

Douglas



Douglas Borough Council

Coonceil Valley Corpagh Doolish

Statement of Accounts for the Year ending 31 March 2017



Green Flag Award 2015/16 - Hutchinson Square



Five Green Flag Awards 2015/16 by Keep Britain Tidy for Noble's Park, Marine Gardens, Douglas Head, Hutchinson Square and Douglas Golf Course

TABLE OF CONTENTS

Douglas Borough Council's Statement of Accounts for the year ended 31 March 2017 is set out on pages 1 to 47.

	Page
Explanatory Foreword	1
Statement of Accounting Policies	7
Statement of Responsibilities for the Statement of Accounts	11
Statement on Internal Control	12
Report of the Independent Auditor	15
CORE ACCOUNTING STATEMENTS:	
Income and Expenditure Account	17
Statement of Movement on the General Fund Balance	18
Reconciling Items to the Statement of Movement on the General Fund Balance	18
Statement of Total Recognised Gains and Losses (STRGL)	19
Balance Sheet	20
Cash Flow Statement	22
General Rate Fund	23
NOTES TO THE CORE ACCOUNTING STATEMENTS	24
SUPPLEMENTARY ACCOUNTING STATEMENTS:	
Summary Statement of Capital Expenditure and Financing	45
Housing Revenue Account (HRA) Statements	46
-Housing Revenue Account - Income and Expenditure Account	46
-Statement of Movement on the Housing Revenue Account Balance	47
-Reconciling Items to the Statement of Movement on the HRA Balance	47
<i>The following pages do not form part of the audited financial statements:</i>	
APPENDICES	
A Detailed Income and Expenditure Accounts	48
B Explanation of Reserves	53
C Explanation of Financial Terms	56
D Summary of Tramways Undertaking Income and Expenditure	59
Further Information	60

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

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 ended 31 March 2017, and to summarise the overall financial position as at 31 March 2017. 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

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 STATEMENT ON INTERNAL CONTROL – This statement reviews the effectiveness of internal control systems.

The Core Accounting Statements:

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 grants, fees, charges, rents and local ratepayers (i.e. the General Rate Fund).

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE – This shows the surplus or deficit on the Income and Expenditure Account adjusted for the additional amounts which are required by proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year.

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.

BALANCE SHEET – This statement sets out the overall financial position of the Council at the end of the year, incorporating the General Fund and Housing Revenue Account balance sheet areas. This balance sheet summarises the Council's overall financial position as at 31 March 2017. The balance sheet presents certain fixed assets based on independent valuation amounts in line with the requirements of the Isle of Man Government Treasury Statement of Recommended Practice 2007 – Accounting for Entities Subject to the Audit Act 2006 (the SORP). All internal debtors and creditors have been eliminated.

CASH FLOW STATEMENT – This statement summarises the cash inflows and outflows arising from transactions with third parties for revenue and capital purposes.

GENERAL RATE FUND – This statement presents the rates levied by the Borough, together with details of rates collected and the rate arrears.

Other Statements:

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.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

EXPLANATORY FOREWORD (CONTINUED)

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. The rateborne burden of the Housing Management function is excluded from this statement.

STATEMENT OF MOVEMENT ON HOUSING REVENUE ACCOUNT BALANCE - This shows the surplus or deficit on the Housing Revenue Income and Expenditure Account adjusted for the additional amounts which are required by proper practices to be charged or credited to the Housing Revenue Account Reserves (Housing Repairs and Community Facilities Reserves).

3. Appendices

Outside of the audited Statement of Accounts, there are four appendices, aimed at providing the reader of the Statement of Accounts with further background information:

DETAILED INCOME AND EXPENDITURE ACCOUNTS – This provides a detailed service by service breakdown of the SORP's operational service classification headings showing within the Income and Expenditure Account.

EXPLANATION OF RESERVES – This provides some explanation behind the purpose and use of the various reserve funds held by the Council, and also the level of known planned expenditure against these funds.

EXPLANATION OF FINANCIAL TERMS – This section provides definition and some further explanation behind some of the more technical terms referred to within the Statement of Accounts.

SUMMARY OF TRAMWAYS UNDERTAKING INCOME AND EXPENDITURE – This statement provides further information regarding this unique transport undertaking function.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

EXPLANATORY FOREWORD (CONTINUED)

4. 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 revenue income and expenditure outturn for 2016/17, compared with the approved estimates of the Council. All retirement benefits adjustments as required by the SORP have been excluded here.

Revenue Outturn compared with Estimates (excluding retirement benefit adjustments)

	Net Expenditure 2016/17 £'000	Estimate 2016/17 £'000	(Favourable) /Adverse Variance 2016/17 £'000
Environmental Services	4,691	4,470	221
Regeneration & Community	3,184	3,215	(31)
Executive	2,803	2,484	319
Net General Rate Fund incl rate discount	<u>10,678</u>	<u>10,169</u>	<u>509</u>
Housing Revenue Account (HRA)	2,326	847	1,479
Net cost of services including rate discount	<u>13,004</u>	<u>11,016</u>	<u>1,988</u>
Surplus on sale of fixed assets	(18)	0	(18)
Interest payable	3,261	3,759	(498)
Interest and investment Income	(6)	(4)	(2)
Net operating expenditure	<u>16,241</u>	<u>14,771</u>	<u>1,470</u>
Depreciation and capital financing	(5,171)	(4,027)	(1,144)
Net transfers (from)/to all reserves	(433)	110	(543)
Net budget requirement	<u>10,637</u>	<u>10,854</u>	<u>(217)</u>
Total from Rate income before rate discount	<u>(10,848)</u>	<u>(10,854)</u>	<u>6</u>
Revenue contribution from/(to) balances	<u>(211)</u>	<u>0</u>	<u>(211)</u>

The net operating expenditure (excluding Pension Fund liability adjustments) incorporates all service expenditure, income from Government, fees and charges and interest income and payments.

**DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

EXPLANATORY FOREWORD (CONTINUED)

Compared to the approved estimates for the year, the net budget requirement was some £217,000 less than budgeted. This is due to a combination of a number of underspends at the revenue service level, and reduced levels of loan charges experienced, compared to the estimates.

Rates income was £6,000 lower than estimated as the increase in the rateable value of the Borough was slightly lower than anticipated.

The outcome of all of the above means that a final contribution into the General Fund General Revenue Reserve balance of £211,000 could be made. This compares with an estimate of £nil when setting the Rate in January 2016. The following table provides a list of the major items contributing towards the favourable outturn position.

Analysis of favourable outturn position (i.e. final contribution into Balances)

	Favourable £'000	Adverse £'000
Posts temporarily vacant	(296)	
General Fund loan charges	(168)	
Repairs	(75)	
Crematorium income	(67)	
Insurance	(46)	
Electricity	(38)	
Reduction in Bad Debt Provision	(33)	
Transport & Plant Fuel	(31)	
Chester Street Car Park Licence Fee	(27)	
No contribution to Economic Development Fund	(24)	
Civic Amenity Site Sales	(23)	
Profit on fixed asset disposals	(18)	
Nursery Fuel	(14)	
Pay rise		173
Commercial bin emptying income		118
Chester Street car park contract spaces income		103
Legal fees		99
Shaws Brow Grant		59
Car park fines		34
Chester Street car park pay as you go income		32
Drumgold Street car park pay as you go income		24
Other		7
Favourable/adverse variances	(860)	649
Net favourable variance	(211)	

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

EXPLANATORY FOREWORD (CONTINUED)

GENERAL REVENUE RESERVE BALANCES

During the year, there was an overall net decrease in the position of the General Revenue Reserve Balance of £744,000. After all appropriations to and from balances and income from rates are taken into account, the position on the General Revenue Reserve Balance is £1.914m; some £1.457m higher than had been estimated at the beginning of the year. The General Fund outturn did benefit from the higher than budgeted contribution back into balances at the end of the year, although there remain planned expenditure items, most of which are capital, that are due to be financed from the General Revenue Reserve. The available balance on the General Fund at the end of the year is higher than originally envisaged, as the following table shows.

Outturn position on General Revenue Reserve

	Actual 2016/17 £'000	Original Estimate 2016/17 £'000	(Favourable) /Adverse Variance £'000
Balance at year beginning	2,658	907	1,751
All revenue transfers to/(from) balance	(110)	(84)	(26)
Non-revenue contributions to/(from) balance	(634)	(366)	(268)
Increase/(decrease) in balance	<u>(744)</u>	<u>(450)</u>	<u>(294)</u>
Balance at year end	<u>1,914</u>	457	1,457
Further commitments against balance	<u>(892)</u>	<u>(14)</u>	<u>(878)</u>
Uncommitted balance	<u><u>1,022</u></u>	<u><u>443</u></u>	<u><u>579</u></u>

CAPITAL EXPENDITURE

Capital expenditure of £6.792m was undertaken during the year, of which £5.494m was for HRA purposes and £1.298m was spent on General Fund assets. The total capital expenditure compares with the Capital Programme original estimate of £8.026m which was revised up to £8.933m during the year. Most of this variance is accounted for by delayed commencement to a number of large items in the Capital Programme. The capital expenditure on Housing included refurbishment works across the Council's various housing estates, notably kitchens and Willaston external refurbishment. Capital expenditure on the General Fund during the year included public lighting, the refurbishment of York Road public conveniences and expenditure on the upgrade of the Ballaughton Nursery.

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 or reserves. Part of 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 Infrastructure.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

EXPLANATORY FOREWORD (CONTINUED)

5. Pension Liability

The SORP requires the Council to disclose certain pension liability information within its Statement of Accounts and this appears in notes 2, 27 and 28 to the Core Financial Statements. Included within that information is the net liability on the Isle of Man Local Government Superannuation Scheme (the Scheme) that is attributable to Douglas Borough Council. This is the difference between future liabilities and assets, as valued at 31 March 2017, and amounts to £19.621m; an increase of £1.327m on the previous year.

In addition to the pension liability arising from the Council's participation in the Scheme, the Council also recognises a liability arising from the unfunded benefits which are paid to those former manual workers whose employment pre-dates the establishment of the Scheme, and this appears in note 29 to the core financial statements.

6. Audit of Accounts

These accounts are published following completion of the statutory audit by Grant Thornton Limited (see Audit Report on pages 15-16).

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF ACCOUNTING POLICIES

1. Accounts and Audit Regulations

The Statement of Accounts has been prepared under the historical cost convention, as modified by the revaluation of certain assets in accordance with United Kingdom Generally Accepted Accounting Practices and the Isle of Man Statement of Recommended Practice 2007 ("the SORP"). The SORP, as issued by Treasury, is recognised under the Audit Act 2006 and the Accounts and Audit Regulations 2013 as representing proper accounting practices.

2. Capital Expenditure and Financing

Expenditure incurred in the provision of assets over £10,000 is deemed as capital. In the case of vehicles, the purchase of all road registered vehicles, regardless of cost, is capitalised. Property asset additions are recorded initially at current 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.

3. Valuations

Fixed asset valuations have been undertaken by Chrystals, in accordance with guidelines established by the Royal Institute of Chartered Surveyors (RICS) and the Chartered Institute of Public Finance and Accountancy (CIPFA). Operational assets have been valued at the lower of net replacement cost or net realisable value in existing use. In the case of vehicles, plant and equipment, historical cost has been used as a proxy for valuation, subject to depreciation on a prudent basis using conservative estimates of working lives. Infrastructure assets are included in the Balance Sheet at historical cost, net of depreciation where appropriate. Investment properties have been valued at the open market value. Community assets are held on the balance sheet at nominal value (£1). Assets under the course of construction are reflected at historical cost until such time as they are brought into commission. Routine valuations will be carried out at intervals of not more than five years; although major changes in value are recorded as they occur, including any arising from an annual review of impairments.

