

Douglas

Douglas Borough Council



Derby Square Refurbishment

Statement of Accounts for the Year ending **31st March 2009**



Improving the Environment of Douglas - Guttery Gable



Aerial view of Upper Pulrose Redevelopment Area



Custodians of the Capital

TABLE OF CONTENTS

Douglas Borough Council's Statement of Accounts for the year ending 31st March, 2009 is set out on pages 1 to 41.

	Page
Explanatory Foreword	1-5
Statement of Responsibilities for the Statement of Accounts	6
Independent Auditor's Report	7-8
Statement of Accounting Principles	9-12
CORE ACCOUNTING STATEMENTS:	
Income and Expenditure Account	13
Statement of Movement on the General Rate Fund Balance	14
Statement of Total Recognised Gains and Losses (STRGL)	14
Summary Statement of Capital Expenditure and Financing	15
Balance Sheet	16
Consolidated Statement of Revenue and Capital Movements	17
General Rate Fund	18
NOTES TO THE CORE ACCOUNTING STATEMENTS	19-34
SUPPLEMENTARY ACCOUNTING STATEMENTS:	
Housing Revenue Account - Income and Expenditure Account	35
Statement of Movement on Housing Revenue Account Balances	36
Tramways Undertaking Accounts	
- Summary of Tramways Revenue Income and Expenditure	37
- Tramways Undertaking Balance Sheet	37
Statement on Internal Control and the System of Internal Financial Control	38-41
Explanation of Financial Terms	42-43
Explanation of Reserves	44-45

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

EXPLANATORY FOREWORD

1. Introduction

The purpose of this set of accounts is to present the financial results of the Council's activities for the year ending 31st March 2009, and to summarise the overall financial position as at 31st March 2009. The following paragraphs provide an overview of the financial performance and position of the Council, with the supporting detail being set out within the subsequent sections of these accounts.

2. The Accounting Statements

For 2008/2009 there have been some changes in the format of the Statement of Accounts compared to 2007/2008. These changes have arisen out of The Accounts and Audit Regulations 2007, as supported by the Isle of Man Government Treasury's Statement of Recommended Practice ("the SORP") 2007, which has been based largely on the Code of Practice on Local Authority Accounting in the United Kingdom 2006 – A Statement of Recommended Practice ("the UK SORP"). Douglas Borough Council ("the Council") has been proactive in making significant changes to the Statement of Accounts in order to clearly demonstrate its commitment to the new regulations. Although further progress towards compliance has been achieved, a number of departures from the Regulations still remain in the Council's accounts, and they are disclosed within the Statement of Accounting Principles section of these statements (clause 1).

The information in these accounts is presented in a number of statements, which are explained below.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS – This sets out the respective responsibilities of the Council and the Responsible Financial Officer for the accounts.

THE INCOME AND EXPENDITURE ACCOUNT - This account reports the day to day running costs for all of the functions for which the Council is responsible, and how those costs are financed from income from local ratepayers (i.e. the General Rate Fund). The 2007/2008 prior year comparatives have been restated to reflect the exclusion of all Housing Revenue Account transfers to and from reserves from within the net cost of services.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE – Whilst the Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the year, the Council is required to set its rate on a different accounting basis. This statement shows the surplus or deficit on the Income and Expenditure Account adjusted for additional amounts, which are required to be charged or credited to the General Rate Fund in determining the movement on the General Fund Balance for the year. Those additional amounts include accounting for transfers to and from the Council's earmarked reserves, which had previously been incorporated within the revenue net cost of services. The 2007/2008 prior year comparatives have been restated to reflect the exclusion of all Housing Revenue Account transfers to and from reserves from within the net cost of services.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL) – This statement discloses all gains and losses of the Council for the year. In addition to the surplus or deficit generated on the Income and Expenditure Account, any other gains or losses disclosed elsewhere on the Balance Sheet are also included here. As there is no revaluation of fixed assets yet undertaken by the Council (although this is schedule to take place during 2009), the only item currently included in addition to the surplus or deficit on the Income and Expenditure Account is the loss or gain related to the remeasurement of the net liability to recover the cost of retirement benefits.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

EXPLANATORY FOREWORD (CONTINUED)

SUMMARY STATEMENT OF CAPITAL EXPENDITURE AND FINANCING – this statement provides an overall summary of capital expenditure, summarised in respect of the Council's different statutory functions, and presents the sources of finance for the year's total capital expenditure. Although this statement is not required by UK SORP, this is a requirement for Isle of Man local authorities under the Accounts and Audit Regulations 2007.

THE BALANCE SHEET – This statement sets out the overall consolidated financial position of the Council at the end of the year, incorporating the General Fund, Housing Revenue Account, and Tramways Undertaking balance sheet areas. In line with the SORP requirements, the Balance Sheet now presents all long term borrowing within the long term liabilities section of the account. This consolidated Balance Sheet summarises the Council's overall financial position as at 31st March 2009. All internal debtors and creditors have been eliminated. The Isle of Man Local Government Pension Scheme (with the exception of the FRS17 long term pension liability) is published separately. The FRS17 liability for the prior 2007/2008 year has been restated to reflect the change in asset valuation methodology by the actuary.

CONSOLIDATED STATEMENT OF REVENUE AND CAPITAL MOVEMENTS – This statement consolidates all income and expenditure on both capital and revenue accounts. Although internal transfers between the Council's accounts have been eliminated from this account, this is not the same as the Cash Flow Statement required by the SORP. As the accounts for the Council are not yet fully compliant with the SORP, it has not proved possible to produce the Cash Flow Statement for the 2008/2009 year.

GENERAL RATE FUND – Included for the first time in the 2008/2009 Statement of Accounts in order to comply with the Accounts and Audit Regulations 2007, this statement presents the rates levied by the Borough, together with details of rates collected and the rate arrears.

THE HOUSING REVENUE ACCOUNT - INCOME AND EXPENDITURE ACCOUNT - The Housing Revenue Account (HRA) reflects the statutory obligation to provide a separate account for the Council's public sector housing function. This account independently records the costs of maintaining and managing the Council's own housing stock and how these costs are met by rental income and government subsidy. This format of presentation is new for 2008/2009, in order to comply with the Accounts and Audit Regulations 2007. The rateborne element of the Housing Administration function is now excluded from this statement.

STATEMENT OF MOVEMENT ON HOUSING REVENUE ACCOUNT BALANCES - Included for the first time in the 2008/2009 Statement of Accounts, in order to comply with the Accounts and Audit Regulations 2007, this statement presents the movements on the Housing Revenue Account reserves (Housing Repairs and Community Facilities Reserves).

THE TRAMWAYS UNDERTAKING SUMMARY INCOME AND EXPENDITURE ACCOUNT AND BALANCE SHEET – The inclusion of this statement reflects the statutory obligation to provide a separate account for this unique function.

THE STATEMENT ON INTERNAL CONTROL AND THE SYSTEM OF INTERNAL FINANCIAL CONTROL – This statement reviews the effectiveness of internal control systems and the system of internal financial control. This is a requirement of public sector organisations under the Accounts and Audit Regulations 2007.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

EXPLANATORY FOREWORD (CONTINUED)

3. Summary Performance

This section provides a summary review of performance during the year and of key areas which impact upon the Council's financial position.

INCOME AND EXPENDITURE

The table below summarises the income and expenditure outturn for 2008/2009, compared with the approved estimates of the Council.

	Approved Estimates 2008/2009 £	Net Expenditure 2008/2009 £	Variance 2008/2009 £
Public Health & Housing (non HRA)	1,074,110	1,020,316	(53,794)
Public Works	3,201,000	3,128,722	(72,278)
Leisure Services	3,617,150	3,632,623	15,473
Policy & Resources	2,641,550	2,545,859	(95,691)
Net General Rate Fund	10,533,810	10,327,520	(206,290)
Housing Revenue Account	-	(51,165)	(51,165)
Net Cost of Services (excl FRS17)	10,533,810	10,276,355	(257,455)
Interest and Investment Income	(484,730)	(481,447)	3,283
Net Operating Expenditure (excl FRS17)	10,049,080	9,794,908	(254,172)
Net Transfers (from)/to all Reserves	(581,120)	(522,063)	59,057
Net Budget Requirement	9,467,960	9,272,845	(195,115)
Total from Rate Income	(9,474,200)	(9,583,398)	(109,198)
Revenue Contribution from/(to) Balances	(6,240)	(310,553)	(304,313)

The Net Operating Expenditure (excluding Pension Fund liability adjustments) incorporates all service expenditure, income from Government, fees and charges and interest income. Interest and Investment Income is now shown as a separate heading in line with SORP requirements, whereas this had been included within the Policy and Resources Committee service approved estimates. Compared to the approved estimates for the year, the Net Operating Expenditure was some £0.254m less than budgeted. This largely comes down to the underspend due to the delays in expenditure on the budgeted capital programme, resulting in reduced levels of capital charges to the services.

The favourable final outturn position was bolstered by a surplus of £109,000 income from Borough rates over the estimated figure, due to improved collection rates.

Income from the Isle of Man Government ("the Government"), for services and agencies run on their behalf by the Council, amounted to some £5.551m during the year. This figure includes the £1.506m gross subsidy received in respect of the Government levy charged for household waste.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

EXPLANATORY FOREWORD (CONTINUED)

GENERAL REVENUE RESERVE BALANCES

After all appropriations to and from balances and income from rates are taken into account, the position on the General Revenue Balances is £3.218m; some £1.395m higher than had been estimated at the beginning of the year. The General Fund did benefit from a final contribution from the revenue account of £310,553 (there was a budgeted contribution into Balances of £6,240 when setting the Rate), although the larger balance is to offset future years' planned commitments; most of which are capital, including the delayed Phase 3 of the Town Hall Refurbishment Scheme, as well as planned investments into the Council's ICT infrastructure. The uncommitted balance on the General Fund at the end of the year is £1.005m, as the following table shows.

	Original Estimates 2008/2009	Actual 2008/2009	Variance 2008/2009
	£	£	£
Balance at Year Beginning	2,013,030	3,465,985	1,452,955
All Revenue Transfers to/(from) Balance	(637,950)	(229,060)	408,890
Non Revenue Contributions to/(from) Balance	447,500	(19,157)	(466,657)
Increase/(decrease) in Balance	<u>(190,450)</u>	<u>(248,217)</u>	<u>(57,767)</u>
Balance at Year End	<u>1,822,580</u>	<u>3,217,768</u>	<u>1,395,188</u>
Further Commitments Against Balance	-	(2,213,166)	(2,267,602)
Uncommitted Balance	<u>1,822,580</u>	<u>(1,004,602)</u>	<u>(872,414)</u>

CAPITAL EXPENDITURE

Capital expenditure of £4.275m was undertaken during the year, of which £1.795m was for Housing Revenue Account (HRA) purposes and £2.480m was spent on General Fund assets. The total capital expenditure compares with the Capital Programme original estimate of £11.292m, which was revised to £8.070m. Most of this variance is accounted for by delayed commencement to a number of items in the Capital Programme, particularly within the Housing Revenue Account. Capital expenditure on Housing was mainly for various programme maintenance and refurbishment schemes. Capital expenditure on General Fund during the year included the Golf Course Community Facility and Clubhouse and also public lighting.

Capital Programme expenditure during the year was funded from a combination of long term borrowing, capital receipts, external contributions or contributions from either the revenue account or internal balances. The ongoing annual cost of long term borrowing used to fund Housing Revenue Account items is met by Government Housing Deficiency Grant from the Department of Local Government and the Environment.

4. Pensions Liability

Financial Reporting Standard 17 "Retirement Benefits" (FRS17) requires the Council to disclose certain information within its Statement of Accounts and this appears in note 25 to the Core Financial Statements. Included within that information is the net liability on the Isle of Man Local Government Superannuation Scheme that is attributable to Douglas Borough Council. This is the difference between future liabilities and assets, as valued at 31st March 2009, and amounts to £5.936m; an increase of £1.708m on the previous year. No current provision exists to meet this deficit, which will be addressed by future contributions to the Pension Fund over a number of years.

