

**STATEMENT OF ACCOUNTS  
FOR  
YEAR ENDING 31 MARCH 2020**



**Douglas Borough Council Financial Statements For The Year Ended 31 March 2020**

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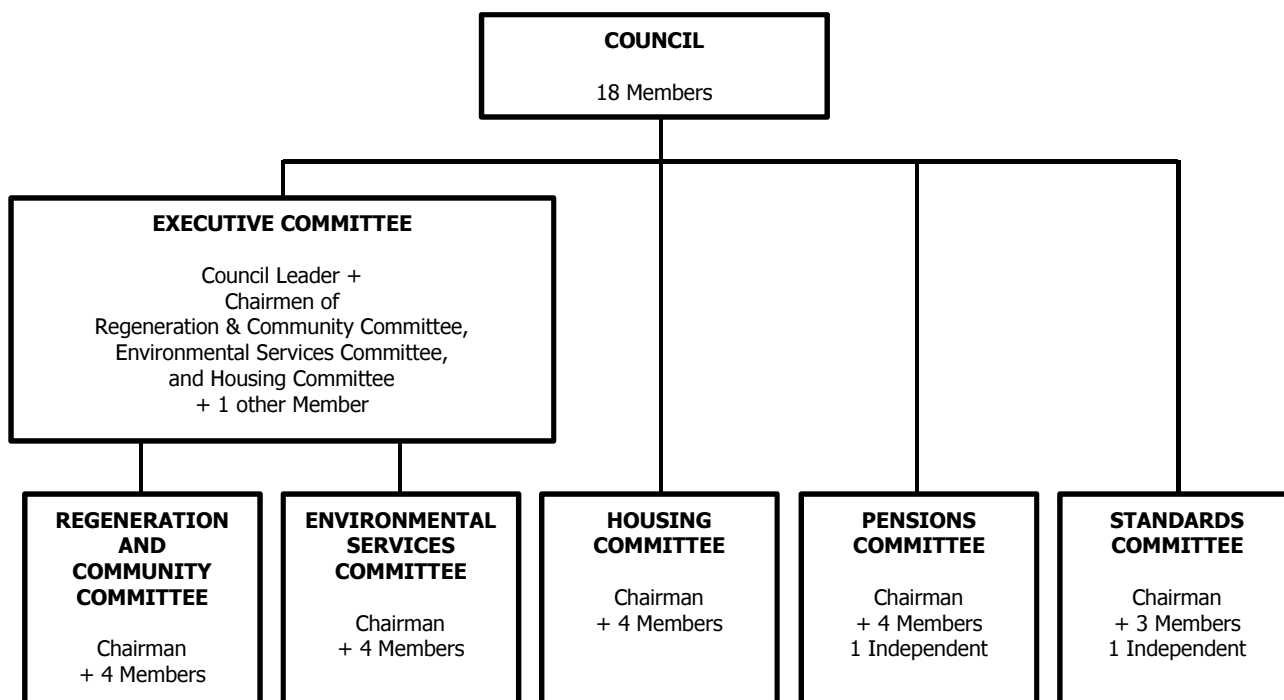
## Douglas Borough Council Financial Statements For The Year Ended 31 March 2020

### 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 comprised 18 elected Members during 2019/20, three in each of six Wards. Elections usually take place every four years for all Wards. The election which was due to take place in April 2020 was postponed until April 2021 as a result of the Covid-19 pandemic. At that point the membership will be reduced to 12 Members.

The Council was governed by the Committee structure set out below during 2019/20.



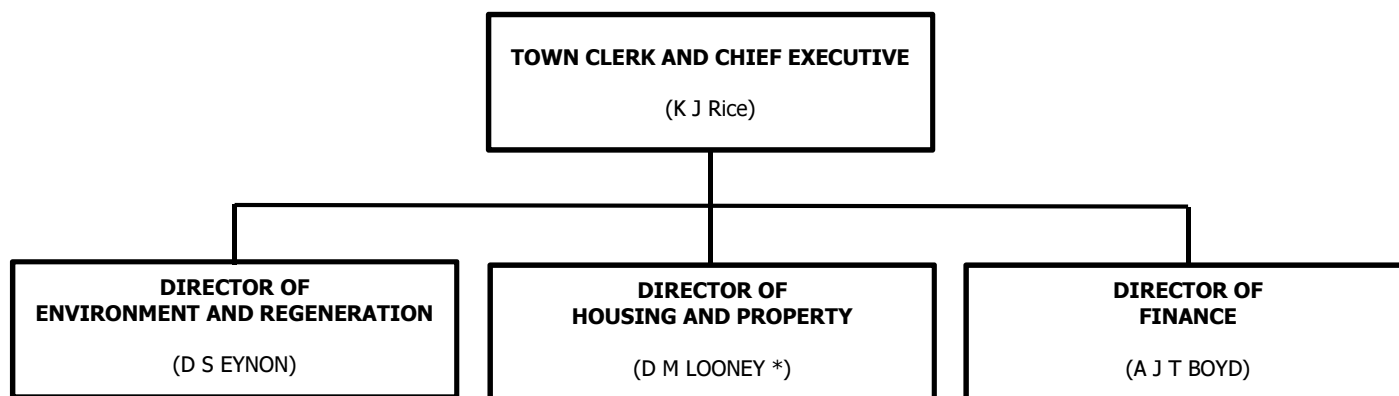
The membership of Committees is set out below.

<u>Executive Committee</u>	<u>Housing Committee</u>
Mr Councillor D.W. Christian, MBE, JP (Leader of the Council) Mr Councillor R.H. McNicholl (Vice-Chair) Mr Councillor S.R. Pitts Mr Councillor I.J.G. Clague, MBE Councillor Mrs C.L. Wells The Worshipful the Mayor, Mr Councillor J. Joughin, JP ( <i>ex officio</i> )	Councillor Mrs C.L. Wells (Chair) Councillor Mrs C.E. Crawley (Malarkey) (Vice-Chair) Mr Councillor J.E. Skinner Councillor Mrs E.C Quirk Mr Councillor C.L.H. Cain (resigned 14.08.2019) Councillor Miss D.A.M. Pitts (appointed 14.08.2019, died in office 29.01.2020) Councillor Ms J. Thommeny (appointed 20.03.2020) The Worshipful the Mayor, Mr Councillor J. Joughin, JP ( <i>ex officio</i> )