4. Impairments

The Council's fixed assets are reviewed on an annual basis, in accordance with the SORP to identify any circumstances that would materially affect the value of the assets shown in the balance sheet. Where a permanent reduction in the value of the assets is identified, due to consumption of economic benefits, the impairment loss is charged to the appropriate revenue service account. Where the cause of reduction in value is not clearly determined, or there is no readily identifiable consumption of economic benefit, the impairment loss is written off against any revaluation gains attributable to the asset in the Revaluation Reserve.

5. Depreciation

Depreciation is provided on all assets with a finite useful life, other than freehold land and also investment property assets (i.e. the Council's commercial property portfolio). Where depreciation is provided for, assets are being depreciated by applying the straight line method to balance sheet value over periods reflecting their estimated useful remaining asset lives, normally determined by professional valuation. No depreciation is charged on assets under the course of construction or surplus assets held for disposal. The depreciation charges are made to the relevant revenue service account.

6. Intangible Fixed Assets

Intangible fixed assets are non-financial fixed assets that do not have physical substance but are identifiable and where future economic benefits are controlled by the Council through custody or legal rights (e.g. software licences). Purchased intangibles are capitalised at cost on an accruals basis; they are not revalued unless there is a readily ascertainable market value, but reviewed for impairment at the end of the first full financial year and where events or changes in circumstances indicate that carrying values may not be recoverable. Intangible assets are amortised to revenue over a 5 year period. Economic lives are reassessed at the end of each year and revised if necessary. The amortisation charges to revenue are made to the relevant service revenue account.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

7. 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. Lease repayments due within 12 months of the balance sheet date are transferred into the current liabilities section of the Balance Sheet (creditors). There are no finance leases outstanding as at the 31 March 2017 balance sheet date.

8. Operating Leases

The Council has a number of operating leases in respect of operational buildings and land. 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.

9. Disposals

The surplus or deficit arising from the disposal of fixed assets is initially charged or credited to the Income and Expenditure Account. The sales receipt is subject to a transfer into the Capital Receipts Reserve until such time as it may be used to finance other capital expenditure. Any net loss charged to the Income and Expenditure Account is reimbursed to the General Fund through a transfer from the Capital Adjustment Account.

10. 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 either the General Fund or Housing Revenue Account in order to finance capital expenditure and long term outlay. The source is bank loans. Provision for the redemption of debt (or Loan Funds Principal Repayments) has been made in accordance with statutory borrowing powers. Provision for repayment of these liabilities is on the basis of an increasing annual accumulation, set at 5%. Repayments are accounted for through the Statement of Movement on the General Fund Balance, whilst interest on the balance of principal outstanding, is charged directly to the Income and Expenditure Account.

11. Valuation of Investments

Direct investments are recorded at mid price. The Council did not directly hold any investments during the financial year. The Council has indirect investments by virtue of it being an employing authority within the Isle of Man Local Government Superannuation Scheme. These are shown in note 27a.

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

Revenue and capital account transactions are accounted for on an accruals basis. Expenditure and income is accrued for sums due but not paid at the end of the year, subject to a cut-off value of £1,500.

13. Interest Payable and Receivable

Interest payable and receivable is accounted for on an accruals basis.

14. Provision for Bad Debts

A provision for bad debts is made within these accounts, and is split across the General Fund and the Housing Revenue Account. Provisions are made against all rates arrears, the percentage of debt provision depending upon the age of the debt, whilst a percentage provision of overdue amounts is made against all sundry debt amounts over 3 months old. In terms of housing rents, a provision is made in respect of all former tenants" arrears, any current tenants where a Possession Order has been applied for and appropriate current tenant arrears greater than £500.

15. Stocks and Stores

The bulk of stocks and stores holdings are recorded on the basis of average costs. The proportionately-minor non-stores holdings are recorded on the basis of either net realisable value or actual cost. An accrual is made for stocks received as at the balance sheet date, but not yet paid.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

16. General Revenue Reserve

This reserve acts as a buffer against cash flow shortfalls and also the potential risks of unforeseen or increased expenditure to be charged to future years' accounts, and to assist in organisational development. The revenue outturn position each year determines the final contribution required from or into the General Revenue Reserve balances.

17. Earmarked Reserves

A number of renewal and reserve funds are maintained within the Council's accounts. Sums are provided for the future 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. Two reserves have been established in accordance with accounting requirements, and as such are not backed by cash and are not generally available to finance expenditure. A "negative" reserve is held to account for the Council's portion of the Isle of Man Local Government Superannuation Scheme pension liability, whilst the Revaluation Reserve represents principally the balance of the surpluses or deficits arising from the periodic revaluation of the Council's fixed assets. The establishment of all these reserves has been approved by the Department of Infrastructure. A full explanation of the Council's reserves is shown at Appendix B to the financial statements.

18. 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.

19. Revenue Expenditure

The revenue accounts of the Council record the costs of staffing, running expenses and depreciation, together with associated income of the various services. These are grouped over the various SORP classification headings. A full breakdown of the revenue services under those headings is provided at Appendix A to the financial statements.

20. Overheads and Support Services

The cost of service management and support services have been 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.

21. Government Grants

Government revenue grants have been accounted for on an accruals basis and income has been credited to the relevant revenue account to match the expenditure to which they relate. The Housing Deficiency Grant represents an amount due in respect of the shortfall of housing income from housing rental receipts in the year against the full (allowable) cost of housing provision, in accordance with the housing deficiency scheme operated by the Department of Infrastructure. Other agency or contracted income received from the Government is included within the overall Government income total disclosed within the accounts (note 13).

22. Pensions

The accounts and notes in relation to the Isle of Man Local Government Superannuation Scheme have been prepared in accordance with the SORP. The financial and demographic assumptions used by the actuary are highlighted in note 27c to the accounts. The pension cost has been assessed by the Fund's actuary based on triennial valuations, the 2016/17 actual employer contributions being based on the results of the review as at 31 March 2013. Using the same financial and demographic assumptions the Scheme actuary has also determined the future liability in connection with unfunded former manual worker pensions made outside of the Scheme. The Council's liability in respect of added years' pension benefits payable is calculated by projecting costs based on age, life expectancy and marital status of the few relevant recipients.

**DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

23. VAT

Income and expenditure excludes any amounts relating to VAT, as all VAT collected is payable to Isle of Man Government Treasury Customs and Excise and all VAT paid is recoverable from it. As the amount of recoverable VAT charged on purchases (input tax) exceeds the VAT charged on sales (output tax), there is always a net debtor balance recoverable from Customs and Excise at each balance sheet date.

24. Post Balance Sheet Events

Post balance sheet events, whether favourable or unfavourable, that materially affect the conditions existing at the balance sheet date will be adjusted in the accounts and disclosure notes. For material events occurring after the balance sheet date, relating to conditions that arose after that date, adjustments will not be made in the accounts but details will be disclosed by way of disclosure note. These principles apply up to the date when the Statement of Accounts is signed for issue.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

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. For Douglas Borough Council that officer is the Responsible Financial Officer (i.e. the Director of Finance);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Financial Statements;
- take responsibility for the maintenance and integrity of the corporate and financial information included in the Authority's website. Legislation in the Isle of Man governing the preparation and dissemination of the financial statements and other information included in the Statements of Accounts may differ from legislation in other jurisdictions.

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.

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 31 March 2017.

Certificate by the Responsible Financial Officer

Under the *Accounts and Audit Regulations 2013* these accounts are to be prepared by the 31 July and must be approved by the Responsible Financial Officer prior to issue to the auditor.

I certify that the Statement of Accounts as set out in pages 17 to 47 have been prepared in accordance with proper accounting practices and present fairly the financial position of the Council as at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

G M BOLT, CPFA
DIRECTOR OF FINANCE AS THE RESPONSIBLE FINANCIAL OFFICER
DOUGLAS BOROUGH COUNCIL

24 July 2017

DOUGLAS BOROUGH COUNCIL

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT ON INTERNAL CONTROL

Introduction and Scope of Responsibility

Regulation 9 of the *Accounts and Audit Regulations 2013* require the Council to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement on internal control within its Statement of 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. 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 and which includes arrangements for the management of risk.

The purpose of the system of internal control

The system of internal control and corporate governance 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 principal risks, to evaluate the extent and likelihood of those risks being realised, 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 31 March 2017 and up to the date of approval of the accounts. The internal control systems of the Council are constantly under review, and system processes are subject to change as part of the 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 and corporate governance environment

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

Establishment of the Council's objectives – The Council has a published Corporate Plan for the period 2013-2017. This document set out the Council's policy priorities and planned actions in the areas of: Governance & Strategy, Regeneration & Community, Housing & Properties, Environmental Services and Pensions. A replacement Corporate Plan was issued at the beginning of 2017 to cover 2017-2021.

Monitoring achievement against the objectives – Performance management of service delivery is achieved by way of reporting on the Corporate Plan requirements to the relevant service committee of the Council. Accountability for each area is secured with an assigned Chief Officer or Assistant Chief Officer responsible. As each of the Strategic Objectives is measurable and time-related, performance can be assessed.

Corporate Governance framework – A Constitution has been developed which documents the Council's standing orders, financial regulations, policies and procedures in relation to working in partnership with the community, performance management, internal control, risk management, delegated authority, human resources policies, standards of conduct, Member/Officer protocol, the environment and management of Health and Safety. The framework provides a structure for documenting the legislation, regulations, policies, procedures and other internal controls which, when taken together, form the Council's internal control and corporate governance environment. A set of guidance notes on the Principles of Internal Control have been produced. A number of these documents are available on the Council's website together with others referred to in this statement.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT ON INTERNAL CONTROL (CONTINUED)

The Council's Governance and Strategy Objectives are set out in the Corporate Plan. During the year, progress was made in the following areas:

- Review and response by Executive Committee to government consultation papers.
- Complaints are being monitored through the complaints system.
- The Council has continued its membership of the Association of Public Service Excellence.
- The Council continues to lead and facilitate the Douglas Community Partnership.
- The Standards Committee (which is not mandatory) continues to promote, develop and maintain high standards of conduct by the Council in compliance with the constitution and legislation.
- The Standards Committee has continued to review conduct in accordance with the terms of reference set out in the Constitution.
- Independent Members are appointed to the Pensions, Standards and Housing Committees.
- The Housing Section rated Good or above on 98% of customer satisfaction surveys.
- Progress was monitored against Corporate Plan targets during the year.
- Communicating the governance of the town is achieved through Social Media which allows public feedback.
- A replacement Corporate Plan was issued at the beginning of 2017 to cover 2017-21.
- Work has commenced on preparing Service Plans to support the 2017-21 Corporate Plan.
- Services have been rationalised by the cessation of the operation of the Market Hall, the Horse Trams and the surrender of the Pulrose Road car park to the Department of Education and Children.

Facilitation of policy and decision making – The decision making process is defined in the Council's Constitution. There is a formal scheme of delegation approved by Council. This means that decisions made are either delegated to the Executive Committee, another Committee or reserved to full Council. Minutes of Committees are sub-divided into these categories. There is a monthly meeting cycle that means the Executive Committee considers all matters which are delegated to it where they have been considered by either the Environmental Services Committee or the Regeneration & Community Committee. The cycle also ensures that the full Council considers all matters which are reserved to it after they have been considered by a Committee. All decisions are recorded in the Council minute book, with formal minutes being available for public inspection on the Council's website and with press releases being made where appropriate. Chief Officer Management Team (COMT) meets regularly to consider policy and operational management issues and, where required, determines the need for reports for Committee consideration and decision-making. The work of COMT is supported by the Extended Chief Officers Management Team (EXCOMT – comprising of Assistant Chief Officers as well as the Chief Officers), which meets on a monthly basis to consider wider management issues, including regular reports at both the strategic and operational levels.