5. Audit of Accounts

These accounts are published following completion of audit by Moore Stephens (see Audit Report on pages 7-8).

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

EXPLANATORY FOREWORD (CONTINUED)

6. Further Information

The Council produces an Estimate Book which sets out the plans for the following financial year. A copy of this can viewed on the Council's website (www.douglas.gov.im), in Douglas Borough Library or alternatively obtained for a small charge by contacting the Borough Treasurer's Department at the Town Hall, Ridgeway Street, Douglas, Isle of Man IM99 1AD. Other detailed information is also available on the Council's website, where a copy of these accounts will also be made available after completion of the audit. A copy of the Isle of Man Local Government Pension Scheme Annual Report and Accounts and the Council's Corporate Plan can also be viewed there.

D W CHRISTIAN, J P
CHAIRMAN OF POLICY AND RESOURCES COMMITTEE
29th October 2009

G M BOLT, CPFA
BOROUGH TREASURER
29th October 2009

Town Hall
Ridgeway Street
DOUGLAS
Isle of Man
IM99 1AD

Telephone: (01624) 696300
Fax: (01624) 696400

Website: www.douglas.gov.im

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

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 secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Responsible Financial Officer (i.e. the Borough Treasurer)
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the statement of accounts.

The Responsible Financial Officer's Responsibilities

The Responsible Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Isle of Man Statement of Recommended Practice 2007 on accounting for entities subject to the Audit Act 2006 ("the SORP")

In preparing this statement of accounts, the Responsible Financial Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the SORP, except for the issues disclosed within the Statement of Accounting Principles.

The Responsible Financial Officer 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 Responsible Financial Officer should sign and date the statement of accounts, stating that it presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2009.

Certificate by the Responsible Financial Officer

Under the Accounts and Audit Regulations 2007 these accounts are to be prepared by the 31st July and must be approved by the Responsible Financial Officer prior to approval by Douglas Borough Council (as delegated to the Policy and Resources Committee).

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and present fairly the financial position of the Council as at 31st March 2009 and its income and expenditure for the year ended 31st March 2009. The Audit Directions 2008, however, allow for a transitional period to 31st March 2011 for full implementation of the Accounts and Audit Regulations in respect of accounting for fixed assets.

G M BOLT, CPFA
BOROUGH TREASURER AS RESPONSIBLE FINANCIAL OFFICER
DOUGLAS BOROUGH COUNCIL

July 2009

The Annual Report and Accounts were approved by the Policy and Resources Committee on 24th July 2009 and passed to Moore Stephens for audit.

Independent Auditors' Report to the Mayor and Councillors of Douglas Borough Council ("the Council")

We have audited the abstract of accounts of Douglas Borough Council for the year ended 31 March 2009 set out on pages 13 to 45. These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out therein.

This report is made solely to the Mayor and Councillors, as a body, in accordance with Section 6 of the Audit Act 2006. Our audit work has been undertaken so that we might state to the Mayor and Councillors those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Mayor and Councillors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and Auditors

As described on page 6, the Council are responsible for the preparation of the financial statements in accordance with the Audit Act 2006 and all other applicable enactments.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the accounts are prepared in accordance with the Accounts and Audit Regulations 2007, made under the Audit Act 2006. We also report to you if, in our opinion, if the Council has not kept proper accounting records, if we have not received all the information and explanations we require for our audit.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the accounts, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

However, the evidence provided to us demonstrates that the adequacy of the presentation of the financial statements is not in compliance with the required Isle of Man SORP.

Disagreement on Application of relevant legislation – Qualified Opinion

The matter of non-compliance regarding the Statement of Recommended Practice 2007: Accounting for entities subject to the Audit Act 2006 ("the SORP") is:

- Section 2.15 – the statement of accounts has not been prepared on a full accruals basis;
- Section 3.95 – the assets have not been re-valued in line with the accounting policy adopted and as required by sections 3.96 to 3.97 of the SORP; and
- Section 4.4 – omission of Cash Flow Statement and associated disclosure

In our opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraph, the financial statements present fairly, in all material aspects, the state of the Council affairs as at 31 March 2009 and for the year then ended.

THIS PAGE IS BLANK

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

STATEMENT OF ACCOUNTING PRINCIPLES

1. Accounts and Audit Regulations

These accounts have been prepared in accordance with the requirements of the Accounts and Audit Regulations 2007 made under the Audit Act 2006, and the historical cost convention.

The Council is progressively making a number of changes to the Statement of Accounts in order to comply with the implementation of the 2006 Audit Act's Accounts and Audit Regulations 2007. In particular, all transfers to and from reserves, including the Housing Revenue Account reserves, are now excluded from the Income and Expenditure Account. It should however be noted that vehicle and plant renewal contributions into the Vehicle and Plant Renewals Fund are still incorporated within the Net Cost of Services, although this is in place of depreciation charges on these assets. The Income and Expenditure Account should be read in conjunction with the Statement of Movement on the General Rate Fund Balance and also the Statement of Total Recognised Gains and Losses (STRGL).

Changes to the Statement of Accounts have led to a number of changes in accounting treatment in 2008/2009. Transfers to and from Housing Revenue Account reserves are now excluded from the Income and Expenditure Account. The prior year comparatives for this have been changed to reflect that new treatment. The Balance Sheet has also been updated to differentiate between any long and short term borrowing (including finance leases) within the Liabilities section, in line with standard accounting practice.

There are a number of areas where the Council's Statement of Accounts are not yet fully compliant with the Accounts and Audit Regulations 2007. Progress is being made to achieve closer compliance, although this is not yet possible in all areas. The key area is in terms of the accounting for fixed assets, which is reliant upon the independent property valuation exercise, which is being undertaken during the 2009/2010 financial year. The principle areas of departure from the Accounts and Audit Regulations are:

- (i) Fixed Assets on the Balance Sheet are showing at historical cost as they are not yet subject to periodic independent valuation (although arrangements are already in place for this to be undertaken during 2009).
- (ii) Fixed Assets are not subject to depreciation charges, because of the historical cost accounting treatment. The principal repayments from outstanding loans are currently shown to represent the depletion of historical costs.
- (iii) The capital charges arising from the purchase of fixed assets include loans pool interest where the capital expenditure is financed by long term borrowing. This is largely because such charges form an integral part of Government Deficiency Grant calculations.
- (iv) Annual service contributions to the Vehicles and Plant Renewals Fund Reserve are still showing within the Net Cost of Services, as they take the place of formal depreciation charges against these assets.
- (v) The Cash Flow Statement as required under Financial Reporting Standard 1 is not produced, although, as in previous years, the Consolidated Statement of Revenue and Capital Movements is included within these accounts. This is because the Cash Flow Statement requires that the remaining accounts statements (i.e. including the treatment of fixed assets) are compliant with the SORP.

The Council will continue to progress closer compliance with the SORP through further changes of accounting practice in future years, with a view to full compliance by 31st March 2011.

2. Revenue Expenditure

The revenue accounts of the Council record the costs of staffing, running expenses and capital financing costs, together with associated income of the various services. These are grouped over the various Committees responsible for carrying out the services.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

STATEMENT OF ACCOUNTING PRINCIPLES (CONTINUED)

3. Basis of Inclusion of Debtors and Creditors in the Accounts

Revenue account transactions are accounted for on an accruals basis. In the case of payroll costs these are included on the basis of complete pay periods, which fall within the financial year. In line with new accounting convention, however, the creditors balance as at 31st March 2009 for the first time includes a £25,609 provision for time in lieu worked and owed to salaried employees. All known income is recorded when the debt is established, together with an estimate of other large sums due but not established at the year end. Rental income for the Council's housing stock is recorded on the same basis as payroll costs. Expenditure is accrued for sums due but not paid at the end of the year. Capital transactions are recorded on a receipts and payments basis and do not therefore include any accrual for the cost of work carried out but not paid for at 31st March 2009, although the total value of capital creditor items is now disclosed within the notes to these statements for the first time.

4. Reserves and Provisions

A number of renewal and reserve funds are maintained within the Council's accounts. Sums are provided for the renewal of vehicles and plant based upon the estimated cost of replacement at the end of their estimated life. In other cases, reserve funds are maintained to finance unforeseen costs of asset repair. A "negative" reserve is also held to account for the pensions liability for the Council's portion of the Isle of Man Local Government Superannuation Scheme Fund. The establishment of all these reserves has been approved by the Department of Local Government and the Environment.

5. Contingent Liabilities

Contingent liabilities as at the balance sheet date relate to claims covered by the Council's insurance, and claims by contractors on building works. Known and quantifiable obligations are accounted for within the relevant earmarked reserve, or the General Revenue Reserve where appropriate, and are included within the commitments figures against those reserves shown on page 34.

6. Deferred Charges

There are deferred charges outstanding, which relate to the loan debt on the Drainage infrastructure assets (transferred to the Government under the terms of the Sewerage Act 1999). The outstanding balances are reduced each year by the amount of loan repayments, which are a charge upon the General Rate Fund, and reimbursed to the Council through the Drainage Agency with the Department of Transport.

7. Capital Expenditure

The capital accounts of the Council record the expenditure incurred in the provision of assets and other long term outlay, together with sources of finance. Property and permanent works are recorded at historical cost. Capital expenditure items are generally financed by loans, by the use of internal balances, or through the application of usable capital receipts and any capital contributions from third parties. Capital contributions which have been received from third parties in respect of capital schemes are retained in the capital accounts.

8. Provision for the Redemption of Loans Pool Debt

The Council administers a Loans Pool into which loans raised are paid and from which sums are advanced to the various services in order to finance capital expenditure and long term outlay. The sources are bank loans and (historically) mortgage bonds. Provision for the redemption of debt has been made in accordance with statutory borrowing powers. Provision for repayment of these liabilities is on the basis of sinking fund calculations with an annual accumulation currently set at 5%. Repayments, with interest on the balance of principal outstanding, are charged to the appropriate revenue accounts. During the 2008/2009 year, the average rate of interest amounted to 5.0% (2007/2008: 5.6%).

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

STATEMENT OF ACCOUNTING PRINCIPLES (CONTINUED)

9. Valuation of Investments

Investments are recorded at cost less any provision for impairment. The only investments currently held by the Council represent war stock holdings.

10. Provision for Bad Debts

A provision for bad debts is provided in these accounts amounting to £89,775 (2007/2008: £83,539). The largest debts over three months old are assessed individually and provisions made where there is a possibility of a write off affecting the Council's surplus. For other debts a percentage of overdue amounts is provided for.

11. Depreciation Provisions

There is no provision for depreciation in these accounts. However, all loan repayments in respect of capital assets are charged to the appropriate service revenue account. In the case of plant and vehicles, services make an annual contribution to the Plant Renewals Fund, in place of an annual depreciation charge.

12. Stocks and Stores

The bulk of stocks and stores holdings are recorded on the basis of average costs. A minority of the holdings are recorded on the basis of either net realisable value or actual cost.

13. Matching and Consistency Concepts

Whilst every effort is made to include a full year's expenditure in each financial year, the timing of some regular payments is such that the year's expenditure will not exactly correspond with the same yearly period as the financial accounts. Payroll costs included in the accounts relate to the completed earning periods (monthly and weekly), which fall between 1st April 2008 and 31st March 2009. Similarly, weekly rental income relates to the completed rental weeks in the financial year.

14. Overheads and Support Services

The cost of service management and support services have been fully charged or allocated to service accounts. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

15. Finance Leases

Assets acquired by means of lease, and the matching obligations due to lessors, are written down each year in accordance with the 'Rule of 78' method. As was the case in 2007/2008, there were no assets acquired during the year funded from lease. Lease rentals paid in the year amounted to £4,251 (2007/2008: £3,627) and the sum of £10,375 (2007/2008: £14,626) was outstanding at the end of the year.