**Douglas Borough Council Financial Statements For The Year Ended 31 March 2020**

<p align="center"><b><u>Regeneration &amp; Community Committee</u></b></p> <p>Mr Councillor S.R. Pitts (Chair)          Councillor Miss D.A.M. Pitts, JP (Vice-Chair) (died in office 29.01.2020)          Councillor Mrs H. Callow (Vice-Chair from 18.02.2020)          Councillor Mrs R. Chatel          Councillor Ms K. Angela          Councillor Mrs C.E. Crawley (Malarkey) (appointed 20.03.2020)          The Worshipful the Mayor, Mr Councillor J. Joughin, JP (<i>ex officio</i>)</p>	<p align="center"><b><u>Environmental Services Committee</u></b></p> <p>Mr Councillor R.H. McNicholl (Chair)          Mr Councillor F. Horning (Vice-Chair)          Councillor Miss N.A. Byron          Mr Councillor A.J. Bentley          Councillor Ms J. Thommeny          The Worshipful the Mayor, Mr Councillor J. Joughin, JP (<i>ex officio</i>)</p>
<p align="center"><b><u>Pensions Committee</u></b></p> <p>Councillor Ms K. Angela (Chair)          Mr Councillor F. Horning (Vice-Chair)          Councillor Mrs C.E. Crawley (Malarkey)          Mr Councillor C.L.H. Cain (resigned 14.08.2019)          Mr Councillor J.E. Skinner          Councillor Ms J. Thommeny (appointed 14.08.2019)          The Worshipful the Mayor, Mr Councillor J. Joughin, JP (<i>ex officio</i>)          Mr A. Thomas (Independent Member)</p>	<p align="center"><b><u>Standards Committee</u></b></p> <p>Councillor Mrs C.E. Crawley (Malarkey) (Chair)          Councillor Miss N.A. Byron (Vice-Chair)          Councillor Mrs R. Chatel          Mr Councillor J.E. Skinner          Mr D.M. Booth (Independent Member)</p>

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.



\* Appointed with effect from 1 December 2019 to replace S Harrison who left with effect from 8 May 2019.

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 Baker Tilly Isle of Man LLC. The internal auditors are Crowe Isle of Man LLC.

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2020

### 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 2020, and to summarise the overall financial position as at 31 March 2020. 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 2019/20, compared with the approved Estimates of the Council, adjusted to reflect accounting changes implemented during the year in connection with the rationalisation of depreciation and to reflect virements of budget between rows. 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 2019/20 £'000</b>	<b>Adjusted Estimate 2019/20 £'000</b>	<b>(Favourable) /Adverse Variance 2019/20 £'000</b>
Costs including internal recharges:			
Environmental Services Committee	3,632	3,991	(359)
Regeneration & Community Committee	1,683	1,890	(207)
Executive Committee (including rate discount)	5,747	5,471	276
<b>Net General Rate Fund</b>	11,062	11,352	(290)
Housing Revenue Account (HRA)	(308)	846	(1,154)
<b>Net cost of services</b>	10,754	12,198	(1,444)
Interest payable	3,178	3,438	(260)
Interest and investment Income	(25)	(6)	(19)
<b>Net operating expenditure</b>	13,907	15,630	(1,723)
Depreciation and capital financing	(3,177)	(4,144)	967
Net transfers (from)/to all reserves	301	247	54
<b>Net budget requirement</b>	11,031	11,733	(702)
Total from Rate income before rate discount	(11,657)	(11,778)	121
<b>Revenue contribution from/(to) General Revenue Reserve</b>	(626)	(45)	(581)

When setting the Rate in January 2019 a balancing contribution into Reserves of £7k was expected. The actual net result was some £581k better than the Adjusted Estimate. The table overleaf provides a list of the major items contributing towards the outturn position.

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2020

<b>Revenue Outturn Budget Variance Analysis</b>	<b>Favourable £'000</b>	<b>Adverse £'000</b>
Vacancy savings	(281)	
Electricity	(161)	
Loan charges	(128)	
Buildings Repairs	(84)	
Waged Overtime	(67)	
Rateborne tipping charges	(61)	
Shaws Brow car park income	(58)	
Car Park licence fees	(40)	
Waste Services Income from other authorities	(31)	
Crematorium income	(30)	
Beach Seaweed removal	(28)	
Rate allowances		121
Garage & Fleet Materials and Contractors		85
Legal Fees (excluding debt collection)		76
Chester Street car park pay as you go income		54
Transport & Plant External Hire		40
Other		12
<b>(Favourable)/adverse variances</b>	<b>(969)</b>	<b>388</b>
<b>Net variance</b>		<b>(581)</b>



## Douglas Borough Council Financial Statements For The Year Ended 31 March 2020

After setting the 2019/20 budget it was decided to simplify the accounting treatment of General Rate Fund Depreciation charging it all to the Executive Committee. There were also some virements of budget during 2019/20 - reallocation of values across budget lines. These are shown in the table below.

	<b>Original Budget 2019/20 £'000</b>	<b>Depreciation Accounting Transfer £'000</b>	<b>Virement Adjustments £'000</b>	<b>Adjusted Estimate 2019/20 £'000</b>
Costs including internal recharges:				
Environmental Services Committee	5,034	(1,055)	12	3,991
Regeneration & Community Committee	2,137	(272)	25	1,890
Executive Committee (including rate disc't)	4,077	1,327	67	5,471
<b>Net General Rate Fund</b>	11,248	0	104	11,352
Housing Revenue Account (HRA)	837	0	9	846
<b>Net cost of services</b>	12,085	0	113	12,198
Interest payable	3,438	0	0	3,438
Interest and investment Income	(6)	0	0	(6)
<b>Net operating expenditure</b>	15,517	0	113	15,630
Depreciation and capital financing	(4,183)	0	39	(4,144)
Net transfers (from)/to all reserves	437	0	(190)	247
<b>Net budget requirement</b>	11,771	0	(38)	11,733
Total from Rate income before rate disc't	(11,778)	0	0	(11,778)
<b>Revenue contribution from/(to) General Revenue Reserve</b>	(7)	0	(38)	(45)

### General Revenue Reserve Balance

During the year, there was an overall net increase in the General Revenue Reserve balance of £474k. After all appropriations to and from balances and income from rates are taken into account, the balance on the General Revenue Reserve is £1,919k; some £1,048k higher than had been estimated at the beginning of the year. There are planned expenditure items, some of which are capital, that are due to be financed from the General Revenue Reserve.

	<b>Actual 2019/20 £'000</b>	<b>Original Estimate 2019/20 £'000</b>	<b>Favourable /(Adverse) Variance £'000</b>
Balance at year beginning	1,445	930	515
All revenue transfers to/(from) balance	499	7	492
Non-revenue contributions to/(from) balance	(25)	(66)	41
Balance at year end	1,919	871	1,048

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2020

### Capital Expenditure Outturn

Capital expenditure of £5,801k was undertaken during the year, of which £4,244k was for Housing Revenue Account purposes and £1,557k was spent on General Fund assets. The total capital expenditure compares with the Capital Programme original estimate of £14,628k which was revised down to £11,726k 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 housing estates, notably kitchens and damp treatment in Willaston. Capital expenditure on the General Fund during the year included public lighting, vehicles and a water circulating management system for the Noble's Park Splashzone.

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.

