

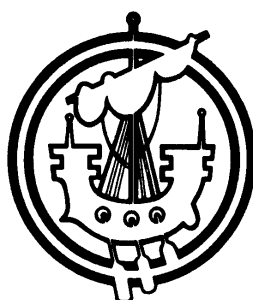


# COMHAIRLE NAN EILEAN SIAR

## Annual Accounts

For the year 1 April 2007 to 31 March 2008

# COMHAIRLE NAN EILEAN SIAR



## ABSTRACT OF ACCOUNTS

FOR THE YEAR  
1 APRIL 2007 TO 31 MARCH 2008

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# FOREWORD BY THE DIRECTOR OF FINANCE & CORPORATE RESOURCES

## Financial Position at 31 March 2008

The Comhairle's overall financial position at the end of 2007/08 remains relatively stable with revenue balances of £9.2m compared with £10.3m a year earlier. However, when known commitments of £5.3m and the Comhairle's planned budget deficit of £355K for 2008/09 are taken into account, this reduces to £3.5m

In setting the 2008/09 budget the Comhairle reviewed the financial environment and risks that it faced in the medium term. Consequently it was agreed to amend the policy on balances, increasing the minimum level of free balances held to £3.0m. As at 31 March 2008 the Comhairle is meeting this policy objective.

## Budgetary Performance

Overall the Comhairle showed a deficit of £1,019k for the year, against a budgeted deficit of £813k. In year overspends including waste management and Social Work residential placements and an additional contribution towards single status costs have been offset by various savings, including external interest payments, Joint Board requisitions and a further BCCI dividend.

The balance of £9.2m on the General Fund includes an earmarked sum of £5.3m in respect of the following:

|                                    | £'000         |
|------------------------------------|---------------|
| Earmarked for Winter Maintenance   | 321           |
| Departmental Carry Forward         | 568           |
| Western Isles Schools Project      | 1,944         |
| Efficiency Fund                    | 110           |
| Care Home Back Pay                 | 94            |
| Modernising Government Fund        | 233           |
| Business Loans Scheme              | 177           |
| Elections                          | 66            |
| Provision for Oil Prices           | 200           |
| Youth Crime                        | 153           |
| Surestart                          | 142           |
| Quality of Life Projects           | 107           |
| Stoneybridge Coast Protection      | 60            |
| Administration of External Funding | 56            |
| National Mod                       | 60            |
| Childcare Strategy                 | 278           |
| Supporting People                  | 84            |
| Public Entrepreneurship            | 50            |
| Education Disability               | 57            |
| Ward Priority Fund                 | 121           |
| HISTP Match Fund                   | 279           |
| Miscellaneous Projects             | 179           |
| <b>Total</b>                       | <b>£5,339</b> |

Comhairle policy allows carry forward of underspends on revenue budgets of up to 2% and overspends of up to 1% that must be contained within the following year's budget. Certain other specific underspends, e.g. where specific funding has been received but not fully utilised, are also allowed to be carried forward. After accounting for specific carry forwards, the Social Work, Sustainable Communities and Technical Services budgets had an overall overspend of £1.5m, the majority of which was attributable to waste management and residential placements. Generally, other departments were within carry forward tolerances although £102k was returned to balances by services exceeding the 2% limit.

## Trading Operations

Trading Operations returned a net deficit of £109k. The Building Maintenance and Bus Operations, which are classified as Significant Trading Operations, failed to meet the statutory requirement to break even over a rolling three year period.

The main factors behind the losses on the Bus contract are the rapid increase in fuel costs, FRS 17 contributions and more recently the implementation of single status, while the position on the Building Maintenance contract can be attributed to a general downturn in the workload.

In line with the Comhairle's responsibility to ensure best value in the provision of these services, a Best Value Review is currently underway on the Bus Operation. A review of the Building Maintenance service has resulted in the introduction of a five year Service Level Agreement with the Technical Services Department for the maintenance of non-housing properties. The COU were also successful in winning a three year contract with the Hebridean Housing Partnership, following the transfer of the housing stock. The position on both contracts will be subject to a detailed review at the second quarter in 2008/09.

# FOREWORD BY THE DIRECTOR OF FINANCE & CORPORATE RESOURCES

## Housing Revenue Income and Expenditure Account

Following transfer of the housing stock to the Hebridean Housing Partnership, the Comhairle are no longer required to retain the Housing Revenue Income and Expenditure Account. Residual costs, together with some of the costs associated with the refurbishment of the former Housing offices, were funded from the Housing balance held within the General Fund.

## Single Status

The Comhairle's Single Status agreement is due to be implemented from 1 July 2008. Backdated payments in relation to the 2007/08 financial year, amounting to £1.9m, have been included in the relevant service accounts.

## Net Assets

The net assets of the Comhairle have increased by just £585k over the year. Gains on revaluation of assets were offset by an increase in the pension liability.

## Capital Expenditure

31 March 2008 marked the end of the 2004-08 Capital Programme. The Comhairle spent a total of £21,766k on capital projects in 2007/08. This included investment of £4m on the school estate and £800k on Social Work properties. Almost £4m was invested in sustainable development projects such as broadband infrastructure, hydrogen development, greenSPACE and fishery piers. £5m was spent on roads, including £1.5m to complete the work on the road between Habost and Kershader and £1.4m on road strengthening and minor improvement works. An additional waste cell, required to comply with new regulations, was created at Bennadrove at a cost of £1.3m and £1.4m was invested in the Creed Waste Management facility. £800k of Comhairle vehicles were replaced, some of which were upgraded to deliver the new waste collection service. Community capital projects benefited by almost £2m paid by way of capital grants to community organisations which met the terms and conditions specified by the Scottish Government.

## Financing Expenditure

The Comhairle's revenue budget is financed through Revenue Support Grant from the Scottish Executive, together with Non-Domestic Rates and Council Tax, as detailed in the Income Accounts on page 35 of the accounts. Committed and planned capital expenditure will be funded by a combination of borrowing, capital grants from the Scottish Executive, capital contributions from funding partners and capital receipts.

## Borrowing

During the year £35m of debt with an average rate of 5.01% was prematurely repaid. £32.5m was borrowed from the Public Works Loan Board, at an average rate of 4.40%.

## BCCI

The Comhairle had a total of £24.1m invested in BCCI when it was closed by the Bank of England on 5 July 1991. A dividend of £679k was received during 2007/08 and there remains the possibility of further dividends. The total repaid to date is £23.6m or 84%.

## Pensions/FRS17

The Comhairle's pension liability has increased over the year by £0.7m to £15.2m. Statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy, as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the actuary.

Whilst the replacement of employer's contributions with actuarial estimates has seen an increased charge to service accounts, the amount to be met from government grants and local taxation remains unchanged as accounting rules allow these to be reversed out of the Income and Expenditure Account. Further details are given in notes 27 to 32 of the accounts.

## Euro

The nature and potential impact of the introduction of the Euro are not deemed to be significant at 31 March 2008. No estimate has yet been made of the costs to the Comhairle of the introduction of the Euro.

## Western Isles Schools Project

The Western Isles Schools Project (WISP), formerly known as the Schools PPP project, is the Comhairle's biggest single project. This involves proposals for five new or refurbished schools, these being The Nicolson Institute in Stornoway, Point Community School, Sir E Scott School in Tarbert, a new school on the Westside of Lewis and Balivanich School in Benbecula.

The project is being progressed using a hybrid version of PPP designed to suit the particular circumstances of the Western Isles. As at March 2008 the estimated capital cost of the project is £67m. This will be funded through prudential borrowing with the costs being met by a combination of funding from the Scottish Government and Comhairle resources. Current projections are that construction will start during the 2009/10 financial year.

# FOREWORD BY THE DIRECTOR OF FINANCE & 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 and loans fund. It shows the balances and reserves available, long term indebtedness and the fixed and current assets of the Comhairle.
- **Cash Flow Statement** - shows the inflows and outflows of cash as a result of all the Comhairle's transactions, both capital and revenue, in all its funds.
- **Income Accounts** show the gross and net income derived from council tax and non-domestic rates and the contribution to the national pool for non-domestic rates and the distribution from the pool to the Comhairle.
- **Group Accounts**, which incorporate the Joint Committees (Police and Fire) as associates, show the overall position of local government in the Western Isles.

## Group Accounts

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

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

## Implementation of Changes in Accounting Practice

The 2007 Statement of Recommended Practice (the SORP) introduced a number of presentational changes, as highlighted in the Statement of Accounting Policies. These have had a minimal effect of the Comhairle's accounts, with the exception of additional disclosures in relation to borrowing and lending.

The opening figures for the 2007/08 Balance Sheet have been adjusted to accommodate the introduction of the Revaluation Reserve and the Capital Adjustment Account. The balance of £45.292 million on the Fixed Asset Restatement Account (FARA) was added to the debit balance of £4.670 million in the Capital Financing Account to form the opening balance of £40,622 million for the new Capital Adjustment Account. The Revaluation Reserve has been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

The date of transition to the new accounting arrangements for financial instruments was 1 April 2007. In accordance with the regulations, the figures for 31 March 2007 have not been restated. Prior period adjustments arising from the re-measurement and extinguishment of certain balances for borrowing, lending and investments at 1 April 2007 are not deemed to be material.

## Thanks

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



Robert Emmott BSc CPFA  
Director of Finance and Corporate Resources  
25 June 2008

# STATEMENT OF ACCOUNTING POLICIES

The following policies apply to the Accounts of Comhairle nan Eilean Siar for the year 2007/08.

## 1 General Policy

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

## 2. Changes in Accounting Practice

The 2007 Statement of Recommended Practice (the SORP) introduced a number of presentational changes to the core financial statements, to bring ACOP more in line with wider UK Generally Accepted Accounting Practices (GAAP). Although there is no impact on the reported financial position of the Comhairle, the content of the statements is amended as follows:

- The remeasurement of “financial instruments” (investments, lending, borrowing, guarantees). Loans receivable and payable are now carried in the Balance Sheet at amortised cost and investments at “fair value”.
- The introduction of a new accounting reserve that arises from the restatement to amortised cost or fair value – the Financial Instruments Adjustment Account. This is a balancing account to allow for differences in statutory requirements and proper accounting practices for lending and borrowing by the Comhairle.
- The replacement of the Fixed Asset Restatement Account and Capital Financing Account by a Revaluation Reserve and Capital Adjustment Account. The Revaluation Reserve represents the gains on revaluation of fixed assets not yet realised through sales and the Capital Adjustment Account relates to amounts set aside from capital resources to meet past expenditure.

The 2006/07 comparative figures have been brought forward unchanged from the 2006/07 Abstract of Accounts, in accordance with the SORP requirements. Only significant adjustments to balances as a result of the recognition, extinguishment or re-measurement of financial instruments have been made to the opening balances and disclosed in the Statement of Movement on the General Fund Balance. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

## 3. Accounting Convention

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

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

Debtors represent amounts owed to the Comhairle charged in 2007/08 but which are still outstanding at 31 March 2008. Creditors represent amounts owed by the Comhairle for goods delivered or services carried out before 31 March 2008. Payments relating to 2007/08 made in the first three weeks of 2008/09 have been included in revenue expenditure for 2007/08 and in the figure for creditors given in the Balance Sheet. Estimates of significant amounts still due, but not yet paid by the Comhairle, have also been included in the figure for expenditure and creditors. Only significant amounts are accrued for capital.

## 5. Financing Costs

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

## 6. Lending

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

# STATEMENT OF ACCOUNTING POLICIES

## 7. 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 Comhairle, as permitted by Scottish Government Circular 05/2007.

## 8. Capital Expenditure

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

## 9. Capital Receipts

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

## 10. Stock and Stores

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

## 11. Basis of Valuation of Fixed Assets

From 2006/07 the Comhairle has moved to valuing a percentage of the land and buildings on a rolling basis annually, rather than carrying out one valuation every 5 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 2007 and 31 March 2008. Depreciation has been charged on the basis of assets' estimated useful life on a straight-line basis.

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

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

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

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

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.

## 12. Asset Rentals

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

## 13. Allocation of Support Services Costs

Support Services costs, such as Finance, Legal, Administration and Technical Services, 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.



# STATEMENT OF ACCOUNTING POLICIES

## 14. Provisions

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

## 15. Provisions for Bad and Doubtful Debts

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

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

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

## 16. Government Grants

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

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

## 17. Budget

The budget figures shown are the revised budgets as at 31 March 2008 as these reflect policy decisions taken during the year.

## 18. Operating Leases

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

## 19. Retirement Benefits

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

- Teachers' Pension Scheme  
This is an unfunded scheme administered by the Scottish Executive who sets the contribution rate based on a notional fund. The amounts included in the accounts are the contributions due in the year. In addition the cost of pension enhancements for early retirement are included in non-distributable costs. The scheme is exempt from FRS17 as the assets and liabilities of the scheme cannot be reliably attributed to participating authorities.
- Local Government Pension Scheme  
Pensions for other employees are accounted for in accordance with Financial Reporting Standard 17 (FRS17). The calculations have been carried out in accordance with Guidance Note 36: Accounting for Retirement Benefits under FRS 17, issued by the Institute and the Faculty of Actuaries. The disclosures have been drafted in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007 – A statement of Recommended Practice issued by the CIPFA / LASAAC Joint Committee.

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

## 20. Significant Trading Operations

The Local Government Scotland Act 2003 required Local Authorities to report "separately on significant trading operations". During 2007/08 the Comhairle operated the following STOs:

- Refuse Collection
- Building Maintenance
- Highways
- Buses

## INCOME AND EXPENDITURE ACCOUNT

| 2006/07<br>Actual<br>Net<br>£'000 | Service   | 2007/08                        |                           |                        |
|-----------------------------------|---|--------------------------------|---------------------------|------------------------|
|                                   |   | Actual<br>Expenditure<br>£'000 | Actual<br>Income<br>£'000 | Actual<br>Net<br>£'000 |
| 38,147                            | Education Services                                    | 46,354                         | (5,637)                   | 40,717                 |
| 1,546                             | General Fund Housing                                  | 9,233                          | (8,269)                   | 964                    |
| 4,650                             | Cultural & Related Services                           | 6,742                          | (1,631)                   | 5,111                  |
| 4,521                             | Environmental Services                                | 7,761                          | (2,776)                   | 4,985                  |
| 9,847                             | Roads & Transport Services                            | 12,614                         | (2,006)                   | 10,608                 |
| 4,610                             | Planning & Development Services                       | 7,918                          | (3,127)                   | 4,791                  |
| 16,605                            | Social Work   | 24,108                         | (4,649)                   | 19,459                 |
| 3,368                             | Corporate & Democratic Core                           | 3,554                          | (3)                       | 3,551                  |
| (1,356)                           | Non Distributed Costs                                 | 560                            | -                         | 560                    |
| 968                               | Central Services to the Public                        | 1,321                          | (335)                     | 986                    |
| 208                               | Trading Services                                      | 1,691                          | (1,293)                   | 398                    |
| 4,963                             | Joint Board Requisitions                              | 4,998                          | (71)                      | 4,927                  |
| <b>88,077</b>                     | <b>Net Cost of General Fund Services</b>              | <b>126,854</b>                 | <b>(29,797)</b>           | <b>97,057</b>          |
| (1,379)                           | Housing Revenue Account                               | -                              | -                         | -                      |
| <b>86,698</b>                     | <b>NET COST OF SERVICES</b>                           | <b>126,854</b>                 | <b>(29,797)</b>           | <b>97,057</b>          |
| 140                               | Loss on Disposal of Fixed Assets                      |                                |                           | 362                    |
| 477                               | Trading Operations Deficits                           |                                |                           | 223                    |
| 11,466                            | Interest Payable and Similar Charges                  |                                |                           | 10,313                 |
| (681)                             | Interest and Investment Income                        |                                |                           | (807)                  |
| (695)                             | Pensions Interest Costs and Expected Return on Assets |                                |                           | (1,145)                |
| -                                 | BCCI Receipt  |                                |                           | (679)                  |
| <b>97,405</b>                     | <b>NET OPERATING EXPENDITURE</b>                      |                                |                           | <b>105,324</b>         |
| (83,003)                          | General Government Grants                             |                                |                           | (85,587)               |
| (9,741)                           | Non-Domestic Rates Redistribution                     |                                |                           | (9,626)                |
| (9,467)                           | Income from Council Tax                               |                                |                           | (9,786)                |
| <b>(102,211)</b>                  | <b>TOTAL INCOME</b>                                   |                                |                           | <b>(104,999)</b>       |
| <b>(4,806)</b>                    | <b>(SURPLUS)/DEFICIT FOR THE YEAR</b>                 |                                |                           | <b>325</b>             |

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.

