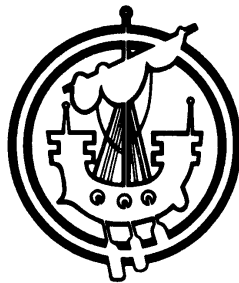


COMHAIRLE NAN EILEAN SIAR



ABSTRACT OF ACCOUNTS

FOR THE YEAR
1 APRIL 2005 TO 31 MARCH 2006

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FOREWORD BY THE DIRECTOR OF FINANCE

Financial Position at 31 March 2006

Whilst the Comhairle's financial position at the end of 2005/06 remains sound, the Comhairle has £6.3m of commitments and this reduces available balances to £4.0m.

The tightness of the current local government settlement, together with the impact of Single Status, pressures from mainland placements in Social Work and increasing oil prices have all added to the Comhairle's financial burden in the past year. However, a strategic approach to achieving a balanced budget has been adopted with planned deficits of £0.4m and £2.6m in the next two years are expected to reduce balances to £1m by 31 March 2008. The Comhairle has a policy of holding £1.8m uncommitted balances and will require to consider how these can be reinstated over the course of 2006/07.

Budgetary Performance

Overall the Comhairle showed a deficit of £39k for the year, against a budgeted deficit of £8.8m. The budgeted deficit made allowances in respect of the Single Status project and a provision of £3.7m has been made in the accounts for equal pay. These amounts, together with unused funds, held centrally for specific projects, will be carried forward to 2006/07.

The balance of £10.280m on the General Fund includes an earmarked sum of £0.446m in respect of the HRA which was previously shown as a separate reserve. The committed sum of £6.3m is broken down as follows:

	£K
HRA Balances	446
Earmarked for Winter Maintenance	145
Departmental Carry Forward	842
Earmarked for Loans Fund Restructuring	1,268
Efficiency Fund	500
BNSF	402
Gratuities	5
Modernising Government Fund	568
An Lanntair	30
Comainn Eachdraidh	26
Food Standards	13
Youth Crime	63
Surestart	160
Educational Psychology	105
National Priority Action Fund	23
Mental Health	3
Education Disability	36
Parenting Orders	9
Implementation of Smoking Ban	10
School Meals	17
Childcare Strategy	122
Investment in Roads	500
Abandoned Vehicles	162
Supporting People	42
Choose Life	67
Implementation of Care Review	30
CFCR Committed to Capital Programme	376
Ward Priority Fund	268
Matching Fund	57
Total	6,295

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. This has allowed departments to carry forward £842k. With the exception of Social Work, who had an overspend of £434k, Chief Executive's whose underspend was slightly over 2% and Housing with an overspend just over 1%, all other departments came within carry forward tolerances.

This is the third year of the Significant Trading Operations (STOs) regime, under which STO's are required to at least break even over a three-year rolling period. Overall, STOs and other Trading Operations generated a net surplus of £136k, with all operations except for the Bus Operation achieving their three-year financial target. Discussions are ongoing with the Executive as to the consequences of this outcome.

Housing Revenue Account

The HRA generated a surplus of £123k and this surplus has been transferred to HRA balances within the General Fund, increasing the balance to £446k. This, together with the Repairs and Renewals Fund of £278k, gives the HRA total balances of £724k.

Net Assets

The net assets of the Comhairle have increased by £11m over the year to £41.2m. This comprises £64.8m General Fund assets offset by a net HRA liability of £23.6m.

FOREWORD BY THE DIRECTOR OF FINANCE

Following a ballot in favour of Housing Stock Transfer last October, the Comhairle transferred its housing stock to the Hebridean Housing Partnership on 12 September 2006. The debt outstanding on the HRA at that date was written off by the Scottish Executive. Net liabilities of £23.585m on the HRA Balance Sheet at 31 March 2006 are no longer the concern of the Comhairle. Remaining HRA balances, after the HRA has been wound up, will be set aside to meet any future liabilities arising from Stock Transfer.

Capital Expenditure

2005/06 marks the half way point in the 2004-08 Capital Programme and many projects and programmes are now underway. The Comhairle spent a total of £32.6m on capital projects which was £11m more than in the previous year. The Comhairle continued to invest £4.3m in private sector housing while also spending a further £2.9m on its own housing stock. In Social Work, the South Uist Care Development and St Brendans Home and Hospital projects were progressed, while design work was started on the Ardseileach Residential Development and the Carloway Care Development. In Transportation, £4.8m was spent on the Spinal Route, completing the stretch of road in Harris and commencing the stretch in Uist. At the same time £1m was spent on repairing damage to the roads and breakwater caused by the storm in 2005. The new Waste Facility at Creed Enterprise Park is nearing completion with over £6m of expenditure being incurred on this project in 2005/06.

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 pages 21 to 23 of the accounts. The Comhairle's 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

The Comhairle's overall borrowing reduced by £138k during the year. £4.1m of borrowing at a rate of 4.5% was repaid and £4m was borrowed from the Public Works Loan Board at a rate of 3.75%. During the year one loan of £10.65m at variable rates averaging 4.875% was converted to three fixed rate loans totalling £10.65m with an average rate of 4.45%.

BCCI

The Comhairle had a total of £24.1m invested in BCCI when it was closed by the Bank of England on 5 July 1991. A fifth dividend of £1.6m was received in December 2005 bringing the total repaid to £22.9m or 81%. There remains the possibility of further dividends.

Pensions

The Comhairle's pension liability has increased over the year by £3.5m, to £24.5m. However, 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.

Euro

The nature and potential impact of the introduction of the Euro are not deemed to be significant at 31 March 2006. No estimate has yet been made of the costs to the Comhairle of the introduction of the Euro.

Accounting Statements

The accounting statements that follow consist of:

- **Consolidated Revenue 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.
- **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.
- **Housing Revenue Account** gives the expenditure, including capital financing, for the provision of rented housing and how these costs are financed from rents, housing support grant and other income.
- **Consolidated Balance Sheet** is a consolidation of the general fund, loans fund and housing revenue account. All inter-fund balances have been eliminated on consolidation.
- **Statement of Movement in Reserves** gives the major changes in each of the Comhairle's capital and revenue reserves.
- **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.
- **Group Accounts**, which incorporate the Joint Committees (Police and Fire) as associates, show the overall position of local government in the Western Isles.

Restatement of previous year figures

The previous year's figures have been adjusted to correct an error in the valuation of Fixed Assets. In 2004-05 the gross book value was based on the valuation in October 2004. However the depreciation shown was that on an earlier valuation.

FOREWORD BY THE DIRECTOR OF FINANCE

In previous years Sgioba na Gàidhlig (Gaelic Unit) has been included in Corporate Core. This has now been included in Cultural and Related Services and the previous year's figures have been restated to incorporate this change.

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 of £23m. Despite this, the accounts have been prepared on a "going concern" basis as the reason for the negative position is purely as a result of the negative Pension Reserve. The Pension Reserve arises from the bodies applying FRS 17 *Retirement Benefits*. The application of this standard does not reflect the charge levied on the local taxpayers, therefore the group can be treated as a going concern as it can raise the funds it requires to cover its outgoings.

Thanks

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

Robert Emmott BSc CPFA
Director of Finance
30 June 2006

STATEMENT OF ACCOUNTING POLICIES

The following policies apply to the Accounts of Comhairle nan Eilean Siar for the year 2005/06

1 General Policy

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

2 Accounting Convention

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

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

Debtors represent amounts owed to the Comhairle charged in 2005/06 but which are still outstanding at 31 March 2006. Creditors represent amounts owed by the Comhairle for goods delivered or services carried out before 31 March 2006. Payments relating to 2005/06 made in the first three weeks of 2006/07 have been included in revenue expenditure for 2005/06 and in the figure for creditors given in the Balance Sheet. Estimates of significant amounts still due, but not yet paid by the Comhairle, have also been included in the figure for expenditure and creditors. Only significant amounts are accrued for capital.

4 Basis of Provision of Debt Charges

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

5 Allocation of Support Services Costs

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

6 Stock and Stores

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.

7 Basis of Valuation of Fixed Assets

Land and Buildings were revalued by the District Valuer as at 31 October 2004. These valuations were 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 2005 and 31 March 2006. Depreciation has been charged on the basis of assets' estimated useful life on a straight-line basis.

Council Dwellings were valued at 1 April 2000. Due to proposals to transfer the housing stock to the Hebridean Housing Partnership on 31 March 2006, it was not deemed to be an efficient use of resources to undertake a valuation of Council Dwellings at this time. This is not in line with ACOP requirements which require assets to be valued within five years of the previous valuation.

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.

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 £6,000 are capitalised.

STATEMENT OF ACCOUNTING POLICIES

8 Investments

Investments of the Comhairle are recorded at cost.

9 Deferred Charges

Deferred charges are items that have been charged to the capital account of the authority, but which do not result in the acquisition of an asset for the authority. (see Note 5 to the Consolidated Balance Sheet).

10 Asset Rentals

Service accounts are charged rentals for the use of capital assets. There is no charge in the year of acquisition but a full charge is made in the year of disposal. Asset rentals are based on a depreciation charge plus notional interest. Depreciation is calculated on a straight-line basis over the estimated lifetime of the asset. There is no depreciation charged on non-operational assets, for example land awaiting development and commercial properties. Notional interest is charged at 4.95% for infrastructure and community assets and 3.5% for other assets. Asset rentals are designed to give a fairer cost of providing services. Any difference between asset rental and debt charges is adjusted in the asset management account and appropriations to reserves so that the Comhairle's overall surplus/deficit is unaffected by the asset rentals.

For the Housing Revenue Account assets, capital charges are equal to the loan charges.

11 Provisions

Provisions are made for any liabilities of uncertain timing or amount that have been incurred. Details are given in note 11 to the Consolidated Balance Sheet.

12 Provisions for Bad and Doubtful Debts

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

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

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

13 Extraordinary Item

On 5 July 1991 the Bank of Credit and Commerce International (BCCI) was closed by the Bank of England. At that time the Comhairle had a sum of £23,062,400 deposited with BCCI. This loss had been totally written out of the books of the Comhairle by a combination of dividends from the liquidators and writing off to revenue over the succeeding years. In December 2005 a further 6% dividend amounting to £1,595K was received, this has been treated as an extraordinary item in the accounts.

14 Premia and Discounts on Redemption of Loans

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

15 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.

16 Budget

The budget figures shown are the revised budgets as at 31 March 2006 as these reflect policy decisions taken during the year.

17 Capital Expenditure

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

STATEMENT OF ACCOUNTING POLICIES

18 Capital Receipts

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

19 Operating Leases

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

20 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 (see note 12 to the Consolidated Revenue Account). The scheme is exempt from FRS17 as the assets and liabilities of the scheme cannot 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 2005 – 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.

