayment of loans
- The value of the housing stock and the associated debt have been removed from the balance sheet

At the end of the financial year £2.3m was retained in a Capital Fund which can be used to fund capital expenditure or for the repayment of borrowing.

The Account showed a deficit of £607k, largely due to costs associated with the housing stock transfer, and this has been funded from the housing balance held within the General Fund and the Repairs and Renewals Fund. A balance of £117k remains, which will be set aside to meet any residual costs.

Net Assets

The net assets of the Comhairle have increased by £37m over the year. This is largely due to the transfer of the housing stock and the repayment of the associated debt, and a reduction of £10m in the pension liability.

Capital Expenditure

31 March 2007 marks the end of the third year of the 2004-08 Capital Programme. The Comhairle spent a total of £21.5m on capital projects, which was £3.7m less than in the previous year. This was due in part to the delay in spending on community capital grant projects whilst a solution was sought to the problem of financing capital projects which did not result in an asset for the Comhairle. In Social Work, the South Uist and Carloway Care Developments were completed and design work was started on the Harris Care Development. In Transportation, the second section of the Spinal Route was completed and work started on roads to two community projects in Breasclete and Habost in Lochs. At the same time, over £1m was spent on road strengthening and minor improvement work. The new Waste Facility at Creed Enterprise Park is nearing completion with over £2m of expenditure being incurred on this project in 2006/07. Investment of £3m was also made in the school estate, and on a smaller scale £0.7m went towards the purchase of Fishing Quota.

Financing Expenditure

The Comhairle's revenue budget is financed through Revenue Support Grant from the Scottish Executive, together with Non-Domestic Rates and Council Tax, as detailed in the Income Accounts on page 34 of the accounts. The Comhairle's committed and planned capital expenditure is funded by a combination of borrowing, capital grants from the Scottish Executive, capital contributions from funding partners and capital receipts.

Borrowing

During the year, £7.163m of debt matured and £15.086m of debt with an average rate of 4.483% was prematurely repaid. £27m was borrowed from the Public Works Loan Board at an average rate of 4.12%. Due to the write-off of debt associated with the transfer of the housing stock, £38.452m of debt was repaid to the Public Works Loan Board.

BCCI

The Comhairle had a total of £24.1m invested in BCCI when it was closed by the Bank of England on 5 July 1991. A fifth dividend of £1.6m was received in December 2005 bringing the total repaid to £22.9m or 81%. Although no dividend was received during 2006/07, there remains the possibility of further dividends.

Pensions/FRS17

The Comhairle's pension liability has decreased over the year by £10m, to £14.5m. Statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the actuary. The overall amount to be met from government grants and local taxation has remained unchanged. Whilst the replacement of employer's contributions has seen an increased charge to service accounts, actuarial adjustments have reduced the net cost of services by £307k and the net operating expenditure by £1,002k, with a corresponding transfer to the pension reserve. Further details are given in notes 25 to 30 of the accounts.

Euro

The nature and potential impact of the introduction of the Euro are not deemed to be significant at 31 March 2007. No estimate has yet been made of the costs to the Comhairle of the introduction of the Euro.

Foreword by the Director of Finance and Corporate Resources

Accounting Statements

The accounting statements that follow consist of:

- **Income and Expenditure Account** - gives the expenditure against budget for all the Comhairle's services and the source of funding for them; this gives the surplus for the year and the cumulative balance on the General Fund.
- **Statement of Movement on General Fund Balance** – The accounting basis for preparing the Income and Expenditure Account is not currently in line with statutory provisions that specify the net expenditure that authorities need to take into account when setting local taxes. The Statement of Movement on the General Fund Balance provides the basis for making the necessary adjustments.
- **Statement of Total Recognised Gains and Losses** – Not all the gains and losses experienced by an authority are reflected in the Income and Expenditure Account e.g. revaluation of assets, pension actuarial gains or losses. This statement brings together all the gains and losses for the year and shows the aggregate net worth of the authority.
- **Balance Sheet** – is a consolidation of the General Fund, Loans Fund and Housing Revenue Account. It shows the balances and reserves available, long term indebtedness and the fixed and current assets of the Comhairle.
- **Cash Flow Statement** – shows the inflows and outflows of cash as a result of all the Comhairle's transactions, both capital and revenue, in all its funds.
- **Housing Revenue Account** – gives the expenditure, including capital financing, for the provision of rented housing and how these costs are financed from rents, housing support grant and other income.
- **Income Accounts** – show the gross and net income derived from Council Tax and Non-Domestic Rates and the contribution to the National Pool for Non-Domestic Rates and the distribution from the pool to the Comhairle.
- **Group Accounts** – which incorporate the Joint Committees (Police and Fire) as Associates, show the overall position of local government in the Western Isles.

Restatement of previous year figures

The previous year's figures have been adjusted to reflect the accounting changes required by the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2006. These changes are of a presentational nature and do not have an impact on the overall financial position of the Comhairle.

Group Accounts

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

These accounts show the group to have a negative net worth. Despite this, the accounts have been prepared on a "going concern" basis as the reason for the negative position is purely as a result of the negative Pension Reserve. The Pension Reserve arises from the bodies applying FRS17 Retirement Benefits. The application of this standard does not reflect the charge levied on the local taxpayers, therefore the group can be treated as a going concern as it can raise the funds it requires to cover its outgoings.

Thanks

I would like to thank Members of the Comhairle and all Comhairle staff who have worked hard throughout the year to ensure that the Comhairle remains in control of its finances and to complete these accounts. I would also extend my thanks to our external auditors for their professionalism and courtesy.



Robert Emmott BSc CPFA
Director of Finance and Corporate Resources
26 June 2007

Statement of Accounting Policies

The following policies apply to the Accounts of Comhairle nan Eilean Siar for the year 2006/07

1 General Policy

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

2 Accounting Convention

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

3 Basis upon which Debtors and Creditors are included in the Accounts

Debtors represent amounts owed to the Comhairle charged in 2006/07 but which are still outstanding at 31 March 2007. Creditors represent amounts owed by the Comhairle for goods delivered or services carried out before 31 March 2007. Payments relating to 2006/07 made in the first three weeks of 2007/08 have been included in revenue expenditure for 2006/07 and in the figure for creditors given in the Balance Sheet. Estimates of significant amounts still due, but not yet paid by the Comhairle, have also been included in the figure for expenditure and creditors. Only significant amounts are accrued for capital.

4 Basis of Provision of Debt Charges

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

5 Allocation of Support Services Costs

Support Services costs, such as Finance, Legal, Administration and Engineering, have been charged to service committees by identifying the costs of each element of the Support Services and charging them on the basis of known or estimated usage.

6 Stock and Stores

The Accounting Code of Practice 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.

7 Basis of Valuation of Fixed Assets

From 2006/07 the Comhairle has moved to valuing a percentage of the land and buildings on a rolling basis annually, rather than carrying out one valuation every five years. The land surrounding buildings is valued separately. Valuations are undertaken in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual often referred to as "The Red Book" and having regard to the supplementary guidance provided by CIPFA. The value in the Accounts reflects this valuation plus any capital expenditure incurred between 1 April 2006 and 31 March 2007. Depreciation has been charged on the basis of assets' estimated useful life on a straight-line basis.

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

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

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

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

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

8 Investments

Investments of the Comhairle are recorded at cost less provision for loss in value.

9 Deferred Charges

Deferred charges are items that have been charged to the Capital Account of the Comhairle, but which do not result in the acquisition of an asset for the authority.

10 Asset Rentals

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

11 Provisions

Provisions are made for any liabilities of uncertain timing or amount that have been incurred. Details are given in Note 7.

Statement of Accounting Policies

12 Provisions for Bad and Doubtful Debts

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

- Community Charge
- Council Tax
- Non-Domestic Rates
- Rents
- Sundry Debtors
- Business loans

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

13 Premia and Discounts on Redemption of Loans

Premia and discounts arising from unmatched restructuring transactions are taken to revenue in the relevant year while premiums where debt restructuring is matched are carried forward to be released to revenue in future years. Gains or losses on restructured debt are recognised over the life of the replacement borrowing in line with LAAP Bulletin 26.

14 Government Grants

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

15 Budget

The budget figures shown are the revised budgets as at 31 March 2007 as these reflect policy decisions taken during the year.

16 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 authority and the services it provides. Routine repairs and maintenance of fixed assets is charged directly to service revenue accounts.

17 Capital Receipts

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

18 Operating Leases

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

19 Retirement Benefits

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

● Teachers' Pension Scheme

This is an unfunded scheme administered by the Scottish Executive who sets the contribution rate based on a notional fund. The amounts included in the accounts are the contributions due in the year. In addition the cost of pension enhancements for early retirement are included in non-distributable costs. The scheme is exempt from FRS17 as the assets and liabilities of the scheme cannot be reliably attributed to participating authorities.

● Local Government Pension Scheme

Pensions for other employees are accounted for in accordance with Financial Reporting Standard 17 (FRS17). The calculations have been carried out in accordance with Guidance Note 36: Accounting for Retirement Benefits under FRS17, issued by the Institute and the Faculty of Actuaries. The disclosures have been drafted in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006 – A Statement of Recommended Practice issued by the CIPFA/LASAAC Joint Committee.

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

20 Significant Trading Operations

The Local Government in Scotland Act 2003 required Local Authorities to report "separately on significant trading operations". Following a review of trading operations in February 2006, the Comhairle concluded that the Fuel at Fishery Piers operation no longer met the definition of significance on the basis of turnover. During 2006/07 the Comhairle operated the following STOs:

- Refuse Collection
- Building Maintenance
- Highways
- Buses

21 Revenue Reserves

The surplus of £338k on the winter maintenance account has been transferred to the General Fund and earmarked for that purpose.