The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.

Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

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

| 2006/07<br>£'000 | STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE                    | 2007/08<br>£'000 |
|------------------|--|------------------|
| (4,806)          | (Surplus)/Deficit on I & E for Year                                  | 325              |
| 4,831            | Net Additional Amount required to be debited to GF for year (Note 1) | 694              |
| <b>25</b>        | <b>Decrease in GF for year</b>                                       | <b>1,019</b>     |
| (10,280)         | GF Balance Brought Forward   | (10,255)         |
| -                | Adjustment to opening carrying value of borrowing per regulations    | 3,026            |
| -                | Transfer to Financial instruments Adjustment Account                 | (3,026)          |
| <b>(10,255)</b>  | <b>General Fund Balance Carried Forward</b>                          | <b>(9,236)</b>   |

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

| 2006/07<br>£'000 | STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES                              | 2007/08<br>£'000 |
|------------------|---|------------------|
| (4,806)          | (Surplus)/Deficit for the Year on the I & E Account                         | 325              |
| 1,699            | (Surplus)/Deficit on Revaluation of Fixed Assets                            | (2,243)          |
| (24,890)         | (Surplus)/Deficit on Transfer of Housing Stock                              | -                |
| (9,100)          | Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities             | 1,179            |
| -                | Adjustment arising from transitional arrangements for Financial Instruments | 3,026            |
| <b>(37,097)</b>  | <b>Total Recognised (Gains)/ Losses for the year</b>                        | <b>2,287</b>     |

## BALANCE SHEET

| 31 March<br>2007<br>£'000 | Balance Sheet as at 31 March 2007            | Gross<br>Book Value<br>£'000 | Depreciation<br>£'000 | 31 March 2008 |                |
|---------------------------|--|------------------------------|-----------------------|---------------|----------------|
|                           |  |                              |                       | £'000         | £'000          |
|                           | <b>Fixed Assets</b>                          |                              |                       |               |                |
| 700                       | <i>Intangible Fixed Assets (Note 3)</i>      | 700                          | (157)                 | 543           |                |
|                           | <i>Tangible Fixed Assets (Note 2)</i>        |                              |                       |               |                |
|                           | <b>Operational Assets:</b>                   |                              |                       |               |                |
| 123,800                   | Other Land & Buildings                       | 131,991                      | (6,644)               | 125,347       |                |
| 787                       | Leashold Improvements                        | 1,277                        | (556)                 | 721           |                |
| 5,470                     | Vehicles, Plant & Equipment                  | 12,760                       | (4,692)               | 8,068         |                |
| 89,691                    | Infrastructure Assets                        | 130,820                      | (36,436)              | 94,384        |                |
| 412                       | Community Assets                             | 699                          | (251)                 | 448           |                |
|                           | <b>Non-operational Assets:</b>               |                              |                       |               |                |
| 3,955                     | Investment Properties                        | 4,909                        | (359)                 | 4,550         |                |
|                           | Surplus Assets                               | 288                          | (4)                   | 284           |                |
| 10,296                    | Assets Under Construction                    | 11,539                       | -                     | 11,539        |                |
| <b>235,111</b>            | <b>Total Fixed Assets</b>                    | <b>294,983</b>               | <b>(49,099)</b>       |               | <b>245,884</b> |
|                           | <b>Other Long Term Assets</b>                |                              |                       |               |                |
| 338                       | Long-term Investments                        |                              |                       | 400           |                |
| 1,358                     | Long-term Debtors (Note 11)                  |                              |                       | 1,122         |                |
| (482)                     | Less Provisions (Note 9)                     |                              |                       | (445)         |                |
| 3,026                     | Premia on Debt Redemption                    |                              |                       | -             | 1,077          |
| <b>239,351</b>            | <b>Total Long-term Assets</b>                |                              |                       |               | <b>246,961</b> |
|                           | <b>Current Assets</b>                        |                              |                       |               |                |
| 852                       | Stocks & Work in Progress                    |                              |                       | 945           |                |
| 14,765                    | Debtors (Note 8)                             |                              |                       | 14,035        |                |
| (2,187)                   | Less Provisions (Note 9)                     |                              |                       | (2,357)       |                |
| 4,474                     | Investments                                  |                              |                       | 6,743         |                |
| 12                        | Cash in Hand                                 |                              |                       | 12            | 19,378         |
| <b>257,267</b>            | <b>Total Assets</b>                          |                              |                       |               | <b>266,339</b> |
|                           | <b>Current Liabilities</b>                   |                              |                       |               |                |
| (105)                     | Borrowing Repayable Within 1 Year            |                              |                       | (1,928)       |                |
| (11,719)                  | Creditors (Note 10)                          |                              |                       | (13,342)      |                |
| (448)                     | Provisions (Note 9)                          |                              |                       | (649)         |                |
| (425)                     | Bank Overdraft                               |                              |                       | (561)         | (16,480)       |
| <b>244,570</b>            | <b>Total Assets less Current Liabilities</b> |                              |                       |               | <b>249,859</b> |
|                           | <b>Long-term Liabilities</b>                 |                              |                       |               |                |
| (147,986)                 | Long-term Borrowing (Note 12)                |                              |                       | (144,906)     |                |
| (43,085)                  | Government Grants Deferred                   |                              |                       | (48,874)      |                |
| -                         | Grants Unapplied                             |                              |                       | (4,152)       |                |
| (14,446)                  | Pension Liability (Note 29)                  |                              |                       | (15,161)      | (213,093)      |
| <b>39,053</b>             | <b>Net Assets/(Liabilities)</b>              |                              |                       |               | <b>36,766</b>  |
|                           | <b>Financed by:</b>                          |                              |                       |               |                |
| -                         | Revaluation Reserve                          |                              |                       | 2,237         |                |
| 40,622                    | Capital Adjustment Account                   |                              |                       | 40,564        |                |
| 2,294                     | Capital Fund                                 |                              |                       | 2,296         |                |
| 328                       | Capital Receipts Reserve                     |                              |                       | 466           |                |
| -                         | Financial Instruments Adjustment Account     |                              |                       | (2,872)       |                |
| (14,446)                  | <b>Pension Reserve</b>                       |                              |                       | (15,161)      |                |
| 10,255                    | <b>Revenue Reserves - General Fund</b>       |                              |                       | 9,236         |                |
| <b>39,053</b>             | <b>Total Net Worth</b>                       |                              |                       |               | <b>36,766</b>  |

The unaudited accounts were issued on 25 June 2008 and the audited accounts were authorised for issue on 25 September 2008.



Robert Emmott BSc CPFA  
Director of Finance and Corporate Resources  
25 September 2008

## CASH FLOW STATEMENT

| 2006/07<br>In/(Out)<br>£'000 | CASH FLOW STATEMENT  | 2007/08<br>£'000 | 2007/08<br>£'000 | 2007/08<br>In/(Out)<br>£'000 |
|------------------------------|--|------------------|------------------|------------------------------|
|                              | <b>Revenue Activities</b>  |                  |                  |                              |
|                              | <b>Cash Outflows</b>   |                  |                  |                              |
| (64,331)                     | Cash Paid to and on behalf of Employees                                  | (63,393)         |                  |                              |
| (45,395)                     | Other Operating Cash Payments  | (32,950)         |                  |                              |
| (5,237)                      | Other Precepts   | (5,015)          |                  |                              |
| (2,223)                      | Housing Benefit Paid Out   | (3,483)          |                  |                              |
| (117,186)                    |  |                  | (104,841)        |                              |
|                              | <b>Cash Inflows</b>  |                  |                  |                              |
| 778                          | Rents (after Rebates)  | -                |                  |                              |
| 7,795                        | Council Tax Receipts   | 8,315            |                  |                              |
| 4,109                        | National Non-Domestic Rates Receipts from National Pool                  | 4,389            |                  |                              |
| 4,359                        | Non-Domestic Rates Receipts  | 5,359            |                  |                              |
| 83,003                       | Revenue Support Grant  | 85,587           |                  |                              |
| 1,755                        | DWP Grants   | 3,708            |                  |                              |
| 19,381                       | Other Government Grants (Note 14)  | 10,520           |                  |                              |
| 8,719                        | Cash Received for Goods and Services                                     | 8,792            |                  |                              |
| 5,352                        | Other Operating Cash Receipts  | 3,899            |                  |                              |
| 135,251                      |  |                  | 130,569          |                              |
| <b>18,065</b>                | <b>Net Cash Inflow from Revenue Activities (Note 13)</b>                 |                  |                  | <b>25,728</b>                |
|                              | <b>Returns on Investments &amp; Servicing of Finance</b>                 |                  |                  |                              |
|                              | <b>Cash Outflows</b>   |                  |                  |                              |
| (10,438)                     | Interest Paid  | (10,331)         |                  |                              |
| -                            | Premia   | -                |                  |                              |
| (10,438)                     |  |                  | (10,331)         |                              |
|                              | <b>Cash Inflows</b>  |                  |                  |                              |
| 237                          | Interest Received  | 161              |                  |                              |
|                              |  |                  | 161              |                              |
| <b>(10,201)</b>              | <b>Net Cash Outflow from Investments and Servicing of Finance</b>        |                  |                  | <b>(10,171)</b>              |
|                              | <b>Capital Activities</b>  |                  |                  |                              |
|                              | <b>Cash Outflows</b>   |                  |                  |                              |
| (20,543)                     | Purchase of Fixed Assets   | (19,917)         |                  |                              |
| (844)                        | Expenditure on Deferred Charges  | (2,145)          |                  |                              |
| (1,048)                      | Other Capital Cash Payments  | (229)            |                  |                              |
| (22,435)                     |  |                  | (22,291)         |                              |
|                              | <b>Cash Inflows</b>  |                  |                  |                              |
| 441                          | Sales of Fixed Assets  | 396              |                  |                              |
| 6,552                        | Capital Grants Received  | 11,086           |                  |                              |
| 664                          | Other Capital Cash Receipts  | 465              |                  |                              |
| 7,657                        |  |                  | 11,947           |                              |
| <b>(14,778)</b>              | <b>Net Cash Outflow from Capital Activities</b>                          |                  |                  | <b>(10,344)</b>              |
| <b>(6,914)</b>               | <b>Net Cash Outflow before Financing</b>                                 |                  |                  | <b>5,213</b>                 |
|                              | <b>Management of Liquid Resources</b>                                    |                  |                  |                              |
| 2,010                        | Net Decrease/(Increase) in Short Term Deposits                           | (2,269)          |                  |                              |
|                              |  |                  | (2,269)          |                              |
| <b>2,010</b>                 | <b>Net Cash Inflow/(Outflow) from the Management of Liquid Resources</b> |                  |                  | <b>(2,269)</b>               |
|                              | <b>Financing</b>   |                  |                  |                              |
|                              | <b>Cash Outflows</b>   |                  |                  |                              |
| (22,251)                     | Repayments of Amounts Borrowed   | (35,580)         |                  |                              |
| (22,251)                     |  |                  | (35,580)         |                              |
|                              | <b>Cash Inflows</b>  |                  |                  |                              |
| 27,001                       | New Loans Raised   | 32,500           |                  |                              |
| 27,001                       |  |                  | 32,500           |                              |
| <b>4,750</b>                 | <b>Net Cash Inflow/(Outflow) from Financing</b>                          |                  |                  | <b>(3,080)</b>               |
| <b>(154)</b>                 | <b>Net Increase/(Decrease) in Cash</b>                                   |                  |                  | <b>(136)</b>                 |
| <b>2006/07</b>               | <b>Movements in Cash per Balance Sheet</b>                               | <b>Opening</b>   | <b>Closing</b>   | <b>Movement</b>              |
| <b>(154)</b>                 |  | <b>(413)</b>     | <b>(549)</b>     | <b>(136)</b>                 |

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

| 2006/07<br>£'000 | STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE  | 2007/08<br>£'000 |
|------------------|--|------------------|
|                  | <b>Amounts included in I &amp; E but required by Statute to be excluded<br/>when determining movement on GF Balance for year</b>           |                  |
| (8,881)          | Depreciation and Impairment of Fixed Assets  | (12,363)         |
| 1,678            | Government Grants Deferred Amortisation  | 2,061            |
| (140)            | Net Gain/(Loss) on Sale of Fixed Assets  | (362)            |
| -                | Charges for Financial Instruments as per Government Regulations  | 154              |
| 1,002            | FRS17 Pensions   | 464              |
|                  | <b>Amounts not included in I &amp; E but required by Statute to be included<br/>when determining movement on GF Balance for year</b>       |                  |
| 11,450           | Repayment of Debt  | 10,695           |
| -                | Capital Expenditure Charged to General Fund  | 45               |
|                  | <b>Transfers to or from GF Balance that are required to be taken into<br/>account when determining movement on GF Balance for the year</b> |                  |
| (278)            | Transfer to or from Repairs and Renewals Fund  | -                |
| <b>4,831</b>     |  | <b>694</b>       |