FRS17 has had the following effect on the results of 2005/06:

- The overall amount to be met from government grants and local taxation has remained unchanged. The replacement of employer's contributions has increased the net cost of services by £532K and the net operating expenditure by £424K with a corresponding transfer from the pension reserve.
- The requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the authority by £24.5m.

Further details are given in note 20 to the Consolidated Revenue Account, note 14 to the Consolidated Balance Sheet and note 5 to the Statement of Total Movements in Reserves.

21 Significant Trading Operations

The Local Government Scotland Act 2003 required Local Authorities to report "separately on significant trading operations". The Comhairle has decided that the following are the only significant trading operations:

- Fuel at fishery piers
- Refuse collection
- Building Maintenance
- Highways
- Buses

22 Revenue Reserves

The deficit of £8k on the winter maintenance account has been funded from the amount earmarked in the General Fund for a severe winter.

CONSOLIDATED REVENUE ACCOUNT

2004-05 Actual Net	SERVICE	2005-06			
		Actual			Budget Net £'000
		Expenditure £'000	Income £'000	Net £'000	
39,439	Education Services (Notes 1-4)	46,930	(4,620)	42,310	42,420
5,281	General Fund Housing (Note 5)	11,240	(5,065)	6,175	5,973
72	Housing Revenue Account (Page 24)	7,230	(7,377)	(147)	67
5,231	Cultural & Related Services (Note 6)	6,494	(1,056)	5,438	5,495
3,496	Environmental Services (Note 7)	5,315	(1,647)	3,668	3,662
13,044	Roads & Transport Services (Note 8)	14,597	(1,391)	13,206	13,292
3,718	Planning & Development Services (Note 9)	7,700	(2,701)	4,999	5,457
15,124	Social Work (Note 10)	22,672	(4,311)	18,361	17,866
2,963	Corporate & Democratic Core (Note 11)	3,183	(4)	3,179	3,217
208	Non Distributed Costs (Note 12)	462	0	462	342
955	Central Services to the Public (Note 13)	1,114	(265)	849	849
316	Trading Services (Note 14)	1,376	(1,102)	274	228
4,845	Precepts and Levies (Note 15)	4,512	(37)	4,475	5,056
0	Unallocated Contingency				75
0	Centrally Held Budgets				4,586
94,692	NET COST OF SERVICES	132,825	(29,576)	103,249	108,585
271	Trading Operations Surpluses & Deficits (Note 16)			631	505
(624)	Interest Receivable			(687)	(245)
(737)	Pensions Interest Costs and Expected Return on Assets			(108)	(108)
0	Extraordinary Item - BCCI Receipt (See Accounting Policy 13)			(1,595)	0
859	Net (gains) / losses on debt restructuring			857	0
(3,984)	Asset Management Revenue Account (Note 17)			(5,607)	(2,179)
90,477	NET OPERATING EXPENDITURE			96,740	106,558
(142)	Contribution to/(from) Repairs & Renewals Fund (Page 24)			0	0
(104)	Contribution to/(from) Pension Reserve			(424)	(317)
3,899	Debt Repayment to Capital Financing Account			3,176	1,225
142	Capital Financed from Current Revenue			0	64
94,272	AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS			99,492	107,530
(8,120)	Council Tax Income (Page 21)			(9,297)	(8,563)
(77,571)	Revenue Support Grant			(80,374)	(80,374)
(9,830)	Non-Domestic Rates (Page 21)			(9,782)	(9,790)
(1,249)	(SURPLUS)/DEFICIT FOR THE YEAR			39	8,803
9,070	Balance b/fwd from Previous Year			10,319	10,319
1,249	Surplus/(Deficit) for the Year			(39)	(8,803)
10,319	BALANCE AT 31 MARCH 2006			10,280	1,516

NOTE 1 INDIVIDUAL SCHOOL BUDGETS

2004-05 Actual £'000	INDIVIDUAL SCHOOL BUDGETS	2005-06	
		Actual £'000	Budget £'000
9,059	Devolved Budgets - Primary	9,688	9,761
11,684	Devolved Budgets - Secondary	12,346	12,441
20,743	TOTAL NET EXPENDITURE	22,034	22,202

NOTE 2 CENTRALLY HELD SCHOOL BUDGETS

2004-05 Actual £'000	CENTRALLY HELD SCHOOL BUDGETS	2005-06	
		Actual £'000	Budget £'000
10,726	Schools Strategic Management	11,325	11,828
552	Non-Devolved School Grants	353	319
1,353	Pre-Primary Education	1,273	1,340
2,521	Special Education	2,819	2,521
2,813	School & Pupil Support	3,371	3,183
6	School Catering	(12)	0
17,971	TOTAL NET EXPENDITURE	19,129	19,191

NOTE 3 NON-SCHOOL FUNDING

2004-05 Actual £'000	NON-SCHOOL FUNDING	2005-06	
		Actual £'000	Budget £'000
2	Support For Students	2	11
678	Community Learning	612	590
680	TOTAL NET EXPENDITURE	614	601

NOTE 4 EDUCATION HOLDING ACCOUNTS

2004-05 Actual £'000	EDUCATION HOLDING ACCOUNTS	2005-06	
		Actual £'000	Budget £'000
45	Education Management and Support	533	426
45	TOTAL NET EXPENDITURE	533	426

NOTE 5 GENERAL FUND HOUSING

2004-05 Actual £'000	GENERAL FUND HOUSING	2005-06	
		Actual £'000	Budget £'000
448	Housing Strategy	340	371
36	Housing Advances	1	1
4,365	Private Sector Housing Renewal	5,065	4,771
177	Homelessness	168	162
137	Housing Benefit Payments	35	32
(252)	Rent Rebates	0	0
146	Housing Benefits Administration	320	326
(18)	Other Council Property	8	(1)
173	Housing Management & Support Services	183	214
69	Supporting People	55	97
5,281	TOTAL NET EXPENDITURE	6,175	5,973

NOTE 6 CULTURAL & RELATED SERVICES

2004-05 Actual £'000	CULTURAL & RELATED SERVICES	2005-06	
		Actual £'000	Budget £'000
1,519	Culture & Heritage	1,615	1,648
962	Library Service	976	981
2,576	Recreation And Sport	2,603	2,602
174	Tourism	198	161
0	Service Management & Support	46	103
5,231		5,438	5,495

The figures for 2004-05 have been restated to include Gaelic Policy Unit costs within Culture and Heritage. These were previously included in Corporate and Democratic Core (Note 11).

NOTE 7 ENVIRONMENTAL SERVICES

2004-05 Actual £'000	ENVIRONMENTAL SERVICES	2005-06	
		Actual £'000	Budget £'000
177	Cemetery, Cremation & Mortuary	160	166
237	Coast Protection	284	283
558	Environmental Health	610	621
288	Trading Standards	345	375
381	Other Cleaning	385	408
831	Waste Collection	1,053	915
1,040	Waste Disposal	804	905
(16)	Service Management & Support Services	27	(11)
3,496	TOTAL NET EXPENDITURE	3,668	3,662

NOTE 8 ROADS & TRANSPORT SERVICES

2004-05 Actual £'000	ROADS & TRANSPORT SERVICES	2005-06	
		Actual £'000	Budget £'000
10,781	Roads	11,024	10,926
22	Network & Traffic Management	17	194
67	Parking Services	22	0
2,155	Public Transport	2,132	2,169
19	Management & Support Services	11	3
13,044	TOTAL NET EXPENDITURE	13,206	13,292

NOTE 9 PLANNING & DEVELOPMENT SERVICES

2004-05 Actual £'000	PLANNING & DEVELOPMENT SERVICES	2005-06	
		Actual £'000	Budget £'000
(48)	Building Control	(79)	(4)
119	Development Control	120	160
278	Planning Policy	277	276
250	Environmental Initiatives	861	882
3,119	Economic Development	3,784	4,093
0	Service Management & Support Services	36	50
3,718	TOTAL NET EXPENDITURE	4,999	5,457

NOTE 10 SOCIAL WORK

2004-05 Actual £'000	SOCIAL WORK	2005-06	
		Actual £'000	Budget £'000
391	Service Strategy	375	398
51	Reporter to the children's panel	50	41
1,505	Children and Families	1,716	1,410
9,776	Older People	12,477	12,567
679	People with physical or sensory disabilities	921	851
2,110	People with learning disabilities	2,144	1,963
458	People with mental health needs	491	469
110	People with addictions / substance misuse	116	126
0	People with AIDS/HIV	0	0
0	Services to asylum seekers and refugees	0	0
44	Criminal justice social work services	71	41
15,124	TOTAL NET EXPENDITURE	18,361	17,866

NOTE 11 CORPORATE & DEMOCRATIC CORE

2004-05 Actual £'000	CORPORATE & DEMOCRATIC CORE	2005-06	
		Actual £'000	Budget £'000
1,307	Democratic Representation and Management	1,277	1,184
1,656	Corporate Management	1,902	2,033
2,963	TOTAL NET EXPENDITURE	3,179	3,217

The figures for 2004-05 have been restated. Gaelic Policy Unit costs previously included in Corporate and Democratic Core are now included in Cultural and Related Services (Note 6).

NOTE 12 NON DISTRIBUTED COSTS

2004-05 Actual £'000	NON DISTRIBUTED COSTS	2005-06	
		Actual £'000	Budget £'000
208	Pensions	462	342
208	TOTAL NET EXPENDITURE	462	342

NOTE 13 CENTRAL SERVICES TO THE PUBLIC

2004-05 Actual £'000	CENTRAL SERVICES TO THE PUBLIC	2005-06	
		Actual £'000	Budget £'000
596	Local Tax Collection	461	460
49	Registration Of Births, Deaths and Marriages	44	36
(1)	Elections	(1)	2
107	Emergency Planning	102	112
114	General Grants, Bequests And Donations	128	124
33	District Courts	36	41
35	Licensing	49	52
22	Other Services	30	22
955	TOTAL NET EXPENDITURE	849	849

NOTE 14 TRADING SERVICES

2004-05 Actual £'000	TRADING SERVICES	2005-06	
		Actual £'000	Budget £'000
216	Fishery Harbours And Markets	153	181
71	Other Harbours	29	44
16	Slaughterhouses	35	4
13	Local Authority Transport Undertakings	57	(1)
316	TOTAL NET EXPENDITURE	274	228

NOTE 15 JOINT BOARD REQUISITIONS

2004-05 Actual £'000	JOINT BOARD REQUISITIONS	2005-06	
		Actual £'000	Budget £'000
	Requisitions		
2,281	Police Joint Board	2,253	2,398
2,316	Fire Joint Board	1,961	2,384
248	Valuation Joint Board	261	274
4,845	TOTAL NET EXPENDITURE	4,475	5,056

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.