16. Operating Leases

The Council had a number of operating leases in respect of operational buildings and land during the 2008/2009 financial year. The annual rental payable on those leases is charged to the relevant service revenue account on a straight-line basis over the term of the lease, when it becomes payable. Operational rentals paid during the 2008/2009 year amounted to £194,939 (2007/2008: £187,237)

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

STATEMENT OF ACCOUNTING PRINCIPLES (CONTINUED)

17. Pensions and Financial Reporting Standard 17

The accounts and notes with relation to the Pension Fund have been prepared in accordance with Financial Reporting Standard 17 "Retirement Benefits" (FRS17). The demographic assumptions used by the actuary are highlighted in note 25 to the accounts. The Pension Fund liability as at 31st March 2009 stands at £5.936m (restated 2007/2008: £4.228m). The Fund's Actuary has calculated this liability using investment asset values at bid value, as opposed to mid-market value, which was the case in prior years. The 2007/2008 liability has been recalculated using bid value.

18. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to Government Treasury Customs and Excise and all VAT paid is recoverable from it.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

INCOME AND EXPENDITURE ACCOUNT

Restated 2007/2008 Net Cost £		Note	2008/2009 Cost £	Income £	Net Cost £
SUMMARY OF COMMITTEES					
1,032,920	Public Health and Housing - (non-HRA)	1	1,497,649	(477,333)	1,020,316
2,858,298	Public Works	2	8,958,296	(5,829,574)	3,128,722
3,097,129	Leisure Services - excl Tramways	3	3,796,295	(418,407)	3,377,888
275,190	Tramways Undertaking	p37	340,818	(86,083)	254,735
<u>2,106,946</u>	Policy and Resources	4	<u>3,148,301</u>	<u>(602,442)</u>	<u>2,545,859</u>
<u>9,370,483</u>	Net Cost of General Fund services		<u>17,741,359</u>	<u>(7,413,839)</u>	<u>10,327,520</u>
(48,333)	Housing Revenue account	p35	8,895,372	(8,946,537)	(51,165)
<u>(163,000)</u>	Current Service Cost of Pension Scheme	10	<u>868,000</u>	<u>(1,358,000)</u>	<u>(490,000)</u>
<u>9,159,150</u>	Net Cost of services		<u>27,504,731</u>	<u>(17,718,376)</u>	<u>9,786,355</u>
(800,974)	Interest and Investment income				(481,447)
87,000	Pensions interest cost and return on pension assets	10			270,000
<u>8,445,176</u>	Net operating expenditure				<u>9,574,908</u>
(9,118,006)	Income from General Rate Fund				(9,583,398)
<u>(672,830)</u>	Net (surplus)/deficit for the year	11			<u>(8,490)</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

STATEMENT OF MOVEMENT ON THE GENERAL RATE FUND BALANCE

Restated 2007/2008 Actual £		Note	2008/2009 Actual £
(672,830)	(Surplus)/deficit on Income and Expenditure account	11	(8,490)
(1,162,000)	Reversal of net charges made for retirement benefits in accordance with FRS17	10	(1,138,000)
1,238,000	Actual amount charged against the General Fund balance for pensions in the year	10	1,358,000
(558,523)	Net transfers to/(from) Specific Reserves	12	36,707
<u>(1,155,353)</u>	(Increase)/decrease in General Rate Fund balance for the year		<u>248,217</u>
(2,310,632)	General Rate Fund balance brought forward		(3,465,985)
<u>(3,465,985)</u>	General Rate Fund carried forward		<u>(3,217,768)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

Restated 2007/2008 Actual £		Note	2008/2009 Actual £
(672,830)	(Surplus)/deficit on revenue Income and Expenditure Account	11	(8,490)
(2,142,000)	Actuarial (gains)/losses on Pension Fund assets and liabilities	26	1,928,000
<u>(2,814,830)</u>	Total recognised (gains)/losses for the year		<u>1,919,510</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

CAPITAL ACCOUNTS

SUMMARY STATEMENT OF CAPITAL EXPENDITURE AND FINANCING

2007/2008			2008/2009	
£		Notes	£	£
	Capital Expenditure			
3,524,507	General Rate Fund schemes	18/20	2,479,577	
<u>3,126,551</u>	Housing Revenue Account schemes	18/20	<u>1,795,364</u>	
<u>6,651,058</u>	Total capital expenditure			4,274,941
	Financed By			
(2,870,826)	Loans - non housing		(945,965)	
(2,330,468)	Loans - housing		(1,631,943)	
(172,424)	Capital Receipts	28	(461,626)	
(383,246)	Reserves - non housing		(624,399)	
(107,000)	Reserves - housing		(79,642)	
(106,073)	Direct revenue financing		(285,360)	
(754,022)	Other (including Government grants and other external contributions)		(78,827)	
<u>(6,724,059)</u>	Total capital income in the year			<u>(4,107,762)</u>
(73,001)	Change in expenditure financed by internal loans in year			167,179
155,361	Capital cash overdrawn at the start of the year (internal loans)			82,360
<u>82,360</u>	Balance of capital expenditure financed by internal loan	19		<u>249,539</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

THE BALANCE SHEET

Restated As At 31st March 2008		Note	£	£	As At 31st March 2009
£					£
99,108,936	Fixed assets	20		103,070,713	
1,189,107	Deferred charges	21		1,054,851	
7,095	Long term investments			<u>7,296</u>	
<u>100,305,138</u>	Total long term assets				104,132,860
	Current assets				
172,361	Stocks		227,724		
2,853,751	Debtors	22	1,801,788		
-	Cash in hand		<u>702,257</u>		
<u>3,026,112</u>	Total current assets			2,731,769	
	Less current liabilities				
(1,855,458)	Creditors	23	(2,176,428)		
(2,020,000)	Short term borrowing	24	(3,550,662)		
(467,487)	Cash overdrawn		-		
<u>(4,342,945)</u>	Total current liabilities			<u>(5,727,090)</u>	
<u>98,988,305</u>	Total assets less current liabilities				101,137,539
	Less long term liabilities				
(58,941,341)	Long term borrowing	25		(58,196,006)	
(14,626)	Finance leases	p11		(10,375)	
(4,248,000)	Liability related to defined benefit pension scheme	26		(5,936,000)	
<u>(63,203,967)</u>				<u>(64,142,381)</u>	
<u><u>35,784,338</u></u>	Total assets less liabilities				<u><u>36,995,158</u></u>
	Financed by				
32,181,042	Capital discharged	27			36,108,584
629,576	Capital receipts	28			183,510
(4,248,000)	Pensions Reserve	26			(5,936,000)
3,465,985	General revenue balances	29			3,217,768
3,755,735	Specific (earmarked) reserves	29			<u>3,421,296</u>
<u><u>35,784,338</u></u>					<u><u>36,995,158</u></u>

D W CHRISTIAN, J P
CHAIRMAN OF POLICY AND RESOURCES COMMITTEE
29th October 2009

G M BOLT, CPFA
BOROUGH TREASURER
29th October 2009

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

CONSOLIDATED STATEMENT OF REVENUE AND CAPITAL MOVEMENTS

2007/2008		Note	2008/2009	
£			£	£
	Expenditure			
	Revenue account expenditure			
8,832,915	Employment costs		9,155,578	
7,996,990	Other operating costs		9,566,352	
<u>3,029,830</u>	Interest and lease payments		<u>3,024,119</u>	
19,859,735				21,746,049
	Capital account expenditure			
<u>6,651,059</u>	Fixed assets and other long term investments			<u>4,274,941</u>
<u>26,510,794</u>	Total revenue and capital expenditure			<u>26,020,990</u>
	Income			
	Revenue account income			
(4,091,558)	Government income		(4,045,366)	
(2,358,427)	Charges for Goods and Services		(2,770,905)	
(7,713,949)	Net Rents		(7,871,179)	
(8,833,847)	Net cash receipts from rates		(9,247,584)	
<u>(379,238)</u>	Other income		<u>(329,201)</u>	
(23,377,019)	Total revenue income			(24,264,235)
<u>(1,558,868)</u>	Capital income			<u>(151,406)</u>
<u>(24,935,887)</u>	Total revenue and capital income			<u>(24,415,641)</u>
<u>1,574,907</u>	Net Expenditure			<u>1,605,349</u>
	Financed by			
5,134,525	Net change in long term borrowing and finance leases	25		(749,586)
	Net change in indebtedness and changes in other current assets and liabilities:			
(62)	Long Term Investments		(200)	
7,270	Stocks		(55,364)	
(832,164)	Debtors		1,052,236	
(1,888,000)	Net change in short term borrowing	24	1,530,662	
(428,629)	Creditors		295,360	
<u>(418,033)</u>	Cash		<u>(467,759)</u>	
(3,559,618)				2,354,935
<u>1,574,907</u>	Total Financing			<u>1,605,349</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

GENERAL RATE FUND

2007/2008		Note	2008/2009	
£			£	£
9,221,802	Total rates levied for the year			9,704,203
	Add:			
80,683	Gross arrears brought forward		50,615	
19,816	Refunds		<u>32,397</u>	
<u>100,499</u>				83,012
9,322,301				<u>9,787,215</u>
	Less:			
(31,764)	Rate paid in advance brought forward		(30,524)	
(312,986)	Discounts	17	(325,546)	
(103,796)	Statutory allowances	17	<u>(120,805)</u>	
<u>(448,546)</u>				(476,875)
<u>8,873,755</u>	Total rates collectable			<u>9,310,340</u>
	Rates received in the year:			
8,817,582	Current year rates		9,268,172	
36,082	Arrears collected		<u>11,809</u>	
<u>8,853,664</u>	Total revenue income			9,279,981
	Balances outstanding carried forward:			
37,778	Current year arrears	22 (part)	53,871	
<u>(30,524)</u>	Current year rates paid in advance	23	<u>(31,794)</u>	
<u>7,254</u>			22,077	
<u>12,837</u>	Previous years arrears	22 (part)	<u>8,282</u>	
<u>20,091</u>	Total arrears			<u>30,359</u>
<u>8,873,755</u>				<u>9,310,340</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Public Health and Housing Committee Revenue Income and Expenditure (non HRA)

The non Housing Revenue Account service level income and expenditure for the Public Health and Housing Committee is shown in the table below. Those services that form the Housing Revenue Accounts are shown elsewhere within the Statement of Accounts (see page 35). The Housing Administration service shown below represents the rateborne element only of this function. The element that is met by Government Housing Deficiency is transferred to the Housing Revenue Accounts. The prior year comparatives have been restated to reflect this treatment, having the effect of increasing the Net Cost of General Fund Services by £526,816, this being the rateborne element of the Public Health and Housing Administration.

2007/2008 Net Cost £	Service	Cost £	2008/2009 Income £	Net Cost £
249,053	Borough Cemetery	285,750	(12,432)	273,318
(36,783)	Crematorium	328,903	(369,635)	(40,732)
167,626	Lawn Cemetery	163,794	(8,757)	155,037
(13,960)	Market	83,060	(76,991)	6,069
526,816	Housing Administration	539,447	(9,518)	529,929
102,698	Public Health & Housing Admin	96,695	-	96,695
<u>995,450</u>		<u>1,497,649</u>	<u>(477,333)</u>	<u>1,020,316</u>

The net income position on the Crematorium service is matched by net appropriations to and from reserves, including an annual contribution into the Crematorium Renewals Fund of £43,898, which is no longer accounted for within the Cost of Services (see note 12).

2. Public Works Committee Revenue Income and Expenditure

The service level income and expenditure for the Public Works Committee is shown in the table below. Further detail on the Civic Amenity Site function, and the agency services are shown in separate notes (14 and 15 respectively).