## NOTE 2 MOVEMENT ON FIXED ASSETS

| Operational Assets                     | Other Land and Buildings<br>£'000 | Vehicles, Plant & Equipment<br>£'000 | Infra-structure<br>£'000 | Leasehold Improve - ments<br>£'000 | Community Assets<br>£'000 | Total<br>£'000 |
|--|-----------------------------------|--------------------------------------|--------------------------|------------------------------------|---------------------------|----------------|
| <b>Gross Book Value</b>                |                                   |                                      |                          |                                    |                           |                |
| Balance at 01/04/07                    | 128,367                           | 9,403                                | 122,881                  | 1,277                              | 628                       | 262,556        |
| Additions                              | 6,484                             | 3,128                                | 7,939                    |                                    |                           | 17,551         |
| Reclassification                       | (977)                             | 548                                  |                          |                                    | 71                        | -358           |
| Revaluation                            | (1,515)                           |                                      |                          |                                    |                           | -1,515         |
| Disposals                              | (368)                             | (319)                                |                          |                                    |                           | -687           |
| Balance at 31/03/08                    | 131,991                           | 12,760                               | 130,820                  | 1,277                              | 699                       | 277,547        |
| <b>Depreciation</b>                    |                                   |                                      |                          |                                    |                           |                |
| Balance at 01/04/07                    | 4,566                             | 3,932                                | 33,191                   | 490                                | 216                       | 42,395         |
| In Year                                | 3,993                             | 1,072                                | 3,245                    | 66                                 | 35                        | 8,411          |
| Reclassification                       | (58)                              |                                      |                          |                                    |                           | (58)           |
| Revaluation                            | (2,257)                           |                                      |                          |                                    |                           | (2,257)        |
| Disposals                              | (40)                              | (312)                                |                          |                                    |                           | (352)          |
| Balance at 31/03/08                    | 6,204                             | 4,692                                | 36,436                   | 556                                | 251                       | 48,139         |
| <b>Impairment</b>                      |                                   |                                      |                          |                                    |                           |                |
| Balance at 01/04/07                    |                                   |                                      |                          |                                    |                           |                |
| In Year                                | 440                               |                                      |                          |                                    |                           | 440            |
| Balance at 31/03/08                    | 440                               | -                                    | -                        | -                                  | -                         | 440            |
| <b>Net Book Value at 31 March 2008</b> | <b>125,347</b>                    | <b>8,068</b>                         | <b>94,384</b>            | <b>721</b>                         | <b>448</b>                | <b>228,968</b> |

| Non-operational Assets                 | Investment Properties<br>£'000 | Assets Under Construction<br>£'000 | Surplus Assets<br>£'000 | Total<br>£'000 | Intangible Assets<br>£'000<br>(Note 3) |
|--|--------------------------------|------------------------------------|-------------------------|----------------|--|
| <b>Gross Book Value</b>                |                                |                                    |                         |                |  |
| Balance at 01/04/07                    | 4,147                          | 10,296                             |                         | 14,443         | 700                                    |
| Additions                              | 551                            | 1,392                              |                         | 1,943          |  |
| Reclassification                       | 468                            | (149)                              | 288                     | 607            |  |
| Revaluation                            | 190                            |                                    |                         | 190            |  |
| Disposals                              | (447)                          |                                    |                         | (447)          |  |
| Balance at 31/03/08                    | 4909                           | 11539                              | 288                     | 16736          | 700                                    |
| <b>Depreciation</b>                    |                                |                                    |                         |                |  |
| Balance at 01/04/07                    | 193                            |                                    |                         | 193            |  |
| In Year                                | 196                            |                                    | 4                       | 200            | 35                                     |
| Reclassification                       | 58                             |                                    |                         | 58             |  |
| Revaluation                            | (58)                           |                                    |                         | (58)           |  |
| Disposals                              | (30)                           |                                    |                         | (30)           |  |
| Balance at 31/03/08                    | 359                            | -                                  | 4                       | 363            | 35                                     |
| <b>Impairment</b>                      |                                |                                    |                         |                |  |
| Balance at 01/04/07                    |                                |                                    |                         |                |  |
| In Year                                |                                |                                    |                         |                | 122                                    |
| Balance at 31/03/08                    | -                              | -                                  | -                       | -              | 122                                    |
| <b>Net Book Value at 31 March 2008</b> | <b>4,550</b>                   | <b>11,539</b>                      | <b>284</b>              | <b>16,373</b>  | <b>543</b>                             |

## NOTE 3 INTANGIBLE ASSETS

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

## NOTE 4 CAPITAL EXPENDITURE AND FINANCING

| CAPITAL EXPENDITURE AND FINANCING   | 2006/07<br>£'000 | 2007/08<br>£'000 |
|-------------------------------------|------------------|------------------|
| Capital Expenditure                 |                  |                  |
| Operational Assets                  | 17,134           | 17,551           |
| Non-operational Assets              | 2,745            | 1,943            |
| Deferred Charges                    | 825              | 2,145            |
| Intangible Fixed Assets             | 700              | -                |
| Car Loans                           | 95               | 127              |
|                                     | <b>21,499</b>    | <b>21,766</b>    |
| <b>Source of Finance</b>            |                  |                  |
| Borrowing                           | 15,939           | 14,173           |
| Useable Receipts:                   |                  |                  |
| Revenue                             | -                | 45               |
| Loan Repayments                     | 234              | 188              |
| Capital Grants                      | 3,067            | 4,157            |
| Private/Public Sector Contributions | 1,000            | 1,706            |
| European Grants                     | 1,259            | 1,497            |
|                                     | <b>21,499</b>    | <b>21,766</b>    |

At 31 March 2008 the Comhairle had commitments of £7.9m on capital contracts. This expenditure will be funded from a combination of government capital consent (borrowing), income from sale of assets, grants from other funding organisations and contributions from Revenue Accounts.

## NOTE 5 VALUATION OF FIXED ASSETS

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

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

|                             | Other<br>Land &<br>Buildings<br>£'000 | Vehicles &<br>Plant<br>£'000 | Investment<br>Properties<br>£'000 | Community<br>Assets<br>£'000 | Total<br>£'000 |
|-----------------------------|---------------------------------------|------------------------------|-----------------------------------|------------------------------|----------------|
| Valued at Historical Cost   |                                       | 12,286                       |                                   | 699                          | 12,985         |
| Valued at Current Value in: |                                       |                              |                                   |                              |                |
| 2007/08                     | 24,792                                |                              | 688                               |                              | 25,480         |
| 2006/07                     | 45,476                                | 474                          | 1,085                             |                              | 47,035         |
| 2004/05                     | 61,723                                |                              | 3,136                             |                              | 64,859         |
|                             | <b>131,991</b>                        | <b>12,760</b>                | <b>4,909</b>                      | <b>699</b>                   | <b>150,359</b> |



## NOTE 6 INFORMATION ON ASSETS HELD

|   | Number of Properties |         |
|---|----------------------|---------|
|   | 2006/07              | 2007/08 |
| <b>Operational Buildings</b>                        |                      |         |
| Schools   | 40                   | 40      |
| Other Housing Properties                            | 2                    | 2       |
| Residential Homes/Care Units                        | 15                   | 15      |
| Day Centres/Taighean Ceilidh                        | 16                   | 17      |
| Leisure Centres, Pools and Other Recreation Centres | 11                   | 11      |
| Libraries   | 6                    | 6       |
| Museums   | 2                    | 2       |
| Community Workshops                                 | 7                    | 7       |
| Landfill Sites                                      | 4                    | 3       |
| Depots  | 3                    | 3       |
| Public Conveniences                                 | 16                   | 16      |
| Administration Buildings/Offices                    | 6                    | 6       |
| Properties for the Homeless                         | 5                    | 7       |
| Miscellaneous                                       | 11                   | 11      |
| <b>Vehicles, Plant &amp; Equipment</b>              |                      |         |
| Mobile Library Vans                                 | 3                    | 3       |
| Other Vehicles                                      | 114                  | 119     |
| Plant & Equipment                                   | 42                   | 47      |
| <b>Community Assets</b>                             |                      |         |
| Burial Grounds                                      | 8                    | 8       |
| Memorials   |                      | 2       |
| <b>Non-Operational Assets</b>                       |                      |         |
| School Houses etc                                   | 24                   | 20      |
| Workshops/Industrial Units                          | 48                   | 48      |
| Miscellaneous                                       | 13                   | 12      |
| <b>Infrastructure</b>                               |                      |         |
| Single Track Roads (Mileage)                        | 549                  | 548     |
| Double Track Roads (Mileage)                        | 191                  | 192     |

## NOTE 7 DEPRECIATION OF ASSETS

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

**NOTE 8 DEBTORS**

|                    | 31/03/07<br>£'000 | 31/03/08<br>£'000 |
|--------------------|-------------------|-------------------|
| Government Grants  | 1,893             | 3,818             |
| Council Tax        | 3,009             | 3,011             |
| Non Domestic Rates | 326               | 372               |
| VAT                | 441               | 474               |
| Other              | 9,096             | 6,360             |
|                    | <b>14,765</b>     | <b>14,035</b>     |

**NOTE 9 MOVEMENT IN BAD DEBT AND OTHER PROVISIONS**

| BAD DEBTS PROVISIONS        | Balance<br>at 01/04/07<br>£'000 | Movement<br>In Year<br>£'000 | Balance<br>at 31/03/08<br>£'000 |
|-----------------------------|---------------------------------|------------------------------|---------------------------------|
| <b>Long Term</b>            |                                 |                              |                                 |
| Revolving Loans Pool        | 482                             | (37)                         | 445                             |
| <b>Sub-total Long Term</b>  | <b>482</b>                      | <b>(37)</b>                  | <b>445</b>                      |
| <b>Short Term</b>           |                                 |                              |                                 |
| Community Charge            | 119                             | (3)                          | 116                             |
| Council Tax                 | 1,211                           | 81                           | 1,292                           |
| Non-Domestic Rates          | 187                             | -                            | 187                             |
| Rents                       | 123                             | (25)                         | 98                              |
| Sundry Debtors              | 497                             | 71                           | 568                             |
| Fuel at Fishery Piers       | -                               | 11                           | 11                              |
| Charges on Properties       | -                               | 85                           | 85                              |
| Camcal Loan                 | 50                              | (50)                         | 0                               |
| <b>Sub-total Short Term</b> | <b>2,187</b>                    | <b>170</b>                   | <b>2,357</b>                    |
| <b>TOTAL</b>                | <b>2,669</b>                    | <b>133</b>                   | <b>2,802</b>                    |

| OTHER PROVISIONS | Balance<br>at 01/04/07<br>£'000 | Movement<br>In Year<br>£'000 | Balance<br>at 31/03/08<br>£'000 |
|------------------|---------------------------------|------------------------------|---------------------------------|
| <b>Long Term</b> |                                 |                              |                                 |
| European Audits  | 88                              | -                            | 88                              |
| Business Loans   | 360                             | (25)                         | 335                             |
| Legal Settlement | -                               | 200                          | 200                             |
| Loan Guarantees  | -                               | 26                           | 26                              |
| <b>TOTAL</b>     | <b>448</b>                      | <b>201</b>                   | <b>649</b>                      |

**European Audits** - 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

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

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

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

**NOTE 10 CREDITORS**

|   | 31/03/07<br>£'000 | 31/03/08<br>£'000 |
|---|-------------------|-------------------|
| Payroll - PAYE, NI, Superannuation                                | 2,176             | 2,157             |
| Loan Interest etc (included in carrying value of loan in 2007/08) | 1,680             | -                 |
| Creditors System Payments   | 4,609             | 5,832             |
| Other   | 3,254             | 5,353             |
|   | <b>11,719</b>     | <b>13,342</b>     |

**NOTE 11 LONG TERM DEBTORS**

| <b>LONG TERM DEBTORS</b>               | <b>Balance at 01/04/07<br/>£'000</b> | <b>Advanced In Year<br/>£'000</b> | <b>Repaid In Year<br/>£'000</b> | <b>Balance at 31/03/08<br/>£'000</b> |
|--|--------------------------------------|-----------------------------------|---------------------------------|--------------------------------------|
| Car Loans                              | 222                                  | 127                               | (146)                           | 203                                  |
| House Loans                            | 146                                  | -                                 | (42)                            | 104                                  |
| Business Loans                         | 263                                  | -                                 | (26)                            | 237                                  |
| Camcal Loan                            | 50                                   | -                                 | (50)                            | -                                    |
| Community Buy Outs                     | 125                                  | -                                 | (50)                            | 75                                   |
| Revolving Loans Pool                   | 482                                  | 102                               | (139)                           | 445                                  |
| <b>Sub-total</b>                       | <b>1,288</b>                         | <b>229</b>                        | <b>(453)</b>                    | <b>1,064</b>                         |
| Capital Advance to Lews Castle College | 70                                   | -                                 | (12)                            | 58                                   |
| <b>TOTAL</b>                           | <b>1,358</b>                         | <b>229</b>                        | <b>(465)</b>                    | <b>1,122</b>                         |

**NOTE 12 ANALYSIS OF LONG TERM BORROWING**

|                                      | <b>31/03/07<br/>£'000</b> | <b>31/03/08<br/>£'000</b> |
|--------------------------------------|---------------------------|---------------------------|
| <b>Analysis of Loans By Type</b>     |                           |                           |
| Public Works Loans Board             | 145,972                   | 142,892                   |
| Market                               | 2,014                     | 2,014                     |
| <b>Total outstanding</b>             | <b>147,986</b>            | <b>144,906</b>            |
| <b>Analysis of Loans By Maturity</b> |                           |                           |
| Between 1 and 2 years                | 105                       | 105                       |
| Between 2 and 5 years                | 315                       | 315                       |
| Between 5 and 10 years               | 2,419                     | 3,651                     |
| More than 10 Years                   | 145,147                   | 140,835                   |
| <b>TOTAL</b>                         | <b>147,986</b>            | <b>144,906</b>            |

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

| <b>2006/07<br/>£'000</b> |  | <b>2007/08<br/>£'000</b> |
|--------------------------|--|--------------------------|
|                          | <b>Operating Surpluses/(Deficits)</b>                                    |                          |
| 4,806                    | Income and Expenditure Account - Surplus/(Deficit) for the Year (Page 7) | (325)                    |
| <b>4,806</b>             |  | <b>(325)</b>             |
|                          | <b>Non Cash Transactions</b>   |                          |
| 17,510                   | Non Cash Movements Relating to Loans Fund                                | 22,889                   |
| (4,831)                  | Net Additional Amount Required to be Credited (Debited) to GF for Year   | (694)                    |
| (278)                    | Contribution to/(from) Repairs and Renewals Fund                         | -                        |
| <b>12,401</b>            |  | <b>22,195</b>            |
|                          | <b>Items on an Accruals Basis</b>  |                          |
| (3,023)                  | Increase in Provisions   | 333                      |
| (2,160)                  | Increase in Creditors  | 1,973                    |
| 6,160                    | Decrease in Debtors  | 1,645                    |
| (119)                    | Increase in Stocks and Work in Progress                                  | (93)                     |
| <b>858</b>               |  | <b>3,858</b>             |
| <b>18,065</b>            | <b>Net Cash Flow from Revenue Activities</b>                             | <b>25,728</b>            |

**NOTE 14 OTHER GOVERNMENT GRANTS**

| 2006/07<br>£'000 |   | 2007/08<br>£'000 |
|------------------|---|------------------|
| 1,042            | Housing Support Grant                     | -                |
| 2,786            | National Priorities Action Fund           | 2,083            |
| 916              | Specific Grant for Gaelic Education       | 871              |
| 3,307            | DWP Grants (excl. Rent Allowance Subsidy) | 2,055            |
| 346              | Community Service Order Grant             | 244              |
| 10,984           | Other Specific Revenue Grants             | 5,267            |
| <b>19,381</b>    |   | <b>10,520</b>    |

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

| 1 April 2007<br>£'000 | Analysis of Movement in Net Debt            | Cash Flows<br>£'000 | Non Cash<br>£'000 | 31 March 2008<br>£'000 |
|-----------------------|---|---------------------|-------------------|------------------------|
|                       | <b>Cash</b>                                 |                     |                   |                        |
| (425)                 | Bank Overdraft                              | (136)               |                   | (561)                  |
| 12                    | Cash in Hand                                | -                   |                   | 12                     |
| 4,474                 | Liquid Resources                            | 2,269               |                   | 6,743                  |
|                       | <b>Borrowing</b>                            |                     |                   |                        |
| (105)                 | Long -Term Borrowing Maturing Within 1 Year |                     | (1,823)           | (1,928)                |
| (147,985)             | Long-Term Borrowing                         | 3,079               |                   | (144,906)              |
| <b>(144,029)</b>      | <b>Total Net Debt</b>                       | <b>5,212</b>        | <b>(1,823)</b>    | <b>(140,640)</b>       |

| 2006/07<br>£'000 | Reconciliation of Net Cash Flow to Movement on Net Debt | 2007/08   |              |
|------------------|---|-----------|--------------|
|                  |   | £'000     | £'000        |
| (154)            | Increase/(Decrease) in cash in the period               |           | (136)        |
| 1                | Cash in Hand  | -         |              |
| (2,011)          | Short Term Deposits                                     | 2,269     |              |
| (2,010)          | <b>Movement in Liquid Resources</b>                     |           | 2,269        |
| (4,750)          | Cash Flows from Borrowing                               |           | 3,079        |
| 38,452           | Non Cash Transactions                                   |           | (1,823)      |
| <b>31,538</b>    | <b>Change in Net Debt</b>                               |           | <b>3,389</b> |
| (175,567)        | Net Debt at 31 March 2007                               | (144,029) |              |
| (144,029)        | Net Debt at 31 March 2008                               | (140,640) |              |
| <b>31,538</b>    | <b>Change in Net Debt</b>                               |           | <b>3,389</b> |

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

## NOTE 16 FINANCIAL INSTRUMENTS

### 16a TYPES OF FINANCIAL INSTRUMENT

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

| FINANCIAL INSTRUMENTS                                       | Long-term           |                     | Current             |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 31/03/2008<br>£'000 | 31/03/2007<br>£'000 | 31/03/2008<br>£'000 | 31/03/2007<br>£'000 |
| <b><u>Investments &amp; Lending</u></b>                     |                     |                     |                     |                     |
| Loans and receivables                                       | -                   | -                   | 6,743               | 4,474               |
| Available-for-sale financial assets                         | -                   | -                   | -                   | -                   |
|   | 0                   | 0                   | 6,743               | 4,474               |
| <b><u>Borrowing</u></b>                                     |                     |                     |                     |                     |
| Financial liabilities at amortised cost                     | 144,906             | 147,986             | 1,928               | 105                 |
| Financial liabilities at fair value through profit and loss | -                   | -                   | -                   | -                   |
|   | <b>144,906</b>      | <b>147,986</b>      | <b>1,928</b>        | <b>105</b>          |

Note: The comparative figures for 2006/07 are valued at cost.