NOTE 16 TRADING OPERATIONS SURPLUSES / DEFICITS

2004-05 Actual £'000	TRADING OPERATIONS SURPLUSES / DEFICITS	2005-06	
		Actual £'000	Budget £'000
	TRADING OPERATIONS		
(5)	Grounds Maintenance	(4)	(7)
(1)	Depots	0	(14)
(74)	Building Maintenance	(65)	(65)
12	Vehicle & Plant Maintenance	(5)	0
0	Other Catering	(13)	(3)
(1)	Building Cleaning	(22)	(5)
	CENTRAL SUPPORT SERVICES		
101	Corporate Services	88	71
257	Technical Services	518	463
(14)	Ionmhas	100	40
(4)	Education	34	25
271	TOTAL NET EXPENDITURE	631	505

NOTE 17 ASSET MANAGEMENT ACCOUNT

2004-05 Actual £'000	ASSET MANAGEMENT REVENUE ACCOUNT	2005-06	
		Actual £'000	Budget £'000
13,149	External Interest Payable	13,001	14,224
98	Loans Fund Expenses	98	112
7,745	Depreciation	7,961	9,924
4,978	Deferred Charges	6,221	6,221
25,970	Total Expenditure	27,281	30,481
(25,200)	Capital Charges	(27,139)	(27,355)
(4,703)	Released from Government Grants Deferred Account	(5,702)	(5,254)
(40)	Other Income	(36)	(40)
(11)	Notional Interest on DSO Stock	(11)	(11)
(29,954)	Total Income	(32,888)	(32,660)
(3,984)	TOTAL NET EXPENDITURE/(INCOME)	(5,607)	(2,179)

NOTE 18 PUBLICITY

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

2004-05 Actual £'000	PUBLICITY	2005-06 Actual £'000
108	Appointments Advertising	115
75	Other Advertising	91
183	TOTAL	206

These amounts are included in the appropriate revenue accounts.

NOTE 19 TEACHERS' PENSION COSTS

In 2005-06 the Comhairle paid £1,924,115 (£1,800,038 in 2004-05) to the Scottish Executive in respect of teachers' pensions costs, which represented 12.5% of teachers' pensionable pay. This is a defined benefits scheme.

In addition, the Comhairle is responsible for all pension payments arising from added years awarded, to staff taking retirement together with the related increases. In 2005-06 these amounted to £180,155 (£166,646 in 2004-05). The Comhairle has been unable to obtain an estimate of the current present value of future commitments for early retirements.

NOTE 20 OTHER EMPLOYEES' PENSION COSTS

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

The Comhairle participates 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.

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 of the CRA after Net Operating Expenditure. The following transactions have been made in the CRA during the year:

	2004-05 £'000	2005-06 £'000
Net Cost of Services		
Current Service Cost	4,180	4,306
Past Service Costs	23	154
Curtailments and Settlements	0	58
Net Operating Expenditure		
Interest Cost	4,293	5,654
Expected return on assets in the scheme	(5,030)	(5,762)
Amounts to be met from Government Grants and Local Taxation		
Movement on Pensions Reserve	(104)	(424)
Actual amount charged against Council Tax for pensions in year		
Employer's contributions to the scheme	<u>3,362</u>	<u>3,986</u>

Note 14 to the Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 5 to the Statement of Total Movements in Reserves details the costs that have arisen through the year.

NOTE 21 FINANCE AND OPERATING LEASES

The Comhairle has a number of operating leases which includes vehicles and the library building in Stornoway. The amount paid under these arrangements in 2005-06 was £402,079 (2004-05 £432,090), analysed as follows.

	2004-05 £'000	2005-06 £'000
Library Building	149	154
Other Buildings	25	24
Vehicles and Equipment	258	224
TOTAL	432	402

There were no finance leases in 2005-06.

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 £153,702 (2004-05, £341,451).

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	9,745	Not considered significant as represents less than 1% of total activity.
		Expenditure	9,745	
Urras na Gearanan	The carrying out by the Authority of works of maintenance for which the body is responsible.	Income	48,227	Represents approx 10% of total activity.
		Expenditure	48,227	
Comann Eachdraidh Uist	Provision by the Authority for the body of any administrative, professional or technical services.	Income	12,132	Represents approx 1.0% of total activity.
		Expenditure	12,132	
Highland & Islands Community Energy Co.	Provision by the Authority for the body of any administrative, professional or technical services.	Income	2,186	Not considered significant as represents less than 1% of total activity.
		Expenditure	2,186	
Western Isles Enterprise	Provision by the Authority for the body of any administrative, professional or technical services.	Income	2,186	Not considered significant as represents less than 1% of total activity.
		Expenditure	2,186	
Lochboisdale Amenity Trust	Provision by the Authority for the body of any administrative, professional or technical services.	Income	3,081	Not considered significant as represents less than 1% of total activity.
		Expenditure	3,081	
Tong Community Association	Provision by the Authority for the body of any administrative, professional or technical services.	Income	10,248	Not considered significant as represents less than 1% of total activity.
		Expenditure	10,248	
Sealladh na Nèanne Roir	Provision by the Authority for the body of any administrative, professional or technical services.	Income	8,192	Not considered significant as represents less than 1% of total activity.
		Expenditure	8,192	
East Camp Trust	Provision by the Authority for the body of any administrative, professional or technical services.	Income	1,664	Not considered significant as represents less than 1% of total activity.
		Expenditure	1,664	
Carinish School Space Programme	Provision by the Authority for the body of any administrative, professional or technical services.	Income	1,595	Not considered significant as represents less than 1% of total activity.
		Expenditure	1,595	
Northbay Community Council	Provision by the Authority for the body of any administrative, professional or technical services.	Income	440	Not considered significant as represents less than 1% of total activity.
		Expenditure	440	
Tong Recreational Association	Provision by the Authority for the body of any administrative, professional or technical services.	Income	4,785	Not considered significant as represents less than 1% of total activity.
		Expenditure	4,785	
Hebridean Housing Partnership	Provision by the Authority for the body of any administrative, professional or technical services.	Income	677	Not considered significant as represents less than 1% of total activity.
		Expenditure	677	
Stoneybridge Community Association	Provision by the Authority for the body of any administrative, professional or technical services.	Income	3,000	Not considered significant as represents less than 1% of total activity.
		Expenditure	3,000	
Lighthouse Trust	Provision by the Authority for the body of any administrative, professional or technical services.	Income	130	Not considered significant as represents less than 1% of total activity.
		Expenditure	130	
Friends of Tong School	Provision by the Authority for the body of any administrative, professional or technical services.	Income	2,170	Not considered significant as represents less than 1% of total activity.
		Expenditure	2,170	
Tighean Innse Gall	Provision by the Authority for the body of any administrative, professional or technical services.	Income	21,212	Represents approx 1.8% of total activity.
		Expenditure	21,212	

NOTE 23

MEMBERS' ALLOWANCES AND EXPENSES 2005-06

Name	Basic Allowance	Special Responsibility Allowance	Expenses & Subsistence Reimbursed	2005-06 Total	2004-05 Total
Miss Samantha E L Hawkins	£6,102	£0	£921	£7,023	£8,188
Mr John Mackay	£6,102	£0	£3,136	£9,238	£9,155
Mr Iain Morrison	£6,102	£3,231	£1,777	£11,110	£10,793
Mr Roderick Morrison	£6,102	£3,231	£2,710	£12,043	£12,537
Mr Alex A Macdonald (Convener)	£6,102	£12,685	£5,397	£24,184	£22,700
Mr Norman A Macdonald	£6,102	£3,231	£4,479	£13,812	£14,093
Mr Angus Graham	£6,102	£0	£464	£6,566	£6,451
Mr Malcolm J Graham	£6,102	£6,343	£1,579	£14,024	£14,224
Mr Ian M Macleod	£6,102	£3,231	£1,610	£10,943	£10,974
Mr Neil Campbell	£6,102	£0	£494	£6,596	£6,832
Mr George Lonie	£6,102	£3,231	£737	£10,070	£9,427
Mr Angus Nicolson	£6,102	£6,343	£1,504	£13,949	£15,062
Mr Murdo Macleod	£6,102	£6,343	£1,725	£14,170	£13,554
Mr Norman L Macdonald	£6,102	£6,343	£432	£12,877	£14,213
Mr Keith Dodson	£6,102	£0	£144	£6,246	£6,170
Mr Angus Campbell (Vice Convener)	£6,102	£9,514	£3,691	£19,307	£20,993
Mr Angus McCormack	£6,102	£3,231	£1,452	£10,785	£11,050
Mr Donald I Nicholson	£6,102	£6,343	£592	£13,037	£14,256
Mr Norman M Macleod	£6,102	£6,343	£448	£12,893	£12,629
Mr Donald J Macsween	£6,102	£0	£1,112	£7,214	£8,039
Mr Alexander M Macintosh	£6,102	£0	£1,614	£7,716	£7,555
Mrs Annie Macdonald	£6,102	£3,231	£1,722	£11,055	£10,713
Mrs Morag Munro	£6,102	£3,231	£5,012	£14,345	£14,101
Mr Donald Macdonald	£6,102	£3,231	£10,702	£20,035	£19,478
Mr Archibald K Campbell	£6,102	£6,343	£9,505	£21,950	£23,119
Mr Donald Maclean	£6,102	£3,231	£7,326	£16,659	£16,326
Mr Martin C Taylor	£6,102	£0	£7,407	£13,509	£11,770
Mr Peter Carlin	£6,102	£0	£7,949	£14,051	£15,288
Mr Ronald J Mackinnon	£6,102	£3,231	£9,287	£18,620	£17,515
Mr Angus Macdonald	£6,102	£0	£8,640	£14,742	£14,239
Mr Donald Manford	£6,102	£6,343	£14,045	£26,490	£26,166
Total	£189,162	£108,484	£117,613	£415,259	£417,610

NOTE 24 OFFICERS' EMOLUMENTS

Range £	2004-05	2005-06
	Number of Officers In Range	Number of Officers In Range
40 - 50K	52	62
50 - 60K	6	5
60 - 70K	3	7
70 - 80K	0	0
80 - 90K	1	0
90 - 100K	0	0
TOTAL	62	74

NOTE 25 RELATED PARTY TRANSACTIONS

During the year material transactions with related parties, not disclosed elsewhere, were as follows:

CENTRAL GOVERNMENT REVENUE GRANTS	Income £'000	Expenditure £'000
Education	3,810	
Social Work	1,125	
Housing Benefits	5,318	
Sustainable Communities	442	
COU	94	
Transportation	528	
Other	84,760	
Housing Support Grant	2,720	
	98,797	
European Development Fund Revenue Grants	264	
European Development Fund Capital Grants	1,722	
Acair Ltd - Nature of Business - Publishing	6	25
	100,789	25

During 2005/06, works and services to the value of £462,905 were commissioned from companies in which three members had an interest. Contracts were entered into in full compliance with the Council's standing orders. Details can be found in the Register of Member Interests.