	<b>Actual 2019/20 £'000</b>	<b>Original Estimate 2019/20 £'000</b>	<b>Over/ (Under) 2019/20 £'000</b>
Housing Revenue Account (HRA)	4,244	12,481	(8,237)
General Rate Funded	1,557	2,147	(590)
Total	<u>5,801</u>	<u>14,628</u>	<u>(8,827)</u>

## **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.

### **Certificate by the Responsible Financial Officer**

Under the Accounts and Audit Regulations 2018 these accounts are to be prepared by the 31 July and must be approved by the Responsible Financial Officer prior to submission to the auditor.

Under the Coronavirus Inspection Timetable Direction Order 2020, Treasury amended the statutory deadline applicable in 2020 for the submission of accounts for audit to no later than 31 October 2020.

I certify that the financial statements give a true and fair view of the income and expenditure of Douglas Borough Council for the year ended 31 March 2020 and of its financial position at 31 March 2020.

A J T Boyd FCPFA  
Director of Finance  
1 July 2020

## **Report of the Independent Auditor to the Council for the year ended 31 March 2020**

### **Opinion**

We have audited the Statement of Accounts of Douglas Borough Council (the 'Council') for the year ended 31 March 2020 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 Statement of Accounts:

- give a true and fair view of the state of the Council's affairs as at 31 March 2020 and of its results 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 the Accounts and Audit Regulations 2018 and the relevant provisions of 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 Statement of Accounts section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the Statement of Accounts in the UK, including the Financial Reporting Council'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.

### **Emphasis of matter**

We note the disclosure made in relation to the impact that the COVID-19 pandemic has had on the operations of the Council. We draw your attention to Note 23 in relation to this issue. Our opinion is not modified in relation to this matter.

### **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 Officer's use of the going concern basis of accounting in the preparation of the Statement of Accounts is not appropriate; or
- the Responsible Financial Officer has not disclosed in the Statement of Accounts 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 Statement of Accounts are authorised for issue.

### **Other information**

The Responsible Financial Officer is responsible for the other information. The other information comprises the information included in this report, other than the Statement of Accounts and our auditor's report thereon. Our opinion on the Statement of Accounts 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 conclusion thereon.

## **Other information (continued)**

In connection with our audit of the Statement of Accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Statement of Accounts 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 Statement of Accounts 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 Section 6 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
- any transaction effected by or on accounts 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 local authority and economy and efficiency in the use of its resources.

## **Responsibilities of Responsible Financial Officer**

As explained more fully in the Responsible Financial Officer's responsibilities statement set out on page 7, 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 Statement of Accounts that are free from material misstatement, whether due to fraud or error.

In preparing Statement of Accounts, 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 have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the Statement of Accounts**

Our objectives are to obtain reasonable assurance about whether the Statement of Accounts 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 Statement of Accounts.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## **Auditor's responsibilities for the audit of the Statement of Accounts (continued)**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Responsible Financial Officer.
- Conclude on the appropriateness of the Responsible Financial Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Statement of Accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Statement of Accounts, including the disclosures, and whether the Statement of Accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **Use of our report**

This report is made solely to the Council's members, 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 Council's members 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 and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Baker Tilly Isle of Man LLC Chartered Accountants**

PO Box 95  
2a Lord Street  
Douglas  
Isle of Man  
IM99 1HP

Date: 17<sup>th</sup> December 2020

## **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 2020 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.

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 meant the Executive Committee considered 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

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2020

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. The Corporate Risk Register was again updated during the financial year and reviewed and approved by the Executive Committee. The Committee also consider a Budget Risk Register whilst deliberating on the appropriate rate to be set for the forthcoming financial year and risk registers form part of individual Service Plans.

**Financial Management** – The Council's internal financial control is based on a framework of regular reporting of 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 and quarterly reporting to the Extended Chief Officers Management Team and 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). Before each financial year commences an audit plan is prepared for review and approval of the Executive Committee. 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 was secured through the advice of the Council's advocate. The Executive Committee review the annual reports of both internal and external audit.

During the year, progress was made in the following areas:

- A streamlined accounting service structure was introduced with effect from April 2019 to improve internal budget manager control.
- Improved Staff and Member awareness of the General Data Protection Requirement (GDPR) legislation has also been a key focus for the Council. There is an on-going commitment to continually improve internal procedures to be more focussed on compliant and effective information management.
- The Council's request to reduce the number of Councillors from 18 to 12 as of April 2020 was approved by Tynwald after a public consultation exercise (implementation deferred until April 2021 due to Covid-19).
- Full detailed review of the Council's Constitution, Standing Orders, Council Committee structures and the Standards Committee Handbook in anticipation of the 2020/21 municipal year and new Council following the local authority elections (now deferred until April 2021).
- Review and update of key budgetary control areas of the Council's Financial Regulations.
- Review and update of the Council's Treasury Management Practices, in the light of CIPFA's update of its Treasury Management Code (published December 2017).



## **Douglas Borough Council Financial Statements For The Year Ended 31 March 2020**

- Creation of, and appointment to, the new role of Council Advocate, giving added resilience to the Council's legal position.
- 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.
- Progress was monitored against Service Plan targets during the year.
- Updating of Council's Emergency Plan in March 2020, in preparation for the COVID-19 outbreak.

### 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 2020.

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 2020. The overall conclusion is as follows: "In our opinion, notwithstanding the ongoing process of developing risk management across the Council, Douglas Borough Council's systems in relation to risk management, control and governance were, on balance, broadly adequate and operating effectively, thereby providing a satisfactory level of assurance in relation to the effective and efficient achievement of Douglas Borough Council's objectives for the year ended 31 March 2020." 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 2020.

### Covid-19

The Coronavirus pandemic affected the Council's operations towards the very end of the financial year with the lockdown imposed in late March. Minor adaptations were made to internal controls as a result of the pandemic but the basic internal control environment as existed stood the test of remote working well. The Council's newly updated Emergency Manual was implemented in mid-March and a Serious Incident Management Team (SIMT) was established as the core officer-level body giving strategic direction to the Council's operational activities for the duration of the Covid-19 crisis, seeking approval at the political level as required.