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

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

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

| The fair values are calculated as follows: | 31/03/2008               |                     | 31/03/2007               |                     |
|--|--------------------------|---------------------|--------------------------|---------------------|
|  | Carrying Amount<br>£'000 | Fair Value<br>£'000 | Carrying Amount<br>£'000 | Fair Value<br>£'000 |
| <b><u>Lending</u></b>                      |                          |                     |                          |                     |
| Loans and receivables                      | 6,743                    | 6,743               | 4,474                    | 4,474               |
| <b><u>Borrowing</u></b>                    |                          |                     |                          |                     |
| Financial liabilities (PWLB Loans only)    | 142,997                  | 201,413             | 146,077                  | 191,609             |

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

The 2008 fair value of borrowing was calculated by reference to the premature repayment set of rates in force on that day, the 2007 figure by reference to the set of interest rates in force on 31 March 2007, as calculated by the PWLB. The fair value is greater than the carrying amount because the Comhairle's borrowing figure includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. The commitment to pay interest above current market rates increases the amount that the Comhairle would have to pay if the lender requested or agreed to early repayment of the loans.

## 16c GAINS & LOSSES ON FINANCIAL INSTRUMENTS

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

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

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

### Credit Risk

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

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

|   | Amount at<br>31/03/2008 | Estimated maximum<br>exposure to default and<br>uncollectibility |
|---|-------------------------|--|
|   | £'000                   | £'000  |
| Deposits with banks, building societies and local authorities | 6,743                   | -  |
| Customers (council tax, non-domestic rates and other income)  | 5,332                   | 2,047  |

The Comhairle does not generally allow credit for customers, such that £4.6 million of the £5.3 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

|                        | £'000        |
|------------------------|--------------|
| Less than three months | 363          |
| Three to six months    | 345          |
| Six months to one year | 681          |
| More than one year     | 3,224        |
| <b>TOTAL</b>           | <b>4,613</b> |

### Liquidity risk

The Comhairle's main source of borrowing is the Treasury's Public Works Loans Board. There is no significant risk that the Comhairle will be unable to raise finance to meet its commitments under financial instruments. The Comhairle endeavours to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact or of re-borrowing at a time of unfavourable interest rates. This is achieved through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity analysis of financial liabilities is as follows:

|                            | £'000          |
|----------------------------|----------------|
| Less than one year         | 1,928          |
| Between one and two years  | 105            |
| Between two and five years | 315            |
| More than five years       | 144,486        |
|                            | <b>146,834</b> |

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

### Market risk

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

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

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

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

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

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

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

To illustrate the impact of changes in interest rates upon the Comhairle, the following table shows the financial effect if rates had been 1% higher at 31 March 2008, with all other variables held constant.

|  | £'000      |
|--|------------|
| <b>Impact on tax-payer &amp; rent-payers</b>   |            |
| Increase on interest payable on variable rate borrowings   | 3          |
| Increase in interest receivable on variable rate lending   | 28         |
| Increase in government grant receivable for "loan charges"   | 217        |
| <b>Net effect on Income &amp; Expenditure Account</b>  | <b>248</b> |
| <b>Other accounting presentational changes</b>   |            |
| A decrease in the "fair value" of fixed rate lending (disclosed in the STRGL)  | 0          |
| A decrease in the "fair value" of fixed rate borrowing (disclosure confined to notes to the core financial statements) | 2,014      |

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

## NOTE 17 SIGNIFICANT TRADING OPERATIONS ACCOUNTS

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

| REFUSE COLLECTION   | 2005/06<br>Actual<br>£'000 | 2006/07<br>Actual<br>£'000 | 2007/08<br>Actual<br>£'000 | 2007/08<br>3 year<br>Cumulative<br>£'000 |
|---|----------------------------|----------------------------|----------------------------|--|
| Expenditure   | 1,264                      | 1,389                      | 1,591                      | 4,244                                    |
| Income  | (1,282)                    | (1,410)                    | (1,620)                    | (4,312)                                  |
| <b>Net Deficit/(Surplus) to be met from Grant &amp; Local Taxes</b> | <b>(18)</b>                | <b>(21)</b>                | <b>(29)</b>                | <b>(68)</b>                              |

The Refuse Collection STO activities include commercial, industrial, domestic and community waste collection. The principal client is the Comhairle's department for Sustainable Communities, however other Comhairle 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.

| BUILDING MAINTENANCE  | 2005/06<br>Actual<br>£'000 | 2006/07<br>Actual<br>£'000 | 2007/08<br>Actual<br>£'000 | 2007/08<br>3 year<br>Cumulative<br>£'000 |
|---|----------------------------|----------------------------|----------------------------|--|
| Expenditure   | 5,022                      | 4,821                      | 4,334                      | 14,177                                   |
| Income  | (5,087)                    | (4,771)                    | (4,233)                    | (14,091)                                 |
| <b>Net Deficit/(Surplus) to be met from Grant &amp; Local Taxes</b> | <b>(65)</b>                | <b>50</b>                  | <b>101</b>                 | <b>86</b>                                |

This STO (formally 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 .

| HIGHWAYS  | 2005/06<br>Actual<br>£'000 | 2006/07<br>Actual<br>£'000 | 2007/08<br>Actual<br>£'000 | 2007/08<br>3 year<br>Cumulative<br>£'000 |
|---|----------------------------|----------------------------|----------------------------|--|
| Expenditure   | 1,370                      | 1,328                      | 1,258                      | 3,956                                    |
| Income  | (1,393)                    | (1,362)                    | (1,223)                    | (3,978)                                  |
| <b>Net Deficit/(Surplus) to be met from Grant &amp; Local Taxes</b> | <b>(23)</b>                | <b>(34)</b>                | <b>35</b>                  | <b>(22)</b>                              |

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 Department. The present Area Roads Contract was awarded under the old DLO/ DSO legislation and runs to 31 March 2008. 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, whilst Winter Maintenance is run in partnership with Technical Services 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.

| BUS OPERATION   | 2005/06<br>Actual<br>£'000 | 2006/07<br>Actual<br>£'000 | 2007/08<br>Actual<br>£'000 | 2007/08<br>3 year<br>Cumulative<br>£'000 |
|---|----------------------------|----------------------------|----------------------------|--|
| Expenditure   | 1,036                      | 976                        | 1,015                      | 3,027                                    |
| Income  | (979)                      | (961)                      | (985)                      | (2,925)                                  |
| <b>Net Deficit/(Surplus) to be met from Grant &amp; Local Taxes</b> | <b>57</b>                  | <b>15</b>                  | <b>30</b>                  | <b>102</b>                               |

This STO operates a Public/School bus service for the Point and Back areas in Lewis and two single bus services in 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 18 PUBLICITY

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

| <b>PUBLICITY</b>         | <b>2006/07<br/>Actual<br/>£'000</b> | <b>2007/08<br/>Actual<br/>£'000</b> |
|--------------------------|-------------------------------------|-------------------------------------|
| Appointments Advertising | 89                                  | 53                                  |
| Other Advertising        | 67                                  | 57                                  |
|                          | <b>156</b>                          | <b>110</b>                          |

These amounts are included in the appropriate revenue accounts.

## NOTE 19 AGENCY SERVICES

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

|                                   | <b>2006/07<br/>£'000</b> | <b>2007/08<br/>£'000</b> |
|-----------------------------------|--------------------------|--------------------------|
| Lews Castle College               | 3,604                    | 3978                     |
| Islenet                           | 50                       | 50                       |
| Museum Storage Claim              | 6                        | -                        |
| Choose Life                       | 60                       | -                        |
| Island Forum                      | 20                       | -                        |
| Western Isles Housing Partnership | 365                      | -                        |
| Domestic Abuse Training Strategy  | 6                        | 20                       |
| Hebridean Housing Partnership     | 595                      | 1220                     |
| <b>TOTAL</b>                      | <b>4,706</b>             | <b>5,268</b>             |

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

|  | <b>Admin Fee<br/>£'000</b> | <b>Admin Fee<br/>£'000</b> |
|--|----------------------------|----------------------------|
| Northern Constabulary<br>Fixed Penalty Charges | 1                          | 1                          |
| Scottish Water<br>Water Charges                | 70                         | 68                         |
| <b>TOTAL</b>                                   | <b>71</b>                  | <b>69</b>                  |

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

The Comhairle is empowered by this act to provide goods and services to other public bodies. Detailed below is work that is considered as having been carried out under the Local Authority (Goods and Services) Act 1970. Income from these services amounted to £138,545 (2006/07, £213,412), and those exceeding £1,000 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<br>Expenditure           | 21,275<br>21,275 | Not considered significant as represents less than 2% of total activity. |
| Urachadh Uibhist                        | Provision by the Authority for the body of any administrative, professional or technical services. | Income<br>Expenditure           | 36,186<br>36,186 | Represents approx 3% of total activity.                                  |
| Cothrom                                 | Provision by the Authority for the body of any administrative, professional or technical services. | Income<br>Expenditure           | 43,719<br>43,719 | Represents approx 3% of total activity.                                  |
| Lews Castle College                     | Provision by the Authority for the body of any administrative, professional or technical services. | Income<br>Expenditure           | 2,231<br>2,231   | Not considered significant as represents less than 1% of total activity. |
| Highlands & Islands Fire Brigade        | Provision by the Authority for the body of any administrative, professional or technical services. | Income<br>Expenditure           | 1,843<br>1,843   | Not considered significant as represents less than 1% of total activity. |
| Balivanich Community Leisure Area Group | Provision by the Authority for the body of any administrative, professional or technical services. | Income<br>Expenditure           | 1,500<br>1,500   | Not considered significant as represents less than 1% of total activity. |
| Tighean Innse Gall                      | Provision by the Authority for the body of any administrative, professional or technical services. | Income<br>Expenditure           | 6,613<br>6,613   | Represents approx 3% of total activity.                                  |
| Mossend Residents Association           | Provision by the Authority for the body of any administrative, professional or technical services. | Income<br>Expenditure           | 1,277<br>1,277   | Not considered significant as represents less than 1% of total activity. |
| Cròileagan a Chinn a Deas               | Provision by the Authority for the body of any administrative, professional or technical services. | Income<br>Expenditure           | 2,315<br>2,315   | Not considered significant as represents less than 1% of total activity. |
| Sgoil an Iochdar agus a Choimhearsnachd | Provision by the Authority for the body of any administrative, professional or technical services. | Income<br>Expenditure           | 1,189<br>1,189   | Not considered significant as represents less than 1% of total activity. |
| Bernera Community Association           | Provision by the Authority for the body of any administrative, professional or technical services. | Income<br>Expenditure           | 3,843<br>3,843   | Not considered significant as represents less than 1% of total activity. |
| Taigh Sgeir                             | Provision by the Authority for the body of any administrative, professional or technical services. | Income<br>Expenditure           | 11,944<br>11,944 | Not considered significant as represents less than 1% of total activity. |
| Castlebay Community Council             | Provision by the Authority for the body of any administrative, professional or technical services. | Income<br>Expenditure           | 2,958<br>2,958   | Not considered significant as represents less than 1% of total activity. |

**NOTE 21 MEMBERS' SALARIES, ALLOWANCES AND EXPENSES**

| Name                              | Basic Salary<br>£ | Special Responsibility/<br>Senior Councillors'<br>Allowance<br>£ | Compensation<br>Payment<br>£ | Expenses &<br>Subsistence<br>Reimbursed<br>£ | 2007/08<br>Total<br>£ | 2006/07<br>Total<br>£ |
|-----------------------------------|-------------------|--|------------------------------|--|-----------------------|-----------------------|
| Mr Donald Manford                 | 14,504            | 2,127  | -                            | 17,378                                       | 34,009                | 27,527                |
| Mr Peter Carlin                   | 14,504            | -  | -                            | 9,297  | 23,801                | 15,723                |
| Mr David Blaney                   | 14,081            | -  | -                            | 3,801  | 17,882                | -                     |
| Mr Gerard Macleod                 | 14,081            | -  | -                            | 6,513  | 20,594                | -                     |
| Mr Archibald K Campbell           | 14,504            | 2,127  | -                            | 8,272  | 24,903                | 21,015                |
| Mr Martin C Taylor                | 14,504            | -  | -                            | 6,526  | 21,030                | 15,857                |
| Mr Uisdean Robertson              | 14,081            | -  | -                            | 6,652  | 20,733                | -                     |
| Mrs Morag Munro                   | 14,504            | 1,912  | -                            | 4,857  | 21,273                | 14,811                |
| Mr Philip Mclean                  | 14,081            | -  | -                            | 2,125  | 16,206                | -                     |
| Miss Catherine Macdonald          | 14,081            | -  | -                            | 4,177  | 18,258                | -                     |
| Mr Alex A Macdonald (Convener)    | 14,504            | 9,878  | -                            | 11,404                                       | 35,786                | 24,265                |
| Mr Norman A Macdonald             | 14,504            | 1,912  | -                            | 8,317  | 24,733                | 14,312                |
| Mrs Annie Macdonald               | 14,504            | 224  | -                            | 3,180  | 17,908                | 11,382                |
| Mr Donald I Nicholson             | 14,504            | 2,127  | -                            | 3,048  | 19,679                | 13,429                |
| Mr Norman M Macleod               | 14,504            | 439  | -                            | 146  | 15,089                | 12,944                |
| Mr Donald J Macsween              | 14,504            | -  | -                            | 5,329  | 19,833                | 7,021                 |
| Mr Angus Campbell (Vice Convener) | 14,504            | 4,035  | -                            | 12,465                                       | 31,004                | 20,047                |
| Mr Keith Dodson                   | 14,504            | -  | -                            | 630  | 15,134                | 6,370                 |
| Mr Angus McCormack                | 14,504            | 224  | -                            | 1,058  | 15,786                | 11,007                |
| Mr Charles Nicolson               | 14,081            | -  | -                            | 1,246  | 15,327                | -                     |
| Mr Neil Campbell                  | 14,504            | -  | -                            | 1,076  | 15,580                | 6,805                 |
| Mr Murdo Macleod                  | 14,504            | 439  | -                            | 2,027  | 16,970                | 14,742                |
| Mr Roddie Mackay                  | 14,081            | -  | -                            | 175  | 14,256                | -                     |
| Mr Iain Mackenzie                 | 14,081            | -  | -                            | 645  | 14,726                | -                     |
| Mr John Maciver                   | 14,081            | -  | -                            | 2,849  | 16,930                | -                     |
| Mr Kenneth Maciver                | 14,081            | -  | -                            | 1,590  | 15,671                | -                     |
| Mrs Catriona Stewart              | 14,081            | -  | -                            | 1,774  | 15,855                | -                     |
| Mr John Mackay                    | 14,504            | -  | -                            | 4,053  | 18,557                | 8,966                 |
| Mr Iain Morrison                  | 14,504            | 224  | -                            | 546  | 15,274                | 10,219                |
| Mr Kenneth Murray                 | 14,081            | -  | -                            | 3,881  | 17,962                | -                     |
| Ms Agnes Rennie                   | 14,081            | -  | -                            | 1,914  | 15,995                | -                     |
| Miss Samantha E L Hawkins         | -                 | -  | -                            | -  | 0                     | 1,500                 |
| Mrs Annie Macsween                | 422               | -  | -                            | 77   | 499                   | 6,087                 |
| Mr Roderick Morrison              | 422               | 224  | 10,000                       | 1,435  | 12,081                | 11,919                |
| Mr Angus Graham                   | 422               | -  | 20,000                       | 650  | 21,072                | 6,459                 |
| Mr Malcolm J Graham               | 422               | 439  | 10,000                       | 125  | 10,986                | 13,940                |
| Mr Ian M Macleod                  | 422               | 224  | 10,000                       | 259  | 10,905                | 11,030                |
| Mr George Lonie                   | 422               | 224  | 20,000                       | 115  | 20,761                | 9,597                 |
| Mr Angus Nicolson                 | 422               | 439  | 10,000                       | 12   | 10,873                | 14,123                |
| Mr Norman L Macdonald             | 422               | 439  | 15,000                       | 1,188  | 17,049                | 13,715                |
| Mr Alexander M Macintosh          | 422               | -  | 0                            | 300  | 722                   | 7,079                 |
| Mr Donald Macdonald               | 422               | 224  | 20,000                       | 2,884  | 23,530                | 22,530                |
| Mr Donald Maclean                 | 422               | 224  | 20,000                       | 1,613  | 22,259                | 16,745                |
| Mr Ronald J Mackinnon             | 422               | 224  | -                            | 138  | 784                   | 19,538                |
| Mr Angus Macdonald                | 422               | -  | -                            | 867  | 1,289                 | 14,837                |
| <b>Total</b>                      | <b>449,611</b>    | <b>28,329</b>  | <b>135,000</b>               | <b>146,614</b>                               | <b>759,554</b>        | <b>425,541</b>        |