NOTE 26 AUDITOR'S REMUNERATION

The Comhairle's auditors are currently Audit Scotland and the agreed fee for 2005-06 was £157,740 plus a central charge of £57,300. The equivalent figures for 2004-05 were £161,370 and £46,200 respectively.

NOTE 27 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.

	2004-05 £'000	2005-06 £'000
Lews Castle College	3303	3456
Rational Use of Energy	0	0
Islenet	48	31
TEAS (Energy Advisory Service)	15	0
Museum Storage Claim	13	14
Choose Life	60	60
Trige-Islenet	0	21
Island Forum	10	9
Western Isles Housing Partnership	285	201
An Lanntair	1419	2047
Domestic Abuse Training Strategy	0	3
TOTAL	5,153	5,842

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

	Admin Fee £'000
Northern Constabulary fixed penalty charges	1
Scottish Water water charges	71
TOTAL	72

SIGNIFICANT TRADING ORGANISATIONS 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	2003-04	2004-05	2005-06	2005-06
	Actual	Actual	Actual	3 year
	£'000	£'000	£'000	Cumulative
Expenditure	1,096	1,168	1,264	3,528
Income	(1,106)	(1,175)	(1,282)	(3,563)
Net Deficit/(Surplus) to be met from Grant & Local Taxes	(10)	(7)	(18)	(35)

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

The results of the Refuse Collection Trading Operation are included in Environmental Services in the Net Cost of Services section of the Consolidated Revenue Account.

BUILDING MAINTENANCE	2003-04	2004-05	2005-06	2005-06
	Actual	Actual	Actual	3 year
	£'000	£'000	£'000	Cumulative
Expenditure	4,071	4,913	5,022	14,006
Income	(4,339)	(4,987)	(5,087)	(14,413)
Net Deficit/(Surplus) to be met from Grant & Local Taxes	(268)	(74)	(65)	(407)

This STO (formally the Building Maintenance DLO) provides a comprehensive building maintenance service for all of the Comhairle's buildings, including an element of capital works. Building Maintenance handles over 8,500 jobs each year around half of which are from the Housing Department and the other half from Technical Services (who are the Comhairle's 'client' for all other buildings). Only a very small percentage of income is earned from external parties. 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 other Building Maintenance Operation are included in Trading Operations Surpluses & Deficits in the Consolidated Revenue Account Net Operating Expenditure section.

HIGHWAYS	2003-04	2004-05	2005-06	2005-06
	Actual	Actual	Actual	3 year
	£'000	£'000	£'000	Cumulative
Expenditure	1,596	1,944	1,917	5,457
Income	(1,719)	(1,980)	(1,956)	(5,655)
Net Deficit/(Surplus) to be met from Grant & Local Taxes	(123)	(36)	(39)	(198)

This STO (formally the Highways Maintenance DLO) has the Area Maintenance Contract for Harris and Uist, including an element of capital works. The STO also includes Winter Maintenance and Street Lighting work. The client for these services is the Comhairle's Technical Department. The present Area Roads Contract was awarded under the old DLS/ DSO legislation and runs to 31 March 2007 (after exercising a one year extension option). 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.

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

SIGNIFICANT TRADING ORGANISATIONS ACCOUNTS

BUS OPERATION	2003-04	2004-05	2005-06	2005-06
	Actual	Actual	Actual	3 year
	£'000	£'000	£'000	Cumulative
Expenditure	919	881	1,036	2,836
Income	(757)	(868)	(979)	(2,604)
Net Deficit/(Surplus) to be met from Grant & Local Taxes	162	13	57	232

This STO operates a Public/School bus service for the Point and Back areas in Lewis and two single bus services in Harris, Berneray and North Uist. These operations were not classified as defined activities under the old 'DLO/DSO' legislation. The Education Department and the general public are the main customers though almost 70% of the income is Bus Subsidy. The Technical Services Department determines the routes and timetables to be operated. 2003-04 was the last year of the contract won in 1999 under open tender. 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 Trading Services in the Consolidated Revenue Account in the Net Cost of Services section.

FUEL AT FISHERY PIERS	2004-05	2005-06
	Actual	Actual
	£'000	£'000
Expenditure	175	377
Income	(167)	(377)
Net Deficit/(Surplus) to be met from Grant & Local Taxes	8	0

This is the second year of operation of the STO and as such it has not been measured against the financial target to break even over three years. The results of the Fuel at Fishery Piers Operation are included in Trading Services in the Consolidated Revenue Account in the Net Cost of Services Section.

COUNCIL TAX INCOME ACCOUNT

2004-05 £000	COUNCIL TAX	2005-06 £000
(10,255)	Council Tax Levy and Contributions in Lieu	(10,716)
	Less:	
(5)	Council Tax Benefit (net of Government Grant)	(26)
1,961	Reliefs and Remissions etc.	1,665
179	Provision for Bad and Doubtful Debts	(219)
	Add:	
0	Community Charge	(1)
(8,120)	TRANSFERRED TO GENERAL FUND	(9,297)

NON DOMESTIC RATE INCOME ACCOUNT

2004-05 £000	NON DOMESTIC RATES	2005-06 £000
(7,268)	Rate Levy and Contributions in Lieu	(7,320)
	Less:	
1,566	Reliefs and Remissions etc.	1,768
36	Provision for Bad and Doubtful Debts	41
(5,666)	Contribution to NDRI pool	(5,511)
	Government Grants	
(4,164)	Net Distributable Amount	(4,271)
(9,830)	DISTRIBUTION FROM NDRI POOL	(9,782)

NOTE 1 COUNCIL TAX BASE

2004-05	CALCULATION OF THE COUNCIL TAX BASE 2005-06										2005-06
TOTAL	Bands	A	A	B	C	D	E	F	G	H	TOTAL
		DISABLED									
13,775	Properties		4,857	3,696	2,710	1,489	853	129	29	4	13,767
801	Exemptions		456	203	105	33	17	4	3		821
91	Disabled relief		11	22	27	15	13	1			89
91	Effective disabled	11	22	27	15	13	1				89
4,825	Discounts (25%)	5	2,277	1,356	744	301	140	13	1		4,837
1,304	Discounts (50%)		514	368	174	72	26	5	5	4	1,168
11,116	Total equivalent	10	3,586	2,975	2,320	1,343	776	118	23	2	11,153
	Ratio	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
9,222	Band D equivalents	5	2,391	2,314	2,062	1,343	948	171	39	4	9,277
8	Contributions in lieu (MOD)										8
9,230	TOTAL										9,285
(245)	Bad debt provision										(246)
8,985	COUNCIL TAX BASE										9,039
8,959	BUDGETARY TAX BASE										9,024

(N.B. The figures shown in the table above indicate the number of properties as at 31 March 2006)

Empty properties which fulfil certain criteria are exempt from Council Tax and pay nothing. Other empty properties receive a discount of 50%. Properties that are only occupied by one person receive a discount of 25%. If a property has been adapted for a disabled occupant then relief is given by a reduction of one band.

Number of Effective Properties Per Band and Council Tax Levels 2005-06

BAND	Properties	£
A (DISABLED)	10	531.11
A	3,586	637.33
B	2,975	743.56
C	2,320	849.78
D	1,343	956.00
E	776	1,168.44
F	118	1,380.89
G	23	1,593.33
H	2	1,912.00
TOTAL	11,153	

NOTE 2 ANALYSIS OF RATEABLE VALUES 01/04/2005

ANALYSIS OF RATEABLE VALUES 01/04/2005	Number of Properties	Rateable Value £'000
Shops	310	1,906
Public Houses	11	194
Offices (including Banks)	197	1,703
Hotels, Boarding Houses, etc	38	730
Industrial and Freight Transport Subjects	396	2,155
Leisure, Entertainment Caravans and Holiday Sites	250	990
Garages and petrol stations	102	348
Cultural	18	111
Sporting Subjects	11	16
Education and Training	61	1,796
Public Service Subjects	240	1,500
Communications (Non Formula)	7	234
Quarries, Mines etc	15	105
Petrochemical	5	81
Religious	195	376
Health Medical	36	1,106
Other	78	630
Care Facilities	24	445
Advertising		
Undertaking	1	352
TOTAL	1,995	14,778

NOTE 3 NON-DOMESTIC RATES

The Scottish Executive set the Non-Domestic Rate at 46.1p in the £ for 2005-06.

Under the Small Business Rate Relief Scheme which started on 1 April 2003 properties with rateable values of £11,500 or less had their bills reduced by 5% and businesses occupying premises with rateable values totalling less than £8,000 within Scotland had bills reduced by between 10% and 50%. The scheme was to be partly financed by larger businesses being charged a supplement of 0.45p in the £ on rateable values over £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.

HOUSING REVENUE ACCOUNT

2004-05 Actual £'000	HOUSING REVENUE ACCOUNT	2005-06	
		Actual £'000	Budget £'000
1,445	Repairs & Maintenance	1,588	1,489
833	Supervision And Management	589	638
5,178	Capital Financing Costs	4,935	5,177
72	Bad Or Doubtful Debts	42	14
62	Rent, Rates, Taxes & Other Charges	76	134
7,590	TOTAL EXPENDITURE	7,230	7,452
(4,432)	Dwelling Rents (Gross)	(4,489)	(4,477)
(5)	Non-Dwelling Rents (Gross)	(6)	(4)
(2,894)	Housing Support Grants	(2,719)	(2,699)
(187)	Other Income	(163)	(205)
(7,518)	TOTAL INCOME	(7,377)	(7,385)
72	NET COST OF SERVICES	(147)	67
(11)	Pensions - Return on Assets net of Interest Cost	(2)	0
174	Net (gains) / losses on debt rescheduling	170	0
(154)	Investment Income	(137)	0
81	NET OPERATING EXPENDITURE	(116)	67
(5)	Pensions - Contribution from Pension Reserve	(7)	0
142	Capital Financed From Current Revenue	0	150
(142)	Transferred To/(From) Repairs and Renewals Fund	0	0
76	SURPLUS TRANSFERRED TO GENERAL FUND (HRA Balances)	(123)	217

NOTE 1 PROVISION FOR BAD OR DOUBTFUL DEBTS

In 2005-06 the provision for bad debt in respect of rent has been increased to £204,453 (2004-05 £193,705).

