



# Douglas

Douglas Borough Council

*Coonceil Valley Corpagh Doolish*

## Statement of Accounts for the Year ending 31 March 2018



Recently completed externally refurbished houses, Willaston



Relaunched Henry Bloom Noble Library

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2018

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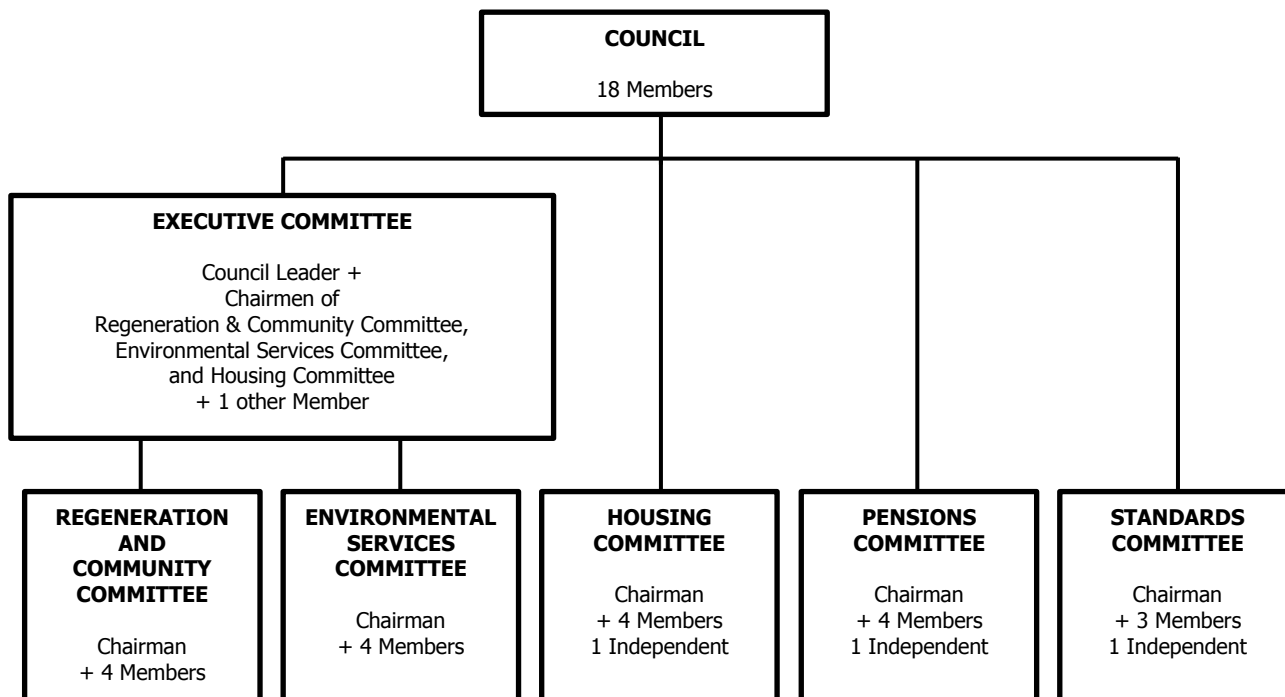
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## Members, Officers and Advisors

Douglas Borough Council is the largest local authority in the Isle of Man and provides a wide variety of services for the residents in the Island's capital.

The Council comprises 18 elected Members, three in each of six Wards. Elections take place every four years for all Wards, with the next election due in 2020 when the membership will be reduced to two for each Ward.

The Council is governed by the Committee structure set out below.



The membership of Committees is set out below.

<p style="text-align: center;"><b><u>Executive Committee</u></b></p> <p>Mr Councillor D.W. Christian, MBE, JP (Leader of the Council)                      Mr Councillor R.H. McNicholl                      Mr Councillor S.R. Pitts                      Mr Councillor I.J.G. Clague, MBE                      Councillor Mrs C.L. Wells                      The Worshipful the Mayor, Councillor Miss D.A.M. Pitts, JP (<i>ex officio</i>)</p>	<p style="text-align: center;"><b><u>Housing Committee</u></b></p> <p>Councillor Mrs C.L. Wells (Chair)                      Councillor Ms C.E. Malarkey                      Mr Councillor C.L.H. Cain                      Mr Councillor J.E. Skinner                      Councillor Mrs E.C Quirk                      The Worshipful the Mayor, Councillor Miss D.A.M. Pitts, JP (<i>ex officio</i>)                      Mrs J.E. Quaggan (Independent Member until 21.03.2018)</p>
<p style="text-align: center;"><b><u>Regeneration &amp; Community Committee</u></b></p> <p>Mr Councillor S.R. Pitts (Chair)                      Councillor Miss N.A. Byron                      Councillor Mrs R. Chatel                      Councillor Ms J. Thommeny                      Councillor Mrs H. Callow (from 02.06.2017)                      The Worshipful the Mayor, Councillor Miss D.A.M. Pitts, JP (<i>ex officio</i>)</p>	<p style="text-align: center;"><b><u>Environmental Services Committee</u></b></p> <p>Mr Councillor R.H. McNicholl (Chair)                      Mr Councillor J. Joughin                      Mr Councillor F. Pabellan (until 14.02.2018)                      Mr Councillor F. Horning                      Councillor Ms K. Angela                      Councillor Mrs H. Callow (from 14.02.2018)                      The Worshipful the Mayor, Councillor Miss D.A.M. Pitts, JP (<i>ex officio</i>)</p>

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2018

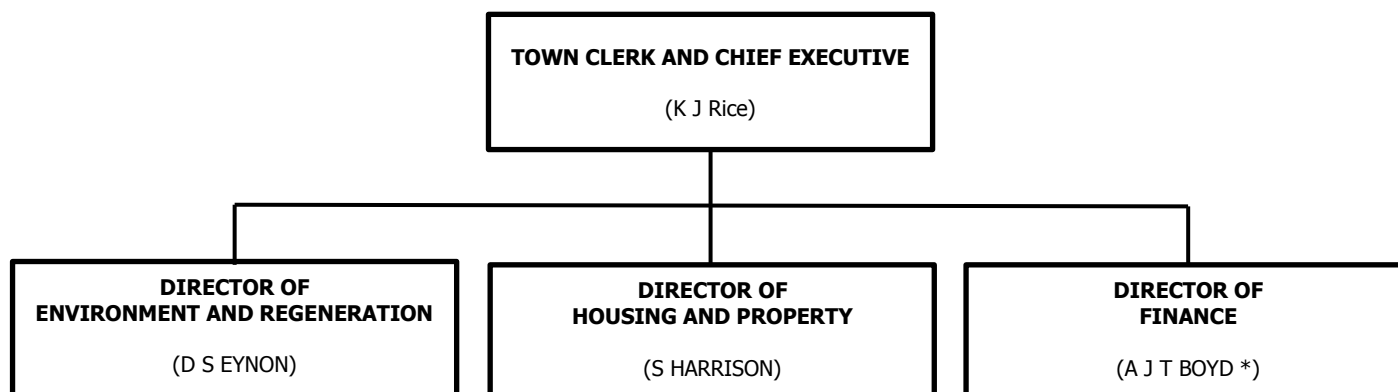
<u>Pensions Committee</u>	<u>Standards Committee</u>
Mr Councillor C.L.H. Cain (Chair) Mr Councillor J. Joughin Councillor Ms C.E. Malarkey Mr Councillor F. Horning Councillor Ms K. Angela The Worshipful the Mayor, Councillor Miss D.A.M. Pitts, JP ( <i>ex officio</i> ) Mr A. Thomas (Independent Member)	Councillor Ms C.E. Malarkey (Chair) Councillor Mrs R. Chatel Mr Councillor J.E. Skinner Councillor Mrs E.C. Quirk Mr D.M. Booth (Independent Member)

Mr Councillor F. Pabellan resigned due to ill health with effect from 18.06.18. A bye-election was held resulting in the appointment of Mr Councillor A.J. Bentley with effect from 10.08.18. He will attend the Environmental Services Committee.

Mrs J.E. Quaggan, Housing Committee Independent Member, resigned with effect from 21.03.2018. The vacancy was advertised and applicants were interviewed by the Housing Committee. Mr M.A. Dooley was appointed with effect from 13.07.2018.

Councillor Miss D.A.M. Pitts was succeeded as Mayor by Mr Councillor J. Joughin for 2018/19.