2007/2008 Net Cost £	Service	Cost £	2008/2009 Income £	Net Cost £
-	Waste Service Agencies	684,507	(684,507)	-
(137,690)	Building Regulations	222,518	(181,395)	41,123
29,828	Planning	33,785	-	33,785
31,876	Derelict Buildings	34,447	-	34,447
(312,562)	Car Parks	906,009	(1,254,276)	(348,267)
-	Drainage - Maintenance Agency	860,900	(860,900)	-
291,802	Decorative Lighting	361,398	-	361,398
969,683	Public Lighting	1,002,146	-	1,002,146
51,971	Engineering Misc Works	52,601	(919)	51,682
21,475	Dog Bins	29,465	-	29,465
37,169	Promenade and Foreshore	15,989	-	15,989
-	Fleet & Garage Operation	-	(20,998)	(20,998)
65,918	Stores & Purchasing	75,033	(831)	74,202
47,467	Beach Cleaning	55,746	-	55,746
143,917	Public Conveniences	138,281	(50)	138,231
237,559	Civic Amenity Site	842,067	(616,483)	225,584
688,180	Refuse Collection	1,667,118	(944,372)	722,746
69,649	Commercial Refuse	557,397	(467,135)	90,262
112,248	Street Cleaning Agency	774,257	(694,500)	79,757
-	Gully Emptying Agency	103,143	(103,143)	-
283,886	Street Cleaning Amenity	259,143	(65)	259,078
225,922	Public Works Admin	282,346	-	282,346
<u>2,858,298</u>		<u>8,958,296</u>	<u>(5,829,574)</u>	<u>3,128,722</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

3. Leisure Services Committee Revenue Income and Expenditure

The service level income and expenditure for the Leisure Services Committee is shown in the table below. The detailed Income and Expenditure Statement for the Tramways Undertaking service is shown separately within the Statement of Accounts on page 37.

2007/2008	Service	2008/2009	2008/2009	2008/2009
Net Cost		Cost	Income	Net Cost
£		£	£	£
601,092	Library	671,074	(13,756)	657,318
184,321	Leisure Services Admin	220,186	-	220,186
168,401	Pulrose Recreational Grounds	310,319	(17,857)	292,462
166,242	Loch Promenade	159,485	-	159,485
-	National Sports Centre	22,020	(22,020)	-
535,364	Nobles Park	728,840	(78,828)	650,012
165,627	Nursery	30,331	(18,884)	11,447
891,908	Open Spaces	981,631	(604)	981,027
51,786	Playgrounds	60,701	-	60,701
253,147	Douglas Golf Course	381,146	(117,646)	263,500
49,692	Verges Maintenance	91,858	(60,320)	31,538
-	Hanging Baskets	13,148	(13,148)	-
29,549	Summer Hill Glen	50,212	-	50,212
-	Villa Marina Gardens	75,344	(75,344)	-
3,097,129		3,796,295	(418,407)	3,377,888

4. Policy and Resources Committee Revenue Income and Expenditure

The service level income and expenditure for the Policy and Resources Committee is shown in the table below.

2007/2008	Service	2008/2009	2008/2009	2008/2009
Net Cost		Cost	Income	Net Cost
£		£	£	£
125,428	Support Services	186,689	(10,183)	176,506
236,796	Civic and Public	301,989	(4)	301,985
428,259	Corporate Management	654,326	(47)	654,279
-	Elections	6,239	-	6,239
126,278	Douglas Dev't Partnership	135,179	(240)	134,939
(46,880)	Financial Provisions	30,960	-	30,960
311,319	Policy & Resources Admin	344,555	-	344,555
28,168	Information & Public Relations	28,981	-	28,981
479,496	Cost of Rate Collection	516,125	(12,323)	503,802
(17,790)	Commercial Properties	147,272	(209,586)	(62,314)
118,437	CCTV & Other Civic Property	89,688	(10)	89,678
190,168	Streetscene & Byelaws	208,327	(3,020)	205,307
80,451	Burials Act	85,804	-	85,804
-	Grandstand & Campsite Area	63,403	(63,403)	-
46,816	Pension Admin Control A/C	348,764	(303,626)	45,138
2,106,946		3,148,301	(602,442)	2,545,859

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

5. Local Government (Entertainments) Act 1950

Under the terms of the above legislation (as amended by the Local Authorities Entertainments Order 2006), local authorities are empowered to spend up to a rate of 6 pence in the pound for the purposes of public entertainment, ceremony and in the reception and entertainment of distinguished persons. During the year the Council spent £64,641, being 2.51 pence in the pound (2007/2008: £59,769, being 2.35 pence in the pound) on such items, including expenditure on Armistice Day, Civic Sunday, Manx National Week, a fireworks display, the Christmas Lights Switch-on and Bonfire Night, together with receptions held for various official visits. These costs are all included within the Civic and Public service of the Policy and Resources Committee.

6. Members' Allowances

During 2008/2009 allowances paid to the Council's elected Members amounted to £38,610 (2007/2008: £38,670). The allowance payable to Members is £30 per meeting session (no change on 2007/2008).

7. Remuneration/Emoluments of Employees

During the financial year, the number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 was:

Number of Employees 2007/2008	Remuneration Band	Number of Employees 2008/2009
6	£50,000 to £59,999	7
2	£60,000 to £69,999	-
-	£70,000 to £79,999	2
1	£80,000 to £89,999	1

8. Audit Costs

During the financial year, the Council incurred the following fees relating to external audit and inspection:

2007/2008 £		2008/2009 £
10,500	Fees payable with regard to statutory external audit services carried out by the appointed auditor	12,290
1,663	Fees payable with regard to the external audit of the Isle of Man Local Government Pensions Scheme Annual Report and Accounts	1,848
<u>12,163</u>		<u>14,138</u>

The audit fees relating to the Pension Fund Annual Report and Accounts are recharged to the Isle of Man Local Government Pension Scheme, and so are not directly charged to the ratepayers of Douglas.

9. Retirement Benefits

As part of its terms and conditions of employment of its employees, the Council offers retirement benefits. The Council participates in the Isle of Man Local Government Superannuation Scheme ("the Scheme"), which is also administered by the Council. This is a defined benefit statutory scheme, administered in accordance with the Isle of Man Local Government Superannuation Scheme Regulations 2003. The Scheme is contracted out of the State Second Pension Scheme. The Council and its employees pay contributions into the Scheme. These contributions are calculated at a level to balance the pensions liabilities with investment assets. Further information regarding the Scheme can be obtained on the Douglas Borough Council website (www.douglas.gov.im).

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

10. Pensions Costs

In 2008/2009 the Council paid an employer's contribution of £1.341m (2007/2008: £1.224m), representing 23.0% (2007/2008: 22.5%) of pensionable pay into the Pension Fund. The contribution rate is determined by the Fund's actuary, based on triennial valuations; the last full review being at 31st March 2007. There were also contributions of £0.017m (2007/2008: £0.016m) in respect of unfunded discretionary benefits granted by the Council, giving a total value of employer contributions of £1.358m (2007/2008: £1.240m).

Although the benefits accruing from the Pension Scheme are not actually payable until employees retire, the Council has a commitment to make such payments and disclose them at the time the employees earn that future entitlement. In line with requirements under FRS17, the Council recognises the cost of retirement benefits in the year that they are earned by the employees, rather than when the benefits are eventually paid as pensions. The real cost of retirement benefits is therefore reversed out of the Statement of Movement on the General Fund Balance. However, the charge that is actually made against ratepayers is based on the cash payment made to the Fund representing the employer's contributions in the year. The following table reconciles the charges within the Income and Expenditure Account with the actual employer's contribution into the Fund:

2007/2008		2008/2009	
£		£	£
	Net cost of services:		
1,075,000	Current service cost of Pension Scheme		868,000
	Net operating expenditure:		
1,229,000	Interest cost on Pension Scheme liabilities	1,409,000	
<u>(1,142,000)</u>	Expected return on scheme assets	<u>(1,139,000)</u>	<u>270,000</u>
1,162,000	Net return		1,138,000
76,000	Movements on Pensions Reserve		220,000
	Actual amount charged against ratepayers in year:		
<u>1,238,000</u>	Employer contributions payable to scheme		<u>1,358,000</u>

11. Net Surplus on the Revenue Income and Expenditure Account

Due to changes in the accounting treatment of Housing Revenue Account transfers to and from reserves, with all such items now excluded from the Net Cost of Services section of the Income and Expenditure Account, the Net Cost of Services for the 2007/2008 prior year accounts has been restated with an overall reduction of £48,333. This has had the effect of increasing the net surplus figure for 2007/2008 by the same amount. Due to an offsetting restated reduced net transfer from specific reserves (see note 12 below), there is no overall impact upon the General Rate Fund balance. There is, however an increase of £48,333 in the total recognised gain for the 2007/2008 year, as presented in the Statement of Total Recognised Gains and Losses.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

12. Contributions to/(from) Specific (Earmarked) Reserves

This is made up of a number of transfers to and from various specific reserves. These are detailed as follows:

2007/2008		2008/2009	
£		£	£
	Revenue contributions to General Rate Fund specific reserves:		
77,453	-Loans pool interest credited to reserves	45,846	
56,942	-ICT Fund	-	
36,783	-Cremators Renewals Fund	43,898	
18,733	-Building Maintenance (Commercial) Fund	20,693	
8,497	-Risk Management and Special Projects	-	
9,000	-Plant Renewals Fund (CCTV)	28,000	
-	-Plant Renewals Fund (vehicle sales income)	20,998	
-	-Increased provision against Tramways Stores	414	
207,408			159,849
	Revenue contributions from General Rate Fund specific reserves:		
(55,906)	-Risk Management & Special Projects Fund regarding minor revenue schemes during the year	(89,938)	
-	-ICT Fund	(97,500)	
-	-Derelict Buildings Fund	(4,510)	
(2,484)	-Reduced provision against Tramways stores	-	
-	-Tramways Fund	(1,516)	
(58,390)			(193,464)
	Revenue Contributions to/(from) Housing Revenue Account specific reserves:		
1,900,593	-Rental income contribution into Housing Repairs Fund	1,933,842	
-	-Rental income contribution into Community Facilities Reserve	20,300	
(1,849,416)	-Contribution from Housing Repairs Fund to finance repairs	(1,895,705)	
(2,844)	-Contribution from Community Facilities Reserve	(7,272)	
48,333			51,165
	Non-revenue transfers (to)/from General Revenue Reserve:		
(755,874)	-Contribution from Plant Renewals Fund	(151,000)	
-	- Plant Renewals Fund (CCTV)	105,000	
-	-St Georges Churchyard Fund	42,000	
-	-Risk Management and Special Projects Fund	23,157	
(755,874)			19,157
(558,523)	Total Transfer to/(from) Specific Reserves		36,707

For 2007/2008, Housing Revenue Account transfers to and from the Housing Repairs Fund were still showing within the Net Cost of Services. Under the SORP, all appropriations to reserves (with the exception of Plant Renewals Fund service contributions) are now shown separately within the Statement of Movement on the General Fund Balance, so this practice has been applied for all appropriations to reserves for the 2008/2009 financial year. The restatement of the 2007/2008 net transfer to/from specific reserves has led to a reduction in the net transfer from specific reserves of £48,333.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

13. Related Party Transactions

The Government has a significant level of interaction with the operations of the Council. It is responsible for providing the statutory framework within which the Council operates, and provides a significant element of funding for Council operations in the form of agency and various deficiency arrangements. Details of such transactions with Government Departments are shown in the separate note on agency income and expenditure (note 15).