Income and Expenditure Account

2005/06 Restated Actual (Net) £'000	Service	2006/07		
		Actual Expenditure £'000	Actual Income £'000	Actual Net £'000
38,782	Education Services	44,280	(6,133)	38,147
1,455	General Fund Housing	10,792	(9,246)	1,546
4,517	Cultural & Related Services	6,641	(1,991)	4,650
3,404	Environmental Services	6,594	(2,616)	3,978
9,244	Roads & Transport Services	11,758	(1,911)	9,847
4,697	Planning & Development Services	8,274	(3,121)	5,153
18,173	Social Work	21,524	(4,919)	16,605
3,258	Corporate & Democratic Core	3,378	(10)	3,368
462	Non Distributed Costs	(1,356)	-	(1,356)
844	Central Services to the Public	1,282	(314)	968
183	Trading Services	1,292	(1,084)	208
4,475	Joint Board Requisitions	4,990	(27)	4,963
89,494	Net Cost of General Fund Services	119,449	(31,372)	88,077
(4,671)	Housing Revenue Account	1,763	(3,142)	(1,379)
84,823	NET COST OF SERVICES	121,212	(34,514)	86,698
24	(Gain)/Loss on Disposal of Fixed Assets			140
481	Trading Operations (Surpluses)/Deficits			477
13,877	Interest Payable and Similar Charges			11,466
(723)	Interest and Investment Income			(681)
(108)	Pensions Interest Costs and Expected Return on Assets			(695)
(1,595)	Extraordinary Item - BCCI Receipt			-
96,779	NET OPERATING EXPENDITURE			97,405
(80,374)	General Government Grants			(83,003)
(9,782)	Non-Domestic Rates Redistribution			(9,741)
(9,297)	Income from Council Tax			(9,467)
(99,453)	TOTAL INCOME			(102,211)
(2,674)	(SURPLUS)/DEFICIT FOR THE YEAR			(4,806)

Statement of Movement on the General Fund Balance

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

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

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

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

2005/06 £'000	STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE	2006/07 £'000
(2,674)	(Surplus)/Deficit on I & E for Year	(4,806)
2,713	Net Additional Amount required to be (credited)/debited to GF for year (Note 1)	4,831
39	(Increase)/Decrease in GF for year	25
(10,319)	GF Balance Brought Forward	(10,280)
(10,280)	GF BALANCE CARRIED FORWARD	(10,255)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

2005/06 £'000	STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	2006/07 £'000
(2,674)	Surplus for the Year on the I & E Account	(4,806)
1,616	(Surplus)/Deficit on Revaluation of Fixed Assets	1,699
-	(Surplus)/Deficit on Transfer of Housing Stock	(24,890)
3,152	Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	(9,100)
2,094	TOTAL RECOGNISED (GAINS)/LOSSES FOR THE YEAR	(37,097)

Balance Sheet

Restated 31 March 2006 £'000	Balance Sheet as at 31 March 2007	Gross Book Value £'000	Depreciation £'000	31 March 2007	
				£'000	£'000
	Fixed Assets				
	<i>Intangible Fixed Assets (Note 6)</i>	700	-	700	
	<i>Tangible Fixed Assets (Note 2)</i>				
	Operational Assets:				
10,523	Council	-	-	-	
124,181	Other Land & Buildings	128,366	(4,566)	123,800	
852	Leasehold Improvements	1,277	(490)	787	
4,687	Vehicles, Plant & Equipment	9,402	(3,932)	5,470	
84,804	Infrastructure Assets	122,882	(33,191)	89,691	
444	Community Assets	628	(216)	412	
	Non-operational Assets:				
1,946	Investment Properties	4,147	(192)	3,955	
10,282	Assets Under Construction	10,296	-	10,296	
237,719	Total Fixed Assets	277,698	(42,587)		235,111
	Other Long Term Assets				
350	Long-term Investments			338	
901	Long-term Debtors (Note 8)			1,358	
(321)	Less Provisions (Note 7)			(482)	
4,006	Premia on Debt Redemption			3,026	4,240
242,655	Total Long-term Assets				239,351
	Current Assets				
733	Stocks & Work in Progress			852	
17,667	Debtors (Note 10)			14,765	
(2,039)	Less Provisions (Note 7)			(2,187)	
6,485	Investments			4,474	
11	Cash in Hand			12	17,916
265,512	Total Assets				257,267
	Current Liabilities				
(8,138)	Borrowing Repayable Within 1 Year			(105)	
(13,892)	Creditors (Note 11)			(11,719)	
(3,779)	Provisions (Note 7)			(448)	
(270)	Bank Overdraft			(425)	(12,697)
239,433	Total Assets less Current Liabilities				244,570
	Long-term Liabilities				
(173,655)	Long-term Borrowing (Note 9)			(147,986)	
(39,273)	Government Grants Deferred			(43,085)	
(24,548)	Pension Liability (Note 27)			(14,446)	(205,517)
1,957	Net Assets/(Liabilities)				39,053
	Financed by:				
1,931	Fixed Assets Restatement Account			45,292	
11,909	Capital Financing Account			(4,670)	
0	Capital Fund			2,294	
2,107	Useable Capital Receipts Reserve			328	
(24,548)	Pension Reserve			(14,446)	
	Revenue Reserves				
10,280	- General Fund			10,255	
278	- Repairs and Renewals Fund			-	
1,957	Total Net Worth (Note 31)				39,053



Robert Emmott BSc CPFA
Director of Finance and Corporate Resources
26 June 2007

Cash Flow Statement

2005/06 In/(Out) £'000	CASH FLOW STATEMENT	2006/07 £'000	2006/07 £'000	2006/07 In/(Out) £'000
	Revenue Activities			
	Cash Outflows			
(59,018)	Cash Paid to and on behalf of Employees	(64,331)		
(39,653)	Other Operating Cash Payments	(45,395)		
(4,927)	Other Precepts	(5,237)		
(783)	Housing Benefit Paid Out	(2,223)		
(104,381)			(117,186)	
	Cash Inflows			
1,790	Rents (after Rebates)	778		
7,622	Council Tax Receipts	7,795		
4,271	National Non-Domestic Rates Receipts from National Pool	4,109		
4,065	Non-Domestic Rates Receipts	4,359		
80,574	Revenue Support Grant	83,003		
661	DWP Grants	1,755		
12,142	Other Government Grants (Note 13)	19,381		
9,943	Cash Received for Goods and Services	8,719		
5,816	Other Operating Cash Receipts	5,352		
126,884			135,251	
22,503	Net Cash Inflow from Revenue Activities (Note 12)			18,065
	Returns on Investments & Servicing of Finance			
	Cash Outflows			
(12,839)	Interest Paid	(10,438)		
-	Premia	-		
(12,839)			(10,438)	
	Cash Inflows			
401	Interest Received	237	237	
(12,438)	Net Cash Outflow from Investments and Servicing of Finance			(10,201)
	Capital Activities			
	Cash Outflows			
(23,640)	Purchase of Fixed Assets	(20,543)		
(6,221)	Expenditure on Deferred Charges	(844)		
-	Other Capital Cash Payments	(1,048)		
(29,861)			(22,435)	
	Cash Inflows			
1,123	Sales of Fixed Assets	441		
18,925	Capital Grants Received	6,552		
529	Other Capital Cash Receipts	664		
20,577			7,657	
(9,284)	Net Cash Outflow from Capital Activities			(14,778)
781	Net Cash Outflow before Financing			(6,914)
	Management of Liquid Resources			
1,192	Net Decrease in Short Term Deposits	2,010	2,010	
1,192	Net Cash Inflow from the Management of Liquid Resources			2,010
	Financing			
	Cash Outflows			
(14,789)	Repayments of Amounts Borrowed	(22,251)	(22,251)	
(14,789)				
	Cash Inflows			
14,651	New Loans Raised	27,001	27,001	
14,651				
(138)	Net Cash Inflow from Financing			4,750
1,835	Net Increase/(Decrease) in Cash			(154)
2005/06	Movements in Cash per Balance Sheet	Opening	Closing	Movement
1,835		(259)	(413)	(154)

Note 1 Details of Reconciling Items on the Statement of Movement on the General Fund Balance

2005/06 £'000	STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE	2006/07 £'000
	Amounts included in I & E but required by Statute to be excluded when determining movement on GF Balance for year	
(14,181)	Depreciation and Impairment of Fixed Assets	(8,881)
5,702	Government Grants Deferred Amortisation	1,678
(24)	Net Gain/(Loss) on Sale of Fixed Assets	(140)
(424)	FRS17 Pensions	1,002
	Amounts not included in I & E but required by Statute to be included when determining movement on GF Balance for year	
11,640	Repayment of Debt	11,450
-	Capital Expenditure Charged to General Fund	-
	Transfers to or from GF Balance that are required to be taken into account when determining movement on GF Balance for the year	
-	Transfer to or from Repairs and Renewals Fund	(278)
2,713		4,831

Note 2 Movement on Fixed Assets

Operational Assets	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure £'000	Leasehold Improve-ments £'000	Community Assets £'000	Total £'000
Valuation at 31 March 2006	12,847	128,060	8,003	115,050	1,277	628	265,865
Accumulated Depreciation	(2,324)	(3,879)	(3,316)	(30,246)	(425)	(184)	(40,374)
Net Book Value at 31 March 2006	10,523	124,181	4,687	84,804	852	444	225,491
Movement in Year							
Revaluation	-	(2,471)	-	-	-	-	(2,471)
Housing Stock Transfer	(11,234)	(1,540)	(15)	-	-	-	(12,789)
Transfers	-	878	86	(155)	-	-	809
Additions	822	6,740	1,585	7,987	-	-	17,134
Disposals	(111)	-	-	-	-	-	(111)
Depreciation	-	(3,988)	(873)	(2,945)	(65)	(32)	(7,903)
Net Book Value at 31 March 2007	0	123,800	5,470	89,691	787	412	220,160

Non-operational Assets	Investment Properties £'000	Assets Under Construction £'000	Total £'000
Valuation at 31 March 2006	2,009	10,282	12,291
Accumulated Depreciation	(63)	-	(63)
Net Book Value at 31 March 2006	1,946	10,282	12,228
Movement in Year			
Revaluation	275	-	275
Transfers	1,440	(2,238)	(798)
Additions	493	2,252	2,745
Disposals	(58)	-	(58)
Depreciation	(141)	-	(141)
Net Book Value at 31 March 2007	3,955	10,296	14,251

CAPITAL EXPENDITURE AND FINANCING	2005/06 £'000	2006/07 £'000
Capital Expenditure		
Operational Assets	17,431	17,134
Non-operational Assets	8,427	2,745
Deferred Charges	6,221	825
Intangible Fixed Assets	-	700
Long Term Investments	350	-
Car Loans	154	95
	32,583	21,499
Source of Finance		
Borrowing	13,381	15,939
Useable Receipts:		
Loan Repayments	278	234
Capital Grants	15,960	3,067
Private/Public Sector Contributions	1,240	1,000
European Grants	1,724	1,259
	32,583	21,499

At 31 March 2007 the Comhairle had commitments of £4m on capital contracts. This expenditure will be funded from a combination of government capital consent (borrowing), income from sale of assets, grants from other funding organisations and contributions from Revenue Accounts.