D W Christian MBE JP  
Leader of the Council/  
Chairman of the Executive Committee  
6 May 2020

K J Rice BA (Hons) Solicitor  
Chief Executive  
6 May 2020

Douglas Borough Council Financial Statements For The Year Ended 31 March 2020

Statement of Accounts

Comprehensive Income and Expenditure Statement

for the year ended 31 March 2020

	Note	2019/20 Gross Income £'000	2019/20 Gross Expend- -iture £'000	2018/19 (Restated) Net Expend- -iture £'000
Waste Services		3,607	(1,060)	2,547
Support Services		2,228	(529)	1,699
Asset Management		1,940	(380)	1,560
Parks, Gardens & Recreational Facilities		1,746	(370)	1,376
Car Parks		1,337	(2,577)	(1,240)
Administration & Management		1,252	0	1,252
Public & Decorative Lighting		590	0	590
Income Collection (excluding rate discount)		589	(28)	561
Regulatory Enforcement		463	(331)	132
Cemeteries & Crematorium		383	(569)	(186)
Democratic Core		357	0	357
Library		356	(10)	346
Town Centre Management & Public Events		144	(14)	130
Depreciation & amortisation		1,730	(9)	1,721
Cost adjustment regarding pensions		863	0	863
<b>Net cost of General Fund services</b>		<b>17,585</b>	<b>(5,877)</b>	<b>11,708</b>
Housing Revenue Account		12,556	(12,480)	76
Deficiency receivable		0	(384)	(384)
<b>Net cost of Housing services</b>	8	<b>12,556</b>	<b>(12,864)</b>	<b>(308)</b>
Net cost of all services				<b>11,400</b>
Income from the General Rate Fund	9			(11,440)
Interest receivable and other income				(25)
Interest payable and similar charges				3,178
<b>Net deficit on provision of services</b>				<b>3,113</b>
<b>Other Comprehensive Income &amp; Expenditure</b>				
(Surplus)/deficit on revaluation of fixed assets	1.1			(23,727)
Re-measurement of net pension liability	18			(2,210)
<b>Total comprehensive (income)/ expenditure</b>				<b>(22,824)</b>

The prior year net expenditure figures have been restated to reflect accounting changes including in relation to the revenue allocation of depreciation charges and the allocation of employee costs across committees.

Whereas in previous years' accounts the Net cost of General Fund services was broken down by Committee, this year the presentation has been changed to give increased information in relation to service costs, in accordance with the Accounts and Audit Regulations 2018.

**Douglas Borough Council Financial Statements For The Year Ended 31 March 2020**

**Statement of Movement on Reserves**

*for the year ended 31 March 2020*

	<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>3,113</b>	<b>0</b>	<b>(23,727)</b>	<b>0</b>	<b>(2,210)</b>	<b>0</b>	<b>0</b>	<b>(22,824)</b>
Contributions to reserve	3,220	0	0	(2,719)	0	0	(501)	0
Capital expenditure funded from reserves	0	(773)	0	0	0	224	549	0
Capital expenditure funded from General Fund	16	(16)	0	0	0	0	0	0
Revenue expenditure funded from reserves	(2,777)	0	0	2,758	0	0	19	0
Gain/(Loss) on disposal of fixed assets	9	21	0	0	0	0	(30)	0
Depreciation and impairment of fixed assets	(8,502)	8,502	0	0	0	0	0	0
Revaluation/(impairment) of investment properties	121	0	(121)	0	0	0	0	0
Amortisation of capital contributions	5	(5)	0	0	0	0	0	0
Amortisation of revaluation reserve	0	(3,883)	3,883	0	0	0	0	0
Loan fund principal repayments	5,184	(5,184)	0	0	0	0	0	0
Cost adjustment regarding pensions	(863)	0	0	0	863	0	0	0
<b>Change during the financial year</b>	<b>(474)</b>	<b>(1,338)</b>	<b>(19,965)</b>	<b>39</b>	<b>(1,347)</b>	<b>224</b>	<b>37</b>	<b>(22,824)</b>
Balance brought forward as at 1 April 2019	(1,445)	(30,006)	(125,886)	(296)	19,751	(1,097)	(2,232)	(141,211)
<b>Balance carried forward as at 31 March 2020</b>	<b>(1,919)</b>	<b>(31,344)</b>	<b>(145,851)</b>	<b>(257)</b>	<b>18,404</b>	<b>(873)</b>	<b>(2,195)</b>	<b>(164,035)</b>

There is a comparative table on the next page.

Douglas Borough Council Financial Statements For The Year Ended 31 March 2020

**Comparative Statement of Movement on Reserves**

*for the year ended 31 March 2019*

	<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>3,345</b>	<b>0</b>	<b>(1,151)</b>	<b>0</b>	<b>(831)</b>	<b>0</b>	<b>0</b>	<b>1,363</b>
Contributions to reserve	3,505	0	0	(2,662)	0	0	(843)	0
Capital expenditure funded from reserves	0	(932)	0	0	0	355	577	0
Capital expenditure funded from General Fund	200	(200)	0	0	0	0	0	0
Revenue expenditure funded from reserves	(2,690)	0	0	2,632	0	0	58	0
Gain/(Loss) on disposal of fixed assets	308	761	(447)	0	0	(590)	(32)	0
Depreciation and impairment of fixed assets	(8,945)	8,945	0	0	0	0	0	0
Revaluation/(impairment) of investment properties	186	0	(186)	0	0	0	0	0
Amortisation of capital contributions	5	(5)	0	0	0	0	0	0
Amortisation of revaluation reserve	0	(4,852)	4,852	0	0	0	0	0
Loan fund principal repayments	5,074	(5,150)	0	0	0	76	0	0
Cost adjustment regarding pensions	(930)	0	0	0	930	0	0	0
<b>Change during the financial year</b>	<b>58</b>	<b>(1,433)</b>	<b>3,068</b>	<b>(30)</b>	<b>99</b>	<b>(159)</b>	<b>(240)</b>	<b>1,363</b>
Balance brought forward as at 1 April 2018	(1,503)	(28,573)	(128,954)	(266)	19,652	(938)	(1,992)	<b>(142,574)</b>
<b>Balance carried forward as at 31 March 2019</b>	<b>(1,445)</b>	<b>(30,006)</b>	<b>(125,886)</b>	<b>(296)</b>	<b>19,751</b>	<b>(1,097)</b>	<b>(2,232)</b>	<b>(141,211)</b>

**Douglas Borough Council Financial Statements For The Year Ended 31 March 2020**

**Balance Sheet**

*as at 31 March 2020*

		As at 31 March 2020		As at 31 March 2019	
	Note	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible fixed assets	1		<b>269,323</b>		248,172
Intangible fixed assets	2		<b>72</b>		98
<b>Total fixed assets</b>			<b>269,395</b>		248,270
<b>Current assets</b>					
Stocks	3	<b>148</b>		162	
Debtors	4	<b>1,481</b>		1,686	
Cash at bank		<b>4,651</b>		3,881	
<b>Total current assets</b>		<b>6,280</b>		5,729	
<b>Less current liabilities</b>					
Creditors	5	<b>(3,891)</b>		(3,927)	
Short term borrowing	6	<b>(5,146)</b>		(4,817)	
Capital contributions deferred	20	<b>(3)</b>		0	
<b>Total current liabilities</b>		<b>(9,040)</b>		(8,744)	
			<b>(2,760)</b>		(3,015)
<b>Total assets less current liabilities</b>			<b>266,635</b>		245,255
<b>Long term liabilities</b>					
Long term borrowing	6	<b>(84,203)</b>		(84,295)	
Net pension liabilities	18	<b>(18,386)</b>		(19,733)	
Capital contributions applied	20	<b>(11)</b>		(16)	
			<b>(102,600)</b>		(104,044)
<b>Total assets less liabilities</b>			<b>164,035</b>		141,211
<b>Financed by</b>					
General Fund			<b>1,919</b>		1,445
Capital adjustment account			<b>31,344</b>		30,006
Revaluation reserve			<b>145,851</b>		125,886
Housing revenue account balances			<b>257</b>		296
Pensions reserve			<b>(18,404)</b>		(19,751)
Capital receipts reserve			<b>873</b>		1,097
Earmarked reserves			<b>2,195</b>		2,232
<b>Total net worth</b>			<b>164,035</b>		141,211