ARREARS	Amount £	Percentage %	Provision £
Former Tenants	122,611	95%	116,480
Current Tenants			
£0 - £100	9,066	0%	0
£100 - £250	21,115	10%	2,111
£250 - £500	40,463	25%	10,116
£500 - £750	22,676	50%	11,338
£750 - £1,000	25,959	75%	19,469
Over £1,000	47,304	95%	44,939
TOTAL	289,194		204,453

NOTE 2 HOUSING STOCK AS AT 31 MARCH 2006

ANALYSIS BY SIZE		ANALYSIS BY AGE	
2 apt	567	Pre 1919	2
3 apt	562	1919 - 1939	150
4 apt	644	1940 - 1964	515
5 apt	21	1965 - 1982	919
6 apt	2	Post 1982	210
TOTAL	1,796	TOTAL	1,796

ANALYSIS BY LOCATION		TOTAL STOCK	
Lewis	1,238	AT 31/03/2005	1,841
Harris	118	Sales in Year	45
N. Uist	104	Acquisitions	0
Benbecula	128	AT 31/03/2006	1,796
S. Uist	112		
Barra	68		
No Area Specified	28		
TOTAL	1,796		

CONSOLIDATED BALANCE SHEET

Restated 31 March 2005 £'000	CONSOLIDATED BALANCE SHEET as at 31 March 2006	Gross Book Value Note 1 £'000	Depreciation Note 2 £'000	31 March 2006	
				£'000	£'000
	Fixed Assets				
	Tangible Fixed Assets				
	<i>Operational Assets:</i>				
11,205	Council Dwellings	12,847	(2,324)	10,523	
124,108	Other Land & Buildings	128,060	(3,879)	124,181	
918	Leasehold Improvements	1,277	(425)	852	
3,791	Vehicles, Plant & Equipment	8,003	(3,316)	4,687	
77,835	Infrastructure Assets	115,050	(30,246)	84,804	
475	Community Assets	628	(184)	444	
	<i>Non-operational Assets:</i>				
2,005	Investment Properties	2,009	(63)	1,946	
2,263	Assets Under Construction	10,282	0	10,282	
222,600	Total Fixed Assets	278,156	(40,437)		237,719
	Other Long Term Assets				
0	Long-term Investments			350	
1,076	Long-term Debtors (Note 7)			901	
(321)	Less Provisions (Note 6)			(321)	
4,865	Premia on debt redemption			4,006	4,936
228,220	Total Long-term Assets				242,655
	Current Assets				
655	Stocks & Work in Progress			733	
14,697	Debtors			17,667	
(2,110)	Less Provisions (Note 6)			(2,039)	
7,678	Investments			6,485	
10	Cash in hand			11	22,857
249,150	Total Assets				265,512
	Current Liabilities				
(138)	Borrowing repayable within 1 Year			(8,138)	
(13,933)	Creditors			(13,892)	
(108)	Provisions (Note 11)			(3,779)	
(2,105)	Bank Overdraft			(270)	(26,079)
232,866	Total Assets less Current Liabilities				239,433
	Long-term Liabilities				
(181,793)	Long-Term Borrowing (Note 9)			(173,655)	
(20,972)	Pension Liability			(24,548)	(198,203)
30,101	Net Assets/(Liabilities) (Note 12)				41,230
	Capital Reserves				
4,710	Fixed Assets Restatement Account			1,931	
8,732	Capital Financing Account			11,909	
26,050	Government Grants Deferred (Note 8)			39,273	
984	Usable Capital Receipts Reserve			2,107	55,220
(20,972)	Pension Reserve				(24,548)
	Revenue Reserves				
10,319	Balances - General Fund			10,280	
278	- Repairs and Renewals Fund			278	10,558
30,101	Total Reserves				41,230

Robert Emmott BSc CPFA, Director of Finance
30 June 2006

NOTE 1 TANGIBLE FIXED ASSETS TRANSACTIONS - COSTS

COSTS	Balance At 01/04/05 £'000	Revaluation/ Transfers In Year £'000	Expenditure In Year £'000	Disposals In Year £'000	Balance At 31/03/06 £'000
Council Dwellings	13,166	(2,401)	2,401	(319)	12,847
Other Land & Buildings	124,112	325	3,674	(51)	128,060
Leasehold Improvements	1,277				1,277
Vehicles, Plant, Equipment	6,437		1,651	(85)	8,003
Infrastructure	105,345		9,705		115,050
Community Assets	628				628
Investment Properties	2,006	25	408	(430)	2,009
Assets under Construction	2,263		8,019		10,282
TOTAL	255,234	(2,051)	25,858	(885)	278,156

The opening balances have been restated as the value in the accounts in 2004-05 had been adjusted to reflect the valuation in October 2004. However depreciation on the previous valuation was still included in error.

Due to the proposed transfer of the housing stock to the Hebridean Housing

Partnership on 31 March 2006 council dwellings were not included in the valuation.

NOTE 2 TANGIBLE FIXED ASSETS TRANSACTIONS - DEPRECIATION

DEPRECIATION	Balance At 01/04/05 £'000	Movement In Year £'000	Charged In Year £'000	Disposals In Year £'000	Balance At 31/03/06 £'000
Council Dwellings	(1,961)		(410)	47	(2,324)
Other Land & Buildings	(3)	3	(3,893)	14	(3,879)
Leasehold Improvements	(359)		(66)		(425)
Vehicles, Plant, Equipment	(2,646)	(3)	(752)	85	(3,316)
Infrastructure	(27,511)		(2,735)		(30,246)
Community Assets	(152)		(32)		(184)
Investment Properties			(73)	10	(63)
TOTAL	(32,632)	0	(7,961)	156	(40,437)

A) Council Dwellings, Land & Buildings are depreciated over the estimated useful life of the assets on a straight line basis.

B) Infrastructure assets are depreciated over the estimated useful life of the assets on a straight line basis.

C) Vehicles, Plant & Equipment are depreciated over the useful economic life 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 2 year life.

NOTE 3 CAPITAL EXPENDITURE

CAPITAL EXPENDITURE	2004/05 £'000	2005/06 £'000
HRA	2,050	2,700
Education	2,372	2,243
Social Work	490	2,278
Non HRA Housing	4,611	4,812
Transportation	2,858	9,352
Arts & Leisure	4,716	1,048
Sustainable Development	557	1,706
Environmental Services	2,226	7,716
Policy & Resources	322	728
	20,202	32,583
Represented by expenditure on:		
Tangible Fixed Assets (Note 1)	15,057	25,858
Deferred Charges (Note 5)	4,961	6,221
Long Term Investment	0	350
Car Loans (Note 7)	184	154
TOTAL	20,202	32,583

NOTE 4 FINANCING CAPITAL

FINANCING CAPITAL	2004/05 £'000	2005/06 £'000
Borrowing	4,842	15,916
Movement in Debtors and Creditors	2,887	(2,535)
Usable Receipts:		
Loan Repayments	381	278
Capital Grants	6,810	15,960
Private/Public Sector Contributions	4,112	1,240
HISTP	796	1,724
Receipts Applied	232	0
CFCR	142	0
TOTAL	20,202	32,583

CAPITAL COMMITMENTS

At 31st March 2006 the Comhairle had commitments on capital contracts of £8m (2004/05 £6.2m). This expenditure will be funded from a combination of borrowing, government grants, income from sale of assets, grants from other funding organisations and contributions from Revenue Accounts.

NOTE 5 MOVEMENT IN DEFERRED CHARGES

	Balance At 01/04/05 £'000	Expenditure In Year £'000	Charge to Revenue £'000	Balance at 31/03/06 £'000
Private Sector Housing Grants	0	4,362	(4,362)	0
Other	0	1,859	(1,859)	0
TOTAL		6,221	(6,221)	0

NOTE 6 MOVEMENT IN BAD DEBT AND OTHER PROVISIONS

	Balance At 01/04/05 £ ' 000	Movement In Year £'000	Balance At 31/03/06 £'000
Long Term			
Business Loans	321	0	321
Short Term			
Community Charge	124	(1)	123
Council Tax	1,377	(253)	1,124
Non-Domestic Rates	104	40	144
Rents	194	11	205
Sundry Debtors	311	132	443
Sub-total Short Term	2,110	(71)	2,039
TOTAL PROVISIONS	2,431	(71)	2,360

NOTE 7 LONG TERM DEBTORS

LONG TERM DEBTORS	BALANCE AT 01/04/05 £'000	ADVANCED IN YEAR £'000	REPAID IN YEAR £'000	BALANCE AT 31/03/06 £'000
Car Loans	357	154	(206)	305
House Loans: General Fund	150		(47)	103
House Loans: HRA	123		(24)	99
Business Loans	349		(39)	310
Sub-total	979	154	(316)	817
Capital Advance to Lews Castle College	97		(13)	84
TOTAL	1,076	154	(329)	901

NOTE 8 MOVEMENT IN DEFERRED GRANTS

DEFERRED GRANTS	BALANCE AT 01/04/05 £'000	INCOME IN YEAR £'000	TAKEN TO REVENUE £'000	BALANCE AT 31/03/06 £'000
Deferred Grants	26,050	18,925	(5,702)	39,273
TOTAL	26,050	18,925	(5,702)	39,273

NOTE 9 ANALYSIS OF LONG TERM BORROWING

	31/03/05 £'000	31/03/06 £'000
Analysis of Loans By Type		
Public Works Loans Board	179,779	171,641
Market	2,014	2,014
Total outstanding	181,793	173,655
Analysis of Loans By Maturity		
Between 1 and 2 years	18,789	138
Between 2 and 5 years	4,414	7,414
Between 5 and 10 years	1,689	2,689
More than 10 Years	156,901	163,414
Total outstanding	181,793	173,655

NOTE 10 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 2006 was £118,135 (2004-05 £120,992). 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 Consolidated Balance Sheet. The largest of these is the Donald Alexander Ferguson Bequest, with a balance of £55,488 (2004-05 £53,775). This bequest is for the benefit of the clients of the Ardseileach Complex.

NOTE 11 PROVISIONS

PROVISIONS	BALANCE At 31/03/05 £'000	BALANCE At 31/03/06 £'000
Refund of European Grant	(84)	(84)
Equal Pay Claims	0	(3,671)
Obsolete Stock	(24)	(24)
TOTAL	(108)	(3,779)

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

Equal Pay Claims - This issue has arisen out of the Single Status Job Evaluation exercise, whereby the Comhairle have a liability in respect of certain groups of employees. It is expected that it will be resolved in 2006-07

Obsolete Stock - This provision is for writing off obsolete stock identified during Commercial Operations Unit stock taking.