Risk Management – The Council is committed to its risk management and business continuity strategies. This is recognised as a high priority within the Corporate Plan's Strategic Governance Objectives. A number of operational risk registers are in place.

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 Director of Finance is formally appointed as the Council's Responsible Financial Officer. Under the terms of the *Accounts and Audit Regulations 2013*, 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 Council and Executive Committee meetings, and other Committee meetings as required. He reports regularly to the Executive Committee on matters of financial importance and significance. A senior member of the Finance Department attends other Committee meetings.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT ON INTERNAL CONTROL (CONTINUED)

A framework exists for budgetary control with information available to the Budget Managers constantly, quarterly reporting to the Extended Chief Officers Management Team, and half-yearly reporting to budget-holding Committees.

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. The main objective is primarily to satisfy the Council's statutory responsibility under the *Accounts and Audit Regulations 2013* 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 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). A Strategic Audit Plan determines the audit reviews undertaken. The internal audit function is provided by an independent firm.

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. A number of officers are trained as PRINCE2 Practitioners.

Review of the effectiveness of internal control and corporate governance environment

The effectiveness of systems of internal control is evaluated by the work of the internal audit function, the 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. The Executive Committee review the annual reports of both internal and external audit.

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 31 March 2017.

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 31 March 2017. The overall conclusion is as follows: **"In our opinion, notwithstanding the control issues identified in relation to the limited assurances reviews performed during the year ended 31 March 2017 and the need to further develop risk management across the Council, Douglas Borough Council's systems in relation to risk management, control and governance were, on balance, broadly adequate and operating effectively, thereby providing a satisfactory level of assurance in relation to the effective and efficient achievement of Douglas Borough Council's objectives for the year ended 31 March 2017."** Recommendations made by the internal auditors are considered by service managers as appropriate and suitable actions taken.

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, the Council's internal control and corporate governance arrangements are adequate and operate effectively during the year ending 31 March 2017.

D W CHRISTIAN MBE JP
CHAIRMAN OF EXECUTIVE COMMITTEE
22 May 2017

K J RICE, B.A. (Hons), Solicitor
CHIEF EXECUTIVE
22 May 2017

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

INDEPENDENT AUDITOR'S REPORT TO THE MAYOR AND COUNCILLORS OF DOUGLAS BOROUGH COUNCIL („THE COUNCIL“)

We have audited the financial statements of Douglas Borough Council for the year ended 31 March 2017 which comprise the statement of accounting policies, the income and expenditure account, the statement of movement on the general fund balance, the statement of total recognised gains and losses, the balance sheet, the cash flow statement, the general rate fund, the related notes, the housing revenue income and expenditure account and the statement of the movement on the housing revenue account balance. The financial reporting framework that has been applied in their preparation is applicable law and the Statement of Recommended Practice 2007: Accounting for entities subject to the Audit Act 2006 (“the SORP”).

This report is made solely to the Mayor and Councillors of Douglas Borough Council, 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 of Douglas Borough Council, those matters we are required to state to them 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 authority and the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF RESPONSIBLE FINANCIAL OFFICER AND AUDITOR

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Responsible Financial Officer is responsible for the preparation of the Statement of Accounts, including the financial statements, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Responsible Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the authority's affairs as at 31 March 2017 and of its result for the year then ended;
- have been prepared in accordance with the requirements of the SORP; and
- have been prepared in accordance with the Accounts and Audit Regulations 2013 made under the Audit Act 2006.

EMPHASIS OF MATTER – BASIS OF ACCOUNTING

Without modifying our opinion, we draw attention to Statement of Accounting Policies in the financial statements which describes the basis of preparation. The financial statements have been prepared in accordance with the SORP, which is based on an accounting framework that is no longer extant.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the section 4 of the Audit Act 2006 requires us to report to you if, in our opinion:

- the financial statements do not comply with the regulations made under section 12 of the Act and any directions under section 13; or
- expenditure or income or any other transaction effected by or on account of the authority is or will be contrary to law; or
- the internal organisation of the authority and the controls maintained by it are not sufficient as to secure proper management of the finances of the authority and economy and efficiency in the use of its resources.

Grant Thornton Limited
Chartered Accountants
Douglas
Isle of Man

10 October 2017
Date

**DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

CORE ACCOUNTING STATEMENTS:

INCOME AND EXPENDITURE ACCOUNT

	Note	Gross Expenditure £'000	2016/17 Gross Income £'000	Net Expenditure £'000	2015/16 Net Expenditure £'000
Central Services to the Public		310	(20)	290	251
Cultural, Environmental, Regulatory and Planning Services		8,607	(2,802)	5,805	7,175
Highways and Transport services		4,438	(2,337)	2,101	1,999
Housing Services		366	0	366	366
Corporate and Democratic Core		1,635	0	1,635	1,575
Non Distributed Costs		661	(416)	245	103
Housing Revenue Account		14,099	(11,773)	2,326	1,305
Current Service Cost Adjustment regarding Pensions	2	562	0	562	858
Net Cost of services		<u>30,678</u>	<u>(17,348)</u>	<u>13,330</u>	<u>13,632</u>
(Surplus)/deficit on sale of fixed assets	4	1,107	(1,125)	(18)	11
Interest Payable and Similar Charges				3,261	3,376
Interest and Investment income				(6)	(10)
Pensions interest cost and expected return on pension assets	2			233	147
Net operating expenditure				<u>16,800</u>	<u>17,156</u>
Income from General Rate Fund	5			(10,612)	(10,528)
Net (surplus)/deficit for the year				<u>6,188</u>	<u>6,628</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	Note	2016/17 £'000	2015/16 £'000
(Surplus)/deficit on Income and Expenditure account		6,188	6,628
Net additional amount required to be credited to the General Fund Balance for the year		(5,444)	(6,645)
(Increase)/decrease in General Fund balance for the year		<u>744</u>	<u>(17)</u>
General Fund Balance brought forward		(2,658)	(2,641)
General Fund Balance carried forward	33	<u>(1,914)</u>	<u>(2,658)</u>

RECONCILING ITEMS TO THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	Note	2016/17 £'000	2015/16 £'000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance:			
Depreciation & amortisation of fixed assets	17,19	(1,129)	(1,171)
Impairment of fixed assets	17	(403)	(1,329)
Amortisation of capital grants & contributions	24	23	23
Net charges made for retirement benefits in accordance with FRS17	2	(795)	(1,005)
		<u>(2,304)</u>	<u>(3,482)</u>
Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the movement on the General Fund Balance for the year:			
Loan funds principal repayments		743	721
Capital expenditure charged in-year to revenue		615	(101)
		<u>1,358</u>	<u>620</u>
Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year:			
Net transfers to/(from) Earmarked Reserves – General Fund	14	498	345
Net Housing Revenue Account Deficit for the year		(5,014)	(4,117)
Net gain/(loss) on disposal of fixed assets		18	(11)
		<u>(4,498)</u>	<u>(3,783)</u>
Net additional amount required to be credited to the General Fund Balance for the year		<u>(5,444)</u>	<u>(6,645)</u>

**DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Note	2016/17 Actual £'000	2015/16 Actual (Restated) £'000
(Surplus)/deficit on revenue Income and Expenditure Account		6,188	6,628
Actuarial (gains)/losses on Pension Fund assets and liabilities	27b	532	(4,181)
Increase/(reduction) in former manual workers' pensions benefits liability	28	(10)	(22)
(Gains)/losses recognised on revaluation *		2,257	(278)
Total recognised (gains)/losses for the year		<u>8,967</u>	<u>2,147</u>

* This is made up of the following elements:

Upwards revaluation of fixed assets	(339)	(714)
Reversal of depreciation on revaluation	(6,695)	(378)
Impairment of fixed assets	9,291	814
Total (gains)/losses recognised on revaluation	<u>2,257</u>	<u>(278)</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

BALANCE SHEET AS AT 31 MARCH 2017

	Note	As At 31 March 2017		As At 31 March 2016
		£'000	£'000	£'000
Fixed assets				
Intangible fixed assets	19		0	0
Tangible fixed assets:				
<i>Operational assets:</i>	17			
Council dwellings		215,683		221,545
Other land & buildings		26,049		26,572
Vehicles, plant & equipment		1,436		1,740
Infrastructure assets		2,710		2,663
<i>Non operational assets:</i>	17			
Investment properties		4,328		4,937
Assets under construction		251		0
Surplus assets		272	250,729	0
Total fixed assets			250,729	257,457
Current assets				
Stocks	20	208		215
Debtors	21	1,983		1,509
Cash at bank	22	852		1,744
Total current assets			3,043	3,468
Less current liabilities				
Creditors	23	(3,295)		(4,116)
Capital contributions deferred	24	(5)		(7)
Short term borrowing	25	(4,230)		(3,807)
Cash overdrawn		0		0
Total current liabilities			(7,530)	(7,930)
Total assets less current liabilities			246,242	252,995
Long term liabilities				
Long term borrowing	26	(81,317)		(80,407)
Capital contributions applied	24	(24)		(45)
Pension fund liability	27a	(19,621)		(18,294)
Other unfunded pension liabilities	28	(210)		(213)
			(101,172)	(98,959)
Total assets less liabilities			145,070	154,036

**DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

BALANCE SHEET AS AT 31 MARCH 2017 (CONTINUED)

	Note	As At 31 March 2017 £'000	As At 31 March 2016 £'000
Financed by			
Pensions reserve	29	(19,846)	(18,529)
Revaluation reserve	30	132,195	138,812
Capital adjustment account	31	27,190	28,488
Usable capital receipts reserve	32	1,335	637
General revenue balances	33	1,914	2,658
Specific reserves	33	2,015	1,710
Housing revenue account balances	33	267	260
Total net worth		<u><u>145,070</u></u>	<u><u>154,036</u></u>

This statement of accounts were approved and authorised for issue by the Executive Committee on 29 September 2017.