**NOTE 22 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<br>Expenditure<br>2007/08<br>£'000 | Committed<br>Expenditure<br>2008/09<br>£'000 | Expiring<br>2008/09<br>£'000 | Expiring<br>2009/10 to<br>2012/13<br>£'000 | Expiring<br>2013/14 and<br>after<br>£'000 |
|------------------------|---|--|------------------------------|--|---|
| Library Building       | 158                                       | 79   | 79                           | -  | -   |
| Other Buildings        | 20  | 20   | -                            | -  | 20  |
| Vehicles and Equipment | 143                                       | 125  | 18                           | 104  | 2   |
| <b>TOTAL</b>           | <b>321</b>                                | <b>224</b>                                   | <b>97</b>                    | <b>104</b>                                 | <b>22</b>                                 |

There were no finance lease payments in 2007/08 and there are no commitments in 2008/09.

## NOTE 23 OFFICERS' REMUNERATION

| Range<br>£   | 2006/07<br>Number of Officers | 2007/08<br>Number of Officers |
|--------------|-------------------------------|-------------------------------|
| 50 - 60K     | 4                             | 9                             |
| 60 - 70K     | 7                             | 5                             |
| 70 - 80K     | -                             | -                             |
| 80 - 90K     | 1                             | 1                             |
| 90 - 100K    | -                             | -                             |
| <b>TOTAL</b> | <b>12</b>                     | <b>15</b>                     |

## NOTE 24 RELATED PARTY TRANSACTIONS

During the year material transactions with related parties, not disclosed elsewhere, were as shown below. Payments made to Highland Council in respect of Joint Boards are shown in Note 38 on Page 34. The Comhairle is also an admitted member of the Local Government Pension Scheme administered by Highland Council and has made payments as shown in Note 28.

| CENTRAL GOVERNMENT REVENUE GRANTS           | Income<br>£'000 | Expenditure<br>£'000 |
|---|-----------------|----------------------|
| Education                                   | 3,959           |                      |
| Social Work                                 | 817             |                      |
| Sustainable Communities                     | 1,001           |                      |
| COU   | 79              |                      |
| Transportation                              | 693             |                      |
| Other                                       | 96,324          |                      |
| Housing Support Grant                       | 3,251           |                      |
|   | <b>106,124</b>  |                      |
| European Development Fund Revenue Grants    | 136             |                      |
| European Development Fund Capital Grants    | 660             |                      |
| Acair Ltd - Nature of Business - Publishing | 6               | 36                   |
|   | <b>106,926</b>  | <b>36</b>            |

During 2007/08, works and services to the value of £2,226,768 were commissioned from companies in which five members had an interest. Contracts were entered into in full compliance with the Comhairle's standing orders. Details can be found in the Register of Member Interests. There were no material transactions declared by officers in the Register of Employees Interests.

## NOTE 25 AUDITOR'S REMUNERATION

In 2007/08 Comhairle nan Eilean Siar incurred the following fees relating to external audit and inspection:

|   | 2006/07<br>£'000 | 2007/08<br>£'000 |
|---|------------------|------------------|
| Fees payable to the Accounts Commission with regard to external audit services carried out by the appointed auditor | 217              | 223              |
| Rebate  | (21)             | -                |
|   | <b>196</b>       | <b>223</b>       |

## NOTE 26 TRUST FUNDS

The Comhairle acts as sole trustee for twelve educational, social welfare and miscellaneous trusts. They relate principally to legacies left by individuals with Western Isles connections over a period of years. The balance held at 31 March 2008 was £118,620 (2006/07 £118,931). 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<br>31 March 2007<br>£'000 | Value at<br>31 March 2008<br>£'000 |
|--|------------------------------------|------------------------------------|
| Donald Alexander Ferguson Bequest (Social Work - Ardseileach residents)) | 57                                 | 57                                 |
| W C Mackenzie Trust (for non-council projects in Stornoway)              | 24                                 | 24                                 |
| Dr J L Robertson Bequest (hardship fund for residents of Stornoway)      | 21                                 | 21                                 |
|  | <b>101</b>                         | <b>102</b>                         |

## NOTE 27 PARTICIPATION IN PENSIONS SCHEMES

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

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

## NOTE 28 TRANSACTIONS RELATING TO RETIREMENT BENEFITS

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

|   | 2006/07<br>£'000 | 2007/08<br>£'000 |
|---|------------------|------------------|
| <b>Income and Expenditure Account</b>   |                  |                  |
| <b>Net Cost of Services:</b>  |                  |                  |
| Current Service Cost  | 5,798            | 5,207            |
| Past Service Costs  | (1,547)          | 31               |
| Curtailments and Settlements  | 0                | 327              |
| <b>Net Operating Expenditure:</b>   |                  |                  |
| Interest Cost   | 6,372            | 7,131            |
| Expected return on assets in the scheme                                       | (7,067)          | (8,276)          |
| <b>Net Charge to the Income and Expenditure Account</b>                       | <b>3,556</b>     | <b>4,420</b>     |
| <b>Statement of Movement in the General Fund Balance</b>                      |                  |                  |
| Reversal of net charges made for retirement benefits in accordance with FRS17 | 1,002            | 464              |
| <b>Amount Charged to General Fund: Employers' Contributions</b>               | <b>4,558</b>     | <b>4,884</b>     |

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 £31,000k (2006/07, saving of £1,547,000) in respect of commutation and a cost of £327,000 in respect of awarding discretionary benefits on early retirements on efficiency grounds.

## NOTE 29 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:

|                                 | 2007<br>£'000   | 2008<br>£'000   |
|---------------------------------|-----------------|-----------------|
| Estimated Liabilities in Scheme | 129,769         | 127,826         |
| Estimated Assets in Scheme      | 115,323         | 112,665         |
| <b>Net Asset/(Liability)</b>    | <b>(14,446)</b> | <b>(15,161)</b> |

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £15m (2006/07 £15m) has a substantial impact on the net worth of the Comhairle 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 30 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 liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2005. The next formal valuation is due at 31 March 2008.

The main assumptions used in the calculations have been:

|                   | 2006/07<br>% p.a. | 2007/08<br>% p.a. |
|-------------------|-------------------|-------------------|
| Price Increase    | 3.2               | 3.7               |
| Salary Increases  | 4.7               | 5.2               |
| Pension Increases | 3.2               | 3.7               |
| Discount Rate     | 5.4               | 6.6               |

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 2008 |                |
|--------------------|---------------------|----------------|---------------------|----------------|
|                    | % Return p.a.       | Assets £'000   | % Return p.a.       | Assets £'000   |
| Equity Investments | 7.8                 | 81,994         | 7.7                 | 78,335         |
| Bonds              | 4.9                 | 17,753         | 6.6                 | 9,267          |
| Gilts (1)          |                     |                | 4.3                 | 10,093         |
| Property           | 5.8                 | 13,364         | 5.7                 | 12,964         |
| Cash               | 4.9                 | 2,212          | 5.0                 | 2,006          |
| <b>Total</b>       | <b>7.1</b>          | <b>115,323</b> | <b>7.0</b>          | <b>112,665</b> |

(1) Gilts included with Bonds at 2007

## NOTE 31 ACTUARIAL GAINS AND LOSSES

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008:

|   | 2003/04      |              | 2004/05         |                | 2005/06        |               | 2006/07      |             | 2007/08        |               |
|---|--------------|--------------|-----------------|----------------|----------------|---------------|--------------|-------------|----------------|---------------|
|   | £'000        | %            | £'000           | %              | £'000          | %             | £'000        | %           | £'000          | %             |
| Differences between the expected and actual return on assets                      | 8,943        | 12.7%        | 4447            | 5.4%           | 14,798         | 14.0%         | 1,667        | 1.4%        | (14,606)       | (13.0%)       |
| Differences between actuarial assumptions about liabilities and actual experience | (54)         | (0.1%)       | 103             | 0.1%           | (2,320)        | (1.8%)        | 708          | 0.5%        | 0              | 0.0%          |
| Changes in the demographic and financial assumptions used to estimate liabilities | -            | -            | (19,106)        | (18.6%)        | (15,630)       | (12.0%)       | 6,725        | 5.2%        | 13,428         | 10.5%         |
| <b>Total Actuarial Gains / (Losses)</b>   | <b>8,889</b> | <b>11.6%</b> | <b>(14,556)</b> | <b>(14.1%)</b> | <b>(3,152)</b> | <b>(2.4%)</b> | <b>9,100</b> | <b>7.0%</b> | <b>(1,178)</b> | <b>(0.9%)</b> |

## NOTE 32 TEACHERS PENSION SCHEME

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

In 2007/08, the Comhairle paid £2.149m (£1.953m in 2006/07) 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 2007/08 these amounted to £208,693 (£190,693 in 2006/07).

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

## NOTE 33 STATEMENT OF MOVEMENT ON RESERVES

| RESERVES                                    | REVENUE      |                 | CAPITAL                         |  |                            |              |                          | TOTAL         |
|---|--------------|-----------------|---------------------------------|--|----------------------------|--------------|--------------------------|---------------|
|   | General Fund | Pension Reserve | Fixed Asset Revaluation Reserve | Financial Instruments Adjustment Account | Capital Adjustment Account | Capital Fund | Capital Receipts Reserve |               |
|   | £'000        | £'000           | £'000                           | £'000                                    | £'000                      | £'000        | £'000                    | £'000         |
| Balances at 1 April 2007                    | 10,255       | (14,446)        |                                 |  | 40,622                     | 2,294        | 327                      | 39,052        |
| Surplus / (Deficit) for Year                | (1,019)      |                 |                                 |  |                            |              |                          | (1,019)       |
| Appropriations To/From Revenue              |              | 464             |                                 |  |                            |              |                          | 464           |
| Actuarial Gains/Losses relating to pensions |              | (1,179)         |                                 |  |                            |              |                          | (1,179)       |
| Revaluation of Fixed assets                 |              |                 | 2,237                           |  | (1,560)                    |              |                          | 677           |
| Disposal of Fixed Assets                    |              |                 |                                 |  | (752)                      |              |                          | (752)         |
| Deferred Grants (Taken to Revenue)          |              |                 |                                 |  | 2,061                      |              |                          | 2,061         |
| Capital Financed from Revenue               |              |                 |                                 |  | 45                         |              |                          | 45            |
| Other Capital Receipts                      |              |                 |                                 |  |                            | 2            | 395                      | 397           |
| Capital Receipts Applied                    |              |                 |                                 |  | 256                        |              | (256)                    | 0             |
| Repayment of Principal                      |              |                 |                                 |  | 10,695                     |              |                          | 10,695        |
| Depreciation                                |              |                 |                                 |  | (8,658)                    |              |                          | (8,658)       |
| Deferred Charges                            |              |                 |                                 |  | (2,145)                    |              |                          | (2,145)       |
| Charge for Financial Instruments            |              |                 |                                 | 154                                      |                            |              |                          | 154           |
| Transition Adjustments                      |              |                 |                                 | (3,026)                                  |                            |              |                          | (3,026)       |
| <b>Balance at 31 March 2008</b>             | <b>9,236</b> | <b>(15,161)</b> | <b>2,237</b>                    | <b>(2,872)</b>                           | <b>40,564</b>              | <b>2,296</b> | <b>466</b>               | <b>36,766</b> |

### FIXED ASSET REVALUATION RESERVE

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

### FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

### CAPITAL ADJUSTMENT ACCOUNT

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

### CAPITAL RECEIPTS RESERVE

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

### CAPITAL FUND

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

## NOTE 34 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, the latest audited accounts available.

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 35 SIGNING OF ACCOUNTS

The Director of Finance, being the officer responsible for the Comhairle's financial affairs, signed the Statement of Accounts on 25 September 2008. Events after the date of the Balance Sheet (31 March 2008), up to the date of signing, have been considered in the preparation of the 2007/08 Statement of Accounts.

## NOTE 36 CONTINGENT LIABILITIES

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 issued prior to 31 March 2006. Guarantees issued after this date have been recognised on the balance sheet as required by the SORP.