NOTE 12 ANALYSIS OF NET ASSETS EMPLOYED

ANALYSIS OF NET ASSETS EMPLOYED	BALANCE At 31/03/05 £'000	BALANCE At 31/03/06 £'000
Housing Revenue Account	(24,063)	(23,585)
General Fund	54,164	64,815
TOTAL	30,101	41,230

NOTE 13 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 2005	Net Assets	£13,527
	Profit / (Loss) after Taxation	£14,961

The figures above are taken from the accounts for 2004-05 as the most recent 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
34 Church Street
Stornoway
Isle of Lewis
HS1 2JE

JOINT BOARDS

Highlands and Islands Fire Board
Northern Joint Police Board

The Comhairle has a 16.67% membership on both bodies and their financial results are included in the Group Accounts.

Highland and Western Isles Joint Valuation Board

The results of the Valuation Board have not been included in the Group Accounts on materiality grounds.

NOTE 14 RETIREMENT BENEFITS**TEACHERS PENSION SCHEME**

Note 19 to the Consolidated Revenue Account contains details of payments to the scheme, which is a defined benefit scheme administered by the Scottish Executive. Although the scheme is unfunded, the Executive uses a notional fund as the basis for calculating the employers contribution rate paid by local authorities. However, it is not possible for the Comhairle to identify a share of the underlying liabilities in the scheme attributable to its own employees.

NOTE 14 RETIREMENT BENEFITS (Continued)

OTHER EMPLOYEES PENSION SCHEME

Note 20 to the Consolidated Revenue Account contains details of the authority's participation in the Local Government Pensions Scheme (administered by Highland Council). This is a funded scheme, meaning that the authority and employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

	At 31 March 2005 £'000	At 31 March 2006 £'000
Estimated Employer Assets (A)	81,851	105,648
Present Value of Scheme Liabilities	99,061	126,082
Present Value of Unfunded Liabilities	3,762	4,114
Total Value of Liabilities (B)	102,823	130,196
Net Pension Liability (B-A)	20,972	24,548

The liability shows the underlying commitments that the authority has in the long run to pay retirement benefits. The liability of £25m (2004-05 £21m) has had a substantial effect on the net worth of the authority as recorded in the balance sheet reducing it by approximately 40%. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy, the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the actuary.

Local government legislation provides that local authorities have an obligation to meet the expenditure of Joint Boards of which they are constituent members. As a consequence Comhairle Nan Eilean Siar has additional liabilities arising from the pensions deficits of:

- The North Joint Police Board;
- The Highland and Islands Fire Board; and
- The Highland and Western Isles Valuation Joint Board

Further information regarding these deficits can be found in the annual report and accounts of the relevant bodies

At 31 March 2006 £495k (2004-05 £466k) of pension contributions were accrued.

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 dependant on assumptions about mortality rates salary levels, etc. The scheme has been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the fund being based in the latest full valuation of the scheme as at 31 March 2005. The next formal valuation is due as at 31 March 2008.

The main assumptions used in their calculations have been:

	At 31 March 2005 £'000 % p.a.	At 31 March 2006 £'000 % p.a.
Price increases	2.9	3.1
Salary increases	4.4	4.6
Pension increases	2.9	3.1
Discount rate	5.4	4.9

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

	As at 31 March 2005		As at 31 March 2006	
	Long Term Return % p.a.	Assets £'000	Long Term Return % p.a.	Assets £'000
Equities	7.7	57,999	7.4	75,930
Bonds	4.8	15,030	4.6	16,916
Property	5.7	7,085	5.5	10,746
Cash	4.8	1,737	4.6	2,056
Total	6.9	81,851	6.7	105,648

NOTE 14 RETIREMENT BENEFITS (Continued)**Movement in Pension Liabilities**

	2004/05 £'000	2005/06 £'000
Liability at 1 April	(6,312)	(20,972)
Current Service Cost	(4,180)	(4,306)
Employers Contributions	3,086	3,647
Contribution in respect of Unfunded Pensions	276	339
Past Service Costs	(23)	(154)
Impact of Settlements and Curtailments	0	(58)
Expected Return on Assets	737	108
Actuarial Losses	(14,556)	(3,152)
Liability at 31 March	(20,972)	(24,548)

NOTE 15 FINANCE AND OPERATING LEASES

The committed operating lease expenditure in financial year 2006-07, analysed by the year that the lease expires is as follows.

	Committed Expenditure 2006-07 £'000	Expiring 2006-07 £'000	Expiring 2007-08 to 2010-11 £'000	Expiring 2011-12 and after £'000
Library Building	158	-	-	158
Other Buildings	20	-	-	20
Vehicles and Equipment	171	58	113	-
TOTAL	349	58	113	178

There were no finance lease payments in 2005-06 and there are no commitments in 2006-07.

NOTE 16 SIGNING OF ACCOUNTS

The Director of Finance, being the officer responsible for the Comhairle's financial affairs, signed the Statement of Accounts on 30 June 2006. Events after the date of the Balance Sheet (31 March 2006) up to the date of signing have been considered in the preparation of the 2005/06 Statement of Accounts.

NOTE 17 CONTINGENT LIABILITIES

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

The Comhairle acts as guarantor for up to £1.2m of loans advanced under the Fisheries Assistance and Business Loans Schemes. Provision has been made in the event of non-payment of a portion of the loans. (See Note 6 to the Balance Sheet).

NOTE 18 EURO COSTS

The nature and potential impact of the introduction of the Euro are not deemed to be significant at 31 March 2006.

NOTE 19 POST BALANCE SHEET EVENT

On 12 September 2006 The Comhairle transferred its housing stock to the Hebridean Housing Partnership. The debt outstanding on the Housing Revenue Account was written off by the Scottish Executive at that date. The net liabilities on the HRA at 31 March 2006 of £23.585m (see Note 12 to the Consolidated Balance Sheet) and council dwellings of £10.5m recorded on the Balance Sheet are no longer the concern of the Comhairle.

STATEMENT OF TOTAL MOVEMENT IN RESERVES

RESERVES	REVENUE			CAPITAL				TOTAL £'000
	General Fund £'000	Repairs & Renewals Fund £'000	Pension Reserve £'000	Fixed Asset Restatement Account £'000	Capital Financing Account £'000	Government Grants Deferred £'000	Usable Capital Receipts £'000	
Balances at 1 April 2005	10,319	278	(20,972)	(14,019)	8,732	26,050	984	11,372
Prior Year Adjustments				18,729				18,729
Restated Opening Balance	10,319	278	(20,972)	4,710	8,732	26,050	984	30,101
Revaluation of Fixed assets				(2,050)				(2,050)
Surplus / (Deficit) for Year	(39)							(39)
Appropriations To/From Revenue			(424)					(424)
Actuarial Gains/Losses relating to pensions			(3,152)					(3,152)
Disposal of Fixed Assets				(729)			1,123	394
Deferred Grants (Taken to Revenue)					5,702	(5,702)		0
Other Capital Receipts						18,925		18,925
Repayment of Principal					11,656			11,656
Depreciation					(7,961)			(7,961)
Deferred Charges					(6,220)			(6,220)
Balance at 31 March 2006	10,280	278	(24,548)	1,931	11,909	39,273	2,107	41,230

NOTE 1 FIXED ASSET RESTATEMENT ACCOUNT

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

NOTE 2 CAPITAL FINANCING ACCOUNT

The Capital Financing Account contains the amounts which are required by statute to be set aside from capital receipts for the repayments of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the reserve is reduced as loan debt is repaid.

NOTE 3 USABLE CAPITAL RECEIPTS RESERVE

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

NOTE 4 REPAIRS & RENEWALS FUND

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

NOTE 5 PENSION RESERVE

The actuarial gains identified as movements on the Pensions Reserve in 2005-06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March.

	Year to 31/03/06 £'000	Year to 31/03/05 £'000	Year to 31/03/04 £'000	Year to 31/03/03 £'000
Difference between expected and actual return on assets	14,798	4,447	8,943	(20,651)
Percentage of Assets	14.0%	5.4%	12.7%	(37.2%)
Experience Gains / (Losses) on Liabilities	(2,320)	103	(54)	(1,066)
Percentage of Present Value of Liabilities	(1.8%)	0.1%	(0.1%)	(1.6%)
Changes in financial assumptions underpinning the present value of scheme liabilities	(15,630)	(19,106)	0	0
Percentage of Present Value of Liabilities	(12.0%)	(18.6%)	0	0
Total Actuarial Gains / (Losses)	(3,152)	(14,556)	8,889	(21,717)
Percentage of Present Value of Liabilities	(2.4%)	(14.1%)	11.6%	(32.4%)

CASH FLOW STATEMENT

2004-05 In / (Out) £'000		2005-06 £'000	2005-06 £'000	2005-06 In / (Out) £'000
	Revenue Activities (Note 1)			
	Cash Outflows			
(57,261)	Cash Paid to and on Behalf of Employees	(59,018)		
(50,101)	Other Operating Cash Payments	(44,580)		
(744)	Housing Benefit Paid Out	(783)		
(108,106)			(104,381)	
	Cash Inflows			
1,672	Rents (after Rebates)	1,790		
7,937	Council Tax Receipts	7,622		
4,482	National Non-Domestic Rates Receipts from National Pool	4,271		
5,488	Non-Domestic Rates Receipts	4,065		
77,400	Revenue Support Grant	80,574		
5,179	DWP Grants	661		
9,264	Other Government Grants	12,142		
6,603	Cash Received for Goods and Services	9,943		
16,122	Other Operating Cash Receipts	5,816		
134,147			126,884	
26,041	Net Cash In-flow from Revenue Activities			22,503
	Returns on Investments & Servicing of Finance			
	Cash Outflows			
(12,873)	Interest Paid	(12,839)		
0	Premia	0		
(12,873)			(12,839)	
	Cash Inflows			
628	Interest Received	401		
			401	
(12,245)				(12,438)
13,796				10,065
	Capital Activities			
	Cash Outflows			
(12,345)	Purchase of Fixed Assets	(23,640)		
(4,961)	Expenditure on Deferred Charges	(6,221)		
(183)	Other Capital Cash Payments	0		
(17,489)			(29,861)	
	Cash Inflows			
1,217	Sales of Fixed Assets	1,123		
8,907	Capital Grants Received	18,925		
381	Other Capital Cash Receipts	529		
10,505			20,577	
(6,984)				(9,284)
6,812	Net Cash In-flow/(Out-flow) before Financing			781
	Management of Liquid Resources (Note 3)			
(4,063)	Net Increase/Decrease in Short Term Deposits	1,192		
(250)	Net Increase/Decrease in Short Term Borrowing	0		
			1,192	
(4,313)				1,192
	Financing			
	Cash Outflows			
(34,054)	Repayments of Amounts Borrowed	(14,789)		
(34,054)			(14,789)	
	Cash Inflows			
35,000	New Loans Raised	14,651		
35,000			14,651	
946				(138)
3,445	Net Increase/(Decrease) in Cash			1,835
2003-04	Movements in cash per Balance Sheet	Opening	Closing	Movement
3,445		(2,105)	(270)	1,835