Members of the Council have direct control over the Council's financial and operating policies. As contracts are let in compliance with the Council's Standing Orders, the risk of abuse of that position is minimal. Furthermore, where contracts or business with organisations that are closely linked with individual Members are being considered, proper consideration of declarations of interest is made, and relevant Members would not take any part in the discussion or decision relating to such matters. Three Members had interests in businesses which had dealings with the Council during the year. These transactions totalled £12,414 (2007/2008: £31,922), and were undertaken within the normal course of business on an arm's-length basis.

The Council is the administering authority for the Isle of Man Local Government Superannuation Scheme. Administration expenses incurred by the Council during the year amounted to £55,400 (2007/2008: £52,235) and relate to a combination of direct and indirect costs. This was charged to the Pension Scheme. The Council's employer superannuation contributions into the scheme for 2008/2009 totalled £1.341m (2007/2008: £1.224m).

The Council has representation on the Board of the Douglas Development Partnership, and the Council contributes towards the operational and administrative costs of the Partnership, including salaries, office rental, lease car, and general grant. The total cost to the Council of this arrangement during 2008/2009 was £134,939 (2007/2008: £126,278). The Council also received £7,070 income from the Partnership during the year, as a contribution towards the costs of the hanging baskets function (2007/2008: £7,070). There was a £3,613 creditor balance owing to the Partnership at the year end (2007/2008: £NIL debtor balance). All transactions were performed at an arms-length basis.

Under the Burials Act 1986, the churchwardens in charge of the Braddan and Onchan District Burial Grounds are entitled to levy a rate to the Council for the upkeep and maintenance of those cemeteries. The annual amount payable depends upon the rates resolution of the respective churchwardens, with the prescribed amount calculation based upon the rateable value of the parishes. Also, under this legislation, the Council fulfils its obligations with the St. George's Parish Churchwardens for the maintenance and upkeep of the Parish Churchyard on behalf of the Churchwardens. The cost to the Council of these items was as follows during the financial year:

2007/2008	Burials Act Expenditure	2008/2009
£		£
71,774	Rate levy from Braddan Burial Ground Churchwardens	72,915
1,616	Rate levy from Onchan Burial Ground Churchwardens	1,607
<u>7,061</u>	Cost to Council of maintaining St. George's Parish Churchyard	<u>11,281</u>
<u>80,451</u>	Total revenue expenditure under Burials Act	<u>85,803</u>

Expenditure relating to capital schemes relating to the St George's Parish Churchyard is also incurred by the Council, and normally funded through the St. Georges Churchyard Fund. There was no capital expenditure incurred in this way during 2008/2009 (2007/2008: £51,652).

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

14. Civic Amenity Site

The Council ceased acting as the formal administering authority for the Eastern Area Civic Amenity Site at Middle River Industrial Estate in Douglas in January 2008. Whilst contractual matters with the Department and the site operator continued after that date, the Council still acted in practice as administrator for the facility up until 31st July 2008.

Whilst the site is owned by the Department of Local Government and the Environment (DLGE), the function was operated by a private contractor for the period to 31st July 2008. All operational expenditure for the period until that date was initially charged to the Council as acting administering authority, with the costs recharged to each of the Eastern Area local authorities (including Douglas) on the basis of their respective rateable values.

The table below provides a breakdown of the relevant costs (NB £100 per tonne waste levy is here offset by the 90% household waste subsidy received from DLGE) and the amounts recoverable from the other authorities.

2007/2008 £	Description	2008/2009 (part to 31st July 2008 only) £
202,800	Site operator's costs	67,600
162,118	Waste disposal and recycling costs	15,131
73,037	Waste levy (net of DLGE subsidy)	30,779
16,053	Borough of Douglas administration	5,015
454,008	Total expenditure	118,525
83,422	Recycling grant from DLGE	-
	Local authority share of the expenditure:	
237,559	Douglas Borough Council	75,264
66,889	Onchan District Commissioners	21,507
40,664	Braddan Parish Commissioners	13,379
10,453	Laxey Village Commissioners	3,412
9,120	Lonan Parish Commissioners	2,987
5,901	Santon Parish Commissioners	1,976
454,008	Total funding contributions	118,525

During 2007/2008, a grant was received from the Department to offset the costs of recycling televisions and computer monitors. As these costs were paid for directly by the Department during the period to 31st August 2008, there was no recycling grant receivable for 2008/2009.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

15. Agency Income and Expenditure

The Council has a number of operations with various Government Departments, which are governed by agency agreements or grant contributions. The relevant Department reimburses the Council for this work, including a contribution towards administrative cost. A summary of expenditure incurred in respect of the significant formal agency and grant aided activities is shown in the table below:

Grant and Agency income from Government Departments

Department	Service	Balance due (to)/from Gov't 1 st April £	Net operating cost £	Less: Rate-borne (cost)/benefit £	Grant/Agency income due £	Grant/Agency amount received £	Balance due (to)/from Gov't 31 st March £
Transport	Drainage Agency	41,842	727,443	-	769,285	(768,575)	710
	Street Cleaning	-	774,257	(79,757)	694,500	(694,500)	-
	Gully Emptying	8,336	103,143	-	111,479	(110,977)	502
Local Government & the Environment	Council Housing	748,367	2,218,719	(529,929)	2,437,157	(2,510,867)	(73,710)
	Shaw's Brow Car Park	25,912	83,940	180,952	290,804	(289,912)	892
Tourism & Leisure	Grandstand /Campsite	6,291	57,036	-	63,327	(59,848)	3,479
Totals		830,748	3,964,538	(428,734)	4,366,552	(4,434,679)	(68,127)

In addition to the above, the Council provides a number of other miscellaneous services to different Government Departments, including: maintaining the Villa Marina and National Sports Centre gardens and various, ad hoc, rechargeable works in connection with the TT and Manx Grand Prix festivals (Department of Tourism and Leisure); grounds maintenance along road verges (Department of Transport). Government grant is also received from the Department of Local Government and the Environment in respect of the Crematorium's loan charges and in respect of the Government levy charged for household waste. The Council has also been awarded contracts by Government to operate the Eastern Civic Amenity Site and recycling Kerbside Collection in Douglas, Braddan and Onchan. A reconciliation of these amounts, and the above, to the Government income quoted in the Income and Expenditure section of the explanatory foreword (page 3), is shown below:

2007/2008		2008/2009
£		£
(3,736,332)	Grant/Agency income receivable (see above)	(4,366,552)
(321,783)	Less brought forward (see above)	830,748
-	Contractual income	(310,448)
(44,632)	Crematorium loan charges	(43,436)
(24,425)	Tramways' portion of Isle of Man Transport 'Rover Tickets'	(21,933)
(60,320)	Road verges' maintenance	(60,320)
(1,066,365)	Waste levy subsidy – refuse collection (gross)	(932,971)
(503,577)	Waste levy subsidy - Civic Amenity Site (gross)	(573,008)
(83,422)	Recycling subsidy - Civic Amenity Site	-
(197,494)	Miscellaneous	(73,424)
<u>(6,038,350)</u>	Total Government income	<u>(5,551,344)</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

16. Publicity

The Council's spending on publicity was:

2007/2008	Publicity Expenditure	2008/2009
£		£
35,837	Recruitment advertising	40,691
28,515	Other advertising	26,878
12,050	Other publicity	11,600
<u>76,402</u>		<u>79,169</u>

17. Rates Income

2007/2008		2008/2009
Pence		Pence
359	Rates levied (pence in the pound)	373
25,398	Penny rate product	25,693
£		£
<u>9,118,006</u>	Rates proceeds to General Rate Fund	<u>9,583,398</u>
9,221,802	Rates levied	9,704,203
(103,796)	Less statutory allowances	(120,805)
<u>9,118,006</u>	Net proceeds to General Rate Fund	<u>9,583,398</u>

Statutory allowances are in respect of part year liability (e.g. with new build properties), charitable relief, and other reductions in property rateable values as directed by the Treasury Valuation Office. The total statutory allowances for the year amounted to 1.24% (2007/2008: 1.13%) of the rates due. In addition, statutory discounts are granted in respect of rates paid in full prior to the end of June each year. During 2008/2009 statutory discounts of £325,546 were given (2007/2008: £312,986). The rateborne cost of providing the statutory discounts is charged each year to the Policy and Resources' Cost of Rate Collection service.

The total rateable value for the Borough as at 31st March 2009 was £2,601,663 (2007/2008: £2,568,747)

18. Capital Expenditure

Housing Revenue Account capital expenditure includes £1.795m (2007/2008: £3.127m) investment into the Council housing stock, including the Lower Pulrose Scheme, together with the programme of installing central heating and insulation into the Council housing stock. The financing of this expenditure is normally by way of loan, while the long term cost of that borrowing is met by a combination of rent from the housing tenants and the annual Deficiency Grant claimed from the Department of Local Government and the Environment.

Not included within the capital expenditure for 2008/2009 is £285,135 (£215,417 Housing Revenue Account; £69,718 General Rate Fund) expenditure relating to works undertaken in the period up to and including 31st March 2009, but not processed for payment until the new 2009/2010 financial year. As opposed to revenue items, capital expenditure is not accounted for using the accruals concept, and so this amount is not incorporated into the fixed assets expenditure or additions for the year, and is not included within the year end creditors balance.

19. Capital Cash Overdrawn

The overdrawn position relates largely to a number of housing and rateborne projects, which have initial fees and preliminary costs awaiting petitions for borrowing during the next financial year. Interim financing is made by way of internal loan.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

20. Fixed Assets

The following table presents the movement of fixed asset balances, across category, since the last balance sheet date. All fixed asset balances are presented at historical cost.

As At 31st March 2008 £	Fixed Assets Category	Additions £	Disposals/ Writedowns £	As At 31st March 2009 £
69,579,021	Housing property	1,795,364	-	71,374,385
21,321,041	Other land & buildings	1,185,690	-	22,506,731
5,059,903	Fixed plant	791,964	(4,251)	5,847,616
3,148,971	Plant & vehicles	501,923	(308,913)	3,341,981
<u>99,108,936</u>	Total	<u>4,274,941</u>	<u>(313,164)</u>	<u>103,070,713</u>

The estimated rebuild costs of property fixed assets owned by the Council as at 31st March 2009 is £303,612m (2007/2008: £294.783m), comprising £240,896m Housing properties (2007/2008: £233.880m) and £62,715,933m other (2007/2008: £60.903m). As no independent valuation exercise of Council property has been carried out, the market value for the Council's property fixed assets is not available, and so fixed assets are shown at historical cost. An independent building property valuation of all of the Council's building property assets is being undertaken during the 2009/2010 financial year.

21. Deferred Charges

Deferred charges represent costs to be charged to revenue in future years which are not represented by tangible fixed assets. The balance on the deferred charges relates to loans outstanding on the drainage infrastructure assets, the balance of which is reduced each year by the amount of loan repayments. These are a charge into the General Rate Fund and recovered from the Department of Transport as part of the Drainage Agency.

22. Debtors

Amounts falling due within one year:

As At 31st March 2008 £		As At 31st March 2009 £
757,236	Sundry debtors	687,582
1,579,000	Government departments	580,751
299,709	VAT refund	333,034
124,921	Housing rents	101,454
50,615	Rates arrears	62,153
121,918	Payments in advance	124,949
3,891	Work in progress	1,640
<u>2,937,290</u>		<u>1,891,563</u>
	Less provision for Bad Debts:	
(70,286)	General Rate Fund	(75,638)
(13,253)	Housing Revenue Account	(14,137)
<u>2,853,751</u>		<u>1,801,788</u>

The Sundry Debtors balance comprises miscellaneous amounts due from customers but not yet paid as at the balance sheet date, together with amounts accrued for as they relate to income due, but not yet invoiced for, prior to that date.