The financial statements were approved by the Executive Committee on **17 December** 2020 and were signed on their behalf by:

D W Christian MBE JP  
Leader of the Council/  
Chairman of the Executive Committee  
**17 December** 2020

A J T Boyd FCPFA  
Director of Finance  
**17 December** 2020

**Douglas Borough Council Financial Statements For The Year Ended 31 March 2020**

**Cash Flow Statement**

*for the year ended 31 March 2020*

	<b>Note</b>	<b>2019/20</b> <b>£'000</b>	2018/19 £'000
Net surplus/(deficit) on provision of services		<b>(3,113)</b>	(3,345)
Adjustments to net surplus/(deficit) on provision of services for non-cash movements	13	<b>9,436</b>	9,397
Adjustments for items included in net surplus/(deficit) on provision of services that are investing and financing activities		<b>3,153</b>	3,209
Net cash flows from Operating Activities		<u><b>9,476</b></u>	<u>9,261</u>
Net cash flows from Investing Activities	14	<b>(5,780)</b>	(5,660)
Net cash flows from Financing Activities	15	<b>(2,926)</b>	(1,011)
Net increase or (decrease) in cash and cash equivalents		<u><b>770</b></u>	<u>2,590</u>
Cash & cash equivalents at the beginning of the reporting period		<b>3,881</b>	1,291
Cash & cash equivalents at the end of the reporting period		<u><b>4,651</b></u>	<u>3,881</u>

## **Statement of Accounting Policies**

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

These financial statements have been prepared in accordance and compliance 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.

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 to the Income & Expenditure Account 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. Five years was chosen as a prudent estimate of the useful economic life of these computer software assets.

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 2020

### 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 line 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) – a column is added to the Non-operational Assets note in years that there are any surplus assets;
- Social Housing Dwellings 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. This applies to vehicles, plant & equipment.

### (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

Property 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 2020

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 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 Revaluation 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 2020

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 average 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 assets of the pension fund attributable to the Council are included in the Balance Sheet at fair value:

- equities traded through a Primary Exchange are valued at closing bid prices for assets;
- pooled investment vehicles are valued using the official net asset value provided by the relevant fund managers, which reflects the market value of the underlying investments;
- fixed interest securities are generally valued at bid prices.

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.

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2020

### 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:

**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 for 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 an internal 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 the 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. In the event of the internal desktop review undertaken in any year identifying a potentially material difference, then either an explanatory disclosure note to the Balance Sheet would be added, or if necessary, a supplementary independent valuation opinion would be sought.
- 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

	Dwellings £'000	Other land & buildings £'000	Vehicles, plant & equipment £'000	Infra- structure £'000	Total Operational Assets £'000
<b>Cost or valuation</b>					
As at 31 March 2019	240,527	25,955	5,773	6,168	278,423
Additions in the year	4,116	71	594	796	5,577
Disposals in the year	0	0	(259)	(345)	(604)
Revaluations	5,693	11	0	0	5,704
Impairments	(4,404)	(707)	0	0	(5,111)
Transfers	0	(1)	0	0	(1)
<b>Value as at 31 March 2020</b>	<b>245,932</b>	<b>25,329</b>	<b>6,108</b>	<b>6,619</b>	<b>283,988</b>
<b>Accumulated Depreciation</b>					
As at 31 March 2019	(27,614)	(835)	(4,033)	(2,909)	(35,391)
Charge for the year	(6,631)	(380)	(436)	(450)	(7,897)
Disposals in the year	0	0	238	345	583
Reversal of depreciation on revalued assets	22,461	93	0	0	22,554
<b>Value as at 31 March 2020</b>	<b>(11,784)</b>	<b>(1,122)</b>	<b>(4,231)</b>	<b>(3,014)</b>	<b>(20,151)</b>
<b>Net Book Value as at 31 March 2020</b>	<b>234,148</b>	<b>24,207</b>	<b>1,877</b>	<b>3,605</b>	<b>263,837</b>
Net book value as at 31 March 2019	212,913	25,120	1,740	3,259	243,032

The upwards revaluations of dwellings mainly relate to properties in Pulrose, Spring Valley and Lheannag Park estates. The impairments of dwellings relate to Willaston Estate. £15m of the reversal of depreciation on revalued dwellings relates to Willaston with the rest relating to the other revalued housing estates.

The £24 Surplus on revaluation of fixed assets that appears in the Comprehensive Income & Expenditure Account mainly relates to the revaluation, impairment and reversal of depreciation on revaluation figures shown in the Dwellings column above.

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2020

### 1.2 Non-operational assets

Cost or valuation	Assets under con- struction £'000	Investment properties £'000	Total Non- operational Assets £'000	Operational and Non- Operational Tangible Fixed Assets £'000
As at 31 March 2019	516	4,624	5,140	283,563
Additions in the year	224	0	224	5,801
Disposals in the year	0	0	0	(604)
Revaluations	0	146	146	5,850
Impairments	0	(25)	(25)	(5,136)
Transfers	0	1	1	0
<b>Value as at 31 March 2020</b>	<b>740</b>	<b>4,746</b>	<b>5,486</b>	<b>289,474</b>
<b>Accumulated Depreciation</b>				
As at 31 March 2019	0	0	0	(35,391)
Charge for the year	0	0	0	(7,897)
Disposals in the year	0	0	0	583
Reversal of depreciation on revalued assets	0	0	0	22,554
<b>Value as at 31 March 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(20,151)</b>
<b>Net Book Value as at 31 March 2020</b>	<b>740</b>	<b>4,746</b>	<b>5,486</b>	<b>269,323</b>
Net book value as at 31 March 2019	516	4,624	5,140	248,172

### 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 independent 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 – Global Standards (known as The Red Book) dated 2017. 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 2020 £'000</b>	As at 31 March 2019 £'000
Historic cost of dwellings	<b>130,377</b>	126,261
Historic cost of other revalued assets, i.e. other land & buildings, investment properties and surplus assets	<b>30,161</b>	30,090