Note 3 Depreciation of Assets

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

Note 4 Information on Assets Held

	Number of Properties	
	2005/06	2006/07
Council Dwellings	1,796	0
Operational Buildings		
Schools	45	40
Other Housing Properties	27	2
Residential Homes/Care Units	14	15
Day Centres/Taighean Ceilidh	16	16
Leisure Centres, Pools and Other Recreation Centres	11	11
Libraries	6	6
Museums	4	2
Community Workshops	8	7
Landfill Sites	4	4
Depots	4	3
Public Conveniences	20	13
Administration Buildings/Offices	6	6
Properties for the Homeless	5	5
Miscellaneous	11	11
Vehicles, Plant & Equipment		
Mobile Library Vans	3	3
Other Vehicles	67	114
Plant & Equipment	46	42
Community Assets		
Burial Grounds	8	8
Non-Operational Assets		
School Houses etc.	2	24
Workshops/Industrial Units	44	48
Miscellaneous	6	13
Infrastructure		
Single Track Roads (Mileage)	552	549
Double Track Roads (Mileage)	188	191

Note 5 Valuation of Fixed Assets

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

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

	Other Land & Buildings £'000	Vehicles & Plant £'000	Investment Properties £'000	Community Assets £'000	Total £'000
Valued at Historical Cost	-	8,928	-	628	9,556
Valued at Current Value in:					
2006/07	45,476	474	1,085	-	47,035
2004/05	82,890	-	3,062	-	85,952
	128,366	9,402	4,147	628	142,543

Note 6 Intangible Assets

	Balance at 01/04/06 £'000	Movement in Year £'000	Expenditure in Year £'000	Disposals in Year £'000	Balance at 31/03/07 £'000
Fishing Quota	-	-	700	-	700
	0	0	700	0	700

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. Quota for fish species most relevant to the Western Isles has, 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 quotas are depreciated over a 20 year period on a straight line basis.

Note 7 Movement in Bad Debt and Other Provisions

BAD DEBTS PROVISIONS	Balance at 01/04/06 £'000	Movement In Year £'000	Balance at 31/03/07 £'000
Long Term			
Revolving Loans Pool	-	482	482
Sub-total Long Term	-	482	482
Short Term			
Community Charge	123	(4)	119
Council Tax	1,124	86	1,210
Non-Domestic Rates	144	43	187
Rents	205	(82)	123
Sundry Debtors	443	54	497
Camcal Loan	-	50	50
Sub-total Short Term	2,039	148	2,187
TOTAL	2,039	629	2,668

OTHER PROVISIONS	Balance at 01/04/06 £'000	Movement In Year £'000	Balance at 31/03/07 £'000
Long Term			
Business Loans	321	39	360
European Grant	84	4	88
Equal Pay Claims	3,671	(3,671)	-
Obsolete Stock	24	(24)	-
TOTAL	4,100	(3,652)	448

European Grant - This provision is in respect of Coastal Access and Business Development Grants paid by HISTP, in respect of expenditure that European auditors have identified as being potentially ineligible. There is no indication as to when this will be resolved

Equal Pay Claims - This issue arose out of the Single Status Job Evaluation exercise, whereby the Comhairle had a liability in respect of certain groups of employees. Payments were made to relevant employees in 2006/07.

Obsolete Stock - Stock was written off against this provision during 2006/07.

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

Note 8 Long Term Debtors

LONG TERM DEBTORS	Balance at 01/04/06 £'000	Advanced In Year £'000	Repaid In Year £'000	Balance at 31/03/07 £'000
Car Loans	305	95	(178)	222
House Loans	202	-	(56)	146
Business Loans	310	-	(47)	263
Camcal Loan	-	50	-	50
Community Buy Outs	-	125	-	125
Revolving Loans Pool	-	778	(296)	482
Sub-total	817	1,048	(577)	1,287
Capital Advance to Lews Castle College	84	-	(13)	71
TOTAL	901	1,048	(590)	1,358

Note 9 Analysis of Long Term Borrowing

	31/03/06 £'000	31/03/07 £'000
Analysis of Loans by Type		
Public Works Loan Board	171,641	145,972
Market	2,014	2,014
Total outstanding	173,655	147,986
Analysis of Loans by Maturity		
Between 1 and 2 years	138	105
Between 2 and 5 years	7,414	315
Between 5 and 10 years	2,689	2,419
More than 10 years	163,414	145,147
TOTAL	173,655	147,986

Note 10 Debtors

	31/03/06 £'000	31/03/07 £'000
Government Grants	4,689	1,893
Council Tax	3,222	3,009
Non-Domestic Rates	616	326
VAT	1,299	441
Other	7,841	9,096
TOTAL	17,667	14,765

Note 11 Creditors

	31/03/06 £'000	31/03/07 £'000
Payroll - PAYE, NI, Superannuation	2,095	2,176
Loan Interest etc.	2,529	1,680
Government Grants	373	410
Other	8,895	7,453
TOTAL	13,892	11,719

Note 12 Cash Flow - Reconciliation of Income & Expenditure Account to Revenue Activities

2005/06 £'000		2006/07 £'000
	Operating Surpluses/(Deficits)	
2,674	Income and Expenditure Account - Surplus/(Deficit) for the Year (Page 9)	4,806
2,674		4,806
	Non Cash Transactions	
24,766	Non Cash Movements Relating to Loans Fund	17,510
(2,713)	Net Additional Amount Required to be Credited (Debited) to GF for Year	(4,831)
-	Contribution to/(from) Repairs and Renewals Fund	(278)
22,053		12,401
	Items on an Accruals Basis	
3,600	Decrease in Provisions	(3,023)
(2,126)	Decrease in Creditors	(2,160)
(3,620)	Decrease in Debtors	6,160
(78)	Increase in Stocks and Work in Progress	(119)
(2,224)		858
22,503	Net Cash Flow from Revenue Activities	18,065

Note 13 Other Government Grants

2005/06 £'000		2006/07 £'000
2,718	Housing Support Grant	1,042
815	National Priorities Action Fund	2,786
848	Specific Grant for Gaelic Education	916
4,646	DWP Grants (excl. Rent Allowance Subsidy)	3,307
307	Community Service Order Grant	346
2,808	Other Specific Revenue Grants	10,984
12,142		19,381

Note 14 Reconciliation of Movement in Cash and Net Debt

1 April 2006 £'000	Analysis of Movement in Net Debt	Cash Flows £'000	Non Cash £'000	31 March 2007 £'000
	Cash			
(270)	Bank Overdraft	(155)	-	(425)
11	Cash in Hand	1	-	12
6,485	Liquid Resources	(2,011)	-	4,474
	Borrowing			
(8,138)	Long -Term Borrowing Maturing Within 1 Year	(4,750)	12,783	(105)
(173,655)	Long-Term Borrowing	-	25,669	(147,986)
(175,567)	Total Net Debt	(6,915)	38,452	(144,029)

2005/06 £'000	Reconciliation of Net Cash Flow to Movement on Net Debt	2006/07	
		£'000	£'000
1,835	Increase/(Decrease) in cash in the period		(154)
1	Cash in Hand	1	
(1,193)	Short Term Deposits	(2,011)	
(1,192)	Movement in Liquid Resources		(2,010)
138	Cash Flows from Borrowing		(4,750)
-	Non Cash Transactions		38,452
781	Change in Net Debt		31,538
(176,348)	Net Debt at 31 March 2006	(175,567)	
(175,567)	Net Debt at 31 March 2007	(144,029)	
781	Change in Net Debt		31,538

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

Note 15 Significant Trading Operations Accounts

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

	2004/05	2005/06	2006/07	2006/07 3 year Cumulative
REFUSE COLLECTION	Actual £'000	Actual £'000	Actual £'000	£'000
Expenditure	1,168	1,264	1,389	3,821
Income	(1,175)	(1,282)	(1,410)	(3,867)
Net Deficit/(Surplus) to be met from Grant & Local Taxes	(7)	(18)	(21)	(46)

The Refuse Collection STO activities include commercial, industrial, domestic and community waste collection, street cleansing, gully emptying, burial grounds maintenance and burials in Comhairle owned cemeteries. The principal client is the Comhairle's department for Sustainable Communities, however other Council departments and commercial business also pay for use of these services.

The results of the Refuse Collection Trading Operation are included in Environmental Services in the Net Cost of Services section of the Income and Expenditure Account.

	2004/05	2005/06	2006/07	2006/07 3 year Cumulative
BUILDING MAINTENANCE	Actual £'000	Actual £'000	Actual £'000	£'000
Expenditure	4,913	5,022	4,821	14,756
Income	(4,987)	(5,087)	(4,771)	(14,845)
Net Deficit/(Surplus) to be met from Grant & Local Taxes	(74)	(65)	50	(89)

This STO (formerly the Building Maintenance DLO) provides a comprehensive building maintenance service. Work is issued through the Building Maintenance Term Contract, which was won under the old DLO/DSO legislation, and runs to 31 March 2008 (after exercising a two-year extension option). Some additional work has been won under open tender.

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

	2004/05	2005/06	2006/07	2006/07 3 year Cumulative
HIGHWAYS	Actual £'000	Actual £'000	Actual £'000	£'000
Expenditure	1,405	1,370	1,328	4,103
Income	(1,427)	(1,393)	(1,362)	(4,182)
Net Deficit/(Surplus) to be met from Grant & Local Taxes	(22)	(23)	(34)	(79)

This STO has the Area Maintenance Contract for Harris and Uist, including an element of capital works. The client for these services is the Comhairle's Technical Services Department. The present Area Roads Contract was awarded under the old DLO/ DSO legislation and runs to 31 March 2007 (after exercising a one year extension option). Street Lighting and Winter Maintenance ceased to be amalgamated within the Roads service as a result of a review of STOs during 2006/07, on the basis that they are separate contracts and are not financially significant. Street Lighting work is managed through a Service Level Agreement between the Commercial Operations Unit and Technical Services Department, whilst Winter Maintenance is run in partnership with the Technical Services Department and recovered on a £ for £ basis. Prior year figures have been restated to reflect the change in treatment.

The results of the Highways Operation is included in Roads and Transport Services in the Net Cost of Services section of the Income and Expenditure Account.