Within policies established by the Council, the work of the Council is delivered by its officers. These officers comprise professional, clerical and manual workers organised into four Departments each under the jurisdiction of a Chief Officer.



\* G M Bolt resigned with effect from April 2018.

The Council's main business centre is Douglas Town Hall where the Council meets monthly in the Council Chamber and where the majority of the Council's administrative functions are carried out. The Council also operates services from a number of local sites and depots.

The external auditors are Grant Thornton Limited. The internal auditors are Crowe Clark Whitehill LLC.

## Explanatory Foreword

The purpose of this set of accounts is to present the financial results of the Council's activities for the year ended 31 March 2018, and to summarise the overall financial position as at 31 March 2018. The Council publishes its budget in an annual Estimates Book available from its website. The following paragraphs provide an overview of the financial performance of the Council in comparison to that budget.

### Revenue Outturn

The table below summarises the revenue income and expenditure outturn for 2017/18, compared with the approved Estimates of the Council. The Estimates are designed to set the rate for the year. The Income and Expenditure Account presented later includes other matters that are required to be shown to comply with Financial Reporting Standards which are not pertinent when considering the rate to be set, e.g. adjustments required in relation to land and buildings revaluation and retirement benefits.

	<b>Net Expenditure 2017/18 £'000</b>	<b>Estimate 2017/18 £'000</b>	<b>(Favourable) /Adverse Variance 2017/18 £'000</b>
Costs including internal recharges:			
Environmental Services Committee	5,229	4,892	337
Regeneration & Community Committee	2,899	3,187	(288)
Executive Committee (including rate discount)	2,569	2,557	12
Housing Committee	89	87	2
<b>Net General Rate Fund</b>	<u>10,786</u>	<u>10,723</u>	<u>63</u>
Housing Revenue Account (HRA)	813	1,501	(688)
<b>Net cost of services</b>	<u>11,599</u>	<u>12,224</u>	<u>(625)</u>
Interest payable	3,138	3,221	(83)
Interest and investment Income	(2)	(3)	1
<b>Net operating expenditure</b>	<u>14,735</u>	<u>15,442</u>	<u>(707)</u>
Depreciation and capital financing	(3,644)	(4,518)	874
Net transfers (from)/to all reserves	67	104	(37)
<b>Net budget requirement</b>	<u>11,158</u>	<u>11,028</u>	<u>130</u>
Total from Rate income before rate discount	<u>(11,034)</u>	<u>(11,028)</u>	<u>(6)</u>
<b>Revenue contribution from/(to) balances</b>	<u><u>124</u></u>	<u><u>0</u></u>	<u><u>124</u></u>

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2018

Compared to the approved estimates for the year, the net budget requirement was some £124k more than budgeted. This means that a final drawdown from the General Revenue Reserve balance was required. This compares with an estimate of £nil when setting the Rate in January 2017. The following table provides a list of the major items contributing towards the outturn position.

	<b>Favourable</b>	<b>Adverse</b>
	<b>£'000</b>	<b>£'000</b>
Posts temporarily vacant	(137)	
Electricity	(93)	
Horse Trams Reserves release	(77)	
Recylate income	(68)	
Crematorium income	(63)	
Grounds maintenance contract income	(54)	
Building Regulations income	(37)	
Stables rental income	(35)	
Commercial bin emptying income		203
Under-budgeted pay rise		80
Drumgold Street car park pay as you go income		76
Chester Street car park pay as you go income		74
Rent collection legal fees		72
Other legal fees		23
Transport & plant costs		72
Loss on disposal of fixed assets		41
Bank charges		33
Other		14
<b>Favourable/adverse variances</b>	<b>(564)</b>	<b>688</b>
<b>Net variance</b>		<b>124</b>

### General Revenue Reserve Balance

During the year, there was an overall net decrease in the General Revenue Reserve balance of £411k. After all appropriations to and from balances and income from rates are taken into account, the balance on the General Revenue Reserve is £1,503k; some £260k higher than had been estimated at the beginning of the year. There are £1,056k of planned expenditure items, most of which are capital, that are due to be financed from the General Revenue Reserve. The available remaining and uncommitted balance on the General Revenue Reserve at the end of the year is £613k lower than originally envisaged, as the following table shows.

	<b>Actual</b>	<b>Original</b>	<b>Favourable</b>
	<b>2017/18</b>	<b>Estimate</b>	<b>/((Adverse)</b>
	<b>£'000</b>	<b>2017/18</b>	<b>Variance</b>
		<b>£'000</b>	<b>£'000</b>
Balance at year beginning	1,914	1,526	388
All revenue transfers to/(from) balance	(355)	(76)	(279)
Non-revenue contributions to/(from) balance	(56)	(207)	151
Increase/(decrease) in balance	(411)	(283)	(128)
Balance at year end	1,503	1,243	260
Further commitments against balance	(1,056)	(183)	(873)
Uncommitted balance	447	1,060	(613)

## **Douglas Borough Council Financial Statements For The Year Ended 31 March 2018**

### **Capital Expenditure Outturn**

Capital expenditure of £6.813m was undertaken during the year, of which £5.424m was for Housing Revenue Account purposes and £1.389m was spent on General Fund assets. The total capital expenditure compares with the Capital Programme original estimate of £11.190m which was revised down to £8.513m 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 damp treatment in Willaston. Capital expenditure on the General Fund during the year included public lighting, the Noble's Park Splashzone and an Automatic Number Plate Recognition system for Council-owned car parks.

Capital Programme expenditure during the year was funded from a combination of long term borrowing, capital receipts, 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.



## **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 through the appointment of a Responsible Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

### **The Responsible Financial Officer's responsibilities**

The Responsible Financial Officer is responsible for the preparation of the Authority's Statement of Accounts.

In 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.

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.

## **Report of the Independent Auditor to the Council for the year ended 31 March 2018**

### **Opinion**

We have audited the financial statements of Douglas Borough Council (the 'council') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Statement of Movement on Reserves, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the council's affairs as at 31 March 2018 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of Accounts and Audit Regulations 2018 made under the Audit Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the council in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Who we are reporting to**

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 council, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Responsible Financial Officers use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Responsible Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The Responsible Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 1 to 6, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance

## **Douglas Borough Council Financial Statements For The Year Ended 31 March 2018**

conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **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 council is or will be contrary to law; or
- the internal organisation of the council and the controls maintained by it are not sufficient as to secure proper management of the finances of the council and economy and efficiency in the use of its resources.

### **Responsibilities of Responsible Financial Officer**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 6, the Responsible Financial Officer is responsible for the preparation of the Statement of Accounts and for being satisfied that they give a true and fair view, and for such internal control as the Responsible Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Responsible Financial Officer is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the council intends to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Grant Thornton Limited**

Douglas  
Isle of Man

Date: 12 October 2018

## **Statement on Internal Control**

### Introduction and Scope of Responsibility

Regulation 6(2) of the Accounts and Audit Regulations 2018 requires the Council to 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 2018 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 2017-2021. This document sets out the Council's corporate and strategic objectives.

Monitoring achievement against the objectives – Service Plans are developed to implement the Council's strategic objectives. Performance management of service delivery is achieved by way of reporting on progress against Service Plans to the relevant Committees of the Council. Accountability for each area is secured with an assigned Chief Officer, Assistant Chief Officer or Head of Service responsible.

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.

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.

## **Douglas Borough Council Financial Statements For The Year Ended 31 March 2018**

- Progress was monitored against Service Plan targets during the year.
- Service Plans to support the 2017-21 Corporate Plan were completed.
- An electronic invoicing system was introduced to improve controls on the processing and approval of purchase invoices.
- Progress was made in preparing the Council for the implementation of the General Data Protection Regulations (GDPR), including the appointment of a Data Protection Officer with responsibility for steering the Council towards preparedness.
- The Council has obtained the Cyber Essentials Certificate for its information & communication technology systems.

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 Officers 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. Executive Committee consider a Budget Risk Register whilst deliberating on the appropriate rate to be set for the forthcoming financial year. Operational risk registers are in place to support most Service Plans. Internal Audit have made recommendations for improvement in relation to risk management. The Council Risk Management Policy and Corporate Risk Register have both been updated in accordance with recommendations.

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 2018, 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.

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 2018 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 5-Year Strategic Audit

## **Douglas Borough Council Financial Statements For The Year Ended 31 March 2018**

Plan sets out the audit reviews planned to be undertaken. This is reviewed before each audit year commences and appropriate amendments approved by the Executive Committee are incorporated. The internal audit function is provided by an independent firm.