## INDIVIDUAL SCHOOL BUDGETS

| 2006/07<br>Actual<br>£'000 | INDIVIDUAL SCHOOL BUDGETS    | 2007/08         |                 |
|----------------------------|------------------------------|-----------------|-----------------|
|                            |                              | Actual<br>£'000 | Budget<br>£'000 |
| 10,091                     | Devolved Budgets - Primary   | 10,357          | 10,218          |
| 12,606                     | Devolved Budgets - Secondary | 13,074          | 12,701          |
| <b>22,697</b>              | <b>TOTAL NET EXPENDITURE</b> | <b>23,431</b>   | <b>22,919</b>   |

## CENTRALLY HELD SCHOOL BUDGETS

| 2006/07<br>Actual<br>£'000 | CENTRALLY HELD SCHOOL BUDGETS | 2007/08         |                 |
|----------------------------|-------------------------------|-----------------|-----------------|
|                            |                               | Actual<br>£'000 | Budget<br>£'000 |
| 7,396                      | Schools Strategic Management  | 8,365           | 8,416           |
| 93                         | Non-Devolved School Grants    | 263             | 278             |
| 1,505                      | Pre-Primary Education         | 1,602           | 1,578           |
| 2,873                      | Special Education             | 3,162           | 2,974           |
| 2,911                      | School & Pupil Support        | 3,200           | 3,058           |
| 6                          | School Catering               | -               | (1)             |
| <b>14,784</b>              | <b>TOTAL NET EXPENDITURE</b>  | <b>16,592</b>   | <b>16,303</b>   |

## NON-SCHOOL FUNDING

| 2006/07<br>Actual<br>£'000 | NON-SCHOOL FUNDING           | 2007/08         |                 |
|----------------------------|------------------------------|-----------------|-----------------|
|                            |                              | Actual<br>£'000 | Budget<br>£'000 |
| 2                          | Support For Students         | 1               | 7               |
| 639                        | Community Learning           | 682             | 701             |
| <b>641</b>                 | <b>TOTAL NET EXPENDITURE</b> | <b>683</b>      | <b>708</b>      |

## EDUCATION HOLDING ACCOUNTS

| 2006/07<br>Actual<br>£'000 | EDUCATION HOLDING ACCOUNTS       | 2007/08         |                 |
|----------------------------|----------------------------------|-----------------|-----------------|
|                            |                                  | Actual<br>£'000 | Budget<br>£'000 |
| 27                         | Education Management and Support | 11              | 27              |
| <b>27</b>                  | <b>TOTAL NET EXPENDITURE</b>     | <b>11</b>       | <b>27</b>       |

## GENERAL FUND HOUSING

| 2006/07<br>Actual<br>£'000 | GENERAL FUND HOUSING                  | 2007/08         |                 |
|----------------------------|---------------------------------------|-----------------|-----------------|
|                            |                                       | Actual<br>£'000 | Budget<br>£'000 |
| 440                        | Housing Strategy                      | 307             | 304             |
| 1                          | Housing Advances                      | -               | -               |
| 752                        | Private Sector Housing Renewal        | 383             | 66              |
| 114                        | Homelessness                          | 162             | 167             |
| (54)                       | Housing Benefit Payments              | (4)             | 46              |
| 130                        | Housing Benefits Administration       | 89              | 187             |
| (20)                       | Other Council Property                | -               | -               |
| 124                        | Housing Management & Support Services | -               | -               |
| 60                         | Supporting People                     | 27              | 70              |
| <b>1,547</b>               | <b>TOTAL NET EXPENDITURE</b>          | <b>964</b>      | <b>840</b>      |

## CULTURAL & RELATED SERVICES

| 2006/07<br>Actual<br>£'000 | CULTURAL & RELATED SERVICES  | 2007/08         |                 |
|----------------------------|------------------------------|-----------------|-----------------|
|                            |                              | Actual<br>£'000 | Budget<br>£'000 |
| 1,350                      | Culture & Heritage           | 1,242           | 1,249           |
| 926                        | Library Service              | 1,021           | 1,060           |
| 1,982                      | Recreation And Sport         | 2,684           | 2,627           |
| 183                        | Tourism                      | 164             | 158             |
| 210                        | Service Management & Support | -               | -               |
| <b>4,651</b>               |                              | <b>5,111</b>    | <b>5,094</b>    |

## ENVIRONMENTAL SERVICES

| 2006/07<br>Actual<br>£'000 | ENVIRONMENTAL SERVICES                | 2007/08         |                 |
|----------------------------|---------------------------------------|-----------------|-----------------|
|                            |                                       | Actual<br>£'000 | Budget<br>£'000 |
| 156                        | Cemetery, Cremation & Mortuary        | 115             | 118             |
| 74                         | Coast Protection                      | 37              | 31              |
| 641                        | Environmental Health                  | 623             | 604             |
| 372                        | Trading Standards                     | 383             | 383             |
| 403                        | Other Cleaning                        | 406             | 425             |
| 873                        | Waste Collection                      | 833             | 841             |
| 1,419                      | Waste Disposal                        | 2,418           | 1,820           |
| 583                        | Service Management & Support Services | 170             | 187             |
| <b>4,521</b>               | <b>TOTAL NET EXPENDITURE</b>          | <b>4,985</b>    | <b>4,409</b>    |

## ROADS & TRANSPORT SERVICES

| 2006/07<br>Actual<br>£'000 | ROADS & TRANSPORT SERVICES    | 2007/08         |                 |
|----------------------------|-------------------------------|-----------------|-----------------|
|                            |                               | Actual<br>£'000 | Budget<br>£'000 |
| 7,504                      | Roads                         | 8,290           | 8,288           |
| 1                          | Network & Traffic Management  | 9               | 41              |
| 33                         | Parking Services              | 2               | (27)            |
| 2,283                      | Public Transport              | 2,307           | 2,169           |
| 26                         | Management & Support Services | -               | -               |
| <b>9,847</b>               | <b>TOTAL NET EXPENDITURE</b>  | <b>10,608</b>   | <b>10,471</b>   |

## PLANNING & DEVELOPMENT SERVICES

| 2006/07<br>Actual<br>£'000 | PLANNING & DEVELOPMENT SERVICES       | 2007/08         |                 |
|----------------------------|---------------------------------------|-----------------|-----------------|
|                            |                                       | Actual<br>£'000 | Budget<br>£'000 |
| (1)                        | Building Control                      | 117             | 161             |
| 155                        | Development Control                   | 123             | 169             |
| 268                        | Planning Policy                       | 310             | 309             |
| 74                         | Environmental Initiatives             | 45              | 44              |
| 3,559                      | Economic Development                  | 4,196           | 4,211           |
| 555                        | Service Management & Support Services | -               | -               |
| <b>4,610</b>               | <b>TOTAL NET EXPENDITURE</b>          | <b>4,791</b>    | <b>4,894</b>    |

## SOCIAL WORK

| 2006/07<br>Actual<br>£'000 | SOCIAL WORK                                  | 2007/08         |                 |
|----------------------------|--|-----------------|-----------------|
|                            |  | Actual<br>£'000 | Budget<br>£'000 |
| 361                        | Service Strategy                             | 318             | 331             |
| 44                         | Reporter to the Children's Panel             | 46              | 55              |
| 1,897                      | Children and Families                        | 2,722           | 2,357           |
| 10,703                     | Older People                                 | 12,220          | 11,747          |
| 798                        | People with Physical or Sensory Disabilities | 955             | 910             |
| 2,333                      | People with Learning Disabilities            | 2,542           | 2,427           |
| 407                        | People with Mental Health Needs              | 556             | 634             |
| 56                         | People with Addictions/Substance Misuse      | 92              | 96              |
| 5                          | Criminal Justice Social Work Services        | 8               | 23              |
| <b>16,604</b>              | <b>TOTAL NET EXPENDITURE</b>                 | <b>19,459</b>   | <b>18,580</b>   |

**CORPORATE & DEMOCRATIC CORE**

| 2006/07<br>Actual<br>£'000 | CORPORATE & DEMOCRATIC CORE              | 2007/08         |                 |
|----------------------------|--|-----------------|-----------------|
|                            |  | Actual<br>£'000 | Budget<br>£'000 |
| 1,380                      | Democratic Representation and Management | 1,647           | 1,651           |
| 1,988                      | Corporate Management                     | 1,904           | 1,933           |
| <b>3,368</b>               | <b>TOTAL NET EXPENDITURE</b>             | <b>3,551</b>    | <b>3,584</b>    |

**NON DISTRIBUTED COSTS**

| 2006/07<br>Actual<br>£'000 | NON DISTRIBUTED COSTS        | 2007/08         |                 |
|----------------------------|------------------------------|-----------------|-----------------|
|                            |                              | Actual<br>£'000 | Budget<br>£'000 |
| (1,356)                    | Pensions                     | 560             | 473             |
| <b>(1,356)</b>             | <b>TOTAL NET EXPENDITURE</b> | <b>560</b>      | <b>473</b>      |

**CENTRAL SERVICES TO THE PUBLIC**

| 2006/07<br>Actual<br>£'000 | CENTRAL SERVICES TO THE PUBLIC               | 2007/08         |                 |
|----------------------------|--|-----------------|-----------------|
|                            |  | Actual<br>£'000 | Budget<br>£'000 |
| 601                        | Local Tax Collection                         | 594             | 574             |
| 49                         | Registration Of Births, Deaths and Marriages | 50              | 44              |
| 2                          | Elections                                    | 73              | 101             |
| 93                         | Emergency Planning                           | 81              | 85              |
| 137                        | General Grants, Bequests And Donations       | 124             | 122             |
| 26                         | District Courts                              | 9               | 25              |
| 40                         | Licensing                                    | 34              | 38              |
| 22                         | Other Services                               | 21              | 22              |
| <b>970</b>                 | <b>TOTAL NET EXPENDITURE</b>                 | <b>986</b>      | <b>1,011</b>    |

**TRADING SERVICES**

| 2006/07<br>Actual<br>£'000 | TRADING SERVICES                       | 2007/08         |                 |
|----------------------------|--|-----------------|-----------------|
|                            |  | Actual<br>£'000 | Budget<br>£'000 |
| 208                        | Fishery Harbours And Markets           | 246             | 86              |
| (36)                       | Other Harbours                         | 68              | 72              |
| 20                         | Slaughterhouses                        | 36              | 24              |
| 16                         | Local Authority Transport Undertakings | 48              | (3)             |
| <b>208</b>                 | <b>TOTAL NET EXPENDITURE</b>           | <b>398</b>      | <b>179</b>      |

## JOINT BOARD REQUISITIONS

| 2006/07<br>Actual<br>£'000 | JOINT BOARD REQUISITIONS     | 2007/08         |                 |
|----------------------------|------------------------------|-----------------|-----------------|
|                            |                              | Actual<br>£'000 | Budget<br>£'000 |
|                            | <b>Requisitions</b>          |                 |                 |
| 2,446                      | Police Joint Board           | 2,381           | 2,506           |
| 2,257                      | Fire Joint Board             | 2,272           | 2,648           |
| 260                        | Valuation Joint Board        | 274             | 281             |
| <b>4,963</b>               | <b>TOTAL NET EXPENDITURE</b> | <b>4,927</b>    | <b>5,435</b>    |

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

## TRADING OPERATIONS (SURPLUSES)/DEFICITS

| 2006/07<br>Actual<br>£'000 | TRADING OPERATIONS (SURPLUSES)/DEFICITS | 2007/08         |                 |
|----------------------------|---|-----------------|-----------------|
|                            |   | Actual<br>£'000 | Budget<br>£'000 |
|                            | <b>TRADING OPERATIONS</b>               |                 |                 |
| (12)                       | Grounds Maintenance                     | (16)            | (3)             |
| 50                         | Building Maintenance                    | 101             | 2               |
| 9                          | Vehicle & Plant Maintenance             | 35              | 8               |
| 20                         | Other Catering                          | (15)            | (4)             |
| (8)                        | Building Cleaning                       | (7)             | (4)             |
| 98                         | Charge for Prudential Borrowing         | -               | -               |
|                            | <b>CENTRAL SUPPORT SERVICES</b>         |                 |                 |
| 212                        | Corporate Services                      | 36              | 251             |
| 0                          | Technical Services                      | 30              | (43)            |
| 127                        | Finance                                 | 54              | 61              |
| (20)                       | Education                               | 5               | (3)             |
| <b>476</b>                 | <b>TOTAL NET EXPENDITURE</b>            | <b>223</b>      | <b>265</b>      |

## INCOME ACCOUNTS

### COUNCIL TAX INCOME ACCOUNT

| 2006/07<br>£000 | COUNCIL TAX                                   | 2007/08<br>£'000 |
|-----------------|---|------------------|
| (11,363)        | Council Tax Levy and Contributions in Lieu    | (11,517)         |
|                 | <b>Less:</b>                                  |                  |
| (13)            | Council Tax Benefit (net of Government Grant) | (14)             |
| 1,762           | Reliefs and Remissions etc.                   | 1,601            |
| 151             | Provision for Bad and Doubtful Debts          | 148              |
|                 | <b>Add:</b>                                   |                  |
| (4)             | Community Charge                              | (4)              |
| <b>(9,467)</b>  | <b>TRANSFERRED TO GENERAL FUND</b>            | <b>(9,786)</b>   |

### NON DOMESTIC RATE INCOME ACCOUNT

| 2006/07<br>£000 | NON DOMESTIC RATES                          | 2007/08<br>£'000 |
|-----------------|---|------------------|
| (7,211)         | Rate Levy and Contributions in Lieu         | (7,222)          |
|                 | <b>Less:</b>                                |                  |
| 1,786           | Reliefs and Remissions etc.                 | 1,702            |
| 120             | Provision for Bad and Doubtful Debts        | 59               |
| <b>(5,305)</b>  | <b>Net Non-Domestic Rate Income</b>         | <b>(5,461)</b>   |
|                 | <b>Government Grants</b>                    |                  |
| (4,436)         | Contribution from National NDR Pool         | (4,165)          |
| <b>(9,741)</b>  | <b>NET NDRI TRANSFERRED TO GENERAL FUND</b> | <b>(9,626)</b>   |

## NATURE OF THE COUNCIL TAX CHARGE

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

## COUNCIL TAX BASE

| 2006/07      | CALCULATION OF THE COUNCIL TAX BASE 2007/08 |          |       |       |       |       |       |      |      |      | 2007/08      |
|--------------|---|----------|-------|-------|-------|-------|-------|------|------|------|--------------|
| TOTAL        | Bands                                       | A        | A     | B     | C     | D     | E     | F    | G    | H    | TOTAL        |
|              |   | DISABLED |       |       |       |       |       |      |      |      |              |
| 13,896       | Properties                                  |          | 4,836 | 3,739 | 2,708 | 1,560 | 941   | 140  | 31   | 4    | 13,959       |
| 822          | Exemptions                                  |          | 412   | 217   | 91    | 32    | 22    | 2    | 1    |      | 777          |
| 95           | Disabled relief                             |          | 14    | 21    | 28    | 13    | 18    |      |      |      | 94           |
| 95           | Effective disabled                          | 14       | 21    | 28    | 13    | 18    |       |      |      |      | 94           |
| 4,957        | Discounts (25%)                             | 5        | 2,294 | 1,368 | 785   | 338   | 158   | 16   | 2    |      | 4,966        |
| 1,193        | Discounts (50%)                             |          | 488   | 379   | 181   | 68    | 36    | 3    | 6    | 3    | 1,164        |
| 11,238       | Total equivalent                            | 13       | 3,614 | 2,998 | 2,315 | 1,415 | 844   | 133  | 27   | 3    | 11,362       |
|              | Ratio                                       | 5/9      | 6/9   | 7/9   | 8/9   | 9/9   | 11/9  | 13/9 | 15/9 | 18/9 |              |
| 9,366        | Band D equivalents                          | 7        | 2,409 | 2,331 | 2,058 | 1,415 | 1,031 | 191  | 44   | 5    | 9,491        |
| 7            | Contributions in lieu (MOD)                 |          |       |       |       |       |       |      |      |      | 7            |
| <b>9,373</b> | <b>TOTAL</b>                                |          |       |       |       |       |       |      |      |      | <b>9,498</b> |
| (216)        | Bad debt provision                          |          |       |       |       |       |       |      |      |      | (218)        |
| <b>9,157</b> | <b>COUNCIL TAX BASE</b>                     |          |       |       |       |       |       |      |      |      | <b>9,280</b> |
| <b>9,024</b> | <b>BUDGETARY TAX BASE</b>                   |          |       |       |       |       |       |      |      |      | <b>9,142</b> |

### Number of Effective Properties Per Band and Council Tax Levels 2007/08

| BAND                | Properties    | £        |
|---------------------|---------------|----------|
| <i>A (Disabled)</i> | 13            | 568.89   |
| <b>A</b>            | 3,614         | 682.67   |
| <b>B</b>            | 2,998         | 796.44   |
| <b>C</b>            | 2,315         | 910.22   |
| <b>D</b>            | 1,415         | 1,024.00 |
| <b>E</b>            | 844           | 1,251.66 |
| <b>F</b>            | 133           | 1,479.11 |
| <b>G</b>            | 27            | 1,706.67 |
| <b>H</b>            | 3             | 2,048.00 |
| <b>TOTAL</b>        | <b>11,362</b> |          |

## NATURE AND AMOUNT OF NON DOMESTIC RATES CHARGES

Non-Domestic Rates are a tax levied by local authorities on the occupiers of commercial property. The amount paid is determined by the rateable value placed on the property by the Assessor, multiplied by the Rate Poundage (rate per £ of rateable value) set each year by the Government. The rate for 2007/08 was 44.1p.