Note 15 Significant Trading Operations Accounts

BUS OPERATION	2004/05	2005/06	2006/07	2006/07
	Actual £'000	Actual £'000	Actual £'000	3 year Cumulative £'000
Expenditure	881	1,036	976	2,893
Income	(868)	(979)	(961)	(2,808)
Net Deficit/(Surplus) to be met from Grant & Local Taxes	13	57	15	85

This STO operates a Public/School bus service for the Point and Back areas in Lewis and two single bus services in Harris, Berneray and North Uist. These operations were not classified as defined activities under the old 'DLO/DSO' legislation. The Education Department and the general public are the main customers though almost 70% of the income is Bus Subsidy. The Technical Services Department determines the routes and timetables to be operated. The contract was re-tendered and the Commercial Operations Unit was successful in retaining the contract for a five-year period through to March 2009.

The results of the Bus Operation are included in the Local Authority Transport Undertakings section of Trading Services in the Net Cost of Services section of the Income and Expenditure Account.

Note 16 Publicity

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

PUBLICITY	2005/06	2006/07
	Actual £'000	Actual £'000
Appointments Advertising	115	89
Other Advertising	91	67
TOTAL	206	156

These amounts are included in the appropriate revenue accounts.

Note 17 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 Consolidated Revenue Account.

	2005/06 £'000	2006/07 £'000
Lewis Castle College	3456	3604
Islenet	31	50
Museum Storage Claim	14	6
Choose Life	60	60
Trige-Islenet	21	-
Island Forum	9	20
Western Isles Housing Partnership	201	365
An Lanntair	2047	-
Domestic Abuse Training Strategy	3	6
TOTAL	5,842	4,111

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

	Admin Fee £'000
Northern Constabulary – Fixed Penalty Charges	1
Scottish Water – Water Charges	70
TOTAL	71

Note 18 Local Authority (Goods and Services) Act 1970

The Comhairle is empowered by this act to provide goods and services to other public bodies. Detailed below is work that is considered as having been carried out under the Local Authority (Goods and Services) Act 1970. Income from these services amounted to £213,412 (2005/06, £153,702), and those exceeding £500 are listed below.

Name of Body	Purpose of Work	Income/Expend for each purpose	£	Extent of Activity
Northern Constabulary	Provision by the Authority for the body of any administrative, professional or technical services.	Income	4,349	Not considered significant as represents less than 1% of total activity.
		Expenditure	4,349	
	The carrying out by the Authority of works of maintenance for which the body is responsible.	Income	48,308	Represents approx 3% of total activity.
		Expenditure	48,308	
Urras na Gearanan	Provision by the Authority for the body of any administrative, professional or technical services.	Income	17,992	Represents approx 1% of total activity.
		Expenditure	17,992	
Cothrom	Provision by the Authority for the body of any administrative, professional or technical services.	Income	72,012	Represents approx 5% of total activity.
		Expenditure	72,012	
Lews Castle College	Provision by the Authority for the body of any administrative, professional or technical services.	Income	5,506	Not considered significant as represents less than 1% of total activity.
		Expenditure	5,506	
Highlands & Islands Fire Brigade	Provision by the Authority for the body of any administrative, professional or technical services.	Income	3,323	Not considered significant as represents less than 1% of total activity.
		Expenditure	3,323	
Lochboisdale Amenity Trust	Provision by the Authority for the body of any administrative, professional or technical services.	Income	1,209	Not considered significant as represents less than 1% of total activity.
		Expenditure	1,209	
Tighean Innse Gall	Provision by the Authority for the body of any administrative, professional or technical services.	Income	40,977	Represents approx 3% of total activity.
		Expenditure	40,977	
Sealladh na Beinne Moire	Provision by the Authority for the body of any administrative, professional or technical services.	Income	3,123	Not considered significant as represents less than 1% of total activity.
		Expenditure	3,123	
East Camp Trust	Provision by the Authority for the body of any administrative, professional or technical services.	Income	624	Not considered significant as represents less than 1% of total activity.
		Expenditure	624	
Carinish School Space Programme	Provision by the Authority for the body of any administrative, professional or technical services.	Income	935	Not considered significant as represents less than 1% of total activity.
		Expenditure	935	
Mosscend Residents Association	Provision by the Authority for the body of any administrative, professional or technical services.	Income	612	Not considered significant as represents less than 1% of total activity.
		Expenditure	612	
Barra & Vatersay Residents Association	Provision by the Authority for the body of any administrative, professional or technical services.	Income	2,818	Not considered significant as represents less than 1% of total activity.
		Expenditure	2,818	
Croileagan a Chinn a Deas	Provision by the Authority for the body of any administrative, professional or technical services.	Income	1,641	Not considered significant as represents less than 1% of total activity.
		Expenditure	1,641	
Sgoil an Iochdar agus a Choimhearsnachd	Provision by the Authority for the body of any administrative, professional or technical services.	Income	5,522	Not considered significant as represents less than 1% of total activity.
		Expenditure	5,522	
Taigh Sgeir	Provision by the Authority for the body of any administrative, professional or technical services.	Income	3,091	Not considered significant as represents less than 1% of total activity.
		Expenditure	3,091	

Note 19 Members' Allowances and Expenses

Name	Basic Allowance £	Special Responsibility Allowance £	Expenses & Subsistence Reimbursed £	2006/07 Total £	2005/06 Total £
Miss Samantha E L Hawkins	1,291	-	209	1,500	7,023
Mrs Annie Macsween	4,272	-	1,815	6,087	-
Mr John Mackay	6,220	-	2,746	8,966	9,239
Mr Iain Morrison	6,220	3,293	706	10,219	11,110
Mr Roderick Morrison	6,220	3,293	2,406	11,919	12,043
Mr Alex A Macdonald (Convener)	6,220	12,929	5,116	24,265	24,185
Mr Norman A Macdonald	6,220	3,293	4,799	14,312	13,812
Mr Angus Graham	6,220	-	239	6,459	6,566
Mr Malcolm J Graham	6,220	6,465	1,255	13,940	14,024
Mr Ian M Macleod	6,220	3,293	1,517	11,030	10,943
Mr Neil Campbell	6,220	-	585	6,805	6,596
Mr George Lonie	6,220	3,293	84	9,597	10,070
Mr Angus Nicolson	6,220	6,465	1,438	14,123	13,949
Mr Murdo Macleod	6,220	6,465	2,057	14,742	14,170
Mr Norman L Macdonald	6,220	6,465	1,030	13,715	12,877
Mr Keith Dodson	6,220	-	150	6,370	6,246
Mr Angus Campbell (Vice Convener)	6,220	9,697	4,130	20,047	19,307
Mr Angus McCormack	6,220	3,293	1,494	11,007	10,785
Mr Donald I Nicholson	6,220	6,465	744	13,429	13,037
Mr Norman M Macleod	6,220	6,465	259	12,944	12,893
Mr Donald J Macsween	6,220	-	801	7,021	7,214
Mr Alexander M Macintosh	6,220	-	859	7,079	7,716
Mrs Annie Macdonald	6,220	3,293	1,869	11,382	11,055
Mrs Morag Munro	6,220	3,293	5,298	14,811	14,345
Mr Donald Macdonald	6,220	3,293	13,017	22,530	20,035
Mr Archibald K Campbell	6,220	6,465	8,330	21,015	21,950
Mr Donald Maclean	6,220	3,293	7,232	16,745	16,659
Mr Martin C Taylor	6,220	-	9,637	15,857	13,509
Mr Peter Carlin	6,220	-	9,503	15,723	14,051
Mr Ronald J Mackinnon	6,220	3,293	10,025	19,538	18,620
Mr Angus Macdonald	6,220	-	8,617	14,837	14,742
Mr Donald Manford	6,220	6,465	14,842	27,527	26,490
Total	192,163	110,569	122,809	425,541	415,261

Note 20 Finance and Operating Leases

The committed operating lease expenditure in financial year 2007/08, analysed by the year that the lease expires is as follows:

	Actual Expenditure 2006/07 £'000	Committed Expenditure 2007/08 £'000	Expiring 2007/08 £'000	Expiring 2008/09 to 2011/12 £'000	Expiring 2012/13 and after £'000
Library Building	155	155	-	155	0
Other Buildings	20	20	-	-	20
Vehicles and Equipment	190	123	11	112	-
TOTAL	365	298	11	267	20

There were no finance lease payments in 2006/07 and there are no commitments in 2007/08.

Note 21 Officers' Remuneration

Range £	2005/06 Number of Officers	2006/07 Number of Officers
50 - 60k	5	4
60 - 70k	7	7
70 - 80k	-	-
80 - 90k	-	1
90 - 100k	-	-
TOTAL	12	12

Note 22 Related Party Transactions

During the year material transactions with related parties, not disclosed elsewhere, were as shown below. Payments made to Highland Council in respect of Joint Boards are shown in Note 36 on Page 34.

CENTRAL GOVERNMENT REVENUE GRANTS	Income £'000	Expenditure £'000
Education & Children's Services	4,785	
Social Work	1,304	
Sustainable Communities	1,181	
COU	73	
Transportation	583	
Other	93,223	
Housing Support Grant	<u>1,042</u>	
	102,190	
European Development Fund Revenue Grants	64	
European Development Fund Capital Grants	1,319	
Acair Ltd - Nature of Business - Publishing	7	30
	103,579	30

During 2006/07, works and services to the value of £459,242 were commissioned from companies in which two members had an interest. Contracts were entered into in full compliance with the Comhairle's standing orders. Details can be found in the Register of Member Interests.

Note 23 Auditor's Remuneration

In 2006/07 Comhairle nan Eilean Siar incurred the following fees relating to external audit and inspection:

	2005/06 £'000	2006/07 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	213	217
Rebate	-	(21)
Fees payable to the Audit Commission for the certification of grant claims and returns	2	-
	215	196

Note 24 Trust Funds

The Comhairle acts as sole trustee for twelve educational, social welfare and miscellaneous trusts. They relate principally to legacies left by individuals with Western Isles connections over a period of years. The balance held at 31 March 2007 was £118,931 (2005/06 £118,135). The income from the trusts is used to provide educational grants and prizes, comforts for the elderly, handicapped and various community facilities. The funds do not represent assets of the Comhairle and are not included in the Balance Sheet. Only the undernoted trusts have closing values in excess of £10,000.