### 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's ability to conduct its business or on the results and financial position disclosed in the financial statements for the year ended 31 March 2018.

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 2018. The overall conclusion is as follows: "In our opinion, notwithstanding the significant issues raised above, during the year ended 31 March 2018, 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 2018." 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 2018.

D W Christian MBE JP  
Leader of the Council/  
Chairman of the Executive Committee  
30 April 2018

K J Rice BA (Hons) Solicitor  
Chief Executive  
30 April 2018

**Comprehensive Income and Expenditure Statement**  
for the year ended 31 March 2018

	Note	Gross Expenditure £'000	2017/18 Gross Income £'000	Net Expenditure £'000	2016/17 Net Expenditure £'000
Environmental Services Committee		8,172	(3,673)	4,499	4,006
Regeneration & Community Committee		3,499	(1,252)	2,247	2,586
Executive Committee		4,222	(489)	3,733	3,956
Housing Committee		59	0	59	35
Cost adjustment regarding pensions		1,017	0	1,017	1,196
<b>Net cost of General Fund services</b>	8	<u>16,969</u>	<u>(5,414)</u>	<u>11,555</u>	<u>11,779</u>
Housing Revenue Account		12,791	(11,770)	1,021	2,736
Deficiency receivable		0	(208)	(208)	(458)
<b>Net cost of Housing services</b>	9	<u>12,791</u>	<u>(11,978)</u>	<u>813</u>	<u>2,278</u>
Net cost of all services				12,368	14,057
Income from the General Rate Fund	10			(10,789)	(10,612)
Interest receivable and other income				(2)	(6)
Interest payable and similar charges				3,138	3,261
<b>Net deficit on provision of services</b>				<u>4,715</u>	<u>6,700</u>
<b>Other Comprehensive Income &amp; Expenditure</b>					
(Surplus)/deficit on revaluation of fixed assets				(1,008)	2,146
Re-measurement of net pension liability				(1,211)	121
<b>Total comprehensive (income)/ expenditure</b>				<u>2,496</u>	<u>8,967</u>

**Douglas Borough Council Financial Statements For The Year Ended 31 March 2018**

**Statement of Movement on Reserves**

*for the year ended 31 March 2018*

	<b>General Rate Fund £'000</b>	<b>Capital adjustment account £'000</b>	<b>Revaluation reserve £'000</b>	<b>Housing revenue reserves £'000</b>	<b>Pensions reserve £'000</b>	<b>Capital receipts reserve £'000</b>	<b>Earmarked reserves £'000</b>	<b>Total reserves £'000</b>
<b>Total comprehensive (income)/expenditure</b>	<b>4,715</b>	<b>0</b>	<b>(1,008)</b>	<b>0</b>	<b>(1,211)</b>	<b>0</b>	<b>0</b>	<b>2,496</b>
Contributions to reserve	2,977	0	0	(2,554)	0	0	(423)	0
Capital expenditure funded from reserve	0	(1,190)	0	0	0	766	424	0
Capital expenditure funded from General Fund	101	(101)	0	0	0	0	0	0
Revenue expenditure funded from reserve	(2,577)	0	0	2,555	0	0	22	0
Gain/(Loss) on disposal of fixed assets	(44)	574	(161)	0	0	(369)	0	0
Depreciation and impairment of fixed assets	(8,615)	8,615	0	0	0	0	0	0
Revaluation and impairment of investment properties	147	0	(147)	0	0	0	0	0
Amortisation of capital contributions	7	(7)	0	0	0	0	0	0
Amortisation of revaluation reserve	0	(4,557)	4,557	0	0	0	0	0
Loan fund principal repayments	4,717	(4,717)	0	0	0	0	0	0
Cost adjustment regarding pensions	(1,017)	0	0	0	1,017	0	0	0
<b>Change during the financial year</b>	<b>411</b>	<b>(1,383)</b>	<b>3,241</b>	<b>1</b>	<b>(194)</b>	<b>397</b>	<b>23</b>	<b>2,496</b>
Balance brought forward as at 1 April 2017	(1,914)	(27,190)	(132,195)	(267)	19,846	(1,335)	(2,015)	(145,070)
<b>Balance carried forward as at 31 March 2018</b>	<b>(1,503)</b>	<b>(28,573)</b>	<b>(128,954)</b>	<b>(266)</b>	<b>19,652</b>	<b>(938)</b>	<b>(1,992)</b>	<b>(142,574)</b>

There is a comparative table on the next page.



**Douglas Borough Council Financial Statements For The Year Ended 31 March 2018**

**Comparative Statement of Movement on Reserves**

*for the year ended 31 March 2017*

	<b>General Rate Fund £'000</b>	<b>Capital adjustment account £'000</b>	<b>Revaluation reserve £'000</b>	<b>Housing revenue reserves £'000</b>	<b>Pensions reserve £'000</b>	<b>Capital receipts reserve £'000</b>	<b>Earmarked reserves £'000</b>	<b>Total reserves £'000</b>
<b>Total comprehensive (income)/expenditure</b>	<b>6,700</b>	<b>0</b>	<b>2,146</b>	<b>0</b>	<b>121</b>	<b>0</b>	<b>0</b>	<b>8,967</b>
Contributions to reserve	3,013	0	0	(2,494)	0	0	(519)	<b>0</b>
Capital expenditure funded from reserve	0	(619)	0	0	0	427	192	<b>0</b>
Capital expenditure funded from General Fund	615	(615)	0	0	0	0	0	<b>0</b>
Revenue expenditure funded from reserve	(2,510)	0	0	2,487	0	0	23	<b>0</b>
Gain/(Loss) on disposal of fixed assets	18	1,007	100	0	0	(1,125)	0	<b>0</b>
Depreciation and impairment of fixed assets	(10,155)	10,155	0	0	0	0	0	<b>0</b>
Revaluation and impairment of investment properties	(111)	0	111	0	0	0	0	<b>0</b>
Amortisation of capital contributions	23	(23)	0	0	0	0	0	<b>0</b>
Amortisation of revaluation reserve	0	(4,260)	4,260	0	0	0	0	<b>0</b>
Loan fund principal repayments	4,347	(4,347)	0	0	0	0	0	<b>0</b>
Net charges made for retirement benefits	(1,196)	0	0	0	1,196	0	0	<b>0</b>
<b>Change during the financial year</b>	<b>744</b>	<b>1,298</b>	<b>6,617</b>	<b>(7)</b>	<b>1,317</b>	<b>(698)</b>	<b>(304)</b>	<b>8,967</b>
Balance brought forward as at 1 April 2016	(2,658)	(28,488)	(138,812)	(260)	18,529	(637)	(1,711)	(154,037)
<b>Balance carried forward as at 31 March 2017</b>	<b>(1,914)</b>	<b>(27,190)</b>	<b>(132,195)</b>	<b>(267)</b>	<b>19,846</b>	<b>(1,335)</b>	<b>(2,015)</b>	<b>(145,070)</b>

**Douglas Borough Council Financial Statements For The Year Ended 31 March 2018**

**Balance Sheet**

*as at 31 March 2018*

	Note	As At 31 March 2018		As At 31 March 2017	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible fixed assets	1		<b>249,656</b>		250,729
Intangible fixed assets	2		<b>14</b>		0
<b>Total fixed assets</b>			<b>249,670</b>		250,729
<b>Current assets</b>					
Stocks	3	<b>173</b>		208	
Debtors	4	<b>2,283</b>		1,983	
Cash at bank		<b>1,291</b>		852	
<b>Total current assets</b>			<b>3,747</b>		3,043
<b>Less current liabilities</b>					
Creditors	5	<b>(4,263)</b>		(3,295)	
Short term borrowing	6	<b>(3,401)</b>		(4,230)	
Capital contributions deferred	20	<b>(1)</b>		(5)	
<b>Total current liabilities</b>			<b>(7,665)</b>		(7,530)
			<b>(3,918)</b>		(4,487)
<b>Total assets less current liabilities</b>			<b>245,752</b>		246,242
<b>Long term liabilities</b>					
Long term borrowing	6	<b>(83,524)</b>		(81,317)	
Net pension liabilities		<b>(19,634)</b>		(19,831)	
Capital contributions applied	20	<b>(20)</b>		(24)	
			<b>(103,178)</b>		(101,172)
<b>Total assets less liabilities</b>			<b>142,574</b>		145,070
<b>Financed by</b>					
General Fund			<b>1,503</b>		1,914
Capital adjustment account			<b>28,573</b>		27,190
Revaluation reserve			<b>128,954</b>		132,195
Housing revenue account balances			<b>266</b>		267
Pensions reserve			<b>(19,652)</b>		(19,846)
Capital receipts reserve			<b>938</b>		1,335
Earmarked reserves			<b>1,992</b>		2,015
<b>Total net worth</b>			<b>142,574</b>		145,070