NOTE 1 RECONCILIATION OF SURPLUSES/(DEFICITS) AND CASH INCREASES/(DECREASES)

2004-05 £'000		2005-06 £'000
	Operating Surpluses/(Deficits)	
1,249	Consolidated Revenue Fund - Surplus/(Deficit) for the Year (Page 7)	(39)
(142)	Contribution to/(from) Repairs and Renewals Fund	0
1,107		(39)
142	Capital Expenditure Financed from Current Revenue	0
(20,202)	Capital Expenditure	(32,783)
12,331	Capital Income	20,576
(7,871)		(12,207)
11,919	Principal Repaid (Non Cash)	11,658
984	Capital Receipts Unapplied	0
	Movement in Working Balances (per Balance Sheet)	
2,916	(Reduction)/Increase in Creditors	(42)
(74)	Reduction/(Increase) in Stocks	(78)
859	Reduction/(Increase) in premiums	859
280	(Reduction)/Increase in Bad Debt and Other Provisions	3,600
(3,450)	Reduction/(Increase) in Debtors	(2,970)
531		1,369
6,812		781
	Movement in Loans (per Cashflow Statement)	
35,000	Loans Raised	14,651
(34,054)	Loans Repaid	(14,789)
946		(138)
	Movement in Cash and Liquid Resources (per Balance Sheet)	
(3,445)	(Reduction)/Increase in Bank Overdraft	(1,835)
(250)	(Reduction)/Increase in Short Term Borrowing	0
(4,063)	Reduction/(Increase) in Investments	1,192
(7,758)		(643)
(6,812)		(781)

NOTE 2 OTHER GOVERNMENT GRANTS

2004-05 £'000		2005-06 £'000
2,894	Housing Support Grant	2,718
1,186	National Priorities Action Fund	815
841	Specific Grant for Gaelic Education	848
4,604	DWP Grants (excl. Rent Allowance Subsidy)	4,646
185	Community Service Order Grant	307
4,733	Other Specific Revenue Grants	2,808
14,443		12,142

NOTE 3 RECONCILIATION OF MOVEMENT IN CASH AND NET DEBT

2004-05 £'000		2005-06	
		£'000	£'000
(183,160)	Opening Net Debt at 1 April		(176,348)
3,445	Increase / (Decrease) in cash in the period		1,835
	Cash in Hand	1	
4,063	Short Term Deposits	(1,193)	
250	Short Term Borrowing	0	
4,313	Movement in Liquid Resources		(1,192)
(946)	Reduction / (Increase) in Borrowing		138
(176,348)			(175,567)

1 April 2005 £'000	Analysis of Movement in Net Debt	Cash Flows £'000	Non Cash £'000	31 March 2006 £'000
	Cash			
(2,105)	Bank Overdraft	1,835	0	(270)
10	Cash in Hand	1		11
7,678	Liquid Resources	(1,193)	0	6,485
	Borrowing			
(138)	Long -Term Borrowing Maturing Within 1 Year	138	(8,138)	(8,138)
(181,793)	Long-Term Borrowing	0	8,138	(173,655)
(176,348)	Total Net Debt	781	0	(175,567)

GROUP REVENUE ACCOUNT

2004-05 Net £'000	SERVICE	2005-06		
		Expenditure £'000	Income £'000	Net £'000
36,420	Education Services	43,366	(4,620)	38,746
1,163	General Fund Housing	6,510	(5,065)	1,445
(4,682)	Housing Revenue Account	2,720	(7,377)	(4,657)
4,492	Cultural & Related Services	5,561	(1,056)	4,505
3,350	Environmental Services	5,043	(1,647)	3,396
9,277	Roads & Transport Services	10,624	(1,391)	9,233
3,441	Planning & Development Services	7,389	(2,701)	4,688
14,901	Social Work	22,462	(4,311)	18,151
3,043	Corporate & Democratic Core	3,261	(4)	3,257
208	Non Distributed Costs	462	0	462
946	Central Services to the Public	1,107	(265)	842
228	Trading Services	1,285	(1,102)	183
248	Precepts and Levies	261	0	261
4,853	Share of Operating Results of Associates			4,599
909	(Profits)/Losses on Disposal of Assets			931
78,797	NET COST OF SERVICES	110,051	(29,539)	86,042
271	Trading Operations Surpluses & Deficits			631
(624)	Interest Receivable			(687)
(35)	Share of Interest Receivable of Associates			(44)
13,076	Interest Payable			12,916
397	Share of Interest Payable of Associates			258
(737)	Pensions Interest Costs and Expected Return on Assets			(108)
2,352	Share of Pension Costs and Expected Return on Pension Assets of Associates			3,094
0	Extraordinary Item - BCCI Receipt			(1,595)
871	Net (gains) / losses on debt restructuring			878
94,368	NET OPERATING EXPENDITURE			101,385
(142)	Contribution to/(from) Repairs & Renewals Fund			0
(2,984)	Contribution to/(from) Pension Reserve			(4,455)
2,907	Transfer to/(from) Capital Financing Accounts/Reserves			2,533
142	Capital Financed from Current Revenue			0
94,291	AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS			99,463
(8,120)	Council Tax Income			(9,297)
(77,571)	Revenue Support Grant			(80,374)
(9,830)	Non-Domestic Rates			(9,782)
(1,230)	(SURPLUS)/DEFICIT FOR THE YEAR			10
9,690	Balance b/fwd from Previous Year			10,920
1,230	Surplus/(Deficit) for the Year			(10)
10,920	BALANCE AT 31 MARCH 2006			10,910

GROUP BALANCE SHEET

Restated 31 March 2005 £'000	CONSOLIDATED BALANCE SHEET as at 31 March 2006	Gross Book Value £'000	Depreciation £'000	31 March 2006	
				£'000	£'000
	Fixed Assets				
	Tangible Fixed Assets				
	<i>Operational Assets:</i>				
11,205	Council Dwellings	12,847	(2,324)	10,523	
124,108	Other Land & Buildings	128,060	(3,879)	124,181	
918	Leasehold Improvements	1,277	(425)	852	
3,791	Vehicles, Plant & Equipment	8,003	(3,316)	4,687	
77,835	Infrastructure Assets	115,050	(30,246)	84,804	
475	Community Assets	628	(184)	444	
	<i>Non-operational Assets:</i>				
2,005	Investment Properties	2,009	(63)	1,946	
2,263	Assets Under Construction	10,282	0	10,282	
222,600	Total Fixed Assets	278,156	(40,437)		237,719
	Other Long Term Assets				
(53,741)	Investment in Associates			(63,678)	
0	Long-term Investments			350	
1,076	Long-term Debtors			901	
(321)	Less Provisions			(321)	
4,865	Premia on debt redemption			4,006	(58,742)
174,479	Total Long-term Assets				178,977
	Current Assets				
655	Stocks & Work in Progress			733	
14,697	Debtors			17,667	
(2,110)	Less Provisions			(2,039)	
7,678	Investments			6,485	
10	Cash in hand			11	22,857
195,409	Total Assets				201,834
	Current Liabilities				
(138)	Borrowing repayable within 1 Year			(8,138)	
(13,933)	Creditors			(13,892)	
(108)	Provisions			(3,779)	
(2,105)	Bank Overdraft			(270)	(26,079)
179,125	Total Assets less Current Liabilities				175,755
	Long-term Liabilities				
(181,793)	Long-Term Borrowing			(173,655)	
(20,972)	Pension Liability			(24,548)	(198,203)
(23,640)	Net Assets/(Liabilities)				(22,448)
	Capital Reserves				
7,917	Fixed Assets Restatement Account			4,731	
9,365	Capital Financing Account			13,009	
26,050	Government Grants Deferred			39,273	
1,203	Usable Capital Receipts Reserve			2,520	59,533
(79,373)	Pension Reserve				(93,169)
	Revenue Reserves				
10,920	Balances - General Fund			10,910	
278	- Repairs and Renewals Fund			278	11,188
(23,640)	Total Reserves				(22,448)

Robert Emmott BSc CPFA, Director of Finance
30 June 2006

STATEMENT OF TOTAL MOVEMENT IN GROUP RESERVES

RESERVES	REVENUE			CAPITAL				TOTAL £'000
	General Fund £'000	Repairs & Renewals Fund £'000	Pension Reserve £'000	Fixed Asset Restatement Account £'000	Capital Financing Account £'000	Government Grants Deferred £'000	Usable Capital Receipts £'000	
Balances at 1 April 2005	10,920	278	(79,373)	(10,812)	9,365	26,050	1,203	(42,369)
Prior Year Adjustment (CNES)				18,729				18,729
Restated Opening Balance	10,920	278	(79,373)	7,917	9,365	26,050	1,203	(23,640)
Surplus / (Deficit) for Year	(10)							(10)
Appropriations To/From Revenue			(4,454)		3,466			(988)
Actuarial Gains/Losses relating to pensions			(9,342)					(9,342)
Disposal of Fixed Assets				(927)			1,495	568
Financing of Fixed Assets					178		(178)	0
Revaluation of Fixed Assets				(2,259)				(2,259)
Deferred Grants (Taken to Revenue)						(5,702)		(5,702)
Other Capital Receipts						18,925		18,925
Balance at 31 March 2006	10,910	278	(93,169)	4,731	13,009	39,273	2,520	(22,448)

NOTE 1 FIXED ASSET RESTATEMENT ACCOUNT

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

NOTE 2 CAPITAL FINANCING ACCOUNT

The Capital Financing Account contains the amounts which are required by statute to be set aside from capital receipts for the repayments of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the reserve is reduced as loan debt is repaid.