	Value at 31 March 2006 £'000	Value at 31 March 2007 £'000
Donald Alexander Ferguson Bequest (Social Work – Ardseileach Residents)	55	57
W C Mackenzie Trust (for non-council projects in Stornoway)	23	24
Dr J L Robertson Bequest (hardship fund for residents of Stornoway)	21	21
	99	102

Note 25 Participation in Pensions Schemes

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

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

Note 26 Transactions Relating to Retirement Benefits

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

	2005/06 £'000	2006/07 £'000
Income and Expenditure Account		
Net Cost of Services:		
Current Service Cost	4,306	5,798
Past Service Costs	154	(1,547)
Curtailments and Settlements	58	-
Net Operating Expenditure:		
Interest Cost	5,654	6,372
Expected return on assets in the scheme	(5,762)	(7,067)
Net Charge to the Income and Expenditure Account	4,410	3,556
Statement of Movement in the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(424)	1,002
Amount Charged to General Fund: Employers' Contributions	3,986	4,558

An allowance has been made for exchanging (commuting) part of the LGPS pension for additional cash for retirements with effect from 6 October 2006. The Past Service Cost consists of savings of £1,547,000 (2005/06, nil) in respect of commutation and no cost in respect of awarding discretionary benefits on early retirements on efficiency grounds.

Note 27 Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the Comhairle at 31 March are as follows:

	2005/06 £'000	2006/07 £'000
Estimated Liabilities in Scheme	130,196	129,769
Estimated Assets in Scheme	105,648	115,323
Net Asset/(Liability)	(24,548)	(14,446)

The liabilities show the underlying commitments that the Comhairle has in the long run to pay retirement benefits. The total liability of £15m (2005/06 £25m) has a substantial impact on the net worth of the authority as recorded in the balance sheet, reducing it by approximately 25%. However, statutory arrangements for funding the deficit mean that the financial position of the Comhairle remains healthy.

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

Note 28 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Comhairle's liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 1 April 2007.

The main assumptions used in the calculations have been:

	2005/06 % p.a.	2006/07 % p.a.
Price Increase	3.1	3.2
Salary Increases	4.6	4.7
Pension Increases	3.1	3.2
Discount Rate	4.9	5.4

Assets in the fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	As at 31 March 2007		As at 31 March 2006	
	% Return p.a.	Assets £'000	% Return p.a.	Assets £'000
Equity Investments	7.4	75,930	7.8	81,994
Bonds	4.6	16,916	4.9	17,753
Property	5.5	10,746	5.8	13,364
Cash	4.6	2,056	4.9	2,212
Total	6.7	105,648	7.1	115,323

Note 29 Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007:

	2002/03 £'000 %	2003/04 £'000 %	2004/05 £'000 %	2005/06 £'000 %	2006/07 £'000 %
Differences between the expected and actual return on assets	(20,651) (37.2%)	8943 12.7%	4,447 5.4%	14,798 14.0%	1,667 1.4%
Differences between actuarial assumptions about liabilities and actual experience	(1,066) (1.6%)	(54) (0.1%)	103 0.1%	(2,320) (1.8%)	708 0.5%
Changes in the demographic and financial assumptions used to estimate liabilities	- -	- -	(19,106) (18.6%)	(15,630) (12.0%)	6,725 5.2%
Total Actuarial Gains / (Losses)	(21,717) (32.4%)	8,889 11.6%	(14,556) (14.1%)	(3,152) (2.4%)	9,100 7.0%

Note 30 Teachers Pension Scheme

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

In 2006/07, the Comhairle paid £1.953m (£1.924m in 2005/06) to the Scottish Executive in respect of teachers' retirement benefits, representing 12.5% of pensionable pay. There were no contributions remaining payable at the year-end. In addition, the Comhairle is responsible for all pension payments arising from added years awards to staff taking early retirement. In 2006/07 these amounted to £190,693 (£180,155 in 2005/06).

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

Note 31 Statement of Movement on Reserves

RESERVES	REVENUE			CAPITAL				TOTAL
	General Fund £'000	Repairs & Renewals Fund £'000	Pension Reserve £'000	Fixed Asset Restatement Account £'000	Capital Financing Account £'000	Capital Fund £'000	Usable Capital Receipts £'000	£'000
Balances at 1 April 2006	10,280	278	(24,548)	1,931	11,909		2,107	1,957
Surplus/(Deficit) for Year	(303)							(303)
Revaluation of Fixed assets				(2,051)			75	(1,976)
Appropriations to/from Revenue	278	(278)	1,002					1,002
Actuarial Gains/Losses relating to pensions			9,100					9,100
Disposal of Fixed Assets				(168)				(168)
Demolition of Assets				(135)				(135)
Deferred Grants (taken to revenue)					1,677			1,677
Transfer to Capital Fund						2,294	(2,294)	0
Housing Stock Transfer				45,715	(20,825)			24,890
Other Capital Receipts							440	440
Repayment of Principal						11,449		11,449
Depreciation						(8,055)		(8,055)
Deferred Charges						(825)		(825)
Balance at 31 March 2007	10,255	0	(14,446)	45,292	(4,670)	2,294	328	39,053

FIXED ASSET RESTATEMENT ACCOUNT

The Fixed Asset Restatement Account represents the change in current value of fixed assets arising from revaluation and impairment or enhancement of fixed assets.

CAPITAL FINANCING ACCOUNT

The Capital Financing Account is concerned with all capital financing transactions. It consists of credits for capital financed from revenue, useable capital receipts applied and the amount released from the government grants deferred account, together with the difference between the loans fund principal repayment and the amount charged for depreciation.

USABLE CAPITAL RECEIPTS

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

REPAIRS & RENEWALS FUND

The Repairs and Renewals Fund is purely for the Comhairle's housing stock and has been funded from prior years' surpluses on the Housing Revenue Account.

CAPITAL FUND

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

Note 32 Associated Companies

LASAIR INFORMATION SERVICES LIMITED

Nature of Business: Tele-working facilitation

The Comhairle holds approximately 26% of the issued share capital at an initial cost of £7,100.

At 30 April 2007	Net Assets	£15,665
	Profit / (Loss) after Taxation	£15,787

The figures above are taken from the Accounts for 2006/07.

These have not been included in the Group Accounts as they are not material.

Accounts may be acquired from Registered Office:

Nicolson Chartered Accountants
49/50 Bayhead Street
Stornoway
Isle of Lewis
HS1 2DZ

JOINT BOARDS

Highlands and Islands Fire Board
Northern Joint Police Board

The Comhairle has a 16.67% membership on these bodies and their financial results are included in the Group Accounts. The results of the Valuation Board are not included, on materiality grounds.

Note 33 Signing of Accounts

The Director of Finance and Corporate Resources, being the officer responsible for the Comhairle's financial affairs, signed the Statement of Accounts on 26 June 2007. Events after the date of the Balance Sheet (31 March 2007), up to the date of signing, have been considered in the preparation of the 2006/07 Statement of Accounts.

Note 34 Contingent Liabilities

An amount of £455,093 is being claimed from the Comhairle by a contractor in respect of a street lighting contract that they were not awarded. The matter is the subject to ongoing court action. However, the Comhairle disputes the validity of this claim and has made no provision in the accounts.

The Comhairle acts as guarantor for up to £1.2m of loans advanced under the Fisheries Assistance and Business Loans Schemes. Provision has been made in the event of non-payment of a portion of the loans.

Note 35 Euro Costs

The nature and potential impact of the introduction of the Euro are not deemed to be significant at 31 March 2007.

Note 36 Income and Expenditure Analysis

INDIVIDUAL SCHOOL BUDGETS

INDIVIDUAL SCHOOL BUDGETS	2006/07	
	Actual £'000	Budget £'000
Devolved Budgets - Primary	10,091	10,217
Devolved Budgets - Secondary	12,606	12,608
TOTAL NET EXPENDITURE	22,697	22,825

CENTRALLY HELD SCHOOL BUDGETS

CENTRALLY HELD SCHOOL BUDGETS	2006/07	
	Actual £'000	Budget £'000
Schools Strategic Management	7,396	7,614
Non-Devolved School Grants	93	379
Pre-Primary Education	1,505	1,539
Special Education	2,873	2,988
School & Pupil Support	2,911	2,730
School Catering	6	(1)
TOTAL NET EXPENDITURE	14,783	15,247

NON-SCHOOL FUNDING

NON-SCHOOL FUNDING	2006/07	
	Actual £'000	Budget £'000
Support for Students	2	12
Community Learning	6396	44
TOTAL NET EXPENDITURE	640	656

EDUCATION HOLDING ACCOUNTS

EDUCATION HOLDING ACCOUNTS	2006/07	
	Actual £'000	Budget £'000
Education Management and Support	27	118
TOTAL NET EXPENDITURE	27	118

Note 36 Income and Expenditure Analysis

GENERAL FUND HOUSING

GENERAL FUND HOUSING	2006/07	
	Actual £'000	Budget £'000
Housing Strategy	440	403
Housing Advances	1	1
Private Sector Housing Renewal	752	433
Homelessness	114	157
Housing Benefit Payments	(54)	18
Housing Benefits Administration	130	408
Other Council Property	(20)	(20)
Housing Management & Support Services	124	87
Supporting People	60	102
TOTAL NET EXPENDITURE	1,546	1,589

CULTURAL & RELATED SERVICES

CULTURAL & RELATED SERVICES	2006/07	
	Actual £'000	Budget £'000
Culture & Heritage	1,350	1,384
Library Service	926	933
Recreation & Sport	1,982	1,908
Tourism	183	189
Service Management & Support	210	319
TOTAL NET EXPENDITURE	4,651	4,733

ENVIRONMENTAL SERVICES

ENVIRONMENTAL SERVICES	2006/07	
	Actual £'000	Budget £'000
Cemetery, Cremation & Mortuary	156	133
Coast Protection	74	63
Environmental Health	641	623
Trading Standards	372	392
Other Cleaning	403	406
Waste Collection	1,351	1,176
Waste Disposal	400	487
Service Management & Support Services	583	561
TOTAL NET EXPENDITURE	3,979	3,841

Note 36 Income and Expenditure Analysis

ROADS & TRANSPORT SERVICES

ROADS & TRANSPORT SERVICES	2006/07	
	Actual £'000	Budget £'000
Roads	7,504	7,691
Network & Traffic Management	1	25
Parking Services	33	-
Public Transport	2,283	2,250
Management & Support Services	26	10
TOTAL NET EXPENDITURE	9,847	9,977