The financial statements were approved by the Executive Committee on 10 October 2018 and were signed on their behalf by:

D W Christian MBE JP  
 Leader of the Council/  
 Chairman of the Executive Committee  
 10 October 2018

A J T Boyd FCPFA  
 Director of Finance  
 10 October 2018

**Douglas Borough Council Financial Statements For The Year Ended 31 March 2018**

**Cash Flow Statement**

*for the year ended 31 March 2018*

	<b>Note</b>	<b>2017/18 £'000</b>	2016/17 £'000
Net deficit on provision of services		<b>4,715</b>	6,700
Adjustments to net (surplus)/deficit on provision of services for non-cash movements	14	<b>(10,218)</b>	(10,597)
Adjustments for items included in net (surplus)/deficit on provision of services that are investing and financing activities		<b>(3,136)</b>	(3,255)
Net cash flows from Operating Activities		<b>(8,639)</b>	(7,152)
Net cash flows from Investing Activities	15	<b>6,428</b>	6,090
Net cash flows from Financing Activities	16	<b>1,772</b>	1,954
Net (increase) or decrease in cash and cash equivalents		<b>(439)</b>	892
Cash & cash equivalents at the beginning of the reporting period		<b>852</b>	1,744
Cash & cash equivalents at the end of the reporting period		<b><u>1,291</u></b>	<u>852</u>

## **Statement of Accounting Policies**

### **1. Basis of preparation**

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Audit Act 2006 and the Accounts and Audit Regulations 2018. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain land and buildings as specified in the accounting policies below.

This is the first year in which the financial statements have been prepared under FRS 102 and Accounts and Audit Regulations 2018. Refer to note 21 for an explanation of the transition.

The financial statements are presented in Sterling (£) to the nearest thousand pounds.

### **2. Going concern**

After reviewing the budget of the authority, the Executive Committee have a reasonable expectation that the authority has adequate resources to continue in operational existence for the foreseeable future.

### **3. Income**

#### **(a) Rates receivable**

Rates income for the year credited to the Comprehensive Income and Expenditure Statement is the accrued income for the year, adjusted for discounts, exempt and uninhabitable properties.

#### **(b) Rentals**

Rent revenue is measured at fair value of the consideration received or receivable and represents the amount receivable for the services rendered.

#### **(c) Other Income**

Other significant income is accounted for on an accruals basis.

### **4. Accruals of income and expenditure**

The accounts of the authority are maintained on an accruals basis: activity is accounted for in the year that it takes place.

### **5. Value Added Tax**

Value Added Tax is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

### **6. Intangible fixed assets**

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives of 5 years using the straight-line method.

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

### **7. Tangible fixed assets**

Tangible fixed assets have physical substance and are held by the authority for the provision of services or for administrative purposes on a continuing basis.

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2018

### a) Recognition

Expenditure on the acquisition or creation of tangible fixed assets and subsequent expenditure that adds to, replaces part of, or services tangible fixed assets, is capitalised on an accruals basis where:

- It is probable that the future economic benefits or service potential associated with the asset will flow to the authority, and
- The cost can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense to the relevant service when it is incurred.

### b) Measurement (Valuation Bases)

All assets are initially measured at cost. The initial cost includes all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Borrowing costs are not capitalised.

Subsequent to initial recognition, assets are then carried on the Balance Sheet using the following measurement bases:

- Infrastructure and Community assets – depreciated historic cost (or a nominal value where the historic cost is not known);
- Assets under construction – historic cost;
- Surplus assets – fair value (determined by the measurement of the highest and best use of the asset);
- Social Housing and all other tangible fixed assets are measured at current value which is determined as the amount that would be paid for the asset in its existing use ("existing use value" – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate.

For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

### (c) Revaluation

A class of assets included in the Balance Sheet at current value (fair value for Surplus assets) may be revalued on a rolling basis provided revaluation of the class of assets is completed within five years. The valuations are undertaken with sufficient regularity to ensure that their carrying amount is not materially different from current value (fair value for Surplus assets). All valuations are undertaken by a qualified valuer on a five-year rolling programme, using a professional valuer contracted to the authority.

Short-life assets, such as vehicles and computer equipment are not revalued but are measured at depreciated historic cost as a proxy for fair value.

Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains. When assets are subject to revaluation losses they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve in excess of the revaluation loss, the carrying amount of the asset is written down against that balance;
- Where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement;
- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve which is less than the revaluation loss, the carrying amount of the asset is written down against that balance and the remainder of the revaluation loss is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

### d) Impairment

Assets are subject to an annual impairment review at the end of each financial year for evidence of reductions in value. Where indications exist and the reduction is material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2018

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve in excess of the revaluation loss, the carrying amount of the asset is written down against that balance;
- Where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement;
- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve which is less than the revaluation loss, the carrying amount of the asset is written down against that balance and the remainder of the revaluation loss is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **(e) Depreciation**

Depreciation is provided for on all Tangible Fixed Assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (e.g. freehold land and community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on a straight-line basis by allocating the cost (or re-valued amount) of the asset over the number of years that the asset is expected to be of useful benefit as follows:

Operational assets:

Freehold buildings	10-60 years
Vehicles, plant & equipment	1-15 years
Infrastructure assets	1-15 years

The useful life of an asset is estimated on a realistic basis and is regularly reviewed as part of the revaluation process. Where the useful life of a fixed asset is revised, depreciation is charged over the revised life of the asset.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Where an item has major components whose cost is significant in relation to the total cost of the asset, the components are depreciated separately.

### **(f) Disposals**

Income from the disposal of fixed assets is accounted for on an accruals basis. Capital receipts are held in the Usable Capital Receipts Reserve until such time as they are used to finance other capital expenditure, when they are credited to the Capital Adjustment Account.

## **8. Investment Property**

Investment properties are those that are used solely to earn rentals or for capital appreciation purposes. Properties that are used to facilitate the delivery of services are not Investment properties.

Investment properties are measured initially at cost and subsequently at fair value. The assets are not depreciated but are subject to five yearly revaluation reviews according to market conditions at the year-end. All valuations are undertaken by a qualified valuer. Gains and losses on revaluation and disposal are posted to the Comprehensive Income and Expenditure Statement. These gains and losses are reversed out in the Statement of Movement on Reserves to the Capital Adjustment Account and the Capital Receipts Reserve.

## **9. Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

## **Douglas Borough Council Financial Statements For The Year Ended 31 March 2018**

Cash and cash equivalents include bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

### **10. Government Grants and Contributions**

Government grants and other third party contributions/donations are accounted for on an accruals basis and recognised when the conditions attached to the payments have been met and there is reasonable assurance that they will be received.

#### **a) Revenue Grants**

Amounts due to the authority are credited to the Comprehensive Income and Expenditure Statement when the conditions attached to the grants or contributions are satisfied. Amounts advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or non-specific Grant Income.

#### **b) Capital Grants**

Amounts due as capital grants and contributions are credited to the Comprehensive Income and Expenditure Statement when the conditions attached to their receipt are satisfied. Amounts advanced for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement.

Donations and grants toward the cost of capital assets are credited to deferred income, and released over the life of the asset to match the depreciation of the asset to which it relates.

#### **(c) Housing Deficiency**

Housing deficiency is accounted for on an accruals basis and represents an amount due in respect of some of the shortfall of housing income over housing expenditure in the year in accordance with the housing deficiency scheme operated by the Department of Infrastructure.

### **11. Leases**

Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement on an accruals basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the authority recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

### **12. Stocks**

Stocks have been valued at the lower of cost and net realisable value.

### **13. Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### **14. Creditors**

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### **15. Employee benefits**

The authority provides a range of benefits to employees, including paid holiday arrangements and a defined benefit pension plan.

#### **(a) Short term benefits**

Short term benefits, including holiday pay, are recognised as an expense in the period in which the service is received.

**(b) Defined benefit pension plan**

The authority participates in the Local Government Superannuation Scheme administered by Douglas Borough Council in accordance with the Isle of Man Local Government Superannuation Scheme Regulations. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration.