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2020

### 1.4 Assets held

	<b>As at 31 March 2020 Number</b>	<b>Changes in year Number</b>	As at 31 March 2019 (restated) Number
<b><i>Operational Assets</i></b>			
<u>Council dwellings</u>			
Council dwellings	<b>2,234</b>	<b>(14)</b>	2,248
Sheltered accommodation units	<b>138</b>	-	138
<u>Other land &amp; buildings</u>			
Public offices	<b>2</b>	-	2
Depot/Administrative office	<b>1</b>	-	1
Depots and stores	<b>7</b>	-	7
Nurseries	<b>1</b>	-	1
Off-street Car Parks	<b>2</b>	-	2
Crematoria and chapels	<b>2</b>	-	2
Cemeteries	<b>2</b>	-	2
Community centre/changing rooms	<b>1</b>	-	1
Golf Clubhouse/community centre	<b>1</b>	-	1
Golf course	<b>1</b>	-	1
Public conveniences	<b>10</b>	-	10
Commercially valued land assets	<b>3</b>	-	3
Miscellaneous properties	<b>8</b>	-	8
<u>Vehicles, plant &amp; equipment</u>			
Vehicles	<b>74</b>	<b>1</b>	73
Plant & equipment	<b>98</b>	<b>9</b>	89
<u>Infrastructure assets</u>			
Street lights	<b>4,292</b>	-	4,292
Street signage - way-marking	<b>38</b>	-	38
<b><i>Non-Operational Assets</i></b>			
<u>Investment properties</u>			
Commercial properties	<b>19</b>	-	19
Other commercially let properties	<b>7</b>	-	7
Garages	<b>49</b>	-	49
Residential units	<b>4</b>	-	4
Other non-operational	<b>1</b>	-	1
Commercially valued land assets	<b>2</b>	-	2



## 2. Intangible fixed assets

	£'000
<b>Cost or valuation</b>	
As at 31 March 2019	151
Additions in the year	<u>0</u>
<b>Value as at 31 March 2020</b>	<u>151</u>
<b>Accumulated amortisation</b>	
As at 31 March 2019	(53)
Charge for the year	<u>(26)</u>
<b>Value as at 31 March 2020</b>	<u>(79)</u>
<b>Net Book Value as at 31 March 2020</b>	<u>72</u>
Net book value as at 31 March 2019	98

These assets are computer software.

## 3. Stocks

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Stock value	148	162
Value of stock recognised as an expense in the Comprehensive Income and Expenditure Statement	311	378

## 4. Debtors and prepayments

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Government departments	179	574
VAT refund	386	470
Local authorities	36	71
Ratepayers	13	0
Housing rents	89	33
Sundry debtors	634	438
Prepayments	<u>144</u>	<u>100</u>
	<u>1,481</u>	<u>1,686</u>
Debtor balances are shown net of provisions for bad or doubtful debts as follows:		
Ratepayers	(80)	(89)
Housing rents	(90)	(63)
Sundry debtors	<u>(23)</u>	<u>(7)</u>
	<u>(193)</u>	<u>(159)</u>

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2020

### 5. Creditor amounts falling due within one year

	<b>As at 31 March 2020 £'000</b>	As at 31 March 2019 £'000
Government departments	456	375
Ratepayers	113	85
Housing rents	540	469
Interest payable	492	505
Trade and sundry creditors	1,554	1,725
Sundry prepayments/invoiced in advance	718	750
Unfunded pension benefits payable within 12 months	18	18
	<b>3,891</b>	3,927

### 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 Department of Infrastructure 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 2020 £'000</b>	As at 31 March 2019 £'000
Falling due within one year	5,146	4,817
Falling due after more than one year	84,203	84,295
Total long term loans	<b>89,349</b>	89,112

### 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 2020 £'000</b>	As at 31 March 2019 £'000
Amounts due within one year	207	267
Later than one year and not later than five years	807	791
Later than five years	146	228
	<b>1,160</b>	1,286

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.

## 7. Operating leases (continued)

The table below shows the minimum future rentals payable for the authority's operating leases where it acts as lessee. The Council has a 7-year lease for the Henry Bloom Noble Library premises expiring in 2023 with an option to extend for a further 7 years.

The Council operated Drumgold Street and Chester Street car parks for the Department of Infrastructure (DOI) paying licence fees to them. The licences have been surrendered to the Department with effect from 1 April 2020; hence the very large reduction in future lease commitments set out below.

	<b>As at 31 March 2020 £'000</b>	As at 31 March 2019 £'000
Amounts due within one year	<b>57</b>	1,313
Later than one year and not later than five years	<b>81</b>	5,172
Later than five years	<b>0</b>	7,782
	<b>138</b>	14,267
	<b>2019/20 £'000</b>	2018/19 £'000
Lease and licence payments recognised as an expense in the Comprehensive Income and Expenditure Statement	<b>1,391</b>	1,345

## 8. Housing Revenue Income and Expenditure

	<b>2019/20 £'000</b>	2018/19 £'000
<b>Expenditure</b>		
Repairs & maintenance	<b>2,796</b>	2,643
Supervision & management	<b>867</b>	900
Rates and other charges	<b>2,262</b>	2,169
Depreciation & impairment charges	<b>6,631</b>	7,608
Total expenditure	<b>12,556</b>	13,320
<b>Income</b>		
Dwelling Rents (including rates)	<b>(12,322)</b>	(12,072)
Charges for services & facilities	<b>(118)</b>	(105)
Housing Deficiency Grant receivable	<b>(384)</b>	(439)
Other Income	<b>(40)</b>	(10)
Total income	<b>(12,864)</b>	(12,626)
Net cost of Housing services	<b>(308)</b>	694

Depreciation has reduced significantly compared with the prior year due to the increase in the useful life of Willaston assessed by the Valuer when carrying out the Revaluation exercise.

## 8. Housing Revenue Income and Expenditure (continued)

### Dwelling rent income

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

	<b>2019/20</b>	2018/19
Voids as a percentage of the rental debit for the year	<b>3.3%</b>	3.4%

### Rent arrears

	<b>As at 31 March 2020 £'000</b>	As at 31 March 2019 £'000
Gross arrears	<b>89</b>	33
Rent accounts in advance	<b>(540)</b>	(469)
Net in advance	<b>(451)</b>	(436)
As a percentage of gross rent income:		
Gross arrears	<b>0.7%</b>	0.3%
Rent accounts in advance	<b>-4.3%</b>	-3.9%
Net in advance	<b>-3.6%</b>	-3.6%

	<b>2019/20 £'000</b>	2018/19 £'000
Amounts written off during the year	<b>2</b>	46
Increase/(decrease) in provision for bad and doubtful debts	<b>27</b>	(29)

	<b>As at 31 March 2020 £'000</b>	As at 31 March 2019 £'000
Provision for bad and doubtful debts	<b>(90)</b>	(63)

### Housing deficiency grant

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

	<b>2019/20 £'000</b>	2018/19 £'000
Opening balance due from Dept of Infrastructure	<b>227</b>	643
Charges to Deficiency Grant	<b>384</b>	439
Payments received from Dept of Infrastructure	<b>(670)</b>	(855)
Closing balance due (to)/from Dept of Infrastructure	<b>(59)</b>	227