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 0.3p 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 01/04/2007

| ANALYSIS OF RATEABLE VALUES 01/04/2007            | Number of Properties | Rateable Value £'000 |
|---|----------------------|----------------------|
| Shops   | 303                  | 1,909                |
| Public Houses                                     | 11                   | 189                  |
| Offices (including Banks)                         | 192                  | 1,787                |
| Hotels, Boarding Houses, etc                      | 49                   | 761                  |
| Industrial and Freight Transport Subjects         | 398                  | 2,153                |
| Leisure, Entertainment Caravans and Holiday Sites | 296                  | 1,065                |
| Garages and petrol stations                       | 97                   | 361                  |
| Cultural  | 20                   | 144                  |
| Sporting Subjects                                 | 43                   | 59                   |
| Education and Training                            | 61                   | 1,799                |
| Public Service Subjects                           | 244                  | 1,835                |
| Communications (Non Formula)                      | 14                   | 315                  |
| Quarries, Mines etc                               | 14                   | 99                   |
| Petrochemical                                     | 5                    | 81                   |
| Religious   | 193                  | 393                  |
| Health Medical                                    | 35                   | 1,098                |
| Other   | 85                   | 678                  |
| Care Facilities                                   | 26                   | 443                  |
| Undertaking                                       | 11                   | 1,103                |
| <b>TOTAL</b>                                      | <b>2,097</b>         | <b>16,272</b>        |



## GROUP INCOME AND EXPENDITURE ACCOUNT

| 2006/07<br>Restated<br>Actual (Net)<br>£'000 | Service   | 2007/08                        |                           |                        |
|--|---|--------------------------------|---------------------------|------------------------|
|  |   | Actual<br>Expenditure<br>£'000 | Actual<br>Income<br>£'000 | Actual<br>Net<br>£'000 |
| 38,147                                       | Education Services  | 46,354                         | (5,637)                   | 40,717                 |
| 1,546  | General Fund Housing  | 9,233                          | (8,269)                   | 964                    |
| 4,650  | Cultural & Related Services   | 6,742                          | (1,631)                   | 5,111                  |
| 3,978  | Environmental Services  | 7,761                          | (2,776)                   | 4,985                  |
| 9,847  | Roads & Transport Services  | 12,614                         | (2,006)                   | 10,608                 |
| 5,153  | Planning & Development Services   | 7,918                          | (3,127)                   | 4,791                  |
| 16,605                                       | Social Work   | 24,108                         | (4,649)                   | 19,459                 |
| 3,368  | Corporate & Democratic Core   | 3,554                          | (3)                       | 3,551                  |
| (1,356)                                      | Non Distributed Costs   | 560                            | 0                         | 560                    |
| 968  | Central Services to the Public  | 1,321                          | (335)                     | 986                    |
| 208  | Trading Services  | 1,691                          | (1,293)                   | 398                    |
| <b>83,114</b>                                | <b>Net Cost of General Fund Services</b>                                    | <b>121,856</b>                 | <b>(29,726)</b>           | <b>92,130</b>          |
| 5,234  | Share of Operating results of Associates                                    | 15,091                         | (10,202)                  | 4,889                  |
| (1,379)                                      | Housing Revenue Account   | -                              | -                         | -                      |
| <b>86,969</b>                                | <b>NET COST OF SERVICES</b>   | <b>136,947</b>                 | <b>(39,928)</b>           | <b>97,019</b>          |
| 140  | Loss on Disposal of Fixed Assets  |                                |                           | 362                    |
| 260  | Precepts and Levies   |                                |                           | 274                    |
| 477  | Trading Operations Deficits   |                                |                           | 223                    |
| 11,466                                       | Interest Payable and Similar Charges  |                                |                           | 10,313                 |
| 342  | Share of Interest Payable and Similar Charges of Associates                 |                                |                           | 324                    |
| (681)  | Interest and Investment Income  |                                |                           | (807)                  |
| (70)   | Share of Interest and Investment Income of Associates                       |                                |                           | (135)                  |
| (695)  | Pensions Interest Costs and Expected Return on Assets                       |                                |                           | (1,145)                |
| 3,277  | Share of Pension Interest Costs and Expected Return on Assets of Associates |                                |                           | 3,663                  |
| -  | BCCI Receipt  |                                |                           | (679)                  |
| <b>101,485</b>                               | <b>NET OPERATING EXPENDITURE</b>  |                                |                           | <b>109,412</b>         |
| (83,003)                                     | General Government Grants   |                                |                           | (85,587)               |
| (9,741)                                      | Non-Domestic Rates Redistribution   |                                |                           | (9,626)                |
| (9,467)                                      | Income from Council Tax   |                                |                           | (9,786)                |
| <b>(102,211)</b>                             | <b>TOTAL INCOME</b>   |                                |                           | <b>(104,999)</b>       |
| <b>(726)</b>                                 | <b>(SURPLUS)/DEFICIT FOR THE YEAR</b>                                       |                                |                           | <b>4,413</b>           |

## GROUP ACCOUNTS

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

| 2006/07<br>£'000 |   | 2007/08<br>£'000 |
|------------------|---|------------------|
| (4,806)          | (Surplus)/Deficit on Single Entity I & E Account for Year                     | 325              |
| (4,704)          | <b>Less:</b> Adjustment for transactions with other Group entities            | (4,653)          |
| <b>(9,510)</b>   | <b>(Surplus)/Deficit in Group I &amp; E Account Attributable to Comhairle</b> | <b>(4,328)</b>   |
| 8,784            | Add: (Surplus)/Deficit in Group I & E Account attributable to Associates      | 8,741            |
| <b>(726)</b>     | <b>(Surplus)/Deficit for the Year on the Group I &amp; E Account</b>          | <b>4,413</b>     |

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

| 2006/07<br>£'000 | STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES                              | 2007/08<br>£'000 |
|------------------|---|------------------|
| (726)            | Surplus for the Year on the I & E Account                                   | 4,413            |
| (479)            | (Surplus)/Deficit on Revaluation of Fixed Assets                            | (2,100)          |
| (24,890)         | (Surplus)/Deficit on Transfer of Housing Stock                              | -                |
| (12,633)         | Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities             | (6,549)          |
| -                | Adjustment arising from transitional arrangements for Financial Instruments | 3,026            |
| <b>(38,728)</b>  | <b>Total Recognised Gains for the Year</b>                                  | <b>(1,211)</b>   |

## GROUP BALANCE SHEET

| Restated<br>31 March<br>2007<br>£'000 | Balance Sheet as at 31 March 2008            | Gross               | Depreciation    | 31 March 2008<br>Net Book Value |                 |
|---------------------------------------|--|---------------------|-----------------|---------------------------------|-----------------|
|                                       |  | Book Value<br>£'000 | £'000           | £'000                           | £'000           |
|                                       | <b>Fixed Assets</b>                          |                     |                 |                                 |                 |
| 700                                   | <i>Intangible Fixed Assets</i>               | 700                 | (157)           | 543                             |                 |
|                                       | <i>Tangible Fixed Assets</i>                 |                     |                 |                                 |                 |
|                                       | <b>Operational Assets:</b>                   |                     |                 |                                 |                 |
| 123,800                               | Other Land & Buildings                       | 131,991             | (6,644)         | 125,347                         |                 |
| 787                                   | Leashold Improvements                        | 1,277               | (556)           | 721                             |                 |
| 5,470                                 | Vehicles, Plant & Equipment                  | 12,760              | (4,692)         | 8,068                           |                 |
| 89,691                                | Infrastructure Assets                        | 130,820             | (36,436)        | 94,384                          |                 |
| 412                                   | Community Assets                             | 699                 | (251)           | 448                             |                 |
|                                       | <b>Non-operational Assets:</b>               |                     |                 |                                 |                 |
| 3,955                                 | Investment Properties                        | 4,909               | (359)           | 4,550                           |                 |
| -                                     | Surplus Assets                               | 288                 | (4)             | 284                             |                 |
| 10,296                                | Assets Under Construction                    | 11,539              | -               | 11,539                          |                 |
| <b>235,111</b>                        | <b>Total Fixed Assets</b>                    | <b>294,983</b>      | <b>(49,099)</b> |                                 | <b>245,884</b>  |
|                                       | <b>Other Long Term Assets</b>                |                     |                 |                                 |                 |
| 338                                   | Long-term Investments                        |                     |                 | 400                             |                 |
| (62,266)                              | Investment in Associates                     |                     |                 | (58,767)                        |                 |
| 1,358                                 | Long-term Debtors                            |                     |                 | 1,122                           |                 |
| (482)                                 | Less Provisions                              |                     |                 | (445)                           |                 |
| 3,026                                 | Premia on Debt Redemption                    |                     |                 | -                               | (57,690)        |
| <b>177,085</b>                        | <b>Total Long-term Assets</b>                |                     |                 |                                 | <b>188,194</b>  |
|                                       | <b>Current Assets</b>                        |                     |                 |                                 |                 |
| 852                                   | Stocks & Work in Progress                    |                     |                 | 945                             |                 |
| 14,765                                | Debtors                                      |                     |                 | 14,035                          |                 |
| (2,187)                               | Less Provisions                              |                     |                 | (2,357)                         |                 |
| 4,474                                 | Investments                                  |                     |                 | 6,743                           |                 |
| 12                                    | Cash in Hand                                 |                     |                 | 12                              | 19,378          |
| <b>195,001</b>                        | <b>Total Assets</b>                          |                     |                 |                                 | <b>207,572</b>  |
|                                       | <b>Current Liabilities</b>                   |                     |                 |                                 |                 |
| (105)                                 | Borrowing Repayable Within 1 Year            |                     |                 | (1,928)                         |                 |
| (11,719)                              | Creditors                                    |                     |                 | (13,342)                        |                 |
| (448)                                 | Provisions                                   |                     |                 | (649)                           |                 |
| (425)                                 | Bank Overdraft                               |                     |                 | (561)                           | (16,480)        |
| <b>182,304</b>                        | <b>Total Assets less Current Liabilities</b> |                     |                 |                                 | <b>191,092</b>  |
|                                       | <b>Long-term Liabilities</b>                 |                     |                 |                                 |                 |
| (147,986)                             | Long-term Borrowing                          |                     |                 | (144,906)                       |                 |
| (43,085)                              | Government Grants Deferred                   |                     |                 | (48,874)                        |                 |
|                                       | Grants Unapplied                             |                     |                 | (4,152)                         |                 |
| (14,446)                              | Pension Liability                            |                     |                 | (15,161)                        | (213,093)       |
| <b>(23,213)</b>                       | <b>Net Assets/(Liabilities)</b>              |                     |                 |                                 | <b>(22,001)</b> |
|                                       | <b>Financed by:</b>                          |                     |                 |                                 |                 |
| -                                     | Revaluation Reserve                          |                     |                 | 2,248                           |                 |
| 46,564                                | Capital Adjustment Account                   |                     |                 | 46,440                          |                 |
| 2,294                                 | Capital Fund                                 |                     |                 | 2,296                           |                 |
| 1,001                                 | Capital Receipts Reserve                     |                     |                 | 1,195                           |                 |
|                                       | Financial Instruments Adjustment Account     |                     |                 | (2,872)                         |                 |
| (83,863)                              | <b>Pension Reserve</b>                       |                     |                 | (81,347)                        |                 |
| 10,791                                | <b>Revenue Reserves - General Fund</b>       |                     |                 | 10,039                          |                 |
| <b>(23,213)</b>                       | <b>Total Net Worth</b>                       |                     |                 |                                 | <b>(22,001)</b> |

The unaudited accounts were issued on 25 June 2008 and the audited accounts were authorised for issue on 25 September 2008.



Robert Emmott BSc CPFA  
Director of Finance and Corporate Resources  
25 September 2008

**GROUP CASH FLOW STATEMENT**

| 2006/07<br>In/(Out)<br>£'000 | CASH FLOW STATEMENT   | 2007/08<br>£'000 | 2007/08<br>£'000 | 2007/08<br>In/(Out)<br>£'000 |
|------------------------------|---|------------------|------------------|------------------------------|
|                              | <b>Revenue Activities</b>   |                  |                  |                              |
|                              | <b>Cash Outflows</b>  |                  |                  |                              |
| (64,331)                     | Cash Paid to and on behalf of Employees                           | (63,393)         |                  |                              |
| (45,395)                     | Other Operating Cash Payments                                     | (32,950)         |                  |                              |
| (5,237)                      | Other Precepts  | (5,015)          |                  |                              |
| (2,223)                      | Housing Benefit Paid Out  | (3,483)          |                  |                              |
| (117,186)                    |   |                  | <b>(104,841)</b> |                              |
|                              | <b>Cash Inflows</b>   |                  |                  |                              |
| 778                          | Rents (after Rebates)   | -                |                  |                              |
| 7,795                        | Council Tax Receipts  | 8,315            |                  |                              |
| 4,109                        | National Non-Domestic Rates Receipts from National Pool           | 4,389            |                  |                              |
| 4,359                        | Non-Domestic Rates Receipts                                       | 5,359            |                  |                              |
| 83,003                       | Revenue Support Grant   | 85,587           |                  |                              |
| 1,755                        | DWP Grants  | 3,708            |                  |                              |
| 19,381                       | Other Government Grants   | 10,520           |                  |                              |
| 8,719                        | Cash Received for Goods and Services                              | 8,792            |                  |                              |
| 5,352                        | Other Operating Cash Receipts                                     | 3,899            |                  |                              |
| 135,251                      |   |                  | <b>130,569</b>   |                              |
| <b>18,065</b>                | <b>Net Cash Inflow from Revenue Activities</b>                    |                  |                  | <b>25,728</b>                |
|                              | <b>Returns on Investments &amp; Servicing of Finance</b>          |                  |                  |                              |
|                              | <b>Cash Outflows</b>  |                  |                  |                              |
| (10,438)                     | Interest Paid   | (10,331)         |                  |                              |
| -                            | Premia  | -                |                  |                              |
| (10,438)                     |   |                  | <b>(10,331)</b>  |                              |
|                              | <b>Cash Inflows</b>   |                  |                  |                              |
| 237                          | Interest Received   | 161              |                  |                              |
|                              |   |                  | <b>161</b>       |                              |
| <b>(10,201)</b>              | <b>Net Cash Outflow from Investments and Servicing of Finance</b> |                  |                  | <b>(10,171)</b>              |
|                              | <b>Capital Activities</b>   |                  |                  |                              |
|                              | <b>Cash Outflows</b>  |                  |                  |                              |
| (20,543)                     | Purchase of Fixed Assets  | (19,917)         |                  |                              |
| (844)                        | Expenditure on Deferred Charges                                   | (2,145)          |                  |                              |
| (1,048)                      | Other Capital Cash Payments                                       | (229)            |                  |                              |
| (22,435)                     |   |                  | <b>(22,291)</b>  |                              |
|                              | <b>Cash Inflows</b>   |                  |                  |                              |
| 441                          | Sales of Fixed Assets   | 396              |                  |                              |
| 6,552                        | Capital Grants Received   | 11,086           |                  |                              |
| 664                          | Other Capital Cash Receipts                                       | 465              |                  |                              |
| 7,657                        |   |                  | <b>11,947</b>    |                              |
| <b>(14,778)</b>              | <b>Net Cash Outflow from Capital Activities</b>                   |                  |                  | <b>(10,344)</b>              |
| <b>(6,914)</b>               | <b>Net Cash Outflow before Financing</b>                          |                  |                  | <b>5,213</b>                 |
|                              | <b>Management of Liquid Resources</b>                             |                  |                  |                              |
| 2,010                        | Net Decrease in Short Term Deposits                               | (2,269)          |                  |                              |
|                              |   |                  | <b>(2,269)</b>   |                              |
| <b>2,010</b>                 | <b>Net Cash Inflow from the Management of Liquid Resources</b>    |                  |                  | <b>(2,269)</b>               |
|                              | <b>Financing</b>  |                  |                  |                              |
|                              | <b>Cash Outflows</b>  |                  |                  |                              |
| (22,251)                     | Repayments of Amounts Borrowed                                    | (35,580)         |                  |                              |
| (22,251)                     |   |                  | <b>(35,580)</b>  |                              |
|                              | <b>Cash Inflows</b>   |                  |                  |                              |
| 27,001                       | New Loans Raised  | 32,500           |                  |                              |
| 27,001                       |   |                  | <b>32,500</b>    |                              |
| <b>4,750</b>                 | <b>Net Cash Inflow from Financing</b>                             |                  |                  | <b>(3,080)</b>               |
| <b>(154)</b>                 | <b>Net Increase/(Decrease) in Cash</b>                            |                  |                  | <b>(136)</b>                 |
| <b>2006/07</b>               | <b>Movements in Cash per Balance Sheet</b>                        | <b>Opening</b>   | <b>Closing</b>   | <b>Movement</b>              |
| <b>(154)</b>                 |   | <b>(413)</b>     | <b>(549)</b>     | <b>(136)</b>                 |