The authority and its employees pay contributions into the scheme and these contributions are calculated at a level intended to balance the pensions liabilities with investment assets. The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the authority's defined benefit obligation at the end of the reporting date less the fair value of the plan assets attributable to the authority's members at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the administering authority (Douglas Borough Council) engages independent actuaries to calculate the accounting obligation of the authority. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Comprehensive Income and Expenditure Statement. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Re-measurement of net pension liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- The increase in pension benefit liability arising from employee service during the period; and
- The cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Comprehensive Income and Expenditure Statement as 'Cost adjustment regarding pensions'.

**16. Provisions**

Provisions are made for any liability of uncertain timing where there is a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the Comprehensive Income and Expenditure Statement in the year that the obligation arises and are based on the best estimate of the amount that is likely to settle the obligation.

**17. Contingent Liabilities**

Contingent liabilities are not recognised in the accounting statements. They are disclosed by way of a note to the accounts if there is a possible obligation to make payments in the future. For each class of contingent liability, where appropriate, the authority discloses the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

**18. Contingent Assets**

Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

**19. Reserves**

Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management. The Authority maintains the following significant reserves:



## Douglas Borough Council Financial Statements For The Year Ended 31 March 2018

**General 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.

**Housing Revenue Reserves:** The Council maintains two Housing funds operated in accordance with the provisions of Government Housing Policy. The Housing Repairs Fund receives an annual transfer from the Housing Revenue Account of a capped amount. This reserve is then applied to meet the costs of Housing Repairs each year. The Community Facilities 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. It 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.

**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.

**Capital Receipts Reserve:** 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.

The following accounts have been established in accordance with the capital accounting provisions. They are not fully backed by cash, nor generally available to finance expenditure.

**Revaluation Reserve:** representing principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.

**Capital Adjustment Account:** amounts set aside from capital receipts or revenue resources to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

**Pensions Reserve:** The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding those benefits.

### **20. 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 utilising the local authorities long-term borrowing arrangements sanctioned by the Treasury. Provision for the redemption of debt (or Loan Fund 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 in the Statement of Movement on Reserves, whilst interest on the balance of principal outstanding, is charged directly to the Comprehensive Income and Expenditure Account.

## **Significant Judgements and Estimates**

### **(a) Judgements**

In applying the accounting policies set out above the authority has had to make assumptions and form judgements about transactions which are complex in nature and where there is uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

- Due to the authority's rolling five-year revaluation programme for assets held on the Balance Sheet at revalued amount, not all assets are revalued formally every year. However a desktop review is undertaken of the assets that were not formally revalued during the year, taking into account factors such as changes to building cost indices since the asset's last revaluation and the impact of revaluations in year for similar assets. As a result it is judged that the potential difference in value that would result from formal revaluation is not material in the context of the overall carrying value of the assets, and therefore the risk of material misstatement to the Balance Sheet is low.
- Property, Plant and Equipment assets are judged to be held for their service potential rather than future resale value and therefore the authority does not allocate residual values to assets when calculating depreciation. This could lead to the potential overstatement of depreciation and the understatement of asset carrying values in the Balance Sheet. The calculation of depreciation, however, does not affect the amount to be collected from rate payers.
- The authority has judged that amounts held on deposit or invested for periods of less than three months are sufficiently liquid as to be classed as cash equivalents. Judgement is also required as to whether the primary purpose of holding such investments is for meeting short term cash commitments (in which case the investment is classified as a cash equivalent) or for investment return (in which case the investment remains classified as a short term investment).

### **(b) Estimates**

The authority is required to disclose those estimates and assumptions which it has made in the preparation of its accounts for which there is the potential for a material adjustment within the next financial year.

- Pension Liability - The estimation of the net pension liability depends on a number of complex and inter-related actuarial assumptions and judgements, i.e. the rate of inflation, rate of increase in salaries, age of retirement, rate of increase in pensions, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide expert advice about the assumptions to be applied. As a result there is inevitably some uncertainty concerning the value of the net pension liability in the financial statements. Changes in the assumptions can give rise to major changes in the liability within the year and across years, i.e. actuarial gains and losses.

## Notes to the Financial Statements

### 1. Tangible fixed assets

#### 1.1 Operational assets

	<b>Dwellings £'000</b>	<b>Other land &amp; buildings £'000</b>	<b>Vehicles, plant &amp; equipment £'000</b>	<b>Infra- structure £'000</b>	<b>Commu- nity assets £'000</b>	<b>Total Operational Assets £'000</b>
<b>Cost or valuation</b>						
As at 31 March 2017	235,712	27,292	5,331	5,833	0	274,168
Additions in the year	5,174	44	625	694	0	6,537
Disposals in the year	0	(44)	(475)	0	0	(519)
Revaluations	0	250	0	0	0	250
Impairments	(2,088)	(342)	0	0	0	(2,430)
<b>Value as at 31 March 2018</b>	<b>238,798</b>	<b>27,200</b>	<b>5,481</b>	<b>6,527</b>	<b>0</b>	<b>278,006</b>
<b>Accumulated Depreciation</b>						
As at 31 March 2017	(20,029)	(1,243)	(3,895)	(3,123)	0	(28,290)
Charge for the year	(7,305)	(368)	(423)	(402)	0	(8,498)
Disposals in the year	0	0	379	0	0	379
Reversal of depreciation on revalued assets	2,284	790	0	0	0	3,074
<b>Value as at 31 March 2018</b>	<b>(25,050)</b>	<b>(821)</b>	<b>(3,939)</b>	<b>(3,525)</b>	<b>0</b>	<b>(33,335)</b>
<b>Net Book Value as at 31 March 2018</b>	<b>213,748</b>	<b>26,379</b>	<b>1,542</b>	<b>3,002</b>	<b>0</b>	<b>244,671</b>
Net book value as at 31st March 2017	215,683	26,049	1,436	2,710	0	245,878

**Douglas Borough Council Financial Statements For The Year Ended 31 March 2018**

**1.2 Non-operational assets**

<b>Cost or valuation</b>	<b>Surplus properties £'000</b>	<b>Assets under construction £'000</b>	<b>Investment properties £'000</b>	<b>Total Non-operational Assets £'000</b>	<b>Operational and Non-Operational Tangible Fixed Assets £'000</b>
As at 31 March 2017	313	251	4,328	4,892	279,060
Additions in the year	0	250	9	259	6,796
Disposals in the year	(313)	0	0	(313)	(832)
Revaluations	0	0	255	255	505
Impairments	0	0	(108)	(108)	(2,538)
<b>Value as at 31 March 2018</b>	<b>0</b>	<b>501</b>	<b>4,484</b>	<b>4,985</b>	<b>282,991</b>
<b>Accumulated Depreciation</b>					
As at 31 March 2017	(41)	0	0	(41)	(28,331)
Charge for the year	0	0	0	0	(8,498)
Disposals in the year	41	0	0	41	420
Reversal of depreciation on revalued assets	0	0	0	0	3,074
<b>Value as at 31 March 2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(33,335)</b>
<b>Net Book Value as at 31 March 2018</b>	<b>0</b>	<b>501</b>	<b>4,484</b>	<b>4,985</b>	<b>249,656</b>
Net book value as at 31st March 2017	272	251	4,328	4,851	250,729

**1.3 Valuation of fixed assets**

The authority operates a rolling revaluation programme so that all land and buildings are revalued every five years. Valuations have been carried out by Royal Institute of Chartered Surveyors qualified staff at Chrystals, the Council's external valuers. The valuations have been carried out in accordance with the Practice Statements, Guidance Notes and Valuation Information papers published by the Royal Institution of Chartered Surveyors; RICS Valuation – Professional Standards (known as The Red Book 8th Edition) dated March 2012. Site values were noted for each housing estate based on assumptions as to the extent of the sites on the basis of a typical site for each house type rather than being based on the overall area of the estate.