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2020

### 9. Rates

	2019/20 £'000	2019/20 £'000	2018/19 £'000	2018/19 £'000
Total rates levied for the year		<b>11,859</b>		11,487
Add:				
Gross arrears brought forward	<b>89</b>		130	
Refunds	<b>9</b>		21	
		<b>98</b>		151
		<b>11,957</b>		11,638
Less:				
Rates paid in advance brought forward	<b>(85)</b>		(37)	
Discounts	<b>(217)</b>		(246)	
Exempt/reduced rate properties	<b>(202)</b>		(120)	
		<b>(504)</b>		(403)
<b>Total rates collectable</b>		<b>11,453</b>		11,235
Rates received in the year:				
Current year rates	<b>11,313</b>		11,031	
Arrears collected	<b>47</b>		115	
Prepaid rates	<b>113</b>		85	
Total revenue income		<b>11,473</b>		11,231
Balances outstanding carried forward:				
Current year arrears	<b>51</b>		74	
Prepaid rates	<b>(113)</b>		(85)	
	<b>(62)</b>		(11)	
Previous years arrears	<b>42</b>		15	
Total arrears		<b>(20)</b>		4
<b>Total rates collectable</b>		<b>11,453</b>		11,235
Rates levied for the year		<b>11,859</b>		11,487
Less exempt/reduced rate properties		<b>(202)</b>		(120)
Less discounts		<b>(217)</b>		(246)
<b>Per Comprehensive Income and Expenditure Statement</b>		<b>11,440</b>		11,121
		<b>Pence</b>		Pence
Rate in the pound		<b>433</b>		419
		<b>As at 31 March 2020 £'000</b>		As at 31 March 2019 £'000
Rateable value at year end		<b>2,745</b>		2,746

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2020

### 10. 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>2019/20 Number of Employees</b>	2018/19 Number of Employees
£50,000 to £74,999	<b>15</b>	13
£75,000 to £99,999	<b>3</b>	2
£100,000 to £124,999	<b>1</b>	1

### 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>2019/20 £'000</b>	2018/19 £'000
Key management personnel compensation	<b>471</b>	439

### 11. Members' allowances

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

	<b>2019/20 £'000</b>	2018/19 £'000
Attendance allowances paid to Members	<b>42</b>	45
Members' expenses paid	<b>6</b>	5
Year End Balances:	<b>As at 31 March 2020 £'000</b>	As at 31 March 2019 £'000
Amounts due to Members	<b>4</b>	7

### 12. 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.

## 12. Related party transactions (continued)

### 12.1 Members of Council/Senior Management

Related Party	Company in Receipt of Payment	Related Party Relationship to Company	Purchases from the Company by the Council (excluding VAT)		Service Purchased	Year End Balance	
			2019/20	2018/19		As at 31 March 2020	As at 31 March 2019
			£'000	£'000		£'000	£'000
Cllr S R Pitts	Buchanan & Pitts Ltd	Director	<b>23</b>	38	Painting	<b>0</b>	14

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.

### 12.2 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 managers, actuary, investment consultants, the contracted administrator, and other professional fees. These costs were charged to the Scheme.

	2019/20 £'000	2018/19 £'000
Administration charged to scheme in year	<b>75</b>	76
Professional fees charged to scheme in year	<b>292</b>	251
Balance owing (to)/from scheme at year end	<b>182</b>	65

### 12.3 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	
	2019/20	2018/19	As at 31 March 2020	As at 31 March 2019
	£'000	£'000	£'000	£'000
Garff Commissioners	<b>33</b>	31	<b>8</b>	7
Santon Parish Commissioners	<b>10</b>	9	<b>2</b>	2
Onchan District Commissioners	<b>111</b>	101	<b>16</b>	23
Braddan Parish Commissioners	<b>78</b>	69	<b>11</b>	16
	<b>232</b>	<b>210</b>	<b>37</b>	<b>48</b>

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2020

### 12. Related party transactions (continued)

#### 12.4 Douglas Town Band

The Council elects two councillors to represent it on the Douglas Town Band Committee. During 2018/19 the Council paid a grant to the Douglas Town Band and the Band performed at some civic events without charge. The arrangement was changed with effect from 2019/20 when the Council was invoiced a fee per performance.

	<b>2019/20</b> <b>£'000</b>	2018/19 £'000
Grant to the Douglas Town Band	<b>0</b>	3
Payments for performances by the band	<b>2</b>	0

#### 12.5 Burials Act Levies

Under the Burials Act 1986, the churchwardens in charge of Braddan and Onchan District Burial Authorities 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>2019/20</b> <b>£'000</b>	2018/19 £'000	<b>As at 31 March 2020</b> <b>£'000</b>	As at 31 March 2019 £'000
Vicar & Wardens of Kirk Braddan	<b>88</b>	85	<b>0</b>	0
Vicar & Wardens of St Peter's Church, Onchan	<b>3</b>	3	<b>0</b>	0

### 13. 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>2019/20</b> <b>£'000</b>	2018/19 £'000
Depreciation, impairment & revaluation losses for non-current assets	<b>8,382</b>	8,760
Amortisation of capital contributions	<b>(5)</b>	(5)
(Increase)/decrease in stock	<b>10</b>	(2)
(Increase)/decrease in debtors	<b>166</b>	585
Increase/(decrease) in creditors	<b>(1)</b>	(545)
Difference between FRS102 pension cost and contributions paid	<b>863</b>	930
Carrying amount of assets sold and de-recognition of components	<b>(9)</b>	(308)
Other non-cash items charged to Surplus/Deficit on provision of services	<b>30</b>	(18)
	<b><u>9,436</u></b>	<u>9,397</u>



#### 14. Cash flow statement – Investing activities

	2019/20 £'000	2018/19 £'000
Purchase of assets (fixed assets, investment property, intangible assets)	<b>(5,810)</b>	(6,282)
Proceeds from the sale of tangible fixed assets and investment property	<b>30</b>	622
	<b><u>(5,780)</u></b>	<b><u>(5,660)</u></b>

#### 15. Cash flow statement – Financing activities

	2019/20 £'000	2018/19 £'000
Cash receipts from short-term and long-term borrowing	<b>5,211</b>	5,768
Other receipts from financing activities	<b>3</b>	0
Repayment of short-term and long-term borrowing	<b>(4,974)</b>	(3,581)
Loan interest paid	<b>(3,191)</b>	(3,210)
Loan interest received	<b>25</b>	12
	<b><u>(2,926)</u></b>	<b><u>(1,011)</u></b>

#### 16. Analysis of change in net debt

	As at 31 March 2019 £'000	Cash flows £'000	Other non- cash changes £'000	As at 31 March 2020 £'000
<b>Cash and cash equivalents</b>				
Cash	3,881	<b>770</b>	<b>0</b>	<b>4,651</b>
	<u>3,881</u>	<u><b>770</b></u>	<u><b>0</b></u>	<u><b>4,651</b></u>
<b>Borrowings</b>				
Debt due within one year	(4,817)	<b>4,817</b>	<b>(5,146)</b>	<b>(5,146)</b>
Debt due after one year	(84,295)	<b>(5,054)</b>	<b>5,146</b>	<b>(84,203)</b>
	<u>(89,112)</u>	<u><b>(237)</b></u>	<u><b>0</b></u>	<u><b>(89,349)</b></u>
Total	<u>(85,231)</u>	<u><b>533</b></u>	<u><b>0</b></u>	<u><b>(84,698)</b></u>