D W CHRISTIAN MBE JP
CHAIRMAN OF EXECUTIVE COMMITTEE
29 September 2017

G M BOLT CPFA
DIRECTOR OF FINANCE
29 September 2017

**DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

CASH FLOW STATEMENT

		2016/17		2015/16
	Note	£'000	£'000	£'000
Revenue activities				
Cash outflows				
Cash paid to and on behalf of employees		8,855		9,102
Other operating cash expenses		10,682		9,663
			19,537	18,765
Cash inflows				
Rates receipts		(9,568)		(9,483)
Rent receipts		(12,246)		(11,931)
Government grants	35	(81)		(465)
Other government income		(367)		(205)
Cash received for goods and services		(3,857)		(3,852)
Other revenue cash receipts		(570)		(634)
			(26,689)	(26,570)
Net cash (inflow)/outflow from revenue activities	35		(7,152)	(7,805)
Return on Investments and servicing of finance				
Cash outflows				
Interest paid			3,293	3,341
Cash inflows				
Interest received			(6)	(10)
Long term investment sold			0	0
Net cash outflow from servicing of finance			3,287	3,331
Capital activities				
Cash outflows				
Purchase of fixed assets			7,215	6,124
Cash inflows				
Sale of fixed assets			(1,125)	(921)
Net cash outflow from capital activities			6,090	5,203
Net cash outflow before financing	36		2,225	729
Management of liquid resources				
Movement on Short term deposit account	37		(1,507)	1,509
Financing				
Cash outflows				
Repayment of amounts borrowed			3,971	3,320
Cash inflows				
New loans raised		(5,304)		(7,801)
Net (increase)/decrease in cash	37		(615)	(1,702)

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

GENERAL RATE FUND

	Note	2016/17 £'000	2015/16 £'000
Total rates levied for the year	5	10,929	10,896
Add:			
Gross arrears brought forward		118	98
Refunds		<u>24</u>	<u>101</u>
		142	<u>199</u>
		11,071	11,095
Less:			
Rate paid in advance brought forward		(52)	(42)
Discounts	5	(236)	(275)
Exempt/reduced rate properties	5	<u>(81)</u>	<u>(93)</u>
		(369)	<u>(410)</u>
Total rates collectable		<u>10,702</u>	<u>10,685</u>
Rates received in the year:			
Current year rates		10,517	10,521
Arrears collected		62	46
Prepaid rates		<u>46</u>	<u>52</u>
Total revenue income		10,625	<u>10,619</u>
Balances outstanding carried forward:			
Current year arrears	21	67	66
Prepaid rates	23	<u>(46)</u>	<u>(52)</u>
		21	14
Previous years arrears	21	<u>56</u>	<u>52</u>
Total arrears		77	66
		<u>10,702</u>	<u>10,685</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Retirement Benefits

As part of the 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). This is a defined benefit statutory scheme, administered in accordance with the Isle of Man Local Government Superannuation Scheme Regulations. The Scheme is contracted out of the State Second Pension Scheme. The Council and its employees pay contributions into the Scheme. The employer contributions are calculated at a level to balance the pension's liabilities with investment assets. Further information regarding the Scheme, which is administered by the Council, can be obtained on the Douglas Borough Council website (www.douglas.im).

2. Pensions Costs

The pensions contribution rate is determined by the Scheme's Actuary, based on triennial valuations; the last full review being as at 31 March 2016. There were also Scheme benefits paid by the employer in respect of unfunded compensatory added years benefits granted by the Council. In addition there were former manual worker pension payments made by the Council outside the Scheme in respect of unfunded benefits for ex-employees.

	Employer's superannuation contribution	As percentage of pensionable pay	Employer's compensatory added year payments	Unfunded payments in respect of former manual workers pension
	£'000	%	£'000	£'000
2016/17	1,552	25	6	22
2015/16	1,439	24	6	27

Although the benefits accruing from the 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 the SORP, 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:

Income & Expenditure Account	2016/17		2015/16	
	£'000	£'000	£'000	£'000
<u>Net cost of services:</u>				
Employer contributions payable to scheme	(1,558)		(1,445)	
Current service cost of Pension Scheme	2,111		2,303	
Loss on Curtailment	9		0	
	<hr/>	562	<hr/>	858
<u>Net operating expenditure:</u>				
Interest cost on Pension Scheme liabilities	1,881		1,811	
Expected return on scheme assets	(1,648)		(1,664)	
	<hr/>	233	<hr/>	147
Net charge to Income and Expenditure Account		<hr/> 795 <hr/>		<hr/> 1,005 <hr/>
Statement of Movement on General Fund Balance				
Reversal of net charges made for retirement benefits		<hr/> (795) <hr/>		<hr/> (1,005) <hr/>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial net losses were included in the Statement of Total Recognised Gains and Losses.

Year	Actuarial net (loss)/gain in year £'000	Cumulative actuarial net (loss)/gain £'000
2016/17	(532)	(14,121)
2015/16	4,181	(13,589)

3. Net Cost of Services

A detailed service by service breakdown (excluding Housing Revenue Account which is explained on pages 46-47 and retirement benefit adjustments set out in note 2 above) within the Net Cost of Services figure can be found at Appendix A.

4. (Surplus)/Deficit on disposal of fixed assets

A breakdown of the net surplus/ deficit of fixed assets disposed of during the year is presented in the table below:

	Net Book Value £'000	Sales Income £'000	Net (Surplus) /Deficit £'000
Market	468	(501)	(33)
Pulrose Manor	500	(497)	3
2 Peveril Street	130	(112)	18
Miscellaneous vehicles/plant	9	(15)	(6)
Total	<u>1,107</u>	<u>(1,125)</u>	<u>(18)</u>

5. Rates Income

The following table presents the net rate income position after all statutory allowances and discounts are taken into account:

	2016/17	2015/16
Rates levied (pence in the pound)	402	402
	£	£
Penny rate product	26,985	26,871
	£'000	£'000
Rates proceeds to General Rate Fund	<u>10,848</u>	<u>10,803</u>
Rates levied	10,929	10,896
Less statutory allowances	(81)	(93)
Less statutory discounts given	(236)	(275)
Net rate income after discount	<u>10,612</u>	<u>10,528</u>
Rateable Value of the Borough	2,719	2,710
Discount available for prompt payment	3.5%	4.0%
Statutory Allowances given as a percentage of rates due	0.7%	0.9%

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

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. In addition, statutory discounts are granted in respect of rates paid in full prior to the end of June each year.

6. Members' Allowances

Members of the Council are paid allowances in respect of Council work. Members are paid £12.50 per hour. The Council approved a maximum of two hours' preparation time for meetings as a claimable approved duty, subject to no claim over four hours for any one meeting.

Year	Attendance allowances paid to Members £'000
2016/17	46
2015/16	46

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 £25,000) was:

Remuneration Band	Number of Employees 2016/17	Number of Employees 2015/16
£50,000 to £74,999	12	12
£75,000 to £99,999	2	2

8. Audit Costs

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

	2016/17 £'000	2015/16 £'000
Fees payable with regard to statutory external audit services carried out by the appointed auditor (current year)	44	46
Fees payable with regard to statutory external audit services carried out by the appointed auditor (prior year)	0	3
	44	49

9. Publicity

The Council's spending on publicity was:

	2016/17 £'000	2015/16 £'000
Recruitment advertising	10	19
Other advertising	19	18
Other publicity	18	15
	47	52

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

10. 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 did spend on such items, including expenditure on Armistice Day, Civic Sunday, Manx National Week, the Christmas Lights Switch-on and a Bonfire Night fireworks display, together with receptions held for various official visits. These costs are all included within the Public Events service within the Cultural, Environmental and Planning Services category of expenditure.

Year	Local Govt (Entertainments) Act- related Spend	Equating to pence in the Pound rate
	£'000	Pence
2016/17	59	2.2
2015/16	46	1.7

11. Operating Leases

The Council holds operating leases in order to perform a number of its service functions. The rental payable on each lease is charged to the relevant revenue service.

	2016/17 £'000	2015/16 £'000
Operating lease rentals paid - buildings	111	194
Operating lease rentals paid - land	4	4
Operating lease rentals paid - equipment	31	31
Operating licence fees - car parks	1,216	839
	1,362	1,068

The Council is committed to make payments in the coming financial year:

	Operating leases - buildings £'000	Operating leases - land £'000	Operating leases - equipment £'000	Operating licences - car parks £'000
Commitment expiring within the next financial year	0	0	0	0
Commitment expiring between 2 and 5 years	0	0	27	0
Commitment expiring after 5 years	51	0	0	1,278
	51	0	27	1,278

12. Related Party Transactions

The Government has a direct influence over the general 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 13). A Localisation process is under way which has seen the Council take on the operation of the Chester Street and Drumgold Street car parks and the phasing out of government grants in respect of street cleaning, gully emptying and verges maintenance.

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 at Committee level, 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. Where a Member has business dealings with the Council they are undertaken within the normal course of business on an arm's-length basis.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

The organisations shown below are those that Members have a controlling interest in where expenditure was £1,000 or more. Councillor S R Pitts has a controlling interest in Buchanan & Pitts Ltd. Mr E A Joyce was a Councillor until January 2016. He had a controlling interest in Water Works Ltd.

Year	Buchanan & Pitts Ltd	Water Works Ltd
	£'000	£'000
2016/17	62	39
2015/16	17	51

Douglas Borough Council is the administering authority for the Isle of Man Local Government Superannuation Scheme. The Council's Director of Finance is the Responsible Financial Officer for both the Council and the Scheme. The Council incurred administration expenses during the year which related to a combination of direct and indirect costs. Further expenditure was incurred in respect of the Scheme's fund manager and actuary, investment consultants, the contracted administrator, and other professional fees. These costs were charged to the Scheme.

Year	Scheme administration expenses	Scheme professional fees	Balance owing (to)/from Pension Scheme at 31 March
	£'000	£'000	£'000
2016/17	70	336	(27)
2015/16	64	303	67

The Council had representation on the Board of the Douglas Development Partnership (DDP), and the Council contributed towards the operational and administrative costs of the Partnership, including salaries, office rental, lease car and general grant. DDP is currently in liquidation.

Year	Contribution to DDP operational & administrative costs	Balance owing (to)/from DDP at 31 March
	£'000	£'000
2016/17	0	(18)
2015/16	140	(18)

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

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:

	2016/17	2015/16
	£'000	£'000
Rate levy from Braddan Burial Ground Churchwardens	83	82
Rate levy from Onchan Burial Ground Churchwardens	3	3
Cost to Council of maintaining St. George's Parish Churchyard	11	9
Total revenue expenditure under Burials Act	97	94

The Council has an agreement with a golf professional whereby the day to day administration of the Douglas Golf Course customer business is outsourced in return for a management fee. As part of the agreement the professional manages the Golf Clubhouse and Community facility, and retains income derived from the building. A tenancy rental for the facility is paid to the Council by the Golf Professional.

	Golf professional's management fee	Rental income from golf professional
Year	£'000	£'000
2016/17	34	34
2015/16	33	33

The Council, along with four other participating authorities, is represented on the Eastern District Civic Amenity Site Joint Committee, whose role it is to run the Eastern District Civic Amenity Site. Under an agreement between the Council and the other member authorities, the Council is the administering authority for the Eastern District Civic Amenity Site. The Council is able to recharge the cost of the administration of the site, as well as all disposal costs incurred, to all participating authorities, based on each authority's Rateable Value (excluding agricultural hereditaments), pro-rata. The Council is also the operator of the Eastern District Civic Amenity Site. As operator, the Council also charges the agreed fixed annual contractual amount to all participating authorities on the same Rateable Value basis. The amounts rechargeable to other authorities in the year are shown below, along with any balance owed/due at year end.

	Operational, management & disposal costs recoverable from participating local authorities					Total recoverable costs owing (to)/from participating authorities
Year	Laxey*	Lonan*	Santon	Onchan	Braddan	£'000
	£'000	£'000	£'000	£'000	£'000	£'000
2016/17	15	14	9	93	63	(2)
2015/16	15	14	9	97	65	(1)

* Laxey and Lonan are Wards of Garff Commissioners.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

13. Agency Income and Expenditure

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

Department	Service	Balance to be charged/ (refunded) to Govt at 1 April £'000	Net operating cost £'000	Rate-borne (cost)/ benefit £'000	Total Grant/ Agency income due £'000	Grant/ Agency amount (invoiced)/refunded £'000	Balance to be charged/ (refunded) to Govt at 31 March £'000
Infrastructure	Shaw's Brow Car Park	(10)	(181)	191	0	(29)	(29)
Infrastructure	Council Housing	(523)	824	(366)	(65)	(243)	(308)
Economic Development	Grandstand	(1)	30	0	29	(31)	(2)
Education & Culture	Bowl car park	1	5	(5)	1	(1)	0
		(533)	678	(180)	(35)	(304)	(339)

In addition to the above, the Council provided a number of other services to government departments, including: maintaining the National Sports Centre gardens (Department of Community, Culture and Leisure) and various ad hoc rechargeable works in connection with the TT and Manx Grand Prix festivals (Department of Economic Development). A breakdown of all government income is shown below:

	2016/17 £'000	2015/16 £'000
Grant/Agency income receivable (see above)	35	(138)
Less/(add) brought forward (see above)	(533)	(277)
Tapering grant - localisation of services	(100)	(225)
Contractual income	(135)	(153)
Tramways' portion of Isle of Man Transport „Rover Tickets“	0	(31)
Contribution to fees	(66)	(81)
Use of facilities	(25)	(50)
Regeneration Fund re Lord Street Planters	(5)	(5)
Miscellaneous	(15)	(76)
Total Government income	(844)	(1,036)

The grant funding of street cleaning, verge maintenance and gully emptying ceased with effect from April 2015. The Tapering grant is a temporary measure to facilitate these changes.