	<b>As At 31 March 2018 £'000</b>	As At 31 March 2017 £'000
Historic cost of dwellings	<b>121,548</b>	116,374
Historic cost of other revalued assets, i.e. other land & buildings, investment properties and surplus assets	<b>30,023</b>	30,327

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2018

### 1.4 Assets held

	<b>As At 31 March 2018 Number</b>	<b>Changes in year Number</b>	As At 31 March 2017 (Restated) Number
<b><i>Operational Assets</i></b>			
<u>Council dwellings</u>			
Council dwellings	<b>2,248</b>	<b>0</b>	2,248
Sheltered accommodation units	<b>138</b>	<b>0</b>	138
<u>Other land &amp; buildings</u>			
Public offices	<b>2</b>	<b>0</b>	2
Depot/Administrative office	<b>1</b>	<b>(1)</b>	2
Depots and stores	<b>7</b>	<b>0</b>	7
Nurseries	<b>1</b>	<b>0</b>	1
Tramways stables and storage	<b>1</b>	<b>(1)</b>	2
Off-street Car Parks	<b>2</b>	<b>0</b>	2
Crematoria and chapels	<b>2</b>	<b>0</b>	2
Cemeteries	<b>2</b>	<b>0</b>	2
Community centre/changing rooms	<b>1</b>	<b>0</b>	1
Golf Clubhouse/community centre	<b>1</b>	<b>0</b>	1
Golf course	<b>1</b>	<b>0</b>	1
Public conveniences	<b>9</b>	<b>0</b>	9
Commercially valued land assets	<b>3</b>	<b>0</b>	3
Miscellaneous properties	<b>8</b>	<b>0</b>	8
<u>Vehicles, plant &amp; equipment</u>			
Vehicles	<b>77</b>	<b>(6)</b>	83
Plant & equipment	<b>84</b>	<b>6</b>	78
<u>Infrastructure assets</u>			
Street lights	<b>4,279</b>	<b>(13)</b>	4,292
Street signage - way-marking	<b>37</b>	<b>0</b>	37
<b><i>Non-Operational Assets</i></b>			
<u>Investment properties</u>			
Commercial properties	<b>19</b>	<b>0</b>	19
Other commercially let properties	<b>7</b>	<b>0</b>	7
Garages	<b>49</b>	<b>0</b>	49
Residential units	<b>4</b>	<b>0</b>	4
Other non-operational	<b>2</b>	<b>0</b>	2
Commercially valued land assets	<b>2</b>	<b>0</b>	2
<u>Surplus assets</u>			
Surplus assets held for disposal	<b>0</b>	<b>(2)</b>	2

\* The 31 March 2017 figures have been restated to show Cemeteries as a separate category and to include Noble's Park bowling green pavilions 2 and 3 and the Anagh Coar car park as separate assets within Miscellaneous Properties.

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2018

### 2. Intangible fixed assets

	£'000
<b>Cost or valuation</b>	
As at 31 March 2017	24
Additions in the year	17
Disposals in the year	<u>0</u>
<b>Value as at 31 March 2018</b>	<u>41</u>
 <b>Accumulated amortisation</b>	
As at 31 March 2017	(24)
Charge for the year	(3)
Disposals in the year	<u>0</u>
<b>Value as at 31 March 2018</b>	<u>(27)</u>
 <b>Net Book Value as at 31 March 2018</b>	 <u>14</u>
Net book value as at 31st March 2017	0

These assets are computer software.

### 3. Stocks

	As At 31 March 2018 £'000	As At 31 March 2017 £'000
General stores	161	148
Tramways undertaking stock	0	12
Wheeled bins stock	12	17
Car Park spares	<u>0</u>	<u>31</u>
<b>Total stocks</b>	<u>173</u>	<u>208</u>
 Value of stock recognised as an expense in the comprehensive income and expenditure statement	 <b>458</b>	 390

### 4. Debtors and prepayments

	As At 31 March 2018 £'000	As At 31 March 2017 £'000
Government departments	884	540
VAT refund	582	734
Local authorities	149	163
Ratepayers	44	17
Housing rents	48	31
Sundry debtors	536	435
Prepayments	<u>40</u>	<u>63</u>
	<u>2,283</u>	<u>1,983</u>
 Debtor balances are shown net of provisions for bad or doubtful debts as follows:		
Ratepayers	(86)	(106)
Housing rents	(92)	(70)
Sundry debtors	<u>(15)</u>	<u>(18)</u>
	<u>(193)</u>	<u>(194)</u>

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2018

### 5. Creditors

	<b>As At 31 March 2018 £'000</b>	As At 31 March 2017 £'000
Government departments	954	780
Ratepayers	37	46
Housing rents	455	445
Interest payable	494	508
Trade and sundry creditors	1,559	771
Sundry prepayments/invoiced in advance	746	730
Unfunded pension benefits payable within 12 months	18	15
	<b>4,263</b>	3,295

### 6. Borrowing

All of the Council's borrowings are by way of bank loan facility. Some loans are fixed interest, and repayable over 30 years. Some 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. Loans outstanding may be analysed as follows:

	<b>As At 31 March 2018 £'000</b>	As At 31 March 2017 £'000
Falling due within one year	3,401	4,230
Falling due after more than one year	83,524	81,317
Total long term loans	<b>86,925</b>	85,547

### 7. Operating leases

The following table shows the minimum future rentals receivable for the authority's operating leases where it acts as lessor:

	<b>As At 31 March 2018 £'000</b>	As At 31 March 2017 £'000
Amounts due within one year	284	217
Later than one year and not later than five years	799	319
Later than five years	316	206
	<b>1,399</b>	742

The leases above are in respect of the Council's commercial lettings portfolio which mainly includes shops and leisure facilities in close proximity to Council housing estates and parks.

The table overleaf shows the minimum future rentals payable for the authority's operating leases where it acts as lessee and minimum future licence fees payable for the authority's car park operating licences (for Drumgold Street and Chester Street) where it acts as licensee.

**Douglas Borough Council Financial Statements For The Year Ended 31 March 2018**

**7. Operating leases (continued)**

	<b>As At 31 March 2018 £'000</b>	As At 31 March 2017 £'000
Amounts due within one year	<b>1,349</b>	1,356
Later than one year and not later than five years	<b>5,330</b>	5,325
Later than five years	<b>9,238</b>	10,458
	<b><u>15,917</u></b>	<u>17,139</u>
	<b>2017/18 £'000</b>	2016/17 £'000
Lease and licence payments recognised as an expense in the comprehensive income and expenditure statement	<b>1,438</b>	1,362

**8. Net Cost of General Fund Services**

<b>2017/18</b>	<b>Environ- mental Services C'ttee £'000</b>	<b>Regen &amp; Comm- unity C'ttee £'000</b>	<b>Executive C'ttee £'000</b>	<b>Housing C'ttee £'000</b>	<b>Cost adjust regarding pensions £'000</b>	<b>Net cost General Fund services £'000</b>
Employment Cost	2,934	2,219	2,336	59	1,017	8,565
Property & Fixed Plant	795	556	395	0	0	1,746
Transport & Plant	393	120	3	0	0	516
Agencies & Contract Services	1,530	89	230	0	0	1,849
Capital Finance	833	249	90	0	0	1,172
Supplies & other costs	1,687	266	1,168	0	0	3,121
Total Revenue Expenditure	<b>8,172</b>	<b>3,499</b>	<b>4,222</b>	<b>59</b>	<b>1,017</b>	<b>16,969</b>
Government Income	(199)	(159)	(36)	0	0	(394)
Other income	(3,474)	(1,093)	(453)	0	0	(5,020)
Total Income	<b>(3,673)</b>	<b>(1,252)</b>	<b>(489)</b>	<b>0</b>	<b>0</b>	<b>(5,414)</b>
Net Expenditure	<b><u>4,499</u></b>	<b><u>2,247</u></b>	<b><u>3,733</u></b>	<b><u>59</u></b>	<b><u>1,017</u></b>	<b><u>11,555</u></b>



**Douglas Borough Council Financial Statements For The Year Ended 31 March 2018**

**8. Net Cost of General Fund Services (continued)**

<b>Comparatives: 2016/17</b>	<b>Environmental Services C'ttee £'000</b>	<b>Regen &amp; Community C'ttee £'000</b>	<b>Executive C'ttee £'000</b>	<b>Housing C'ttee £'000</b>	<b>Cost adjust regarding pensions £'000</b>	<b>Net cost General Fund services £'000</b>
Employment Cost	2,828	2,189	2,315	35	1,196	8,563
Property & Fixed Plant	806	748	338	0	0	1,892
Transport & Plant	390	90	4	0	0	484
Agencies & Contract Services	1,703	84	194	0	0	1,981
Capital Finance	795	370	481	0	0	1,646
Supplies & other costs	1,451	294	1,175	0	0	2,920
<b>Total Revenue Expenditure</b>	<b>7,973</b>	<b>3,775</b>	<b>4,507</b>	<b>35</b>	<b>1,196</b>	<b>17,486</b>
Government Income	(278)	(68)	(38)	0	0	(384)
Other income	(3,689)	(1,121)	(513)	0	0	(5,323)
<b>Total Income</b>	<b>(3,967)</b>	<b>(1,189)</b>	<b>(551)</b>	<b>0</b>	<b>0</b>	<b>(5,707)</b>
<b>Net Expenditure</b>	<b>4,006</b>	<b>2,586</b>	<b>3,956</b>	<b>35</b>	<b>1,196</b>	<b>11,779</b>