#### 17. Audit fees

	2019/20 £'000	2018/19 £'000
External audit fees incurred	<b>45</b>	48

#### 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.

## Douglas Borough Council Financial Statements For The Year Ended 31 March 2020

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

A comprehensive actuarial valuation of the Local Government Superannuation Scheme, using the projected unit credit method, was carried out as at 31 March 2019 by independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	<b>As at 31 March 2020</b>	As at 31 March 2019
Rate of increase in salaries	<b>2.70%</b>	3.20%
Rate of increase in pensions	<b>1.90%</b>	2.40%
Rate for discounting scheme liabilities	<b>2.35%</b>	2.40%

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 2020</b>	As at 31 March 2019
Life expectations at the age of 65 for current pensioners		
- Men	<b>21.1</b>	20.5
- Women	<b>24.1</b>	23.1
Life expectations at the age of 65 for future pensioners		
- Men	<b>22.5</b>	22.2
- Women	<b>25.5</b>	25.7

Reconciliation of scheme assets and liabilities:

	<b>Assets £'000</b>	<b>Liabilities £'000</b>	<b>Net £'000</b>
At 1 April 2019	44,851	(64,602)	(19,751)
Re-measurement gains/(losses)			
- Actuarial gains/(losses)	(404)	5,904	5,500
- Return on plan assets excluding interest income	(3,290)	0	(3,290)
<b>- Total re-measurement gains/(losses)</b>	<b>(3,694)</b>	<b>5,904</b>	<b>2,210</b>
Benefits paid	(1,463)	1,480	17
Employee contributions	414	(414)	0
Employer contributions	1,705	0	1,705
Current service cost	0	(1,982)	(1,982)
Administration expenses	(150)	0	(150)
Past service cost	0	0	0
Interest income/(expense)	1,084	(1,537)	(453)
Total as at 31 March 2020	42,747	(61,151)	(18,404)
Projected unfunded payments next year - note 5	0	18	18
<b>Long-term element</b>	<b>42,747</b>	<b>(61,133)</b>	<b>(18,386)</b>

## 18. Post-employment benefits (continued)

Comparative table:

	<b>Assets £'000</b>	<b>Liabilities £'000</b>	<b>Net £'000</b>
At 1 April 2018	41,785	(61,437)	(19,652)
Re-measurement gains/(losses)			
- Actuarial gains/(losses)	0	(407)	(407)
- Return on plan assets excluding interest income	1,238	0	1,238
<b>- Total re-measurement gains/(losses)</b>	<b>1,238</b>	<b>(407)</b>	<b>831</b>
Benefits paid	(1,245)	1,263	18
Employee contributions	422	(422)	0
Employer contributions	1,639	0	1,639
Current service cost	0	(1,952)	(1,952)
Administration expenses	(127)	0	(127)
Past service cost	0	0	0
Interest income/(expense)	1,139	(1,647)	(508)
At 31 March 2019	44,851	(64,602)	(19,751)
Projected unfunded payments next year - note 5	0	18	18
<b>Long-term element</b>	<b>44,851</b>	<b>(64,584)</b>	<b>(19,733)</b>

Total cost recognised as an expense:

	<b>2019/20 £'000</b>	2018/19 £'000
Current service cost	<b>1,982</b>	1,952
Gross interest cost	<b>1,537</b>	1,647
Administration expenses	<b>150</b>	127
Gross cost	<b>3,669</b>	3,726
Interest income	<b>(1,084)</b>	(1,139)
Net cost	<b>2,585</b>	2,587

The scheme assets split was:

	<b>As at 31 March 2020 %</b>	As at 31 March 2019 %
Equity instruments	<b>46</b>	50
Bonds	<b>37</b>	32
Property	<b>16</b>	15
Cash	<b>1</b>	3
Total	<b>100</b>	100

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

	<b>2019/20 £'000</b>	2018/19 £'000
Interest income	<b>1,084</b>	1,139
Return on scheme assets less interest income	<b>(3,290)</b>	1,238
Total return on scheme assets	<b>(2,206)</b>	2,377

## 19. Capital commitments

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

	<b>As at 31 March 2020 £'000</b>	As at 31 March 2019 £'000
Housing Revenue Account projects	<b>2,412</b>	5,840
General Fund projects	<b>149</b>	59
	<b><u>2,561</u></b>	<b><u>5,899</u></b>

## 20. Capital contributions

During 2019/20 the Council received a contribution from developers under section 13 of the Town and Country Planning Act 1999. This will be used to fund play equipment nearby the relevant development. 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 2020 £'000</b>	As at 31 March 2019 £'000
Opening capital contributions deferred	<b>0</b>	1
Capital contribution received	<b>3</b>	0
Capital contribution applied	<b>0</b>	(1)
Closing capital contributions deferred	<b><u>3</u></b>	<b><u>0</u></b>
Opening capital contributions applied net book value	<b>16</b>	20
Capital contribution applied	<b>0</b>	1
Amortisation	<b>(5)</b>	(5)
Closing capital contributions applied net book value	<b><u>11</u></b>	<b><u>16</u></b>

## 21. Provisions

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

## 22. Contingent liabilities

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

## 23. Subsequent events

There have been no material events identified since the Balance Sheet date requiring adjustment to the financial statements.

On 30<sup>th</sup> January 2020 the World Health Organisation (WHO) announced Coronavirus (Covid-19) as a global health emergency. On 11<sup>th</sup> March 2020 the status was elevated to a global pandemic. This has caused widespread disruption to business and economic activity.

**23. Subsequent events (continued)**

The Covid-19 pandemic started to impact the Council's operations in March 2020 with the Isle of Man going into lockdown towards the end of March. The Council has seen its income significantly reduce since then, notably in relation to building control and waste services. Speed of payment of amounts due to the Council has also been effected. Steps are being taken to mitigate these income reductions. It is not possible to estimate the impact with certainty but none of these are so large as to endanger the solvency of the Council.

The Council operated Drumgold Street and Chester Street car parks for the Department of Infrastructure (DOI) paying licence fees to them. During the Covid-19 pandemic pay as you go car parking charges were suspended to support key workers and the town centre. This resulted in a very large reduction in the Council's car park income after the Balance Sheet date. The DOI subsequently agreed to the surrender of the licences with effect from 1 April 2020. The Council budgeted for a surplus on these two car parks of £123k in total in 2020/21. This surplus will not arise as a result of this change.

The Council continues to monitor developments relating to Covid-19 and is co-ordinating its operational response based on existing business continuity plans, government guidelines, guidance from global health organisations and general pandemic response best practice.