PLANNING & DEVELOPMENT SERVICES

PLANNING & DEVELOPMENT SERVICES	2006/07	
	Actual £'000	Budget £'000
Building Control	(1)	14
Development Control	155	168
Planning Policy	268	276
Environmental Initiatives	617	686
Economic Development	3,559	3,379
Service Management & Support Services	555	555
TOTAL NET EXPENDITURE	5,153	5,078

SOCIAL WORK

SOCIAL WORK	2006/07	
	Actual £'000	Budget £'000
Service Strategy	361	362
Reporter to the Children's Panel	44	41
Children and Families	1,897	2,013
Older People	10,703	10,478
People with Physical or Sensory Disabilities	798	735
People with Learning Disabilities	2,333	2,271
People with Mental Health Needs	407	383
People with Addictions/Substance Misuse	56	65
Criminal Justice Social Work Services	5	(8)
TOTAL NET EXPENDITURE	16,605	16,340

Note 36 Income and Expenditure Analysis

CORPORATE & DEMOCRATIC CORE

CORPORATE & DEMOCRATIC CORE	2006/07	
	Actual £'000	Budget £'000
Democratic Representation and Management	1,380	1,282
Corporate Management	1,988	1,947
TOTAL NET EXPENDITURE	3,367	3,229

NON DISTRIBUTED COSTS

NON DISTRIBUTED COSTS	2006/07	
	Actual £'000	Budget £'000
Pensions	(1,356)	481
TOTAL NET EXPENDITURE	(1,356)	481

CENTRAL SERVICES TO THE PUBLIC

CENTRAL SERVICES TO THE PUBLIC	2006/07	
	Actual £'000	Budget £'000
Local Tax Collection	601	463
Registration Of Births, Deaths and Marriages	49	45
Elections	2	37
Emergency Planning	93	91
General Grants, Bequests and Donations	137	124
District Courts	26	27
Licensing	40	43
Other Services	22	22
TOTAL NET EXPENDITURE	968	852

TRADING SERVICES

TRADING SERVICES	2006/07	
	Actual £'000	Budget £'000
Fishery Harbours and Markets	208	206
Other Harbours	(36)	(39)
Slaughterhouses	20	12
Local Authority Transport Undertakings	16	33
TOTAL NET EXPENDITURE	208	213

Note 36 Income and Expenditure Analysis

JOINT BOARD REQUISITIONS

JOINT BOARD REQUISITIONS	2006/07	
	Actual £'000	Budget £'000
Requisitions		
Police Joint Board	2,446	2,468
Fire Joint Board	2,257	2,671
Valuation Joint Board	260	270
TOTAL NET EXPENDITURE	4,963	5,409

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

TRADING OPERATIONS SURPLUSES/DEFICITS

TRADING OPERATIONS SURPLUSES/DEFICITS	2006/07	
	Actual £'000	Budget £'000
TRADING OPERATIONS		
Grounds Maintenance	(12)	(7)
Depots	-	-
Building Maintenance	50	(64)
Vehicle & Plant Maintenance	9	1
Other Catering	20	(3)
Building Cleaning	(8)	(3)
Charge for Prudential Borrowing	98	-
CENTRAL SUPPORT SERVICES		
Corporate Services	212	144
Technical Services	-	-
Ionmhas	127	89
Education	(20)	(24)
TOTAL NET EXPENDITURE	477	132

Housing Revenue Income and Expenditure Account

2005/06 Actual £'000	INCOME AND EXPENDITURE ACCOUNT	2006/07 Actual £'000
	Income	
(4,413)	Dwelling Rents	(2,027)
(6)	Non-Dwelling Rents	(3)
(2,719)	Housing Support Grants	(1,042)
(163)	Other Income	(71)
	Expenditure	
1,588	Repairs and Maintenance	1,354
589	Supervision and Management	344
411	Depreciation of Fixed Assets	-
42	Bad or Doubtful Debts	65
(4,671)	Net Cost of HRA as included in Authority I & E	(1,379)
2,581	Interest Payable and similar charges	1,006
170	Amortisation of Premiums or Discounts	-
(137)	Interest and Investment Income	(75)
(2)	Pension Interest Cost and Return on Assets	(4)
(2,059)	(Surplus)/Deficit for year	(453)

2005/06 Actual £'000	STATEMENT OF MOVEMENT ON HRA BALANCES	2006/07 Actual £'000
(2,059)	(Surplus)/Deficit for year	(453)
(7)	HRA share of Pension Reserve	(5)
-	Transfer to or from HRA Repairs and Renewals Reserve	(278)
1,943	Transfer to or from CFA	1,065
(123)	(Increase)/Decrease in HRA Balance	329
(323)	HRA Balance Brought Forward	(446)
(446)	HRA Balance Carried Forward	(117)

NOTE:

The Comhairle's housing stock of 1796 houses transferred to the Hebridean Housing Partnership on 12 September 2006. At that date the £38.452m of debt associated with the housing stock was repaid to the Public Works Loan Board.

The Hebridean Housing Partnership took over the liability of current tenant arrears, while the Comhairle retained the debt associated with former tenants. A 100% provision of £123k has been made for the debt.

Income Accounts

COUNCIL TAX INCOME ACCOUNT

2005/06 £000	COUNCIL TAX	2006/07 £'000
(10,716)	Council Tax Levy and Contributions in Lieu	(11,363)
	Less:	
(26)	Council Tax Benefit (net of Government Grant)	(13)
1,665	Reliefs and Remissions etc..	1,761
(219)	Provision for Bad and Doubtful Debts	151
	Add:	
(1)	Community Charge	(4)
(9,297)	TRANSFERRED TO GENERAL FUND	(9,467)

NON DOMESTIC RATE INCOME ACCOUNT

2005/06 £000	NON DOMESTIC RATES	2006/07 £'000
(7,320)	Rate Levy and Contributions in Lieu	(7,211)
	Less:	
1,768	Reliefs and Remissions etc..	1,786
41	Provision for Bad and Doubtful Debts	120
(5,511)	Contribution to NDRI pool	(5,305)
	Government Grants	
(4,271)	Net Distributable Amount	(4,436)
(9,782)	DISTRIBUTION FROM NDRI POOL	(9,741)

Nature of the Council Tax Charge

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

COUNCIL TAX BASE

2005/06	CALCULATION OF THE COUNCIL TAX BASE										2006/07
TOTAL	Bands	A DISABLED	A	B	C	D	E	F	G	H	TOTAL
13,767	Properties		4,851	3,744	2,701	1,536	897	132	31	4	13,896
821	Exemptions		424	224	109	36	25	1	3		822
89	Disabled relief		12	24	27	14	17	1			95
89	Effective disabled	12	24	27	14	17	1				95
4,837	Discounts (25%)	5	2,323	1,376	768	315	153	14	3		4,957
1,168	Discounts (50%)		521	367	186	71	34	6	5	3	1,193
11,153	Total equivalent	11	3,598	2,995	2,294	1,389	801	123	25	2	11,238
	Ratio	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
9,277	Band D equivalents	6	2,399	2,330	2,039	1,389	979	178	41	5	9,366
8	Contributions in lieu (MOD)										7
9,285	TOTAL										9,373
(246)	Bad debt provision										(216)
9,039	COUNCIL TAX BASE										9,157
8,959	BUDGETARY TAX BASE										9,024

Number of Effective Properties Per Band and Council Tax Levels 2006/07

BAND	Properties	£
A (Disabled)	11	555.00
A	3,598	666.00
B	2,995	777.00
C	2,294	888.00
D	1,389	999.00
E	801	1,221.00
F	123	1,443.00
G	25	1,665.00
H	2	1,998.00
TOTAL	11,238	

Nature and Amount of Non Domestic Rates Charges

Non-Domestic Rates are a tax levied by local authorities on the occupiers of commercial property. The amount paid is determined by the rateable value placed on the property by the Assessor, multiplied by the Rate Pounding (rate per £ of rateable value) set each year by the Government. The rate for 2006/07 was 44.9p.

Under the Small Business Rate Relief Scheme, properties with rateable values of £11,500 or less are eligible for discounts of between 5% and 50% on the poundage rate. The cost of the scheme will be financed by a supplement of 0.4p on the poundage rate for properties with a rateable value in excess of £29,000.

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

ANALYSIS OF RATEABLE VALUES 01/04/2006

ANALYSIS OF RATEABLE VALUES 01/04/2006	Number of Properties	Rateable Value £'000
Shops	321	1,909
Public Houses	11	194
Offices (including Banks)	204	1,710
Hotels, Boarding Houses, etc.	49	761
Industrial and Freight Transport Subjects	413	2,170
Leisure, Entertainment Caravans and Holiday Sites	276	1,037
Garages and Petrol Stations	107	347
Cultural	20	150
Sporting Subjects	44	61
Education and Training	61	1,799
Public Service Subjects	246	1,609
Communications (Non Formula)	14	315
Quarries, Mines etc.	15	105
Petrochemical	5	81
Religious	194	384
Health Medical	35	1,098
Other	95	651
Care Facilities	25	446
Undertaking	11	1,103
TOTAL	2,146	15,929

Group Income and Expenditure Account

2005/06 Restated Actual (Net) £'000	Service	2006/07		
		Actual Expenditure £'000	Actual Income £'000	Actual Net £'000
38,782	Education Services	44,280	(6,133)	38,147
1,455	General Fund Housing	10,792	(9,246)	1,546
4,517	Cultural & Related Services	6,641	(1,991)	4,650
3,404	Environmental Services	6,594	(2,616)	3,978
9,244	Roads & Transport Services	11,758	(1,911)	9,847
4,697	Planning & Development Services	8,274	(3,121)	5,153
18,173	Social Work	21,524	(4,919)	16,605
3,258	Corporate & Democratic Core	3,378	(10)	3,368
462	Non Distributed Costs	(1,356)	0	(1,356)
844	Central Services to the Public	1,282	(314)	968
183	Trading Services	1,292	(1,084)	208
85,019	Net Cost of General Fund Services	114,459	(31,345)	83,114
4,599	Share of Operating results of Associates	14,557	(9,323)	5,234
(4,671)	Housing Revenue Account	1,763	(3,142)	(1,379)
84,947	NET COST OF SERVICES	130,779	(43,810)	86,969
(147)	(Gain)/Loss on Disposal of Fixed Assets			140
261	Precepts and Levies			260
481	Trading Operations (Surpluses)/Deficits			477
13,877	Interest Payable and Similar Charges			11,466
258	Share of Interest Payable and Similar Charges of Associates			342
(723)	Interest and Investment Income			(681)
(44)	Share of Interest and Investment Income of Associates			(70)
(108)	Pensions Interest Costs and Expected Return on Assets			(695)
3,094	Share of Pension Interest Costs and Expected Return on Assets of Associates			3,277
(1,595)	Extraordinary Item - BCCI Receipt			-
100,301	NET OPERATING EXPENDITURE			101,485
(80,374)	General Government Grants			(83,003)
(9,782)	Non-Domestic Rates Redistribution			(9,741)
(9,297)	Income from Council Tax			(9,467)
(99,453)	TOTAL INCOME			(102,211)
848	(SURPLUS)/DEFICIT FOR THE YEAR			(726)