The prior year Government Departments figure for 31st March 2008 includes a £748,367 debtor balance owed by the Department of Local Government and the Environment in respect of the annual Housing Deficiency amount. This contrasts with a creditor balance owing to the Department as at the 31st March 2009 balance sheet date.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

23. Creditors

Amounts falling due within one year:

As At 31st March 2008		As At 31st March 2009
£		£
1,011,346	Sundry creditors	1,195,980
202,770	Government departments	372,738
195,918	Bond interest payable	151,960
118,524	Housing rents Prepaid	126,459
30,524	Rates prepaid	31,794
296,376	Sundry prepayments/receipts in advance	297,497
<u>1,855,458</u>		<u>2,176,428</u>

The Sundry Creditors balance comprises miscellaneous revenue amounts due to suppliers but not yet paid as at the balance sheet date, together with amounts accrued for as they relate to expenditure incurred, but not yet invoiced, prior to that date. There are also some payroll-related creditor balances included within this figure. It does not include any amounts for capital creditors, as capital expenditure is accounted for within the financial year that payment is actually made. If capital expenditure had been accrued for in this way the creditors balance as at 31st March 2009 would have been increased by a further £285,135.

The creditor balance in respect of Government Departments includes the Department of Local Government and the Environment in respect of £73,710 overpaid Council Housing Deficiency, for which there was a debtor balance owing to the Council as at 31st March 2008.

24. Short Term Borrowing

The short term borrowing figure as at 31st March 2009 includes £1,074,451 in respect of loans pool mortgage bonds repayable within the 12 months to 31st March 2010. In previous years, this element of borrowing has been classified within the long term borrowing figure (see also note 25). The remaining balance of £2,476,211 represents short term bank loan principal.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

25. Long Term Borrowing

The long term borrowing balance as at 31st March 2009 is a reduced figure when compared with the balance as at 31st March 2008. This is because the level of loan repayments during the year exceeded the new loans taken out by the Council. This situation has arisen because of the reduced level of capital expenditure incurred during the financial year, thereby reducing down the need for new borrowings.

As the Council's new borrowings are now by way of bank loan facility, no new Bonds are being issued. Bonds are now repaid, rather than renewed, at time of maturity. The long term borrowing split between bank loan principal and the remaining loans pool mortgage bonds is as follows:

As At 31st March 2008		As At 31st March 2009
£		£
46,037,097	Bank loan principal	49,101,456
12,904,244	Loans Pool mortgage bonds	9,094,550
<u>58,941,341</u>	Total long term borrowing	<u>58,196,006</u>

The loans pool mortgage bonds figure as at 31st March 2008 includes repayments due within the year to 31st March 2009. The equivalent £1,074,451 figure as at the 31st March 2009 balance sheet date no longer includes this element, which is now incorporated within the short term borrowing figure (see also note 24).

An analysis of all long term borrowing repayable within a period in excess of 12 months by maturity is presented below:

Loan repayment term	As At 31st March 2009		
	Mortgage Bonds	Bank loan	Total
	£	£	£
Repayable between 1 and 2 years	2,090,975	2,232,330	4,323,305
Repayable between 2 and 5 years	7,003,575	3,826,465	10,830,040
Repayable between 5 and 10 years	-	11,858,006	11,858,006
More than 10 years	-	31,184,655	31,184,655
Total long term loans	<u>9,094,550</u>	<u>49,101,456</u>	<u>58,196,006</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

26. Net Pensions Liability

Pension Fund Assets and Liabilities

The assets in the Isle of Man Local Government Superannuation Scheme are valued at fair value, principally market value for investments, and the asset categories are shown in the Isle of Man Local Government Superannuation Scheme Accounts.

The fair value of assets and liabilities held by the Council within the Scheme are as follows:

Distribution As At 31st March 2008		Asset Class	Distribution As At 31st March 2009	
£	%		£	%
10,005,000	62.8	Equities	7,736,000	54.8
3,842,000	24.1	Bonds	4,786,000	33.9
1,247,000	7.8	Property	551,000	3.9
837,000	5.3	Cash	1,045,000	7.4
<u>15,931,000</u>	<u>100.0</u>	Total estimated employer assets	<u>14,118,000</u>	<u>100.0</u>
<u>(19,993,000)</u>		Present value of scheme liabilities	<u>(19,900,000)</u>	
(4,062,000)		Net underfunding in funded plans	(5,782,000)	
<u>(166,000)</u>		Present value of unfunded liabilities	<u>(154,000)</u>	
<u>(4,228,000)</u>		Net pensions liability	<u>(5,936,000)</u>	

The above asset values as at 31st March 2009 are at bid value as required under FRS17. Please note that in previous accounting periods, the value of assets had been reported at mid-market value. The move to bid value has resulted in an actuarial loss in the revenue account.

The impact of complying in full with FRS17 has been to reduce the total net assets of the Council by £5.936m (2007/2008: £4.228m). The net liability represents the difference between the value of the Council's share of assets in the Scheme and the value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1st April 2009 would also have an impact on the capital value of pension fund assets.

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities will be considered by the actuaries in their next full actuarial review of the Scheme, due to be carried out as at 31st March 2010. Their advice on whether or not there is any anticipated shortfall in the funding of the Scheme at that time will determine the future level of pension contributions. The planned level of contribution rates aim to recover the above liabilities over 14 years (from the last triennial valuation date).

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

26. Net Pensions Liability (cont'd)

Actuarial Gains and Losses

The financial year's and also the historical actuarial gains and losses have been further analysed into the following categories, measured as absolute amounts and also as a percentage of assets or liabilities as at the end of each financial year:

	2004/2005		2005/2006		2006/2007		2007/2008		2008/2009	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Fair value of assets	10,371	-	14,096	-	15,911	-	15,931	-	14,118	-
Present value of liabilities	(17,606)	-	(21,557)	-	(22,358)	-	(20,159)	-	(20,054)	-
Surplus/(deficit)	(7,235)		(7,461)		(6,447)		(4,228)		(5,936)	
Experience gains/(losses) on assets	456	4.4	2,377	16.9	99	0.6	(2,078)	13.4	(3,972)	(28.1)
Experience gains/(losses) on liabilities	481	2.7	27	0.1	-	-	(288)	(1.4)	(1)	(0.0)
Actuarial gains/(losses) recognised in STRGL	(1,928)	-	(110)	-	1,254	-	2,142	-	(1,928)	-

The above figures have been provided by the actuaries to the Isle of Man Local Government Superannuation Scheme using information provided by the Scheme, and assumptions determined by the Council in conjunction with the actuary. Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations could be affected by uncertainties within a range of possible values.

Basis for estimating Assets and Liabilities

In accordance with FRS17 – Retirement Benefits, the Council must disclose its share of the assets and liabilities related to the Scheme for its employees. The liabilities of the Scheme as at 31st March 2009 were valued by the Fund's actuaries, Hymans Robertson, using the "projected unit method", which assesses the future liabilities (i.e. pensions payable) of the Scheme discounted to their present value. The actuary has also adopted a set of demographic assumptions that are consistent with those used for the Pension Scheme at the last triennial valuation on 31st March 2007. The actuary used this valuation as the basis for the FRS17 calculations. The main financial and demographic assumptions used in the calculations are:

2007/2008	Assumptions	2008/2009
	<i>Financial Assumptions</i>	
3.6%	Rate of inflation	3.1%
5.1%	Rate of increase in salaries	4.6%
6.9%	Expected return on assets	6.2%
6.9%	Rate for discounting scheme liabilities	6.9%
	<i>Long-term expected rate of return on each asset class</i>	
7.7%	Equities	7.0%
5.7%	Bonds	5.6%
5.7%	Property	4.9%
4.8%	Cash	4.0%

Mortality assumptions

	Males	Females
Current pensioners	19.6 years	22.5 years
Future pensioners	20.7 years	23.6 years

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

27. Capital Discharged

The Capital Discharged refers to that element of capital financing which is matched by loans already redeemed, together with other historical forms of financing such as grants, direct revenue financing of capital expenditure, capital receipts applied and reserves contributions. The Capital Discharged figure is written down as and when assets are disposed of or replaced.

28. Capital Receipts

The Capital Receipts Account represents the proceeds from the sale of fixed assets, which are made available to meet future capital investments. During the year capital receipts were applied to fund a number of capital expenditure items, in particular part-funding the new Meadows Pavilion Golf Clubhouse.

29. Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons (e.g. General Revenue Balances, which includes the Council's Working Balance); some are needed to comply with proper accounting practice (e.g. Capital Receipts, Pensions Reserve); and other specific reserves have been set up voluntarily to earmark resources for future spending plans and unforeseen events (e.g. Renewals Funds). In the case of the specific (or earmarked) reserves, the funds are operated under the provisions of the Local Government Act 1985 (as amended).

The table overleaf provides details of the movements and balances across each of the reserves, together with the known commitments against those reserves. Contributions are made into the funds on the basis of either a lump sum or the costs of the asset in question. Reserve income also includes contributions in respect of interest on their opening balances, where relevant. Expenditure, as approved by the Council, is indirectly charged to these funds. Committed expenditure against each reserve includes amounts set aside for miscellaneous revenue and capital items, dependent upon the reserve in question. In the case of Plant Renewals, the replacement cost is shown, which is greater than the Fund, requiring future contributions to be made. The Pensions Reserve is negative, reflecting the FRS17 liability, and relies on contributions over a number of years (as determined by the Actuary) to fund that liability. Details of many of these commitments against the Funds are published in the Annual Estimates Book, a copy of which is held at the Douglas Borough Library, and are also available online on the Council's website (www.douglas.gov.im).

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

29. Reserves (cont'd)

General Fund and Housing Revenue Account Reserves

Balance In Hand At 31.3.08 £	Reserve	Receipts In Year £	Use of Reserves In Year £	Balance In Hand At 31.3.09 £	Committed Expenditure £
629,576	Capital Receipts	15,559	(461,625)	183,510	(175,768)
(4,228,000)	Pensions Reserve		(1,708,000)	(5,936,000)	-
3,465,985	General Revenue Balances	273,754	(521,971)	3,217,768	(2,213,166)
	Specific (earmarked) reserves				
	General Rate Fund				
1,401,710	Plant Renewals	462,116	(661,123)	1,202,703	(2,137,600)
519,063	Cremator Renewals	77,088	(24,057)	572,094	(603,750)
480	Bequests	-	-	480	-
459,045	Provision For Derelict Buildings	-	(4,510)	454,535	(188,000)
228,566	Building Maintenance (Commercial)	28,788	(26,202)	231,152	(226,738)
166,152	Information Technology	-	(97,500)	68,652	(29,300)
13,976	St. George's Churchyard	42,495	-	56,471	(64,000)
104,105	Graves Maintenance	-	-	104,106	-
299,779	Risk Management & Special Projects	23,157	(133,763)	189,173	(95,937)
<u>3,192,876</u>	Total General Rate Fund	<u>633,644</u>	<u>(947,155)</u>	<u>2,879,366</u>	<u>(3,345,325)</u>
	Housing Revenue Account				
122,458	Housing Repairs Fund	1,938,179	(1,875,228)	185,409	-
326,124	Community Facilities Reserve	31,850	(117,614)	240,360	(50,583)
<u>448,582</u>	Total Housing	<u>1,970,029</u>	<u>(1,992,842)</u>	<u>425,769</u>	<u>(50,583)</u>
	Tramways Undertaking				
84,324	Tramways Renewals Fund	2,986	(1,516)	85,794	-
29,953	Provision for Stocks and Stores	414	-	30,367	-
<u>114,277</u>	Total Tramways	<u>3,400</u>	<u>(1,516)</u>	<u>116,161</u>	<u>-</u>
<u>3,755,735</u>	Total Specific (Earmarked) Reserves	<u>2,607,073</u>	<u>(2,941,513)</u>	<u>3,421,296</u>	<u>(3,395,908)</u>
<u>3,623,296</u>	Total Reserves	<u>2,896,386</u>	<u>(5,633,109)</u>	<u>886,573</u>	<u>(5,784,842)</u>

The commitments against the General Revenue Reserve include £0.5m in respect of professional fees and other costs that may be incurred in connection with a recently completed large construction project.