## NOTES TO GROUP ACCOUNTS

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

| 2006/07<br>£'000 |  | 2007/08<br>£'000 |
|------------------|--|------------------|
|                  | <b>Operating Surpluses/(Deficits)</b>  |                  |
| 726              | Income and Expenditure Account - Surplus/(Deficit) for the Year                  | (4,413)          |
| <b>726</b>       |  | <b>(4,413)</b>   |
|                  | <b>Non Cash Transactions</b>   |                  |
| 17,510           | Non Cash Movements Relating to Loans Fund  | 22,889           |
| 4,080            | Non Cash Movements Relating to Associates  | 4,088            |
| (4,831)          | Net Additional Amount Required to be Credited (Debited) to General Fund for Year | (694)            |
| (278)            | Contribution to/(from) Repairs and Renewals Fund                                 | -                |
| <b>16,481</b>    |  | <b>26,283</b>    |
|                  | <b>Items on an Accruals Basis</b>  |                  |
| (3,023)          | Increase in Provisions   | 333              |
| (2,160)          | Increase in Creditors  | 1,973            |
| 6,160            | Decrease in Debtors  | 1,645            |
| (119)            | Increase in Stocks and Work in Progress  | (93)             |
| <b>858</b>       |  | <b>3,858</b>     |
| <b>18,065</b>    | <b>Net Cash Flow from Revenue Activities</b>                                     | <b>25,728</b>    |

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

| RESERVES                                    | REVENUE       |                 | CAPITAL                         |  |                            |              | TOTAL<br>£'000 |                          |
|---|---------------|-----------------|---------------------------------|--|----------------------------|--------------|----------------|--------------------------|
|   | General Fund  | Pension Reserve | Fixed Asset Revaluation Reserve | Financial Instruments Adjustment Account | Capital Adjustment Account | Capital Fund |                | Capital Receipts Reserve |
|   | £'000         | £'000           | £'000                           | £'000                                    | £'000                      | £'000        |                | £'000                    |
| Balances at 1 April 2007                    | 10,791        | (83,863)        |                                 |  | 46,564                     | 2,294        | 1,001          | (23,213)                 |
| Surplus / (Deficit) for Year                | (752)         |                 |                                 |  | 112                        |              | (9)            | (649)                    |
| Appropriations To/From Revenue              |               | (4,033)         |                                 |  |                            |              |                | (4,033)                  |
| Actuarial Gains/Losses relating to pensions |               | 6,549           |                                 |  |                            |              |                | 6,549                    |
| Revaluation of Fixed assets                 |               |                 | 2,248                           |  | (1,697)                    |              |                | 551                      |
| Disposal of Fixed Assets                    |               |                 |                                 |  | (902)                      |              | 173            | (729)                    |
| Deferred Grants (Taken to Revenue)          |               |                 |                                 |  | 2,061                      |              |                | 2,061                    |
| Capital Financed from Revenue               |               |                 |                                 |  | 45                         |              |                | 45                       |
| Other Capital Receipts                      |               |                 |                                 |  |                            | 2            | 395            | 397                      |
| Capital Receipts Applied                    |               |                 |                                 |  | 365                        |              | (365)          | 0                        |
| Repayment of Principal                      |               |                 |                                 |  | 10,695                     |              |                | 10,695                   |
| Depreciation                                |               |                 |                                 |  | (8,658)                    |              |                | (8,658)                  |
| Deferred Charges                            |               |                 |                                 |  | (2,145)                    |              |                | (2,145)                  |
| Charge for Financial Instruments            |               |                 |                                 | 154                                      |                            |              |                | 154                      |
| Transition Adjustments                      |               |                 |                                 | (3,026)                                  |                            |              |                | (3,026)                  |
| <b>Balance at 31 March 2008</b>             | <b>10,039</b> | <b>(81,347)</b> | <b>2,248</b>                    | <b>(2,872)</b>                           | <b>46,440</b>              | <b>2,296</b> | <b>1,195</b>   | <b>(22,001)</b>          |

#### FIXED ASSET REVALUATION RESERVE

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

#### FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

#### CAPITAL ADJUSTMENT ACCOUNT

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

#### CAPITAL RECEIPTS RESERVE

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

#### CAPITAL FUND

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

### NOTE 3 DISCLOSURE OF INTEREST IN OTHER ENTITIES

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

### NOTE 4 COMBINING ENTITIES

The Comhairle has an interest in a number of Associate Companies and full details of these have been given in Note 34 to the Accounts on Page 29. 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 2008 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 £58.8m, largely as a result of inclusion of the Joint Boards share of the pension liability. Despite this, the group can be treated as a going concern, as it can raise the funds it requires to maintain its operations.

### NOTE 7 GROUP ACCOUNTING POLICIES

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

### NOTE 8 INFORMATION ON THE COMBINING ENTITIES

**Northern Joint Police Board** – is the police authority for the area covered by the Northern Constabulary and provides the service in the areas administered by Highland Council, Orkney and Shetland Islands Councils and Comhairle nan Eilean Siar. During 2007/08 the Comhairle contributed £2.4m or 8.3% of the Board's running costs and its £50.2m share of the net liability is included on the Balance Sheet. Copies of the Board's accounts are available from the Director of Finance, Highland Council, Glenurquhart Road, Inverness, IV3 5NX.

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

| NORTHERN JOINT POLICE BOARD |  |         |
|-----------------------------|--|---------|
| 2006/07                     |  | 2007/08 |
| £'000                       |  | £'000   |
| 10,292                      | Gross Income (including Grant)                           | 10,860  |
| 3,518                       | (Surplus)/Deficit on Income and Expenditure Account      | 3,182   |
| 161                         | (Surplus)/Deficit after additional DR/CR to General Fund | (298)   |
| 8,377                       | Fixed Assets   | 8,008   |
| 1,441                       | Current Assets   | 2,086   |
| 717                         | Short Term Liabilities                                   | 979     |
| 4,344                       | Long Term Liabilities (excluding Pension)                | 4,255   |
| 57,460                      | Pension Liability  | 55,021  |
|                             |  |         |

**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 2007/08 the Comhairle contributed £2.3m or 10.1% of the Board's running costs and its £8.6m share of the net liability is included on the Balance Sheet. Copies of the Board's accounts are available from the Director of Finance, Highland Council, Glenurquhart Road, Inverness, IV3 5NX.

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

| <b>HIGHLANDS AND ISLANDS FIRE BOARD</b> |  |                |
|---|--|----------------|
| <b>2006/07</b>                          |  | <b>2007/08</b> |
| <b>£'000</b>                            |  | <b>£'000</b>   |
| 3,735                                   | Gross Income   | 3,935          |
| 564                                     | (Surplus)/Deficit on Income and Expenditure Account      | 906            |
| (48)                                    | (Surplus)/Deficit after additional DR/CR to General Fund | 31             |
| 6,196                                   | Fixed Assets   | 6,601          |
| 651                                     | Current Assets   | 584            |
| 650                                     | Short Term Liabilities                                   | 513            |
| 3,810                                   | Long Term Liabilities (excluding Pension)                | 4,118          |
| 11,759                                  | Pension Liability  | 11,165         |
|   |  |                |

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Comhairle's Responsibilities

#### The Comhairle is required:

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

### The Director of Finance and Corporate Resources Responsibilities

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

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

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

The Director of Finance and Corporate Resources has also:

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

The Statement of Accounts presents fairly the financial position of the Comhairle at the accounting date and its income and expenditure for the year ended 31 March 2008.



Robert Emmott BSc CPFA  
Director of Finance and Corporate Resources  
25 June 2008



## STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL 2007/08

1. This statement is given in respect of the 2007/08 statement of accounts for Comhairle nan Eilean Siar. I acknowledge my responsibility as Director of Finance and Corporate Resources and s95 officer for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The system of internal financial control is based on a framework of regular management information, financial regulations and procedures, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Comhairle. In particular the following processes have been established:
  - Comprehensive budgetary control and reporting systems;
  - Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
  - Setting targets to measure financial and other performances;
  - The preparation of regular financial reports which indicate actual expenditure against the forecasts;
  - Clearly defined capital expenditure guidelines; and
  - As appropriate, formal project management disciplines.
4. Internal audit is provided by an in-house team which reports independently through the Director of Finance & Corporate Resources, but also has open access to the Chief Executive and the Comhairle's Monitoring Officer. Computer Audit is provided by way of partnership working arrangements with Highland Council. The internal audit section is responsible for:-
  - Adding value to the Comhairle by undertaking independent appraisal of its systems of internal control;
  - Providing a high quality and effective service that is responsive to the needs of client departments;
  - Providing a quality advisory and investigative service to support safeguarding the public pound;
  - Supporting the Comhairle in the achievement of Best Value in the use of resources; and
  - Assisting the Comhairle in discharging its corporate governance requirements.
5. During the year:-
  - The function operated to professional auditing standards and aimed to comply with the requirements laid down in the Code of Practice for Internal Audit in Local Government in the UK 2006;
  - An operational audit plan, based on a previously approved internal audit risk assessment and strategic audit plan, was approved by Members, and regular reports of progress against plan were presented to the Audit Panel. A strategic internal audit plan covering the three years to 31 March 2010 has also been approved by Members;
  - Based on the findings arising from the internal audit work undertaken against the plan, the independent opinion reached in the annual internal audit report was that reasonable assurance could be placed on the system of internal financial control,
  - External Audit were able to place reliance on the work of Internal Audit in reaching their conclusion on the controls operating within specific areas of the Comhairle; and

- In terms of best practice the Statement on the System of Internal Financial Control (SSIFC) should cover group accounts. The Comhairle have placed reliance on the work of Highland Council's Internal Audit section who currently undertake work on the Police and Fire Joint Boards. Highland Council's Annual Report make 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 15 below.
  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, and
    - Poor relationship with the Health Board
  9. The need to address the issues raised by our External Auditors is a key priority of the Comhairle. However, the processes required to be introduced to meet our External Auditors recommendations have taken longer than first anticipated. Audit Scotland will soon be undertaking a follow-up review to monitor the Comhairle's progress in addressing these issues. Compliance in meeting these recommendations is monitored on a periodic basis by the Comhairle's Audit and Scrutiny Committee.
  10. The Comhairle are required by the Local Government in Scotland Act 2003 to achieve a prescribed annual financial objective of break even over a rolling three year period with regards to their statutory trading accounts. I note in 2005/06 and 2006/07 that the Bus Operations did not achieve break even and subsequently made a loss of £57,395 and £15,490 respectively, including pension costs under FRS 17. In 2007/08, the Bus Operations made further losses of £29,321 and includes £16,926 of back pay under the Single Status settlement. Therefore, in 2007/08 the Bus Operations did not meet the prescribed financial objectives set out in legislation. In addition, the Building Maintenance operations have also failed to achieve break even in 2007/2008 with a reported loss of £100,509.
  11. During 2007/2008, officers of the Comhairle have kept Members informed of the progress and issues surrounding the anticipated losses within the Bus Operations. The Comhairle is currently looking at a number of options with regards to the future of its Bus Operations as part of a Best Value review.
  12. The Comhairle continues to progress the development of risk management processes throughout the Comhairle and recognise that further improvements can be made to embed a culture of risk management within the organisation. The creation and work of the Strategic Risk Management Group acknowledges the Comhairle's commitment to risk management. This group is currently reviewing the Comhairle's risk management strategy and considering a number of emerging risks for inclusion in the Comhairle's strategic risk register.

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. Both Audit Scotland and the Comhairle's Internal Auditors have highlighted concerns regarding performance information available to managers. The Comhairle are continuing to develop and implement a robust performance management framework to address concerns raised by both Internal Audit and Audit Scotland.
14. The Comhairle's External Auditors have outlined in their Annual Audit Plan for 2007/08 that "The Comhairle's 2007/08 budget was set with the intention of holding £1.8 million in uncommitted balances. The Comhairle had uncommitted balances of £4.375 million at the beginning of 2007/08, however, overspends and ongoing issues could reduce this to around £3.3 million by the year end. The continuing increase in the Western Isles Schools Project (WISP) affordability gap could impact on the Comhairle's ability to maintain uncommitted balances at the required level. Long terms efficiency savings may be required to support the funding of WISP. Currently, savings are not being supported by strategic reviews of service provision. This could affect service provision".
15. The Western Isles Schools Project represents one of biggest projects to be undertaken by the Comhairle and requires significant investment. Every effort will be made to balance this financial commitment with that of providing high quality and efficient service delivery within the Western Isles.



Robert Emmott BSc CPFA  
Director of Finance and Corporate Resources  
25 June 2008

## **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 2008 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement, the Council Tax Income Account, the Non-Domestic Rate Income Accounts, the related notes and the Statement of Accounting Policies, together with 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 relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2007 - A Statement of Recommended Practice (the 2007 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, in accordance with relevant legal and regulatory requirements and the 2007 SORP the financial position of the local authority and its group and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

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

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

I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the 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 most appropriate to the local authority's and its group circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In my opinion the financial statements

- present fairly, in accordance with relevant legal and regulatory requirements and the 2007 SORP, the financial position of Comhairle Nan Eilean Siar and its group as at 31 March 2008 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

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

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

Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to conduct each of their significant trading operations so that income is not less than expenditure over each three year period. The authority failed to comply with this statutory requirement for the three year period ending 31 March 2008 in respect of the Bus Operation and Building Maintenance significant trading operations.

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

*Audit Scotland  
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G74 1LW*

*25 September 2008*