Group Accounts

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

2005/06 £'000		2006/07 £'000
(2,674)	(Surplus)/Deficit on Single Entity I & E Account for Year	(4,806)
(4,214)	Less: Adjustment for transactions with other Group entities	(4,704)
(6,888)	(Surplus)/Deficit in Group I & E Account Attributable to Comhairle	(9,510)
7,736	Add: (Surplus)/Deficit in Group I & E Account attributable to Associates	8,784
848	(Surplus)/Deficit for the Year on the Group I & E Account	(726)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

2005/06 £'000	STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	2006/07 £'000
848	Surplus for the Year on the I & E Account	(726)
1,816	(Surplus)/Deficit on Revaluation of Fixed Assets	(479)
-	(Surplus)/Deficit on Transfer of Housing Stock	(24,890)
9,343	Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	(12,633)
12,007	Total Recognised (Gains)/Losses for the Year	(38,728)

Group Balance Sheet

Restated 31 March 2006 £'000	Balance Sheet as at 31 March 2007	Gross Book Value	Depreciation	31 March 2007 Net Book Value	
		£'000	£'000	£'000	£'000
	Fixed Assets				
	<i>Intangible Fixed Assets</i>	700	-	700	
	<i>Tangible Fixed Assets</i>				
	Operational Assets:				
10,523	Council Dwellings	-	-	-	
124,181	Other Land & Buildings	128,366	(4,566)	123,800	
852	Leasehold Improvements	1,277	(490)	787	
4,687	Vehicles, Plant & Equipment	9,402	(3,932)	5,470	
84,804	Infrastructure Assets	122,882	(33,191)	89,691	
444	Community Assets	628	(216)	412	
	Non-operational Assets:				
1,946	Investment Properties	4,147	(192)	3,955	
10,282	Assets Under Construction	10,296	-	10,296	
237,719	Total Fixed Assets	277,698	(42,587)		235,111
	Other Long Term Assets				
350	Long-term Investments			338	
(63,702)	Investment in Associates			(62,075)	
901	Long-term Debtors			1,358	
(321)	Less Provisions			(482)	
4,006	Premia on Debt Redemption			3,026	(57,835)
178,953	Total Long-term Assets				177,276
	Current Assets				
733	Stocks & Work in Progress			852	
17,667	Debtors			14,765	
(2,039)	Less Provisions			(2,187)	
6,485	Investments			4,474	
11	Cash in Hand			12	17,916
201,810	Total Assets				195,192
	Current Liabilities				
(8,138)	Borrowing Repayable Within 1 Year			(105)	
(13,892)	Creditors			(11,719)	
(3,779)	Provisions			(448)	
(270)	Bank Overdraft			(425)	(12,697)
175,731	Total Assets less Current Liabilities				182,495
	Long-term Liabilities				
(173,655)	Long-term Borrowing			(147,986)	
(39,273)	Government Grants Deferred			(43,085)	
(24,548)	Pension Liability			(14,446)	(205,517)
(61,745)	Net Assets/(Liabilities)				(23,022)
	Financed by:				
4,756	Fixed Assets Restatement Account			50,016	
12,962	Capital Financing Account			(3,406)	
0	Capital Fund			2,294	
2,519	Useable Capital Receipts Reserve			969	
(93,170)	Pension Reserve			(83,666)	
	Revenue Reserves				
10,910	- General Fund			10,771	
278	- Repairs and Renewals Fund			-	
(61,745)	Total Net Worth				(23,022)



Robert Emmott BSc CPFA
Director of Finance and Corporate Resources
26 June 2007

Group Cash Flow Statement

2005/06 In/(Out) £'000	CASH FLOW STATEMENT	2006/07 £'000	2006/07 £'000	2006/07 In/(Out) £'000
	Revenue Activities			
	Cash Outflows			
(59,018)	Cash Paid to and on behalf of Employees	(64,331)		
(39,653)	Other Operating Cash Payments	(45,395)		
(4,927)	Other Precepts	(5,237)		
(783)	Housing Benefit Paid Out	(2,223)		
(104,381)			(117,186)	
	Cash Inflows			
1,790	Rents (after Rebates)	778		
7,622	Council Tax Receipts	7,795		
4,271	National Non-Domestic Rates Receipts from National Pool	4,109		
4,065	Non-Domestic Rates Receipts	4,359		
80,574	Revenue Support Grant	83,003		
661	DWP Grants	1,755		
12,142	Other Government Grants	19,381		
9,943	Cash Received for Goods and Services	8,719		
5,816	Other Operating Cash Receipts	5,352		
<u>126,884</u>			135,251	
22,503	Net Cash Inflow from Revenue Activities			18,065
	Returns on Investments & Servicing of Finance			
	Cash Outflows			
(12,839)	Interest Paid	(10,438)		
-	Premia	-		
<u>(12,839)</u>			(10,438)	
	Cash Inflows			
401	Interest Received	237		
			237	
(12,438)	Net Cash Outflow from Investments and Servicing of Finance			(10,201)
	Capital Activities			
	Cash Outflows			
(23,640)	Purchase of Fixed Assets	(20,543)		
(6,221)	Expenditure on Deferred Charges	(844)		
-	Other Capital Cash Payments	(1,048)		
<u>(29,861)</u>			(22,435)	
	Cash Inflows			
1,123	Sales of Fixed Assets	441		
18,925	Capital Grants Received	6,552		
529	Other Capital Cash Receipts	664		
<u>20,577</u>			7,657	
(9,284)	Net Cash Outflow from Capital Activities			(14,778)
781	Net Cash Outflow before Financing			(6,914)
	Management of Liquid Resources			
1,192	Net Decrease in Short Term Deposits	2,010		
			2,010	
1,192	Net Cash Inflow from the Management of Liquid Resources			2,010
	Financing			
	Cash Outflows			
(14,789)	Repayments of Amounts Borrowed	(22,251)		
<u>(14,789)</u>			(22,251)	
	Cash Inflows			
14,651	New Loans Raised	27,001		
<u>14,651</u>			27,001	
(138)	Net Cash Inflow from Financing			4,750
1,835	Net Increase/(Decrease) in Cash			(154)
2005/06	Movements in Cash per Balance Sheet	Opening	Closing	Movement
1,835		(259)	(413)	(154)

Notes to Group Accounts

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

2005/06 £'000		2006/07 £'000
	Operating Surpluses/(Deficits)	
(848)	Income and Expenditure Account - Surplus/(Deficit) for the Year	726
<u>(848)</u>		<u>726</u>
	Non Cash Transactions	
24,766	Non Cash Movements Relating to Loans Fund	17,510
3,522	Non Cash Movements Relating to Associates	4,080
(2,713)	Net Additional Amount Required to be Credited (Debited) to General Fund for Year	(4,831)
-	Contribution to/(from) Repairs and Renewals Fund	<u>(278)</u>
<u>25,575</u>		<u>16,481</u>
	Items on an Accruals Basis	
3,600	Decrease in Provisions	(3,023)
(2,126)	Decrease in Creditors	(2,160)
(3,620)	Decrease in Debtors	6,160
(78)	Increase in Stocks and Work in Progress	<u>(119)</u>
<u>(2,224)</u>		<u>858</u>
22,503	Net Cash Flow from Revenue Activities	18,065

NOTE 2 STATEMENT OF TOTAL MOVEMENT IN GROUP RESERVES

RESERVES	REVENUE			CAPITAL			TOTAL £'000	
	General Fund £'000	Repairs & Renewals Fund £'000	Pension Reserve £'000	Fixed Asset Restatement Account £'000	Capital Financing Account £'000	Capital Fund £'000		Usable Capital Receipts £'000
Balances at 1 April 2006	10,908	278	(93,170)	4,756	12,962		2,519	(61,747)
Surplus / (Deficit) for Year	(415)							(415)
Revaluation of Assets				127			75	202
Appropriations To/From Revenue	278	(278)	(3,128)		162			(2,967)
Actuarial Gains/Losses relating to pensions			12,632					12,632
Disposal of Fixed Assets				(446)			278	(168)
Demolition of Assets				(135)				(135)
Deferred Grants (Taken to Revenue)					1,677			1,677
Transfer to Capital Fund						2,294	(2,294)	0
Housing Stock Transfer				45,715	(20,825)			24,890
Other Capital Receipts							440	440
Repayment of Principal					11,449			11,449
Depreciation					(8,055)			(8,055)
Deferred Charges					(825)			(825)
Financing of Fixed Assets					50		(50)	0
Balance at 31 March 2007	10,771	0	(83,666)	50,016	(3,406)	2,294	969	(23,022)

FIXED ASSET RESTATEMENT ACCOUNT

The Fixed Asset Restatement Account represents the change in current value of fixed assets arising from revaluation and impairment or enhancement of fixed assets.

CAPITAL FINANCING ACCOUNT

The Capital Financing Account is concerned with all capital financing transactions. It consists of credits for capital financed from revenue, useable capital receipts applied and the amount released from the government grants deferred account, together with the difference between the loans fund principal repayment and the amount charged for depreciation

USEABLE CAPITAL RECEIPTS

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

REPAIRS & RENEWALS FUND

The Repairs and Renewals Fund is purely for the Comhairle's housing stock and has been funded from prior years' surpluses on the Housing Revenue Account.

CAPITAL FUND

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

Notes to Group Accounts

NOTE 3 DISCLOSURE OF INTEREST IN OTHER ENTITIES

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

NOTE 4 COMBINING ENTITIES

The Comhairle has an interest in a number of Associate Companies and full details of these have been given in Note 32 to the Accounts on Page 27. For the purposes of consolidation and incorporation in the Group Accounts, recognition has been made of the Comhairle's interest in two Associates;

- Highlands and Islands Fire Board
- Northern Joint Police Board

The accounting period for both entities is 31 March 2007 and copies of the individual accounts are available from the Director of Finance, Highland Council, Glenurquhart Road, Inverness, IV3 5NX.