**9. Housing Revenue Income and Expenditure**

	<b>2017/18</b>		<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>			
Dwelling Rents (including rates)	<b>(11,646)</b>		(11,192)
Charges for services & facilities	<b>(109)</b>		(115)
Housing Deficiency Grant receivable	<b>(208)</b>		(458)
Other Income	<b>(15)</b>		(8)
<b>Total income</b>		<b>(11,978)</b>	<b>(11,773)</b>
<b>Expenditure</b>			
Repairs & maintenance	<b>2,524</b>		2,675
Supervision & management	<b>873</b>		786
Rates and other charges	<b>2,089</b>		1,948
Depreciation & impairment charges	<b>7,305</b>		8,642
<b>Total expenditure</b>		<b>12,791</b>	14,051
<b>Net cost of Housing services</b>		<b>813</b>	<b>2,278</b>

**Dwelling rent income**

Dwelling rent income is the total rent due for the year after voids, write offs, refunds, etc.

	<b>2017/18</b>	<b>2016/17</b>
Voids as a percentage of the rental debit for the year	<b>3.6%</b>	5.2%

**Douglas Borough Council Financial Statements For The Year Ended 31 March 2018**

**9. Housing Revenue Income and Expenditure (continued)**

**Rent arrears**

	<b>As At 31 March 2018 £'000</b>	As At 31 March 2017 £'000
Gross arrears	<b>48</b>	31
Rent accounts in advance	<u><b>(455)</b></u>	<u>(445)</u>
Net in advance	<u><b>(407)</b></u>	<u>(414)</u>

As a percentage of gross rent income:

Gross arrears	<b>0.4%</b>	0.3%
Rent accounts in advance	<u><b>-3.9%</b></u>	<u>-3.9%</u>
Net in advance	<u><b>-3.5%</b></u>	<u>-3.6%</u>

	<b>2017/18 £'000</b>	2016/17 £'000
Amounts written off during the year	<b>0</b>	0
Increase/(decrease) in provision for bad and doubtful debts	<b>22</b>	9

	<b>As At 31 March 2018 £'000</b>	As At 31 March 2017 £'000
Provision for bad and doubtful debts	<b>(92)</b>	(70)

**Housing deficiency grant**

A housing deficiency grant is paid from central government to meet some of the shortfall incurred by the Council.

	<b>2017/18 £'000</b>	2016/17 £'000
Opening balance due from/(to) Dept of Infrastructure	<b>435</b>	(23)
Charges to Deficiency Grant	<b>208</b>	458
Payments received from Dept of Infrastructure	<u><b>0</b></u>	<u>0</u>
Closing balance due from/(to) Dept of Infrastructure	<u><b>643</b></u>	<u>435</u>

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2018

### 10. Rates

	2017/18		2016/17	
	£'000	£'000	£'000	£'000
Total rates levied for the year		<b>11,136</b>		10,929
Add:				
Gross arrears brought forward	<b>123</b>		118	
Refunds	<b>39</b>		24	
		<b>162</b>		142
		<b>11,298</b>		11,071
Less:				
Rates paid in advance brought forward	<b>(46)</b>		(52)	
Discounts	<b>(245)</b>		(236)	
Exempt/reduced rate properties	<b>(102)</b>		(81)	
		<b>(393)</b>		(369)
Total rates collectable		<b>10,905</b>		10,702
Rates received in the year:				
Current year rates	<b>10,715</b>		10,517	
Arrears collected	<b>60</b>		62	
Prepaid rates	<b>37</b>		46	
Total revenue income		<b>10,812</b>		10,625
Balances outstanding carried forward:				
Current year arrears	<b>67</b>		67	
Prepaid rates	<b>(37)</b>		(46)	
		<b>30</b>		21
Previous years arrears	<b>63</b>		56	
Total arrears		<b>93</b>		77
		<b>10,905</b>		10,702
Rates levied for the year		<b>11,136</b>		10,929
Less exempt/reduced rate properties		<b>(102)</b>		(81)
Less discounts		<b>(245)</b>		(236)
Per Comprehensive Income and Expenditure Statement		<b>10,789</b>		10,612
		<b>Pence</b>		Pence
Rate in the pound		<b>408</b>		402
		<b>As At 31 March 2018 £'000</b>		As At 31 March 2017 £'000
Rateable value at year end		<b>2,742</b>		2,737

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2018

### 11. Employee remuneration

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £25,000 was:

<b>Remuneration Band</b>	<b>2017/18 Number of Employees</b>	2016/17 Number of Employees
£50,000 to £74,999	<b>12</b>	12
£75,000 to £99,999	<b>3</b>	2
£100,000 to £124,999	<b>1</b>	0

### Key management compensation

The Chief Officers Management Team has authority and responsibility for planning, directing and controlling the activities of the authority. Their compensation shown below includes employer pension contributions.

	<b>2017/18 £'000</b>	2016/17 £'000
Key management personnel compensation	<b>440</b>	419

### 12. Members' allowances

The authority pays its Members in respect of their attendance at meetings and undertaking duties and responsibilities.

	<b>2017/18 £'000</b>	2016/17 £'000
Attendance allowances paid to Members	<b>44</b>	46
Members' expenses paid	<b>5</b>	5

	Year End Balance	
	<b>As At 31 March 2018 £'000</b>	As At 31 March 2017 £'000
Amounts due to Members	<b>6</b>	4

### 13. Related party transactions

Section 33 of Financial Reporting Standard 102 requires an entity to disclose within its financial statements material transactions with related parties, that is bodies or individuals, that have the potential to control or influence the Council, or to be controlled or influenced by the Council.

Disclosure of these transactions allows the readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. Due to the nature of the Council's business, the main related parties considered are councillors and senior management of the Council.

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2018

### 13. Related party transactions (continued)

#### 13.1 Members of Council/Senior Management

Members of the Council and senior management are required to register certain interests in the Register of Members' Interests, a copy of which can be inspected at the Town Hall.

Related Party	Company in Receipt of Payment	Related Party Relationship to Company	Amount Paid to Company by the Council (excluding VAT)		Type of Payment Made to Company	Year End Balance	
			2017/18	2016/17		As At 31 March 2018	As At 31 March 2017
			£'000	£'000		£'000	£'000
Cllr S R Pitts	Buchanan & Pitts Ltd	Director	13	62	Provision of services	0	4

#### 13.2 Superannuation Scheme

In addition, 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.

	2017/18	2016/17
	£'000	£'000
Administration charged to scheme in year	69	70
Professional fees charged to scheme in year	238	336
Balance owing (to)/from scheme at year end	90	(27)

#### 13.3 Eastern District Civic Amenity Site Joint Committee

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 Amenity Site. The Council is able to recharge the cost of the administration of the site, as well as 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.

Local Authority	Costs recoverable from participating local authorities		Year End Balance regarding those costs	
	2017/18	2016/17	As At 31 March 2018	As At 31 March 2017
	£'000	£'000	£'000	£'000
Laxey (a Ward of Garff Commissioners)	15	15	0	0
Lonan (a Ward of Garff Commissioners)	15	14	0	0
Santon	9	9	0	0
Onchan	99	93	0	(1)
Braddan	67	63	0	0

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2018

### 13. Related party transactions (continued)

#### 13.4 Douglas Town Band

The Council elects two councillors to represent it on the Douglas Town Band Committee and pays an annual grant to the Douglas Town Band. The Band performs at some civic events without charge.

	<b>2017/18</b>	2016/17
	<b>£'000</b>	£'000
Annual Grant to the Douglas Town Band	<b>3</b>	3

#### 13.5 Burials Act Levies

Under the Burials Act 1986, the churchwardens in charge of Braddan and Onchan District Burial Grounds are entitled to levy a rate to the Council for the upkeep and maintenance of these cemeteries. The annual amount payable depends on the rates resolution of the respective churchwardens, with the prescribed calculation based on the rateable value of the parishes.