NOTE 3 USEABLE CAPITAL RECEIPTS RESERVE

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

NOTE 4 REPAIRS & RENEWALS FUND

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

GROUP CASH FLOW STATEMENT

2004-05 In / (Out) £'000		2005-06 £'000	2005-06 £'000	2005-06 In / (Out) £'000
	Revenue Activities (Note 1)			
	Cash Outflows			
(57,261)	Cash Paid to and on Behalf of Employees	(59,018)		
(50,101)	Other Operating Cash Payments	(44,580)		
(744)	Housing Benefit Paid Out	(783)		
(108,106)			(104,381)	
	Cash Inflows			
1,672	Rents (after Rebates)	1,790		
7,937	Council Tax Receipts	7,622		
4,482	National Non-Domestic Rates Receipts from National Pool	4,271		
5,488	Non-Domestic Rates Receipts	4,065		
77,400	Revenue Support Grant	80,574		
5,179	DWP Grants	661		
9,264	Other Government Grants (Note 2)	12,142		
6,603	Cash Received for Goods and Services	9,943		
16,122	Other Operating Cash Receipts	5,816		
134,147			126,884	
26,041	Net Cash In-flow from Revenue Activities			22,503
	Returns on Investments & Servicing of Finance			
	Cash Outflows			
(12,873)	Interest Paid	(12,839)		
0	Premia	0		
(12,873)			(12,839)	
	Cash Inflows			
628	Interest Received	401		
			401	
(12,245)				(12,438)
13,796				10,065
	Capital Activities			
	Cash Outflows			
(12,345)	Purchase of Fixed Assets	(23,640)		
(4,961)	Expenditure on Deferred Charges	(6,221)		
(183)	Other Capital Cash Payments	0		
(17,489)			(29,861)	
	Cash Inflows			
1,217	Sales of Fixed Assets	1,123		
8,907	Capital Grants Received	18,925		
381	Other Capital Cash Receipts	529		
10,505			20,577	
(6,984)				(9,284)
6,812	Net Cash In-flow/(Out-flow) before Financing			781
	Management of Liquid Resources (Note 3)			
(4,063)	Net Increase/Decrease in Short Term Deposits	1,192		
(250)	Net Increase/Decrease in Short Term Borrowing	0		
			1,192	
(4,313)				1,192
	Financing			
	Cash Outflows			
(34,054)	Repayments of Amounts Borrowed	(14,789)		
(34,054)			(14,789)	
	Cash Inflows			
35,000	New Loans Raised	14,651		
35,000			14,651	
946				(138)
3,445	Net Increase/(Decrease) in Cash			1,835
2003-04	Movements in cash per Balance Sheet	Opening	Closing	Movement
3,445		(2,105)	(270)	1,835

NOTES TO THE GROUP ACCOUNTS

1. Combining Entities

The Comhairle has an interest in a number of Associate Companies and full details of these have been given in Note 13 to the Consolidated Balance Sheet on Page 30. 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 2006 and copies of the individual accounts are available from the Director of Finance, Highland Council, Glenurquhart Road, Inverness, IV3 5NX.

2. 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.

3. Financial Impact of Consolidation

The effect of including the Associates on the Group Balance Sheet is to reduce net worth by £63.5m. This is due to the 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 cover actual expenditure.

4. Reporting Authority adjustments to comply with UK GAAP

In order to comply with UK GAAP a number of adjustments require to be made to the Comhairle's Consolidated Revenue Account (Page 7). These can be summarised as follows:

The notional interest rate applied by local authorities to account for the cost of tying up capital in fixed assets has been removed from the net cost of service analysis. This has resulted in £12.8m being removed from the capital charges included in service department costs, with a corresponding adjustment being made to the Asset management Revenue Account.

Profits and losses with a net value of £1.1m have now been included within net cost of services.

Capital grants to the value of £5.7m, amortised during the year, have now been included in individual services.

The overall impact on the Asset Management Revenue Account is the removal of all entries except external interest payable, which is now shown separately on the face of the Group Revenue Account.

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

The Authority's Responsibilities

The authority is required:

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

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the authority'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 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 has also:

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

The Statement of Accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2006.

(Signed) _____
(Director of Finance)

(Date) _____

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

1. This statement is given in respect of the 2005/06 statement of accounts for Comhairle nan Eilean Siar. I acknowledge my responsibility as Director of Finance 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 who reports independently through the Director of Finance, 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 2003;

- 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 2007 has also been approved by Members;
 - Based on the findings arising from the reduced level of internal audit work undertaken against the original plan, the independent opinion reached in the annual internal audit report was that reasonable assurance could be placed on the system of internal financial control, and
 - External Audit were able to place reliance on the work of Internal Audit in reaching their conclusion on the controls operating within areas of the Comhairle, specifically Payroll.
 - In terms of best practice the Statement on the System of Internal Financial Control (SSIFC) should cover group accounts. The Comhairle has placed reliance on the work of Highland Council's Internal Audit section who currently undertake work on the Police, Fire and Joint Valuation Boards. Highland Council's Annual Report makes reference to the appropriateness of the systems of internal control and deem them as acceptable. I therefore propose no additional work in this area.
 - Audit Scotland undertook a Best Value Review of the Comhairle during 2005/2006. Following receipt of the report, the Comhairle will prepare a Best Value Improvement Plan to address its findings.
6. My review of the effectiveness of the system of internal financial control is informed by:
- the work of managers within the Comhairle who have responsibility for the development and maintenance of the internal financial control framework;
 - the work of internal auditors as described above; and
 - the external auditors in their annual audit letter and other reports.
7. I am satisfied that the Comhairle has in place an appropriate system of internal financial control, but would draw your attention to the specific matters detailed in paragraphs 8 to 15 below.
8. The Comhairle was prosecuted for breaches of the Environment Act 1990 at Stornoway Sheriff Court on the 22 November 2005. The prosecution related to an incident of unlawful depositing of controlled waste at a Comhairle landfill site. In addition, waste had not been checked by a competent person and appropriate paperwork had not been completed. The Comhairle pled guilty in Stornoway Sheriff Court to three charges of Environmental Protection legislation and not guilty pleas were accepted in respect of another seven charges of the Environment Act 1990. The Comhairle was fined the sum of £2,000.
9. The Comhairle has since developed and implemented procedures which should prevent such incidents from recurring in the future.

10. The Comhairle is required by the Local Government in Scotland Act 2003 to achieve a prescribed annual financial objective of break even over a rolling three year period with regard to their statutory trading accounts. I note that the Bus Operations are not on target to achieve break even and will in fact make a loss of £57,395 including pension costs under FRS 17. The loss is due to a number of factors, mainly, employee sick pay and fuel costs. We note that a number of reports have been presented to the Commercial Operations Board analysing the Bus Operations income and expenditure and reasons for the loss. Since the break even position will not be achieved, it is recognised that the requirements of the Local Government in Scotland Act 2003 will not be met in this instance.
11. Officers of the Comhairle have kept Members up to date on the financial position of the Bus Operations and have informed the Comhairle's appointed External Auditors, Audit Scotland.
12. The Comhairle has made rapid progress in 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. This was highlighted in our Internal Auditors report on Corporate Strategy & Risk Management dated 16 November 2005. The Comhairle is acting on recommendations made and also the implementation of the Strategic Risk Management Group Annual Work Plan that is approved by the Comhairle in June each year.
13. Performance management has been an area where additional emphasis has been made to improve information received by managers. During 2005/2006 the Comhairle's Internal Auditors have identified weaknesses in performance management, namely, the absence of a system for managers to receive reliable, timely and understandable information for measuring performance. The Comhairle is implementing the recommendations made to develop robust performance management frameworks. The outcome of the Best Value audit will have a bearing on this process.
14. The Comhairle's External and Internal Auditors have highlighted a number of control weaknesses within the Comhairle's Payroll system relating in the main to software implementation, access controls and business continuity. The Comhairle acknowledges that there have been problems with the implementation of the new payroll upgrade and is implementing agreed actions highlighted by our Auditors.
15. The Comhairle's Housing Department did not comply with Contract Regulations in the procurement and award of repairs and maintenance work undertaken towards the end of the 2005/06 financial year. The Comhairle's Chief Executive has strongly reiterated to Officers within the Comhairle's Housing Department, the need to comply with Contract Regulations.

Robert Emmott BSc CPFA, Director of Finance

30 June 2006

Independent auditor's report

To the members of the Comhairle Nan Eilean Siar and the Accounts Commission for Scotland

I certify that I have audited the financial statements of the Comhairle Nan Eilean Siar and its group for the year ended 31 March 2006 under Part VII of the Local Government (Scotland) Act 1973. These comprise the Consolidated Revenue Account, the Significant Trading Organisations Accounts, the Income Accounts, the Housing Revenue Account, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the Group Accounts and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and the Code of Audit Practice approved by the Accounts Commission and for no other purpose as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001.

Respective responsibilities of the Director of Finance and auditor

The Director of Finance's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2005 - A Statement of Recommended Practice (the 2005 SORP) are set out in the Statement of Responsibilities.

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

I report my opinion as to whether the financial statements present fairly the financial position of the local authority in accordance with applicable laws and regulations and the 2005 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the local authority has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

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

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

Basis of audit opinion

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

The 2005 SORP requires that assets included in the Consolidated Balance Sheet at current cost are formally revalued by a qualified valuer at intervals of not more than five years. No revaluation of council dwellings has been undertaken since 1 April 2000. I am unable, therefore, to determine the possible adjustments to the financial statements that would have been required had the Comhairle's assets been revalued in accordance with the requirements of the SORP. The Comhairle's housing stock was subsequently transferred to the Hebridean Housing Partnership on 12 September 2006.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from disagreement about accounting treatment and limitation in audit scope

The 2005 SORP requires that deferred charges are fully charged to revenue in the year they are incurred if the local authority does not control the economic benefits arising from the expenditure. Note 5 to the Consolidated Balance Sheet highlights that other grants of £1.859 million have been charged to revenue during 2005/06. The impact on the General Fund and expenditure to be met from council tax, however, has been neutralised through a corresponding credit from the Capital Financing Account to reflect the fact that the expenditure has been funded through borrowing. In my opinion, this treatment is not in accordance with proper accounting practice and results in an understatement in the deficit for the year, and an overstatement of the General Fund balance, of £1.859 million.

Except for the treatment of deferred charges of £1.859 million and for any adjustments that might have been necessary had a revaluation of council dwellings been undertaken within the timescale required by the 2005 SORP, in my opinion

- the financial statements present fairly, in accordance with applicable laws and regulations and the 2005 SORP, the financial position of the Comhairle and its group as at 31 March 2006 and its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Failure to comply with a statutory requirement

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

Local authorities have a duty under Section 10 of the Local Government in Scotland Act 2003 to conduct each of their significant trading operations so that income is not less than expenditure over each three year period. The Comhairle failed to comply with this statutory requirement for the three year period ending 31 March 2006 in respect of the bus operations significant trading operation.

Fiona Kordiak CPFA, Assistant Director
Audit Scotland – Audit Services
Ballantyne House, 84 Academy Street
Inverness IV1 1LU

29 September 2006