NOTE 5 NATURE OF COMBINATION

The Comhairle is deemed to have an interest in these Associates by virtue of its ability to direct operating and financial policies in conjunction and with the consent of the other participants in the entity. Associates are accounted for using the equity method.

NOTE 6 FINANCIAL IMPACT OF CONSOLIDATION

The effect of including the Associates on the Balance Sheet is to reduce net worth by £62.1m, largely as a result of inclusion of the Joint Boards share of the pension liability. Despite this, the group can be treated as a going concern, as it can raise the funds it requires to maintain its operations.

NOTE 7 COMPLIANCE WITH UK GAAP

The Group Accounts comply with UK GAAP requirements. In previous years, the authority's single entity accounts required a number of adjustments to the Income and Expenditure Account to bring the accounting for assets into line with these requirements. In 2006/07 the single entity accounts comply with UK GAAP, therefore no adjustments have been necessary.

NOTE 8 GROUP ACCOUNTING POLICIES

The Group Accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 7 and 8.

NOTE 9 INFORMATION ON THE COMBINING ENTITIES

Northern Joint Police Board is the police authority for the area covered by the Northern Constabulary and provides the service in the areas administered by Highland Council, Orkney and Shetland Islands Councils and Comhairle nan Eilean Siar. During 2006/07 the Comhairle contributed £2.5m or 8.9% of the Board's running costs and its £52.7m share of the net liability is included on the Balance Sheet. Copies of the Board's accounts are available from the Director of Finance, Highland Council, Glenurquhart Road, Inverness, IV3 5NX.

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

Notes to Group Accounts

Northern Joint Police Board		
2005/06 £'000		2006/07 £'000
9,927	Gross Income (including Grant)	10,292
3,157	(Surplus)/Deficit on Income and Expenditure Account	3,518
(9)	(Surplus)/Deficit after additional DR/CR to General Fund	161
6,213	Fixed Assets	8,377
1,289	Current Assets	1,441
632	Short Term Liabilities	717
4,317	Long Term Liabilities (excluding Pension)	4,344
56,907	Pension Liability	57,460

Highlands and Islands Fire Board is the fire authority for the area covered by the Highland and Island Fire Brigade and provides the service in the areas administered by Highland Council, Orkney and Shetland Islands Council and Comhairle nan Eilean Siar. During 2006/07 the Comhairle contributed £2.3m or 10.5% of the Board's running costs and its £9.4m share of the net liability is included on the Balance Sheet. Copies of the Board's accounts are available from the Director of Finance, Highland Council, Glenurquhart Road, Inverness, IV3 5NX.

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

Highlands and Islands Fire Board		
2005/06 £'000		2006/07 £'000
3,877	Gross Income	3,735
416	(Surplus)/Deficit on Income and Expenditure Account	564
(19)	(Surplus)/Deficit after additional DR/CR to General Fund	(48)
5,916	Fixed Assets	6,196
486	Current Assets	651
516	Short Term Liabilities	650
3,538	Long Term Liabilities (excluding Pension)	3,810
11,718	Pension Liability	11,759

Statement of Responsibilities for the Statement of Accounts

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

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

THE DIRECTOR OF FINANCE AND CORPORATE RESOURCE'S RESPONSIBILITIES

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

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

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

The Director of Finance and Corporate Resources has also:

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

The Statement of Accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2007.



Robert Emmott BSc CPFA
Director of Finance and Corporate Resources
26 June 2007

Statement on the System of Internal Financial Control

1. This statement is given in respect of the 2006/07 statement of accounts for Comhairle nan Eilean Siar. I acknowledge my responsibility as Director of Finance and Corporate Resources and S95 officer for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The system of internal financial control is based on a framework of regular management information, financial regulations and procedures, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Comhairle. In particular the following processes have been established:-
 - Comprehensive budgetary control and reporting systems;
 - Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
 - Setting targets to measure financial and other performances;
 - The preparation of regular financial reports which indicate actual expenditure against the forecasts;
 - Clearly defined capital expenditure guidelines; and
 - As appropriate, formal project management disciplines.
4. Internal audit is provided by an in-house team which reports independently through the Director of Finance and Corporate Resources, but also has open access to the Chief Executive and the Comhairle's Monitoring Officer. Computer Audit is provided by way of partnership working arrangements with Highland Council. The internal audit section is responsible for:-
 - Adding value to the Comhairle by undertaking independent appraisal of its systems of internal control;
 - Providing a high quality and effective service that is responsive to the needs of client departments;
 - Providing a quality advisory and investigative service to support safeguarding the public pound;
 - Supporting the Comhairle in the achievement of Best Value in the use of resources; and
 - Assisting the Comhairle in discharging its corporate governance requirements.
5. During the year:-
 - The function operated to professional auditing standards and aimed to comply with the requirements laid down in the Code of Practice for Internal Audit in Local Government in the UK 2006;
 - An operational audit plan, based on a previously approved internal audit risk assessment and strategic audit plan, was approved by Members, and regular reports of progress against plan were presented to the Audit Panel. A strategic internal audit plan covering the three years to 31 March 2010 has also been approved by Members;
 - Based on the findings arising from the reduced level of internal audit work undertaken against the original plan, the independent opinion reached in the annual internal audit report was that reasonable assurance could be placed on the system of internal financial control,
 - External Audit were able to place reliance on the work of Internal Audit in reaching their conclusion on the controls operating within specific areas of the Comhairle; and
 - In terms of best practice the Statement on the System of Internal Financial Control (SSIFC) should cover group accounts. The Comhairle have placed reliance on the work of Highland Council's Internal Audit section who currently undertake work on the Police and Fire Joint Boards. Highland Council's Annual Report makes reference to the appropriateness of the systems of internal control and deem them as acceptable, I therefore propose no additional work in this area.
6. My review of the effectiveness of the system of internal financial control is informed by:-
 - The work of managers within the Comhairle who have responsibility for the development and maintenance of the internal financial control framework;
 - The work of internal auditors as described above; and
 - The external auditors in their annual audit letter and other reports.
7. I am satisfied that the Comhairle has in place an appropriate system of internal financial control, but would draw your attention to the specific matters detailed in paragraphs 8 to 14 below.

Statement on the System of Internal Financial Control

8. Audit Scotland in August 2006 published a Best Value & Community Planning report on the Comhairle. This report highlighted areas where improvements could be made, specifically:-
 - Best Value
 - Performance Management
 - Policy-led budgeting
 - Procurement, Human Resources, ICT and Asset Management
 - Decision making processes
 - Poor relationship with the Health Board
9. The Comhairle's Chief Executive has undertaken a 'root and branch' review of the Comhairle, resulting in a number of changes both to the departmental and committee structures. In addition, more emphasis has been made to develop sections in a positive way to allow improvements to be made in areas highlighted by the Audit Scotland review. Audit Scotland will be undertaking a follow-up review to monitor the Comhairle's progress in addressing these issues.
10. The Comhairle is required by the Local Government in Scotland Act 2003 to achieve a prescribed annual financial objective of break even over a rolling three-year period with regard to their statutory trading accounts. I note in 2005/06 that the Bus Operations did not achieve break even and subsequently made a loss of £57,395 including pension costs under FRS17. In 2006/07, although the Bus Operations made a further loss of £15,490 this is an improvement on the previous year's loss and was largely due to unexpectedly high pension costs associated with FRS17. Therefore, in 2006/07 the Bus Operations did not meet the prescribed financial objectives set out in legislation.
11. During 2006/07, officers of the Comhairle have kept Members informed of the progress and subsequent remedial action taken to address the 2005/06 losses.
12. The Comhairle continues to progress the development of risk management processes throughout the Comhairle and recognises that further improvements can be made to embed a culture of risk management within the organisation. The creation and work of the Strategic Risk Management Group acknowledges the Comhairle's commitment to risk management.
13. Performance management continues to be an area where additional emphasis and resource allocation needs to be made in order to improve information provided to managers. The Audit Scotland report on Best Value & Community Planning has further highlighted concerns raised by the Comhairle's Internal Auditors in previous years, concerning performance information available to managers. The Comhairle are developing and implementing robust performance management frameworks to address concerns raised by both Internal Audit and Audit Scotland.
14. In 2006/07 progress was made to address issues raised concerning the problems with the implementation of the new payroll upgrade that was identified by our Internal Auditors. However, there continues to be areas where further improvements can be made, specifically, in terms of management, system access control, supervision, reconciliations and verification checks. Action is being taken to address these issues as a matter of priority.



Robert Emmott BSc CPFA
Director of Finance and Corporate Resources
26 June 2007

Independent Auditor's Report

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

I certify that I have audited the financial statements of Comhairle nan Eilean Siar and its group for the year ended 31 March 2007 under Part VII of the Local Government (Scotland) Act 1973. These comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement, the Housing Revenue Account Income and Expenditure Account, Statement of Movement on the HRA Balance, the Council Tax Income Account, the Non-Domestic Rate Income Account, and the Group Accounts and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

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

The Director of Finance and Corporate Resources' responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2006 - A Statement of Recommended Practice (the 2006 SORP) are set out in the Statement of Responsibilities.

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

I report my opinion as to whether the financial statements present fairly the financial position of the local authority and its group in accordance with applicable laws and regulations and the 2006 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the local authority has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on the System of Internal Financial Control reflects the authority's compliance with the SORP. I report if, in my opinion, it does not comply with the SORP or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement covers all risk and controls. Neither am I required to form an opinion on the effectiveness of the local authority's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

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

Opinion

In my opinion

- the financial statements present fairly, in accordance with applicable laws and regulations and the 2006 SORP, the financial position of the local authority and its group as at 31 March 2007 and its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Failure to comply with a statutory requirement

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

Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to conduct each of their significant trading operations so that income is not less than expenditure over each three year period. The authority failed to comply with this statutory requirement for the three year period ending 31 March 2007 in respect of the Bus Operation significant trading operation.

Peter Tait CPFA
Assistant Director of Audit (Local Government)
Audit Scotland 7th Floor Plaza Tower East Kilbride G74 1LW
27 September 2007



**COMHAIRLE NAN
EILEAN SIAR**

Comhairle nan Eilean Siar, Sandwick Road, Stornoway, Isle of Lewis HS1 2BW