	<b>Levies Payable to Burial Authorities</b>		<b>Year End Prepayments</b>	
	<b>2017/18</b>	2016/17	<b>As At 31 March 2018</b>	As At 31 March 2017
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Braddan Burial Ground Churchwardens	<b>85</b>	83	<b>85</b>	83
Onchan Burial Ground Churchwardens	<b>3</b>	3	<b>3</b>	3

### 14. Cash flow statement – Operating activities

The following table provides a breakdown of the main elements within the adjustment for the non-cash movements figure shown in the cash flow statement:

	<b>2017/18</b>	2016/17
	<b>£'000</b>	£'000
Depreciation, impairment & revaluation losses for non-current assets	<b>(8,468)</b>	(10,266)
Amortisation of capital contributions	<b>8</b>	23
Increase/(decrease) in stock	<b>(29)</b>	(3)
Increase/(decrease) in debtors	<b>302</b>	450
(Increase)/decrease in creditors	<b>(990)</b>	323
Difference between FRS102 pension cost and contributions paid	<b>(1,017)</b>	(1,196)
Carrying amount of assets sold and de-recognition of components	<b>(44)</b>	18
Other non-cash items charged to Surplus/Deficit on provision of services	<b>20</b>	54
	<b><u>(10,218)</u></b>	<u>(10,597)</u>

### 15. Cash flow statement – Investing activities

	<b>2017/18</b>	2016/17
	<b>£'000</b>	£'000
Purchase of assets (fixed assets, investment property, intangible assets)	<b>(6,797)</b>	(7,215)
Proceeds from the sale of tangible fixed assets and investment property	<b>369</b>	1,125
	<b><u>(6,428)</u></b>	<u>(6,090)</u>

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2018

### 16. Cash flow statement – Financing activities

	<b>2017/18</b>	2016/17
	<b>£'000</b>	£'000
Cash receipts from short-term and long-term borrowing	<b>5,774</b>	5,304
Other receipts from financing activities	<b>0</b>	0
Repayment of short-term and long-term borrowing	<b>(4,396)</b>	(3,971)
Loan interest paid	<b>(3,152)</b>	(3,293)
Loan interest received	<b>2</b>	6
	<b>(1,772)</b>	(1,954)

### 17. Audit fees

	<b>2017/18</b>	2016/17
	<b>£'000</b>	£'000
External audit fees incurred	<b>48</b>	44

### 18. Post-employment benefits

The authority operates a defined benefit pension scheme with assets held in a separately administered fund. The scheme provides retirement benefits on the basis of members' final salary. The plan is administered by Douglas Borough Council as the Administering Authority. The authority has committed to a funding plan with the Administering Authority, whereby ordinary contributions are made into the scheme based on a percentage of active employees' salary. Additional contributions are agreed with the Administering Authority to reduce the funding deficit where necessary.

A comprehensive actuarial valuation of the Local Government Superannuation Scheme, using the projected unit credit method, was carried out at 31 March 2016 by independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	<b>As At 31 March 2018</b>	As At 31 March 2017
Rate of increase in salaries	<b>3.2%</b>	3.2%
Rate of increase in pensions	<b>2.4%</b>	2.4%
Rate for discounting scheme liabilities	<b>2.7%</b>	2.6%

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

The mortality assumptions used were as follows:

	<b>As At 31 March 2018</b>	As At 31 March 2017
Longevity at the age of 65 for current pensioners		
- Men	<b>21.7</b>	21.7
- Women	<b>24.3</b>	24.3
Longevity at the age of 65 for future pensioners		
- Men	<b>24.1</b>	24.1
- Women	<b>27.1</b>	27.1

**Douglas Borough Council Financial Statements For The Year Ended 31 March 2018**

**18. Post-employment benefits (continued)**

Reconciliation of scheme assets and liabilities:

	<b>Assets £'000</b>	<b>Liabilities £'000</b>	<b>Net £'000</b>
At 1 April 2017	40,163	(60,009)	(19,846)
Benefits paid	(1,421)	1,440	19
Employee contributions	414	(414)	0
Employer contributions	1,657	0	1,657
Current service cost	0	(2,176)	(2,176)
Past service cost	0	0	0
Interest income/(expense)	1,053	(1,570)	(517)
Re-measurement gains/(losses)			
- Actuarial gains/(losses)	0	1,292	1,292
- Return on plan assets excluding interest income	(81)	0	(81)
At 31 March 2018	<u>41,785</u>	<u>(61,437)</u>	<u>(19,652)</u>

Comparative table:

	<b>Assets £'000</b>	<b>Liabilities £'000</b>	<b>Net £'000</b>
At 1 April 2016	34,767	(53,296)	(18,529)
Benefits paid	(1,162)	1,184	22
Employee contributions	403	(403)	0
Employer contributions	1,552	0	1,552
Current service cost	0	(2,111)	(2,111)
Past service cost	0	(9)	(9)
Interest income/(expense)	1,231	(1,881)	(650)
Re-measurement gains/(losses)			
- Actuarial gains/(losses)	0	(3,493)	(3,493)
- Return on plan assets excluding interest income	3,372	0	3,372
At 31 March 2017	<u>40,163</u>	<u>(60,009)</u>	<u>(19,846)</u>

Total cost recognised as an expense:

	<b>2017/18 £'000</b>	2016/17 £'000
Current service cost	<b>2,176</b>	2,111
Past service costs	<b>0</b>	9
Gross interest cost	<b>1,570</b>	1,881
Gross cost	<u><b>3,746</b></u>	<u><b>4,001</b></u>
Interest income	<b>(1,053)</b>	(1,231)
Net cost	<u><b>2,693</b></u>	<u><b>2,770</b></u>

No amounts were included in the cost of assets (2016/17: £nil)



## Douglas Borough Council Financial Statements For The Year Ended 31 March 2018

### 18. Post-employment benefits (continued)

The scheme assets split was:

	<b>As At 31 March 2018 %</b>	As At 31 March 2017 %
Equity instruments	<b>60</b>	57
Bonds	<b>28</b>	26
Property	<b>12</b>	13
Cash	<b>0</b>	4
Total	<b>100</b>	100

The local authority's share of the return on scheme assets was:

	<b>2017/18 £'000</b>	2016/17 £'000
Interest income	<b>1,053</b>	1,231
Return on scheme assets less interest income	<b>(81)</b>	3,372
Total return on scheme assets	<b>972</b>	4,603

### 19. Capital commitments

The estimated commitments for capital expenditure that had started, or legal contracts entered into are:

	<b>As At 31 March 2018 £'000</b>	As At 31 March 2017 £'000
Housing Revenue Account projects	<b>4,131</b>	3,386
General Fund projects	<b>72</b>	39
	<b>4,203</b>	3,425

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2018

### 20. 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.

	<b>As At 31 March 2018 £'000</b>	As At 31 March 2017 £'000
Opening capital contributions deferred	<b>5</b>	7
Capital contribution applied	<b>(4)</b>	(2)
Closing capital contributions deferred	<b>1</b>	<b>5</b>
Opening capital contributions applied net book value	<b>24</b>	45
Capital contribution applied	<b>4</b>	2
Amortisation	<b>(8)</b>	(23)
Closing capital contributions applied net book value	<b>20</b>	<b>24</b>

### 21. FRS 102 Transition

This is the first year that the authority has presented its results under FRS 102. The last financial statements under the SORP were for the year ended 31 March 2017. The date of transition to FRS 102 was 1 April 2016. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 March 2017 and the total equity as at 1 April 2016 and 31 March 2017 between the SORP as previously reported and FRS 102.

#### Defined benefit scheme

Under previous UK GAAP the authority recognised an expected return on defined benefit plan assets in the Comprehensive Income and Expenditure Statement. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in the Comprehensive Income and Expenditure Statement. There has been no change in the defined benefit liability at either 1 April 2016 or 31 March 2017. The effect of the change has been to increase the debit to Net cost of Services in the year to 31 March 2017 by £401,000 and decrease the debit in Other Comprehensive Income by an equivalent amount.

### 22. Provisions

No provision has been made in these financial statements as the likelihood of any actions giving rise to material liabilities is considered remote.

### 23. Contingent liabilities

There are no contingent liabilities identified requiring disclosures in these financial statements.

### 24. Subsequent events

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



Six Green Flag Awards 2016/17 by Keep Britain Tidy for Marine Gardens, Douglas Head, Noble's Park, Hutchinson Square, Douglas Golf Course and Douglas Borough Cemetery

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