The Council operates two car parks under licence on behalf of the Department of Infrastructure. These are covered in note 11.

**DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

14. Contributions to/ (from) Specific Reserves

This is made up of a number of transfers to and from various specific (i.e. earmarked) reserves. The detailed breakdown of all contributions to and from the Council's various specific reserves is shown in the table below:

	2016/17	2015/16
	£'000	£'000
<u>Revenue contributions to General Rate Fund specific reserves:</u>		
Cremators Renewals Fund	58	42
Building Maintenance (Commercial) Fund	34	37
Plant Renewals fund (Vehicles)	261	235
Plant Renewals fund (Car parks barriers)	50	20
Plant Renewals Fund (CCTV)	0	24
Plant Renewals Fund (other plant)	117	0
Derelict Buildings Fund	0	10
	<hr/>	<hr/>
	520	368
<u>Revenue contributions from General Rate Fund specific reserves:</u>		
Risk Management & Special Projects Fund	0	(15)
ICT Fund	(5)	(3)
Derelict Buildings Fund	0	(3)
Graves Maintenance Fund	(2)	(2)
Decreased provision against Tramways stores	(15)	0
	<hr/>	<hr/>
	(22)	(23)
Net Revenue contributions to/(from) General Fund specific reserves	498	345
Capital Receipts (land & buildings)	1,110	905
Capital Receipts (vehicle sales)	15	16
	<hr/>	<hr/>
	1,125	921
<u>Revenue Contributions to/(from) Housing Revenue Account specific reserves:</u>		
Rental income contribution into Housing Repairs Fund	2,446	2,441
Rental income contribution into Community Facilities Reserve	48	42
Contribution from Housing Repairs Fund to finance repairs	(2,444)	(2,490)
Contribution from Community Facilities Reserve	(44)	(83)
	<hr/>	<hr/>
	6	(90)
<u>Non-revenue transfers (to)/from General Revenue Reserve:</u>		
NBV of disposed assets	(1,107)	(932)
	<hr/>	<hr/>
	(1,107)	(932)
Total Transfer to/(from) Specific Reserves	<hr/> <hr/>	<hr/> <hr/>
	522	244

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

15. Capital Expenditure and Financing

The financing of Housing Revenue Account (HRA) 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 Infrastructure.

Year	HRA capital expenditure	GRF capital expenditure	Loans pool average rate of interest
	£'000	£'000	%
2016/17	5,494	1,298	3.5
2015/16	2,359	4,041	3.7

16. Capital Commitments

The estimated commitments not yet invoiced for capital expenditure that had started, or legal contracts entered into, by 31 March are listed below:

	As At 31 March 2017	As At 31 March 2016
	£'000	£'000
Housing Revenue Account	3,386	2,999
General Fund	39	273
Total	3,425	3,272

17. Movement of Fixed Assets

The following table presents the movement of fixed asset balances, across category, since the last balance sheet date.

	Operational Assets					Total Operational Assets
	Council dwellings	Other land & buildings	Vehicles, plant & equip't	Infra-structure assets	Communi-ty assets	
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000
As at 31 March 2016	241,258	27,539	5,858	5,401	0	280,056
Revaluations	0	205	0	0	0	205
Impairments	(10,467)	(706)	0	0	0	(11,173)
Additions	5,244	731	132	432	0	6,539
Disposals	0	(477)	(659)	0	0	(1,136)
Transfers	(323)	0	0	0	0	(323)
Value as at 31 March 2017	235,712	27,292	5,331	5,833	0	274,168
Accumulated Depreciation						
As at 31 March 2016	(19,713)	(967)	(4,118)	(2,738)	0	(27,536)
Disposals in year	0	9	651	0	0	660
Charge for year	(7,021)	(316)	(428)	(385)	0	(8,150)
Reverse dep.-revalued assets	6,664	31	0	0	0	6,695
Transfers	41	0	0	0	0	41
As at 31 March 2017	(20,029)	(1,243)	(3,895)	(3,123)	0	(28,290)
Net Book Value as at 31 March 2017	215,683	26,049	1,436	2,710	0	245,878
Net book value as at 31st March 2016	221,545	26,572	1,740	2,663	0	252,520

**DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

17. Movement of Fixed Assets (cont'd)

	Non-operational Assets			Total Non-operational Assets	Grand Total of All Fixed Assets
	Investment properties	Assets under construction	Surplus assets		
Cost or valuation	£'000	£'000	£'000	£'000	£'000
As at 31 March 2016	4,937	0	0	4,937	284,993
Revaluations	14	0	120	134	339
Impairments	(125)	0	0	(125)	(11,298)
Additions	2	251	0	253	6,792
Disposals	(500)	0	(130)	(630)	(1,766)
Transfers	0	0	323	323	0
Value as at 31 March 2017	4,328	251	313	4,892	279,060
Accumulated Depreciation					
As at 31 March 2016	0	0	0	0	(27,536)
Disposals in year	0	0	0	0	660
Charge for year	0	0	0	0	(8,150)
Reverse dep.-revalued assets	0	0	0	0	6,695
Transfers	0	0	(41)	(41)	0
As at 31 March 2017	0	0	(41)	(41)	(28,331)
Net Book Value as at 31 March 2017	4,328	251	272	4,851	250,729
Net book value as at 31st March 2016	4,937	0	0	4,937	257,457

A partial revaluation of operational assets was undertaken as of 1 April 2016. The valuation was completed by RICS-qualified staff at Chrystals, the Council's external valuers. Management undertook a review of all assets with useful lives of more than 50 years and no impairments were found.

All of the Council's land and buildings are valued in accordance with current cost accounting principles within a rolling programme. This programme is designed to revalue roughly a fifth of the relevant assets each year so that all assets will be valued every 5 years. In 2016/17 some of assets were revalued as part of that rolling programme. Council dwellings are valued on a basis that reflects their use for social housing. The vacant possession value of dwellings is therefore different to the value shown on the Balance Sheet.

Year	Council dwellings	
	Vacant possession value	Balance sheet value
	£'000	£'000
2016/17	341,710	215,683
2015/16	343,840	221,545

The estimated remaining lives of the assets are set out below in years:

Council dwellings	15-60	Off-street car parks	50
Sheltered accommodation units	25-50	Crematoria and chapels	50
Public offices	50	Market Hall	50
Depot/administrative offices	50	Public conveniences	15-50
Depots and stores	10-50	Vehicles, plant & equipment	1-15
Nurseries	40	Public & decorative lighting	1-15
Tramways stables and storage	50	Land	Not depreciated

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

18. Fixed Assets Held

The following table shows the number of fixed assets owned by the Council at 31 March 2017.

	As At 31 March 2017	As At 31 March 2016
Operational Assets		
Council dwellings	2,248	2,253
Sheltered accommodation units	138	138
Public offices	2	2
Depot/Administrative office	2	2
Depots and stores	7	7
Nurseries	1	1
Tramways stables and storage	2	2
Off-street Car Parks	2	2
Crematoria and chapels	2	2
Community centre/changing rooms	1	1
Golf Clubhouse/community centre	1	1
Golf course	1	1
Market Hall	0	1
Public conveniences	9	10
Commercially valued land assets	3	3
Other	5	5
Non-Operational Assets		
Commercial properties	19	19
Other commercially let properties	7	7
Garages	49	49
Residential units	4	5
Other non-operational	2	2
Surplus assets held for disposal	2	0
Commercially valued land assets	2	2

19. Intangible Fixed Assets

These are computer software items amortised over 5 years. The table below shows the movement in this asset type during the financial year.

	£'000		£'000
Cost or valuation		Accumulated Amortisation	
As at 31 March 2016	24	As at 31 March 2016	(24)
Additions	0	Charge for year	0
Disposals	0	Disposals in year	0
Value as at 31 March 2017	24	As at 31 March 2017	(24)
		Net Book Value as at 31 March 2017	0
		Net book value as at 31 March 2016	0

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

20. Stocks

The Stocks and Stores balance mainly comprises those assets held in the Council's General Stores facility, but also includes stocks separately held in respect of the Tramways, the Waste Services Department's stock of wheeled bins and spares for car park barrier equipment.

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
General stores	148	163
Tramways undertaking stock	12	27
Wheeled bins stock	17	6
Car Park spares	31	19
Total stocks	208	215

21. Debtors

Debtor amounts falling due within one year:

	As At 31 March 2017		As At 31 March 2016
	£'000	£'000	£'000
Sundry debtors	465		505
Government departments	540		135
VAT refund	734		565
Local authorities	151		64
Housing rents	101		116
Rates arrears - current year	67		66
Rates arrears - previous years	56		52
Payments in advance	63		157
Pension administration costs recoverable	0		67
		2,177	1,727
Less provision for Bad Debts:			
General Rate Fund	(124)		(157)
Housing Revenue Account	(70)		(61)
		(194)	218
		1,983	1,509

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, up to that date.

22. Bank, Cash and Liquid Resources

The bank and cash position includes liquid resources amounts held within a short term deposit account. A breakdown of all accounts held is shown at note 37.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

23. Creditors

Creditor amounts falling due within one year:

	As At 31 March 2017 £'000	As At 31 March 2016 £'000
Sundry creditors	331	1,454
Government departments	628	68
Capital creditors	114	580
Interest payable	508	540
Housing rents prepaid/charged in advance	445	425
Rates prepaid	46	52
Payroll-related creditors	478	279
Unfunded pension benefits payable within 12 months	15	22
Sundry prepayments/invoiced in advance	730	696
	<u>3,295</u>	<u>4,116</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.

Capital creditors are liabilities and accruals for work done in relation to projects undertaken by the Council to the extent that they relate to the purchase, replacement, repair, refurbishment or improvement of, or addition to, any tangible fixed assets owned by the Council.

24. Capital Contributions

The Council previously received contributions from developers under section 13 of the Town and Country Planning Act 1999. These are being used to fund play equipment nearby the relevant developments. The Council also previously received a contribution from the Isle of Man Government Seized Assets Fund to pay for the installation of a CCTV Control Room. The amount is deferred until the respective capital expenditure is incurred and then amortised in line with the depreciation charge on the asset it was used to help create.

	As At 31 March 2017 £'000	As At 31 March 2016 £'000
Opening capital contributions deferred	7	20
Capital contribution received	0	0
Capital contribution applied	(2)	(13)
Closing capital contributions deferred	<u>5</u>	<u>7</u>
Opening capital contributions applied net book value	45	55
Capital contribution applied	2	13
Amortisation	(23)	(23)
Closing capital contributions applied net book value	<u>24</u>	<u>45</u>

25. Short Term Borrowing

Short term borrowing in the balance sheet consists of the elements of long term loans outstanding that are due to be repaid within a year of the balance sheet date.

**DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

26. Long Term Borrowing

All of the Council's borrowings are now by way of bank loan facility. Most bank loans are fixed interest, and repayable over 30 years. Some bank loans are at a variable rate of interest. All bank loans have been sanctioned by both Isle of Man Government Treasury and the relevant government department and are secured under the Local Authority Borrowing Scheme to which Isle of Man Government Treasury are a signatory.

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 31 March 2017 £'000	As At 31 March 2016 £'000
Repayable between 1 and 2 years	3,227	4,058
Repayable between 2 and 5 years	13,620	11,709
Repayable between 5 and 10 years	20,538	19,560
More than 10 years	43,932	45,080
Total long term loans	<u>81,317</u>	<u>80,407</u>

27. Net Pensions Liability

27a. Pension Fund Assets and Liabilities

The following table presents a reconciliation of the defined benefit obligation of the Pension Scheme:

Reconciliation of defined benefit obligation	As At 31 March 2017 £'000	As At 31 March 2016 £'000
Opening defined benefit obligation	53,061	55,930
Current service cost	2,111	2,303
Interest cost	1,881	1,811
Contributions by members	403	411
Actuarial (gains)/losses	3,487	(5,984)
Losses/(gains) on curtailments	9	0
Estimated unfunded benefits paid	(6)	(6)
Estimated funded benefits paid	(1,162)	(1,404)
Closing defined benefit obligation	<u>59,784</u>	<u>53,061</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

27a. **Pension Fund Assets and Liabilities (cont'd)**

The following table presents a reconciliation of the fair value of the Scheme assets:

Reconciliation of fair value of the employer's scheme assets	As At 31 March 2017	As At 31 March 2016
	£'000	£'000
Opening fair value of the employer's Scheme assets	34,767	34,460
Expected return on assets	1,648	1,664
Contributions by members	403	411
Employer contributions	1,552	1,439
Contributions in respect of unfunded benefits	6	6
Actuarial (losses)/gains	2,955	(1,803)
Estimated funded benefits paid	(1,162)	(1,404)
Estimated unfunded benefits paid	(6)	(6)
Closing fair value of the employer's Scheme assets	<u>40,163</u>	<u>34,767</u>

In accordance with the SORP, the Council must disclose its share of the assets and liabilities related to the Scheme for its employees. The assets in the Isle of Man Local Government Superannuation Scheme are valued at bid value, principally market value for investments, and the asset categories are shown in the Isle of Man Local Government Superannuation Scheme Accounts.

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

Asset Class	Distribution As At 31 March 2017		Distribution As At 31 March 2016	
	£'000	%	£'000	%
Equities	22,119	55	19,817	57
Bonds	11,004	27	9,387	27
Property	5,557	14	5,563	16
Cash	1,483	4	0	0
Total estimated employer assets	<u>40,163</u>	<u>100</u>	<u>34,767</u>	<u>100</u>
Fair value of employer assets	40,163		34,767	
Present value of scheme liabilities	(59,730)		(53,006)	
Net underfunding in funded plans	<u>(19,567)</u>		<u>(18,239)</u>	
Present value of unfunded liabilities	(54)		(55)	
Net pensions liability	<u>(19,621)</u>		<u>(18,294)</u>	

The impact of complying in full with the retirement benefit provisions of the SORP has been to reduce the total net assets of the Council by the net pensions' liability figure above. The net pensions' 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.

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 as at 31 March 2019. 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 current planned level of contribution rates aim to recover the above liabilities over 20 years (from the last triennial valuation date as at 31 March 2016).

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

27a. Pension Fund Assets and Liabilities (cont'd)

Return on Employer Assets	2016/17	2015/16
	£'000	£'000
Expected Return on Employer Assets	1,648	1,664
Actual Return on Employer Assets	6,053	(139)
Excess/(Deficit) of actual return compared to expected	4,405	(1,803)
Excess/(Deficit) as a percentage of closing asset value	11%	-5%

27b. Actuarial Gains and Losses

The financial year 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:

	31 March 2017		31 March 2016		31 March 2015		31 March 2014		31 March 2013	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Fair value of assets	40,163		34,767		34,460		29,792		27,768	
Present value of liabilities	(59,784)		(53,061)		(55,930)		(45,392)		(40,346)	
Asset/(liability)	(19,621)		(18,294)		(21,470)		(15,600)		(12,578)	
Experience gains/(losses) on assets	2,955	7.4	(1,803)	(5.2)	2,408	7.0	(124)	(0.4)	1,793	6.5
Experience gains/(losses) on liabilities	3,850	(6.4)	502	(0.9)	262	(0.5)	(1,106)	2.4	35	(0.1)
Actuarial gains/(losses) recognised in STRGL	(532)		4,181		(5,140)		(2,420)		(2,122)	

The above figures have been provided by the fund actuaries 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.

27c. Basis for Estimating Assets and Liabilities

The liabilities of the Scheme as at 31 March 2017 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 Scheme at the last triennial valuation on 31 March 2016. The actuary used this valuation as the basis for the retirement benefit calculations. The main financial and demographic assumptions used in the calculations are shown in the table below:

Assumptions	2016/17	2015/16
<i>Financial Assumptions</i>		
Pensions increase rate	2.4%	2.2%
Rate of increase in salaries	3.2%	3.7%
Expected return on assets	2.6%	3.5%
Rate for discounting scheme liabilities	2.6%	3.5%

**DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

27c. Basis for Estimating Assets and Liabilities (Cont'd)

Assumptions	2016/17	2015/16
Long-term expected rate of return on each asset class		
Equities	5.7%	5.6%
Bonds	2.0%	3.0%
Property	3.7%	3.8%
Cash	2.5%	2.5%
 <i>Mortality assumptions</i>	 Males	 Females
Current pensioners	21.7	24.3
Future pensioners	24.1	27.1
 Prior Year disclosure:		
Current pensioners	21.9 years	23.8 years
Future pensioners	24.4 years	27.3 years

28. Other Unfunded Pension Liabilities

This relates to the liability recognised in respect of the employer's ongoing pension benefit payment obligation payable to former manual workers, who were employed by the Council before they were eligible to join the Isle of Man Local Government Superannuation Scheme. As this falls outside of the Scheme, this liability does not form part of the actuary's formal calculation. The liability calculation as at 31 March 2017 has been made based on the current former manual workers pension payment obligations projected forward into future years, using the same life expectancy assumptions for these ex-employees as the assumptions used for the Isle of Man Local Government Superannuation Scheme. The amount payable within 12 months of the balance sheet date is shown within the current liabilities section of the balance sheet. The liability split is presented in the table below:

	As At 31 March 2017 £'000	As At 31 March 2016 £'000
Short term liability (due within 1 year)	(15)	(22)
Long term liability	(210)	(213)
Total unfunded pensions liability	<u>(225)</u>	<u>(235)</u>

29. Pensions Reserve

The Pensions Reserve is negative, reflecting the pension liability, and relies upon contributions over a number of years (as determined by the Actuary) to fund that liability. This reserve also includes the liability arising from unfunded former manual workers' pensions. The table below shows how the reserve is made up of these two liabilities:

	As At 31 March 2017 £'000	As At 31 March 2016 £'000
FRS17 Scheme liability	19,621	18,294
Unfunded pension liability	225	235
Total Pensions Reserve	<u>19,846</u>	<u>18,529</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

30. Revaluation Reserve

This represents the difference between the historical cost of the fixed assets acquired and the estimated current cost as per the asset valuations undertaken. The movement for the year mainly represents a transfer to the Capital Adjustment Account of depreciation on asset revaluation amount values. The table below presents the movements on this reserve during the year:

	2016/17	2015/16
	£'000	£'000
Balance brought forward at beginning of year	138,812	142,893
Upwards revaluations in year	339	714
Downwards revaluations in year	(9,291)	(814)
Depreciation adjustments	2,435	(4,023)
Balance transfers for assets disposed of in year	(100)	42
Balance carried forward at end of year	<u>132,195</u>	<u>138,812</u>

31. Capital Adjustment Account

This account contains the accumulation of capital resources set aside to meet the financing of past expenditure including the repayment of external loans and certain other capital financing transactions. The table below shows the movement between the balance sheet dates:

	2016/17	2015/16
	£'000	£'000
Opening balance	28,488	29,607
Movements in fixed assets:		
In year depreciation & impairment of assets	(10,155)	(9,860)
In year amortisation of capital contributions	23	23
Disposals	(1,006)	(974)
Amortisation of revaluation reserve	4,260	4,402
	(6,878)	(6,409)
Financing of capital expenditure:		
Revenue provision to repay debt	4,346	4,054
Use of revenue reserves	615	(101)
Use of specific reserves	192	537
Use of capital receipts	427	800
	5,580	5,290
Closing balance	<u>27,190</u>	<u>28,488</u>

32. Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve represents the proceeds from the sale of fixed assets, which are made available to meet future capital investments.

	2016/17	2015/16
	£'000	£'000
Balance brought forward at beginning of year	637	515
Receivable in year	1,125	922
Applied to finance capital investment	(392)	(686)
Early repayment of loan	(35)	(114)
Balance carried forward at end of year	<u>1,335</u>	<u>637</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

33. Reserves and Balances

The Council keeps a number of reserves. 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. Pensions Reserve and Revaluation 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 below provides details of the movements and balances across each of the reserves. Contributions are made into the funds on the basis of either a lump sum or the costs of the asset in question:

Reserve	Balance In Hand At 31/03/2016 £'000	Receipts in Year £'000	Use of Reserves In Year £'000	Other Movements £'000	Balance In Hand At 31/03/2017 £'000
Revaluation Reserve	138,812	0	0	(6,617)	132,195
Usable Capital Receipts Reserve	637	1,125	(427)	0	1,335
Pensions Reserve	(18,529)	0	0	(1,317)	(19,846)
General Revenue Balances	2,658	193	(937)	0	1,914
Capital Adjustment Account	28,488	0	0	(1,298)	27,190
Specific Reserves:					
Plant Renewals	596	427	(112)	0	911
Cremator Renewals	13	58	0	0	71
Provision For Derelict Buildings	332	0	(79)	0	253
Building Maintenance (Commercial)	269	34	(2)	0	301
Information Technology	211	0	(5)	0	206
St. George's Churchyard	56	0	0	0	56
Graves Maintenance	94	0	(2)	0	92
Risk Management & Special Projects	48	0	0	0	48
Tramways Renewals Fund	65	0	0	0	65
Provision for Stocks and Stores	26	0	(14)	0	12
Total Specific Reserves	1,710	519	(214)	0	2,015
Housing Revenue Account					
Housing Repairs Fund	66	2,446	(2,444)	0	68
Community Facilities Reserve	194	49	(44)	0	199
Total Housing	260	2,495	(2,488)	0	267
Total Reserves	154,036	4,332	(4,066)	(9,232)	145,070

An explanation of each of the reserves is presented at Appendix B to the Statement of Accounts.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

34. **Analysis of Net Assets Employed**

	As At 31 March 2017 £'000	As At 31 March 2016 £'000
General Fund	11,885	13,714
Housing Revenue Account	<u>133,185</u>	<u>140,322</u>
	<u>145,070</u>	<u>154,036</u>

35. **Reconciliation of Net (Surplus)/Deficit on the Income and Expenditure Account to Net Cash Flow from Revenue Activities**