An explanation of each of the reserves is presented at the end of this document.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

HOUSING REVENUE ACCOUNT

In accordance with Tynwald resolution under the Housing Act 1955, the Department of Local Government and the Environment pays the Council a housing deficiency grant, which generally meets the cost of housing provision. The balance of the administration costs of the housing function, which is not met by the Government Deficiency Grant (being subject to the upper limit of 5% of the rent received during the year), remains as a rateborne cost. During 2008/2009, this amounted to £0.530m (2007/2008: £0.564m).

HOUSING REVENUE ACCOUNT - INCOME AND EXPENDITURE ACCOUNT

The transactions in respect of public sector housing are summarised in the statement below. The £529,929 (2007/2008: £526,816) rateborne element of the housing administration function, which is not met by Government Deficiency Grant, is excluded from this statement (see note 1 of the Notes to the Core Financial Statements).

2007/2008		2008/2009	
£		£	£
	Expenditure		
2,120,627	Repairs & maintenance	2,211,579	
386,231	Supervision & management	394,390	
1,277,836	Rates	1,341,666	
171,848	Other costs	168,105	
<u>4,793,022</u>	Debt management costs	<u>4,779,632</u>	
8,749,564	Total expenditure		8,895,372
	Income		
(7,042,379)	Rents (inclusive)	(7,152,239)	
(1,749,317)	Housing Deficiency Grant	(1,688,790)	
<u>(6,201)</u>	Charges for services & facilities	<u>(105,508)</u>	
(8,797,897)	Total income		(8,946,537)
<u>(48,333)</u>	(Surplus)/deficit on HRA services		<u>(51,165)</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

STATEMENT OF MOVEMENT ON HOUSING REVENUE ACCOUNT BALANCES

Restated 2007/2008 Actual £		2008/2009 Actual £
(48,333)	Surplus on Income and Expenditure Account	(51,165)
	Accounted for by:	
(1,900,593)	Rental income contribution into Housing Repairs Fund	(1,933,842)
-	Rental income contribution into Community Facilities Reserve	(20,300)
1,849,416	Contribution from Housing Repairs Fund to finance repairs	1,895,705
<u>2,844</u>	Contribution from Community Facilities Reserve	<u>7,272</u>
(48,333)		(51,165)
	Other reserve movements:	
(29,444)	Loans pool interest credited to HRA reserves	(15,887)
<u>156,553</u>	Other	<u>89,865</u>
<u>127,109</u>		<u>73,978</u>
<u>78,776</u>	Decrease in HRA balances for the Year	<u>22,813</u>
	Balances brought forward:	
(204,855)	Housing Repairs Fund	(122,458)
<u>(322,503)</u>	Community Facilities Reserve	<u>(326,124)</u>
(527,358)		(448,582)
	Balances carried forward:	
(122,458)	Housing Repairs Fund	(185,409)
<u>(326,124)</u>	Community Facilities Reserve	<u>(240,360)</u>
<u>(448,582)</u>		<u>(425,769)</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

TRAMWAYS UNDERTAKING ACCOUNTS

The Council operates a unique transport undertaking in the form of horse drawn trams, which run along the seafront of Douglas. In compliance with the Accounts and Audit Act Regulations 2007, made under the Audit Act 2006, the Council is required to keep separate accounts for the Tramways Undertaking. A summary of the accounts of this operation is shown below.

SUMMARY OF TRAMWAYS REVENUE UNDERTAKING INCOME AND EXPENDITURE

2007/2008		2008/2009
£		£
	Expenditure	
262,998	Employee costs	226,259
27,885	Property & fixed plant	33,642
18,849	Transport and plant	21,552
30,489	Supplies	28,514
8,322	Central support services	11,870
20,285	Capital finance	18,981
368,828	Total Tramways expenditure	340,818
	Income	
(55,996)	Traffic receipts	(51,874)
(24,425)	Rover Ticket Income from Department of Tourism and Leisure	(21,933)
(13,217)	Other income	(12,276)
(93,638)	Total Tramways Income	(86,083)
275,190	Net deficit charged to General Rate Fund	254,735

TRAMWAYS UNDERTAKING BALANCE SHEET

As At 31st March 2008		£	£	As At 31st March 2009
£		£	£	£
433,088	Fixed assets			433,088
	Current assets			
29,952	Stocks	30,367		
-	Debtors	21,933		
84,501	Cash	63,978		
114,453	Total current assets		116,278	
	Less current liabilities			
(176)	Creditors	(116)		
(176)	Total current liabilities		(116)	
114,277	Net current assets			116,162
(213,080)	Long term borrowing			(204,781)
334,285	Total assets less liabilities			344,469
	Financed by			
220,008	Capital discharged			228,308
114,277	Tramways Fund reserves			116,161
334,285				344,469

DOUGLAS BOROUGH COUNCIL

STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

STATEMENT ON INTERNAL CONTROL AND THE SYSTEM OF INTERNAL FINANCIAL CONTROL

Scope of Responsibility

The Accounts and Audit Regulations 2007 require the Council to conduct a review at least once a year of the effectiveness of its system of internal control and/or include a statement on internal control and internal financial control within its accounts.

Douglas Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that through the maintenance of its internal controls, public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In developing this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions, ensures compliance with all relevant legislation and regulations and which includes arrangements for the management of risk.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure, to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

A system of internal control has been in place at the Council for the year ending 31st March 2009 and up to the date of approval of the accounts. The internal control systems of the Council are currently under review, and system processes are subject to change as part of a drive to secure continuous improvement in the way the Council's processes are exercised, having regard to a combination of economy, efficiency and effectiveness.

The internal control environment

Below is a summary of the key elements of the Council's internal control environment.

Establishment of the Council's objectives – The Council launched its first Corporate Plan in 2007, for the period 2008-2011. This document sets out the Council's policy and future strategy with nine Corporate Aims for the Council, together with Corporate and Strategic Objectives in the areas of: Governance; Environment; Housing; Recreation and Culture; Public Health; Economic Development; and Partnerships. The Corporate Plan lists short and long term priorities for each of these headline areas.

Monitoring achievement against the objectives – Performance management of service delivery has, until the publication of the Corporate Plan, been by way of service-specific reporting on achievements and service developments to the relevant service committees of the Council. The Chief Officers Management Team during 2008 developed a Corporate Delivery Plan to help ensure the effective delivery of each of the Council's Strategic Objectives. Accountability for each area is secured with an assigned Chief Officer and Project Officer responsible. As each of the Strategic Objectives is measurable and time-related, performance can be assessed. Monitoring of performance against the targets in the Corporate Plan is now reported to each of the standing Committees.

Corporate Governance – The Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions. The Member/Officer Protocol maintains and enhances the integrity (real and perceived) of the way the Council's affairs are governed and, through guidance, provides clarity and certainty on the proper conduct of interface between the Council's officers and elected representatives. This Protocol is supported by the Prevention of Bullying, Harassment and Victimisation at Work policy document.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

**STATEMENT ON INTERNAL CONTROL AND THE SYSTEM OF INTERNAL FINANCIAL CONTROL
(CONTINUED)**

The publication of the Corporate Plan during the 2007/2008 financial year, and in particular therein the Council's Strategic Governance Objectives, has helped the Council to focus on the need to develop its governance framework. A Governance Working Group meets regularly to review those areas of the Council's operations where changes and improvements to the corporate governance framework are required. There is evidence of good progress and change implementation being made in this area, including the following:

- The establishment of a Register of Interests for Members and senior officers.
- Following the election of Council Members in April 2008, the provision of training sessions for all Members and the circulation of an induction pack, including a copy of the Government's DVD on Governance.
- Training provided to all Committee Chairmen and Vice Chairmen.
- Training on the budget for all new Members.
- A regular briefing with the Chairman of the Policy and Resources Committee by the Chief Officers Management Team.
- The introduction of a monthly Members Bulletin issued to all Members of the Council, keeping them informed of Council business developments and key information.

Facilitation of policy and decision making – The decision making process is defined in the Council's Standing Orders. Decisions within this framework are required to proceed through the relevant service committee and full Council for approval. There is a framework for delegated decision-making powers at service committee level, where decisions made fall within the parameters of existing Council policy. All decisions are recorded in the Council minute book, with formal minutes being available for public inspection. The Chief Officers Management Team meets regularly to consider operational management issues and, where required, determines where reports are needed for Committee consideration and decision-making.

During the early part of 2008/2009, a new system of reporting to Committees was implemented. Officer reports are now in a standardised format with clear recommendations, background information and showing legal and financial implications, facilitating better decision making based on completeness and clarity of information. Information not required for Committee decision making is now incorporated into the monthly Members Bulletin.

Risk Management – The Council is committed to producing risk management and business continuity strategies. This is recognised as a high priority within the Corporate Plan's Strategic Governance Objectives. The Policy and Resources Committee has already provided its backing to the further development of the Risk Management Policy, through the appointment of an independent risk management consultant to assist the Council in its development of an effective risk management and business continuity framework. The consultant's services have been used to help draft a corporate risk register, which after discussions with senior managers, is being developed into a formal document for presentation to the Policy and Resources Committee.

In June 2008 a new contract with the Council's insurance advisers commenced. The service specification of the insurance advisers was reviewed, and now incorporates new formal requirements in respect of risk management. The service objectives of the new contract now require the service provider to advise the Council on areas of risk management and to proactively manage its insurance requirement through a detailed knowledge of the Council's risk management environment. Regular meetings with the insurance advisers are an opportunity to discuss any new risks facing the Council, and any action required.

Senior Management have focused considerable attention on the area of emergency planning. Workshops and courses organised by the Department of Home Affairs have been attended, and work has been done to help draft a Business Continuity Strategy to cover eventualities such as a flu pandemic. Regular liaison, through Chief Officers Management Team, is taking place with the Government's Emergency Planning Officer to ensure readiness in respect of pandemic/swine flu.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

**STATEMENT ON INTERNAL CONTROL AND THE SYSTEM OF INTERNAL FINANCIAL CONTROL
(CONTINUED)**

Financial Management – The Council's internal financial control is based on a framework of regular management information, financial regulations, administrative procedures, management supervision and systems of delegation. The systems of internal financial control provide reasonable assurance that assets are safeguarded, transactions are authorised and properly recorded and that material errors or irregularities are either prevented or would be swiftly detected. The Borough Treasurer is formally appointed as the Council's Responsible Financial Officer. Under the terms of the Accounts and Audit Regulations 2007, this officer is required to determine the Council's accounting records and control systems. He has a responsibility for ensuring the proper administration of the Council's financial affairs. As a Chief Officer of the Council, he is a member of the Chief Officers Management Team and attends all Council and Policy and Resources meetings, and other Committee and Sub-Committee meetings as required. He reports regularly to the Policy and Resources Committee on matters of financial importance and significance. An informal framework exists for budgetary control reporting to the Extended Chief Officers Management Team and the Policy and Resources Committee, as appropriate. A Budget Manager's Forum was established during 2008 to facilitate the discussion of budgetary and accounting issues, and matters of financial control.

Internal Audit - The Council also maintains an internal audit service to assist management with monitoring adherence to key controls and procedures. The internal audit function also carries out regular reviews to ensure that identified controls governing risk areas are carried out. Having market tested the service at the beginning of 2008, the year ending 31st March 2009 represents the first full year of service provided by the new service provider. This market testing exercise was used as an opportunity to review and upgrade the service contract and specification, thereby developing the function as a robust and integral element of the Council's internal control environment. The service's objectives are primarily to satisfy the Council's statutory responsibility under the Accounts and Audit Regulations 2007 to "maintain in accordance with proper practices an adequate and effective system of internal audit of its accounting records and of its system of internal control". More specifically, the internal audit function must provide a service that objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. The procedures for undertaking audit work must now embrace an audit methodology which is consistent with the "Guidance for Internal Auditors" issued by the Auditing Practices Board of the Consultative Council of Accountancy Bodies (CCAB). Using the Strategic Audit Plan, audit reviews have been undertaken in many of the Council's major systems, as well as a range of specific areas of audit interest and minor systems. There is also a requirement for internal audit to provide an annual report to the Policy and Resources Committee on the effectiveness of the operation of the systems of internal control.

Project Management - The Council has adopted the principles of and is committed to project management in order to facilitate the effective delivery of projects throughout the operations of the authority. PRINCE2 has been adapted to local needs through the development of Douglas Project Management (DPM). All managers responsible for projects have received training on DPM, and a project team is responsible for the effective implementation of DPM across the Council.

Review of effectiveness

The effectiveness of systems of internal control is evaluated by the work of the internal audit function and the responsible officers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors. Compliance with statutory legislation and regulations is secured through the advice of the Council's advocate.

During 2008, the Council also commissioned the services of an independent consultant from the Society of Local Authority Chief Executives (SOLACE) in order to provide a wide-ranging Best Value Review of its housing function. The resulting report identified a number of areas where improvements should be made and to make a number of significant recommendations concerning the effective management of the Housing Service. These are now being addressed. A further Housing review specifically of the Housing Maintenance function has since been undertaken. The report is due to be considered during the summer and will make recommendations regarding the management and governance arrangements in place.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

**STATEMENT ON INTERNAL CONTROL AND THE SYSTEM OF INTERNAL FINANCIAL CONTROL
(CONTINUED)**

Also during 2008, following the departure of key members of staff in the Council's Information Technology and Communications (ICT) service, a full and detailed review of the Council's ICT infrastructure and service arrangements was undertaken by the Society of Information Technology Management (SOCITM). A number of recommendations regarding the ICT management and business continuity arrangements and infrastructure were made, and good progress has already been made to implement these. Most significantly, significant progress has been made through the production of an ICT Development Plan and in the area of network security. Briefings to all staff containing information about best ICT practice and security guidelines have also taken place.

Significant internal control issues

We are not aware of any actual or potential non-compliance with laws and regulations that could have a material effect on the Council to conduct its business or on the results and financial position disclosed in the financial statements for the year ended 31st March 2009. Nevertheless, taking into account all of the information made available, the Council is not in a position to provide complete assurance to internal control strength but is intent on making further improvements. This is because, although the Council is now committed to a good governance framework and significant progress has been achieved in this area since the last balance sheet date, the systems of performance and risk management are either not yet sufficiently formalised or developed in order to provide a properly informed opinion or assurance on these matters. In view of the internal control status, it is accepted that further development work is required in the following areas over the next few financial years:

- Further development and formal approval of the Council's Corporate Governance Risk Management Policy.
- Further development of the Council's drafted corporate risk register, incorporating key risks to individual service areas responsible for implementing the Council's corporate aims and objectives.
- Full implementation of the Council's recently-implemented Staff Development scheme, to assist with the cascaded implementation of those corporate aims and objectives, and to assist with continuous improvement generally.
- The establishment of a fixed asset register, following the Council's first independent valuation of its building property assets, due to take place during 2009.
- The review and updating of the Council's ICT Strategy and production of Business Continuity Plans for the Council's services.
- Further enhancement of project management skills through the full implementation of the Douglas Project Management (DPM) across the Council's operations.
- The drafting of a Data Quality Strategy to help ensure that all data used as part of the decision-making process is of a robust nature.
- Development of a more effective central procurement function for the Council.

A review of the internal control processes was carried out by internal audit to establish whether assurance has been obtained for key controls operating during the financial year ending 31st March 2009. In so far as the internal auditor has been able to place reliance on the audit work undertaken during the financial year, no significant internal control weaknesses have been identified. The overall conclusion is as follows: **"Our current understanding and experience of the Borough Council shows that they have a risk-aware and adaptable approach to their system of internal control. We understand that the system of internal control is designed to reduce the risks to which the Council is exposed, [down] to a reasonable level, and not to reduce the impact of all risk."**

Attention is drawn to the fact that systems of internal control and corporate governance are designed to manage rather than eliminate the risk of failure to achieve objectives. They can therefore only provide reasonable and not absolute assurance. Accordingly, reasonable assurance is given that, except for the developmental areas listed above, the Council's internal control and corporate governance arrangements are adequate and operate effectively during the year ending 31st March 2009.

K J RICE, B.A. (Hons), Solicitor
CHIEF EXECUTIVE

G M BOLT, CPFA
BOROUGH TREASURER

28th October 2009

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

EXPLANATION OF FINANCIAL TERMS

Accruals

The concept that income and expenditure items are accounted for in the period in which they are earned or incurred, rather than when they are actually received or paid.

Budget/Estimate

A statement of an Authority's estimated revenue and capital expenditure. Revenue Estimates and a Capital Programme are prepared each year, and are now posted on the website.

Capital Expenditure

The acquisition or enhancement of assets that will have a long-term value to the Council – e.g. land, buildings and significant pieces of equipment.

Contingent Liability

A possible obligation, arising from past events only confirmed by the occurrence of one or more uncertain future events.

Capital Receipts

Proceeds from the sale of land and other fixed assets.

Creditors

Money that the Council owes but which has not been paid by the balance sheet date.

Debtors

Money that is owed to the Council but has not been received by the balance sheet date.

Deferred Charges

Expenditure of a capital nature, but which does not result in, or remain matched with, tangible assets owned by this Council. An example is drainage infrastructure assets which although built by this Council, have since been transferred to the Department of Transport.

Direct Revenue Financing

The financing of capital expenditure directly from revenue i.e. General Rate Fund.

Emolument

Total remuneration of an employee which includes salary, allowances etc.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. A finance lease can be compared to a hire purchase agreement, for example, on a private motor vehicle.

Fixed Assets

Long-term tangible asset held for operational use and not expected to be converted to cash in the current or upcoming fiscal year; such as land and building.

General Rate Fund

The main revenue fund to which the costs of services financed by the Ratepayers are charged.

Historical Cost Convention

An accounting technique used to value an asset for balance sheet purposes at the price paid for the asset at the time of its acquisition.

Housing Revenue Account (HRA)

The account to which are charged the revenue costs of providing, maintaining and managing Council dwellings. These costs are financed by tenants' rents and Government Housing Deficiency Grant.

Loans Pool

The Council's account used to record the raising of and repayment of loans for the purposes of issuing internal loan advances to the various services in order to finance capital expenditure.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

EXPLANATION OF FINANCIAL TERMS (CONTINUED)

Mortgage Bonds

A bond secured by mortgage on the Council's assets. These bonds are no longer issued by the Council, and its holding will be reduced to £nil over the next few years.

Operational Expenditure

Is an ongoing cost for running a service.

Provisions

These represent sums set aside for liabilities or losses that are likely or certain to arise, but are uncertain as to their amount or timing. An example is provision for bad debts.

Remuneration

Monetary payment for services rendered.

Reserves

Amounts set aside for purposes falling outside the definition of provisions.

Revenue Expenditure

This is expenditure charged to revenue accounts mainly on recurring items and consists principally of salaries and wages, running expenses, transport and capital financing charges.

Rule of 78

A commonly used method of calculating the amount of interest that is included within a fixed rate instalment loan. The 78 derives from the sum of monthly payments within a year ($12+11+10+9+8+7+6+5+4+3+2+1 = 78$). As interest is weighted towards the initial payments within a loan, it is reasonable to conclude that $12/78$ of the interest is payable in the first monthly instalment and $1/78$ in the final. This method can be extrapolated to periods other than twelve months.

Sinking Fund

Is the monies from the Council's Loans Pool, used to repay the capital element of a loan.

Triennial Valuations

Every three years a valuation of the Pension Fund is carried out, by the fund's Actuary.

Unfunded Discretionary Benefits

Benefits paid to ex employees whose employment pre-dates the establishment of the Isle of Man Local Government Pension Scheme.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

EXPLANATION OF RESERVES

Building Maintenance (Commercial)

This reserve is used to cover unexpected large items of maintenance and improvements expenditure on the Council's commercial property portfolio. A number of schemes within the Capital Programme are also funded from this reserve. The reserve receives an annual contribution equivalent to 10% of the commercial rental income received.

Capital Receipts

The proceeds from the sale of General Rate Fund fixed assets, which can be used for financing new items of capital expenditure. These funds are not available to support revenue expenditure.

Community Facilities Reserve

This reserve is used to fund capital expenditure on specific capital schemes within the sheltered accommodation complexes, subject to approval by the Department of Local Government and the Environment. The Community Facilities Reserve is funded through an annual transfer from the Housing Revenue Account of an amount equal to one tenth of net rent income from the sheltered accommodation units

General Revenue Reserve

This incorporates the Council's Working Balance, which is the Council's core reserve to protect against material unforeseen events and cash flow liquidity issues. Any surplus amounts are used to fund items, including Capital Programme schemes, which would otherwise have had a future impact on the rate. The General Revenue Reserve generally supports the General Fund revenue expenditure and is used to reduce wide fluctuations in the annual rate levied between financial years. Any General Fund revenue budget overspends have a direct impact on the balance of this reserve, whilst any General Fund revenue underspend at the end of a financial year is fed back into this reserve.

Graves Maintenance

These are funds held in perpetuity for the maintenance of grave plots, whose owners have paid a bond for this service, at the Council's cemeteries. It is no longer possible for plot holders to purchase a grave space maintenance "bond", and so the balance on this reserve is now fixed indefinitely.

Housing Repairs Fund

The Council maintains this Housing Revenue Account reserve fund in accordance with the provisions of Government Housing Policy. The Housing Repairs Fund receives an annual transfer from the Housing Revenue Account of an amount equal to one third of net rent income from the Council's housing stock. This reserve is then applied to meet the costs of Revenue Housing Repairs each year.

Information Technology

This reserve is used to fund miscellaneous one-off Information and Communications Technology schemes and developments.

Library Bequests

This reserve holds funds held in perpetuity in respect of bequests donated to the Borough Library.

Pensions Reserve

The Pensions Reserve is a reserve matching the FRS17 long term liability related to the Council's defined benefit scheme on the balance sheet. Accounting for the liability in this way enables the Council's compliance with proper accounting practice, although this actually results in a "negative" reserve.

Plant Renewals Fund

This reserve is built up through contributions from the revenue account for the purpose of renewing vehicle and plant assets used within the Council's various service areas. The fund is then used to replace any vehicles that have come to the end of their working life with the Council.

Provision for Derelict Buildings

This reserve is generally held to meet the interim cost of emergency works in respect of any private sector properties identified as derelict and requiring exterior improvement, before the monies can be recovered from the owner.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

EXPLANATION OF RESERVES (CONTINUED)

Provision for Stocks and Stores

This is a Tramways Undertaking Provision, which is a self-insurance fund for Tramways stores items such as small items of equipment and horse feed. The year end balance each year is adjusted to match the value of stocks and stores calculated as at the balance sheet date.

Risk Management and Special Projects Fund

To fund miscellaneous minor yet urgent schemes identified after the rate setting process is complete. It is intended to provide funding for those schemes for which the alternative of waiting until the next budget round would present the Council with an unacceptable risk (either financial, operational or Health and Safety-related).

St Georges Churchyard

This reserve is used to help fund the Council's obligations from the Burials Act 1986, in respect of any repair and maintenance schemes at the St Georges Church Churchyard in Douglas.

Tramways Renewals Fund

Used to fund items of replacement equipment required by the Council's Tramways service.



New Ballaughton Park



Douglas Borough Council
Town Hall • Ridgeway Street
Douglas • Isle of Man • IM99 1AD

Tel: 01624 696300
Web: www.douglas.gov.im