	2016/17		2015/16
	£'000	£'000	£'000
Net (surplus)/deficit per Income and Expenditure A/c		6,188	6,628
<i>Items classified elsewhere on Cash Flow Statement:</i>			
Surplus/(Deficit) on sale of fixed assets	18		(11)
Net interest payable included in deficit	<u>(3,255)</u>		<u>(3,366)</u>
		(3,237)	(3,377)
<i>Non-cash transactions:</i>			
Depreciation and impairment of assets	(10,155)		(9,860)
Amortisation of capital contributions	23		23
Financial Reporting Standard 17 adjustments	(795)		(1,005)
Other non-cash transactions	42		8
Balance sheet items written off to revenue	<u>12</u>		<u>(79)</u>
		(10,873)	(10,913)
Adjusted (surplus)/deficit		(7,922)	(7,662)
<i>Items on an accruals basis:</i>			
Increase/(decrease) in stock	(3)		33
Increase/(decrease) in debtors	450		299
(Increase)/decrease in creditors	<u>323</u>		<u>(475)</u>
		770	(143)
Net cash (inflow)/outflow from revenue activities		<u>(7,152)</u>	<u>(7,805)</u>
 Analysis of Government Grants Received			
Housing Deficiency		0	230
Shaws Brow Deficiency		65	2
Countryside Care		3	4
Training		7	4
Apprenticeships		6	0
Tapering grant for the localisation of services		<u>0</u>	<u>225</u>
		<u>81</u>	<u>465</u>

36. **Reconciliation of the Movement in Net Debt**

	2016/17		2015/16
	£'000	£'000	£'000
Net debt at 1st April		(82,470)	(81,741)
Movement in net debt:			
Movement in liquid resources	(1,507)		1,509
Increase/(decrease) in cash in the period	615		1,702
Inflow/(outflow) from (increase)/decrease in debt financing	<u>(1,333)</u>		<u>(3,940)</u>
		(2,225)	(729)
Net debt at 31 March		<u>(84,695)</u>	<u>(82,470)</u>

**DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

37. Reconciliation of Financing and Management of Liquid Resources

	Balance at 31 March 2016 £'000	Cash increase/ (decrease) £'000	Non-cash movement £'000	Balance at 31 March 2017 £'000
Cash				
Cash in hand	7	0	0	7
Bank Call Account	2	550	0	552
Bank General Accounts	215	65	0	280
	<u>224</u>	<u>615</u>	<u>0</u>	<u>839</u>
Liquid Resources				
Short term deposit account	<u>1,520</u>	<u>(1,507)</u>	<u>0</u>	<u>13</u>
Debt				
Bank loans due within one year	(3,807)	3,971	(4,394)	(4,230)
Bank loans due after one year	(80,407)	(5,304)	4,394	(81,317)
Debt	<u>(84,214)</u>	<u>(1,333)</u>	<u>0</u>	<u>(85,547)</u>
Net Debt	<u>(82,470)</u>	<u>(2,225)</u>	<u>0</u>	<u>(84,695)</u>
Matched by:				
Housing Revenue Account	(73,793)	(1,587)	0	(75,380)
Other (rate borne)	(8,677)	(638)	0	(9,315)
	<u>(82,470)</u>	<u>(2,225)</u>	<u>0</u>	<u>(84,695)</u>

38. Liquid Resources

The Council classes liquid resources as all current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible into known amounts of cash at or close to the carrying amount, or traded in an active market.

39. Post Balance Sheet Events

Events may occur between the balance sheet date and the date the accounts are authorised for issue, which might have a bearing upon the financial statements.

There have been no events since the date the balance sheet was produced that would require adjustment to the financial statements.

**DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

SUPPLEMENTARY ACCOUNTING STATEMENTS:

SUMMARY STATEMENT OF CAPITAL EXPENDITURE AND FINANCING

	Notes	2016/17		2015/16
		£'000	£'000	£'000
Capital Expenditure				
General Rate Fund schemes	15	1,298		4,041
Housing Revenue Account schemes	15	<u>5,494</u>		<u>2,359</u>
 Total capital expenditure	 17		 6,792	 6,400
Financed By				
Loans - non housing		(563)		(2,914)
Loans - housing		(5,210)		(2,390)
Capital Receipts	32	(392)		(686)
Reserves - non housing		(193)		(537)
Direct Revenue Financing (RCCO)		(616)		101
Other (including Government grants and other external contributions)		(2)		(13)
Capital creditor accrued - non housing		(34)		(151)
Capital creditor accrued - housing		(80)		(183)
Less capital creditors brought forward		<u>334</u>		<u>311</u>
 Total capital financing in the year			 <u>(6,756)</u>	 <u>(6,462)</u>
 Change in expenditure financed by internal loans in year			 36	 (62)
 Capital cash overdrawn at start of the year (internal loans)			 4	 66
 Balance of capital expenditure financed by internal loan			 <u>40</u>	 <u>4</u>

NOTE: Capital Cash Overdrawn (balance of capital expenditure financed by internal loan)

The Capital Cash 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 ENDED 31 MARCH 2017

HOUSING REVENUE ACCOUNT (HRA)

In accordance with a Tynwald resolution under the Housing Act 1955, the Department of Infrastructure pays the Council a Housing Deficiency Grant, which generally meets the excess of the cost of housing provision over rents received. The balance of the management costs of the housing function, which is not met by the allowance (being subject to an upper limit), remains as a rateborne cost.

Year	Rateborne cost of housing management £'000
2016/17	366
2015/16	366

HOUSING REVENUE ACCOUNT - INCOME AND EXPENDITURE ACCOUNT

The transactions in respect of public sector housing are summarised in the statement below. The rateborne element of the housing management function, which is not met by the allowance, is excluded from this statement (see Appendix A – Housing Services non-HRA).

	2016/17		2015/16
	£'000	£'000	£'000
Expenditure			
Repairs & maintenance	2,675		2,739
Supervision & management	852		841
Rates and other charges	1,948		1,863
Depreciation & impairment of fixed assets	8,624		7,360
Total expenditure		14,099	12,803
Income			
Dwelling Rents (inclusive of rates)	(11,192)		(11,027)
Housing Deficiency Grant	(458)		(327)
Charges for services & facilities	(115)		(127)
Other Income	(8)		(17)
Total income		(11,773)	(11,498)
Net cost of HRA services		2,326	1,305
Interest payable & similar charges		2,688	2,812
Net HRA (Surplus)/Deficit for the year		5,014	4,117

**DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

	2016/17	2015/16
	£'000	£'000
Net HRA (surplus)/deficit for the year	5,014	4,117
Depreciation & impairment of fixed assets	(8,624)	(7,360)
Loan funds principal repayments	3,603	3,334
(Increase)/decrease in HRA balances	<u>(7)</u>	<u>91</u>

The HRA reserve balances are broken down as follows:

	2016/17	2015/16
	£'000	£'000
<u>Balances brought forward:</u>		
Housing Repairs Fund	(66)	(115)
Community Facilities Reserve	(194)	(236)
	<u>(260)</u>	<u>(351)</u>
<u>Balances carried forward:</u>		
Housing Repairs Fund	(68)	(66)
Community Facilities Reserve	(199)	(194)
	<u>(267)</u>	<u>(260)</u>

RECONCILING ITEMS TO THE STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

	2016/17	2015/16
	£'000	£'000
Net transfer (to)/from Housing Balances	<u>(7)</u>	<u>91</u>
<u>Accounted for by:</u>		
Rental income contribution into Housing Repairs Fund	(2,446)	(2,441)
Income contribution into Community Facilities Reserve	(49)	(33)
Contribution from Housing Repairs Fund to finance repairs	2,444	2,490
Contribution from Community Facilities Reserve to Revenue	44	75
(Increase)/Decrease in HRA balances for the Year	<u>(7)</u>	<u>91</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

APPENDIX A

PAGES 48 TO 60 DO NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS

DETAILED INCOME AND EXPENDITURE ACCOUNTS

The following section provides details of those services that make up the categories within the Net Cost of Services section within the Income and Expenditure Account shown in the Financial Statements. The classification is consistent with the CIPFA Best Value Accounting Code of Practice (BVACOP). This section does not form part of the audited financial statements but is intended to help the reader's understanding of the Income and Expenditure Account.

1. Central Services to the Public

This category includes those services provided by central departments that are a direct service to the public. There are only three Council services relevant for this category: the administration of local authority elections (full Council elections and by-elections), Information and Public Relations, and the cost of the Council rate collection.

Year	General Election			Service	2016/17 Cost	2016/17 Income	Net Cost	2015/16 Net Cost
	Contested Wards	Uncontested Wards	By- elections					
	No:	No:	No:					
2016/17	2	4	4		£'000	£'000	£'000	£'000
2015/16	0	0	2					
				SP130 Elections	28	0	28	3
				SP240 Information & Public Relations	53	0	53	48
				SP250 Cost of Rate Collection	229	(20)	209	200
					310	(20)	290	251

2. Cultural, Environmental and Planning Services

The table below presents the service category breakdown, under the separate Cultural, Environmental and Planning and Development sub-headings. This represents the main classification heading for the bulk of this Council's services. As such, this category includes all services relating to recreation and sport and public entertainment or heritage (Cultural and Related), cemetery and cremation services, waste collection, some cleansing and environmental health (all Environmental) as well as the economic development, building control and planning functions (Planning and Development).

Cultural, Environmental and Planning Services (Summary Level)

Service Sub-category	Cost	2016/17 Income	Net Cost	2015/16 Net Cost
	£'000	£'000	£'000	£'000
Cultural and Related	3,185	(367)	2,818	3,144
Environmental	4,919	(2,179)	2,740	3,882
Planning and Development	503	(256)	247	149
Total	8,607	(2,802)	5,805	7,175

In the following pages the summary table above is presented in service-by-service detail, with a separate table shown for each of the sub-category headings.

**DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

DETAILED INCOME AND EXPENDITURE ACCOUNTS (CONTINUED)

Cultural and Related Services

Service	Cost	2016/17 Income	Net Cost	2015/16 Net Cost
	£'000	£'000	£'000	£'000
Promenade and Beach	86	0	86	90
Library	658	(11)	647	962
Pulrose Recreational Grounds	79	(6)	73	76
Loch Promenade	150	0	150	171
Nobles Park	450	(90)	360	385
Open Spaces	863	(45)	818	805
Town Squares	112	0	112	123
Playgrounds and Water Features	79	0	79	96
Douglas Golf Course	308	(163)	145	148
Verges Maintenance	82	0	82	42
Hanging Baskets	20	(3)	17	21
Floral decorations	10	(11)	(1)	(3)
Summer Hill Glen	70	0	70	67
Rechargeable TT & Events	30	(30)	0	0
Public Events	188	(8)	180	161
Total Cultural and Related	3,185	(367)	2,818	3,144

**DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

DETAILED INCOME AND EXPENDITURE ACCOUNTS (CONTINUED)

Environmental Services

Service	Cost	2016/17 Income	Net Cost	2015/16 Net Cost
	£'000	£'000	£'000	£'000
Borough Cemetery	262	(20)	242	1,224
Crematorium	302	(484)	(182)	(115)
Lawn Cemetery	115	(14)	101	98
Burials Act	97	0	97	94
Market	19	(19)	0	11
Commercial Properties	115	(268)	(153)	(174)
Strathallan Suite	273	(4)	269	357
Public Conveniences	156	(9)	147	136
Civic Property	48	0	48	38
Byelaw Enforcement	130	0	130	123
CCTV	29	0	29	0
Licensing Admin	4	(3)	1	4
Cleaner Safer Greener *	0	0	0	95
Waste Services	3,369	(1,358)	2,011	1,991
Total Environmental	4,919	(2,179)	2,740	3,882

* These costs are now included within the Waste Services, Byelaw Enforcement and CCTV services.

Planning and Development Services

Service	Cost	2016/17 Income	Net Cost	2015/16 Net Cost
	£'000	£'000	£'000	£'000
Building Regulations	213	(246)	(33)	(110)
Planning	22	0	22	22
Derelict Buildings	103	(7)	96	97
Town Centre Management	165	(3)	162	140
Total Planning and Development	503	(256)	247	149

**DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

DETAILED INCOME AND EXPENDITURE ACCOUNTS (CONTINUED)

3. Highways and Transport Services

This category includes all environmental maintenance (cleansing) of highways and roads, street lighting (including decorative and seasonal), off-street parking services, together with public transport (i.e. the Horse Trams undertaking). The Council commenced operating Drumgold Street and Chester Street car parks under licence from June 2015.

Highways and Transport Services

Service	Cost	2016/17 Income	Net Cost	2015/16 Net Cost
	£'000	£'000	£'000	£'000
Car Parks	1,724	(2,189)	(465)	(541)
Horse Trams	144	(10)	134	263
Public Lighting	1,237	(38)	1,199	1,158
Decorative Lighting	246	0	246	246
Street Cleaning	970	(100)	870	759
Gully Emptying	117	0	117	114
	4,438	(2,337)	2,101	1,999

4. Housing Services (Non-HRA)

This category includes only those elements of the Council's housing services that are chargeable to the General Fund rather than the Housing Revenue Account. It effectively represents the balance of the management costs of the housing function not met by the Government Deficiency Grant, which is subject to an upper limit.

Housing Services

Service	Cost	2016/17 Income	Net Cost	2015/16 Net Cost
	£'000	£'000	£'000	£'000
Subsidy of Housing	366	0	366	366

**DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

DETAILED INCOME AND EXPENDITURE ACCOUNTS (CONTINUED)

5. Corporate and Democratic Core (CDC)

This category includes the cost of democratic representation and management, as well as the corporate management function.

Corporate and Democratic Core

Service	Cost	2016/17	Net	2015/16
	£'000	Income £'000	Cost £'000	Net Cost £'000
Environmental Services Cttee Admin	311	0	311	270
Regeneration & Community Cttee Admin	311	0	311	285
Corporate Management	456	0	456	480
Executive Cttee Admin	246	0	246	253
Mayoralty	85	0	85	80
Democratic Services	216	0	216	193
Standards Committee	10	0	10	14
	1,635	0	1,635	1,575

6. Non Distributed Costs

This category is mainly reserved for those support service expenditure items, which are not recharged to front line services. This is mainly because they include expenditure items, which are funded from the Council's reserves. It also includes the balance of residual overheads of the Stores and Purchasing function, which had not been recovered from front line services.

The Financial Provisions service includes changes to the bad debts provision required, together with other adjustments at the central level.

The net expenditure on the Pensions Admin Control Account represents the cost of unfunded former manual worker pensions paid during the year, together with some compensatory added years benefit payments made by the employer.

Service	Cost	2016/17	Net	2015/16
	£'000	Income £'000	Cost £'000	Net Cost £'000
Stores & Purchasing	84	0	84	65
Support Services	177	0	177	3
Financial Provisions	(33)	(5)	(38)	8
Pensions Admin Control A/c	433	(411)	22	27
	661	(416)	245	103

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

APPENDIX B

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. Some 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 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 revenue expenditure on communal aspects and capital expenditure on specific capital schemes within the sheltered accommodation complexes, subject to approval by the Department of Infrastructure. The Community Facilities Reserve is funded through an annual transfer from the Housing Revenue Account of an amount determined by the Department of Infrastructure of net rent income from the sheltered accommodation units and ancillary income from those buildings.

Cremator Renewals

This fund is used to fund planned capital maintenance schemes for the two cremators at the Council's crematorium on Glencrutchery Road. An annual revenue contribution is made to this reserve, the cost of which is covered by the cremation fees and charges income received.

General Revenue Reserve

This incorporates the Council's working balance, and 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 upon 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 accumulated from payments by owners of grave plots who have paid a "bond" for maintenance of the plot in perpetuity. It is no longer possible for plot holders to purchase a grave space maintenance "bond". This balance is being reduced by £2,000 per year by release to the Cemetery service account.

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 a limited amount. This reserve is then applied to meet the costs of 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.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

EXPLANATION OF RESERVES (CONTINUED)

Pensions Reserve

The Pensions Reserve is a reserve matching the retirement benefits 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. The liability, which is calculated for accounting purposes, is not directly linked to the likely deficit position arising from the next formal triennial valuation, which is due to be calculated as at 31 March 2019. That actuarial deficit will be addressed by future employer contributions to the Pension Fund over a number of years, to be determined after the next formal valuation exercise. Furthermore, it reflects a long term liability position, rather than presenting an immediate problem requiring short-term decision-making. The Pensions Reserve also includes an amount in respect of the unfunded former manual worker pension benefits liability.

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.

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.

Revaluation Reserve

This represents principally the balance of the surpluses or deficits (i.e. impairments) arising from the periodic revaluation of the Council's fixed assets. The reserve is established to comply with capital accounting conventions and so is not backed by cash or available to finance expenditure.

Risk Management and Special Projects Fund

To fund miscellaneous minor urgent schemes. 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 George's 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

Generally used to fund items of replacement equipment required by the Council's Tramways service. The closing balance is committed to repay loans related to this service.

**DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

EXPLANATION OF RESERVES (CONTINUED)

There are a number of planned expenditure items for various usable reserve balances. Planned expenditure against each reserve includes amounts set aside for miscellaneous revenue and capital items, dependent upon the reserve in question. In the case of the Plant Renewals Fund and Housing Repairs Funds, the expected known expenditure is shown, which is greater than the Fund's present balance, requiring future contributions to be made. The total value of known expenditure offset against each of the usable reserves is shown in the table below:

Reserve	Balance at 31 March 2017 £'000	Planned Expenditure £'000
Revaluation Reserve	132,195	0
Usable Capital Receipts Reserve	1,335	649
Pensions Reserve	(19,846)	0
General Revenue Balances	1,914	977
Capital Adjustment Account	27,190	0
Specific Reserves:		
Plant Renewals	911	1,609
Cremator Renewals	71	0
Provision For Derelict Buildings	253	3
Building Maintenance (Commercial)	301	226
Information Technology	206	0
St. George's Churchyard	56	0
Graves Maintenance	92	92
Risk Management & Special Projects	48	45
Tramways Renewals Fund	65	65
Provision for Stocks and Stores	12	0
Total Specific Reserves	2,015	2,040
Housing Revenue Account		
Housing Repairs Fund	68	2,555
Community Facilities Reserve	199	65
Total Housing	267	2,620
Total Reserves	145,070	6,286

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

APPENDIX C

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 the Council's estimated revenue and capital expenditure. Revenue Estimates and a Capital Programme are prepared each year, and are 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.

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable life and that may have restrictions on their disposal. Community assets are held on the balance sheet at a nominal value of £1. Examples include the Council's parks and gardens and other open spaces.

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.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use or obsolescence through technological or other changes.

Direct Revenue Financing (DRF)

The financing of capital expenditure directly from revenue, i.e. General Rate Fund. Also known as Capital Expenditure Charged in-year to Revenue or Revenue Contribution to Capital Outlay (RCCO).

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

These are mainly long-term tangible assets held for operational use and not expected to be converted to cash in the current or upcoming financial year, such as land and buildings. The Council also retains intangible assets in the form of computer software items, which are depreciated over their expected useful lives.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

EXPLANATION OF FINANCIAL TERMS (CONTINUED)

General 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.

Impairment

Impairment of fixed assets relates to downward revaluation of assets during the year caused by clear consumption of economic benefit and it is recognised in the income and expenditure account.

Infrastructure Assets

This includes lighting and street signage assets.

Investment Assets

Those assets held by the Council for investment purposes. This includes the Council's portfolio of commercial property assets.

Loan Funds Principal Repayments

This represents the capital charge loan principal repayments, which is accounted for separately from the loan interest payments made.

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.

Mortgage Bonds

A bond secured by mortgage on the Council's assets. These bonds are no longer issued by the Council and those previously issued have all now been repaid.

Operational Assets

Tangible fixed assets held and occupied, used or consumed in the direct delivery of services. Non-operational assets include the Council's investment property portfolio and any assets under construction.

Operational Expenditure

Are ongoing costs of 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 Contribution to Capital Outlay (RCCO)

See Direct Revenue Financing (DRF) above.

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.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

EXPLANATION OF FINANCIAL TERMS (CONTINUED)

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.

Triennial Valuations

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

Unfunded Pension Liabilities

There are two elements of unfunded pension liabilities. Firstly a non-contributory, pension for former manual workers, who had more than 5 years service prior to 31 March 1978, when contracting out from the State Pension commenced. A basic pension and an additional pension are now provided for via national insurance contributions and manual workers are also allowed to join the Isle of Man Local Government Superannuation Scheme. Secondly, benefits were awarded to retiring Officers in recognition of their unfunded manual workers service. Their Pension is paid out of the Isle of Man Local Government Superannuation Scheme, with the unfunded amount recharged to the former employer, i.e. the Council.

**DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

APPENDIX D

TRAMWAYS UNDERTAKING

The Council operated a unique transport undertaking in the form of horse drawn trams, which run along the seafront of Douglas. In April 2016 the Department of Infrastructure commenced operating the horse trams under license. A summary account of the transport undertaking of this operation is shown below.

SUMMARY OF TRAMWAYS UNDERTAKING INCOME AND EXPENDITURE

	2016/17 £'000	2015/16 £'000
Expenditure		
Employee costs	80	239
Property & fixed plant	19	27
Transport and plant	5	18
Supplies	17	73
Central support services	20	13
Depreciation	3	10
Total Tramways expenditure	<u>144</u>	<u>380</u>
Income		
Traffic receipts	0	(77)
Rover Ticket Income from Dept of Community, Culture & Leisure	0	(35)
Other income	(10)	(5)
Total Tramways Income	<u>(10)</u>	<u>(117)</u>
Net deficit charged to General Rate Fund	<u>134</u>	<u>263</u>

NOTES:

Rover ticket income represents a contribution from the Department of Community, Culture and Leisure in respect of all-Island Rover Ticket sales.

Details of the Tramways Undertaking reserves are presented at note 33 to the Core Accounting Statements.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

FURTHER INFORMATION

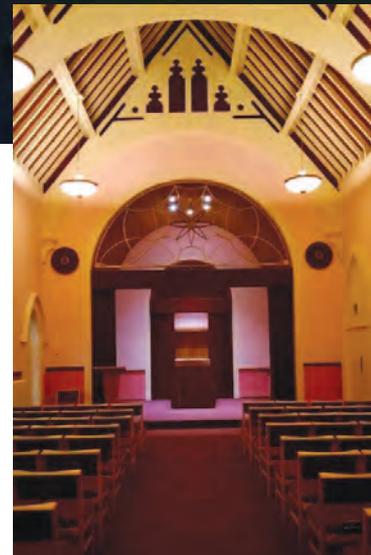
The Council produces an annual Estimates Book which sets out the plans for each financial year. A copy of this can be viewed on the Council's website (www.douglas.gov.im) or in the Henry Bloom Noble Library. Alternatively, a copy can be obtained for a charge by contacting the Finance Department at the Town Hall, Ridgeway Street, Douglas IM99 1AD, Isle of Man.

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 Pension Fund Annual Report for the Isle of Man Local Government Superannuation Scheme and the Council's Corporate Plan, which sets out the corporate and strategic objectives for the Council, can also be viewed on the Council's website.



Chapel & Crematorium Extension, Refurbishment and Upgrades 2015



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